

STAND. COM. REP. NO. 1100 -12

Honolulu, Hawaii

March 19, 2012

RE: S.B. No. 2337
S.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 S.B. No. 2337, S.D. 1, 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; Airport Concessionaires Committee; Tiare Enterprises, Inc.; Greeters of Hawaii, Ltd.; HMSHost; Island Shoppers, Inc.; ICE Currency Services; and EAN Holdings, LLC, operating Enterprise Rent-A-Car, Alamo Rent-A-Car, and National Car Rental in Hawaii testified in support of this measure. The Office of Hawaiian Affairs testified in opposition to this measure. The Airlines Committee of Hawaii provided comments.

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

SB2337 SD1 HSCR TRN HMS 2012-2851



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 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.

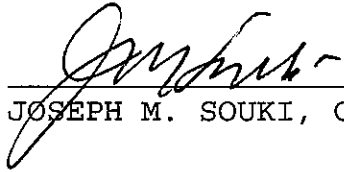
Your Committee also finds that improvements at Hawaii's airports concessions have not kept pace with passenger needs and demands. A recent study by the State indicates that various areas at our public airports are lacking in concession space by as much as 40 percent. In addition, the study indicates 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.

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 S.B. No. 2337, S.D. 1, and recommends that it pass Second Reading and be referred to the Committee on Finance.



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



JOSEPH M. SOUKI, Chair



State of Hawaii
House of Representatives
The Twenty-sixth Legislature

HSCR 1100.12

Record of Votes of the Committee on Transportation

Bill/Resolution No.: SB 2337, SD 1	Committee Referral: TRN, FIN	Date: 3/14/12		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input checked="" type="checkbox"/> Pass, unamended (as is) <input type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
TRN Members	Ayes	Ayes (WR)	Nays	Excused
1. SOUKI, Joseph M. (C)	✓			
2. ICHIYAMA, Linda (VC)	✓			
3. AQUINO, Henry J.C.	✓			
4. CULLEN, Ty	✓			
5. LEE, Marilyn B.				✓
6. LUKE, Sylvia	✓			
7. SAIKI, Scott K.				✓
8. TAKUMI, Roy M.				✓
9. YAMASHITA, Kyle T.	✓			
10. FONTAINE, George R.	✓			
11. JOHANSON, Aaron Ling	✓			
TOTAL (11)	8			3
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature: <u>Linda Ichiyama</u>				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				