

Honolulu, Hawaii

Feb 14 , 2012

RE: H.B. No. 2004
H.D. 1

Honorable Calvin K.Y. Say
Speaker, House of Representatives
Twenty-Sixth State Legislature
Regular Session of 2012
State of Hawaii

Sir:

Your Committee on Transportation, to which was referred H.B. No. 2004 entitled:

"A BILL FOR AN ACT RELATING TO TRANSPORTATION,"

begs leave to report as follows:

The purpose of this measure is to provide limited economic relief to airport concessionaires by providing the Department of Transportation with the authority and discretion to reach an agreement with an airport concession to extend the term of the concession and to modify and amend terms of any concession lease or contract in exchange for revenue-enhancing improvements that are made or paid for by the concession.

The Department of Transportation testified in support of this measure. The Airport Concessionaires Committee, Greeters of Hawaii, Ltd., HMSHost, and Island Shoppers, Inc., testified in support of this measure with amendments. The Office of Hawaiian Affairs testified in opposition to this measure.

Although economic conditions appear to be rebounding nationally, as well as in Hawaii, the recovery is slow and precarious. While businesses throughout the islands have experienced financial difficulties, these hardships were compounded for concessions at Hawaii's airports because of security measures put into place after the attacks of September 11, 2001. These security changes restrict access to many of the airport concessions to ticketed passengers only and therefore

HB2004 HD1 HSCR TRN HMS 2012-1800



severely restrict a concession's market share. In addition, the spiraling economy resulted in a decrease in the number of visitor arrivals, which has resulted in greater economic losses for airport concessions. Your Committee notes that as a result, the Legislature provided limited economic relief to airport concessions in the past.

Your Committee also finds that improvements at Hawaii's airports concessions have not kept pace with passenger needs and demands. A recent study by the State indicates that various areas at our public airports are lacking in concession space by as much as 40 percent. In addition, the study indicates that Hawaii's public airports are not maximizing the revenues they could be receiving from airport concession operations if additional concession spaces were provided and concession locations were also improved. These improvements reportedly would not only pay for themselves but would also generate additional revenues for Hawaii's public airports.

Responding to these needs, the Department of Transportation has begun to fast-track the addition of over 80,000 square feet of concession space at Hawaii's public airports, which will not only benefit Hawaii's public airports but also provide critical jobs and help stimulate Hawaii's economy. However, concerns have been raised that this fast-tracking of construction projects will result in hardship to existing airport concessions with inconveniences such as temporary barricades, re-routing of passengers, and temporary relocation of concession operations, among other issues. Moreover, airport concessions are currently responsible for building out their spaces and providing the fixtures and merchandise to operate their concession. The airport concessions may face additional financial hardship when asked by the Department to make and pay for improvements to these newly-added concession spaces or improved areas especially if the existing or remaining term of a concession lease, contract, or permit is too short. This measure attempts to address this issue.


Your Committee has amended this measure by clarifying that the Department of Transportation may extend, modify, alter, or amend the terms of a concession contract, as well as a concession lease or permit.

As affirmed by the record of votes of the members of your Committee on Transportation that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2004, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as H.B. No. 2004, H.D. 1, and
be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Transportation,



JOSEPH M. SOUKI, Chair



