



# County of Allegheny

## Office of the Controller

PITTSBURGH INTERNATIONAL AIRPORT  
REPORT ON STREET PRICING  
COMPLIANCE PROCEDURES

*(Non-Audit Service)*

December 17, 2018

**Chelsa Wagner**  
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**CHELSEA WAGNER**  
CONTROLLER

# COUNTY OF ALLEGHENY

## OFFICE OF THE CONTROLLER

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December 4, 2018

Ms. Christina A. Cassotis  
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Allegheny County Airport Authority  
Pittsburgh International Airport  
Landside Terminal, 4<sup>th</sup> Floor Mezzanine  
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**Pittsburgh International Airport**  
**Report on Street Pricing**  
**Compliance Procedures**

Dear Ms. Cassotis:

We performed certain procedures to assess AIRMALL Pittsburgh, Inc.'s (AIRMALL) compliance with the street pricing provisions contained in the Fourth Amended and Restated Master Lease, Development and Concession Agreement. AIRMALL Pittsburgh, Inc. has changed its name, and is currently referred to throughout the report as Fraport USA (Fraport). When referring to the subtenants, the term AIRMALL stores will still be utilized. Our procedures included documenting the measures utilized by Fraport to enforce street pricing within the AIRMALL, as well as testing subtenant compliance with the street pricing requirements. In addition, we also tested the Sunoco gas station's compliance with the street pricing provisions contained in its agreement with the Allegheny County Airport Authority. Our procedures were performed as a non-audit service. Therefore, this engagement is not covered by *Generally Accepted Government Auditing Standards*.

Our sample included 446 items selected from 45 stores including the Sunoco gas station. Of the 446 items, we could not find or could not test 75 of the items at the agreed upon comparable locations. Of the remaining 371 items that could be tested, we found that 293 (79%) items were in compliance and 78 (21%) items were priced higher at the AIRMALL of which 32 (9%) were identical items and 46 (12%) were similar items.



Ms. Christina A. Cassotis  
December 4, 2018  
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The results of our procedures and our recommendations are detailed in the attached report. We would like to thank the management and staff of the Airport Authority and Fraport for their courtesy and cooperation during our engagement.

Kind regards,



Chelsa Wagner  
Controller



Lori Churilla  
Assistant Deputy Controller, Auditing

cc: Honorable John DeFazio, President, County Council  
Honorable Nicholas Futules, Vice-President, County Council  
Honorable Rich Fitzgerald, County Executive, Allegheny County  
Mr. William D. McKain, County Manager, Allegheny County  
Ms. Jennifer M. Liptak, Chief of Staff, County Executive  
Ms. Mary C. Soroka, Director, Budget and Finance  
Mr. Kenneth J. Varhola, Chief of Staff, County Council  
Ms. Sarah Roka, Budget Manager, County Council  
Mr. David Minnotte, Board Chairman, Airport Authority Board  
Mr. Matt Smith, Audit Committee Chair, Airport Authority Board  
Ms. Kim Kitko, Vice-President of Business Development, Airport Authority  
Ms. Kristy Jenkins, Controller, Airport Authority  
Ms. Cathy Simoni, Vice-President, Fraport USA

## *Executive Summary*

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### **Purpose of Procedures**

The purpose of this engagement was to test Fraport's monitoring of prices charged to patrons of the Pittsburgh International Airport. We focused on compliance with the street pricing provisions of the concession agreements for the AIRMALL subtenants and the Sunoco gas station.

### **Background**

The Fourth Amended and Restated Master Lease, Development and Concession Agreement (Master Lease Agreement), between AIRMALL Pittsburgh, Inc. (AIRMALL) and the Allegheny County Airport Authority (Airport Authority), established a street pricing policy to ensure that the sales prices charged to patrons of the Pittsburgh International Airport do not exceed those of comparable businesses. AIRMALL Pittsburgh, Inc. has changed its name, and is currently referred to throughout the report as Fraport USA (Fraport). When referring to the subtenants, the term AIRMALL stores will still be utilized.

The street pricing provisions of the Master Lease Agreement require that the sales price of a good or service of the AIRMALL subtenants be equal to or less than the regular price of a good or service of the same business, franchise or trade name at the nearest agreed upon non-airport location.

### **Results in Brief**

Our procedures disclosed the following:

#### **Finding #1**

We selected 446 items from 45 AIRMALL Stores, including the Sunoco gas station, and noted the following:

- A total of 59 of the 446 (13%) items selected at the AIRMALL did not contain a price tag on or near the item, and we had to request the cost of the item from a store employee.
- Of the 371 items that could be compared:
  - 293 (79%) items were in compliance,
  - 78 (21%) items were priced higher at the AIRMALL which included:
    - 32 (9%) identical items priced higher at the AIRMALL,
    - 46 (12%) similar items priced higher at the AIRMALL.
- A total of 26 (58%) out of 45 stores tested had non-compliant items.

#### **Finding #2**

- 75 (17%) of 446 items selected for testing could not be found at the comparable locations for 26 of the 45 (58%) stores tested.
  - Nine stores had one item that could not be compared
  - 17 stores had more than one item that could not be compared, including one store in which none of the ten items could be compared

**Finding #3**

- 11 stores are repeatedly non-compliant with the Street Pricing Requirements. Each of these stores had non-compliant items in December 2017 CSE survey and at least one of the previous five annual or follow-up Price Comparison Surveys that were performed by Customer Service Consultants (CSC).

**Recommendations**

We recommend that Fraport:

**Finding #1**

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 32 identical items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 46 similar items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.
- Although not required by the contract, request that the 13 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee.

**Finding #2**

- Work with the Airport Authority and the subtenants to:
  - Determine if there are better comparable locations available for stores selling items that are not carried at the current comparable locations.
  - Consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise, or trade name due to limited availability of items in certain stores.

**Finding #3**

- Perform more frequent follow ups with stores that have proven to be continually non-compliant.
- Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations.
- Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced.

## **I. Introduction**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement (Master Lease Agreement), between AIRMALL Pittsburgh, Inc. (AIRMALL Pittsburgh) and the Allegheny County Airport Authority (Airport Authority), established a street pricing policy to ensure that the sales prices charged to patrons of the Pittsburgh International Airport do not exceed those of comparable businesses. This contract expires December 31, 2029. AIRMALL Pittsburgh, Inc. has changed its name, and is currently referred to throughout the report as Fraport USA (Fraport). When referring to the subtenants, the term AIRMALL stores will still be utilized.

The street pricing provisions of the Master Lease Agreement require that the sales price of a good or service of the AIRMALL subtenants (stores) be equal to or less than the regular price of a good or service of the same business, franchise or trade name at the nearest agreed upon non-airport location. If a good or service is not available from an entity of the same business, franchise or trade name, the price charged by the store must be within a range of the regular prices of three separate and comparable businesses. Similar street pricing provisions are included in the Sunoco gas station's lease agreement with the Airport Authority. Since the Sunoco gas station is not an AIRMALL subtenant, it is not included in the agreement with Fraport.

Fraport utilizes a local firm, Customer Service Experts, Inc. (CSE), to conduct price surveys in order to evaluate the AIRMALL subtenant compliance with the street pricing provisions of their concession agreements. The Airport Authority conducts similar periodic price checks for the Sunoco gas station to ensure compliance with its street pricing requirements.

## **II. Scope & Methodology**

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Our procedures tested Fraport's monitoring of prices charged to patrons of the Pittsburgh International Airport. We focused on compliance with the street pricing provisions of the concession agreements for the AIRMALL subtenants (stores) and the Sunoco gas station. Specifically, we:

- Gained an understanding of the procedures utilized by Fraport to monitor and enforce subtenant compliance with the street pricing requirements and examined supporting documentation maintained by Fraport.
- Compared the prices for a sample of items from the AIRMALL stores and the Sunoco gas station to the prices at agreed upon comparable locations. When applicable, the UPC code was recorded for the item. These comparisons were made from October 22, 2018 through November 8, 2018.
- Reviewed the 2017 Customer Service Experts price comparison survey and performed testing to determine if Fraport properly followed-up on the deficiencies found in the report.

We provided a draft copy of this report for comment to the Vice President, Fraport USA. The response begins on page 17.

### III. Findings and Recommendations

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#### *Finding #1*

### **26 out of 45 Stores Sampled Are Non-Compliant With Street Pricing Requirements**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and Fraport includes a Street Pricing Requirement that states “Lessee and its Subtenants shall observe Street Pricing for goods and services as defined herein. The Street Price for a good or service shall be the regular price of the good or service charged at an off-Airport, comparable location.”

There is a separate agreement between the Airport Authority and the Sunoco gas station that requires the concessionaire to observe “street pricing” for goods and services. Since the Sunoco gas station is not an AIRMALL subtenant, it is not included in the agreement with Fraport. Therefore, monitoring of the street pricing requirement is the responsibility of the Airport Authority.

We intended to select a sample of 10 items from each of the 45 stores tested, including the Sunoco gas station, for a total of 450 items. During our testing, we found that Quantum Spirits only had six items available. Therefore, our sample size was reduced by four to 446 items.

During our testing at the AIRMALL, we found that the price for 59 (13%) of the 446 items tested was not identified on or near the item, and we had to request the cost of the item from a store employee. When stores do not price items, it can give the appearance that pricing is subject to the employee’s discretion. We found unpriced items at 13 (29%) of the 45 stores tested.

Of these 446 items tested, we also noted the following:

- 75 (17%) items could not be found or tested at the agreed upon comparable locations (See Finding #2).
- Of the 371 items that could be tested:
  - 293 (79%) items were in compliance with the street pricing requirements,
  - 78 (21%) items were priced higher at the AIRMALL which consisted of:
    - 32 (9%) items priced higher at the AIRMALL than the identical item at a comparable location,
    - 46 (12%) items priced higher at the AIRMALL than a similar item at a comparable location.

The 78 non-compliant items are detailed in the charts on the following pages. These charts include the pricing at the time our testing was performed, using the full ticketed price of the item at both the AIRMALL store and comparable store location.

### III. Findings and Recommendations

#### Non-Compliant Identical Items (32 items):

Store	Item	AIRMALL Price	Street Price	Difference	% Overcharged
Auntie Anne's	Bottled water - Nestle Pure Life	\$3.00	\$2.00	\$1.00	50%
	Lemonade Iced Tea - large	\$5.00	\$4.00	\$1.00	25%
	Unsweet / Sweet Tea - small	\$3.00	\$2.00	\$1.00	50%
Black & Gold	Steeler's women's 9Twenty hat	\$25.00	\$22.00	\$3.00	14%
	Nike Dry-fit Steelers long sleeve w/ hood	\$55.00	\$50.00	\$5.00	10%
	Steeler's black and gold fuzzy dice	\$9.99	\$8.00	\$1.99	25%
Buford's Kitcken	Miller Lite - bottle 12 oz	\$5.00	\$3.98	\$1.02	26%
	Yuengling Lager - 16 oz	\$5.75	\$3.98	\$1.77	44%
	Kenwood Merlot 4 oz	\$10.00	\$6.55	\$3.45	53%
Burgh Sportz Bar	Miller Lite - bottle 12 oz	\$5.00	\$4.75	\$0.25	5%
	Yuengling Lager 16oz draft	\$5.00	\$4.00	\$1.00	25%
Dunkin Donuts – Airside	Frozen vanilla chai - small	\$3.69	\$3.45	\$0.24	7%
	Black iced tea - small	\$2.89	\$1.85	\$1.04	56%
	Bagel w/ cream cheese	\$2.48	\$2.09	\$0.39	19%
Dunkin Donuts – Landside	Bagel w/ cream cheese	\$2.48	\$2.09	\$0.39	19%
	Veggie egg white omelet and cheese	\$3.75	\$2.99	\$0.76	25%
	Frozen coffee - small	\$3.69	\$3.45	\$0.24	7%
Hudson News	Monster Energy Zero Ultra 16oz	\$3.04	\$2.99	\$0.05	2%
	Pepto Bismol 4 fl oz	\$5.99	\$4.49	\$1.50	33%
InMotion Entertainment	FitBit Charge 3	\$149.99	\$149.95	\$0.04	0%
	Apple USB Power Adapter	\$29.99	\$19.99	\$10.00	50%
McDonald's	4pc McNugget Happy meal	\$3.48	\$3.39	\$0.09	3%
Paradies Gifts	Pirates Bagtag	\$9.99	\$6.00	\$3.99	67%
Paradies News	Twizzlers Twists 7oz	\$3.99	\$2.99	\$1.00	33%
	Altoids peppermint 1.76 oz	\$3.19	\$2.99	\$0.20	7%
Sportzburg	Steeler premium 3x5 flag	\$38.00	\$37.50	\$0.50	1%
Starbucks	Teavana handcrafted tea - shaken iced tea infusions - grande	\$3.25	\$2.45	\$0.80	33%
Villa Italian Kitchen	Pan slice of pizza	\$5.49	\$5.00	\$0.49	10%
	Salad entrée	\$5.69	\$4.65	\$1.04	22%
	Medium 20 oz fountain drink	\$2.29	\$2.10	\$0.19	9%
	Aquafina 20 oz	\$2.30	\$2.20	\$0.10	5%
	Pasta entrée	\$7.09	\$5.65	\$1.44	25%

### III. Findings and Recommendations

#### Non-Compliant Similar Items (46 items):

Store	Item	AIRMALL Price	Street Price	Difference	% Overpriced
Bar Symon	Budweiser Bottle - 16oz	\$7.49	\$5.50	\$1.99	36%
	Crispy chicken wings	\$13.99	\$13.50	\$0.49	4%
Black & Gold	Penguins Lanyard w/ keychain clip	\$9.99	\$8.99	\$1.00	11%
	NHL Penguins Earrings	\$9.99	\$9.00	\$0.99	11%
	Penguins Adidas Hat	\$30.00	\$27.99	\$2.01	7%
Bottega Dei Saporì	Wheat Gigli Pasta 17.6 oz	\$12.00	\$4.90	\$7.10	145%
	Iced coffee - 16 oz	\$3.29	\$2.75	\$0.54	20%
Brugger's Bagels	Hot chocolate - medium	\$3.49	\$2.39	\$1.10	46%
Buford's Kitchen	Buffalo Chicken Wrap	\$13.00	\$10.00	\$3.00	30%
	The Burgh Mule	\$12.00	\$11.00	\$1.00	9%
Burgh Sportz Bar	The Burgh Mule	\$12.00	\$9.00	\$3.00	33%
	Yinzer Mary	\$12.50	\$10.00	\$2.50	25%
	Jacobs Creek Merlot 6 oz	\$9.00	\$8.00	\$1.00	13%
	Caesar Salad with Chicken	\$12.00	\$11.98	\$0.02	0%
	Turkey Club	\$11.00	\$10.50	\$0.50	5%
	Grilled Chicken Sandwich	\$12.00	\$11.00	\$1.00	9%
	Kenwood Merlot 6 oz	\$10.00	\$8.00	\$2.00	25%
Chai's Pittsburgh Fusion	Curry Chicken	\$7.75	\$7.59	\$0.16	2%
	Chicken with garlic sauce	\$7.75	\$7.59	\$0.16	2%
	Beef w/ vegetables	\$8.25	\$7.59	\$0.66	9%
Farm Fresh Deli	Turkey Panini	\$8.99	\$8.95	\$0.04	0%
	Soup of the day - cup	\$4.29	\$4.25	\$0.04	1%
	Dairymen's chocolate milk 1 pint	\$2.69	\$0.99	\$1.70	172%
Green Beans Coffee	Blueberry Muffin	\$3.15	\$2.85	\$0.30	11%
	Caramel Latte 16 oz	\$4.65	\$4.35	\$0.30	7%
Hudson Gifts	Steelers Tassel Cap	\$34.99	\$28.00	\$6.99	25%
	Steelers visor	\$29.99	\$25.00	\$4.99	20%
	Pittsburgh Bottle Opener magnet	\$5.99	\$4.99	\$1.00	20%
	Pittsburgh Penguins bejeweled shirt	\$54.99	\$50.00	\$4.99	10%

### III. Findings and Recommendations

Store	Item	AIRMALL Price	Street Price	Difference	% Overpriced
Hudson News	Sarris Roasted Almond Bar	\$2.95	\$2.29	\$0.66	29%
	Doritos Nacho Cheese	\$1.99	\$1.89	\$0.10	5%
InMotion Entertainment	myCharge dual fast wireless powerbank	\$89.99	\$69.99	\$20.00	29%
Martini	The Burgh Mule	\$12.50	\$10.00	\$2.50	25%
	Blue Sky Martini	\$13.00	\$12.00	\$1.00	8%
Paradies News	Tampax Pearl 8ct super	\$9.99	\$5.49	\$4.50	82%
	Dramamine 6 count 50mg (1)	\$4.99	\$4.92	\$0.07	1%
	Burt's Bees lip balm .15oz	\$4.99	\$3.19	\$1.80	56%
PGA	Nike Hat	\$32.00	\$26.00	\$6.00	23%
	Nike golf shirt	\$75.00	\$65.00	\$10.00	15%
	RZN edition hat	\$30.00	\$26.00	\$4.00	15%
Starbucks	Artic Sol Water 25fl oz (2)	\$2.99	\$2.25	\$0.74	33%
Steel Cactus	Chicken Salad	\$8.00	\$6.00	\$2.00	33%
TGI Fridays - Core	Peach Sangria 10 oz (3)	\$11.99	\$11.70	\$0.29	2%
The Strip Market	Bagel, bacon, egg & cheese breakfast sandwich	\$5.00	\$4.69	\$0.31	7%
	Croissant, sausage, egg & cheese breakfast sandwich	\$5.00	\$4.69	\$0.31	7%
	Chocolate chip scone	\$2.99	\$2.79	\$0.20	7%
(1) This item was compared to a 4 count Dramamine pack for \$3.29 at a comparable location. We extrapolated the street price at the comparable location to the price for six pills, and used the extrapolated price to calculate the difference.					
(2) This item was compared to a 23.7 fl. oz. bottle of Ethos water for \$2.25 at another Starbucks location. We extrapolated the street price at the comparable location to the price for 25 oz., and used the extrapolated price to calculate the difference.					
(3) This item was compared to a 9 fl. oz. peach sangria for \$10.49 at another TGI Fridays location. We extrapolated the street price at the comparable location to the price for 10 oz., and used the extrapolated price to calculate the difference.					

### RECOMMENDATIONS

We recommend that Fraport:

- Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 32 identical items to reflect the current comparable street price.
- Require the stores that appear to be non-compliant to provide information on the 46 similar items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location.
- Although not required by the contract, request that the 13 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee.

### III. Findings and Recommendations

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#### *Finding #2*

### **Products from 26 out of 45 Stores Sampled Could Not be Found or Tested at a Comparable Location**

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The Fourth Amended and Restated Master Lease, Development and Concession Agreement between the Airport Authority and Fraport includes a Street Pricing Requirement that states “Lessee and its Subtenants shall observe Street Pricing for goods and services as defined herein. The Street Price for a good or service shall be the regular price of the good or service charged at an off-Airport, comparable location, determined as follows.”

1. If an entity of the same business, franchise or trade name as a Subtenant operates in a non-Airport location, within a reasonable geographic radius from the Airport, the Street Price shall be the price of the good or service at the nearest agreed non-Airport location. A reasonable geographic radius shall be, the Authority of Allegheny, followed by the Counties of Beaver, Butler, Washington, and Westmoreland Counties in no particular order.
2. If an entity of the same business, franchise or trade name as a Subtenant does not operate within a reasonable geographic radius, the Street Price shall be the regular price of the good or service at the nearest agreed entity of the same business, franchise or trade name.
3. If a good or service is not available from an entity of the same business, franchise or trade name as stated above, the Street Price shall be within a range of the regular prices of three separate businesses, of comparable nature, ambiance and product and service lines, within a reasonable geographic radius as defined above.
4. If the Subtenant is a franchisee or retail outlet of an entity with a national pricing structure which is identical for all franchisees or outlets, the Street Price shall be the same.

The Agreement also states that where an identical good or service, including food, beverages, and liquor, is not available at the agreed comparable location, any difference in size or quality shall constitute a price differential.

We intended to select a sample of 10 items from each of the 45 stores tested, including the Sunoco gas station, for a total of 450 items. During our testing, we found that Quantum Spirits only had six items available. Therefore, our sample size was reduced by four to 446 items. Of these 446 items:

- 75 (17%) items from 26 stores, including the Sunoco gas station, could not be found at the agreed upon comparable locations.
  - Nine stores had one item that could not be compared
  - 17 stores had more than one item that could not be compared, including one store in which none of the ten items could be compared

### III. Findings and Recommendations

The 26 stores with products that could not be found at a comparable location are listed on below. We've separated the stores into those with exact comparable locations, and those with a range of similar comparable locations.

<b>Stores with One Exact Comparable Location</b>			
	<b>Store</b>	<b>Number of Items Without Comparables</b>	<b>Reason</b>
1	Brooks Brothers	1 out of 10 (10%)	The comparable location did not carry the same item sampled at the AIRMALL.
2	Buford's Kitchen	1 out of 10 (10%)	The comparable location does not carry the breakfast item sampled at the AIRMALL.
3	Chick-fil-A	2 out of 10 (10%)	Per discussion with the comparable location employee, comparable location does not carry breakfast items sampled at the AIRMALL. There is another Chick-fil-A 1.5 miles from the comparable which sells breakfast.
4	Creative Kidstuff	10 out of 10 (100%)	Per email from Roberta Brocken, President of Creative Kidstuff: "We do not carry any of these items in our retail stores"
5	Duty Free	4 of 10 (40%)	Auditors sampled candy, alcohol, and snacks, then sent the sample list to duty free @ NY Stewart International Airport who returned the list noting N/A for 4 items.
6	Johnston & Murphy	4 out of 10 (40%)	Auditors sampled both women and men's clothing at the AIRMALL. The comparable location does not carry women's clothing. Per discussion with the comparable location employee, they do not carry items similar to the sampled men's jacket.
7	Lids	2 out of 10 (20%)	The comparable location does not carry the same child hats or luggage carriers sampled at the AIRMALL.
8	Local Craft	4 out of 10 (40%)	The comparable location does not have a kid's menu or carry the same breakfast items.
9	McDonald's	3 out of 10 (30%)	The comparable location carries the three items at a promotional price. Per discussion with the comparable location's general manager, value of items at regular price could not be obtained.

### III. Findings and Recommendations

	Store	Number of Items Without Comparables	Reason
10	Sarris Candies	1 out of 10 (10%)	The comparable location does not carry the same item sampled at the AIRMALL. Per discussion with the manager, the item was a special order for the AIRMALL.
11	SportZburg	1 out of 10 (10%)	The comparable location sold out of the item sampled at the AIRMALL.
12	TGI Fridays - Concourse D	1 out of 10 (10%)	The 23oz Coors Light Draft sampled at TGI Fridays was on promotion at the comparable location. Per discussion with the comparable location employee, the system would not allow calculation of regular price.
13	Zoom Systems (Best Buy Kiosk)	2 out of 10 (20%)	The comparable location sold out of the items sampled at the AIRMALL.

**36 out of 130 (28%) Stores with Exact Comparable Location**

<b>Stores with One or More Similar Locations</b>			
	Store	Number of Items Without Comparables	Reason
1	Bar Symon	4 out of 10 (40%)	The comparable locations do not carry breakfast foods or similar items sampled at the AIRMALL.
2	Beauty Gallery	6 out of 10 (60%)	The comparable location does not carry the same items sampled at the AIRMALL. Per discussion with the comparable location department manager, most items sampled are retired products.
3	Bottega Dei Saporì	6 out of 10 (60%)	The comparable locations did not carry the same or similar items sampled at the AIRMALL.
4	Chai's Pittsburgh Fusion	4 out of 10 (40%)	The comparable locations did not carry the same or similar items sampled at the AIRMALL. One comparable location went out of business 9/30/18.
5	Farm Fresh Deli	1 out of 10 (10%)	The comparable locations do not carry similar food items sampled at the AIRMALL.
6	Hudson Gifts (Concourse D)	2 out of 10 (20%)	The comparable locations do not carry the same items sampled at the AIRMALL.
7	Hudson News	1 out of 10 (10%)	The comparable locations do not carry similar items sampled at the AIRMALL.

### III. Findings and Recommendations

8	InMotion Entertainment	2 out of 10 (20%)	The comparable locations do not carry the same items sampled at the AIRMALL.
9	Martini	1 out of 10 (10%)	The comparable locations do not carry a similar appetizer sampled at the AIRMALL.
10	Paradies Gifts (Concourse D)	5 of 10 (40%)	The comparable locations do not carry similar items sampled at the AIRMALL.
11	Paradies News	1 of 10 (10%)	The comparable locations do not carry the same items sampled at the AIRMALL.
12	PGA	3 out of 10 (30%)	The comparable location does not carry the same items sampled at the AIRMALL.

**36 out of 120 (30%)      Stores with Similar Comparable Locations**

<b>Sunoco Gas Station</b>			
	<b>Store</b>	<b>Number of Items Without Comparables</b>	<b>Reason</b>
1	Sunoco	3 out of 10 (30%)	The comparable location did not carry the same items sampled at the Sunoco Gas Station. Per discussion with the comparable location employee, the location is not equipped for made-to-order food and drinks.

**3 out of 10 (30%)      Sunoco Total**

Because the Street Pricing requirement in the Agreement allows for a price differential for non-identical items, it is difficult to determine the stores' compliance when identical items cannot be located at the agreed upon comparable location.

### RECOMMENDATIONS

We recommend that Fraport:

- Work with the Airport Authority and the subtenants to:
  - Determine if there are better comparable locations available for stores selling items that are not carried at the current comparable locations.
  - Consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise, or trade name due to limited availability of items in certain stores.

### III. Findings and Recommendations

#### *Finding #3*

### **11 Stores are Repeatedly Non-Compliant With Street Pricing Requirements**

Customer Service Experts, Inc. (CSE) evaluates the pricing of the AIRMALL stores each December and prepares a report containing the results referred to as a Price Comparison Survey (PCS). If a store is non-compliant in the December Survey, CSE will perform an interim PCS the following year. The Airport Authority also requests that the Controller's Office perform procedures to test the Street Pricing requirement for stores at the AIRMALL on an annual basis. Prior to December 2017, Customer Service Consultants (CSC) conducted the surveys for Fraport.

We identified all of the current stores with non-compliant items in the December 2017 CSE Survey, then reviewed the December 2016 and 2015, and the Spring 2017 and 2016 surveys to determine if any of the stores also had non-compliant items in any of those surveys. If they did, we added the store on the chart below and noted the number of non-compliant items in each of the reports, including the Controller's Office report for the applicable year. If the store was non-compliant in the December 2017 survey and any of the other four surveys, they are noted below. However, if the store has closed, they are not included in the chart.

<b>AIRMALL Store</b>	<b>Year</b>	<b>CSC/CSE December Comparison Non-Compliant Items</b>	<b>%</b>	<b>CSC/CSE Follow-Up Non- Compliant Items</b>	<b>%</b>	<b>Controller's Office Comparison Non-Compliant Items</b>	<b>%</b>
Bar Symon	2017/2018	6 of 27	22%	0 of 26	0%	2 of 6	33%
Bar Symon	2016/2017	1 of 19	5%	0 of 19	0%	1 of 10	10%
Bar Symon	2015/2016	0 of 18	0%	Not Tested		0 of 5	0%
Black & Gold	2017/2018	11 of 30	37%	1 of 30	3%	6 of 10	60%
Black & Gold	2016/2017	1 of 22	5%	3 of 18	17%	1 of 6	17%
Black & Gold	2015/2016	6 of 21	29%	3 of 14	21%	0 of 7	0%
Bottega Dei Saporì	2017/2018	9 of 30	30%	7 of 26	27%	2 of 4	50%
Bottega Dei Saporì	2016/2017	0 of 16	0%	Not Tested		Not Tested	
Bottega Dei Saporì	2015/2016	2 of 16	13%	0 of 13	0%	1 of 1	100%
Green Beans Coffee	2017/2018	2 of 22	9%	0 of 19	0%	2 of 10	20%
Green Beans Coffee	2016/2017	1 of 16	6%	13 of 28	46%	0 of 6	0%
Green Beans Coffee	2015/2016	0 of 20	0%	Not Tested		Did Not Test	

### III. Findings and Recommendations

<b>AIRMALL Store</b>	<b>Year</b>	<b>CSC/CSE December Comparison Non-Compliant Items</b>	<b>%</b>	<b>CSC/CSE Follow-Up Non- Compliant Items</b>	<b>%</b>	<b>Controller's Office Comparison Non-Compliant Items</b>	<b>%</b>
Hudson Gifts	2017/2018	6 of 30	20%	4 of 28	14%	4 of 8	50%
Hudson Gifts	2016/2017	1 of 10	10%	2 of 12	17%	0 of 1	0%
Hudson Gifts	2015/2016	4 of 8	50%	2 of 7	29%	Did Not Test	

Hudson News	2017/2018	3 of 22	14%	6 of 30	20%	4 of 9	44%
Hudson News	2016/2017	7 of 30	23%	5 of 30	17%	2 of 8	25%
Hudson News	2015/2016	16 of 30	53%	10 of 32	31%	3 of 6	50%

Martini	2017/2018	8 of 27	30%	0 of 30	0%	2 of 9	22%
Martini	2016/2017	5 of 17	29%	4 of 17	24%	5 of 9	56%
Martini	2015/2016	3 of 21	14%	0 of 21	0%	4 of 6	67%

Paradies Gifts	2017/2018	10 of 30	33%	5 of 28	18%	1 of 5	20%
Paradies Gifts	2016/2017	3 of 21	14%	4 of 17	24%	0 of 6	0%
Paradies Gifts	2015/2016	5 of 17	29%	3 of 14	21%	2 of 6	33%

Paradies News	2017/2018	7 of 24	29%	5 of 28	18%	5 of 9	56%
Paradies News	2016/2017	6 of 30	20%	4 of 28	14%	2 of 9	22%
Paradies News	2015/2016	2 of 30	7%	2 of 29	7%	2 of 6	33%

The Strip Market	2017/2018	10 of 27	37%	1 of 24	4%	3 of 10	30%
The Strip Market	2016/2017	Not Tested		9 of 28	32%	1 of 7	14%
The Strip Market	2015/2016	Not in AIRMALL					

Villa Italian Kitchen	2017/2018	1 of 23	4%	0 of 30	0%	5 of 10	50%
Villa Italian Kitchen	2016/2017	0 of 18	0%	Not Tested		Not Tested	
Villa Italian Kitchen	2015/2016	2 of 18	11%	0 of 18	0%	0 of 6	0%

### **RECOMMENDATIONS**

We recommend that Fraport:

- Perform more frequent follow ups with stores that have proven to be continually non-compliant.
- Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations.
- Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced.



December 10, 2018

Ms. Chelsa Wagner  
Allegheny County Controller  
436 Grant Street  
Courthouse, Room 104  
Pittsburgh, PA 15219

Dear Ms. Wagner:

SUBJECT: STREET PRICING COMPLIANCE REPORT  
72 STORES IN THE AIRMALL AT PITTSBURGH INTERNATIONAL AIRPORT  
45 STORES AUDITED, 446 ITEMS SAMPLED, 78 ITEMS FOUND NON-  
COMPLIANT

On behalf of Fraport Pittsburgh, developer and manager of the AIRMALL at Pittsburgh International Airport, I wish to extend my thanks to the Allegheny County Controller's Office for conducting a review of the street pricing policy in the AIRMALL ("Pittsburgh International Airport Report on Street Pricing Compliance Procedures").

At Fraport Pittsburgh, street pricing forms the bedrock of our business model. We see it as a covenant between the Airport Authority, Fraport Pittsburgh and the traveling passenger. We invented the concept of street pricing for concessions in the airport when we established the AIRMALL at Pittsburgh International Airport in 1992 and began requiring all concessionaires to sell their merchandise at "Regular Mall Prices...Guaranteed." Our innovation has enabled Pittsburgh International Airport to secure its position at the forefront of the airport concessions industry.

While "Regular Mall Prices...Guaranteed" is included in many of our collateral materials, it is more than a marketing slogan. It represents a value proposition to the traveling passenger, because they realize that they will pay no more for goods and services at the airport than they would at a comparable location. Simply stated, we believe wholeheartedly in street pricing for airport concessions, and we have created a comprehensive system of checks and balances to ensure that the passenger is being charged a fair price when they shop or dine at the Airport.

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With this in mind, we would like to respond to the recommendations on Page 4 in the report and offer further context:

**Require the stores found to be non-compliant with street pricing requirements to adjust the price of the 32 identical items to reflect the current comparable street price. Require the stores that appear to be non-compliant to provide information on the 46 similar items to support the higher price, such as size or quality, or adjust the price to reflect the current comparable location. Although not required by the contract, request that the 13 AIRMALL stores with unpriced items display the cost of the items so that it is visible by consumers without the need of assistance from a store employee:** Out of 72 stores in the AIRMALL, there were 45 stores that were sampled and 32 identical items that were found to be non-compliant. Fraport is pleased to inform you that the AIRMALL currently complies with the street pricing policy. Of the identical items found to be non-compliant, the items have been changed to the current street price or have been transferred out of the locations. On the 46 similar items, supporting documentation has been received from subtenant and shared with the Controller's office to support the correct price on the product. Fraport also requests that while conducting pricing audits, the Controller's office request "Price Inquiries" or register receipts for all items being audited. This will 100% verify all items being surveyed have the correct retail price for the audit, resulting in no misunderstanding between Fraport, the Controller's office and the tenants. While some higher end stores policies are not to visibly display price points, so they can create an interaction between the customer and selling specialist, seeking the assistance of an employee also helps to verify the prices of the items being shopped. We encourage that you seek out the assistance of employees in all stores to verify the prices are correct. Also per the Master Lease, Subtenants may have a price differential due to size or quality, which is the case with several of the tenants that are listed on the compliance audit. Their explanations are attached and should be taken into consideration. Too many times in the past, prices have been incorrectly shopped due to lack of store support verifying correct prices.



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- **Work with the Airport Authority and the subtenants to determine if there are better comparable locations available for the stores selling items that are not carried at the current comparable locations. Work with the Airport Authority and the subtenants to consider amending the contract to allow for multiple comparable locations for stores where there are other entities of the same business, franchise, or trade name due to limited availability of items in certain stores:** Fraport Pittsburgh understands the frustration of the Controller's Office in not being able to test every item that was selected to be sampled, but the uniqueness of our restaurants, news and gift stores and non-traditional retailers within the AIRMALL is one factor that makes the program award winning, and therefore, many items may not be able to be tested. While our airport retail partners specialize in buying for the traveling public, traditional retailers have a completely different target market or customers. With that in mind, Fraport supports whenever possible comparing like to like, brand to brand to get a true and accurate comparison. The Controller's Office should consider expanding its audit size to get a better sampling of the product. It was recommended by Fraport that at least 25 to 30 items would obtain a better sampling. With that said, Fraport will continue to work with the Airport Authority to see if there are better comparable locations that may be available.
- **Perform more frequent follow ups with stores that have proven to be continually non-compliant. Work with the Airport Authority to strengthen the language of the Master Lease Agreement to include penalties for stores that are continually non-compliant with the street pricing regulations. Ensure continually non-compliant stores are made aware of penalties and that these penalties are enforced.** Fraport continues to go beyond what is contractually required to ensure that the street pricing policy is understood and adhered to by all Subtenants. Sublease agreements have also not been extended to subtenants who have continually been out of compliance with the street pricing policy. Verifying Fraport Pittsburgh commitment to concessions program at Pittsburgh International Airport and it's "Regular Mall Prices...Guarantee" pricing policy.



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In summary, Fraport Pittsburgh is firmly committed to “Regular Mall Prices...Guaranteed” in the AIRMALL at Pittsburgh International Airport. We have perfected our approach in our two decades of managing and developing concessions for airports. Our subtenants understand our commitment to the model, and they know they will be held accountable. Moreover, we have formed a productive relationship with the Allegheny County Airport Authority as their concessions developer over the past 26 years.

Thank you again for your role in helping us achieve our goal of having our subtenants offer high-quality products at prices that are competitive and fair. Through your efforts, we can address the issues found in your report, making the program even more successful.

Sincerely,

A handwritten signature in blue ink, appearing to read "Cathy A. Simoni".

Cathy A. Simoni  
Vice President