

Audit at a glance

Airport Concessions Management

FEBRUARY 2022

ABOUT | The City and County of Denver owns Denver International Airport, which opened in February 1995. Before the COVID-19 pandemic, 69 million passengers traveled through the airport in 2019.

It is the third-busiest airport in the United States and the eighth-busiest in the world — making concessionaire contracts at the airport quite valuable.

The airport's concessions program includes businesses that sell food and beverages, retail shops, duty-free shops, and passenger services. The airport has more than 272,000 square feet of concessions space and more than 140 concessions locations across its main terminal and three concourses.



In the report

FINDING: Denver International Airport Allows Some Concessionaires to Bypass the Competitive Selection Process

- The airport lets some concessionaires in its Premium Value Concessions program directly negotiate new contracts without going through competitive bidding when their contracts expire. This violates a city executive order, which requires all contracts to be competitively bid, absent special circumstances.
- The airport is also not following its own concessions policy, which says that, “as a publicly owned facility, the [airport] has an obligation to build its concession program on a foundation of fairness and transparency.”
- The airport may be missing out on potential revenue by not evaluating other prospective concessionaires that might want to compete for its available concessions space.
- Furthermore, the rules of the Premium Value Concessions program are complex and difficult to comprehend, which could lead to inequitable treatment of concessionaires.
- The airport paid about \$500,000 annually for an outside vendor to manage the incentive program without any proven benefit.
- It is not in the airport’s best interest to continue the program.

FINDING: Denver International Airport Has Not Evaluated Whether It Uses the Optimal Contracting Approach for Its Overall Concessions Program

- The airport has never revisited its concessionaire contracting approach — or assessed its costs and benefits — since the airport opened over 25 years ago.
- The mix of concessionaires may impact profitability, customer service, and other goals important to the airport.
- Unless it performs a cost-benefit analysis, the airport cannot know whether it uses the most effective approach to meet its goals in contracting with concessionaires — such as maximizing revenue, making the best

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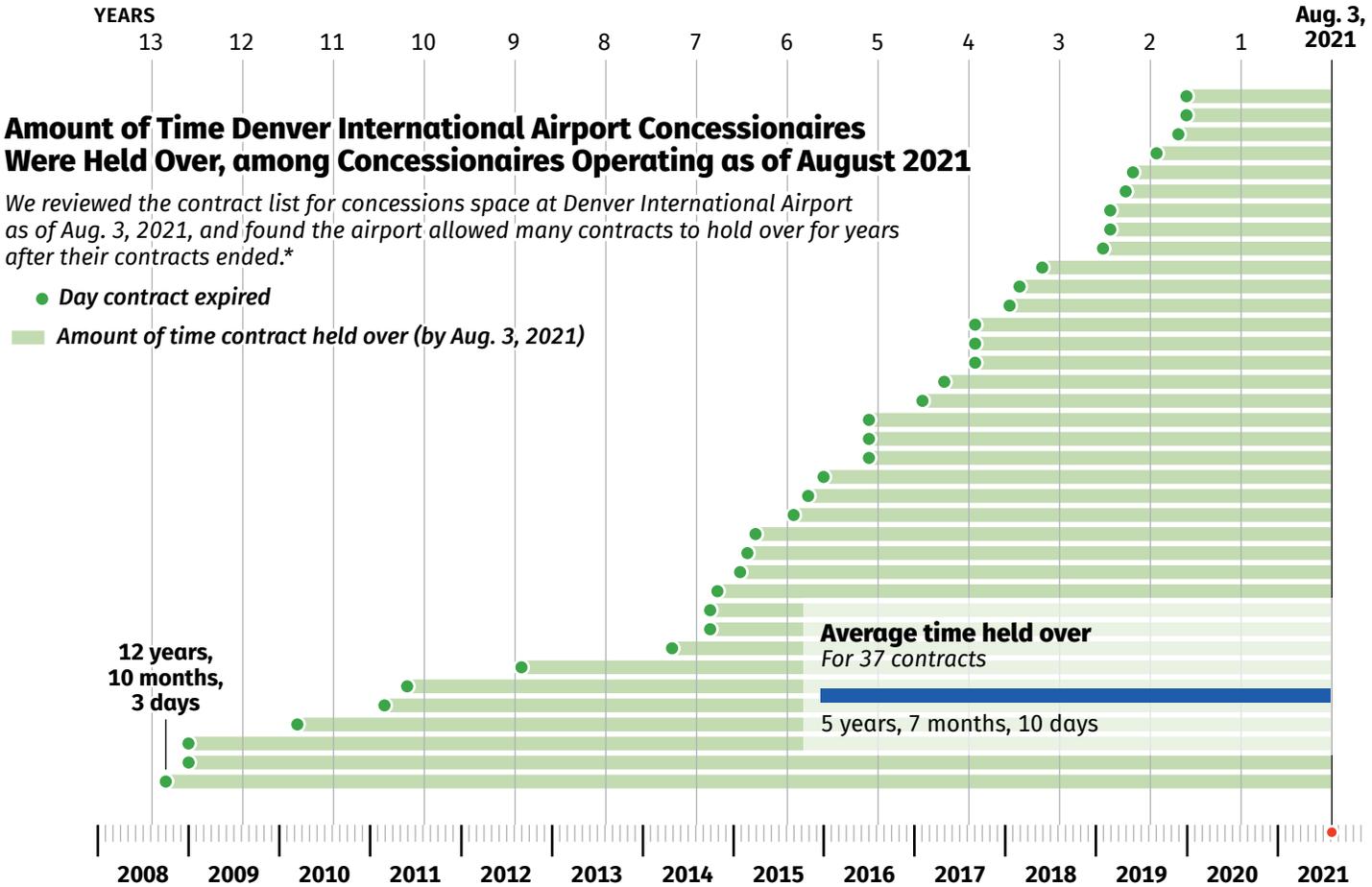
use of concessions space, or maximizing opportunities for small businesses owned by people of color and women.

FINDING: Some of Denver International Airport’s Concessions Contracting Practices Are Unfair

- The airport lets some vendors continue operating long after their concessionaire contracts expire – on average by more than five and a half years, among concessionaires operating as of early August 2021.
- A city executive order requires all city agencies to justify contracts longer than three to five years. We found the airport does this on new contracts, but it violates the executive order by allowing some preexisting contracts to exceed their terms without a

reasonable justification.

- Furthermore, the airport is not transparent with how it selects concessionaires, because staff destroy the selection panel’s individual and summary score sheets once a concessionaire’s contract is signed.
- This is not the first time our office has identified a lack of transparency at the airport. A 2014 audit of concessions management previously found the airport was destroying selection panel score sheets – showing this remains a problem for the concessions program eight years later.
- The airport risks its reputation by destroying score sheets, and because it is not being transparent, it risks both the appearance of corruption and potential lawsuits from concessionaires.



Note: *We did not analyze contracts that entered holdover status after Dec. 31, 2019, because shortly after, the airport began allowing concessionaires to automatically hold over as a result of the COVID-19 pandemic.

Source: Auditor’s Office analysis based on the contract list provided by Denver International Airport.

