

NY & NJ Port Authority Board approves retail price hikes at JFK, LGA and EWR

Commercial businesses at airports in New York and New Jersey can increase prices on products and services by as much as +10% after an existing policy was reversed.

At a virtual Board meeting held on 25 June, the Port Authority of New York and New Jersey (PANYNJ) approved a motion allowing concessionaires, including retail & F&B operators, at New York's John F. Kennedy International Airport (JFK) and LaGuardia Airports (LGA) and Newark Liberty International Airport (EWR) to set prices at up to 10% higher than the current 'street pricing' threshold.

The new rules apply to all existing and future concessionaire agreements at the airports.

Currently, airport concessionaires cannot sell goods at a higher price than those available locally outside the airports.

'VALUE-BASED OPTIONS'

The shift in pricing dovetails with previously agreed changes affecting minimum wages for airport staff.

In September 2018, the Board established new minimum wage rules for airport workers, who will be entitled to \$19 per hour by 2023 at JFK, LGA and EWR.

During the virtual meeting, PANYNJ Director of Aviation Huntley Lawrence presented the street pricing proposal in opposition to the 'strict' regulations in place and requested a modification to the arrangements.

He said: Street pricing plus 10% policy grants us two objectives: It ensures that airport customers are not overcharged but also allows the airport concessionaires a reasonable chance to thrive even as they face higher operating costs than off-airport businesses.

Addressing these concerns is critical to maintaining both the long-term viability of airport concessionaires and continued success in implementing the airport's higher minimum wages.



**Newark Liberty International Airport
Terminal 1 is undergoing redevelopment.
Source: The Port Authority of New York and
New Jersey.**

Recommendations to the Board

- That the Port Authority adopt a “street pricing plus 10%” policy in all existing and future concessionaire agreements at JFK, LGA and EWR
- That food and beverage concessionaires be required to provide “value-for-money” options as part of their offerings at JFK, LGA and EWR
- That proactive measures be implemented by the Port Authority to ensure that concessionaires comply with the revised street pricing policy

The recommendations were approved by the Board of Directors during a virtual meeting on Thursday 25 June.

Along with the ability to charge street pricing plus 10%, concessionaires would be required to offer value-based options. This approach would help to develop and maintain high quality concessions programmes and it would help to ensure that customers have access to value for money food and beverage options.

A previous public consultation on the pricing policy revealed concerns from concessionaires that it ‘unreasonably’ limits their abilities to cover labour costs, which tend to be increasingly higher than those of merchants located outside airports. The situation would also be exacerbated as minimum wage rises take effect.

A two-step plan was recommended by the Port Authority allowing airport concessionaires, effective November 2018, to reference pricing in Manhattan to justify street pricing compliance, as businesses in the area had a similar minimum wage.

The Port Authority assessed the interrelationship between the minimum wage and street pricing policies over an 18-month period with a view to developing new measures.

InterVistas Consulting Group, tasked with evaluating the impacts of a revised minimum wage policy on airport concessionaires, said the ‘street pricing plus’ policy is a standard operating procedure for virtually all of the US’s 25 busiest airports.

They also stated that the costs of running an airport business due to higher security and operating demands, plus higher per-hour labour costs make it more expensive comparable to off-airport businesses.

As a result, the company concluded that the above conditions warrant the introduction of a ‘street pricing plus 10%’ policy at the airports.