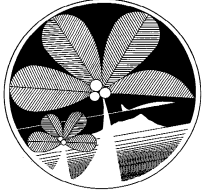


AIRLINES COMMITTEE OF HAWAII



Honolulu International Airport
300 Rodgers Blvd., #62
Honolulu, Hawaii 96819-1832
Phone (808) 838-0011
Fax (808) 838-0231

February 5, 2021

Representative Henry Aquino, Chair
Representative Greggor Ilagan, Vice Chair
Committee on Transportation

Re: HB 1094 – RELATING TO CONCESSIONS – IN OPPOSITION

Via Videoconference; 10:00 A.M.

Aloha Chair Aquino, Vice Chair Ilagan, and members of the committee:

The Airlines Committee of Hawaii (ACH), which is comprised of 19 signatory air carriers that underwrite the State of Hawaii Airports System, appreciates the opportunity to provide testimony in opposition to HB 1094, which intends to provide the Department of Transportation with additional flexibility and discretion to address substantial financial hardship situations that impact airport concession contracts.

This bill is unnecessary as the Department of Transportation already has the discretion to address substantial financial hardship situations and has, in fact, provided over \$100 million in relief to date to airport concessionaires since the start of the pandemic.

Any reduction in concessions revenue to the Department of Transportation is directly passed on to the airlines. This added financial burden to the airlines could not come at a worse time, with the airline industry reporting multi-billion dollar losses each quarter.

For these reasons, we respectfully ask the committee to hold this bill. Thank you.

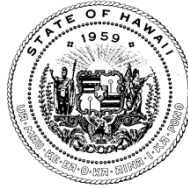
Sincerely,

Matthew Shelby
ACH Co-chair

Brendan Baker
ACH Co-chair

Mark Berg
ACH Co-chair

**ACH members are Air Canada, Air New Zealand, Alaska Airlines, All Nippon Airways/Air Japan, Aloha Air Cargo, American Airlines, China Airlines, Delta Air Lines, Federal Express, Fiji Airways, Hawaiian Airlines, Japan Airlines, Korean Air, Philippine Airlines, Qantas Airways, Southwest Airlines, United Airlines, United Parcel Service, and WestJet.*



TESTIMONY BY:

JADE T. BUTAY
DIRECTOR

Deputy Directors
LYNN A.S. ARAKI-REGAN
DEREK J. CHOW
ROSS M. HIGASHI
EDWIN H. SNIFFEN

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

February 5, 2021
10:00 AM
State Capitol, Via Videoconference

H.B. 1094
RELATING TO CONCESSIONS

House Committee on Transportation

The Department of Transportation – Airports Division (DOTA) **opposes** H.B. 1094 which seeks to provide flexibility and discretion to address substantial hardship situations that impact airport concession contracts.

We would like to emphasize that all airport concession agreements already provide the DOTA with the discretion to modify the terms of the agreement in the event of a “Sudden Event” (defined in the concession agreements as “the occurrence of an event that is sudden, extraordinary, and generates relatively immediate severe adverse economic impacts for the State of Hawaii”). Consequently, the DOTA has provided over \$100M in rent relief and continues to meet and listen to requests of its concessionaires on a frequent basis.

Normally, rent paid by the concessionaires to the DOTA is the greater of the Minimum Annual Guarantee (MAG) or a Percentage Fee of gross receipts. In response to the COVID-19 pandemic, the DOTA implemented MAG relief provisions effective April 1, 2020 and has continued the policy through February 28, 2021. Whereas, the relief terms provided by the DOTA to its airport concessions allowed the concessionaires to pay the lower of MAG or Percentage Fee of gross receipts, providing substantial relief. This relief program has also been utilized by many major US airports, with very few airports offering further relief.

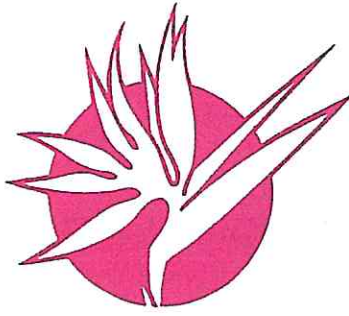
Again, the MAG relief has decreased the DOTA’s operating revenue by more than \$100 million since April 1, 2020.

While the DOTA also recognizes and understands the financial hardship also suffered by airport concession sublessees, it should be noted that the DOTAs contractual agreement is with the lessee -- not the sublessee.

The proposed bill creates broad relief trigger mechanisms which may not be directly related to the pandemic and creates undue risk and obligation to the DOTA.

The DOTA continues to understand the financial impacts to its airport concessionaires, but must be cognizant of its own financial challenges, as it endures the slow economic recovery of the pandemic.

Thank you for the opportunity to provide testimony.



AIRPORT CONCESSIONAIRES COMMITTEE

Honorable Henry Aquino
Chair, Committee on Transportation
House of Representatives
State of Hawaii

February 4, 2021

Hearing February 5, 2021 at 10am

Re: HB 1094 – Relating to Concessions

Honorable Chair Henry Aquino, Vice-Chair Gregory Hagan and Honorable Committee Representatives,

My name is Peter Fithian and I am the Chair of the Airports Concessionaires Committee that represents the majority of concessions businesses at our public airports.

We speak in support of this bill and thank you for passing a similar bill last year that failed to have a hearing in the Senate's Government Operations Committee.

Now with the Historic Covid 19 Pandemic is upon us along with constant-mutating viruses the passage of this bill is more important than ever. We look forward to your continued support.

This bill only gives the DOT the "discretion" to grant relief to airport concessions like most U.S. Airports across the United States. This bill "does not mandate" that the DOT provide any type of relief. The DOT can simply say no.

The problem with Hawaii DOT is that it does not have the "discretion" like other major U.S. Airports. Thus, when a significant hardship occurs that is unexpected and a concession asks that relief be considered the road-block answers from Hawaii DOT are we're sorry but : 1) our contacts limit us in what we can do and thus we can't consider doing all of the types of relief like other U.S. major airports can. We perhaps can only consider doing partial or nothing more due to contract language; and /or 2) Hawaii's laws limit our flexibility to grant relief and thus we cannot do what other U.S. airports are able to consider and do.

Other U.S. major airports are not faced with such "road-block" problems like Hawaii's airports when considering the pleas of concessions for relief. Other US airport contracts and laws do not block them from provide them with the flexibility to address any and all significant and unexpected hardships along with the discretion (no mandate) to provide relief to a concession.

This bill removes the ability of Hawaii DOT to provide such "road-block" type answers so Hawaii concessions. Hawaii's concessions like other U.S. airport concessions will have the right to ask Hawaii's

airports to use its discretion in granting relief due to significant hardships. Again, this bill does not mandate that any type of relief be provided.

This bill seeks to clearly state in Hawaii's laws that DOT has such discretion. This will avoid future problems and future road-block answers that 1) our contract language does not allow us to consider such relief; and/or 2) Hawaii's laws do not provide us with the discretion to consider such type of relief.

Finally it should be noted that while some airport concessions like food and beverage generate enough sales that allow them to partially open since people have to eat and drink before a long flight. Other concessions like retail don't have such demand especially given Covid restrictions with only so many people in a store allowed at a time and/or travelers having to distance themselves when browsing for merchandise. It's not the same for retail when deciding whether there will be sufficient sales to cover the added costs of sales staff and inventory when reopening. Regardless all concessions are motivated to reopen when sales will reduce the the monthly cash burn and losses being suffered until a sufficient number of travelers return. Our State's chief economist has stated that travel will not return to 2019 levels for 6 years. Many concessions only have 5 years or left on their contract and in desperate need to discuss varied forms of relief with Hawaii's DOT. If concessions breach their contract they face losing their performance bond, in default for rest of their contract obligations and required to pay, and also barred from doing business with Hawaii DOT for 5 years. Other U.S. major airports are not faced with having to impose such harsh results on their concessions like Hawaii's airports.

In closing we thank you for considering our testimony. We respectfully urge to support this bill. We'll be happy to answer any questions you may have. You may also contact our legislative liaison, Jim Stone at 223-7810 and by fax at 521-4252. Take care and stay safe. Mahalo.

LATE



Eric W. Gill, Financial Secretary-Treasurer

Gemma G. Weinstein, President

Godfrey Maeshiro, Senior Vice-President

February 4, 2021

House of Representatives
State Capitol
415 South Beretania Street
Honolulu, HI 96813

Re: Bill 1094 Relating to Airport Concessions.

Aloha Chair Aquino, Vice-Chair Ilagan and Members of the Transportation Committee:

On behalf of UNITE HERE Local 5, a local labor organization representing nearly 12,000 hotel, health care and food service workers employed throughout our State, I ask that the committee defer Bill 1094.

We represent nearly 1000 airport food service workers in and around our State airports. We are concerned that the State is giving too much to our concessionaires without any accountability. Before you pass out this bill, you need to understand what the concessionaires are doing at the airport and the impact it's having on workers. If this bill moves forward, it must include measures to protect the interests of the workers.

The State must require that its concessionaires do more to improve the working conditions and support for its workers. Despite the support concessionaires have received from the State, in the middle of a pandemic, HMSHost unilaterally cut off workers' medical coverage; then permanently laid off hundreds of workers. As travelers return, instead of opening more outlets and bringing workers back to meet the needs of visitors and others at the airport, HMSHost have been buying food and drink products from an outside vendor and selling them in coolers with no staff.

Since the reopening of tourism back in October 2020, we have seen up to half of the visitors return to our islands; however, HMSHost has only brought back around a fifth of the staff who were laid off at the start of the pandemic. If the State wants to help its constituents who depend on tourism for their livelihood, which was supposedly the reason we reopened tourism in the first place, concessionaires should not receive any more help without being held accountable. The State must require that its concessionaires do more to provide good quality jobs for our community

For these reasons and more, we ask that Bill 1094 be deferred.

Thank you

LATE

HB-1094

Submitted on: 2/4/2021 3:05:42 PM
Testimony for TRN on 2/5/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Debbi Antonelli	Individual	Oppose	No

Comments:

To the voting house of the state legislature, my name is Deborah Antonelli I am an employee of HMS HOSTS INTERNATIONAL. & a proud member of HERE LOCAL 5(I am the shop steward) March 19, 2020 all of the employees at the kahului. Maui airport were furloughed. There are approximately 179 employees. In July of 2020 they cut off our health benefits and we all had to get our own insurance we were offered cobra which we had to pay lots of money for. We all had unemployment issues and we still are having issues today. We are FIGHTING to get our jobs back at HMS, there are approximately 2300-3800 people coming through the airport in a day. When I first started at HMS in 2013 that's about how many people were coming through the airport then and they were at full staff. Some 44 people have been hired back which isn't enough. They are sub-contracting the sandwiches and getting them from foodland? Instead of hiring back some of our pantry workers. They have also put in vending machines with sandwiches and other stuff and they are getting those from foodland aswell. So, with all the money that HMS HOST has gotten and that they are expected to get from the cares act to help hire back the employees THEY ARE NOT DOING WHAT THEY SHOULD BE DOING WITH THE MONEY. We have in our contract a no sub-contracting clause. It is a legal and binding contract. We need to get our people back to work they barely have anything open at the airport for customers. There are quite a few restaurants, Burger King, Starbucks, California pizza kitchen, snack bars, frankly gourmet and others. With the funds that they have received they have only opened 1 restaurant several Starbucks, and they just opened Burger King partially. They should be opening up more venues. We need to go back to work. These workers were permanently laid off on October 15,2020. Were all struggling to get money from unemployment while our employer is getting so much money already. Please help us we need you to fight for us to get back to work. Please please vote no

LATE

HB-1094

Submitted on: 2/4/2021 6:00:15 PM

Testimony for TRN on 2/5/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lisa Grandinetti	Individual	Oppose	No

Comments:

My name is Lisa Grandinetti and I'm a proud Local 5 member. I am urging the committee to defer this bill. Throughout the pandemic, the State has constantly talked about reopening and reviving our tourism industry because our community depends on it. Since we opened back up to tourists in October, we've sacrificed the safety of our community but many still have not gotten our jobs back. What is the point of reopening tourism if it is not providing working families the livelihood we depend on? HMSHost is one of the concessionaires that are pushing for this bill and while you have supported them, they have not supported us. Working people in Hawaii are suffering and they have only contributed to that. In the middle of a pandemic, HMHost cut off hundred of workers' medical, permantly laid them off, and is now trying to reopen with less workers than ever before. Rather than bringing workers back, they are bringing in outside food and selling them at unstaffed vending machines. This is the future of tourism that corporations like the airport concessionaires want -- no jobs for us, big profits for them. If you care about your constituents, you need to make sure concessionaires including HMSHost bring back all of its workers and make sure they have good jobs before giving them any more support. If not, you are only helping them exploit us workers and our community.

LATE

HB-1094

Submitted on: 2/4/2021 7:52:15 PM

Testimony for TRN on 2/5/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lana Kita	Individual	Oppose	No

Comments:

As the concessionaires are given relief (financial or contractual) the employees must not be forgotten in all of our losses. too

LATE

HB-1094

Submitted on: 2/4/2021 10:30:03 PM

Testimony for TRN on 2/5/2021 10:00:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jasmine Balangitao	Individual	Oppose	No

Comments:

Hi, My name is Jasmine Balangitao and I oppose this bill.

Hmshost runs the food and beverage concessionaire at the airport that permanently laid off 500 workers me included. I worked for Hmshost for 13 years. Before you give them more please understand whats been going on with how they treat their workers at the airport.They cut off our medical in the middle of this Covid 19 pandemic.Then permanently laid us off in October. Hmshost is clearly taking advantage of the Covid 19 pandemic. Since the reopening of travel Hmshost has very slowly been recalling us back to work. Right now they are running skeleton crews. Work loads are heavier not enough staffing. I would seriously worry about the cleaning and sanitizing of these restaurants. This can lead to Covid 19 spread. With no replacement workers employees are put in difficult and more stressful situations. Hmshost also replaced two job classifications our pantry and cashiers by putting in vending machines. Hmshost only cares about their bottom line. Before you give them more.Think about what have they done for their workers during this pandemic. With the pandemic and economic strife the workers are at their most vulnerable. Making it easier for heartless corporations to take advantage of us workers. Mahalo, Jasmine Balangitao