

BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of September 13, 2012

Co-Chair Councilor Karen Paul (Co-Chair Paul Sisson was sick) convened the second meeting of the Committee at 5:37 p.m. on September 13, 2012 at the Hamilton Room of the Burlington International Airport. Present were Co-Chair Paul, Committee members Vince Dober, Jeff Munger, Jeff Schulman, Ernie Pomerleau, Louise Stoll, Jane Knodell, Ann Beland, VTANG Col. Dan Finnigan and (sitting in for Chris Cole) Matt Lang of VTAOT. Also present were South Burlington City Manager Sandy Miller, Winooski Mayor Michael O'Brien and Katherine (Deac) Decarreau, Airport Commissioners Gene Palumbo and Bill Keogh; Airport Staff Gene Richards, Bob McEwing and Heather Kendrew; Staff/Counsel Joseph McNeil.

It was first agreed that the Airport Director's update would be deferred until the next meeting to accommodate the presentation of Mr. Steven Baldwin of Steven Baldwin & Associates. Thereafter, on motion of Pomerleau/Stoll the revised minutes of the meeting of August 30, 2012 were approved.

Mr. Steve Baldwin then reported on his work concerning the Airport on behalf of the business community, he indicated that he had been engaged for approximately 18 months. He noted that Airport management is really more of a science today; that management must occur within the universe of a high degree of regulation under FAA criteria. He indicated that his firm is in the business of making airports more effective. He stated that his background included a B.A. degree in Aviation Management and an M.B.A. He noted that he had been New York's Director of Aviation Services for several years prior to the creation of his consulting firm.

In April of 2011, he was consulted by nine or 10 Chittenden County business people with the overall question of what can be done to help the Airport survive and thrive into the future. He stated that he advised that it was first necessary to step back and benchmark the Airport's status with regard to comparable facilities.

Mr. Baldwin stated that they carried out meetings with important stakeholders, did a significant degree of comparable analysis and then made recommendations.

He advised the Committee that employment for airports in the United States is now second only to employment for Walmart. The industry currently covers 9.2 million jobs directly or indirectly with \$365 billion of annual payroll. He noted that BIA comprises 8% of the national airport GDP.

Mr. Baldwin advised that BIA is a vibrant airport that is absolutely essential for successful business to be carried out in this region. He observed that, for example, IBM delivers two large truck loads of material to BIA every single day for delivery to New York City and the international market.

The work accomplished for BIA included peer airport review, surveys, interviews, factfinding and analysis. It also involved conversations with IBM, Green Mountain Coffee Roasters, Dealer.com, Airport management and State of Vermont Representatives. Mr. Baldwin noted parenthetically that Dealer.com personnel average 80 trips per month from BIA.

By way of comparable airports, the firm looked for small hub airports (10,000 to 2 million in annual enplanements) that also have a military presence, a significant snow removal responsibility and also function as a tourist destination as well as a business origination function. He noted that there were 5,500 public airports in the U.S. of which 72, like BIA, would constitute a small hub origin and destination airport. By way of comparisons, the firm contrasted

BIA to the Portland, Maine jet port, Bellingham, Washington, Dane County (Madison), Wisconsin and Harrisburg, Pennsylvania. He observed that the Portland jet port was a particularly well managed facility with increasing annual enplanements; that it was primarily a business origin airport; that it now includes service by both Southwest and JetBlue; that it has the most affordable prices in the New England region and has recently been awarded an LEED Certificate for its environmental awareness. He stated that Dane County did particularly well with airport concessions, especially food sales, and also was a military joint use facility. Harrisburg, Pennsylvania has a very diversified business climate with Hershey's Chocolate and other major businesses headquartered there. Bellingham, Washington is the fastest growing airport in the country, largely serving a Canadian population from the Vancouver area (similar to BIA's service to Quebec) and transporting them by Allegiant Airlines to Las Vegas and is presently enlarging from 23, 000 sq. ft. to 800,000 sq. ft.

By contrast to the comparable airports, BIA is doing better than average with regard to enplanements. Its leasing structure is on the light side of what the market could reasonably bear, leaving room for increased rates and charges by BIA. Every passenger using BIA generates approximately \$19 for the Airport which is at the low end of the spectrum. By contrast, Harrisburg generates approximately \$37 for the airport from every passenger. It was noted that the average length of stay by vehicles in the Airport garage is three to five days. Consequently, even a modest increase in parking rates would have a measurable impact on revenues. Mr. Baldwin noted that the Portland Jetport has a much steeper cost relationship with the airlines servicing it, and that Burlington could make significant improvements here. It was noted by staff and Commission members that it has been the philosophy of the Airport for many years to attempt to keep the cost to airlines as low as possible at BTV in order to attract and retain service

by as many carriers to as many markets as possible. Mr. Baldwin stated the belief that the Airport's charging structure could be increased without significant risk of attrition.

It was reported that BIA is particularly light in the amount of effort it makes in the now critically important area of direct marketing to airlines and other potential airport tenants. In the last reporting period, BIA had expended \$25,000 of a budgeted \$80,000 for marketing. By contrast, Manchester, New Hampshire expends nearly \$800,000 annually on marketing and a similarly sized airport in Akron, Ohio expends \$1.2 million. The consultant believes that a major expansion in this area will be necessary for BIA to maintain and improve its status into the future. Mr. Baldwin emphasized, however, that such marketing work must be sophisticated. There must be a large capacity to do data mining and a complete awareness of the intricacies of airlines operations and considerations.

The importance of successful marketing was emphasized with Mr. Baldwin relating to the group the information he had received in his conversations with IBM personnel. They indicated that their people regularly fly from Albany and Manchester rather than Burlington because they simply cannot get efficient flight segments (time of departure/return) from BIA to get them where they need to go across the United States for business purposes. By contrast, Green Mountain Coffee Roasters reported that they very much liked service from BIA though they also their own corporate jet from the Airport.

Mr. Baldwin indicated that his company conducted a thorough "SWOT" analysis with regard to BIA. SWOT analysis involves examination of strengths, weaknesses, opportunities and threats, and represents the type of analysis typically carried out by major corporate entities before making critical decisions. He emphasized that Burlington's strengths were the convenience of using the Airport, the quality of its infrastructure, the cooperativeness and

hardworking nature of its staff and its unmet potential. Its major weaknesses are its lagging business indicators, its lack of experienced leadership, its lack of a marketing plan and a strategic plan, and its very complicated governance structure. With regard to opportunities, there is much to be gained by focusing upon the needs of business operations in northwestern Vermont, the advantages gained by strengthening strategic partnerships at the local, regional and state levels, the potential to attract new business and the possibilities of separating BIA from its competition. The threats to be BIA include an ever changing aviation landscape, competition with other airports in the region, the lack of financial risk diversification, problems caused by lack of airport leadership and ultimately a failure of the region to understand the importance of the Airport's success to business success generally.

The key findings of the consultant were that the Airport is currently in fine condition physically, has a very hardworking staff, fared better than many other U.S. airports during the most recent recessionary period and has strong business support into the future. However, the consultants believe that the Airport will not be able to prosper into the future without a formalized, well implemented marketing plan, an air service development plan, a robust economic development program and a well thought out succession plan for airport management.

By way of marketing needs, it was pointed out by Commission Chair Munger that National Life Insurance, the big insurance company located in Montpelier, had for some period of time mandated that its personnel not fly from BIA, but instead fly from Manchester or Albany. Mr. Baldwin stated that the airlines are very aware of every aspect of an airport's operation and are particularly interested in whether they will be able to sell all of their available seats in connection with any service that they provide.

Commissioner Schulman inquired whether in fact 640K enplanements was not a pretty good showing for an airport serving a region of this size, and asked about the relationship between fees and service levels in the industry generally. Once again, however, Mr. Baldwin indicated his belief that there is an existing margin for fees/revenues to be enhanced at BIA without a significant increase in the risk that service will be lost.

Co-Chair Paul inquired concerning how frequent airports visit their airlines in order to maintain service. Mr. Baldwin responded that in his experience, the best approach for airports to take was to act like you don't have the service and are trying to get it. In short, never become complacent about what you have because the industry is so dynamic. He also stressed that airport representatives should never visit with an airline without first being fully informed as to all pertinent facts. He noted that the airlines pay particular attention to "PEDEW", passengers per day each week, in making decisions about where to provide service. He also noted that 90% of airline business is derived from 10% of the travelling public, so airlines are particularly alert to meeting the needs of business travelers who are constantly flying. BIA's traffic pattern is somewhat different, with leisure travel constituting 60% and business travel 40%.

Mr. Baldwin indicated that of all of the Airport's immediate needs, the discussion of governance could probably be deferred to the end of this strategic planning effort. He also indicated that he did not believe the profile of the Airport seriously supported the notion of privatizing the Airport.

Interim Manager Richards indicated that while there may in fact be some "leakage" from customers in this area using other airports, everything that he has seen suggests that the best future for the Airport will be derived from better marketing to capture additional utilization from

the Province of Quebec as well as continuing to market Vermont to Ontario and Toronto via the arrangements with Porter Airlines.

Commissioner Keogh inquired as to Mr. Baldwin's view of the pay rate necessary to attract a quality long-term Airport Manager to BIA. Mr. Baldwin indicated that the best strategy for the Airport might well be to try to attract a seasoned "second in command" professional from a larger facility. He indicated that the pay range should be in the area of 140K-160K to recruit the type of candidate the Airport needs.

Co-Chair Paul thanked the Committee members once again for their willingness to serve and emphasized the importance of the work the Committee is doing. She noted the value of this meeting and indicated that the Committee is doing its work without any predetermined ultimate answers. Ms. Paul also indicated that with regard to the voting status of the representatives from Winooski and South Burlington, she had consulted the Mayor and the City Attorney. It will be necessary to amend the creating Resolution to make this voting status clear, and this will be done promptly.

The next meeting of the Committee will involve an overview from Interim Manager Richards and Committee consideration of whether the engagement of a consultant would be necessary/helpful to the task.

There being no further business to discuss at this meeting, the meeting was adjourned at 7:35 p.m.

Joseph E. McNeil,
Committee Clerk