



Appropriations Committee, Finance, Revenue, and Bonding Committee, Commerce Committee, and
Planning and Development Committee

Joint Public Hearing

March 23, 2018

Kevin A. Dillon, A.A.E.
Executive Director
Connecticut Airport Authority

Dear distinguished members of the Appropriations Committee, Finance, Revenue, and Bonding
Committee, Commerce Committee, and Planning and Development Committee,

My name is Kevin Dillon, and I am the Executive Director of the Connecticut Airport Authority (CAA).
Thank you for the opportunity to provide testimony regarding the final report of the Commission on Fiscal
Stability and Economic Growth.

First, I would like to recognize all of the commission members for their hard work examining such difficult
and complex issues in such a short timeframe. The scope of the commission's work spanned a wide array
of issues, and we were pleased that the group's final report acknowledged the importance of air travel to
the state's economy. A state's non-stop connectivity helps facilitate the transportation of goods and
provide business travelers with convenient access to new markets. A healthy route network also serves
as an important selling point when courting new businesses that are looking to relocate or expand their
operations in the state. Although the CAA has only had formal control of Bradley International Airport and
five of the state's general aviation airports since July 1, 2013, we have already been able to achieve
major milestones, including the reestablishment of transatlantic and west coast services, the addition of
Bradley's first ultra-low cost carrier, five consecutive years of year-over-year passenger growth, and
Bradley's recent recognition as the fifth best airport in the U.S. in Condé Nast Traveler's 2017 Reader's
Choice Awards. These accomplishments have helped make Connecticut much more attractive to
businesses, and the economic spin-off is significant. According to our most recent economic impact
study, CAA airports generate nearly \$3 billion in total economic output, support over 23,000 jobs, and
generate approximately \$175 million in state and local taxes. However, to continue taking our airports to
the next level, we must be able to rely on strong support from stakeholders across the state.

Despite the CAA's success in air service development over the past few years, the commission report
correctly highlights the harsh competitiveness of the current aviation industry landscape. For a medium-
hub airport (like Bradley) to attract new service to a major destination, many airlines have come to expect
incentives in return for the risks that they shoulder in launching such service. While the CAA can provide
airlines with marketing assistance and fee waivers, the more compelling incentive provides an airline with
insurance against losses as the airline works to increase awareness of its new service in its early years.
In these "minimum revenue guarantee" arrangements, a minimum revenue target is mutually agreed
upon, and an airline is paid (up to a predetermined amount) if its revenues from the service fall below that
revenue target. To complicate matters further, federal regulations restrict airports from using their own
revenues and resources for such direct subsidies to airlines. As a result, state and local economic
development agencies, as well as private businesses and chambers of commerce, can pool resources to
fund revenue guarantees when they determine that enhanced connectivity to a particular destination
would be beneficial for their business community and would generate significant economic impact to the
region. These types of arrangements have been increasingly utilized since the early 2000's, and it is
generally understood that the new route's economic impact greatly outweighs the risk involved in the
investment. The commission report sought to enhance the CAA's ability to attract new service to high-
priority business destinations by recommending the establishment of a \$10 million airline revenue
guarantee fund. This initiative, which has already been undertaken in other states across the country,
would make Bradley much more attractive to airlines and would be of sufficient size to allow for multiple,
simultaneous arrangements. The CAA strongly supports this initiative, and we look forward to continuing
our partnership with the State and area business stakeholders as we seek to enhance our region's
connectivity to much-needed business centers across the country and world.

Furthermore, the CAA was pleased that the commission chose to acknowledge the need to empower our agency with the flexibility to operate independently of traditional state systems. To attract new and existing airlines to expand services at Bradley, we need to keep our costs low. Bradley is completely self-sufficient, and we are funded entirely by user fees. The vast majority of these user fees are generated by airline activity, and we therefore rely on the revenues from our airline partners to fund our expenses. When we are able to keep our expenses low, we are able to pass it on to the airlines in the form of lower landing fees and terminal rental rates. Lower operating costs make it much more likely that an airline will choose to expand their operations at Bradley. However, a number of the CAA's costs are fixed due to our enabling statutes tying our employees to the overall state retirement and group welfare benefit systems. For years, we have advocated for legislation to offer current unclassified CAA employees an exemption to voluntarily opt out of these systems, as well as to ensure that all future unclassified CAA employees be placed into an alternative 401(a)-type plan established directly by the agency. This would mitigate the massive fringe rates that we experience due to our participation in the state systems, and it would also be financially beneficial to many of our newer employees. The airlines are keenly aware of our high fringe costs, and it regularly becomes a topic of discussion in our annual budget consultation meetings. The airlines are skeptical of our ability to control future costs as long as we continue participating in the state retirement system, and it is clear that this dynamic is impacting our route development efforts. As such, we thank the commission for its recommendation to establish a task force to examine SEBAC collective bargaining agreement, including the impact that such participation requirements have on the CAA's overall expenses and ability to attract new airline activity.

Thank you again for the opportunity to provide this testimony. Please feel free to contact my office at (860) 292-2054 if you have any additional questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Kevin A. Dillon".

Kevin A. Dillon, A.A.E.
Executive Director
Connecticut Airport Authority