New York State Assembly Standing Committee on Consumer Affairs and Protection
Committee Hearing on Concession Pricing Practices
Submitted Testimony on behalf of Applegreen NY Travel Plazas LLC

Chair Rozic and members of the New York State Assembly Standing Committee on Consumer Affairs and Protection:

Applegreen NY Travel Plazas LLC ("**Applegreen**") welcomes the opportunity to submit testimony on concession pricing at the 27 service areas that it operates on the New York State Thruway (the "**Thruway**"). My name is Anmol (Andy) Malik, and I serve as President of Applegreen.

Background and Partnership

Following a competitive bidding process conducted by the New York State Thruway Authority (the "**Thruway Authority**"), Empire State Thruway Partners LLC, ("**Empire**") was selected in May 2020 to operate all 27 service areas and comprehensively modernize them. Empire entered into an agreement with Applegreen to operate the service areas. Through a public-private partnership requiring no toll revenue or taxpayer funding for construction, $450 million of private capital was invested to redesign, rebuild and modernize each service area, with the project completing in November 2025. The resulting modern, accessible facilities offer quality food and beverage options, clean restrooms and essential traveler services. The service areas enhance highway safety by giving travelers places to take needed breaks. We are contractually required to provide a specified assortment of food and beverage concepts at each location.

Responsible Pricing Framework and Consumer Protection

The Thruway Authority's lease recognizes that expecting a highway concession operator to sell products at off-highway retail prices is unrealistic given the additional requirements of operating on a highway. A highway operator does not receive any Thruway Authority contribution or taxpayer funding, and faces a significant number of additional costs, which must be reflected in the operators' selling prices for the operations to make economic sense. Amongst these requirements are the following:

- Staff generally need to own their own transport and need to be compensated for their travel costs (gas and tolls) in their pay, hence they are paid more than off-highway retail staff.
- Restrooms are used by over 90% of visitors but less than 40% of visitors make a purchase on their visit. No off-highway retail facility provides this free service 24/7/365. The cost of maintaining bathroom standards is significant.
- The requirement to keep highway sites open 24 hours a day is uneconomic. There is very little trade for 8 of the 24 hours, between 10pm and 6am, and highway operators must staff the sites and keep services open and staffed during these hours with no corresponding sales.
- The requirement to have hot food available 24/7 is also uneconomic, with little sales, there is a high level of food waste in additional to staffing costs in the overnight period, which is uneconomic.
- The contractual obligations of the Thruway Authority agreement require continuous labor, cleaning supplies, repairs, equipment replacement and periodic capital investment – costs that ordinary businesses can more readily avoid or adjust by changing staffing and opening hours.
- The provision of ancillary services such as EV Charging is a loss leader given the upfront investment required and the long pay back due to low EV adoption and utilization rates.

These are a sample of the factors that make highway operations completely different from off-highway retail operations and explain why highway locations always have a cost premium over off-highway retail locations.

The Thruway Authority recognized this fact in their procurement process, and as a result, the Thruway service area pricing is governed by a detailed, market-based, contractual framework tied to what consumers pay at comparable local businesses. Under the lease with the Thruway Authority, each of the 27 service areas is assigned to one of three geographic regions. For each food and beverage concept, two comparator locations in the applicable region, subject to the Thruway Authority's approval are identified, and prices are surveyed using a representative-product methodology across defined product categories, including convenience-store items, quick-service restaurant offerings and café products, averages are calculated for each product or category. The lease caps prices at no more than 10 percent above the surveyed comparator average. Surveys are submitted to the Thruway Authority at least twice and up to four times per lease year. The Thruway Authority's service area representatives monitor compliance through routine inspections and verify adherence to the contractual requirements. The lease with the Thruway Authority clearly specifies the regions, approved comparator locations, product categories, survey frequency, markup ceiling and the Thruway Authority's enforcement role.

Investment-Backed Expectations and Operating Burdens

The pricing terms are part of an arm's-length, commercially negotiated 33-year lease between a public authority and a private operator, following a competitive RFP process, and underpinned the $450 million private investment in ageing public infrastructure. That investment was financed in part with debt from bondholders, whose willingness to provide financing, and the cost of that financing, depended on the stability and enforceability of the long-term lease, including its agreed pricing controls. Displacing those terms after the fact will prompt future lenders and private partners to decline to invest in public-private partnerships, reducing the quality, selection and continued reinvestment available at state facilities and weakening New York's public-private partnership model.

Conclusion

We are proud of what this public-private partnership has delivered for New York's travelling public. The existing contractual mechanism – defined comparator regions, regular market surveys, a 10 percent markup ceiling and active governmental oversight – already provides fairness and transparency while preserving the flexibility needed to sustain high-quality service on the Thruway. The Committee should recognize that this balanced framework is working. There is a risk that differently defined concession-pricing policies or standards would create ambiguity, undermine negotiated investment-backed expectations and risk diminishing the service standards that benefit New York's travelers today.

Thank you for the opportunity to submit this testimony. While I regret that I am unable to appear before the Committee in person, I am grateful that our perspective can be included in the record.

Respectfully submitted,

Signed by:
Anmol (Andy) Malik
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Anmol (Andy) Malik, President, Applegreen NY Travel Plazas LLC