

RESPONSES TO QUESTIONS

ON THE REQUEST FOR PROPOSALS
FOR A
DISPLAY ADVERTISING CONCESSION

AT

HONOLULU INTERNATIONAL AIRPORT
AND THE FOUR MAJOR
NEIGHBOR ISLAND AIRPORTS

FINAL QUESTIONS AND RESPONSES

**FOR THE REQUEST FOR PROPOSALS FOR THE
DISPLAY ADVERTISING CONCESSION
AT HONOLULU INTERNATIONAL AIRPORT
AND THE FOUR MAJOR NEIGHBOR ISLAND AIRPORTS**

1. Does the State of Hawai‘i, Department of Transportation, Airports Division have a preference on how the entity should be referred to – “State”, “DOT” or “DOTA”?

Response: *As the opening sentence of the Request for Proposals states the following, “The State of Hawai‘i, Department of Transportation, Airports Division (“DOT” or “STATE”)... , you may use either DOT or STATE.*

2. Please clarify what day questions or proposed changes to the form of Concession Agreement should be submitted? There are conflicting dates in the RFP - December 11, 2015 and March 4, 2016. It is our understanding that should we be selected to participate in the Proposal Package process, we would be allowed to ask additional questions. Please confirm.

If questions on the Concession Agreement were to be submitted by December 11, 2015, would the State of Hawai‘i, Department of Transportation, Airports Division please allow one additional week (December 18, 2015) to submit any questions because of the confusion or do we have more time up to March 4, 2016 to submit questions, ask for clarifications and/or propose changes to the Concession Documents?

Response: *The schedule on Page IP-19 shows the following:*

Deadline for written questions concerning the HNL Advertising Concession Documents & Proposal Intent Package4:30 p.m. HST December 11, 2015

Deadline for submitting questions on the Advertising HNL Advertising Concession Documents prior to Pre-Proposal Meeting.....4:30 p.m. HST February 5, 2016

Deadline for submittal of final questions concerning proposals, these Instructions to Proposers, and the Concession Agreement4:30 p.m. HST March 4, 2016

3. It is our understanding we may submit more questions, requests for clarification and/or proposed changes to concession documents later on March 4, 2016 following the pre-proposal meeting and site visit of airports. Is this correct?

Response: *Only Invited Prospective Proposers will be allowed to submit questions following the Pre-Proposal Conference and Site Visit of Airports.*

4. Would the State of Hawai‘i, Department of Transportation, Airports Division please provide a word version of the required proposal forms?

Response: *The STATE will not provide a word version of the required proposal forms.*

5. In regards to Section 9.D.2. of Appendix A – Attachment 1, our financial statements are voluminous, would it be acceptable to submit the required reports in an electronic format only instead of providing 400 pages of financial statements?

Response: *The STATE will accept electronic formats documents to comply with Section 9.D.2. of Appendix A – Attachment 1, but it is the proposer(s) sole responsibility to meet the established deadline for the submission and establish documentation as proof of receipt.*

6. On page IP-12, please clarify how proposals should be submitted. It reads “each and every Proposal Package must be received by the State in a sealed envelope properly marked on the outside as follows”. Do all the proposals have to be individually sealed in an envelope or can they all be contained in one sealed box with the electronic copy?

Response: *Proposal Packages must be sent separately and individually sealed in an envelope to HDOT-A as per IP-12 for either DOT-A-15-0021 and/or DOT-A-15-0022. In addition and in accordance with Instructions to Proposers, Number 11 Rejection of Proposals, Section c (IP-8) - “If more than one (1) Proposal is received from an individual, corporation, limited liability Company, partnership, joint venture, or any other legal entity under the same or different names and more than one (1) Proposal remains in the STATE’s possession at proposal openings;”, will be grounds for rejection.*

7. On Appendix A – Attachment 1, please clarify what the difference is between 9.B. and 10.B. Does the State of Hawai‘i, Department of Transportation, Airports Division intend for these to be a different set of references or is it a duplication?

Response: *Appendix A – Attachment 1, Section 9.B. provides the potential proposer the opportunity to detail its activities in advertising at airports. Section 10.B. requires reference letters be provided.*

8. Given the number of airports, will the State of Hawai‘i, Department of Transportation, Airports Division allow a successful proposer the ability to phase in the airport advertising programs at the four neighboring airports on a staggered installation schedule?

Response: *Proposers should include their implementation schedules as part of their proposals.*

9. Would the State of Hawai‘i, Department of Transportation, Airports Division please eliminate the prohibited advertisement of liquor in the concession agreement based on the State allowing alcohol/liquor sales at the present Airport Concessions including the Duty Free Concession?

Response: *The STATE will not eliminate the prohibited advertisement of liquor in the concession agreement.*

10. Will the selected proposer be allowed to utilize the Wi-Fi system in the Airport to promote its advertising on displays approved by the Airport? As an example and without limitation, an advertising display may offer viewers the opportunity to download a bar or Q code or website-wireless being offered by the display? If yes or no, please explain.

Response: *As the WiFi is a separate concession, the STATE will not require cooperation between the two, neither will it prohibit such cooperation. If the two concessions are able to reach an agreement, any revenues generated should be reported as part of the appropriate concession(s).*

11. We all want a trouble free and smooth evaluation and decision-making process in making the award of the contract, below is a rough summary of the process with questions seeking to help us and others better understand the process. We would appreciate it if you would please provide information and respond to the questions.

a. Process for Screening Proposal Intent/Qualification Packages To Determine Who To Invite To Submit Proposal Packages:

DOT will select based on “reasonably likely” to be selected for contract award

Evaluated by Selection Committee based on “financial ability, experience and competency”

Meeting minimum qualifications does not guarantee that any proposer will be invited to submit a Proposal Package

Evaluation Committee may at its discretion require proposers to submit clarifications of information, etc.

Evaluation Committee will resolve questions or issues related to the Proposal Package

Not invited to submit Proposal Package if STATE, of opinion is “not fully qualified to fully perform and complete terms of the Concession Agreement” (NP-3) Proposal Intent Package will be evaluated by an Evaluation Committee made up of senior DOT Officials

Evaluation Committee will invite proposal packages from proposers who demonstrate they have “requisite competence and experience” to fulfill all Concession Agreement requirements throughout the concession term

- i. Are the DOT, State and Evaluation Committee one and the same? Can you summarize the criteria being used in this above Screening Proposal and by whom as the decision maker? Is it understood the decisions are being made in the decision-maker's sole discretion?**

Response: *The Evaluation Committee, while made up of DOT employees, is not the same as the DOT or the STATE. The Evaluation Committee will consider all information provided by the proposers prior to making its recommendation to the Director of Transportation. The Director of Transportation may accept or not accept the recommendation.*

- b. Determination of Final Two Invited Proposers from among Proposal Packages Received:**

DOT shall Select Two Invited Proposers based on “most advantageous” to the STATE

STATE will negotiate with at least 2 Invited Proposers whose proposals best meet the STATE objectives as described in this IP

Evaluation Committee will evaluate Proposal Packages and determine the two Proposers that in the opinion of the Evaluation Committee are the most qualified (Invited Proposers)

- i. Are the DOT, State and Evaluation Committee one and the same? Can you summarize the criteria being used in this determination process and by whom as the decision maker? Is it understood the decisions are being made in the decision-maker's sole discretion?**

Response: *The Evaluation Committee, while made up of DOT employees, is not the same as the DOT or the STATE. The Evaluation Committee will consider all information provided by the proposers prior to making its recommendation to the Director of Transportation. The Director of Transportation may accept or not accept the recommendation.*

- c. Determine Award of Contract to Just One of Two Invited Proposers:**

Negotiate with STATE to determine which in the sole opinion of the STATE is the best qualified to operate the Concession and enter into the Concession Agreement

Following negotiations with the 2 invited proposers, the Evaluation Committee shall forward its decision to the Director of the Transportation

If awarded proposer fails to enter into Concession Agreement or furnish satisfactory security, the STATE may, in its sole discretion, award the Concession Agreement to the responsible proposer offering the next best value, quality and deliverables to the STATE

- i. **Are the DOT, State, Evaluation Committee and Director, one and the same? Is the criteria for such determination best value, quality and deliverables to the State and if not can you summarize the criteria being used in this determination process and by whom as the decision maker? Is it understood the decisions are being made in the decision-maker's sole discretion?**

Response: *The Evaluation Committee, while made up of DOT employees, is not the same as the DOT or the STATE. The Evaluation Committee will consider all information provided by the proposers prior to making its recommendation to the Director of Transportation. The Director of Transportation may accept or not accept the recommendation.*

12. Page IP-8 Space Rent. Please indicate where the space rental rates can be found in the documents provided.

Response: *The space rental rates, since they are subject to periodic adjustment, are not included in the document. The space rental rates applying to this concession may be found in the State of Hawaii, Department of Transportation, Airports Division Procedures 4.5 Rates and Charges. The appropriate rate for display advertising is terminal floor space (which will also apply to wall and overheard space).*

13. Page IP-14 Tourism Information Racks. Please indicate how the Tourism Information Racks are currently managed, and what rates are charged for these services.

Response: *The STATE currently operates the Tourism Information Racks (TIR) through its VIP Section. The operation includes acceptance of printed material, storage of such material, and restocking the TIR on a regular basis. The STATE currently does not charge for the service or the use of the TIR.*

14. Page IP-19 Execution of the final Concession Agreement. Please confirm the intended date for the Execution of the final Concession Agreement, as the one indicated seems to be inconsistent with the process otherwise described.

Response: *The date for execution by the Concessionaire should be June 23, 2016.*

15. Page IP-42 Percentage Fee. Please explain the percentage fee annual adjustment mechanism.

Response: *Pursuant to Article VI. (Concession Fee), there is an annual adjustment of the Minimum Annual Guaranteed Fee (MAG) rather than an adjustment of the percentage fee. The adjustment of the MAG will be done as outlined in Article VI.A. (Amounts) of the Concession Agreement.*

Appendix C – Concession Agreement Questions

16. Page C-2, Article I.C. (ACDBE). Please confirm that this Concession is not subject to ACDBE participation.

Response: *The Display Advertising Concession for Honolulu International Airport does not have an ACDBE participation goal, nor a requirement for ACDBE participation.*

17. Page C-8, Article III.D.2. (No Specific Space Guaranteed). Please consider adjusting the MAG in case the amount of space made available to Concessionaire is reduced by more than 5% in space of the STATE's best efforts to provide the Concessionaire with substantially equivalent substitute space.

Response: *As the proposed MAG is completely a creation of the Concessionaire and its expectations for selling of advertising and the prices it will charge, and recognizing there is a provision for additional space beyond the initial space, the STATE does not believe such an adjustment is necessary. Further, in subsequent years of the Concession, the MAG adjusts to 85% of the Concessionaire's total payment to the STATE in the prior year.*

18. Page C-9 Article IV.A. (Seven-Year Term). In order to allow for a larger amount of capital investment to pay for a state-of-the-art advertising program including a significant amount of digital signage, please consider increasing the term to 10 years.

Also, because this is the first time that advertising will be allowed at HNL, the ability to generate revenue will not begin until the display plan has been agreed between the Concessionaire and the STATE and implemented. Therefore, please consider beginning the Term upon completion of the installation of the agreed-to display plan, or six months after that plan has been fully approved, whichever is earlier. The MAG payment obligation should also start at that time, as the Concessionaire will not be in a position to generate material revenues prior to that.

Response: *The STATE does not see the necessity of providing a ten-year-term. As there are already locations at HNL that are being used for advertising, as well as other locations and media that are not now being used for advertising, but could be, the STATE expects the successful proposer to be selling and displaying advertising as soon as the Concession Agreement takes effect.*

19. Page C-10 Article IV.B.3.a. (Month-to-Month Tenancy). Please consider removing the MAG payment obligation during a month-to-month holdover tenancy. Advertising is sold several months in advance, and monthly revenues tend to vary materially from month-to-month over the course of a year. A month-to-month tenancy makes it very difficult to sell advertising much in advance or for long-term campaigns. Depending on duration, which is by nature unpredictable, it also could result in the payment of a Minimum Monthly Guarantee that does not allow for the compensation of low-revenue months by higher revenue months.

Response: *The Holdover Provision is implemented to allow the concession to continue while the process of issuing/awarding a new concession agreement is completed. It is not intended to allow long-term agreements. The STATE will not make the requested change, but in the event the holdover provision is implemented, the STATE will implement it for a one-year term.*

20. Page C-15, Article VI.B. (Space Rents). Please specify how the square footage of the Concession Premises will be calculated for the various types of Displays listed on Page C-3.

Response: *The Concession Premises will include the square footage of each of the displays. Depending on the type of display, that could be mean square footage of wall space, floor space, square footage of a display device (if the advertising fills the entire displays or if only a portion of the display device is used for advertising, the square footage of the display area used for advertising).*

21. Page C-16, Article VI.C. (Gross Revenue). Advertising and Sponsorship programs often involve production and activation costs that are typically borne by the Sponsor but may in some instances be managed and initially paid for by the Concessionaire and reimbursed at cost to the Concessionaire by the Sponsor. In such instances, these costs should be considered as “pass-through costs” and be excluded from the Gross Receipts that are used as the base for the calculation of Percentage Rent. Additionally, standard advertising commission up to fifteen percent (15%) actually paid are typically excluded from the definition of Gross Revenues.

Response: *The STATE finds no question to answer.*

22. Page C-17, Article VI.E.4.b. (Annual Report Deadline). Please consider extending the Annual Report Deadline from the 60th day following the end of each agreement year to the 90th day.

Response: *The STATE will agree to requested adjustment to Annual Report Deadline.*

23. Page C-18, Article VI.E.4.g. (Estimate of Gross Receipts). Please clarify this provision which we do not understand properly, and the reference to the Minimum Monthly Guaranteed Fee, which is not a defined term.

Response: *In the event that a month-to-month holdover is implemented, then the Minimum Concession Fee is calculated as a monthly amount and is referenced as a Minimum Monthly Guaranteed Fee.*

24. Page C-29, Article VII.D. (Relocation). Please provide that the new locations where Advertising Displays will be located in these areas shall be mutually agreed between the STATE and the Concessionaire.

Response: *While the STATE is willing to consult with Concessionaire, given operational, security and other concerns, the final decision shall remain with the STATE.*

25. Regarding the Minimum Qualifications:

- a. Why would the proposer need to have successfully operated an advertising concession at least (3) years US Commercial Service Airport for four of the past five years.

We feel that the language for the minimum qualification should not have to be at an airport, but the proposer should have run a successful advertising business for at least four of the past five years.

Response: *The Advertising Concession is for commercial services at the Neighbor Island Airports located in the State of Hawaii, and commercial service airports in the United States are for aeronautical activities to be in compliance with Federal, State and local statutes, rules and regulations, which are constantly changing based on security, safety, health, and emergencies situations. Therefore, based on the uniqueness of U.S. commercial airports and aeronautical activities and their compliance with Federal, State, and local statutes, rules, and regulations, the minimum qualification: "Have successfully operated an advertising concession at least three (3) U.S. commercial service airports for four of the past 5 years", serve as a method to evaluate all prospective proposers to ensure that they possess up to date knowledge and have the experience in operating advertising concessions at U.S. commercial service airports. NOTE: If a proposer is a joint venture, at least one joint venture partner representing a majority interest in the joint venture must meet the minimum qualifications.*

26. Does the contract space include the area and walls in the parking lot?

Response: *Prospective proposers may propose to include advertising in areas and walls of our parking structures and lots.*

27. How many total publication racks are at each of the neighbor island airports and how many total magazine and brochure pockets are currently at each airport?

Response: *See Attachment #2, on pages IP-26, IP-27 and IP-28 for a list of publication racks at each airport. Invited proposers will have an opportunity to conduct an on-site tour of the neighbor island airports to determine the total number of magazine and brochure pockets at each airport.*

28. How many total publication racks are at the Honolulu International Airport and how many total magazine and brochure pockets are currently at the airport?

Response: *See Attachment #2, on pages IP-24 and IP-25 for a list of publication racks at the Honolulu International Airport. Invited proposers will have an opportunity to conduct an on-site tour of the neighbor island airports to determine the total number of magazine and brochure pockets at the Honolulu International Airport.*