



STATEMENT OF
AIRPORT RESTAURANT AND RETAIL ASSOCIATION (ARRA)
HOUSE WAYS AND MEANS COMMITTEE
SUBCOMMITTEE ON SELECT REVENUE MEASURES
HEARING ON
RESTAURANTS IN AMERICA DURING THE COVID-19 PANDEMIC
SEPTEMBER 25, 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 businesses, that operate the retail stores and restaurants serving airports and air travelers nationwide, is seeking your support and help to ensure that these companies survive. This hearing, focusing on the impacts of the COVID-19 pandemic on the restaurant industry in the United States, is well timed. ARRA writes today in support of additional relief and assistance for restaurants everywhere, including those that are located inside airports and their terminals. Federal relief should also be targeted to assist retail operators at airports, who also provide vital services to air travelers and face the same daunting challenges as restaurant businesses at airports and in our communities. Although they may not provide sit-down dining, many of these businesses offer food and beverage options for travelers on the go, such as prepared sandwiches, snacks, fruit and refreshments.

Unless Congress acts quickly, many of these companies may not have a future. Without immediate federal aid, restaurants around the country, and those that operate within airports in particular, will be unable to sustain their operations, retain and rehire employees, or meet continuing expenses and debt, to stay in business. Airport concessionaires are uniquely disadvantaged by the environment in which they operate. Since they operate within airport terminals, they are unable to serve the general public or institute 'drive-by' or pick-up and delivery services that have helped other restaurants weather the pandemic. Further, 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 that are required to operate in airport spaces, and higher operating costs due to the federally regulated safety and security requirements at airports. They are totally dependent on the historic volumes of passengers to sustain their businesses. At present, and for the foreseeable future, they cannot generate enough business no matter what state and local restrictions are lifted to allow more dining in local restaurant and business establishments. They remain suppressed by the lack of air passengers. Until air passenger traffic returns to near or at pre-pandemic levels, airport concessionaires will not be able to survive or recover, nor aid airports and local communities in their recovery. Local jobs, tax revenues and economic activity that airports and their concessionaires deliver are at stake.

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 won't return until people feel comfortable and safe to travel, and begin flying in much greater numbers. Revenues for airport restaurants/concessionaires are completely correlated with air travel levels. The harsh reality is that pre-pandemic travel levels are still a long way away, possibly years.

For airports like the Charles M. Schulz–Sonoma County Airport in Santa Rosa, CA, the Sacramento International Airport in Sacramento, CA, Eppley Airfield in Omaha, NE, and the Central Nebraska Regional Airport in Grand Island, NE, today there are countless restaurants and concessionaires. Absent aid, if trends follow national estimates, it is possible that over 60% of those locally owned, small businesses, will close permanently. You have the ability to protect these businesses until the aviation market, and the specific markets airport concessionaires serve inside airport terminals, can stabilize. It is an imperative for our members, and your constituents.

Airline travel has been devastated by the COVID-19 pandemic, and the restaurant/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, prior to the pandemic, generated **\$10B in sales annually** and employed 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** (approximately 10% of all airport operating revenues) to airports under contracts and agreements that deliver services that travelers and airports need, notably dining services, that fuel airport operations, development, bond financing, and growth.

Our first priority right now is to survive. For our members to survive in the short-term, 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 provide Minimum Annual Guarantee (MAG) and rent abatement to concessionaires at the nation's airports.

While many of our members operate much like a traditional restaurant, their operating environment is very, very different. We cannot do takeout. We cannot have spaced out seated. Our market is specific and unique. It is sort of like a field of dreams – build it and they will come – but for us, we built it and financed it, and right now, the aviation market says they will not come. That leaves us with significant investments, and virtually no customers. We cannot be creative like our outside restaurateur colleagues. Make no mistake, our outside colleagues are hurting badly too, so this is not us versus them, but we are different in the markets we serve. It is an important distinction, and leaves us both vulnerable for

different reasons. 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.

Since the start of this pandemic, two out of three restaurant employees have lost their jobs. Restaurants, on average, laid off 91% of their hourly workforce and 70% of salaried employees due to COVID-19 related closures; 50M jobs were at risk worldwide in the travel and tourism sector, which accounts for 10% of the global gross domestic product (GDP). The restaurant industry expects to lose up to \$240B by the end of 2020. **61% of operators say existing federal relief won't prevent more restaurant layoffs**, and 56% of restaurants have at least \$50,000 in new debt as a result of COVID-19. Lastly, according to the James Beard Foundation, nearly 60% of restaurants made \$1.5M or less in revenue the last fiscal year, needing \$100,000 over the third quarter to remain viable for a reopening. These numbers are indicative of the fact that this industry has been among the hardest hit.

The impact on airport concessionaires is **even worse** given the depressed air travel industry and their inability to adapt to alternative means of generating business and sales during the pandemic, such as drive-thru, delivery and carry-out.

Most airline, Federal Aviation Administration (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 airport concessionaires and other restaurants around the country will not survive. Since these companies operate in a highly restricted and federally regulated airport environment, they will live or die based on air travel numbers, which have been and will continue to be significantly impacted by government policies, travel restrictions, airline schedules, public confidence in the health and safety of air travel, and other factors over which they have no control. Whether the Congress appropriates targeted relief funding to airport concessionaires will be the determining factor in their survival.

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.

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 concessions operators. Like the airlines and airports, concessionaires 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 Paycheck Protection Program (PPP) and Main Street Lending Program (MSLP), however these programs are not designed for concessions businesses operating within airports and do not meet their needs given their unique circumstances and operating characteristics and the slow recovery of the aviation system. These companies cannot retain or rehire employees when the aviation industry and air travelers are operating at 50-70% below normal levels. We support improvements to programs that are designed to enable airport concessionaires to benefit, and other legislative and administrative initiatives to give them better access to federal grants and no- or low-interest loan programs, such as Small Business Administration (SBA) lending programs, and other forms of financial assistance. There are also a host of tax incentives that would further encourage travel and spending, and we want to further discuss those benefits with you as the Subcommittee continues to look at this critical issue.

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 of restaurants, food and beverage and retail operators and other concessions businesses that have been disproportionately impacted by the pandemic.

We are submitting this statement to urge Congress to pass financial relief and assistance specifically for airport restaurateurs and retailers given the unprecedented and long-term detrimental business impact caused by the pandemic. If airport concessionaires do not receive this critical relief, many will cease to exist.

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.

We are committed to working with the Committee on measures that will further aid our industry and the nation's recovery.

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 Airport Concessions Disadvantaged Business Enterprises (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

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