



Testimony in Support of HB-6426, An Act Concerning Recommendations by the Connecticut Airport Authority Regarding the Provision of Security Services and Meteorological Evaluation Towers

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

Joint Committee on Transportation
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Dear Senator Cassano, Representative Lemar, Senator Somers, Representative Carney, and distinguished members of the Transportation Committee,

My name is Kevin Dillon, and I am the Executive Director of the Connecticut Airport Authority (CAA). **I am submitting this testimony in support of HB-6426, An Act Concerning Recommendations by the Connecticut Airport Authority Regarding the Provision of Security Services and Meteorological Evaluation Towers.**

Sections 1 and 2 address law enforcement services at Bradley International Airport in response to recent recommendations by the Auditors of Public Accounts (APA). In a recent audit of the payments between the CAA and DESPP, the APA recommended revisions to PA 09-7 to direct the CAA and DESPP to enter into an agreement outlining the contractual relationship for the provision of law enforcement services at Bradley Airport, to emphasize the CAA's federal requirements as they pertain to the contract and to update terminology. While the CAA is already in the process of negotiating such a contract with DESPP, these sections allow the CAA to resolve our audit findings and set the foundation for a better-defined working relationship with Bradley Airport's law enforcement providers.

Section 3 addresses a recent issue that has been raised by the National Transportation Safety Board (NTSB). After several accidents across the country involving aircraft impacting unmarked meteorological evaluation towers (METs), the NTSB issued a recommendation to all states suggesting a requirement to mark such towers. METs are typically temporary structures that are used to assess an area's viability as a wind farm, and they are generally installed and removed in short periods of time. This can be problematic for pilots who feel a familiarity with the terrain in a given area, and the towers usually stand under the 200 ft. threshold that requires automatic Federal Aviation Administration coordination. As such, they can become a hazard for pilots who are flying in the vicinity. The CAA has proposed the language in Section 3 to prescribe simple paintings, markings, and safety sleeves on any related guy-wires to enhance visibility. The proposal also establishes penalties for those who fail to adhere to such marking requirements. These minor, but important, marking requirements will help improve the safety of aviation across the state.

However, the CAA is concerned that the committee did not include the Authority's most important suggested change in HB-6426, which is a critical component to the recovery and future success of Bradley Airport. As the committee is aware, the COVID-19 pandemic has been debilitating for the entire aviation industry, including airports like Bradley International Airport. In April 2020, Bradley Airport passenger volume dropped 97% year-over-year, and current levels have stagnated at approximately 25-30% of pre-pandemic levels. Airline operations are also down approximately 55-60%. Due to the corresponding decrease in airline landing fee revenues, fewer passengers parking and utilizing concessionaires, and various tenants seeking lease term relief, Bradley Airport finances have become increasingly tenuous. FY20 Q4 revenues finished \$10 million under budget, which represented 50% of the budgeted target. Despite massive, across-the-board budget cuts, a hiring freeze, and deferring nearly \$23 million worth of capital projects, it is clear that the aviation industry is still years away from recovery.

Furthermore, the airline industry is in a state of flux. In our discussions with the air carriers throughout the pandemic, all have conveyed that they will emerge from the pandemic as much smaller companies. They will have fewer employees, they will be parking aircraft (in some cases, possibly permanently), and, accordingly, they will fly fewer routes. The competitive environment amongst airports to attract airline service was already fierce prior to COVID-19. After the pandemic subsides, airports will be competing against each other to attract airlines and regain the services that have been lost over the past year, and that competition will take place in the context of a shrinking pool of airline assets. Given the financial pain that has been experienced across the industry, the ability to attract airlines will increasingly hinge on presenting the best possible business case to our partners in the airline industry. Failure to

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control costs and offer competitive rates and charges will set back the recovery of Bradley International Airport, and those impacts could ripple over many years if we are not able to set a strong foundation now for our post-pandemic route structure.

For years, the airlines have drawn attention to the high fringe benefit costs that are applied to employees at CAA airports. Our non-hazardous duty employees hold a benefit rate of approximately 95% of base salary, and our hazardous duty employees hold a benefit rate of approximately 120% of base salary. Roughly 2/3 of those figures are related solely to the state retirement system. It is important to note that our employees do not even experience the benefit of these high rates. The rates are driven by legacy costs that accumulated over decades of the State not properly funding its pension system. Although the legislature has made major strides in recent years with the creation of Tier IV and the movement towards a hybrid defined benefit/defined contribution model for newer employees, the gravity of the system's legacy costs will continue to ensure very high benefit rates into the future until the system's unfunded liability is more under control. For other state and quasi-public agencies whose cost structures do not have competitive implications, this may not be as severe of a problem. Bradley International Airport is a separate enterprise fund that lives and dies by its own revenues, and we take no assistance from the general fund. Accordingly, the airlines operating at BDL fund the majority of our expenses here through the rates and charges that are applied to their landings and leases. The higher our personnel costs rise, the more burden that falls on our airline partners. While we have been able to mitigate these high fringe costs by deferring major capital projects, this will only stave off the problem for so long. At some point, that too will detract from the attractiveness of Bradley Airport. If we are not able to maintain and develop efficient, customer-friendly facilities over time, the airlines will notice this and it will impede our growth.

This is not an abstract issue. Airlines for America and the National Air Carrier Association, two of the most prominent airline industry associations in the country who jointly represent almost all of the airlines at Bradley Airport, recently wrote to committee leadership to flag this as a major competitive problem. They made it clear that the "excessive" fringe benefit rates are impeding the CAA's ability to moderate its costs, and that Bradley Airport's recovery has already started to lag the national average. This is a real issue that is already starting to result in stunted recovery. If the airlines begin to view Bradley Airport as a high-cost location that is not willing to moderate its out-of-step fringe rates, the airport, all of our stakeholders, the regional economy, and the communities who rely on us will suffer as a result.

The CAA has proposed a legislative fix to help control this competitive issue. While not contemplated in this legislation, the CAA continues to advocate for the ability to offer our current, unclassified employees the ability to opt out of the state retirement system and to ensure that all future, unclassified CAA employees be automatically enrolled into a separate, CAA-established, 401(a)-type plan. As we strive to keep our costs in-line with surrounding airports, the burden of the state retirement system ensures that our payroll costs are always much higher than our competitors. Assuming an 8% employer contribution in a non-union employee's 401 plan, the CAA could save up to \$1.25 million in the first year alone. The Authority strongly believes that some of its newer, existing non-union employees would seriously consider opting out because they would likely benefit more from the 8% employer contribution than they would from their respective Tier level in the existing state retirement system. As the entire non-union workforce is transferred into this 401(a) system over time through attrition, the CAA would eventually save up to \$3 million annually. It is important to note that the CAA only seeks to make this adjustment for its approximately 30 non-union employees. However, you can see that making this change just for our non-union staff can be a real difference-maker for us here at the airport. It is the single most important thing that we can do to maintain a competitive environment for airline service at Bradley Airport, and we strongly urge the committee to reconsider and add this initiative back into the bill as JFS language.

I believe that these proposals are crucial to the recovery of Bradley Airport, the effective management of the CAA, and the safety of aviation across the state. I support passage of HB-6426 with the proposed JFS language, and I urge all committee members to vote in favor of this important bill. I look forward to answering any questions you may have. You can also always feel free to contact me at (860) 292-2054 if you have any questions or concerns.

Sincerely,



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