



Terminals For T-Shirts

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By: Joseph Miller

Over the weekend, the *Kansas City Star* quoted me in an article regarding concessions at Kansas City International Airport (KCI). [The article reported](#) :

Even if Kansas City builds a new terminal and begins to perform as well as peer airports in raising retail revenues, conservative policy analyst Joseph Miller calculated the airport should only expect another \$1 million or \$1.5 million per year in extra funds.

Hardly much to offset the cost of building a new facility, he said.

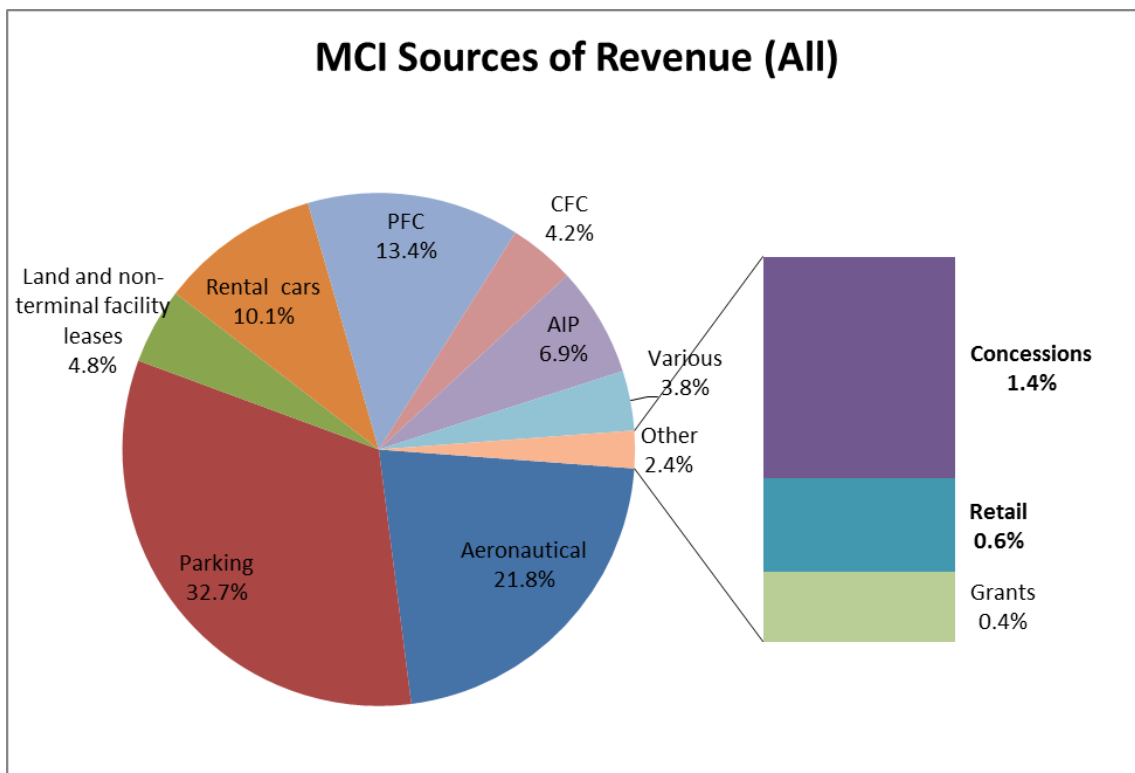
“Remember that debt service for a \$1.2 billion new terminal is likely to be close to \$70 million a year,” said Miller of the Show-Me Institute, a free-market think tank based in St. Louis. “In terms of making a new airport affordable, retail sales are not a well-thought-out argument.”

It seems that the Kansas City Aviation Department and other supporters of the proposed \$1.2 billion new terminal plan for Kansas City International Airport are still arguing [that increased retail sales](#) at the airport is a valid reason for opting for a new terminal. In reality, the amount of revenue that retail would bring to the airport is minimal and dwarfed by the cost of the new

terminal plan.

First, let's be clear about what retail we are discussing. Concessions at airports are usually defined as either [food service or retail](#) (e.g., Kansas City trinkets, Dan Brown's latest mass-produced masterpiece, luggage for people who by definition already have luggage). The *Star* states that retailers at KCI drew \$29 million in revenue last year, but only if we include food service. In fact, retail and duty-free shops usually generate less than \$7 million a year in total revenue.

But KCI does not get to keep all the revenue from those shops, only a cut. From retail, KCI only received approximately [\\$900,000 in 2013](#). Combine retail with food sales, and revenue to KCI from all concessions climbs to just less than \$3 million per year. When we remember that KCI's total operating revenue is \$104 million in 2013, we see just how miniscule the retail source of revenue is.

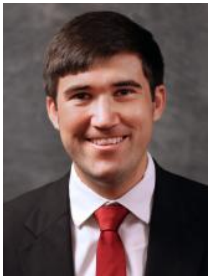


If we assume that with a new terminal KCI will perform as well in [sales/pass as other airports with new terminals](#), at best, KCI will increase retail sales by \$1.5 million and food sales by \$2.5 million. Certainly they must have a better argument to build a \$1.2 billion terminal.

Tags:

- [KCI](#)
- [MCI](#)

About the Author



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Joseph Miller was a policy analyst at the Show-Me Institute. He focused on infrastructure, transportation, and municipal issues. He grew up in Itasca, Ill., and earned an undergraduate degree from Georgetown University's School of Foreign Service and a master's degree from the University of California-San Diego's School of International Relations and Pacific Studies.

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[3] http://www.flykci.com/_FileLibrary/FileImage/KCISingleTerminalFactSheet4-3-13.pdf

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