AIRPORT CONCESSION DISADVANTAGED BUSINESS ENTERPRISE (ACDBE) PROGRAM GOAL METHODOLGY

The State of Hawaii, Department of Transportation, Airports Division revised our Airport Concession Disadvantaged Business Enterprise (ACDBE) Program Plan and goal-methodology in compliance with the U.S. Department of Transportation regulations Title 49 Code of Federal Regulations (CFR) Part 23, issued March 22, 2005, and effective April 21, 2005, hereinafter referred to as the "ACDBE Regulation".

The ACDBE Regulation requires separate overall goals for: 1) Concessions, other than Car Rentals (Non Car Rental Concessions) and 2) Car Rental Concessions. The overall goals shall cover a three year period. Goals shall be reviewed annually and any significant adjustments made to the goals shall be reported to FAA prior to the next scheduled submission.

The overall goals are based on existing concession leases and demonstrable evidence of the availability of ready, willing and able ACDBEs relative to all local businesses ready, willing and able to participate in new "concession opportunities" that may occur during this goal period. The goals, as much as possible, are reflective of the level of ACDBE participation, absent the effects of discrimination. The Airports Division intends to meet the overall ACDBE goals, to the maximum extent feasible through race-neutral measures identified in our Program Plan. When race-neutral measures are not sufficient to meet our overall goal, we will utilize race-conscious measures which may include establishing specific contract goals for concessions with subcontracting opportunities.

NON CAR RENTAL CONCESSIONS

The overall goal for non car rental concessions shall be expressed as a percentage of total gross receipts. The total gross receipts for Kona International Airport during the three (3) year period of Federal Fiscal Year 2010 - 2012 for non car rental concessions are projected to be approximately $ 16.4 million. Of this $ 16.4 million, the Airports Division is proposing that 11% or $ 1,804,000 will be generated from ACDBE gross receipts. The two step process is explained below:

Step 1: Determining a Base Figure for the Overall Goal

A base figure was derived by utilizing the following data:

1. Concession Opportunities and the Gross Revenues projected during FY 2010 to FY 2012. (see Attachment 1)

2. State of Hawaii Unified Certification Program ACDBE Directory, dated September 2009. (There are only 11 certified ACDBEs listed in the Directory. Out of the 11, 9 already participate in at least one of the Concessions at a State of Hawaii system airport.)

3. Active Participant List (APT). A list of interested participants was created by looking at companies that had previously purchased bid documents or attended pre-bid meetings for various concessions let out to bid at State of Hawaii airports.

4. Number of firms in the NAICS. This is based on the number of firms listed in the Census Bureau's County Business Pattern (CBP) database for specified types of business.

5. ACDBE Availability based on the APT. This ACDBE availability was determined by dividing the number of certified ACDBEs in the Hawaii UCP by the number of firms in the Active Participant list.

6. ACDBE Availability based on the NAICS. This ACDBE availability was determined by dividing the number of certified ACDBEs in the Hawaii UCP by the number of firms listed in the NAICS.

7. Average of ACDBEs Available. This figure is the average of the ACDBE availability based on the APT and the ACDBE availability based on the NAICS.

8. Weighted Percentage of Revenue by Concession Opportunity. This percentage was derived by dividing the total gross revenues for each concession opportunity by the total gross revenue projected for all the non-rental car concessions.

9. Weighted Availability. This percentage is derived by multiplying the ACDBE availability by the Weighted Percentage of Revenue by Concession Opportunity.

Based on the factors above, the **BASE FIGURE or** total weighted availability = **16.0%.** (see Attachment 2)

Step 2: Adjusting the Base Figure

To our knowledge, there have been **no disparity studies** done for the State of Hawaii. The Hawaii DOT contracted National Economic Research Associates, Inc. (NERA) in 2008 to conduct a disparity study. We anticipate completion of the study by early 2010. The following factors, based on the available evidence to the Airports Division and the State of Hawaii, were used to adjust the above base figure:

1. Previous ACDBE accomplishments at Kona International Airport.

Federal Fiscal Year	Concession Gross Receipts w/o RAC	ACDBE Gross Receipts	Percentage
2008	$ 7,096,797.	$ 534,772.	7.50 %
2007	$ 7,035,926.	$ 571,114.	7.30 %
2006	$ 6,787,390.	$ 733,582.	10.81 %
2005	$ 4,853,093.	$ 647,974.	13.35 %
2004	$ 5,359,524.	$ 569,948.	**10.63 %**

Median ACDBE Participation Percentage = 10.63 %

2. Public Participation

   To provide for public participation in the proposed goal-setting process, the State of Hawaii, Department of Transportation shall contact ACDBEs, as well as other organizations and agencies, including local minority groups and organizations, to solicit comments on the Airport Division's proposed overall FY 2010 to FY 2012 goals.

Proposal & Analysis

The Airports Division proposes an **overall ACDBE goal of 11%** (rounded down from 11.22%) for Kona International Airport for Federal Fiscal Years 2010 to 2012, formulated with the following rationale below:

1. The base figure = 16.0%
2. Median past participation level = 10.63 %
3. The projected ACDBE participation for FFY2010 to FFY2012, based on revenue projections, is anticipated to be approximately 7.04%.
4. An average of the factors above provides us with a realistic and logical method of establishing our overall ACDBE goal. The average of these numerical indicators equates to approximately 11.22% (16.0 + 10.63 + 7.04 / 3).

Breakout of Estimated Race-Neutral and Race-Conscious Participation

Of this 11% goal, the Airports Division expects to meet the 11 % through race conscious means. The chart below clearly indicates that we have not been able to achieve our goals for the last three years. The difference between our goals and accomplishments are as follows:

Federal Fiscal Year	Goal	Actual ACDBE Participation	Difference
2008	15.00%	7.50 %	-7.50
2007	15.00%	7.30 %	-7.70
2006	15.00%	10.80 %	**-4.2**
2005	10.63%	13.35 %	2.72
2004	9.93%	10.63 %	.70

The Airports Division will utilize race-neutral means of facilitating ACDBE participation as much as possible while attempting to meet our overall ACDBE goal. The following race-neutral means to increase ACDBE participation shall be used:

1. Structuring concession activities so as to encourage and facilitate ACDBE participation;

2. Informing all certified DBEs/ACDBEs in the Hawaii UCP and various minority and women-owned business agencies of Notices to Bidders for new concession opportunities.

3. Providing assistance in overcoming limitations such as inability to obtain bonding of financing;

4. Ensuring that competitors for concession opportunities are informed during pre-bid meetings about how the Airport Division's ACDBE Program will affect the procurement process;

5. Providing technical assistance and other services;

6. Providing services to help ACDBEs, and other small businesses, improve long-term development, increase opportunities to participate in a variety of long-term development, increase opportunities to participate in various types of work, and achieve eventual self-sufficiency; and

7. Ensuring distribution of the State of Hawaii DBE directory, through print and electronic means, to the widest feasible universe of potential concessionaires and management services.

Outreach Efforts

As mentioned earlier, there are currently only 11 certified ACDBEs in the Hawaii State Directory that would most likely be able to participate in our ACDBE program. Our outreach efforts to increase the ACDBE pool have had very poor results.

In 2005, the Hawaii Department of Transportation (HDOT) requested that our concessionaires provide us with a list of all their current suppliers and vendors. From that list, over 300 surveys were mailed out to prospective companies to solicit their interest in becoming certified ACDBEs.

Based on the results of the survey, 130 applications were mailed or e-mailed to interested local and out-of-state firms. None of the firms completed or returned the applications.

In 2006, we obtained another list of suppliers from 5 prime concessionaires that we thought may be potential ACDBE candidates. Out of the 339 contacts, 26 firms were sent applications. Unfortunately, none of the firms completed or returned the applications.

In 2007, our HDOT staff met with HMS Host to come up with ideas to organize outreach workshops for potential ACDBEs . Workshops were planned for Honolulu, as well as, the islands of Maui and Hawaii. Ten firms registered for these workshops, but only one firm showed up and did not become certified.

In 2008, in anticipation of the outer island car rental concessions going out to bid, e-mails were sent to certified DBE firms and the Small Business Administration (SBA) to inform them about the bid opening, in hopes of enticing firms to submit applications to become ACDBE certified. No responses were received by HDOT.

HDOT has also conducted outreach efforts by participating in small business fairs to market the ACDBE Program and to solicit potential ACDBEs that may be able to participate in concession activities at Hawaii airports. Unfortunately, with all this effort, our ACDBE count has decreased from the 15 certified ACDBEs in 2007 to the current count of 11 ACDBEs.

CAR RENTAL CONCESSIONS

Historically, the car rental companies at Hawaii State Airports have not been able to obtain DBE participation through subleasing methods. Car Rental companies also, are allowed to obtain ACDBE participation through purchases of goods and services. However, there are no certified ACDBE firms in the Hawaii UCP, therefore car rental companies cannot attain DBE participation through purchases of goods and services at this time. Our outreach efforts, as indicated above, have failed to result in obtaining any additional ACDBEs.

In accordance with 49 CFR §23.51(f), the State of Hawaii, DOT, Airports Division respectfully requests additional time to collect data and develop an approach to setting overall goals for Car Rental Concessions. We are also hopeful that FAA will develop a nationwide approach to car rental diversity programs as discussed previously. Meanwhile, we will continue to utilize race-neutral methods to encourage ACDBE participation.

NON RENTAL CAR CONCESSIONS

Goal Period:	FY2010 (10/01/09 to 9/30/10)		FY2011 (10/01/10 to 9/30/11)		FY 2012 (10/01/11 to 9/30/12)		FY 10 - FY 12	Percentage of Est. Gross Receipts per Concession Opportunity
Business Type	Estimated Gross Receipts	Estimated DBE Gross Receipts	Estimated Gross Receipts	Estimated DBE Gross Receipts	Estimated Gross Receipts	Estimated DBE Gross Receipts	Total Estimated Gross Receipts	
Retail	$ 1,600,000	$ 240,000	$ 1,616,000	$ 242,400	$ 1,632,160	$ 244,824	$ 4,848,160	29.56%
Automobile Parking	$ 1,800,000	$ -	$ 1,818,000	$ -	$ 1,836,180	$ -	$ 5,454,180	33.25%
Luggage Cart	$ 65,000	$ -	$ 65,650	$ -	$ 66,307	$ -	$ 196,957	1.20%
Restaurant and Lounge	$ 1,700,000	$ -	$ 1,717,000	$ -	$ 1,734,170	$ -	$ 5,151,170	31.41%
Lei Stand (Tiare)	$ 140,000	$ 140,000	$ 142,800	$ 142,800	$ 145,656	$ 145,656	$ 428,456	2.61%
Lei Stand (Cho)	$ 100,000	$ -	$ 102,000	$ -	$ 104,040	$ -	$ 306,040	1.87%
Advertising	$ 3,000	$ -	$ 3,060	$ -	$ 3,121	$ -	$ 9,181	0.06%
ATM	$ 2,400	$ -	$ 2,400	$ -	$ 2,400	$ -	$ 7,200	0.04%
	5,410,400	**380,000**	**5,466,910**	**385,200**	**5,524,034**	**390,480**	**$ 16,401,344**	100.00%
	= **7.02%**		= **7.05%**		= **7.07%**			

CONCESSION OPPORTUNITY	ACDBE UCP DIRECTORY	ACTIVE PARTICIPANT LIST	NUMBER OF FIRMS IN NAICS	ACDBE AVAILABILITY BASED ON APT	ACDBE AVAILABILITY BASED ON NAICS	AVERAGE OF ACDBES AVAILABLE	WEIGHTED PERCENTAGE OF REVENUES BY CONCESSION OPPORTUNITY	WEIGHTED AVAILABILITY
Retail	2	4	359	50.00%	0.56%	25.28%	*29.56%*	7.47%
Automobile Parking	0	1	182	0.00%	0.00%	0.00%	33.25%	0.00%
Luggage Cart	0	1	na	0.00%	0.00%	0.00%	1.20%	0.00%
Restaurant and Lounge	3	6	1154	50.00%	0.26%	25.13%	31.41%	7.89%
Lei Stands	3	12	94	25.00%	3.19%	14.10%	4.48%	0.63%
Advertising	0	1	4	0.00%	0.00%	0.00%	0.06%	0.00%
ATMs	0	1	na	0.00%	0.00%	0.00%	0.04%	0.00%
					BASE FIGURE / TOTAL WEIGHTED AVAILABILITY =			**16.00%**