

On-Demand Airport-Based Shuttle Bus Concession

at Kahului Airport

Pre-Bid Questions and the State's Written Responses

February 25, 2013

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1. The Intent to Bid requires:

Gross receipts. Gross receipts for said business(es) for each of the past five (5) years. If said business has not operated for the past five (5) years, provide the gross receipts for the years it has been operating. If the bidder has owned another business within the last five years and is using that experience to meet the minimum qualification criteria, please provide gross receipts for that business. For each of the qualifying years for said business(es), each bidder must attach evidence of such gross receipts by way of the Audited Statement of Revenues of the bidder named in this Qualification Questionnaire prepared by a licensed independent certified public accountant (except unaudited Statement of Revenues may be submitted for the bidder's current operating year) for each of the qualifying years for said business(es).

Statement - This is inconsistent with the financial statement requirements which recognize that requiring an audit for a company not otherwise required to have on is an undue hardship and allows submission of tax return instead. Our CPA's estimate the cost to us to be \$5,000 per year to provide Audited Statements of Revenues which would mean the total cost for five years would be \$25,000 or 50% of the first year MAG. It would be an undue hardship for us to have to obtain five years of audited gross receipts when our report revenue to the PUC is far in excess of \$1 million per year. Our signed and filed income tax returns also show revenue far in excess of the \$1 million qualifying amount and we are not required to have this audit for any other purpose. Likewise, if we are not the winning bidder, the cost to qualify is \$25,000 which I hope the DOTA understands is a waste of a substantial amount of money.

Question A: Will the DOTA accept signed federal income tax return from a bidder in lieu of Audited Statements of Revenues as proof the bidder qualifies?

*Answer: The State does not believe that the requirement to submit audited gross receipts found in Section 8.B. of the qualification Questionnaire conflicts with Section 8.C.(3). Section 8.C.(3) allows certain small businesses to substitute complete, signed, U.S. Federal Tax Returns with all supporting worksheets and a statement signed by the bidder stipulating that provisions of audited financial statements would be a financial hardship that would adversely impact the bidder's capability to bid for the concession in lieu of a complete set of the entire Audited Financial Statements (Independent Auditor's Report, Balance sheet, Statement of Revenues, Expenses and Changes to Retained Earnings, Statement of Cash Flows, Notes to the Financial Statements and all Supplementary Information). Given the complexity and amount of information to be reviewed for the provision of Audit Financial Statements this cost is substantially more than that required for provision of an Audited Statement of Revenues.*

*The State does not believe the requirement for the Audited Statement of Revenues rises to the level of “financial hardship that would adversely impact the bidder’s capability to bid for the concession” and will not waive the requirement.*

Question B: If the bidder is a current DOTA concessionaire and reports annual revenue in excess of \$1 million, will the DOTA accept those reports as evidence of revenues in excess of \$1 million per year?

*Answer: The State is willing to accept the information in any form, provided that the information submitted meets the requirement, as stated, i.e., that “...each bidder must attach evidence of such gross receipts by way of the Audited Statement of Revenues of the bidder named in this Qualification Questionnaire prepared by a licensed independent certified public accountant (except unaudited Statement of Revenues may be submitted for the bidder's current operating year) for each of the qualifying years for said business(es).*

2. The RFP seems to indicate that the sole basis for determining the winning bid is the first year MAG. As long as the bidder is otherwise qualified.

Question: Does this mean there is no qualitative evaluation of any proposal?

*Answer: This concession is being offered in the same manner as was the existing OGG on-demand shuttle bus concession. The entity that submits the highest bid for the first year term of the concession and meets all other requirements will be awarded the concession.*

3. The Concession Agreement requires the annual report “an **audited report** (emphasis added) containing an opinion, prepared and attested to by an independent certified public accounting firm. The audited report shall include Concessionaire’s and if applicable, Subtenants’: (1) separate monthly Gross Revenue and Percentage Fees paid to the STATE under this Agreement, (2) passenger counts and passenger destinations. The report shall be prepared in accordance with Generally Accepted Auditing Standards. There shall be no changes or deviations to this report requirement hereunder unless a written request is submitted and the Concessionaire obtains a prior written approval by the STATE.

Question: This is a new requirement for a Concession Agreement. Since the state has the right to audit would the state consider reducing this requirement to a review because of the high cost to provide an audit?

*Answer: The State will not make the suggested change as it believes the language in the bid documents better serves the State’s interest than the language in the current concession agreement.*

4. Prearranged Shuttle Bus Service. At such time as a customer contacts the Concessionaire to make arrangements for prearranged shuttle bus service, the Concessionaire shall direct the customer to the premises for service. The Concessionaire shall not meet or greet its customers, whether prearranged or on-demand, at locations in the Airport other than the Premises.

Statement. It is not practical for the concessionaire to have different rules for greeting prearranged guests than apply to other operators. In practice, this rule would lower the service standards of the Concessionaire and create marketing and sales advantage for non-Concessionaires. Prearranged customers expect to be greeted inside and/or outside the secure area and if applicable to be Lei greeted.

Question. Will the DOTA change this rule to permit the Concessionaire to greet prearranged customers no differently than non-Concessionaires to not create an unfair and less quality customer arrival experience?

*Answer: This concession only provides the right to offer on-demand shuttle bus services. Consequently, the concessionaire should not be greeting passengers (with or without a lei) outside of the premises. Page C-29 has been revised accordingly and attached as part of Addendum No. 1 to the Concession Agreement Documents.*

5. Control Movement. The Concessionaire shall at all times supervise, manage, and control the movement, circulation and routing of all of Concessionaire's shuttle buses while such vehicles are operating on Airport roadways to ensure the proper timing and arrival of shuttle buses at the shuttle bus stand to meet customer demand.

Question – Where is the shuttle bus stand located for on-demand arrivals?

*Answer: The current on-demand shuttle bus pick up location is at the curb outside of baggage claim. The location was selected as an operational decision by the Airport Manager. As such it may be changed to meet operational demands of the airport. The shuttle bus pick up location for this concession will be similarly established.*

6. Price list. No later than thirty (30) days prior to the commencement of the Concession Agreement, Concessionaire shall submit to the STATE, for the STATE's written approval, a price list of charges to all its destinations. Concessionaire shall not make any changes to the price list at any time, without the STATE's prior written approval. In addition, thirty (30) days prior to each year of the Concession Agreement term, the Concessionaire shall submit to the STATE, for the STATE's review, a list of the prices being charged to the 20 most popular destinations.

Statement. DOTA does not have the authority to regulate prices of common carriers of passengers in Hawaii. That power resides in the PUC. The price list of any bidder is already in effect and not subject to DOTA approval. Changes cannot be made in any event, without following PUC procedures.

Question – Is it the intent of the DOTA to take the position that it has the authority to approve the concessionaire’s tariff?

*Answer: It is the intent of the State to require the Concessionaire to: 1) provide the State with a list of its prices prior to commencement of the Concession, 2) to seek the State’s review and approval of proposed price adjustments prior to submitting to the PUC and 3) to annually provide the State with a list of the prices being charged to the 20 most popular destinations.*

7. Concession Plans (A-1-8)

This provision requires an explanation of the bidder’s Concession plans for its operation covering business philosophy, customer service program, hours of operation, daily controls and management program. Since the award of this Concession is based on the highest Total Bid Proposal offered for the first year of the Concession term, please explain the State’s purpose of requiring submittal of each item under the provision “10. Concession Plans,” (sic) If this provision only affects a bidder’s qualification to submit a bid, please explain how the elements of this provision would or would not satisfy a bidder’s qualification to bid for this Concession.

*Answer: The State requires the information to ensure that prospective bidder understands the opportunity offered under this concession and to allow the State to address any misunderstandings or misconceptions prior to the submission of bids.*

8. Business Concepts (A-1-8)

This provision requires an explanation of bidder’s anticipated service concepts, service presentation to customers, marketing and service offerings. These efforts are clearly proactive sales elements beyond offering shuttle services at the counter. If so, why would the State prohibit the Concessionaire to expand revenue-generating initiatives beyond the confines of the immediate premise (re: No Solicitation provision)? If it has nothing to do with generating sales, please explain. (sic)

*Answer: See the answer to Question 7 above.*

9. Preliminary Drawings (A-1-8)

a. This provision requires the submission of drawings and plans to show conceptual plans/ideas for which improvements a bidder anticipates or intends to construct for utilizing the spaces which are assigned under the Concession Agreement. Could the State provide a list of parameters that would not be approved in any given situation?

*Answer: Included as part of the Concession Bid Document package is the tenant improvement guidelines. This two volume document addresses the requirements for making improvements to airport property.*

b. In addition, please include description of areas where vehicles are prohibited to be staged, idled, and areas where passenger pick-ups and drop-offs are absolutely prohibited. For instance, it was observed that the current Concession operator staged

vehicles at the Airport's cell phone site and may have staged its on-demand servicing vehicles at the South-end (paved) parking area adjacent to the ticketing area where is it (sic) commonly used to drop-off passengers. Will these locations be available for the awarded Concessionaire?

*Answer: The location of staging areas for buses, as well as pickup and drop off locations are operational decisions made, and subject to change, by the Airport Manager. See Question No. 5 above.*

10. Reports (C-15)

Within the Concession Agreement, it is stated that "The Department of Transportation does not Warrant or Guarantee the Correctness of the Information Contained" in attachments 1 TO IB (Schedule 1) and 2 TO IB (Schedule 2). However, period reports submitted to the State is a provision. The following question (sic) apply to the report provision of the concession as it should provide accurate data to bidders:

- a. The concession requires monthly reports to be submitted to the State such as number of passengers each day, destination for each passenger, time each passenger requested service, time the service was provided, amount charged each passenger, total number of passengers, and amount of gross receipts. As these reports are required in the current concession agreement, would the State provide access to review these reports?

*Answer: The State does not warrant or guarantee the correctness of the information contained in attachments 1 to IB and 2 to IB as it originates from entities outside of the State. The State will not provide the cited reports as part of the as part of this concession offering, but interested parties may make a request for the information under Chapter 92F, HRS.*

- b. Similar to the above question, would the State provide access to review all Annual Reports such as passenger counts and passenger destinations?

*Answer: The State will not provide the cited reports as part of the as part of this concession offering, but interested parties may make a request for the information under Chapter 92F, HRS.*

- c. Are the Gross Receipts report by the current operator for periods August, 2008 through June 30, 2012 actual "cash" receipts paid to the State? If not, please explain.

*Answer: The Gross Receipts report shows the amount owed to the State for the reporting period, it will not necessarily show that the amount owed has been received by the State.*

11. Space Rent (C-13)

The provision state (sic) that a "portion of the Annual Concession Fee shall be allocated and attributed to the use of space made available to the Concessionaire under this

Agreement.” Does this mean that there will be no additional charge for the use of the currently occupied/predetermined use-space as such rental fee is built into the Concession Fee? Please clarify.

*Answer: While rent for the Premises identified in the Concession Agreement is included in the MAG, that does not mean that no other charges may apply to the Premises. For example, Article XII.A.2 Utility Costs states, “During the term of this Concession Agreement, all utility charges, including, but not limited to, deposits, installation costs, meter deposits, and all service charges for electricity and other public utility service services to the Premises (such as water, telephone and wastewater) shall be paid by the Concessionaire, regardless of whether such utility services are furnished by the STATE or by utility services providers.”*

*Additionally, all tenants occupying State property are required by law to pay property taxes to the respective County.*

12. Awareness Training (C-27)

The Concession requires Concessionaire employees to participate in training/orientation regarding the “Airport’s Hospitality Awareness Program.” Will the Airport provide relevant training materials of its hospitality program to the Concessionaire? Are training materials available for bidders to review at this time?

*Answer: At the present time, Kahului Airport does not have an ongoing Hospitality Awareness Program. At such time as the program is implemented the employees of the Concessionaire will be required to participate.*

13. No Solicitation (C-28)

Part of this provision prohibits solicitation outside of the Premises. Wouldn’t it be prudent to allow the Concessionaire to extend its operating perimeter to maximize business for this Concession? If not, please explain the State’s position of its preference not to maximize its revenue.

*Answer: As baggage claim at Kahului Airport is confined to a single, relatively small structure and the Premises are located adjacent to the main exit, the State is not convinced that active solicitation outside of the Premises will materially increase the revenues of the Concession. The State also believes such solicitation has the potential to adversely affect the initial impression of Maui for people who don’t wish to be subject to solicitation. If the concessionaire wishes to increase its exposure in baggage claim, the concessionaire may submit a tenant improvement request to the airport manager to change or enlarge signage.*

14. Lost and Found (C-28)

The Concessionaire is required to establish and undertake lost and found procedures. Will the State provide a secured storage room near the premise for lost and found items to be stored?

*Answer: The State is not providing a secured storage room near the Premises as part of this Concession offering. The Concessionaire may make a request to the Airport Manager for space for storage of such items. If the Airport Manager provides such space to the Concessionaire, the Concessionaire will be required to pay rent for that space.*

15. Prearranged Shuttle Bus Service (C-29)

Within this provision and similar to question 10 above, it is stated that the Concessionaire “shall not meet or greet its customers, whether prearranged or on-demand...” It is understood that prearranged customers should not be approached however shouldn’t the Concessionaire attempt to meet and greet potential customers around and about the arrival/baggage area to generate business for the State’s On-Demand shuttle service? What solicitation process and procedures are allowed if not meet and greet?

*Answer: See answer to No. 13 above.*

16. Price List (C-30)

- a. This provision requires the Concessionaire to provide a list of prices being charged to the 20 most popular destinations. Will the State provide the current approved prices to its bidders?

*Answer: The State will not provide the lists as part of the as part of this concession offering, but interested parties may make a request for the information under Chapter 92F, HRS.*

- b. Will the State provide all approved price lists since 2008 to its bidders? If not, please explain.

*Answer: The State will not provide the lists as part of the as part of this concession offering, but interested parties may make a request for the information under Chapter 92F, HRS.*

- c. What parameters and/or comparisons are utilized by the State in approving rates submitted by the Concessionaire?

*Answer: The State takes into consideration the difference in the existing concession rates and the proposed rates, along with availability and rates for other transportation alternatives.*

17. General Questions

- a. Are shuttle buses required to be identified (by sign or other means) as Kahului On-Demand Airport Shuttles? If not required, it is prohibited?

*Answer: The State has not established a requirement for mandatory signing the concession vehicles nor is it prohibiting such signing. It may in fact be to the Concessionaire's benefit to do so, as it could increase the visibility of the concession and the remind travelers that the shuttle is one of the ground transportation options.*

- b. Is there a maximum age limitation on the buses used for the Concession?

*Answer: The concession offering does not state a maximum age for the buses.*

- c. Are shuttle drivers and service representatives required to wear coordinated uniforms that identify them to be Kahului On-Demand Airport Shuttle operators? If not, is it prohibited?

*Answer: The concession offering does not specify that uniforms must be worn, nor does it prohibit such a practice.*

- d. If warranted to meet the demand of a large group (On-Demand customer), can the Concessionaire utilize a large capacity vehicle? If not, what are the limitations?

*Answer: Given that this is an on-demand concession, it is difficult to see a circumstance in which a sufficiently large number of customers would present themselves in a sufficiently short time period that a large capacity vehicle would be required. However, the concession agreement does not stipulate the type of vehicle to be utilized. It should be remembered that the existing pick up location was established by the Airport Manager as an operational decision. Given the limited curb area outside of baggage claim, the use of large capacity vehicles may cause the Airport Manager to change the operation decision and identify a different, and possibly less convenient, pickup location.*