



# STATE OF CONNECTICUT

## DEPARTMENT OF TRANSPORTATION

2800 BERLIN TURNPIKE, P.O. BOX 317546  
NEWINGTON, CONNECTICUT 06131-7546



Office of the  
Commissioner

An Equal Opportunity Employer

### **February 18, 2009 – Public Hearing Transportation Committee**

#### **Testimony Submitted by Commissioner Joseph F. Marie Department of Transportation**

**S.B. 154 – An Act Concerning the Governance and Administration of Bradley International Airport.**

**S.B. 692 – An Act concerning Studying the Feasibility and Impact of the Sale of Bradley International Airport.**

**H.B. 5898 – An Act Concerning the Privatization of Connecticut's Airports.**

The Department of Transportation (DOT) welcomes to opportunity to address the Transportation Committee on the future of Bradley International Airport (Bradley). The issue of governance of Bradley has been the subject of considerable discussion and debate around the state for many years. There have been bills passed and several proposed bills that will be considered by the General Assembly this session. Before addressing the specifics as it relates to the proposed legislation, I would like to share with you my basic philosophy regarding the structure of the DOT as well as a brief overview of Bradley's current situation and recent history. I am hopeful that this will provide some context for your decision making and an understanding of the basis for our conclusions as it relates to the proposed legislation.

While discussing Bradley and its future potential, it is important to keep in focus the geographic location, demographics and the economics of the region that the airport serves. In aviation lingo, every airport has a primary catchment area that in most cases is based on population concentrations and access to highways and transportation systems that assist populations to get to an airport. Bradley's primary catchment is the region within 90 miles of the airport which encompasses most of Connecticut, Western Massachusetts, parts of Eastern New York State and all the way into parts of Vermont. This geographic area covers a population of 4.7 million with over 1.8 million households with a median household income of \$68,035. These numbers take into consideration that parts of Southern Connecticut do have the option of using the metro New York Airports or Providence and that Eastern Massachusetts has the propensity to utilize Boston Logan and are therefore not included in Bradley's primary catchment area.

Given the size of the Bradley Airport catchment area (approximately 5 million customers within that 90 mile radius), Bradley has a large amount of nonstop service for the size of its population. For the year ended October 2008, Bradley has 107 daily departures in comparison to Providence, with 86 daily departures or even Manchester, with 64 daily departures. For the same period, Bradley serves 38 daily

nonstop destinations with Providence serving 25 and Manchester serving 20 destinations. In fact, Bradley has the smallest population of any non-hub airport in America with nonstop transatlantic air service. Additionally, Bradley has the second highest number of nonstop seats per population in the Northeast United States (only the Boston region has a higher ratio). Bradley is only one of two non-hub airports in the U.S. to receive transoceanic/transatlantic service. Given that fact, the number of transatlantic Origin & Destination passengers using Bradley has increased by over 150% in the last three years, which is a larger increase than any other Northeast U.S. airport.

In this growing economic crisis, Bradley's high fares and increasing fare levels have had the effect of constraining recent growth at the Airport. The average domestic fare per mile (yield) at Bradley is higher than domestic fares per mile at many other medium-size airports in the northeast. Its average fare per mile is also 15% higher than JFK's. It is the ability to earn and manage high yields (from a carrier's perspective) that positions Bradley for growth. The Department is aware that average domestic fares at Bradley have increased 32% over the past three years, which is more than any other northeast airport except JFK and Providence. In order to balance that increase in fare spikes, the Airport is actively pursuing new low cost carrier service from JetBlue and AirTran which will help lower fares and increase available passenger seats. Almost all airlines are cutting service or reducing growth plans, but most are still scheduled to take in new aircraft in 2009. Many of the new airplanes will be used to replace retired aircraft. What this means is that the airlines must have the capability to resume growing quickly. The Department is fully aware of this and clearly understands the opportunities that exist. Bradley has seen a reduction in 14% of available seats over the past 18 months whereas peer airports have seen a reduction of 17%.

Under the leadership of the Department of Transportation, Bradley has faced and met many challenges over the last decade. Eight years ago, just after the turn of the century, Bradley was recognized for its very strong operational and maintenance capabilities and that reputation remains strong today. However, at that time the Airport also faced many challenges. The Airport was operating the oldest terminal complex in the Country, facilities and infrastructure were antiquated, aging and not environmentally friendly. There was no framework to substantively address noise issues for the local community. Terminal concession facilities and service was poor, traveler services and amenities needed improvement and the Airport lacked a general business and marketing savvy. Long term strategic development plans and objectives needed focus instead of a constant battle over the Airport's governance structure.

The Department, in coordination with the Bradley Board, has had much success in the management, operation and development of Bradley over the last five to eight years. A vibrant terminal redevelopment program, replacement and renewal of infrastructure and facilities and a comprehensive overhaul of Bradley's business and marketing practices have all helped Bradley secure its position as the #1 airport of its size in the region. Through its continuous strategic and development planning and implementation, benchmarking, and customer enhancement program, DOT is meeting its goals while providing our customers with the service they expect.

The Department notes seven key areas of success in the management, operation and development of Bradley over the last five to eight years – 1) Existing structure of governance; 2) Progress and Status of the Terminal Redevelopment Program; 3) Renewal and Replacement of Infrastructure, Facilities and Equipment; 4) Overhaul of Airport Business and Marketing Practices; 5) DOT's Customer Enhancement Program; 6) Continuous Strategic & Development Planning and Implementation; and 7)

Bradley Benchmarks. The following provides further information on these areas that have contributed to Bradley's success.

### **1. Existing Management of Bradley**

The Department of Transportation is responsible for the operation, management and development of Bradley International Airport including airport administration, operations and security, marketing, business development and leasing, aircraft rescue and fire fighting, building and grounds maintenance, finance and administration and project management. Bradley is a financially self-sufficient operation funded independent of the State's biennial budget development process.

Bradley's structure of governance is by no means unique in that it is owned and operated by a government entity. In a review of governance structure at 560 certificated airports in the United States, it was found that 67% of all certificated airports in the US are owned and operated by local (59%), state (7%) or federal government (1%) agencies. There are more certificated airports owned and operated by government entities than by airport authorities, port authorities, boards or commissions combined. The breakdown is as follows:

Local Government	324
State Government	41
Federal Government	8
Airport Authority	118
Port Authority	35
Board or Commission	30
Indian Tribe	4
Total Certificated	560

Source - Federal Aviation Administration

The Department, with support and guidance from the Bradley Board of Directors, ensures the smooth, safe and consistent operation of the facility itself, works with all appropriate federal and local authorities as it pertains to the airport and directs the day to day operations at Bradley.

The Bradley Board of Directors was established by the General Assembly in 2001 with authority to:

- Develop an organization and management structure;
- Approve the airport master plan;
- Approve annual operating and capital budgets;
- Establish and assess progress on the Airport mission and strategic goals;
- Establish marketing policies and plans;
- Establish customer service standards and assess performance; and
- Review significant contracts (no approval authority and excludes labor contracts).

The Department has built a solid working relationship with the Board of Directors which has improved the overall strength of governance of the Airport. The Department reports regularly to the Board on all matters of finance, marketing, operations and development and this has served well to hold the Airport to task in pursuit of the our mission and strategic plans. The Board has directly participated in the hiring of key staff in the areas of marketing and administration and has approved the Airport Master Plan and Noise Compatibility Plan.

## **2. Terminal Redevelopment Program – Progress and Status**

The Department is pleased to report that Bradley can no longer be characterized as operating the oldest terminal in the country. From 2000 through 2005, DOT undertook a major terminal construction program which included the following elements:

- New terminal building
- New 12-gate concourse
- New aircraft parking apron
- Environmentally friendly “At Gate” deicing system
- New elevated roadway
- New vehicle parking garage
- Relocation of Northwest, Southwest, Delta and Continental Airlines to the new terminal and concourse
- Renovation of Concourse C to new concourse standard for United and US Air passengers

At present, DOT is actively planning the relocation of American and Air Canada which is scheduled for this fall with the completion of Terminal A renovations. Design work for the next major phase of terminal redevelopment will commence this year as well.

## **3. Infrastructure, Facilities and Equipment – Renewal and Replacement**

In the last eight years, Bradley’s infrastructure, facilities and equipment have been transformed from what was once considered to be antiquated, aging and environmentally unfriendly to state of the art. Looking back, the number of improvements made in addition to the terminal development program is remarkable. The following initiatives were funded through the enterprise fund over the past eight years:

- Major equipment acquisition program (2000 – 2008). 56 pieces of new equipment in excess of \$25,000 each for a total cost of \$11.5 million was acquired and consisted of six new aircraft rescue and fire fighting vehicles, five new heavy-duty snow and ice control vehicles, new advanced equipment for the collection and cleaning of chemicals used to de-ice aircraft, electronics for security, access control and vehicle tracking purposes, tractors, loaders and dump trucks.
- Construction of an 810-space employee parking lot in 2000.
- New Airport Maintenance Complex (2001). This 50,000 square foot state of the art facility includes a sign shop, plumbing, electrical and carpentry shops, heated and cold storage for maintenance vehicles, equipment and material, and administrative offices.
- New FIS Building (2002). This new 28,000 square foot international terminal houses customs and immigration officials and facilities for the processing of international passengers arriving at the Bradley.
- New Airport Energy Center (2002). At Bradley, the terminal is powered, heated and cooled by the Airport’s own, environmentally friendly, natural gas fired energy center. This is a “Co-Generation” facility where the heat produced by the electricity generators is captured and used to heat the terminal, and the generators are used to produce chilled water for cooling purposes.
- Bombardier Aircraft Maintenance Facility (2002). A 105,000 square foot privately funded aircraft maintenance facility.
- TAC Air Corporate Hangar Complex (2002). A privately financed facility.

- Terminal Development Program underway (2002 – 2005).
- Parking lot 4 rehabilitated (2004).
- Taxiways E & T reconstructed (2006).
- Runway 1 Threshold Relocated (2006)
- Travelers Corporate Hangar expanded (2007). A privately funded facility
- Taxiways L, T and M reconstructed (2007).
- 75-space taxi queue lot completed (2007).
- Sanitary sewer system partial replacement (2007).
- New Taxiway W constructed (2008).
- Embraer Aircraft Maintenance Facility (2008). A 45,000 square foot privately funded aircraft maintenance facility.
- 6” water main across airfield replaced with 16” main (2008).

#### **4. Business and Marketing Practices - Overhaul**

The challenges of the last eight years necessitated a complete overhaul of the Airport’s business and marketing practices and the Department has been successful in this regard.

*Airport Business Practices.* One of the lesser known aspects of the Department’s operation of Bradley is that it is operated as an enterprise fund of the State. This means that all Airport operating, maintenance and development expenses are funded solely through the revenues generated by the Airport and the capital financing mechanisms available to the Airport. There is no funding provided through the State general fund or otherwise for the Airport. The Department is responsible for negotiating, managing and administering countless agreements with third party tenants and service providers that generate approximately \$75 million in annual revenue used to fund the Airport. This includes airlines, food, beverage and retail concessions, rental cars, vehicle parking operations, fixed base operators, mail and cargo facilities, corporate hangars, ground handlers, taxi and limo companies, hotels and others. During the course of the past eight years, virtually all of these agreements had to be renegotiated by DOT to provide funding sufficient to pay increased debt service associated with financing the Airport’s terminal improvement program. In FY 2000, total operating and non operating revenues generated by the Airport were \$57.2 million. By FY 2008, total revenues had increased to \$74.0 million.

BIA’s terminal and parking improvement program was financed primarily through the issuance of general airport revenue bonds and special facility parking revenue bonds totaling approximately \$250 million. As steward of the Airport enterprise, DOT played a central role with all of the key stakeholders in the financing transactions including the Treasurers Office, Bond Counsel, Rating Agencies, Financial Advisors, Underwriters, FAA and the airlines. In addition to securing the required funding, the process resulted in a new capital structure and financial model for the Airport, codified in a new trust indenture and incorporating Passenger Facility Charge (PFC) – backed debt. This new structure has allowed the enterprise fund to not only provide the proper levels of debt service coverage, but to also flourish in terms of the cash reserves available for future projects.

In 2004, the Department served in a similar capacity to refund all remaining series 1992 bonds, producing significant debt service savings and allowing the Department to pass these savings on to our airline partners. Most recently in 2006, the Department partnered with the Airport stakeholders in the development and execution of two forward starting interest rate swaps. These transactions essentially

lock in lower interest rates and debt service savings for a potential refunding of all outstanding revenue bonds in 2011.

The Department has operated Bradley as a business and received high marks for its management. The following are excerpts from rating agency reports on the performance of Bradley as a business enterprise:

***Moody's Investors Service – April 30, 2004***

*"Moody's has assigned a rating of A3 to Bradley International Airport's general airport revenue refunding bonds. At this time, Moody's has revised the outlook to positive from stable. The A3 rating reflects the airport's strong management team, historical trend of favorable financial performance, stable O&D passenger base, and diversity of operating revenues and airline carriers."*

***Moody's Investors Service – February 18, 2005***

*"Moody's has upgraded to A2 from A3 the rating assigned to Bradley International Airport's general airport revenue bonds issued by the State of Connecticut. The outlook is stable. The bonds are secured by a pledge of net revenues generated from the airport. The upgrade to A2 is based on the airport's strong management team that has produced a trend of impressive financial and operating results, including: i) good debt service coverage, relatively low costs, and favorable reserve balances, despite several years of airline industry turmoil; ii) ongoing passenger traffic recovery reflecting solid demand for air travel in the service area; iii) on-time completion of a large capital program including a modern terminal facility that will allow for expanded operations by a diverse group of air carriers, including a number of low fare carriers; and iv) a recently amended airline agreement that affords the airport additional operating flexibility by shifting to preferential rather than exclusive gate use. The rating also acknowledges the competition posed by airports in Providence and New York City."*

*CREDIT STRENGTHS: \* Strong management team; \* Ongoing passenger traffic recovery; \* Impressive financial and operating results; \* Minimal future capital needs with no additional borrowing planned*

***Standard and Poor's Rating Service – October 15, 2008***

*"Standard & Poor's Ratings Services has affirmed its 'A' underlying rating on the state of Connecticut's series 2001 and series 2004 airport revenue refunding bonds, issued on behalf of Bradley International Airport, Conn. The outlook is stable."*

*The rating reflects the credit profile of a medium-hub airport demonstrating what we consider to be a strong origination and destination service area, recent declining enplanement trends, and no expected additional debt needs in the medium term. More specifically, the rating reflects what we consider to be the following credit strengths: Bradley's status as primarily an origination and destination airport, as 97% of enplanements are classified as such, with, in our opinion, very good airline diversity, and a very strong and diverse service area economy in both Connecticut (AA/Stable) and Hartford County (AA+/Stable); A diversity of revenues, with nonairline revenues accounting for 55% of total operating revenues. Highlighting this are parking (18%) and rental cars (15%), with shares steady in the previous five years; and Steady financial metrics including net revenues and debt service coverage (1.3x in fiscal 2007), in spite of recent enplanement declines."*

*Marketing and Air Service Development Practices.* The Department understands that airlines are free to come and go from airports as they please, and that it is the strength of a particular region's market that is the primary driver in airline route decisions including the city pairs they serve, the type of aircraft used and the frequency of the flight. That is why DOT believes that Bradley must take a proactive role in two key areas i) demonstrating the strength of the Airport's market area to the airlines, and ii) supporting and encouraging the use of the air services available at the Airport. The Department has a robust marketing and route development program in place for Bradley and is doing everything that it reasonably can to ensure the greatest number of travel choices are available for our customers.

This is the responsibility of the Department's Office of Marketing and Route Development. DOT has undertaken a number of steps over the last several years, in conjunction with the Board of Directors, to bolster the efforts of this office including the hiring of a new marketing director. The Office of Marketing and Route Development was relocated to new offices within the airport terminal's administration area and was expanded to include the position of Director of Communications. The office has an operating budget in excess of \$700,000 annually for consultant expertise in the production and placement of advertisements supporting existing air services, for analysis and documentation of market demographics supporting the establishment of service by new airlines, and for expansion of service by existing airlines. An air service incentive program has also been established in conjunction with the Board of Directors, which provides additional funding for the waiver of fees and cooperative advertising campaigns specifically supporting establishment of new service.

Bradley's marketing efforts can readily be seen daily on television, radio, and billboards throughout the Airport's market area.

##### **5. DOT's Terminal Customer Enhancement Program**

In FY 2008, a total of 6.5 million passengers departed and arrived at Bradley and the Department has worked hard to improve the experience these customers have when using the Airport's passenger terminal. DOT's efforts have focused on revitalizing the food, beverage and retail concession venues available within the terminal, while complementing these efforts with quality finishes, arts and entertainment programs in the public areas of the terminal.

*Food, Beverage and Retail Concessions – Revitalization.* The Department's efforts to revitalize the terminal concession venues were initiated as part of the terminal redevelopment program and continue today. As part of the terminal redevelopment program, the Department re-bid the master food and beverage concession agreement. Within the new terminal, an initial private investment of approximately \$6 million was made in new food and beverage venues with significant improvement to facilities, menu variety and service. Further, DOT amended and extended the master retail concession to provide for significant private investment in new retail facilities for the new terminal. This provided for such venues as the CNBC Newsstand, New England Travel Mart, Brooks Brothers and Borders Books.

In 2006, the Department decided that its goal to continue improvements to the terminal concession program would best be served by additional competition among its concessionaires. The Department made available and bid a prime location for specialty food, beverage and retail concessions and selected a third master concessionaire. The process resulted initially in the establishment of Einstein's

Coffee, Cover to Cover Books, and the Essentials gift shop and presently includes a recently opened Dunkin Donuts and Sterling Works gift shop.

DOT works closely with its concessionaires to add and change venues based on market demand. These efforts have resulted in the addition of “pre-security” newsstands and coffee shops that have been well received by our customers. Additional efforts are underway. Most recently, the Department has received final plans and specifications for a new full service sit down restaurant to be located immediately past security in Terminal A. Construction will start shortly on the Airport’s new “Black Bear Saloon”.

The Department has seen dramatic increases in terminal concession sales as a result of the efforts it has undertaken. In FY 2003, sales per passenger were \$4.50. By fiscal year 2008, sales per passenger increased to \$6.55.

*Quality Public Area Finishes, Arts and Entertainment.* Commencing in 2007, the Department began a focused effort to complement its revitalized concessions with improvements to the public areas of our terminal. Artists, painters and sculptors are now given access to the display cases in the terminal. Recent examples include “Daisy the cow” secured through the CowParade - a well know West Hartford Foundation; instruments from the Kaman Guitar Company; and puppets from the UConn Ballard Puppetry Museum. Live musical performances in a variety of genres are regularly scheduled throughout the year within the terminal.

White Nantucket rocking chairs have been placed in the passenger terminals, flat screen LCD televisions have been installed at security lines and an “area of tranquility” was created in Terminal A in the far corner of the food court complete with comfortable seating, tables and a flat screen TV. Greenery has been added into the non secure side of the airport on the pillars and above the doorways. During the holidays, seasonal decorations adorn the terminal.

The Department has designed and executed a Customer Service program aimed at reminding airport employees that our customers are the most important elements in the Bradley equation. Customer Service Booklets were designed to be whimsical and entertaining while encouraging all airport employees to strive towards excellence by following the Airport’s TOP TEN CUSTOMER SERVICE TIPS. The Department also initiated an Employee of Distinction Award program for the Bradley airport community and recognized five employees in an awards ceremony held in June.

Last, but certainly not least is the Bradley Ambassador Program which consists of approximately 60 volunteers recruited by the Community Renewal Team (CRT). The ranks of the volunteer force have increased over the years and their involvement in helping customers at the airport has become more important than ever. The Bradley Ambassadors are an enthusiastic group of senior citizens who enjoy greeting and assisting the public on a daily basis.

## **6. Continuous Strategic & Development Planning and Implementation**

The Department, in conjunction with the Board of Directors, has a comprehensive, continuous strategic and development planning and implementation process in place for the Airport. There are five elements to the program designed to guide the Airport year to year in the implementation of capital improvements and operating programs consistent with long term plans, strategies and objectives. These elements are summarized below:

*Airport Master Plan.* This is the Airport's long term development plan prepared in conjunction with, and approved by the Board of Directors and the Federal Aviation Administration (FAA) several years ago. Major elements of the plan include demolition of the Murphy Terminal, phased development of new terminal facilities, realignment and construction of the terminal roadway in front of the Murphy Terminal, expansion of the parking garage, construction of a consolidated rental car facility directly across from the terminal, development of new cargo facilities, and various airfield pavement rehabilitation and construction projects. The Department is actively advancing Airport development consistent with the Master Plan. For example:

- An RFP will be issued shortly which will kick off the process of implementing the consolidated rental car facility;
- The Murphy Terminal is being vacated and other steps being taken in preparation of demolishing the facility; and
- Design work for future terminal expansion is presently being scoped and included in the FY 2010 Capital Budget.

*Airport Noise Compatibility Program.* The Department has a fully approved FAA Airport Noise Compatibility Program in place for Bradley. This is the long term development plan that specifically addresses noise mitigation for the local community. The program examined specific areas around the Airport most impacted by noise based on flight tracks and identified techniques that may be used to mitigate noise for these areas. The centerpiece of this program, presently underway, involves installation of new, sound insulating, doors and windows, central air conditioning, and insulation in the homes most affected, at no cost to the home owner. The Airport will be providing this service to 75 to 100 homes per year over the next five years to complete the program. Contracts have already been awarded.

*FAA 5- Year Capital Improvement Plan.* FAA is a major funding partner in the Airport Capital Improvement Program. Funding eligibility of major projects starts with the project being included in the approved master plan and noise compatibility program. As projects appear on the horizon, they are placed on the FAA's Five Year Capital Improvement Plan (CIP). The CIP is an annual process undertaken by the Department in conjunction with FAA that ensures FAA includes its share of eligible projects in its own funding programs.

*Annual Strategic Plan.* The Airport Strategic Plan is prepared and reviewed annually by the Board of Directors. The plan, available on [bradleyairport.com](http://bradleyairport.com), examines the economic and competitive position of the Airport and the factors affecting that position, establishes strategic and tactical goals in the areas of customer service, facilities and access, economic development, competitive positioning, community relations, and governance and organization. The plan then takes these goals and relates them to the activities of the Board of Directors and organizational divisions of the Airport including finance, project management, leasing, marketing, maintenance, operations and security. Development and review of the plan and performance consistent with it has proven an effective tool to focus the direction of the Airport.

*Airport Annual Operating and Capital Budget.* All of the foregoing ultimately results in a project, program or activity being included in the Airport's annual operating and capital budget. The budgeting

process is fairly rigorous and affords all of the key stakeholders appropriate review and approval roles. The process is summarized below:

- The budgeting process commences in December with a fully effective budget required by the following July 1<sup>st</sup>.
- Operating and capital expenditure requests are developed and reviewed internally by and with each functional unit.
- Expenditure requests are initially presented to the Board of Directors at the February Board meeting.
- From February to March – the Department considers feedback from the Board, revises expenditures as appropriate, develops cost-based airline rates and charges, and prepares the revenue budget. Financial performance under the draft budget is assessed for compliance with the debt service coverage requirements of the Airport’s revenue bond trust indenture. Adjustments are made as appropriate to compile a balanced budget.
- The completed balanced budget is presented to the Board of Directors at the March Board meeting.
- Feedback from the March Board meeting is incorporated into the draft budget as appropriate and the draft budget becomes the Airport’s proposal to the Signatory Airlines operating at the Airport. The Signatory Airlines, pursuant to the terms and conditions of airline lease and operating agreements with the State, have approval authority over the airport operating and capital budgets. The budgets must be approved by a “Majority – in – Interest” (MII) of the signatory airlines. MII approval is defined as 50% in number of the signatory airlines that comprise 50% of the total landed weight of all users of the Airport. The Airport’s budget proposal is required to be mailed to the airlines by March 31<sup>st</sup> of each year. The Office of Policy and Management (OPM) and the Treasures Office are provided copies of the budget proposal at this time.
- In April, the Airport and representatives from the Board present the budget to the airlines and receive their feedback. This starts an iterative process of negotiation with the airlines that must be concluded by June. The Board is updated as necessary throughout the process. The signatory airline agreement includes appropriate dispute resolution provisions but the Department has never failed to reach agreement with the airlines.
- The final agreed upon budget is presented to the Board of Directors at the June Board meeting. The Board also has legislative approval authority over the budget and formally votes on the budget at the June meeting.
- Following the June Board meeting, the Commissioner of Transportation transmits the budget to the OPM Secretary for OPM’s approval (also a statutory requirement). Once approved by OPM, the budget is transmitted to the Treasures Office and made available to the Airport’s bond holders, and to the Airport Trustee as evidence of the Airport’s spending authority for the new fiscal year.

## **7. Bradley Benchmarks**

The Department has taken a number of steps to understand and react to how Bradley measures up to its peers in the industry. The Department works with such organizations as the American Association of Airport Executives and the Airports Council International, with consultants having expertise in the area of air service analysis, and conducts its own research in a continuous effort to assess, and respond to, a set of metrics relative to the Airport's mission and strategic goals. What does the Department know about Bradley as a result of these efforts?

- Airport costs per enplaned passenger are competitive. This is a measure of an airline's cost to provide service to the Airport. In other words, this is what the airlines pay the Airport for the right to land, use Airport facilities and services, and take off. For the fiscal year ending June 30, 2008, this cost was \$7.80 per enplaned passenger. This, combined with the Airport's marketing and air service development program, tells the Department that the Bradley is positioned well to secure expanded air services in the future as the economy and airline industry rebounds.
- Airfares at Bradley are high in relation to its peer airports. Depending on your perspective, this could be good or bad news. From the airline's perspective, this demonstrates the opportunity for a more profitable route. From the Airport's perspective, this bolsters the service choices available to the community and helps to insulate Bradley from drastic service cuts during times of economic upheaval. There is a balance to be achieved and the Department works with the airlines to achieve that balance.
- Bradley continues to offer the greatest level of air service in all of New England excluding only Boston Logan.
- Bradley's enplaned passengers have declined over the past several years due to airline service reductions (reduced flights and smaller aircraft) – but the reductions we have experienced are not as substantial as the cuts experienced by most of our peers in the region.
- The Airport's outstanding debt per enplaned passenger is relatively low. This is a measure of the Airport future bonding capacity. As of June 30, 2008, outstanding debt per enplaned passenger was \$61.59. This measure, combined with the Airport's bond rating, cash position, swap contracts and scheduled debt retirement tells the Department that the Airport is positioned well to secure first class status for the long term through its planned development efforts.
- Bradley's terminal concession revenues per enplaned passenger remain low in comparison to our peers. This is a direct measure of the quality and sufficiency of food, beverage and retail concession services available in the Terminal. In other words, this is what our customers spend in the terminal while waiting to board a flight, or while exiting the terminal after departing a flight. For the period ending June 30, 2008, terminal concession sales per enplaned passenger were \$6.55. This represents significant improvement from the past but the sales achieved by our peers suggest we can do better and the Department is responding accordingly.

Bradley International Airport is the second – busiest airport in all of New England and as of June 2008, American, Continental, Delta, Northwest, Southwest, United, US Airways, Air Canada and fifteen additional regional commuter / express operators served the Airport. The Department is committed to making Bradley a best-in-class operation that delivers the highest level of service to all its passengers and functions as a powerful driver of the State's economy - and its future.

The Department supports the principals as outlined in S.B. 154 as a matter of good business practice to constantly review its business practices and management framework. DOT has and will continue to work with the Bradley Board of Directors within the context of development of our annual strategic plan so that the Airport remains a strong and viable operation and economic engine within the state.

Clearly, the Department's focus has been on development of land-side and air-side development at Bradley. It is clear, not only as it relates to Bradley, but other transportation facilities (i.e. major transit hubs), that the Department understands it should continually be open and responsive to the potential economic development impact its leveraged assets can have within the state.

Consequently, the Department is looking to broaden its approach and reach so that its efforts around all of its major transportation assets have the broadest economic impacts possible. It is the Department's position, however, that this can be best accomplished within the overall structure that is currently in place today. Based on the foregoing and recent examples of privatization attempts around the country, the Department opposes S.B. 692 and H.B. 5898.

For further information or questions, please contact Pam Sucato, Legislative Program Manager for the Department of Transportation, at (860) 594-3013.