



AIRMALLeD: Failures of the Airport Concessions Developer Model

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Poverty Jobs Hurt Workers and Taxpayers Under the Developer Model

Analyst:
Bhav Tibrewal
646-313-5408
btibrewal@unitehere.org

Airports are important economic engines for their respective geographical markets. They provide a stream of consumers and generate large sums of revenue for various sectors that supply them with services. They are also an extremely important source of jobs for area residents, jobs which should boost the overall economic health of the cities, counties, and states in which they are located. Recent data regarding poor quality of jobs under a private airport concessions developer indicates that this concessions model not only harms workers but also negatively impacts taxpayers and the local economy.

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This is the third in the Airport Group series *AIRMALLeD: Failures of the Airport Concessions Developer Model*.

In the previous two reports in this series, the Airport Group demonstrated that under Airmall USA's¹ concessions management, the overall rent revenue paid to respective airport authorities lags behind those at peer airports, and that sales performance under Airmall's management is not high enough to make up for these losses in revenue. We have shown that the developer results in as much as \$3.5 million in annual uncaptured concessions revenue for the State of Maryland.² A recent report by Good Jobs First about concessions jobs at Baltimore Washington International Airport (BWI) demonstrates additional economic harm to workers and taxpayers.³

<p style="text-align: center;"><u>Of all workers surveyed:</u></p> <p>38.2% have no insurance</p> <p>24.2% are covered by the state</p> <p>Only 13% of those with coverage are insured through their airport jobs</p>	<p style="text-align: center;"><u>Of surveyed workers with children:</u></p> <p>11.1% report their children do not have health coverage</p> <p><i>Of workers with covered children:</i></p> <p>0% are insured through airport job</p> <p>64.5% are covered by the state</p>
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If the same share of the estimated 615 non-union concessions workers at BWI receives their health coverage from the State of Maryland, it results in a cost of \$494,000 for the State. Coverage for the children of those workers costs an additional \$643,000, for a total of \$1,137,000. This represents the annual cost of health coverage

The Airport Group is the Airport and Infrastructure Research, policy and development arm of UNITE HERE, the labor union for airport food and beverage and retail workers.

¹ Airmall USA is a private concessions developer, owned by Prospect Capital, a New York-based investment company

² See first report in this series, *Less Rent Generated Under the Developer Model*: http://airportgroup.info/AIRMALLeD_LessRent_Feb2011.pdf

³ See LeRoy, *Behind the Counter at BWI: Engine of Development or Pocket of Poverty? Poverty Wages and Hidden Taxpayer Costs at Maryland's Largest Airport*, Good Jobs First: <http://www.goodjobsfirst.org/sites/default/files/docs/pdf/bwireport.pdf>



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for concessions workers and their children alone, but does not include additional costs of coverage for other dependents such as spouses and parents.⁴

18.5% of surveyed workers also reported receiving food stamps, a benefit paid for by federal taxpayer dollars. This translates to an annual cost of \$410,000 for the non-union concessions workforce at BWI. Combined with the healthcare costs, the total cost to state and federal taxpayers for benefits to BWI concessions workers is \$1.55 million per year.

Annual costs of Airmall's concessions program at BWI

Uncaptured rent revenue for Maryland Aviation Administration (2009)	\$3.5 million
State health coverage for workers	\$494,000
State health coverage for workers' children	\$643,000
Food stamp benefits	\$410,000
Grand total	\$5,050,000

BWI is owned and operated by the State of Maryland. Public health coverage is administered by the State, which funds these services along with the federal government and is therefore directly impacted by their costs. Federal taxes are used to pay for food stamp benefits. In effect, the concession program at BWI is being subsidized by taxpayers and their contributions to healthcare and food stamp programs.

Combining the costs of these services with \$3.5 million in uncaptured rent revenue at BWI reveals an overall cost of \$5 million to state and federal taxpayers.

Airports considering the developer model should understand the hidden costs to state and federal taxpayers. The UNITE HERE Airport Group recommends avoiding risks posed to the quality of concessions jobs by utilizing the prime and direct leasing concessions models.

⁴ All cost figures for healthcare and food stamps in this report are estimates calculated by applying statistics of surveyed workers to the larger population of non-union workers at BWI. Based on average per-enrollee Medicaid spending in Maryland FY 2008: \$3,321 per adult, \$2,643 per child (sourced from www.statehealthfacts.org, a website run by the Kaiser Family Foundation). Child health cost based on survey data showing 22.5% of surveyed workers with children covered by the state and an average of 1.8 children per worker.