[UPDATED] IIAC aims at 'normalising' DF business after lapsed tenancies

Incheon International Airport Corporation (IIAC) says it is working closely with duty free businesses to smooth existing services after Lotte Duty Frees and The Shilla Duty Free's Terminal 1 concessions expired on 28 February.

The companies were operating extended leases for four lots (*DF2*, *DF3*, *DF4*, *DF6*) after bidders stepped away from signing contracts following several tender rounds last year.

As reported, IIAC indicated to *TRBusiness* in January that the airport operator would launch a fresh bidding stage in March/April.

The new bidding is under internal discussion now, commented an IIAC spokesperson. Im not sure when its going to be open. As you know, the current situation for the new bidding is not so favourable. The conditions are not fixed yet. We are discussing changing conditions given the various circumstances and opportunities.

SHILLA'S DF2 P&C BUSINESS CLOSES

Lotte held the DF3 (L&T) lot while Shilla possessed the DF2 (beauty), DF4 (L&T) and DF6 (fashion/misc) leases. Under Korean law, leases cannot be extended for longer than six months.

In a statement issued last week, IIAC confirmed that Shinsegae Duty Free, Hyundai Duty Free and Kyung Bok Kung Duty Free will operate the DF3, DF4 and DF6 leases among them under temporary contracts after an application to expand capacity was approved by the patent examination committee of the Korea Customs Service. The total size of the expansion is 1,000sq m.

Shinsegae Duty Free took over sections of Lottes L&T and packaged food concessions and Hyundai occupied Shillas fashion & accessories business.

I think they are satisfied with the turnover but it is hard to have a significant profit because the pax is still low, commented the IIAC spokesperson.



The former DF2 beauty business, a highly prized asset at Incheon T1, has ceased operation.

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Extended licences for Lotte Duty Free and The Shilla Duty Free at Terminal 1 expired at the end of February.

However, Shilla's prized perfumes & cosmetics concession (DF2) has ceased operation.

MARCH-DECEMBER PERMIT

It is gathered that the temporary permits to operate the duty free spaces vacated by Lotte and Shilla began on 1 March and run until 31 December, although IIAC is seeking new operators to take on the tenancies.

IIAC President Kyung-wook Kim said the operator has cooperated closely with government agencies and duty free businesses to support the temporary operations, although it admitted that not all jobs could be saved.

TRBusiness is reliably informed that the transition to Shinsegae Duty Free, Hyundai Duty Free and Kyung Bok Kung Duty Free enabled 165 Lotte and Shilla personnel to continue their employment.

Kim said future objectives include expanding and revitalising non-landing flights, strengthening terms for staff employment and reviewing bidding conditions.

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We plan to quickly normalise duty free shops at Incheon Airport, such as providing a smooth duty free service, he stated.

IIAC added that it continues to support duty free operators with rent reductions, payment delays and flexible opening hours.

A rent reduction of circa KRW600 billion/\$533.5 million is expected this year.

This is an updated version of a story first published on 2 March.