



STATEMENT OF
AIRPORT RESTAURANT AND RETAIL ASSOCIATION (ARRA)
HOUSE TRANSPORTATION AND INFRASTRUCTURE HEARING ON
DRIVING EQUITY: THE U.S. DEPARTMENT OF TRANSPORTATION'S DISADVANTAGED BUSINESS
ENTERPRISE PROGRAM
SEPTEMBER 23, 2020

Mr. Chairman and Members of the Committee:

Thank you for holding this hearing today. The Airport Restaurant & Retail Association (ARRA), representing the businesses, including many small, minority and women owned Airport Concession Disadvantaged Business Enterprises (ACDBEs), that operate the retail stores and restaurants serving airports and air travelers nationwide, is seeking your support to ensure the Disadvantaged Business Enterprise (DBE) Program and the ACDBE Program continue and that the ACDBE companies survive this unprecedented air-traffic downturn due to the COVID-19 pandemic. This hearing, focusing on the DBE Program at the Department of Transportation (DOT), is well timed. While we are writing to emphasize that there is a continuing need and compelling government interest in the federal DBE and ACDBE programs and register our strong support thereof, our message today is that unless Congress acts quickly, many of these companies and these programs may not have a future. Without immediate aid, many DBEs and ACDBEs and the important benefits these programs provide our nation's airports, highway and public infrastructure will be lost. It is that simple.

The DBE program is essential to remedy discrimination and its effects on women- and minority-owned businesses while ensuring all businesses can compete for Federal transportation dollars on a level playing field.

DOT's DBE program, since its inception, has been devoted to combatting discrimination, and the continuing effects of past discrimination, in federally assisted highway, transit and airport programs and projects. ARRA fully supports the core goals and objectives of the DBE program, which are to level the playing field by providing small businesses, like the airport concessionaires within our membership, that are owned and controlled by socially and economically disadvantaged individuals, with fair and

significant opportunities to compete for federally funded transportation contracts and compete in contracting and business opportunities,

The ACDBE program has been instrumental in providing opportunities for small minority and women owned disadvantaged companies to participate in the aviation industry and the airport concessions business. Airports are very challenging environments in which to start up and operate a business. These companies face large upfront capital expenditures, high construction costs, limited access to capital, high rents and minimum annual guarantees (MAGs) that are required to operate in airport spaces, and higher operating costs due to the federally regulated safety and security requirements at airports.

Even with the DBE/ACDBE programs the barriers to entry are many and substantial. The challenge of survival has never been greater than it is now during the COVID-19 pandemic. While ACDBEs have grown under the Department of Transportation and Federal Aviation Administration's guidance and oversight, and opportunities expanded during the period of continuous growth of air travel, we now face a real threat to the ACDBE program and many small companies and individual owners/operators.

Operating within the heavily restricted airport environment, airport concessionaires are highly dependent on passenger traffic for their customers and sales. After a period of record passenger growth, within only a few months the pandemic cost airports and their concessionaires about 95% of their passengers and business. Concessionaires were forced to furlough 80-95% of their employees, close the vast majority of their stores and drastically reduce operations for those few that were able to continue operating. Unlike other restaurants and retail operators, airport concessionaires cannot conduct business with the general public outside the airport environment, and thus have not been able to sustain any business through drive-thru, delivery or carry-out sales. They are totally captive to the number of air travelers at the airport.

Unless Congress acts quickly to provide immediate aid, many of the DBE/ACDBE companies, the program itself and the important benefits these programs provide our nation's airports, highway and public infrastructure will be lost.

In talking to our members around the country and in every airport, the story is the same. Business has effectively come to a standstill and passengers won't return until people feel comfortable and safe traveling again.

Airline travel has been devastated by the COVID-19 pandemic, and the restaurant and retail airport industry has been particularly impacted. We have experienced, and continue to experience, mounting losses in jobs and revenues. Beyond air carriers and airport operators, our members, **airport concessionaires**, are the third major partner in the aviation ecosystem that serve air travelers. Airport concessionaires completely transform empty airport terminals into vibrant shopping and dining destinations that enhance the travel experience, generate **\$10B in sales annually** and employ more than **125,000 workers** in steady jobs that provide good pay and benefits and opportunities for advancement. Moreover, airport concessionaires contribute **\$2.5B in non-aeronautical revenue** to airports (approximately 10% of all airport operating revenues) under contracts and agreements that deliver services that travelers and airports need and fuel airport operations, development, bond financing, and growth.

For our members to survive, and continue to make the DOT DBE/ACDBE program vibrant and effective, we need at minimum:

- **\$3.5B in relief for airport concessionaires; and**
- **\$10B for airports in the next COVID-19 package.**

It is vital that these funds be added to any final negotiated legislation on COVID-19 relief. ARRA, together with the Airport Minority Advisory Council (AMAC), the International Association of Airport Duty Free Stores (IAADFS), the American Car Rental Association (ACRA) and the National Parking Association (NPA), along with the airport trade associations—the Airports Council International-North America (ACI-NA) and the American Association of Airport Executives (AAAE)—are united in requesting at least \$13.5B in grants to airports, with \$3.5B dedicated to support Minimum Annual Guarantee (MAG) and rent abatement for airport concessionaires at airports across the country.

In our reports (attached for the hearing record) *Facing Facts: The Survival and Revival of Shopping and Retail Concessions at Airports*, ARRA demonstrates that concessionaires cannot survive at current traffic levels and have little chance until passenger traffic returns to near pre-pandemic levels. Airport restaurant and retail concessionaires will lose an estimated \$3.4B between now and the end of 2021. In the next 18 months, they will lose 3 years of profit.

Most airline, FAA and industry projections show that it will be at least 18-36 months, and possibly five years, before the aviation industry returns to normal. Without immediate federal relief, many DBE/ACDBEs and other concessionaires will not survive. Since these companies operate in a highly restricted and federally regulated airport environment, they will live or die based on government policies, travel restrictions, airline schedules, public confidence in the health safety of air travel and other factors over which they have no control—including whether the Congress appropriates targeted relief funding.

Airport concessionaires include more than 3,500 small minority and women-owned businesses who operate under the Congressionally authorized ACDBE program, which is administered by DOT/FAA. These businesses' survival is threatened by the pandemic's disproportionate negative impact on them. Our fear is that many airport concessionaires will fail to weather this storm without significant financial assistance from the federal government and relief from airport rents and MAG payments. Air travel demand must increase substantially beyond what it is now for airport concessionaires to generate sufficient revenue, meet airport rent obligations, pay debt service and rebound as the key component of the aviation system that they were prior to the pandemic.

The CARES Act (Phase III) provided passenger air carriers with \$50B and air cargo carriers with \$8B. Airports received \$10B and air carrier associated contractors received \$3B in immediate financial aid and for future recovery. Airport concessionaires received \$0.

The \$3.5B and the additional \$10B airports and concessionaires are requesting are vital to the airport community, and we urge you to ensure that it is included in any legislation aiding the industry. These funds will help sustain airports and speed their recovery by helping them offset the drastic loss of operating revenue, meet debt service obligations and provide MAG and rent abatement to airport concessionaires. The requested \$3.5B for airport concessionaires MAG and rent abatement is the first step in assuring companies survive in the short term but like the airlines and airports, many ACDBEs and

airport restaurant and retail concessionaires will also need additional financial assistance for continuing operating expenses, debt payments, and reopening and rehiring employees to be part of the airport and aviation industry's recovery. ARRA is supportive of programs such as the Payroll Protection Program (PPP) and Main Street Lending Program (MSLP), however these programs are not designed and do not meet the needs of airport concessionaires given their unique circumstances and operating characteristics. We support improvements to these programs that are designed to enable ACDBEs and concessionaires to benefit, and other legislative and administrative initiatives to give airport concessionaires, and ACDBEs in particular, better access to federal grants and no- or low-interest loan programs, such as SBA and MSLP lending programs and other forms of financial assistance.

The requested \$13.5B for airport and airport concessions relief—necessary to help airports and concessionaires survive the months ahead—in combination with additional grants and loan programs targeted for airport concessionaires, will help ensure the continued vitality and survival of DOT's ACDBE program. ACDBE firms and concessionaires at airports across the country desperately need the support of Congress in order to assure the survival and speedy recovery of our industry and the nation's economy.

We are submitting this statement both to voice our strong support for the DBE and ACDBE programs and to urge Congress to pass financial relief and assistance specifically for airport restaurateurs and retailers and ACDBEs given the unprecedented and disastrous long-term business impact caused by the pandemic. We are also attaching for the record the statements and testimonials of individual ACDBE companies in strong support of the DBE/ACDBE program. If airport concessionaires do not receive this immediate critical relief, many will cease to exist and this critical program will disappear

For these reasons, ARRA urges Congress to SAVE OUR INDUSTRY and include financial relief and direct assistance to airport concessionaires as it works to mitigate the severe economic and public health impacts of this unprecedented pandemic.

Thank you.

ABOUT ARRA

ARRA represents the companies who operate restaurant and retail stores and shops at airports across the U.S. More than 80% of ARRA Members are ACDBEs—small minority and women-owned businesses. ARRA's mission is to work collaboratively with the airport community and the aviation industry on matters of policy decision-making, with a collective impact on restaurant and retail operators, and also to empower small, minority, women-owned, and disadvantaged businesses to participate in and contribute to the aviation industry.

Attachments

Letters and testimonial statements from ACDBE companies

ARRA Reports: Facing Facts 2: The Survival and Revival of Airport Shopping and Dining-July 2020

Facing Facts: The Survival of Airport Shopping and Dining-June 2020