

# No More Taxpayer Bailouts for Billionaire HMS Host



## Executive Summary

HMS Host is the largest operator of airport concessions in the United States. It is wholly owned by Italian corporation Autogrill, which in turn is controlled by the billionaire Benetton family and their global holding firm Edizione.<sup>i</sup> Edizione assets were valued at \$13.8 billion at the end of 2019.<sup>ii</sup>

The United Nations reported that global travel has decreased by 65 percent from January 2020 to June 2020 due to the COVID-19 pandemic.<sup>iii</sup> Over the same time period, Autogrill increased its cash balance by 60% from \$353 million to \$588 million, hoarding cash as 8,000 of its 18,500 workers in the United States were laid off, either permanently or temporarily.<sup>iv</sup> As of August 31, Autogrill still held \$588 million in cash.<sup>v</sup>

Struggling HMS Host workers throughout the world have borne the brunt of this billionaire conglomerate's greed during the pandemic. In April, Autogrill stated that part of the way it mitigated the financial impact of COVID-19 was to cut workers' hours to decrease labor costs by 90 percent in North America in March.<sup>vi</sup>

On October 13, 2020, HMS Host workers filed a class action lawsuit alleging the company failed to pay workers the minimum living wages for airport workers required by Los Angeles's Living Wage Ordinance and that the company failed to rectify the problem even in the face of multiple complaints from employees. The suit also alleges that HMS Host failed to pay workers their vacation time when it carried out a mass layoff in March and April 2020. California law requires employers pay employees all earned wages and accrued vacation time immediately upon layoff.

Autogrill has grown its cash reserves in part by receiving bailouts from airports and governments across the world. The firm reported to investors that it has obtained or stands to obtain at least \$475 million in relief during the pandemic.

HMS Host is the largest concessionaire at Los Angeles International Airport, the second-busiest airport in the United States by 2019 enplanements.<sup>vii</sup> HMS Host received rent relief with an estimated worth of \$4.7 million from LAX from April to June.

The Los Angeles City Council is now considering an aid package that we estimate would hand HMS Host at least \$19 million in rent relief and two-year lease extensions that would enable the company to generate at least \$108 million in revenue.<sup>viii</sup> HMS Host does not need this additional relief to survive, nor does it deserve any more taxpayer bailouts.

## Billionaire Benetton Dynasty Hoards HMS Host Cash While Laying Off Thousands

The Benetton family, referred to in the *Wall Street Journal* as “one of Italy's most famous business dynasties,” has an empire sprawling well beyond its roots in the textile industry and HMS Host.<sup>ix</sup> Its other holdings include major infrastructure such as roads and airports, plus telecommunications, banking and agriculture firms and even a rugby team.<sup>x</sup> Assets held by the Benetton's holding company Edizione were valued at \$13.8 billion at the end of 2019.<sup>xi</sup>

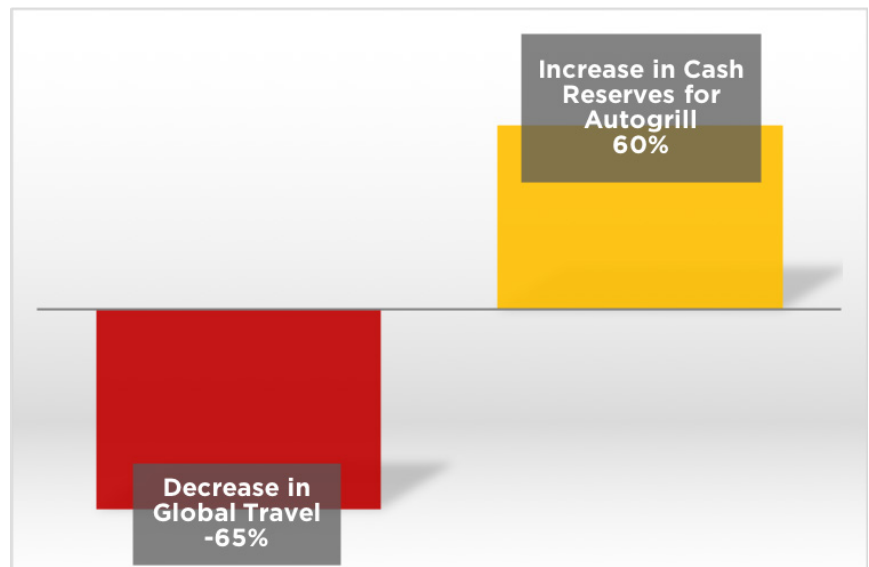
Benetton-controlled Autogrill paints a rosy picture to its investors. From January through June, Autogrill increased its cash balance by 60% from \$353 million to \$588 million, and still held \$588 million in cash as of August 31.<sup>xii</sup> In the firm's July 30 investor presentation, Autogrill stated HMS Host has a “large and resilient contracts portfolio” and a “strong balance sheet.”<sup>xiii</sup>

Also in July, Autogrill told investors of its U.S. operation, “The renegotiations have been done with the landlords and the work that the team has done on the labor cost front have been tremendous.”<sup>xiv</sup>

That “tremendous” work on the “labor cost front” has been nothing short of devastating to communities, leaving thousands of long-time HMS Host employees out of work and without health insurance in the middle of a pandemic.<sup>xv</sup> In the United States, 8,000 of HMS Host's 18,500 workers were laid off, either permanently or temporarily.<sup>xvi</sup>

As HMS Host workers struggle, the Benettons appear poised to receive another windfall. Italy's state lender is involved in negotiations to strip the Benetton's ownership of Italian toll-road operator Autostrade per l'Italia SpA.<sup>xvii</sup> The takeover would come following prolonged negotiations during which an Italian ministerial commission argued that Autostrade had underestimated the deterioration of Genoa's Morandi Bridge, which collapsed in 2018 causing a national tragedy that killed 43 people.<sup>xviii</sup>

Paradoxically, this forced buyout could hand Benetton-controlled entities about \$11.4 billion in exchange for their 88% stake in the company, which was valued at between \$12.9 and 14.1 billion.<sup>xix</sup>



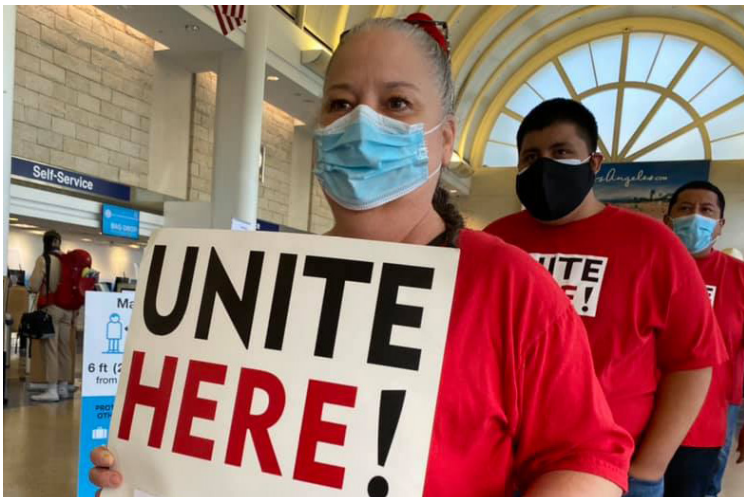
## HMS Host Gets Bailed Out. Workers Get Left Out

While hoarding \$588 million in cash reserves and laying off thousands of workers, Autogrill has pursued and received bailouts from governments across the world. The firm reported to investors that it has obtained or stands to obtain \$475 million in relief during the pandemic.

On its July 30 earnings call with investors, Autogrill reported it has made had good progress in negotiations to receive a \$356 million aid package backed by the Italian government's export credit agency, SACE.<sup>xx</sup> The aid program, known as Garanzia Italia, provides long-term financing for Italian corporations.

Autogrill has received at least \$82 million in lease abatements and unknown millions in rent relief from airports throughout the world. Further, the company has not disclosed how much it has received in deferments on either rent or relief capital expenditure commitments, but has received this type of aid in addition to abatements. In New Jersey, for example, HMS Host informed the New Jersey Turnpike Authority that it would not pay for construction projects to which it had previously committed, leaving the agency to commit to cover up to \$40 million of HMS Host's costs to keep construction projects on track.

Meanwhile, laid-off HMS Host workers are still expected to pay rent to their landlords in Los Angeles, one of the most expensive housing markets in the country, and throughout the world.



As the largest airport concessionaire in the United States, HMS Host also stands to benefit from \$12.5 billion in direct aid to airports proposed in the HEROES Act passed by the House, pending negotiations with the Senate and President Trump. HEROES in its current form requires that at least 25% of this amount must be allocated to airport concessions, on-airport car rental and on-airport parking.<sup>xxi</sup>

## HMS Host Faces Class Action Wage Lawsuit at LAX

On October 13, 2020, laid-off HMS Host workers filed a class action lawsuit alleging that the company violated city and state wage laws. Specifically, the complaint alleges that the company failed to pay the plaintiffs Debra Lewis, Marlene Mendoza, Lotus Perez-Silva, and other workers

the minimum living wages for airport workers required by the City's Living Wage Ordinance and that the company failed to rectify the problem even in the face of multiple complaints from employees. The suit also alleges that HMS Host failed to pay workers their vacation time when it carried out a mass layoff in March and April 2020. California law requires employers pay employees all wages and accrued vacation time immediately upon layoff.<sup>xxii</sup> Plaintiffs' counsel estimate that the workers could be entitled to several million dollars in damages and penalties, if all claims are successful and depending on the class size.

HMS Host is the largest concessionaire at LAX, employing 47% of the several hundred concessions workers still working in May during the pandemic.<sup>xxiii</sup> The company employed 1,081 workers before the pandemic.

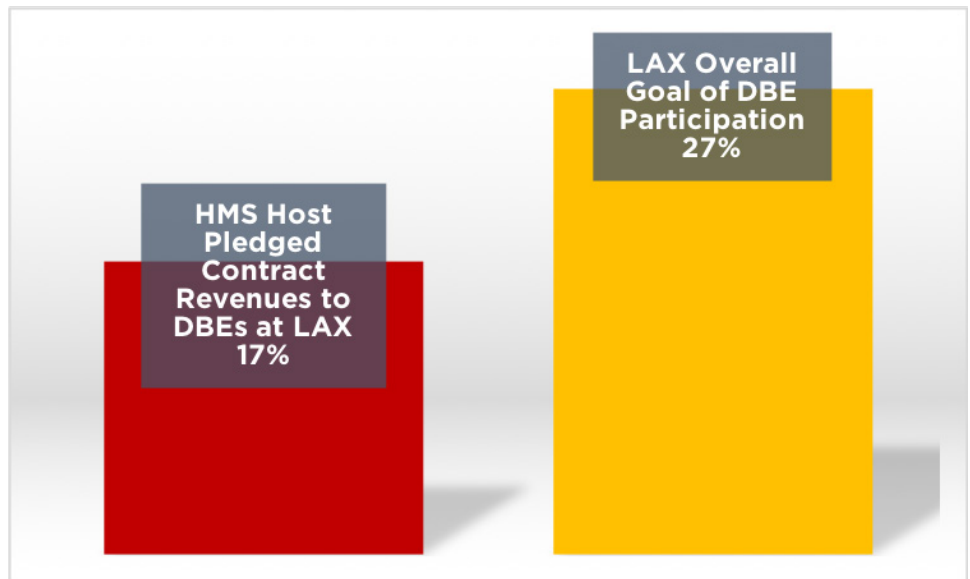
HMS Host has already received an estimated \$4.7 million in rent relief from LAX, based on LAWA's April 2020 estimate that concessionaire rent relief will lower airport revenue by \$24-31 million from April 1 to June 30.<sup>xxiv</sup>

## HMS Host at LAX Has Laid Off Hundreds of Mostly Black and Brown Workers, Uses Fewer Minority-Owned Business Partners

While HMS Host highlights its minority-owned Disadvantaged Business Enterprise ("DBE") partners during the pandemic, at LAX the company pledged that only 17% of its contract revenues will go to DBEs, compared to the airport's overall goal of 27% DBE participation.<sup>xxv</sup>

Further, in URW's lease for Tom Bradley and T2, HMS Host-operated food and retail locations generated 26% of the lease's revenue but only 12% of the lease's DBE revenue.<sup>xxvi</sup>

By contrast, 22% of HMS Host LAX workers are African American and 69% are Latinx,<sup>xxvii</sup> who due to racial disparities are at high risk of contracting and dying from COVID-19.<sup>xxviii</sup> Similarly, a 2019 analysis of HMS Host employment at 27 U.S. airports found that approximately 81% of the workers were people of color.



## Conclusion

The Los Angeles City Council will soon vote on a bailout package under which HMS Host would receive yet another taxpayer giveaway, even as the firm faces workers' class action wage lawsuit.

HMS Host's contract with the City and the terms of the proposed relief package require that it comply with wage laws. And common sense dictates that a company that projects strength to its investors and hoards cash reserves does not need another bailout to survive.

Council would provide one year of rent relief to HMS Host at an estimated cost of at least \$19 million, and would extend leases covering HMS Host for two years, enabling the conglomerate to generate an estimated \$108 million or more in revenue.<sup>xxix</sup> These estimates are conservative, as they are based on the cost of rent relief from April 2020 to June 2020 and LAX's projected concessions revenue from July 2020 to June 2021, respectively, whereas HMS Host would receive rent relief from July 2020 to June 2021, and its leases would be extended from 2023 to 2025 when airline travel and thus concessions revenue are likely to at least partially recover.

The City of Los Angeles must reject the Benetton bailout.

## Endnotes

- i <https://www.autogrill.com/en/investor-relations/stock-information/shareholding>
- ii <https://www.edizione.com/en/net-asset-value/> (converted Euro to Dollar)
- iii <https://www.unwto.org/news/international-tourist-numbers-down-65-in-first-half-of-2020-unwto-reports>
- iv <https://www.businesswire.com/news/home/20200311005205/en/Autogrill-North-American-Airport-Performance-Faces-Long-term>  
WARN Reports filed by HMS Host throughout the United States, March-August 2020.
- v [8m2020\\_en\\_24092020.pdf](#), Converted from euros to dollars
- vi <https://www.autogrill.com/en/press-releases/autogrill-update-covid-19>
- vii <https://www.claimcompass.eu/blog/biggest-busiest-us-airports/>
- viii Calculation based on LAWA's concessions revenue projection for July 2019-June 2020 of \$115 million provided to LAANE. HMS Host would generate 47% of this revenue based on Local 11's membership records (ie HMS Host workers represented 47% of all concessions workers employed during the month of May, and uses the percentage of workers as a proxy for the percentage of revenue generated by HMS Host). The calculation assumes HMS Host's revenue would be the same from 2023 to 2025 as it was from July 2019 to June 2020, which is likely very conservative as global travel and therefore concessions revenue will increase over the next three to five years.

- ix <https://www.wsj.com/articles/battle-over-bridge-collapse-costs-italys-benetton-family-its-highways-business-11594816611>
- x See “Investment Portfolio” at <https://www.edizione.com/>
- xi <https://www.edizione.com/en/net-asset-value/>. Converted from euros to dollars
- xii autogrill\_ir\_transcript\_30072020, Page 2  
8m2020\_en\_24092020.pdf
- xiii autogrill\_group\_-\_1h2020\_-\_analyst\_presentation\_v3\_0, Page 30, 32
- xiv autogrill\_ir\_transcript\_30072020, Page 4
- xv Ibid.
- xvi <https://www.businesswire.com/news/home/20200311005205/en/Autogrill-North-American-Airport-Performance-Faces-Long-term>  
WARN reports filed by HMS Host around the United States, March-August 2020
- xvii <https://www.bloomberg.com/opinion/articles/2020-10-13/italy-dumps-privatizations-and-embraces-french-dirigisme>
- xviii <https://www.bloomberg.com/news/articles/2020-09-01/italy-benettons-consider-two-step-plan-for-autostrade-sale>
- xix Based on Autostrade valuation of \$11-12 billion in July and Benneton-controlled Atlantia’s 88% stake in the company, Converted from euros to dollars.  
<https://www.reuters.com/article/us-hedgefunds-tci-atlantia-valuation/tci-sees-autostrade-valuation-between-11-12-billion-euros-partner-idUSKCN24P1F2>  
<https://www.atlantia.it/en/press-release/-/bulletin/view/2347f7dd-5781-488b-ae7e-ba0e12425331>
- xx autogrill\_ir\_transcript\_30072020, Page 6, Converted from euros to dollars
- xxi <https://www.congress.gov/bill/116th-congress/house-bill/8406/text?r=37&s=1#H700F101285BA4EC9916FB51C8D124459>
- xxii Debra Lewis et al. v. Host International Inc., Case No. 20STCV39330.
- xxiii Based on the Local 11 membership records documenting that HMS Host employed 47% of LAX concessions employees working in May during the pandemic.
- xxiv [https://lawa.granicus.com/MetaViewer.php?view\\_id=4&clip\\_id=598&meta\\_id=41196](https://lawa.granicus.com/MetaViewer.php?view_id=4&clip_id=598&meta_id=41196)  
HMS Host would receive 47% of this rent relief ascribed to companies other than DFS and Ice Currency based on Local 11’s membership records (ie HMS Host workers represented 47% of all concessions workers employed during the month of May). It uses the percentage of workers as a proxy for the percentage of revenue generated by HMS Host, and is likely conservative because it uses the lowest point of LAWA’s \$24-31 million cost estimate for rent relief.
- \xxv In HMS Host’s three direct LAX leases, their average DBE pledge is 17%. See [https://clkrep.lacity.org/onlinedocs/2011/11-0880\\_misc\\_08-12-2016.pdf](https://clkrep.lacity.org/onlinedocs/2011/11-0880_misc_08-12-2016.pdf).
- xxvi Average value of HMS Host locations’ DBE and overall revenue within URW’s lease that covers Terminal 2 and Tom Bradley International Terminal. See [http://lawa.granicus.com/MetaViewer.php?view\\_id=4&clip\\_id=455&meta\\_id=31768](http://lawa.granicus.com/MetaViewer.php?view_id=4&clip_id=455&meta_id=31768).
- xxvii HMS Host LAX worker demographic information
- xxviii <https://www.npr.org/sections/health-shots/2020/09/23/914427907/as-pandemic-deaths-add-up-racial-disparities-persist-and-in-some-cases-worsen>
- xxix See Note viii