

April 18, 2025

Los Angeles City Council
200 North Spring Street
Los Angeles, California 90012

Dear Honorable Councilmembers:

Subject: Council File 14-1371-S13

LAX

Van Nuys

City of Los Angeles

Karen Bass
Mayor

**Board of Airport
Commissioners**

Karim Webb
President

Matthew M. Johnson
Vice President

Vanessa Aramayo
Courtney La Bau
Victor Narro
Nicholas P. Roxborough
Valeria C. Velasco

John Ackerman
Chief Executive Officer

Los Angeles World Airports (LAWA) is pleased to submit this report in response to the approved motion on Council File 14-1731-S13, related to the proposed amendment to the Living Wage Ordinance (LWO) that would increase wages paid to many private-sector airport workers at Los Angeles International Airport (LAX). The motion requests that LAWA report on potential business assistance programs for airport concessionaires that will be impacted by the proposed amendment to the Living Wage Ordinance (LWO).

Passenger activity at LAX remains well below pre-pandemic levels, and many concessionaires are struggling today to sustain the businesses that employ those workers. As a result, even before the Living Wage amendment motion was adopted, LAWA brought a package of policy proposals to provide relief for these concessionaires and to improve the viability of their operations at LAX. These changes - approved by the Board of Airport Commissioners (BOAC) on December 12, 2024, and by the City Council on February 4, 2025 - include new Standard Operating Procedures for concessionaires and were needed to assist concessionaires' recovery.

In proposing and approving these changes, LAWA needed to find ways to work with the rules and restrictions of an airport environment and a competitive procurement model. Specifically, LAWA faces limitations in the types of relief that it can provide to its concessionaires. As all concession contracts were awarded based on a competitive proposal process, LAWA is not able to provide business relief in any form that may invalidate the determinations of the original contract award. With these limitations in mind, LAWA adopted the following measures to improve the viability of concession operators at LAX:

- Removal of pricing cap – LAWA removed the 18% above street cap on pricing on all food and beverage and retail items with the exception of water, baby products, feminine products and over the counter medications. The removal of the arbitrary 18% cap allows concessionaires to set their prices at a level that they feel will cover the cost of doing business at LAX while maintaining appropriate sales revenues.



- Modification to hours of operation – LAWA will review the hours of operations in each terminal against the flight schedules for each season and allow for adjustments to operating hours ensuring that an appropriate number of retail with grab and go, coffee, and food and beverage concessions are available at all times.
- Design and construction assistance – LAWA plans to take on the design and base building construction for all new concession spaces and hand over future spaces to concessionaires in a condition ready for the concessionaires to build out the spaces with their proprietary interior fit/finish. This will alleviate about 20-25% of the cost of construction incurred by the Concessionaire.
- Work with Building and Safety on standardized requirements for concessions – LAWA will work with Building and Safety to standardize requirements for concessions build out to enable concessionaires to better prepare for the permitting process and to help speed up the process thus reducing costs.
- Work with LAWA Badging to create a more streamlined process – this will save time and money for companies doing business at LAWA in both operations and construction of concession units.
- Improvements in LAWA requirements – LAWA will expand the hours allowed for construction, and streamline/reduce approval processes required for construction activities and access to construction sites. This will reduce the time and costs of concession build outs/remodels.
- Distressed Concessionaire Program – as part of the new Standard Operating Procedures approved by the Board of Airport Commissioners and pending approval by the City Council, LAWA has created a Distressed Concession Relief Program. This program will allow concessionaires that have experienced a direct operating loss over a 12-month period at LAX to apply for consideration of temporary assistance such as repayment plans, or other restructuring of terms as may be approved by the Board of Airport Commissioners on a case-by-case basis. Concessionaires will be required to provide proof of cost of goods, direct labor and administrative expenses, concession payments to LAWA, as well as interest payments directly related to capital investments at LAWA.

Despite these modifications the LAX concessions program is under severe financial distress, and LAWA is concerned about the long-term viability of our food and retail offerings. We already have national operators who will not enter our market due to the regulatory and statutory framework that impacts these businesses, and it is likely that additional operators will leave LAWA, reducing employment opportunities and negatively impacting customer experience. LAX is currently last among peer airports in virtually every measure of customer satisfaction, and our overall traffic levels remain more than 10 percentage points

behind 2019, while peers are 10+ points ahead of 2019. Airports are a competitive business, and Los Angeles is currently losing the fight, and this impacts our ability to be an economic engine for Los Angeles.

Thank you for the opportunity to share our team's work on concessions relief. Please reach out should you have any questions regarding this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Ackerman', with a stylized flourish at the end.

John Ackerman
Chief Executive Officer

BD:MSA:gs