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Eastern Iowa Airport Expects to Receive Less Rental Car Revenue

By George C. Ford, Reporter



The Eastern Iowa Airport near Cedar Rapids, Iowa, aerial photo looking west with runway construction work on left side and Wright Brothers Boulevard lower right side, 6/23/2006.

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CEDAR RAPIDS, Iowa - With the decline in business travel since the economic downturn that began in 2007, The Eastern Iowa Airport expects to receive 9 percent less revenue from rental car providers over the next five years.

Don Swanson, airport director of finance and administration, told the Cedar Rapids Airport Commission on Monday that four companies submitted proposals for five-year contracts with the airport. Swanson said total minimum annual guaranteed revenue will slip from the existing \$1.4 million to \$1.3 million.

Rental car revenue is important because the city-owned airport does not receive property tax revenue, deriving its annual income from user fees, federal and state grants, state vertical infrastructure grants, concession revenue and farm income.

Swanson said a survey of other airports seeking rental car proposals found many expecting double-digit reductions in minimum annual guaranteed revenue.

"When we received the bids for our current contracts in January 2008, it was just before the economic downturn," Swanson said. "We received really good minimum annual guarantees.

"We were expecting lower minimum guarantee proposals this time because some rental car

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providers have not been able to meet their existing minimum annual guarantees for the last three or four years."

Airport Director Tim Bradshaw told the commission that the car rental business in the United States has changed dramatically in the last decade. Within the last few years, Bradshaw noted National bought Alamo, Avis merged with Budget, Thrifty hooked up with Dollar and Hertz acquired Advantage.

In 2007, Enterprise Rent-A-Car acquired the combined National/Alamo fleet, making it the largest car rental company in the nation by annual revenue (\$13.5 billion), employees (70,000) and fleet (1.2 million cars and trucks). By the end of 2010, the number of major car rental companies had declined from nine to four.

Submitting proposals to the airport were Hart Leasing Inc. of Cedar Rapids, doing business as Avis and Budget; Enterprise Rent-A-Car Company – Midwest, doing business as Enterprise Rent-A-Car; Enterprise Rent-A-Car Company – Midwest, doing business as National Car Rental and Alamo Rent A Car, and The Hertz Corp.

The first year minimum annual revenue guarantees range from \$228,435 to \$398,800. The commission will hold a March 25 public hearing on the contracts, which will take effect April 1, 2013, and expire on March 31, 2018.

Swanson said if rental car traffic picks up in later years of the contracts, the airport will receive additional revenue under the terms of the agreements. The new agreements also will add the Budget brand to those already available at the airport.

Business travel accounts for about 60 percent of the passenger traffic at The Eastern Iowa Airport and leisure accounts for the remaining 40 percent. Bradshaw said passenger traffic has increased in Cedar Rapids over the last year after no-frills air carrier AirTran pulled out of the Quad City International Airport in Moline, Ill., on Nov. 30, 2011.

Bradshaw told the commission that data for the coming months should provide a more accurate reading of additional passenger traffic over and above travelers returning to Cedar Rapids following the loss of the AirTran flights.

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