



## AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Sylvia Luke, Chair  
Committee on Finance  
House of Representatives  
State of Hawaii

Hearing on February 28, 2017 at 11:00am, Room 308

Re: H.B. 997, HD1 – Relating To Concessions

Dear Chair Luke and Honorable Committee Members,

My name is Peter Fithian and I am the Legislative Chair for the Airports Concessionaires Committee whose membership consists of the major concession operators at Hawaii's public airports. Airport concessions presently and historically have contributed more than half of the operating revenues for Hawaii's airport system which as you know is special funded.

Our Committee supports this bill. It's a good bill so please keep it moving.

We firmly believe its time that Hawaii's Airport System --- like most airport systems across the United States --- award an airport concession contract by negotiation and not by the present top-dollar-bid process which does not permit any discussions or negotiations with representatives for the State.

As explained in Section 1 of the bill, simply getting paid the most money, or least money/cheapest, does not mean the State is getting the best value from a concession that the State can be proud of, best value to the State. Money paid to the State while important, should not be the controlling or most important factor with no other discussions and negotiations allowed.

As an example, it makes no sense to award the operation of an airport restaurant to the person who simply paid top-dollar and met minimum qualifications. Prior to awarding an airport-concession contract representatives of the State should be allowed to talk to help ensure the State can also be proud of: 1) quality and types of food; 2) management experience; 3) hours of operation; and 4) other services that ensure the State is getting "best value" and can be proud of the restaurant operation.

Our public airports are typically the "first and last impression" our visitors have of Hawaii. It's thus critical and important to our tourist industry and economy that such concession operations offer and provide products and services that Hawaii can be proud of. This bill will allow discussions and negotiations by State representatives that ensure such operations will make Hawaii proud, provide best value, and not result in poor operations due to decisions controlled by who paid the most money to the State.

As noted in Section 1 of the bill, Hawaii's legislature has tested the ability to the State to negotiate airport concession contracts with great results and benefits to the State. Most recently such flexibility to negotiate resulted in Hawaii for the first time in its history granting airport-concession rights that will not only generate additional revenues to the Hawaii's airport division but will also provide at Hawaii's major airports: 1) access to free wireless services at all of Hawaii's major airports; and 2) advertising/display services.

In addition to negotiations being supervised and agreements drafted by the Department of Attorney General, it is also important to note that any such negotiated agreements relating to such rights to use or access public property cannot be signed until first approved by the Department of Land and Natural Resources (DLNR) following public notice and at and following a public hearing. The DOT Airports Division will have to present and justify its requests to approve such agreement at such public hearing. Any one objecting to the negotiation process and/or results of such negotiations or having any concerns will have the right to complain and request at a public hearing that DLNR not approve any such negotiated agreement.

Thus, the current process has ample safeguards to ensure that everything is done legally and publicly disclosed and approved before any such negotiated agreement is signed.

In closing, like most airports across the United States, I urge you to pass this bill that will allow for discussions and negotiations of airport-concession agreements by State representatives before any final selection and/or decision is made.

Thank you for allowing us to testify. I'll be happy to try and answer any questions you may have.



**LATE**

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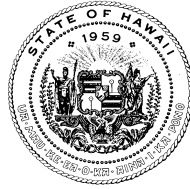
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DAVID Y. IGE  
GOVERNOR



**LATE**

**Testimony by:**  
FORD N. FUCHIGAMI  
DIRECTOR

Deputy Directors  
JADE T. BUTAY  
ROSS M. HIGASHI  
EDWIN H. SNIFFEN  
DARRELL T. YOUNG

IN REPLY REFER TO:

**STATE OF HAWAII**  
**DEPARTMENT OF TRANSPORTATION**  
869 PUNCHBOWL STREET  
HONOLULU, HAWAII 96813-5097

February 28, 2017  
11:00 a.m.  
State Capitol, Room 308

**H.B. 997, H.D. 1**  
**RELATING TO CONCESSIONS**

House Committee on Finance

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The Department of Transportation (DOT) strongly **supports** H.B. 997, H.D.1 recognizing that the highest amount of money offered for a concession contract should not be the sole or most compelling factor and basis for awarding concession contracts at Hawaii's airports.

We support the committee's measures which includes ensuring the DOT has the flexibility in granting concession contracts by negotiation in order to receive the best value of services and products offered to provide the highest customer satisfaction.

It should be noted that the majority of other airports in the United States award concession contracts by best value depending on the situation and type of concession.

The DOT's main objective relating to airport concession contracts is to provide maximum customer satisfaction and service, which should lead to increased revenues to support the DOT's Airport Modernization Program. The passage of this bill will provide the flexibility and discretion when entering into concession contracts by negotiation.

Thank you for the opportunity to provide testimony.