

BURLINGTON INTERNATIONAL AIRPORT
STRATEGIC PLANNING COMMITTEE

Meeting of October 25, 2012

Co-Chair CAO Paul Sisson convened the fifth meeting of the Committee at 5:40 p.m. on October 25, 2012 at the Hamilton Room of the Burlington International Airport. Present were Co-Chairs Karen Paul and Paul Sisson, Committee members Jane Knodell, Vince Dober, Jeff Schulman, Ernie Pomerleau, Louise Stoll, Ed Colodny, Sandy Miller and Michael O'Brien. Also present were Counsel/Staff Joseph McNeil, Airport Staff members Gene Richards, Heather Kendrew, Bob McEwing and Ryan Betcher.

The meeting agenda was first approved unanimously.

There were no speakers at the public forum.

The minutes of meeting of October 18, 2012 were approved upon motion of Ed Colodny and second by Ernie Pomerleau with the group noting the thoroughness of such minutes.

The Boyd Group was then asked to make its presentation and this was accomplished by Mssrs. Jeff Potter and Dan Kohn. Mr. Potter indicated that he had 28 years of experience in the aviation industry, rising to become the Chief Executive Officer of Frontier Airlines as well as prior positions relating to fleet and passenger forecasting. Dan Kohn noted that he had been with Boyd for 1.5 years and was previously with both Northwest Airlines and Delta Airlines.

Boyd emphasized the dramatic changes occurring in the aviation industry, particularly with regard to consolidation of air carriers. They indicated that historically, the aviation industry has been "somewhat irrational" with decision making centered on the development of market share. However, recent changes in the economy have created more financial discipline. This has been principally caused by the tremendous increase in fuel costs. Additionally, capacity

reductions to control demand have given the airlines more pricing power than has previously been the case.

They also noted the gradual exit of 50 seat aircraft from the industry inventory because they are not economically feasible. The trend is to build 90 seats and up.

They observed that industry consolidation has not yet completed its course. They predicted that a merger between US Airways and American was likely.

With regard to air service development at airports, they emphasized the importance of direct conversations between airport officials and the home office of airlines. They cautioned strongly against relying only upon conversations with officials based at a particular airport. In this regard, they advised that the Airport should understand that retention of existing business is job one and of critical importance. They spoke to how Frontier expanded service as a result of direct conversations with communities and how Burlington currently has strong service to primary hubs which every effort should be made to preserve.

Boyd cautioned the Committee that it should be acutely aware that the available seats at BIA have been reduced by approximately 10% over the past year. Attention should be paid to preventing further erosion, but it should be accomplished with an awareness that this is simply not a problem unique to BIA. They mentioned that between 2005 and 2012 there has been approximately 13% of shrinkage in capacity throughout the US.

They cautioned the Committee not to expect much by way of increase in "long haul" service because such service does not typically cover its cost. However, it is their view that significant opportunities for BIA do exist. They gave examples such as service between both Burlington and Atlanta, and Burlington and Charlotte. They noted Burlington's grant for this

purpose and the strong consideration given recently by Delta to commencing service to one of these markets.

Boyd emphasized that BIA should want to be in the middle tier of airlines' service lists, and should want to do everything possible to avoid being in an airline's bottom 25. They emphasized that it is critically important for BIA to be "in the conversation" with airlines and that it is imperative that BIA identify and establish a communications link with the person in the home office assigned to consider BIA.

They emphasized, however, that load factors have become a critical determining factor for profitability. Whereas previously an airline might have been satisfied that it could make money with load factors as low as 65%, anything below 80% is now regarded as not good.

Boyd recommended that BIA not disregard low cost carriers like Allegiant and Spirit. They recommended that such airlines be spoken to regularly since they believe BIA would support direct service to southern hubs.

They emphasized the important value of the Airport's \$450,000 grant and, in answer to a question from Jane Knodell, suggested that it could be utilized for risk abatement/profitability for an airline willing to take on Atlanta or Charlotte service from BIA. However, Mr. Colodny noted that the subsidy amount was really not that great and Jeff Schulman noted that it certainly was not enough to turn a bad idea for service into a good one.

Boyd emphasized additionally the importance of a successful management team search, marketing efforts and attention to governance issues.

Ernie Pomerleau asked Boyd how BIA should develop a success model and for advice concerning what should be considered success. The Boyd representatives responded by stating that the first responsibility should be to clean up any and all existing operational and marketing

deficiencies in order to intensely concentrate on preventing erosion of service. This is particularly critical if mergers continue to occur and oil prices remain high. They recommended that BIA get out in front of others with regard to aggressive marketing and that it also should make efforts to develop alternative revenue streams. Boyd stated that BIA clearly has a need for talent that can combine marketing in an air service development in a way that is knowledgeable of airline operations and profitability models.

Boyd also recommended that BIA develop a good understanding of any leakage it is experiencing and that it have conversations with large travel companies such as Apple Vacations which are able to package leisure travel at very good prices.

Boyd also emphasized that BIA should concentrate its efforts on having excellent communications with the main line legacy carriers, and that this is particularly the case in the current environment of frequent bankruptcy filings by subcontracting carriers.

In response to a question relating to governance models from Vince Dober, Boyd indicated that there are all kinds of governance models that work successfully. Those that work most successfully avoid redundant layers of governmental oversight.

There being no further business to come before the Committee, the meeting was adjourned at 7:20 p.m.

Joseph E. McNeil,
Committee Clerk