BRADLEY INTERNATIONAL AIRPORT

Connecticut

General Assembly

LEGISLATIVE
PROGRAM REVIEW
AND
INVESTIGATIONS
COMMITTEE

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CONNECTICUT GENERAL ASSEMBLY
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

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DECEMBER 2000

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Bradley International Airport

Vision/Mission

Findings

- *DOT does not have a formal vision statement specific to Bradley International Airport.*
- *DOT's mission statement for Bradley International Airport is focused on safety, efficiency, and convenience - implying a view of Bradley as transportation facility.*
- *DOT's dollar-driven mindset limits investments and slows growth at Bradley International Airport.*

Recommendations

1. **Bradley International Airport should in consultation with its stakeholders develop a vision statement that defines the airport in terms of its purpose.**

2. **Bradley International Airport should in consultation with its stakeholders develop a mission statement that encourages policies aimed at promoting economic development as well as efficiency, effectiveness, safety, and convenience.**

3. **Proposed capital projects for Bradley International Airport must be evaluated using the risk/return approach of financial analysis relevant to a business enterprise.**

1993 Master Plan Implementation

Findings

- *The delay in completing the terminal expansion project at Bradley can in large part be attributed to DOT's lack of action between 1994 and 1996.*
- *The delay increased the project's construction costs.*
- *The delay increased cost of borrowing money to pay for the project.*
- *The delay prolonged the inconvenience of customers forced to use a functionally obsolete terminal.*
- *The delay reduced potential airport revenues by causing fewer gates to be available than airlines were willing to pay for and use.*
- *The delay limited revenues and inconvenienced customers by allowing the development of a shortage of on-airport parking spaces during peak travel periods.*

Recommendations

4. **There must be recognition by those with authority over Bradley International Airport that it is a business enterprise operating in a competitive environment and proposed capital projects must be implemented in a timely manner.**

5. **Bradley International Airport's leadership shall review all policies and procedures imposed on requests from the airport to implement capital projects and modify, directly or through legislation, the policies and procedures found to be inconsistent with the operation of a business enterprise, or unnecessary given Bradley's reliance on the Enterprise Fund.**

Planning Capacity

Findings

- *DOT has insufficient resources and expertise to address non-airside planning activities, particularly those associated with strategic business planning.*
- *DOT's commitment to ongoing strategic business planning has not been institutionalized.*

Recommendations

6. **Bradley International Airport shall be statutorily required to develop and periodically update strategic and business plans.**

7. **Bradley International Airport should increase its staff resources to assure an in-house presence and the expertise needed to coordinate the development of strategic business plans and measure their performance on an ongoing basis.**

Management and Operations

Findings

- *Bradley devotes sufficient resources to safety, security and airside operations*
- *Bradley compares well with other cities in terms of the number of favorable destinations*
- *Bradley lacks a comprehensive, persistently applied strategy to obtain international service*
- *The addition of Southwest Airlines has helped Bradley reduce its average air fares to more competitive levels and increased passenger flow through the airport*
- *Bradley's food concessions generate more revenue per passenger than other airports, but because of required vendor payments, not because of wide selection and value pricing to the customer*

- *Bradley has not sought financing for major improvements or expansion of passenger facilities in more than 15 years, choosing instead to pursue a maintenance strategy over a build and grow approach.*
- *Bradley does not have a strategic or business plan*
- *Bradley has taken a passive approach to economic development, working with external parties only when approached for assistance*

Management and Operations - Constraints

Findings

- *Bradley does not have a business development approach in its management and operations and is not organizationally structured to carry out such an approach.*
- *Bradley does not devote the staffing and resources needed to business development, nor does it have staff with the knowledge, skills, and experience to implement such an approach.*
- *Bradley has no goals and objectives targeted at airport growth, nor any measures for tracking them.*
- *Bradley's passenger growth in the 1990s was positive but sluggish, behind the increases in the state's overall economy. Only in 1999 and 2000 has growth picked up substantially, due to introduction of Southwest Airlines service, resulting in lower fares at Bradley.*
- *Bradley's enabling legislation, creating it as enterprise fund, intends that Bradley operate differently than other state agencies, dependent on it own revenues for capital improvements and operations.*
- *Despite intent of legislation, Bradley is operated like any other DOT unit, with the same department- and state-imposed constraints on budget increases, hiring freezes, bonding approvals, contractor and consultant selection procedures, and contracts and lease agreements.*
- *Bradley is operated like a transportation facility and not a business. It does not view itself in competition with other airports in the region for passengers, business development, or funding.*
- *Bradley's key decisions are made offsite. Most other airport management teams are located on airport.*
- *Bradley's operations are process-oriented -- assuring proper policies and procedures are followed – and not results-oriented. Bradley management is used to functioning in this environment, and has not sought to change these process-directed constraints.*
- *Bradley marketing is in need of significant resources. It has allocated too many responsibilities to the marketing director; they cannot be successfully accomplished by one person.*

- *Bradley has begun a practice of gauging customer satisfaction, but it needs to focus on what customers want and work that into its business practices and facility development.*

Recommendation

8. Bradley International Airport shall be reorganized to add a business development approach. It shall establish a business development division in its organizational structure. The division shall be headed by a director of business development with knowledge, background, and skills in economic development and business expansion. The business development division shall be responsible for non-airside operations including: retail and concessions; on- and off-airport economic development; airline and passenger development; contract negotiation; airline and lease agreements; marketing and public affairs; community affairs; and customer relations. (See Appendix E for proposed organizational chart.)

Bradley shall establish a planning and project development division. It shall have responsibility for coordinating development of the airport's master plan, strategic and business plans, and their implementation.

Bradley should significantly upgrade the resources (both in number of qualified personnel and financial resources) allocated to perform the duties involved in business and economic development, marketing, and planning and project development.

All staff included in the Bradley Enterprise Fund and who spend half time or greater on Bradley functions shall be located at Bradley International Airport.

Bradley management and staff shall operate in an entrepreneurial fashion, where they can respond quickly, and seize opportunities for growth. To do that, Bradley shall be exempted from compliance with the following:

- **legislative authorization in order to issue revenue bonds;**
- **state-imposed budget guidelines or hiring freezes;**
- **DOT internal selection processes for contractor and consultant selection;**
- **DOT and state procurement procedures for purchasing; and**
- **DOT and state personnel functions for top management positions including development of position descriptions and selection of candidates.**

Further, the indentures for any new bond issuance should not require bond commission approval each time capital improvement funds are expended for Bradley.

Bradley shall establish goals and objectives for growth, infusing a competitive approach to running the airport.

Governance

Findings

- *A change in the governance structure of Bradley International Airport will be necessary to ensure a business perspective would be added to the operation of the airport.*
- *None of the governance structures considered -- advisory board, executive board, independent state agency, or quasi-public authority – totally met the objective of providing a business focus and direction to Bradley without introducing new issues or failing to solve all existing problems.*
- *A strong executive board approach presented the most workable solution to providing a business perspective and minimizing several problems associated with ensuring the present workforce that its jobs will be protected and benefits preserved, as a transition from one management structure to another takes place.*

Recommendations

9. **A Board of Directors shall be established to oversee the operations of Bradley International Airport.**

10. **<u>Composition.</u> The board shall be composed of seven prominent and experienced leaders of business and industry crucial to Connecticut and Bradley's regional service area. All members shall be appointed by the Governor, and shall be approved by the General Assembly. The governor shall appoint the chairperson of the board from among the business and industry members. Members shall be appointed for four-year staggered terms. The commissioners of the Department of Transportation and the Department of Economic and Community Development shall be ex officio, voting members. A member of the board shall be eligible for reappointment. No member may have a financial interest in the airport or its concessions. Each member of the board before entering upon his or her duties shall take and subscribe the oath or affirmation required by article XI, section 1, of the State Constitution. A member who misses three consecutive meetings shall be deemed to have resigned from the board, and the Governor shall immediately make a new appointment to fill the vacancy.**

11. **<u>Purpose</u>. The purpose of the board shall be to set a direction for Bradley International Airport that will establish it as a competitive, thriving, enterprise, driving the economic development of the region.**

12. **<u>Transition period</u>. The commissioner of the Department of Transportation shall be the chief administrative officer of Bradley International Airport, reporting directly to the Board of Directors, until not later than January 1, 2003. By**

January 1, 2003, the board shall develop a job description for a Bradley International Airport chief executive officer. The qualifications may include, but not be limited to, experience in airport administration, finance and budgeting, planning, and business development.

13. <u>Powers and duties</u>. The Board of Directors shall have the following powers and duties:

- **Adopt a mission and vision for Bradley International Airport;**
- **Approve the operating and capital budget for Bradley International Airport and monitor the airport's indebtedness;**
- **Approve all airport policies and procedures;**
- **Employ staff and consultants as necessary to oversee and manage Bradley International Airport;**
- **Establish goals and objectives for the airport and for key management staff, and track performance;**
- **Establish and implement by June 1, 2002, an organizational structure for Bradley International Airport that at a minimum includes divisions for operations, finance, business development, and planning and project development, each of which shall be headed by a director.**
- **Direct the development and implementation of Bradley International Airport's master, layout, strategic, business, marketing, and customer service plans;**
- **Approve all airport contracts and use agreements whose value exceeds $100,000;**
- **Direct commercial development for the airport;**
- **Direct the economic development focus, including seeking out and promoting grant and loan incentives for businesses to locate or expand within the Bradley International Airport service area;**
- **Direct efforts to maximize revenue production; and**
- **Periodically review all policies and procedures that impact Bradley operations and where constraints are identified that hamper Bradley's ability to act quickly, or prevent growth opportunities, the board shall seek an exemption to compliance.**

14. <u>Employees.</u> All current employees assigned to Bradley International Airport shall remain employed under the same working conditions, privileges, and rights as currently exist. Any newly authorized position filled after October 1, 2001, that is funded under the Bradley Enterprise Fund and reports directly to the Board of Directors or to a position that reports directly to the board, shall be under the sole purview of the board, and the board shall decide the duties, skills, qualifications, and salary level of the position and shall select the candidate to fill

the position. Such newly authorized positions or filled vacancies shall not be considered classified service positions and the holders shall serve at the will of the board.

15. **<u>Administrative functions.</u> Administrative functions such as payroll and benefits, shall continue to be performed at the Department of Transportation, which may submit for reimbursement from the Enterprise Fund the costs for performing such services.**

16. **<u>Bradley Airport Community Commission.</u> There shall be established the Bradley Airport Community Commission to address issues of concern to local communities surrounding the airport. The membership and appointment of the commission shall be as currently constituted in Section 15-101r(b) of the Connecticut General Statutes, except that one member shall also be a member of the Bradley International Airport Board of Directors. Sections 15-101r and 15-101s of the C.G.S. shall be revised to include the following powers and duties:**

    - **provide advice to the Board of Directors and Bradley management staff on project development, including the airport master plan;**
    - **provide advice to ensure the airport development meets the social, environmental, and community needs and concerns -- including noise and traffic -- of the surrounding towns, the region, and the state; and**
    - **provide a forum for addressing the issues, needs and concerns of the users of the airport and the general public.**

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Introduction

Bradley International Airport

Over the past few years, much attention has been given to Bradley International Airport's potential role in promoting economic development in the region. Several consultant studies have been issued examining Bradley's operations and governance, as well as its economic importance to the region. In the spring of 2000, the Governor's Council on Economic Competitiveness and Technology, and its sub-groups, developed several options regarding changes to the governance structure of Bradley. Those options were presented to the governor and legislative leaders but too late for any legislative action during the 2000 session.

At that time, the program review committee voted to evaluate Bradley and in June approved a scope of study. The purpose of the study is to determine if Bradley International Airport is optimally meeting the economic development objectives of Connecticut, and if not, identify the reasons why and make recommendations for realizing its economic development potential.

The scope of the study required an examination of Bradley's: governance; planning procedures and implementation; competitiveness; and management and operations. This report makes a series of findings and recommendation in these areas. Overall, the committee finds Bradley has no business development focus, and views itself as a transportation facility. The committee concludes Bradley is run like any other state agency, despite being established as enterprise fund, dependent on its own revenue, not taxes, to operate. Bradley is hampered by a number of external and internal constraints that ensure it follows process and procedures rather than targeting results.

The Department of Transportation (DOT) delayed some of the larger projects called for in the 1993 master plan, now placing the new terminal three years behind the original 1999 completion date called for in the master plan. The delays will cost airport users more as construction and borrowing expenses have increased, and prolonged the time that Bradley travelers must use outdated and crowded facilities.

Bradley's management and operations are heavily focused on airside operations, thus it needs staff and resources to build the business development, marketing, and customer relations side of the airport. The business development focus of the airport must attain equal stature to safety, security, and airside maintenance in order to grow.

The program review committee concludes bureaucratic constraints must also be removed for the airport to move quickly and seize opportunities to flourish, and makes a number of recommendations to exempt Bradley from compliance with DOT and state policies and procedures.

Committee members believe Bradley also needs outside direction that can come only from business leaders, and therefore recommend a nine-member board of directors, with authority over key personnel, financing, planning, and operations. Thus, the committee recommendations take a three-pronged approach:

- additional resources and staff with appropriate knowledge and skills dedicated to business development;
- removal of cumbersome constraints on Bradley's operations and management;
- a change in the governance structure to introduce a Board of Directors with authority over key decisions at Bradley.

Methods. Information for this report was obtained from a number of sources including interviews with: DOT staff; officials at the State Treasurer's Office; Federal Aviation Administration New England Region staff; and a number of members of the Executive Council, the Bradley Airport Commission, the Bradley Development League, and representatives of the Air Transport Association. Data on Bradley and other airports were gathered from individual airport web sites as well as phone discussions with management at all selected airports, and information obtained from U.S. DOT databases. The committee also reviewed all recent consultant reports issued on Bradley, as well as general literature and Internet materials produced by trade associations in the aviation industry. The committee also held a public hearing October 12, 2000, on the Bradley study, and sponsored a forum October 31, 2000, on airport management with invited presenters.

Report organization. The report contains four chapters. Chapter I provides background on airports and economic development potential, and outlines why Bradley has been the focus of attention recently. The chapter also profiles Bradley's operations. Chapter II discusses Bradley's mission and vision, and their planning and implementation. The third chapter describes Bradley's management and operations and analyzes its competitive aspects compared with selected other airports. The chapter outlines the external and internal constraints hampering Bradley, and makes recommendations to improve the airport's business development approach. Chapter IV outlines the options the committee considered to change the governance structure at Bradley. The chapter proposes a strong Board of Directors, outlines its powers and duties, and recommends a Bradley Airport Community Commission to address matters of concern to communities surrounding the airport.

Agency response. It is the policy of the Legislative Program Review and Investigations Committee to provide agencies subject to a study with an opportunity to review and comment on the recommendations prior to publication of the final report. The response from the Department of Transportation is contained in Appendix A.

Chapter I

Background

Economic Development and Airports

Prior to airline deregulation, the federal government controlled the routes airlines would fly; thus, the growth of airports was largely dependent on where the federal government had assigned airline operations. After deregulation of the airline industry in 1978, the growth of airlines and airports became market-driven and was accelerated with the development of the global economy. The economic development benefits of airports are clear.

The extent of economic development created by airports is assessed not only in terms of passengers and freight but also the stimulation of economic growth an airport can spur locally and regionally. Studies have defined these impacts as direct, indirect, and induced. These are categorized below:

- ***Direct benefits*** accrue from activities and businesses located at the airport from the airlines to concessions and fueling of aircraft;

- ***Indirect benefits*** are realized by off-airport transactions of passengers and shippers at locations like hotels and restaurants, travel agencies, and tourist attractions; and

- ***Induced benefits*** are calculated using a multiplier to estimate the successive rounds of spending generated by the direct and indirect spending. For example, employees of both on-airport and off-airport businesses spend money on cars, pay taxes, and go to movies. While those benefits are difficult to calculate, studies have pegged the multiplier effect between 0.4 and 2.4 of the direct and indirect monetary benefits.

Airports act as an economic catalyst for two reasons. First, airports bring the traveling public into and through a region. Those travelers spend money at the airport on parking, food, and retail items. If the travelers stay in a region, they purchase lodging, transportation, food, and entertainment.

Second, businesses wish to locate close to a growing airport because of its benefits: a faster mechanism for distributing goods and services; help to grow existing industries; and increasing economic efficiency. Air transport reduces the cost of trade and opens new market opportunities.

According to information issued by the Air Transport Action Group (ATAG), an independent coalition of organizations representing the air travel and transport industry, in the mid-1990s more than 1.25 billion passengers traveled worldwide by air each year and well over one-third of the world's manufactured exports (by value) were transported by air.

Air travel and transport is a growth industry. Worldwide passenger and freight traffic are expected to increase at an average annual rate of about 5 to 6 percent per year, outpacing the global gross domestic product. By the year 2005, the ATAG predicts the number of air travelers could exceed 2.5 billion a year.

Nationally, in 1997 there were 630 million enplaned passengers. By 2009, the ATAG estimates that this number will grow to just under one billion, an increase of almost 60 percent. The annual growth rate is anticipated to be about 3.6 percent from 1997-2009, while the U.S. GDP is expected to increase 2.3 percent annually. Thus, air travel is predicted to outpace growth in the economy by more than 1 percent per year. The factors spurring the growth are numerous and include:

- increase in U.S. wealth as measured by GDP;
- ability of air carriers to adjust supply with demand to maximize revenues;
- introduction of low-fare carriers, forcing higher-cost air carriers to reduce their unit costs;
- increasing industry realization that business travelers consider costs of air trips;
- increased efficiency and productivity; and
- declining real fares.

Airports are no longer viewed as just transportation facilities. They have become "big business", and growth of an airport is viewed as an engine for driving the economy of a region

Why the Focus on Bradley Now?

Bradley International Airport has been under a strong spotlight for a number of years by a variety of groups. This section summarizes why the focus is on Bradley and what groups are concentrating on at the airport. In a later section, a summary of the resulting findings and proposals is discussed.

In 1991, while Connecticut was in the middle of a deep recession, the legislature created the Connecticut Economic Conference Board (CECB) to provide economic advice to the Governor and General Assembly. The board began looking for ways to revitalize Connecticut's economy; the idea for industry clusters was first explored. The concept was looked upon skeptically at first, but by 1995 a newly organized Department of Economic and Community Development (DECD) created six industry clusters under the auspices of DECD's industry cluster division.

These efforts were reinforced by legislative action in 1996, when P.A. 96-252 was passed calling on DECD to move forward with industry cluster economic development. In 1997 Governor Rowland recruited senior executives of Connecticut companies to serve on industry cluster advisory boards. In February 1998 the industry cluster advisory groups issued a report, ***Partnership for Growth***: ***Connecticut's Economic Competitiveness Strategy,*** which the governor and others hailed as the most important economic plan for the state in 50 years.

As an outgrowth of the study, the Governor, via executive order, appointed the Governor's Council on Economic Competitiveness and Technology (known as the Governor's Council) in December 1998 to coordinate the efforts of the industry advisory clusters. Using the findings of the "Partnership for Growth" report, the council identified enhancement of Bradley International Airport as a primary project necessary for Connecticut's economic growth. Business leaders on the council and industry cluster groups recognized Bradley had made progress, particularly in introducing low-fare airlines. But, based on experience and travels, these corporate leaders believed a new vision and possibly a new governance structure should be explored.

A Transportation Infrastructure Advisory Team was established to explore Bradley's strategic significance. It first commissioned a study by Frasca and Associates, a New York-based management consulting firm, on how airports are managed in the United States and globally. The report, issued in December 1998, indicated many airports are undergoing dramatic change in a global economy where rapid transportation is crucial.

After issuance of the Frasca report, the Leadership Committee of the Governor's Council retained Schiphol Project Consult B.V., an airport management firm headquartered in Amsterdam, to evaluate Bradley, make findings on its strengths and weaknesses, and issue recommendations to enhance its effectiveness.

Concurrently, another group of public and private leaders was formed in 1998, known as the Connecticut Regional Institute for the 21st Century. The group wished to better understand and develop the role of regions in stimulating Connecticut's competitive position in the new global economy. The institute believed the foundation for a growth strategy for Connecticut should be developed based on local, regional, national, and global networks. In early 1999, the institute hired Michael Gallis, a transportation planning and design expert, to conduct such a study, and the report was issued in December 1999. The author states "Bradley potentially is the most significant facility influencing Connecticut's development within the 'New Atlantic Triangle'[1] and how the state and the Hartford/Springfield metropolitan region connect to the North American continent and the world."

The Schiphol Report was also released in December 1999, and in some areas, was highly critical of Bradley's management and operations under the Connecticut Department of Transportation (DOT). The department disagreed with many of the report's findings and with its major recommendation on restructuring the governance of the airport. With no consensus on how to proceed, the Governor's Council unanimously passed a resolution establishing a Bradley Advisory Group (BAG) to:

[1] The New Atlantic region is the area within New York, Boston, and Albany, N.Y., taken form the Gallis report, issued in December 1999.

- help reshape Bradley's mission to reflect the airport's role as an economic engine for the region;

- recognize the strategic need for Bradley to foster a more entrepreneurial culture to respond to the rapidly evolving competitive business environment and its transportation needs; and

- develop recommendations on the best governance and management structure to achieve this mission.

The Bradley Advisory Group, consisted of five business leaders, and top DOT, DECD and OPM staff. Members of the General Assembly's Transportation Committee also attended meetings. An associated work team, with similar representation, was also established to assist the BAG and to determine areas of agreement as well as disagreement concerning Bradley's mission and structure. When the Bradley Advisory Group was created it was intended to have recommendations ready for the legislative session. There was no clear consensus of what those proposals should be, so no legislative action was pursued regarding Bradley during the 2000 session. Instead, BAG issued a summary report in April 2000 containing governance and management options for Bradley.

The options proposed were communicated in writing from the Leadership Committee of the Governor's Council to the governor and legislative leaders in early May, but after the legislative session ended.

Soon after that, the governor issued an executive order (Executive Order No. 18) on May 16, 2000, creating a Bradley International Airport Executive Council to advise the Governor on issues relating to the future of Bradley International Airport. The Executive Council consists of seven members -- six public members, and the DOT commissioner as chairman.

The Bradley Airport Commission (BAC) in July 2000 sent a resolution to the governor calling for a strong Bradley Board of Directors, comprised of business leaders, and the commissioners of transportation and economic development. The commission was created in 1982 to: oversee the development of Bradley according to the master plan; develop policies with the DOT to ensure airport development meets the social, economic, and environmental needs of the region and the state; and provide a forum for addressing concerns about the airport. The commission had become frustrated with DOT's perceived failure to consult the group on important matters affecting the airport, submit quarterly reports to the BAC on master plan development as statutorily required, and its resistance to BAC advice when given.

In transmitting the resolution to the governor, the BAC recognized that if a strong board of directors was developed for Bradley it would likely mean the demise of the BAC, but felt the BAC, as it is currently structured and functioning, is ineffective, and that significant change is needed.

Legislative Background

During the 1970s, Connecticut experienced difficult financial years. Little was spent on capital improvements to public facilities, including the state-owned Bradley airport. By 1980, top legislative leaders recognized that a way had to be found to infuse new capital into the state's major airport, and in 1981 the legislature approved a $100 million development program. As part of that program, there were discussions about creating a quasi-public authority to oversee the operations at the airport. Instead, P.A. 81-406 established Bradley as a separate enterprise fund, which removed Bradley from the regular state budget process, and authorized the issuance of bonds for capital development that would be paid off with revenues form the airport.

As part of the 1981 legislation, the General Assembly made key findings and determinations that are incorporated in Bradley's enabling legislation. The General Assembly found that the growth of Bradley is an important inducement for:

- industrial and commercial enterprises to remain or locate in this state;
- an increase in commerce, welfare, and prosperity for the state and its residents.

The legislature determined that in order for this to occur, several steps in the acquisition and construction of a modern and improved Bradley International Airport were necessary. The legislature listed them in statute; they include but are not limited to:

- renovation and expansion of passenger terminal facilities;
- improvements to sewer and water delivery systems;
- installation of enplaning and deplaning devices;
- construction of new auto structures;
- improvements to the runway and taxiway system;
- expansion of the apron area adjacent to passenger terminal; and
- construction, renovation, and expansion of any self-sustaining special facilities, including a hotel, as well as those for cargo, aircraft maintenance, and other aviation related functions.

The statutory findings also declared as a matter of legislative determination that the necessity of providing such improved facilities at Bradley is in the public interest. In other words, the legislature determined almost 20 years ago the conditions and operations at Bradley are closely tied to the economic development and public interest of the state.

Financial management. To finance the improvements at Bradley, the legislature established Bradley as a separate entity for budgeting purposes and authorized the Bond Commission to issue bonds (up to a legislatively authorized limit) that Bradley would pay back with airport-generated revenue. For a more detailed discussion of bonding authorizations for Bradley, see Chapter III.

The legislature also statutorily authorized the commissioner of the Department of Transportation to fix, revise, charge, and collect rates at Bradley and to contract with any person, partnership, or corporation[2]. The charges and fees collected along with other revenues are to: 1) pay the cost of maintaining, repairing, and operating Bradley; 2) pay principal and interest on any outstanding revenue obligations of the state; and 3) maintain reserves as required for securing the bonds.

While the Bradley budget is exempt from the regular budget-setting process, the original 1981 statute required the DOT to prepare and submit the airport budget for review and approval by the Secretary of the Office of Policy and Management. Statutorily, the airport's budget must include the estimates of revenue from all sources and how those will meet estimated expenditures. While not required by statute, contracts with airlines require that Bradley's budget also be approved by a majority of the airlines that originally signed the bond obligations in 1982.

Further the statute is clear that Bradley operations must comply with all provisions of the general statutes governing state employees and state property, and that all pension and retirement benefits continue even after Bradley's 1981 designation as a special enterprise fund. Thus, all personnel and payroll, contracting, and purchasing must follow state procedures.

Bradley Airport Commission. Thus, while the 1981 legislation places the DOT commissioner clearly in charge of Bradley, it does so with limitations as discussed above – legislative bonding authorization; Bond Commission approval for financing capital projects; approval of budget by OPM; and adherence to state procedures related to personnel and property.

A year later, however, the General Assembly created (P.A. 82-316) the Bradley Airport Commission within the Department of Transportation for administrative purposes only. It directed the commission to:

- oversee the development of Bradley International Airport in an expeditious and efficient manner according to the airport master plan;
- develop policies in coordination with the Department of Transportation to ensure airport development meets the social, economic, and environmental needs and concerns of the surrounding communities and region as a whole along with the economic needs of the state; and
- provide a forum for addressing the issues, needs, and concerns of the users of the airport and the general public.

The commission initially consisted of 15 members, but was increased to 17 members in 1991. The Governor appoints five members; two members are appointed by the president pro tempore of the Senate; one by the Senate majority leader; one by the Senate minority leader; two members by the speaker of the House; another by the House majority leader; one by the House minority leader; and one member from each of the four towns surrounding Bradley – East Granby, Windsor, Windsor Locks, and Suffield. No member may be a state employee in a policy making position, and no member may have a financial interest in the airport or any of its

[2] Effective July 1, 1997, the legislature statutorily exempted off-airport parking operators from paying more than 5 percent fees on gross revenues until July 1, 1998, and 4 percent after July 1, 1998.

concessions. The commissioners of transportation, economic development, and environmental protection all serve as ex officio nonvoting members of the commission.

Bradley Airport Profile

Bradley International Airport is situated on 2,358 acres located mainly in the town of Windsor Locks, but the airport also occupies parts of Suffield, East Granby, and Windsor. Although its primary service area coincides with the I-84 and I-91 transportation corridor, the airport draws passengers from all of Connecticut, western Massachusetts, and southern Vermont.

Bradley operates two passenger terminals, three concourses, and 28 gates. It has three runways and is capable of handling any type of commercial aircraft currently flying, including Boeing 747s. Through several lease and build agreements with private operators the airport offers facilities for corporate and private aircraft and over 400,000 square feet of warehouse space for cargo processing.

Bradley International Airport is by FAA classification standards a medium-sized airport, the second largest in New England behind Boston's Logan International. In 1999, it ranked as the 52nd busiest U.S. airport in terms of passengers, 34th in air-cargo tonnage handled, and 69th in flight operations.

While Bradley is operated by the state Department of Transportation, the task of performing airport services falls mostly on private businesses. In addition to the air carriers present at the airport, several industry related companies provide such services as aircraft maintenance, food preparation, baggage handling, car rentals, lodging, and ground transportation. There are several private sector firms under contract to DOT to operate parking facilities, terminal concessions, and provide janitorial and related maintenance services.

One measure of the degree of private sector involvement at Bradley is the ratio of state employees to the total workforce. Excluding the state troopers providing police services under a contractual arrangement with the airport, only 122 of the approximately 4,500 individuals working at Bradley are state employees. All of these 122 workers are DOT employees, most engaged in maintenance (44) and crash, fire, and rescue service (35) functions.

Currently, nine major, five low-fare, and six regional carriers provide passenger service at Bradley. Combined, the 20 carriers account for 315 arrivals and departures on a typical day. The airport offers nonstop connections to 41 cities and one-stop, single-plane service to 35 others. In addition, charter airlines provide seasonal flights to the Bahamas, Caribbean, Mexico, and other destinations.

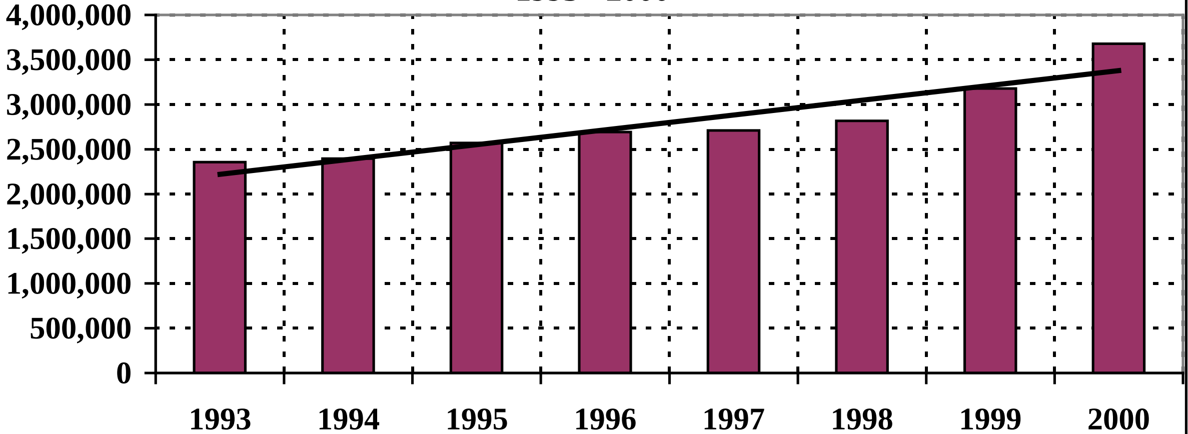
Table I-1, shows the airlines providing scheduled service at Bradley, the number of flights offered, and selected destinations with direct flights.

A key measure of an airport's growth is enplaned passengers, which is the number of passengers boarding an airplane and departing from the airport. Figure I-1 shows the number of enplaned passengers annually from 1993 through 2000. As demonstrated by the trend line, Bradley experienced steady growth throughout the period. Bradley's average annual growth rate over the past eight years was approximately 6 percent, which compares favorably with the national rate of roughly 4.5 percent.

Table I-1. Passenger Airlines Operating at Bradley International Airport		
Carrier	***Flights***	***Selected Non-Stop and Single Plane Service***
Majors Carriers		
American	26	Chicago, Dallas, Miami, San Juan, L.A.
Continental	8	Cleveland, Houston, Mexico
Delta	20	Atlanta, Cincinnati, West Palm, Ft. Lauderdale
Midway	10	Raleigh, Tampa, Orlando
Midwest Express	4	Milwaukee, Kansas City, Phoenix
Northwest	16	Minneapolis, Detroit, Colorado Springs
TWA	12	St. Louis, Portland Me.
United	24	Chicago, San Francisco, Denver, Washington D.C.
US Airways	38	Pittsburgh, Charlotte, Bermuda
Low Fare Carriers		
America West	5	Columbus, Las Vegas, Phoenix
Delta Express	20	Orlando, Ft. Lauderdale, West Palm
MetroJet	24	Tampa, Orlando, Ft. Lauderdale, Washington
Shuttle America	16	Buffalo, Wilmington, Norfolk, Albany
Southwest	24	Baltimore, Chicago, Nashville, Orlando
Regional Carriers		
Air Nova	8	Montreal
Air Ontario	10	Toronto
American Eagle	6	New York
Continental Express	12	Newark, Cleveland
TWAExpress	6	New York
US Airways Express	28	Baltimore, Rochester, Buffalo, Syracuse
Source: Bradley International Airport		

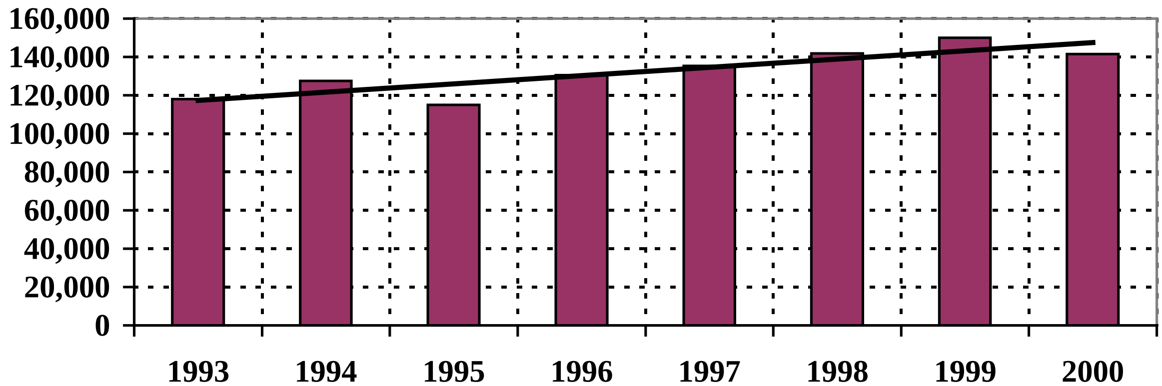
Another measure of airports in terms of their size and economic importance to a region is the amount of cargo processed. As noted above Bradley ranked 34th nationally in cargo processed in 1999. Currently, 10 carriers including Airborne Express, Arrow Air, BAX, DHL, Emery Worldwide, Express One, Federal Express, Kitty Hawk Tradewinds, and UPS provide air-cargo services at Bradley.

Figure I-1. Number of Enplaned Passengers 1993 - 2000



Below, Figure I-2 illustrates the amount of cargo processed annually at Bradley. As the figure shows, the quantity of cargo handled increased in six of the last eight years. Over the entire period growth averaged a modest 3.4 percent annually.

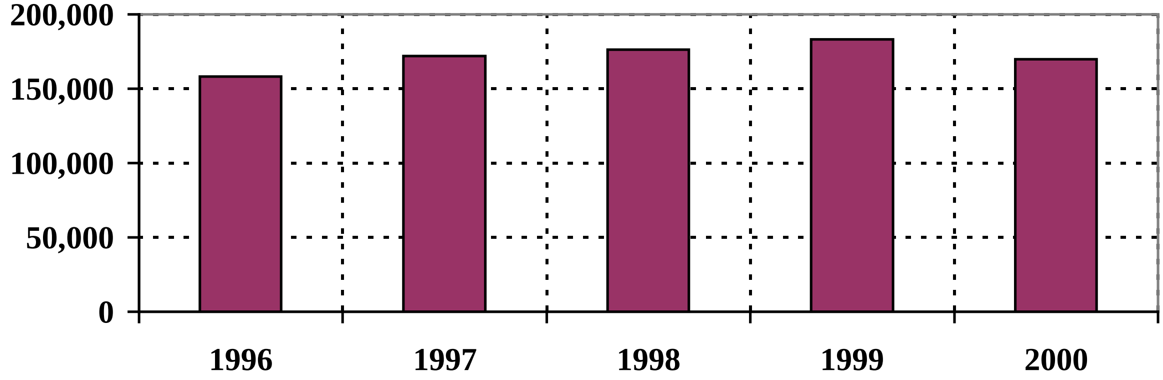
Figure I-2. Ton of Air-Cargo Processed at Bradley 1993 - 2000



The number of air operations is a third measure used from time to time to describe airports. These data are not referenced as frequently as data on enplaned passengers and cargo, and as a result are not easily available. Also, sometimes air operations refer to total landings and take-offs at an airport, other times the data exclude general aviation and military aircraft operations.

Operations data from 1996 through 2000 were available for Bradley and are graphed in Figure I-3. They include data on all commercial, private, and military arrivals and departures. Similar to the cargo data, the operations statistics show Bradley experienced a steady increase in aircraft activity over the period before dropping in 2000.

Figure I-3. Air Operations by Commercial, Private, and Military Aircraft at Bradley 1996 - 2000



Chapter II

Airport Planning

Planning is a critical function of airport administration. It is a tool that can be used to guide an airport's management toward meeting the needs of the airport's service area and achieving equilibrium between future demand for and supply of facilities and services. There are multiple planning processes that help management meet these objectives.

Vision/mission

A critical part of any airport planning is the underlying vision of those responsible for the airport. Although Bradley has no formal vision statement, the program review committee believes one can be inferred from DOT's mission statement for the Bureau of Aviation and Ports. An examination of the mission statement shows it focuses on providing customers an efficient, effective, convenient, and safe airport. This implies a vision of Bradley as a transportation facility.

It must be pointed out DOT objects to this characterization. DOT notes it views the airport's mission in broader terms, but deliberately understates this to avoid promising more than can be delivered. While DOT's response should not be totally dismissed, the department's actions cast doubt on the complete validity of its objection.

In the opinion of the program review committee, DOT's vision and stated mission encourages it to pursue a planning methodology that is focused on estimating future demands on the airport and developing solutions. Strong evidence in support of this opinion is the fact the airport master plan - a plan designed to accomplish this exact goal - is currently the primary planning document guiding development at Bradley.

One consequence of this reactive approach to planning is it discourages DOT from developing strategic plans to grow the airport for the economic benefits that would be provided in terms of jobs and income. Those benefits have been estimated by the Center for Economic Analysis, at the University of Connecticut. The center determined, for each increase of 1,000 passengers, 2.25 jobs are created and the state's personal income increases by more than $100,000.

A further analysis of DOT's vision indicates growth at the airport is also limited by a dollar-driven mindset. For example, DOT specified that its consultant, in preparing the airport's capital improvement plan, use a "back-in" financial analysis where estimates of future revenues are generated from existing sources (e.g., airlines, passenger facility charges, concessions, etc.) in order to establish budget limits for use in developing the capital plan. This in contrast to other airports, such as Baltimore/Washington, that view capital spending as a means to make changes that will increase future revenue.

Also, a two-year delay in initiating the non-airside recommendations contained in the 1993 master plan (discussed below) can in large part be attributed to DOT's reluctance to take on the financial risks associated with major capital projects. The unwillingness to assume risk was illustrated in DOT's testimony to the program review committee on October 12, 2000. (See pages 50-52, of the public hearing transcript).

In fairness to DOT, it must be emphasized the characteristics just noted are laudable within the context of managing a government facility and DOT does not deserve to be criticized for operating in a manner that is consistent with its current vision. However, in the opinion of program review committee, this is not the management culture needed to grow an airport in a competitive market.

Findings

In summary, the key findings related to the Bradley's vision and mission are:

- *DOT does not have a formal vision statement specific to Bradley International Airport;*

- *DOT's mission statement for Bradley International Airport is focused on safety, efficiency, and convenience - implying a view of Bradley as transportation facility; and*

- *DOT's dollar-driven mindset limits investments and slows growth at Bradley International Airport.*

Recommendations

To address the problems associated with these findings the program review committee recommends:

1. **Bradley International Airport should in consultation with its stakeholders develop a vision statement that defines the airport in terms of its purpose.**

2. **Bradley International Airport should in consultation with its stakeholders develop a mission statement that encourages policies aimed at promoting economic development as well as efficiency, effectiveness, safety, and convenience.**

3. **Proposed capital projects for Bradley International Airport must be evaluated using the risk/return approach of financial analysis relevant to a business enterprise.**

Airport Master Plan

A critical part of the development and administration of an airport is its master plan. The master plan forecasts the volume of passengers, air cargo, and aircraft operations and analyzes the capacity of an airport's current facilities and services to meet the estimated demand. The plan contains proposals to eliminate present or future imbalances.

An important element of the master plan is the airport layout plan. It details the basic physical configuration of the airport including:

- the present boundaries and offsite areas the airport sponsor owns or controls, and any proposed additions;
- the location and nature of existing and proposed airport facilities (such as runways, taxiways, aprons, terminal buildings, hangars, and roads) and of their proposed modifications and extensions; and
- the location of existing and proposed non-aviation areas (such as cargo handling, parking, and other facilities).

The airport layout plan, and any change in it, is subject to FAA approval. This is important for two reasons. First, an approved plan is required by the FAA for an airport to be eligible for federal funding. Second, the FAA requires all airport development to be done in accordance with an approved layout plan.

1993 Bradley master plan. The last comprehensive master plan developed for Bradley International Airport was completed in 1993. It cost approximately $560,000 and covered the period up to 2015. The plan was prepared by consultants who worked with DOT staff and a Master Plan Technical Committee composed of representatives of the FAA, aviation industry, state Department of Environmental Protection, Bradley business community, and communities surrounding the airport.

The major findings and recommendations presented in the 1993 master plan can be summarized as follows:

- the existing runway system has the basic capacity to meet the long-range demand forecast;
- the existing amount of terminal space is inadequate to meet current and future demand and will need to be increased, and Terminal B (Murphy) is functionally deficient and should be replaced;
- a significant increase in cargo facilities will be needed;
- the existing general aviation facilities are in good condition and of adequate size to meet anticipated levels of activity; and

- if attrition of off-airport parking operators occurs, additional airport parking spaces will be needed.

These findings and recommendations were based primarily on the forecasts developed by the consultants who prepared the master plan and their professional judgment. Some of the key forecasts are shown in Table II-1, along with the actual 1991 base-year data. The forecasts are presented in five-year intervals beginning with 1995 and ending with 2015.

Table II-1. 1993 Airport Master Plan Preferred Forecasts (1995-2015)

Forecast Area	***Base Year '91***	***1995***	***2000***	***2005***	***2015***
Enplaned passengers	2,306,989	3,116,000	4,003,000	4,636,000	5,777,000
Air operations	153,503	204,800	233,250	247,100	277,250
Enplaned cargo (lbs)	108,573,653	132,900,000	178,500,000	224,000,000	315,081,000

Source of Data: 1993 Bradley Airport Master Plan

Table II-2 shows the amount of passenger terminal space, aircraft gates, and on-airport parking spaces the master plan estimated Bradley would need to accommodate current and future demand. The master plan indicated by the year 2000 the airport would need eight additional aircraft gates (contact type), nearly 210,000 more square feet of passenger terminal space, and about 850 new parking spaces. The plan stated the latter would increase if off-airport parking operators significantly decreased the number spaces they provided. It is noteworthy that at the time the plan was being prepared the consultants found Bradley was already deficient by more than 90,000 square feet in the amount of usable terminal space needed (1991 needs minus 1993 existing terminal space).

Table II-2. Passenger Terminal Space, Gate, and Parking Needs at Bradley International Airport

	Required to meet 1991 needs	***Existing at time of 1993 Master Plan***	***Master Plan Forecast for 2000***	***Increase needed to meet 2000 forecast***
Functional terminal space	408,800 sq. ft.	369,370 sq. ft.	578,300 sq. ft.	208,930
Aircraft gates – excluding commuter gates	21	25	33	8
Parking*	3,100	4,408	5,260	852

* Excludes privately operated off-airport valet parking.

The 1993 master plan addressed the airport deficiencies by proposing an expansion of the passenger terminal facilities and changes in parking and traffic flow. The plan called for the project to be implemented in five phases over a 20-year period. The first three phases were to be completed by 1999, and included an expansion of an existing terminal, the addition of a new terminal, demolition of the Murphy Terminal, and the construction of a multilevel parking garage.

The financial plan for implementing the proposals contained in the 1993 master plan estimated the project would cost $365 million in constant 1993 dollars. Two separate scenarios for financing the project were outlined. One assumed virtually no FAA discretionary or US DOT highway money would be available, while the other assumed $47 million in federal funds could be obtained.

The source and amount of funds under each assumption are shown in Table II-3. In each instance, revenue bonds are the largest source of funds to finance the project, varying from 86.3 percent of the total cost when the accessibility to federal funds is assumed to be limited, to 73.8 percent when the availability of federal money is seen as possible.

Table II-3. Source of Funds to Implement the 1993 Master Plan (in millions $)

		Source of Funding					
Federal Funds	***Total Cost***	***PFC***	***AIP Entitlement***	***AIP Discretionary***	***Federal Highway***	***Airport Revenue***	***Revenue Bonds***
Limited	$364.5	$7.0	$28.0	$1.5	$0.0	$13.6	$314.5
Available	$364.5	$7.0	$28.0	$38.1	$9.2	$13.6	268.6
Source of Data: 1993 BIA Master Plan							

Implementing the 1993 Bradley master plan. Figure II-1 outlines the major events in implementing the 1993 master plan. As shown in the figure, the draft of the master plan was completed and circulated for comment by DOT in October 1993. The final report was distributed in April 1994.

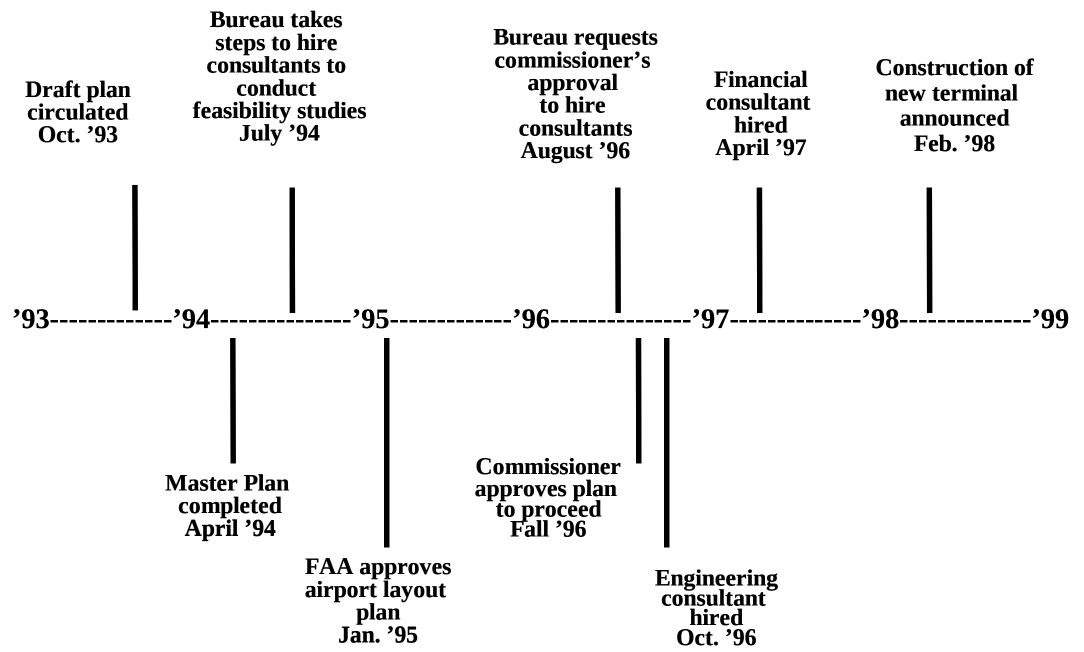
In July 1994, officials within the Bureau of Aviation and Ports sought to get DOT's approval to hire separate consulting firms to provide engineering and financial planning assistance. Key aspects of the services sought were:

- a recalculation of the passenger forecasts done for the 1993 plan;
- preliminary engineering studies for the expansion of the terminal and related facilities, construction cost estimates, and sequencing plans; and

- a determination of whether Bradley could financially support the construction proposed in the master plan.

Although the FAA approved the Bradley plan in January 1995, it was not until the fall of 1996 that DOT gave final approval to proceed with the new terminal and hire an engineering/architectural firm to begin the preliminary study. A financial consultant was not hired until April 1997.

Figure II-1. Time Line for Implementation of 1993 Bradley Master Plan



In June 1997, the engineering consultant (HNTB Corporation) provided DOT an updated passenger forecast and recommended an expansion of Bradley’s passenger terminal capacity. The findings and proposals of the 1997 study diverged from the 1993 master plan in a couple of areas. First, as illustrated in Figure II-2, the enplaned passenger forecasts provided in the 1997 study projected a much smaller rate of increase than did the 1993 master plan. Second, the terminal configuration presented in the 1997 report differed from all the alternatives proposed in the master plan including the preferred option.

Yet, despite these differences both studies called for significant increases in passenger terminal capacity over the approximate 445,000 square feet and 28 contact-type gates that exist at present. Table II-4 compares the two studies in terms of the forecasts each made for the 2000-2001 time-period. Given the variance in the passenger forecasts it is not surprising the 1997 study proposed a smaller terminal. Similarly, the 1997 study estimated a construction completion date of 2001, two years later than the 1993 master plan’s proposed 1999 completion date.

Figure II-2. Enplaned Passenger Forecasts
(simple linear regressions)

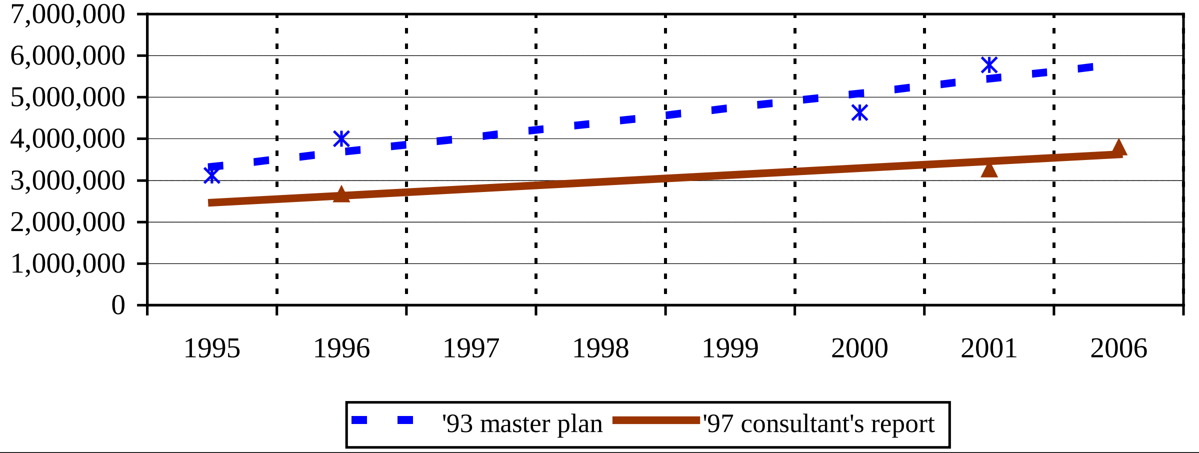


Table II-4. Comparison of 1993 Master Plan and 1997 Forecasts for the Current Time-period			
	1993 Master Plan forecast for 2000	***1997 HNTB Forecast for 2001***	***Difference between 1993 and 1997 forecasts***
Functional terminal space needed	578,300 sq. ft.	563,694 sq. ft.	14,336 sq. ft.
Aircraft gates needed – excluding commuter	33	35	2
Parking*	5,260	5,700	440

* Excludes privately operated off-airport valet parking
Source: HNTB Bradley Terminal Study

The consultant hired (The Louis Berger Group, Inc.) to advise DOT on the financial feasibility of expanding Bradley produced a draft report in May 2000. Among other aspects of the study, the consultant determined Bradley could support a project in the range of $202 million.

In February 1998 an expansion of the terminal complex at Bradley was announced. Scheduled for completion in 2003, the project includes the construction of a new terminal and the demolition of the Murphy Terminal.

Analysis

Table II-5 outlines the key proposals contained in the 1993 master plan. The data show that, with a few exceptions, most of the completed projects proposed in the plan have been related to airside operations. In general, the program review committee believes this reflects the shorter lead-time required for many of the plan's airside recommendations, the availability of federal funding for increasing airside capacity, and the priority given to airside operations by the DOT.

Table II-5. Capital Improvement Program Recommended in 1993 Master Plan

				Source of Funding			
Project	***Year in Place***	***Cost***	***Status***	***PFC***	***AIP***	***Airport Revenues***	***Revenue Bonds***
Apron, Taxiways	1995	9,760,000	Completed	2,950,000	6,550,000	260,000	0
Terminal B roadways	1995	3,699,000	Completed	3,699,000	0	0	0
Terminal A & B Improvements	1995	970,000	Completed	0	0	970,000	0
Parking lots	1995	270,000	Completed	0	0	270,000	0
Equipment	1995	1,471,500	Completed	0	438,750	1,032750	0
Apron, Taxiways	1996	2,595,000	Completed	395,000	1,800,000	400,000	0
Parking lots	1996	300,000	Completed	0	0	300,000	0
Equipment	1996	334,000	Completed	0	210,000	124,000	0
Taxiways	1997	2,400,000	Completed	0	1,800,000	600,000	0
Communications	1997	320,000	Completed	0	170,000	150,000	0
Terminal complex (Phase I)	1997	26,198,000	In progress	0	0	0	26,198,000
Term. Complex (Phase II, III)	1999	183,317,000	In progress	0	0	0	183,317,000
Deicing system	1999	9,000,000	In progress	0	0	0	9,000,000
Pavement rehabilitation	2000	5,000,000	Scheduled '04	0	3,500,000	1,500,000	0
Utilities, communications	2000	500,000	In progress	0	0	500,000	0
Equipment	2000	1,500,000	In progress	0	1,125,000	375,000	0
Terminal Complex (Phase IV)	2002	40,391,000		0	0	0	40,931,000
Deicing system	2002	9,000,000		0	0	0	9,000,000
Pavement rehabilitation	2005	5,000,000		0	3,500,000	1,500,000	0
Utilities, communications	2005	500,000		0	0	500,000	0
Equipment	2005	1,500,000		0	1,125,000	375,000	0
Pavement rehabilitation	2010	5,000,000		0	3,500,000	1,500,000	0
Utilities, communications	2010	500,000		0	0	500,000	0
Equipment	2010	1,500,000		0	1,125,000	375,000	0
Term. Complex (Phase V)	2010	45,989,000		0	0	0	45,989,000
Pavement rehabilitation	2015	5,000,000		0	3,500,000	1,500,000	0
Utilities, communications	2015	500,000		0	0	500,000	0
Equipment	2015	1,500,000		0	1,125,000	375,000	0
Total		364,554,500		7,044,000	29,468,000	13,606,750	314,435,000

However, the delays in completing non-airside projects cannot be ignored. A review of the timeline outlined above for completion of the terminal expansion shows it has moved from 1999, as proposed in the master plan, to 2001, as recommended in the 1997 update, to the current date of 2003. This delay has had consequences in terms of cost increases, revenue losses, and customer inconvenience.

The cost increases can be inferred in two areas. First, the rate of inflation in the construction industry will push up costs. Based on the Annual Construction Cost Index compiled by the U.S. Census Bureau, the increase is likely to exceed 5 percent (the index rose by slightly more than 4 percent between 1997 and 1999). Also, based on current market conditions as reported in the Bond Buyer's municipal bond index, the cost of borrowing has been pushed up during the delay period.

The revenue loss associated with the delay in expanding the terminal is related to two primary sources. First, Bradley reached its capacity to park airplanes overnight -- every gate is occupied and one additional plane has been allowed to park without a gate. Thus, unless the demand for and supply of gates is in equilibrium, Bradley may be foregoing revenue from airlines that potentially would, if space permitted, base additional planes overnight at the airport. This would increase the fees paid by airlines.

The other revenue shortcoming relates to automobile parking, which is Bradley's largest source of non-airline revenue. If the garage currently under construction and scheduled to open in May 2001 had been completed two years sooner considerable additional revenue could have been realized.

A less tangible consequence of DOT's initial inaction on the 1993 master plan has been the inconvenience to customers forced to use a functionally obsolete terminal. Related to this is the perception visitors are presented of the region as a place to live and do business. While the extent to which exposure to the conditions at the Murphy Terminal has increased the propensity of customers to fly from other airports or choose to locate elsewhere is assumed small, it cannot be entirely dismissed.

Findings

In summary, the program review committee finds:

- *the delay in completing the terminal expansion project at Bradley can in large part be attributed to DOT's lack of action between 1994 and 1996;*
- *the delay increased the expansion project's construction costs;*
- *the delay increased cost of borrowing money to pay for the project;*
- *the delay prolonged the inconvenience of customers forced to use a functionally obsolete terminal;*
- *the delay reduced potential airport revenues by causing fewer gates to be available than airlines were willing to pay for and use; and*

- *the delay limited revenues and inconvenienced customers by allowing the development of a shortage of on-airport parking spaces during peak travel periods.*

Recommendations

To minimize the delays in implementing proposals emerging from major studies undertaken by Bradley the program review committee recommends:

4. **There must be recognition by those with authority over Bradley International Airport that it is a business enterprise operating in a competitive environment and proposed capital projects must be implemented in a timely manner.**

5. **Bradley International Airport's leadership shall review all policies and procedures imposed on requests from the airport to implement capital projects and modify, directly or through legislation, the policies and procedures found to be inconsistent with the operation of a business enterprise, or unnecessary given Bradley's reliance on the Enterprise Fund.**

Airport Planning Capacity

Another issue related to the planning process concerns DOT's limited in-house capacity to conduct planning activities, particularly those related to non-airside operations. As DOT's organizational chart shows (see page 26) the staff resources devoted to airport planning are scarce. Also, a review of the posted qualifications for all management level jobs, including those responsible for planning, reveals the emphasis for these positions is on experience in engineering and airside operations, not planning, marketing, and business management.

Further, a review of the minutes of meetings of the Bradley Airport Commission demonstrates reluctance on the part of DOT to develop such plans. Specifically, when asked by the commission to explore preparing a strategic business plan (March 1996) DOT responded (January 1997) that only one of the five airports contacted had business a plan, implying that developing such a plan would be of little value to Bradley.

There are other instances documenting the effect of limited staff resources and expertise in the planning area. For example, within months of receiving the 1993 master plan, DOT indicated a need to hire separate consultants to determine, among other things, if Bradley could generate the revenue needed to support the 1993 master plan, and to recalculate the master plan's passenger forecast. Similarly, after being indirectly asked to develop a strategic business plan through the Governor's Executive Order No. 18, which established a council to review the airport, DOT worked the task into the scope of study for the new airport's master plan, which is scheduled for delivery in 2001.

Findings

In summary, the program review committee finds:

- *DOT has insufficient resources and expertise to address non-airside planning activities, particularly those associated with strategic business planning; and*

- *DOT's commitment to ongoing strategic business planning has not been institutionalized.*

Recommendations

To reduce the problems identified in the findings above, the program review committee recommends:

6. **Bradley International Airport should be statutorily required to develop and periodically update strategic and business plans.**

7. **Bradley International Airport should increase its staff resources to assure an in-house presence and the expertise needed to coordinate the development of strategic business plans and measure their performance on an ongoing basis**

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Chapter III

Management and Operations

Organization and Structure

Bradley airport has been owned by the State of Connecticut since 1948. It is administered and operated by the state Department of Transportation's Bureau of Aviation and Ports. Figure III-1 depicts the organizational structure for Bradley within the DOT.

Staff. In total, Bradley has 122 authorized DOT positions. The vast majority of Bradley personnel are located at the airport, although management and administrative staff are also located at DOT headquarters in Newington. The shaded boxes in Figure III-1 indicate those units where the staff are off-site. These include personnel responsible for financing, planning, and marketing. As the organizational chart also indicates, the two largest units, both on-site, are the airport maintenance and operations with 44 staff and the fire/crash and rescue unit with 35 staff. Only the DOT personnel for Bradley appear on Figure III-1.

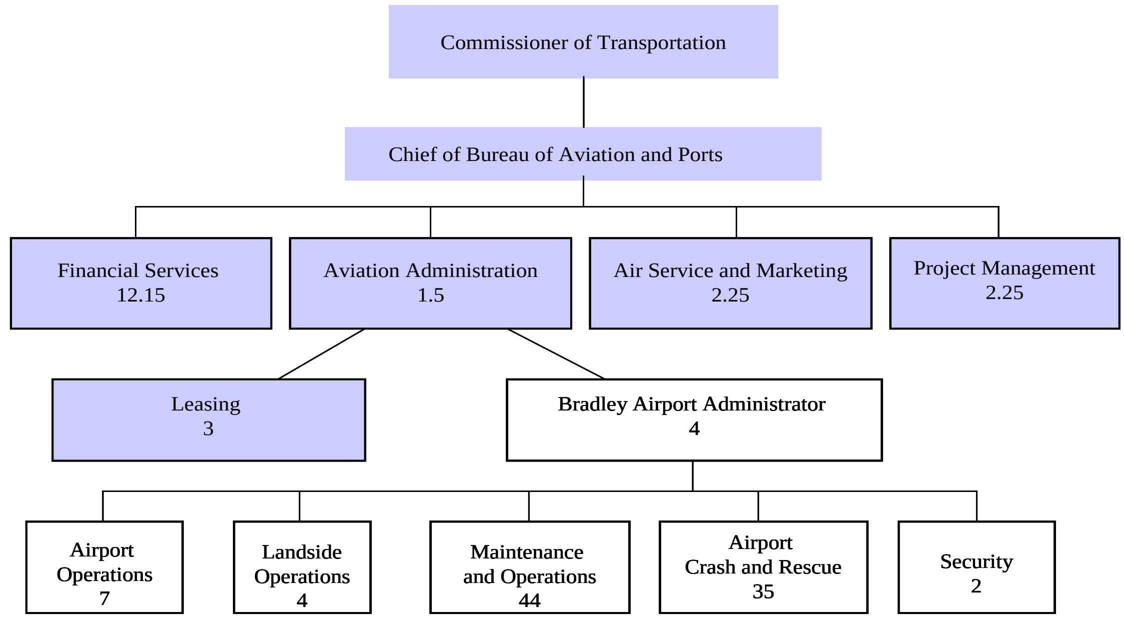
Other staffing at the airport is done in one of the following ways:

- Contractually (e.g., the state police provide law enforcement services under contract);
- Staff employed directly or indirectly by the airlines (e.g., baggage handlers, ticket counter service); or
- Personnel hired by airport tenants (e.g. rental car agencies, retail and food stores.)

Operational reporting. The on-site, day-to-day operations are overseen by the airport director (currently acting director) who reports to the aviations operations director of the Bureau of Aviation and Ports. The operations director, who is also responsible for all six state-owned airports, reports to the bureau chief of Aviation and Ports, who reports to the Commissioner of DOT.

Thus, Bradley International Airport does not operate as an autonomous unit. Management decisions affecting the airport take place in the larger DOT and state context, and are governed by the same policies and procedures controlling DOT operations. For example, hiring consultants, leasing facilities, and bidding contracts must all go through the DOT selection process, including review and approval by the attorney general and state properties review board, where required.

Figure III-1. Bradley International Airport: Current Organizational Structure



Source: BIA Organization Chart in 1999 Management and Operations Review Report

Financial Operations

Bradley International Airport does not receive any appropriation of funds from the state. It is financed by revenue derived from rents, fees, and other income generated by airport operations, the issuance special revenue bonds, grants received under the federally supported Airport Improvement Program, and money obtained from Passenger Facility Charges (PFC) imposed on passengers departing Bradley.

Operating budget preparation and approval. Although not subject to the state's normal budget process, Bradley does prepare an annual budget detailing its operating revenues and expenditures. The development of the budget is governed by agreements between the state and the signatory airlines operating at the airport[3], the Indenture of Trust statements associated with the 1982 and 1992 bond issuances, and state statutes.

The commissioner of DOT, signatory airlines, and secretary of the Office of Policy and Management (OPM) play key roles in the budget approval process. The General Assembly on the other hand has only limited decision-making authority. The legislature's role in Bradley's financial affairs is restricted to authorizing the dollar amount of the special revenue bonds that may be issued to finance airport capital projects.

[3] Signatory airlines are those airlines that in the early 1980s signed agreements with the state necessary to secure airport revenue bonds for Bradley, and include American, Business Express, Continental, Delta, Northwest, TWA, United, and US Air.

The responsibilities of the commissioner of DOT, secretary of OPM, and the General Assembly with respect to Bradley's operating budget are defined in state statute (C.G.S. 15-101m). The authority of the signatory airlines to review the airport's capital and operating budgets is contained in agreements granting the airlines access to Bradley's facilities.

The financial director of DOT's Bureau of Aviation and Ports oversees the preparation of the initial working draft of the budget. Except for timing, the draft is prepared much like that of any other budgeted operation within DOT.

The process begins in November or December, when unit heads are asked to identify their needs for the coming fiscal year. During January, February, and March the budget staff work with airport personnel to craft a budget that meets the airport's needs. During this process an effort is made to stay within the gubernatorial guidelines being imposed on state agencies.

On or about April 1, after the DOT commissioner has approved the budget, it is sent to the signatory airlines, with copies forwarded to the secretary of OPM and the General Assembly. The signatory airlines have until late May to approve the budget. Typically, DOT staff meets with the airlines in late April to negotiate a final agreement.

If a majority[4] of the signatory airlines does not approve the operating budget it can still be adopted by DOT. However, the airlines can force any increase in charges and fees contained in the budget to be held in escrow until the matter is resolved through legal or other remedies.

Capital improvements are treated differently than the operating budget. If the improvement affects airline rates and charges it must be approved by a majority of the signatory airlines within 50 days of their being notified about the project. There are exceptions to this requirement including improvements:

- required by the FAA or similar governmental authority;
- required to repair casualty damage to the airport;
- requested by an airline or financially responsible third party resulting in the development of a specialty facility to be leased by the airline or third party;
- to the airfield (including apron) costing less than $250,000 in the applicable budget year and not exceeding $500,000 in any fiscal year;
- to the terminals costing less than $75,000 in the applicable budget year and not exceeding $150,000 in any fiscal year; or
- in the HVAC of the terminal necessary to accommodate an additional airline.

According to DOT, the airlines have objected to only one capital improvement project at the airport. The project involved a new firehouse. The signatory airlines claimed the plans called for more square feet of space than FAA requirements. DOT resolved the issue by using a funding source (passenger facility charges) that did not require approval of the signatory airlines.

[4] Majority is defined as: at least 50 percent in number of the signatory airlines which account for more than 50 percent in aggregate aircraft arrival weight landed in the immediately preceeding calendar year.

The program review committee identified two incidents where the signatory airlines objected to Bradley's operating budget. In FY 95, the airlines opposed the overall increase in the airport's budget from the previous year. In response, the DOT cut $406,302 from the $20.3 million budget and it was approved. The second incident occurred in the proposed FY 01 budget. The signatory airlines approved the budget only after an increase in the line item for the Bradley Airport Commission was eliminated.

Once the signatory airlines have completed their review, the secretary of OPM must approve the final budget within 30 days of the start of the state fiscal year. A copy of the budget approved by the secretary is filed with the General Assembly.

Operating revenue. Bradley's operations generate revenue in three broad categories including airline user fees, non-airline user fees, and passenger facility charges. Passenger facility charges will be discussed later in this section.

Airline revenue comes from charges Bradley imposes for using the airport's facilities. In calculating these charges relevant expenses are allocated to cost centers including landing areas, apron areas, and terminal space. Once the costs are determined, various methods are employed to distribute a portion of the costs to the airlines. In the case of landing areas, airlines pay fees derived from factors including the costs allocated to the areas, number of airport landings in the aggregate and by the airlines within the carrier's classification (i.e., signatory, non-signatory, general aviation, or military), and landed weight in the aggregate and by the airlines within the carrier's classification. Airlines pay a rental fee for use of the apron areas (space around terminals used to park aircraft.) Similarly, airlines are charged pro-rated costs for the terminal space they exclusively use.

The annual operating budget includes the estimated charges that will be imposed on each airline based on the allocation of costs and the airline's expected use of the airport's facilities. The fees and rents are collected during the year covered by the budget. In the next fiscal year, adjustments are made on an airline-by-airline basis in order to correct over- or under-charges in the previous fiscal year.

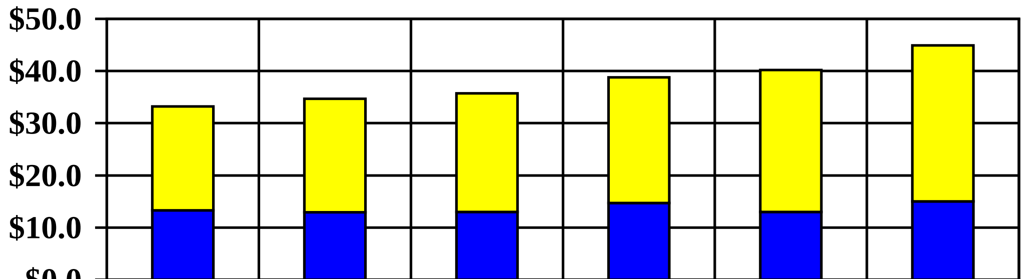
Non-airline revenue is derived from such things as automobile parking, interest on income, and the leasing of space and access rights to rental car companies, air cargo companies, restaurants, advertisers, retail concessions, etc. Revenue from these sources is crucial because over the last six years fees generated from the airlines have covered approximately 45 percent of Bradley's expenses.

Figure III-2 illustrates Bradley's operating revenues - exclusive of PFCs - from FY 95 through FY 00. The figure shows a steady increase in revenues (32 percent) over the period, with most of the growth coming from non-aviation sources. Year-to-year increases ranged from 3 to 9 percent.

Changes in non-aviation revenues were always positive, with increases ranging from 4 to 13 percent. Revenues from airlines varied considerably from year to year, ranging from a 12 percent decrease in FY 99 to a 15 percent increase in FY 00. The wide variation is due in part to the fact airline fees are adjusted retrospectively.

Bradley's operating income is deposited in an Airport Revenue Fund and transferred at the end of each month to the trustee (State Street Bank) overseeing the airport's bonds and their related obligations. The trustee distributes the money among a series of accounts established by the 1982 and 1989 bond indenture statements (see Appendix A). At all times there is on deposit with the State Comptroller enough money to cover the airport's projected expenses over the coming two-month period.

Figure III-2. Bradley International Airport Operating Revenues by Source (in $ millions)



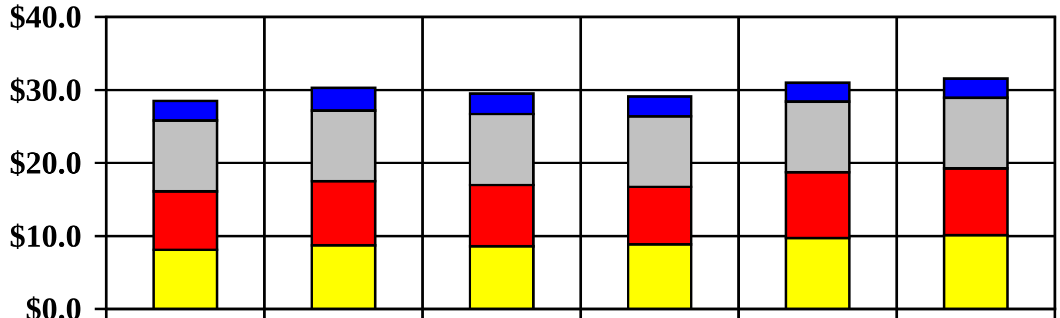
	1995	1996	1997	1998	1999	2000
Non-Aviation	$19.9	$21.8	$22.7	$24.1	$27.2	$29.9
Airline	$13.3	$12.9	$13.0	$14.7	$13.0	$15.0

Expenses. Bradley's annual expenses can be divided among four major categories - personal services, contractual services, debt service, and other. Figure III-3 illustrates Bradley's expenditures from FY 95 through FY 00. The figure shows spending increased only 13 percent over the entire period. Annual changes ranged from a decrease of 2.6 percent in FY 98 to an increase of 6.3 percent in FY 99. Although the variation in overall airport expenditures is modest, Figure III-3 shows there is some fluctuation within the categories.

In FY 00, the largest expense category was personal services (salary and benefits) at $10 million. This was followed closely by payments on the airport's bond obligations ($9.7 million) and spending on contractual services ($9.1 million). The "other" category, which includes such things as the cost of commodities, energy, and utilities, accounted for $2.7 million in spending in FY 00.

The contractual category is diverse. It includes three large items: the amount charged by state police for providing airport security; Payment in Lieu of Taxes (PILOT) to municipalities; and building and landscape services. Also covered by this category are such items as staff training and travel, insurance, advertising, and equipment rentals.

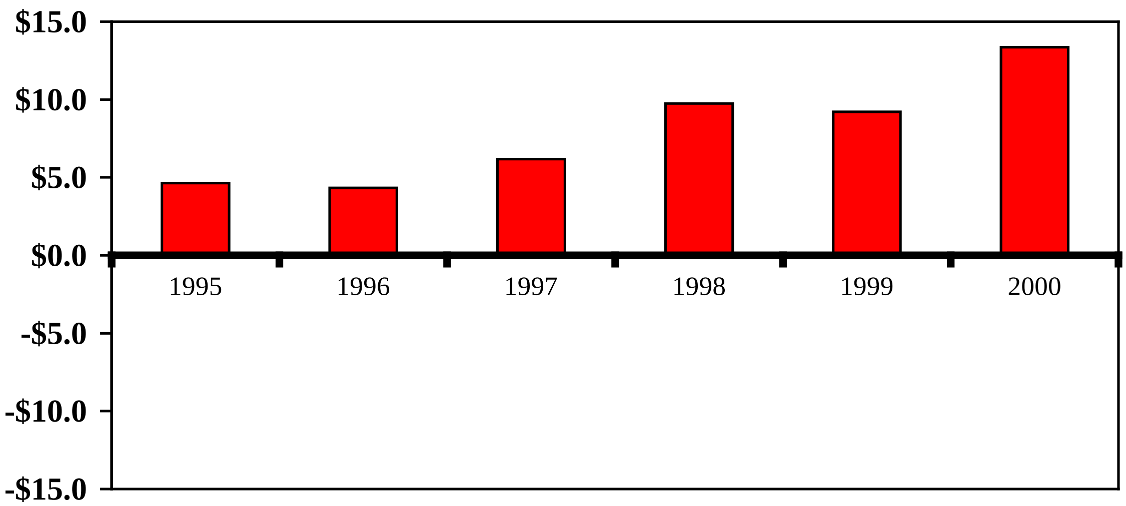
Figure III-3. Bradley International Airport Operating Expenses by Source (in $ millions)



	1995	1996	1997	1998	1999	2000
Other	$2.7	$3.1	$2.8	$2.7	$2.6	$2.6
Debt	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7
Contractual	$8.0	$8.8	$8.4	$7.9	$9.0	$9.1
Personal	$8.1	$8.7	$8.6	$8.8	$9.7	$10.1

Revenues less expenses. Figure III-4 combines Bradley's aggregate operating revenues and expenses and illustrates the relative size of the surpluses generated by the airport. The graph shows the size of the surplus has tended to grow. An analysis of the data presented in Figures III-2 and III-3 indicates this trend has been revenue driven.

Figure III-4. Bradley International Airport Revenues Less Expenses (in $ millions)



Bonding. In 1981, the General Assembly restructured Bradley International Airport into a self-sustaining enterprise (P.A. 81-406) and authorized the issuance of $100 million of special revenue bonds. The bonds were issued by the state in 1982 and made payable solely from revenues derived in connection with the operation of the airport.

The purpose of the initial $100 million was to finance an upgrade of the Bradley's facilities including an expansion and renovation of existing terminal facilities, construction of a new terminal building, construction of access roadways and parking lots, construction of new aircraft aprons and taxiways, and upgrades of the airport's infrastructure. In 1987, the General Assembly authorized the issuance of a second $100 million in bonds. The proceeds from the sale of these bonds, issued in 1992, were used to refinance the bond obligations still outstanding from the initial issuance.

In total, the General Assembly has acted five times to change the bond authorization level applicable to Bradley International Airport. Table III-1 shows the history of the changes from 1981 through 2000. In 1991, at the depths of a state financial crisis, the General Assembly reduced Bradley's authorized bond level by $96 million. In subsequent years the authorization was increased to its present level of $294 million. As of July 1, 2000, the unallocated bond balance was $194 million.

Table III-1. Bond Authorizations for Bradley International Airport

Year	***Bond Authorization Act***	***Bond Authorization Amount***
1981	Public Act 81-401	$100,000,000
1987	Public Act 87-396	$100,000,000
1991	Public Act 91-4	($96,000,000)
1998	Public Act 98-259	$130,000,000
1999	Public Act 99-191	$20,000,000
2000	Public Act 00-167	$40,000,000

In obtaining funds under its bond authorization, Bradley follows the same basic procedures applicable to any state agency under the state's bonding process. First, the state Bond Commission must authorize the issuance of bonds. Next, a bond counsel, financial advisor, and lead underwriter are selected to work closely with representatives of the State Treasurer, secretary of OPM, and commissioner of DOT to prepare the bond offering. As a part of the offering an indenture of trust is written that binds the state to follow certain procedures in operating Bradley while there are outstanding bond obligations. After the bonds have been sold the proceeds are available to Bradley. However, money from the sale is released for use only upon request to and approval of the Bond Commission.

An additional $55 million in special obligation bonds (not shown in the table) were recently issued to finance construction of a parking garage and surface parking lots at Bradley. This occurred pursuant to an agreement between the state and a private developer requiring the latter to construct, operate, and maintain the parking garage. If the developer fails to meet the terms of the agreement the garage will become the property of Bradley as it does automatically at the expiration of the 25-year agreement. According to DOT, the agreement, which runs concurrently with the bond obligations, guarantees sufficient revenue to pay off the bonds and provide additional money for the airport.

It should be noted, the $55 million in bonds does not count against Bradley's authorization limit. Under state statute (P.A. 93-307) bonds issued to finance a self-sustaining facility at Bradley and payable solely from the revenue of such facility and not the airport's operating revenue do not count against the statutory bond authorization limit.

Requirements associated with the airport bonds. The Indenture of Trust statements associated with each of the bond issuances spell out specific requirements the state must meet as long as it has outstanding bond obligations related to the airport. The indentures function as contracts between state and the trustee and bondholders. The terms and conditions outlined in the indentures are enforceable through the courts.

In terms of Bradley International Airport, the indentures provide direction in both the operational and financial areas. Their purpose is to make certain Bradley International Airport is operated and maintained in a manner that minimizes the risk of financial loss to the holders of the bonds issued to finance the airport's development. The requirements can be as broad as mandating the airport shall be maintained in good operating condition to as specific as requiring the rates charged by the airport to yield gross operating revenues at least equal to 125 percent of the debt. A listing of the key indenture requirements with respect to airport operations can be found in Appendix A.

Federal Airport Funding

As mentioned previously, Bradley also relies on two types of funding authorized under federal law, the airport improvement program, and the passenger facilities charges.

Airport Improvement Program (AIP). This federal program was established in 1982 through the Airport and Airway Improvement Act. The funding comes from taxes on passenger tickets and aviation fuel, and is collected by the federal government. The Federal Aviation Administration (FAA) uses the funds to support airport planning and development projects that enhance capacity, safety, security, and mitigate noise. There are three categories of funding under the Airport Improvement Program:

Entitlements or formula grants. These allocate funding to primary and cargo airports based on passenger boarding or cargo weight.

Discretionary grants. The majority of these grants go to the goals established by Congress, i.e., enhancing capacity, safety, security, and lessening noise. These funds are available for all types of airports.

Set-asides. These grants fund specific categories of projects – such as noise abatement or planning; certain types of airports like nonprimary commercial airports; or the transition of former military airports to general aviation or commercial airports.

Most of the AIP funds are allocated in the first category, via a legislated entitlement formula, based on population and passenger volume. Airports may use their entitlement AIP funding on capital projects, equipment, and some types of planning and environmental studies. AIP funds cannot be used for airport operating expenses or for debt financing.

Discretionary funding is approved by the FAA for particular projects as described above. The FAA has authority to allocate the discretionary and set-aside funding among airports and gives a higher priority to financing projects like noise mitigation and land procurement.[5] Airports may use their entitlement funding for projects the FAA considers a lower priority for discretionary allocation, like developing terminals or roadways.

Congress establishes the AIP program goals, its broad funding categories, and program limitations, and the FAA administers the program on the basis of needs identified by the individual airports. Appendix B provides a diagram describing the AIP funding process.

The Airport Improvement Program has been a major source of financing for capital projects at airports. From 1982 to 1999, funding for all U.S. airports through the AIP program totaled $24.4 billion -- $12.8 billion in entitlements and $11.6 billion in discretionary funding. Congress has authorized almost $2.5 billion for FFY 2000 and $3.2 billion for FFY 2001, but actual funding obligations have fallen significantly short of authorizations in the past.

Bradley and AIP funding. Table III-2 below shows the funds Bradley has received through the AIP program – both entitlements and discretionary.

Table III-2. Funding Allocated to Bradley through the Airport Improvement Program: 1982-1999

Year	Discretionary	Entitlement	Year	Discretionary	Entitlement
1982	0	$1,187,168	1991	$1,353,364	$3,593,386
1983	$1,032,928	$1,913,072	1992	$3,334,391	$4,993,104
1984	$1,384,335	$3,577,500	1993	0	0
1985	$921,977	$3,142,625	1994	0	$3,176,399
1986	0	0	1995	0	$2,169,162
1987	0	$1,871,538	1996	0	0
1988	0	$678,623	1997	0	$173,365
1989	$27,363	$5,534,479	1998	0	$1,078,031
1990	$8,003,203	$4,009,449	1999	0	$3,318,152
Total 1982-1999				$16,057,571	$40,416,053

Source: Federal Aviation Administration Web Site

Appendix C lists Bradley's cumulative expenditures of AIP funds as of September 2000. The list shows AIP funding was spent mainly on Bradley's airside: ramps ($11.2 million); runways ($12.7 million); and taxiways ($9.5 million).

[5] Specific projects may be allocated to any of the following: runways; taxiways; land; aprons; roadways; safety; terminals; lighting; noise; miscellaneous; planning; state block grant; security; buildings (not terminals); weather equipment and navigational aids.

Comparison of AIP funding. Bradley has not benefited as much as other airports from AIP discretionary funding. The table below shows the cumulative amounts received under the two categories of AIP funding at selected airports.[6] As the table shows Bradley ranked second to last among the airports selected, garnering about $56 million over the 17-year period; only the Albany, New York airport fared worse at $55 million.

Table III-3. Total AIP Funding 1982-1999; An Airport Comparison

	Discretionary	Entitlement	Total
Bradley	$16,057,571	$40,416,053	$56,473,624
Baltimore/Wash	$75,478,875	$55,505,758	$130,984,633
West Palm Beach	$40,154,609	$35,171,542	$75,326,151
Colorado Springs	$47,252,368	$26,917,900	$74,170,268
Austin TX	$122,462,757	$9,484,756	$131,949,513
Albany, NY	$23,341,638	$32,308,298	$55,649,936
Buffalo, NY	$68,188,722	$34,819,633	$103,008,355
Milwaukee	$33,613,888	$40,402,297	$74,016,185
T.F. Green, RI	$79,900,956	$34,630,219	$114,531,175
Manchester, NH	$49,606,086	$17,252,847	$66,858,933
Columbus	$35,427,674	$32,219,106	$67,646,057
Nashville	$139,690,169	$43,829,121	$183,519,290
Cincinnati	$134,885,485	$58,205,373	$193,090,373
Indianapolis	$137,038,976	$51,108,424	$188,147,400
Source: FAA Web Site on AIP Grant Information			

Table III-3 indicates the total amount Bradley received over the 1982-1999 period in federal funding does not compare well with other airports. Because AIP entitlement funds are related to airport size, Bradley would be expected to fare better than smaller airports but not as well as larger ones. To get a better sense of Bradley's success in receiving federal grants relative to its size staff compared the amounts received in both entitlement and discretionary categories for 1999 and then analyzed those on a per-passenger basis, using each airport's 1999 passenger statistics. The results are shown in Table III-4.

Table III-4. 1999 AIP Funding: A per-passenger Airport Comparison

	Discretionary Funds –1999	Entitlement Funds - 1999	Total AIP Funding –1999	Passengers 1999	Entitlement $/99 passengers	Discretionary $ /99 passengers
Bradley	$0	$3,318,152	$3,318,152	6,335,804	$.19	$0
Baltimore/Wash	$5,794,276	$2,712,930	8,507,206	17,437,663	$.41	$.06
West Palm Beach	$4,999,260	$1,482,009	$6,481,269	5,742,634	$.49	$.25

6 The program review committee selected 13 airports with which to compare Bradley on a number of different factors. Elements used to select the other airports included similar size or governance to Bradley, recent growth, airports located within this Northeast region, or in close proximity to larger airports (like Bradley is to Logan and NY airports).

Table III-4. 1999 AIP Funding: A per-passenger Airport Comparison						
	Discretionary Funds –1999	**Entitlement Funds - 1999**	**Total AIP Funding –1999**	**Passengers 1999**	**Entitlement $/99 passengers**	**Discretionary $ /99 passengers**
Colorado Springs	$700,000	$1,397,340	$2,097,340	2,481,098	$1.50	$.99
Austin TX	$17,380,279	$1,697,458	$19,077,737	6,719,030	$2.60	$2.37
Albany, NY	$10,637,000	$2,093,631	$12,730,631	2,354,091	$.97	$.32
Buffalo, NY	$12,650,890	$2,419,456	$15,070,346	3,609,760	$2.94	$2.28
Milwaukee	$8,221,104	$1,672,907	$9,894,011	5,825,670	$1.65	$1.44
T.F. Green, RI	$9,300,000	$2,172,044	$11,472,044	5,100,000	$.42	$1.82
Manchester, NH	$3,093,000	$1,725,000	$4,764,000	2,800,000	$.61	$1.08
Columbus	$1,056,000	$1,589,0570	$2,645,057	6,541,851	$.12	$.12
Nashville	$4,706,000	$1,785,558	$6,491,558	8,554,211	$.92	$.51
Cincinnati	$6,000,000	$2,979,916	$8,979,916	21,771,689	$.55	$.38
Indianapolis	$9,000,000	$2,886,196	$11,886,196	7,292,132	$2.09	$1.73
Source of Data: FAA Web Site on AIP Grant Information						

Again Bradley fared worse than the other selected airports; it was the only airport to receive nothing in discretionary funding for 1999. Further, only Columbus received less than Bradley in entitlement funding for 1999.

The program review committee staff explored the comparatively low discretionary AIP funding with staff from FAA New England Region and DOT. The FAA indicated there is a limited amount of money for discretionary funding in each region. FAA also indicated that although Manchester and Providence (T.F. Green) are smaller airports than Bradley, they needed upgrading to accommodate congestion at Logan, and from a regional perspective that was a priority. In the opinion of the program review committee, Bradley does not appear to have competed aggressively for AIP federal dollars. The airport submitted no capital improvement projects resulting from its 1993 master plan that would warrant allocation of discretionary AIP funding beyond amount received. Further, DOT staff indicated it did not believe Bradley had been treated unfairly.

Passenger Facility Charges

Authorized in 1990 under the Aviation Safety and Capacity Expansion Act, passenger facility charges (PFCs) are imposed by individual commercial service airports that apply for and receive from FAA the authority to assess these charges. Beginning in 1992, airports could receive up to $3 per passenger (for each boarding, or up to $12 for a round-trip ticket) in PFCs to use for AIP-eligible projects, or for certain types of projects not eligible for AIP financing, like debt financing.[7] The PFC program was designed to offer an additional source of revenue for

[7] Congress, in April 2000, authorized (P.L. 106-181) an increase in the passenger facility charge up to $4.50 effective July 1, 2000; however, because airline computer systems record PFCs in whole dollars only, the new charges have not yet become effective.

airports to improve their facilities, and to enhance airline competition by providing a revenue stream less subject to airline control.

Under PFC statute and regulations, all air carriers serving an airport must be given an opportunity to comment on – but not veto – proposed PFC projects prior to the application being submitted to the FAA. A public comment period, during which any interested party may submit comments, is required after the application is submitted to the FAA. Large- and medium-sized airports that impose a PFC must, under federal law, return up to 50 percent (75 percent if the airport charges the new $4.50 PFC) of their AIP entitlement monies to the FAA for redistribution to AIP discretionary grants, or to small commercial and non-commercial airports.

Airlines collect the charge when the ticket is sold and are responsible for distributing the money to the appropriate airports. The airlines are allowed to keep $.08 of each PFC charge for administrative expenses. Airports control how the PFCs are spent. Airports may use PFC funding for any project allowed under the AIP program or for other projects that would not be allowed under the AIP program (like terminal gates) and financing costs associated with issuing municipal or other bonds.

From calendar year 1992 through calendar year 1999, airports nationwide collected $7.7 billion in passenger facility charges. Since the charges are collected on a per-passenger basis, the larger airports obviously receive more PFC revenue. Over the years, almost 70 percent of the PFC spending at airports occurred in three major project categories – terminals (34.4%), interest on debt (21.1%), and airport access (12.4%). Under the AIP program, these projects would either not qualify or would be given a low priority.

Passenger Facility Charges at Bradley. Bradley International Airport began imposing a passenger facility charge of $3 on October 1, 1993. Thus, revenues from passenger facility charges do not appear until FY 94. As mentioned above, passenger facility charges may be instituted for airport capital projects including those that preserve or enhance safety, capacity or security, reduce noise, or enhance airline competition. The FAA must approve projects and the length of time the fees will be in place for a given project. Since 1993, the FAA has approved 10 separate projects for which PFCs may be used at Bradley:

- new aircraft ramps;
- terminal B roadway system;
- peak mountain lighting;
- design and construction of glycol collection system (de-icing) (2 projects);
- equipment acquisition;
- taxiway J;
- remote ramp lights
- security fencing; and
- partial funding of a new firehouse.

Monies from PFCs are not included in Bradley's overall budget submitted to the Office of Policy and Management and the General Assembly, nor in the capital improvement section of the budget approved by the airlines. They are included in Bradley's improvement fund, and therefore must go through the Bond Commission.

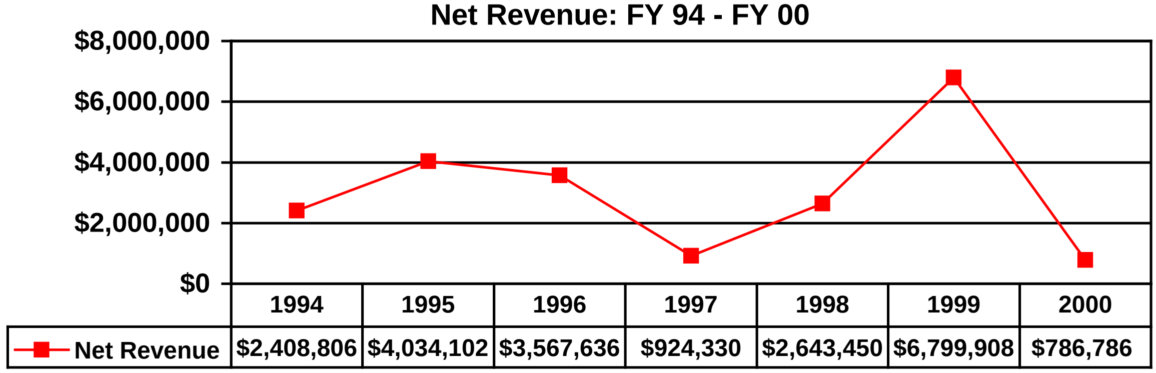
Independent audits of the PFCs are conducted annually by Di Santo & Bertoline, P.C., and submitted to the DOT and FAA. PFC figures are shown for 1994 through 2000 in Table III-5 and Figure III-5 below. As these show, each year Bradley's PFC revenues exceeded expenditures, although the surpluses in each year vary from less than $1 million to more than $6 million. The revenue, together with interest, built a surplus of about $21 million over the seven-year period. It should be noted, however, that a number of the PFC projects are not yet closed; thus expenditures are still being incurred under those categories.

Table III-5. Bradley Passenger Facility Charges – Revenue and Expenditures: FY 94 - FY 00 ($ millions)

	*1994**	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*94-00*
Revenue	$4,620	$6,453	$4,073	$2,364	$5,253	$7,865	$9,252	$40,050
Interest		$86	$384	$704	$561	$822	$1,087	$3,643
Total Revenue	$4,620	$6,539	$4,457	$3,068	$5,814	$8,687	$10,339	$43,693
Expenses	$2,211	$2,505	$889	$2,144	$3,170	$1,878	$9,552	$22,350

Source: DiSanto & Bertoline Company, P.C. Independent Audits June 1995 through June 2000 (1994 data from Bradley International Airport Statements of Operations and Retained Earnings (Deficit)

Figure III-5. Bradley's Passenger Facility Charges Net Revenue: FY 94 - FY 00



Management and Operations

The focus of the study is to evaluate if Bradley is optimizing its economic development potential. To develop that potential, it is assumed Bradley management must be able to act quickly and operate in a business-like fashion. A number of consultant reports were recently completed of Bradley International Airport (see Chapter IV on Governance in this report for a summary of the studies), and the crux of the conclusions reached is that Bradley is not a "world class" or even a "best in class" airport.

The committee concludes that Bradley management and operations are performed well in a number of areas, but several shortcomings prevent it from becoming a top-rated airport. This chapter identifies the areas where the committee finds Bradley is well managed, outlines findings of deficiencies and the contributing reasons, and provides recommendations for improvement.

Safety, security, and reliable service. The program review committee concludes Bradley performs well and is highly regarded in this area. Bradley clearly places great emphasis on staff that provide safety, security, and reliability. Of the 122 DOT positions allocated to Bradley, 88 persons are assigned to airport operations, maintenance, air crash and rescue, and security. The cost of these units accounts for about 75 percent of Bradley's total $10.5 million personal expenses (including fringe) in FY 00. In addition, Bradley contracts for law enforcement services with the state police. Forty-two state troopers are assigned to the airport at cost of $3.9 million in FY 00. Thus, Bradley's expenses are heavily weighted on safety, security, and operations.

Competitive Aspects of Bradley

There are two kinds of features that make an airport competitive. First, there are factors like geography and weather that are largely beyond the airport's control. Second there are those elements that can be shaped by the airport, including the skills of the people entrusted to manage, the strategies in place to increase business or development (e.g., tax policies), and business practices conducive to growth – factors that make people, airlines, and other businesses want to come there. While an airport's management team cannot directly control the first two factors, its actions can influence the effect the latter three have on the airport's ability to compete.

It is difficult to evaluate how competitive an airport is based on quantitative measures alone – they really only tell part of the story. What isn't apparent from looking at just outcomes is how the airport achieved them. For example, growth at an airport could be due entirely to population or geographic location (an airline hub) or it might be the result of a strategic plan, including economic development objectives, which an airport has developed and executed effectively.

Bradley's competitiveness is analyzed in Tables III-6 and III-7, (on pages 40 – 42) by arraying some quantitative measures with which airports can readily be compared. In addition, the committee contacted management of the airports in the selected sample to gain a sense of how each operates, and what contributed to the performance on some of the benchmark measures.

Passenger Growth. Bradley experienced moderate growth during the mid- to late-1990s. As Table IV-7 shows, Bradley's enplanements (boardings) grew 19 percent from 1993 to 1998. This placed it 9th out of the 14 airports compared. Bradley's annualized growth for the five-year period was about 3.8 percent, roughly equal to the average annual growth in passenger enplanements at airports nationally. In 1999, Bradley's passenger growth jumped to 12.8 percent, and growth during 2000 was about 16 percent.

"Southwest effect". One of the greatest factors spurring airport growth is the initiation of flights by Southwest Airlines (SWA). Southwest is a low-fare carrier offering flights (often to

non-hub cities) at very low prices. This prompts other airlines serving the airport to lower their fares to compete. The resulting lower fares create substantial passenger growth at an airport, where people who would not have traveled before (or not through that airport) now can afford to fly. This has become known as the “Southwest effect”.

The initiation of Southwest service is responsible for passenger growth at a number of airports in the selected sample. Southwest service seems to precipitate a period of unprecedented growth at each airport it enters. It is open for debate how much Southwest’s decision to locate at an airport has to do with the airline’s own business strategy, or whether an airport’s efforts can influence that decision. Bradley made periodic contact with Southwest starting in the early 1990s, but those efforts were not successful.

Whatever the reasons, Southwest chose to locate first at T.F. Green (Providence) in 1996, and then at Manchester, New Hampshire in 1998. It located at Bradley in October 1999 (see Table III-7 for service dates at other airports). Thus, those two New England airports enjoyed a period of spectacular growth before Bradley.

To grow, airports typically must be competitive to the consumer: offer fares that compare well, or are lower, than other airports; offer flights to destinations where consumers want to travel; and provide convenient and reasonably priced airport services. Some of those measures are compared here.

Fares at Bradley. Table III-7 contains two columns related to fares. Column F is the average one-way fare during the last quarter of 1999 for all flights from that airport, a statistic compiled by the U.S. DOT. A variety of factors can influence this number such as the overall numbers of flights, flight destinations, and airlines serving the airport, but in general it provides a yardstick for comparing the competitiveness of airports. As column F in the table shows, Bradley’s average one-way fare was $162, which placed it 9th of the 14 airports compared. It should be noted that while Southwest would be included in this fare measurement for Bradley, it would not gauge the full effect of SWA, which only began service one month into the fourth quarter of 1999.

The three airports (BWI, Manchester, and Providence) with the lowest average fares all include Southwest among the airlines located there. On the other hand, the airports with the highest average fares (Cincinnati, Colorado Springs and Albany) had no Southwest service during the last quarter of 1999. Cincinnati airport, which enjoyed dramatic passenger growth (72% from 1993 to 1998), also had the highest average fare of the selected airports. Its growth appears to be linked to Delta’s hub location there rather than to competitive fares.

Indeed, Cincinnati is one of the airports identified by the FAA as being non-competitive because it relies on one airline, Delta, for more than 50 percent of its enplanement activity. A new federal law (P.L. 106-181) requires that each of the airports considered non-competitive under this standard (only one or two airlines control 50 percent or more of passenger boardings submit a plan to the FAA, outlining the airport’s efforts to become more competitive. Table IV-7, Column I, identifies which medium- and large-sized airports among the sample must submit a plan. Bradley, as the table indicates, is not considered noncompetitive under the law and therefore is not required to submit a competitiveness plan.

Table III-6. Comparative Measures at Selected Airports							
Airport	A Governance	B Terminal Sq Ft. & Development Activity	C # Air Carriers	D # Gates	E Flights per day (departures)	F Cities served	G Food/Concessions
Albany	Albany County Authority; 7-members; public benefit corp. created in 1993 with 40-year lease; AGI (NY) under contract to manage	230,000 sq. ft. new terminal opened June 1998; cost $152 m	14	20	110	40	7 food 5 shops * ACI-NA 1st place award for best design of concessions
Austin	City of Austin owns Operated by Austin Aviation Dept. Operated as self-supporting entity since 1972	600,000 sq. ft. cost about $718.5M. opened in June 1999	10	25	260	35 nonstop	12 food 6 shops *ACI-NA concessions award
Baltimore/ Washington	State DOT owns and operates BWI; Maryland Aviation Commission provides direction in airport management and approval of capital projects	365,000 sq. ft; new international terminal in 1997 ($63m). A terminal renovation project approved in 1998; now underway	18	71	350	56- domestic 7-int'l	22 food 17 shops
Bradley	State-owned. Operated by ConnDOT-Dept of Aviation and Ports	381,600 sq. ft. - 2 terminals; newest opened in 1986.	19	28	150	41 nonstop	6 food (incl snack bars); 4 shops; business center in hotel
Buffalo	City-owned. Operated by Niagara Frontier Transportation Authority	New terminal – opened in 1997	17	15	111	22 nonstop	8 food 1 retail
Cincinnati	Owned by Kenton County, Kentucky. Operated by County. 17-member Board of directors appointed by judge/executive. Advisory board appointed by governor.	1994-new 3rd terminal completed -- $500m -- largely Delta operations	11	120	580	130	45 food 21 shops several business centers and services
Colorado Springs	Owned and operated by City; 7-member advisory council est. in 1978; advises city manager and council	270,000 sq. ft. new terminal began in '92 opened in 1994; cost $80.5m	8	20	50	28	3 food 2 shops
Columbus	City-Owned. Run by Columbus Airport Authority, created in 1991, 9-member board is appointed by mayor	730,000 sq. ft	21	29	192	33	12 food 9 shops, business center and services
Indianapolis	Municipal authority owns. 7-member board apptd. by mayor and 2 county officials. Operated by BAA, a private corporation	673,000 sq. ft.	18	34	352	44	15 food 15 shops

Table III-6. Comparative Measures at Selected Airports							
Airport	A Governance	B Terminal Sq Ft. & Development Activity	C # Air Carriers	D # Gates	E Flights per day (departures)	F Cities served	G Food/Concessions
Manchester	Owned by City. 7-member Manchester Airport Authority	228,000 sq. ft.	9	14	70	15	9 food 4 shops
Milwaukee	Owned by County. Operated by Milwaukee County Dept. of Public Works	Expanded terminal – add'l 16 gates –1990	16	42	100	90 nonstop or direct	3-4 food 7 shops
Nashville	City owned. Operated under Nashville Airport Authority	820,000 sq ft. – last terminal opened in 1994	16	46	200	51 nonstop destinations	9 food 4 shops 2 services
Palm Beach	Owned by County. Operated by Palm Beach County Dept. of Airports	560,000 sq ft terminal opened in 1988; cost $150M. Phase II of terminal being planned Rated #1 in appearance and passenger appeal	16	25	114	64 nonstop and same plane	13 food 8 shops
Providence	Owned by state. Overseen by state authority – RI Economic Development Corporation	New terminal completed in 1996	15	19	125	23	10 food 10 shops

Table III-7. Comparative Measures at Selected Airports (continued)									
Airport	A 1999 Enplanements*	B Enplanement Growth 93-98	C Ranking by # Enplanements 1993 and 1998	D Cost per enplanement (airline revenues to airport per boarding)	E Southwest Service	F Avg. Fare (4th quarter 1999)	G Lowest avg. fare to Orlando	H Yield (cents)	I FAA Plan req.
Albany	1,177,046	3%	77 82	$6.20	01/00	$170	$118	18.17	N
Austin	3,359,515	32%	56 52	$3.75	1976	$163	$146	19.33	Y
BWI	8,718,832	25%	31 27	$4.17	1993	$133	$95	12.58	Y
Bradley Htfd/Spgfld	3,167,902	19%	55 56	$5.50	10/99	$162	$105	14.59	N
Buffalo	1,804,880	2%	62 69	$7.49	10/00	$142	$106	18.59	N
Cincinnati	10,885,845	72%	26 23	$3.08	No SWA service	$215	$188	27.48	Y
Colorado Springs	1,240,549	73%	86 74	$1.71	No SWA Service	$197	$162	19.22	N
Columbus	3,270,926	27%	51 49	$4.90	1992	$149	$100	15.49	N
Indianapolis	3,731,546	23%	47 44	$3.93	1989	$155	$103	17.22	N
Manchester	1,400,000	140%	122 85	$5.87	06/98	$111	$112	12.35	N
Milwaukee	2,912,835	19%	55 56	$3.94	No SWA service	$164	$118	16.12	N
Nashville	4,277,106	13%	33 42	$5.77	1986	$138	$101	17.47	Y
Palm Beach	2,871,317	16%	52 54	$7.47	Expected 01/01	$158		14.58	Y
Providence	2,555,000	100%	72 62	$2.37	1996	$136	$113*	12.19	Y

* Enplanements for 1999 is total passengers/2; enplanement numbers were not available at the time table was developed

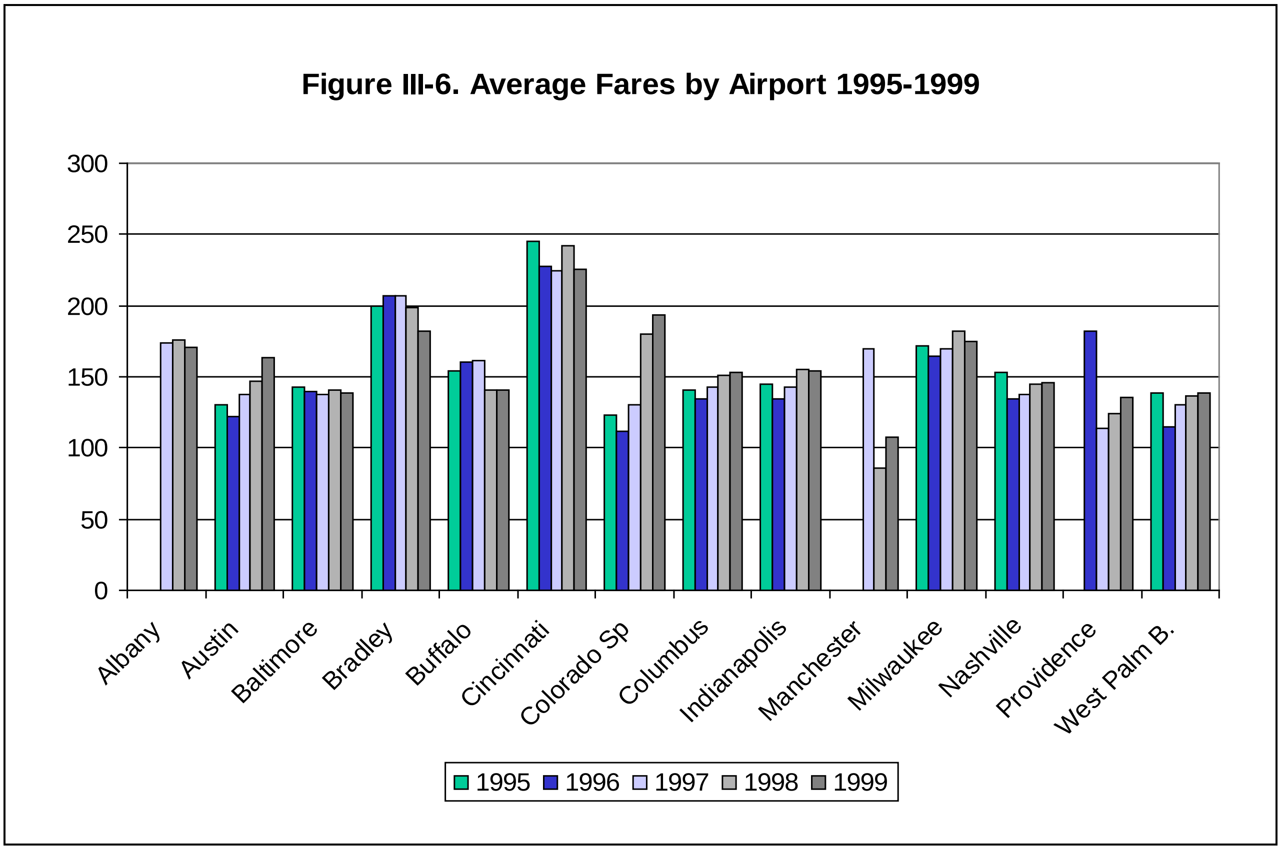
Sources: Individual airport websites; telephone inquiries to airport management; US DOT Assistant Secretary for Aviation And International Affairs Database on Airfares;

AAAE Survey on Airport Rates and Charges 1997-98; and ACI-NA General Information Survey Database 1998.

To compare average fares in another way, the program review committee used the lowest average fare listed for flights from each airport to Orlando, Florida, a popular destination. Those are shown in column G in Table III-7. (Palm Beach is not listed because of its close proximity to Orlando, and the committee substituted Tampa for Orlando from Providence because no Orlando flights originating in Providence were contained in the U.S. DOT database.) The lowest fare from Bradley was $105, which placed it fifth among the airports compared. It should be noted that, in the comparison group, the five airports with the lowest average fares to Orlando were within $10 of each other –from $95 to $105.

However, a closer examination of Bradley's fares historically, compared with those of other airports in the selected sample, shows that it has only been recently that average flight prices have dropped substantially at Bradley. Fares at Bradley and other selected airports from 1995 (where available) to 1999 are displayed in Figure III-6. As the figure indicates, only in 1999 did Bradley charges decrease to the $162 level. Prior to 1999, Bradley's average fares were not that competitive -- at $200 or above -- ranking it second- or third-highest among the 14 airports.

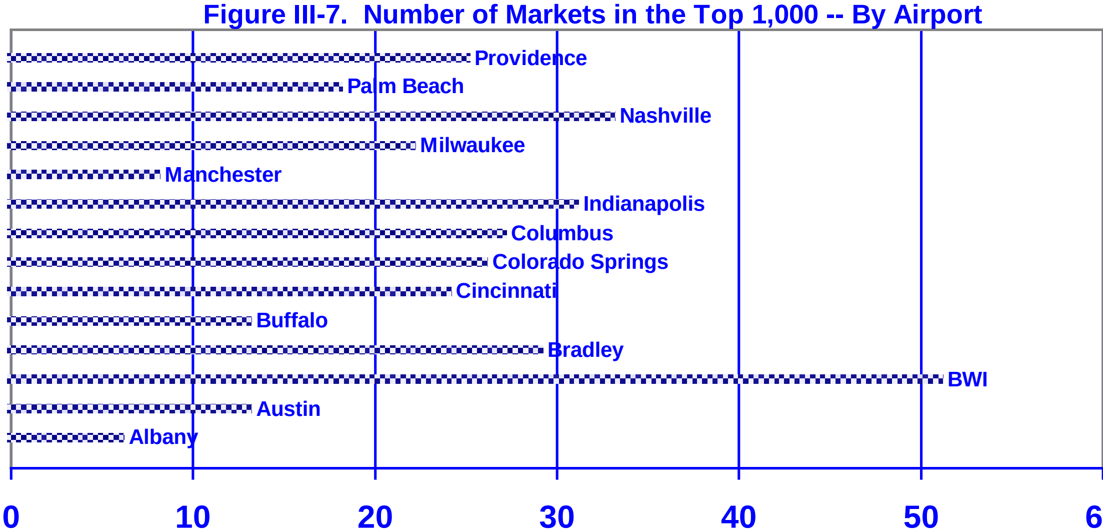
Indeed, high fares at Bradley have been a concern. According to Bradley Airport Commission (BAC) minutes, during the period of March 1997 and September 1997, Bradley management wrote three separate letters to airlines servicing Bradley protesting the high fares at Bradley. However, not until the initiation of service by Southwest in 1999 do fares drop considerably.



Flight destinations and markets. Bradley compares well in terms of flight destinations. It offers 41 non-stop or same plane destinations, ranking 6th of the 14 airports in the selected sample. Another measure of competitiveness of airports is how many markets or cities it serves. One gauge of this used by the U.S. DOT is how many of an airport's markets rank in the top 1,000 city-pair markets (by number of passengers traveling that route). Figure III-7 shows the number of markets each airport serves that rate in the top 1,000.

As shown in the graph, BWI again appears to be the most competitive among the airports in the sample, with 51 of its markets ranking in the top 1,000. Nashville has 33 markets that rank in this category, while Indianapolis had 31. Bradley ranked 4th with 29 markets that rated in this category, which indicates Bradley's destinations appear to be popular cities where passengers want to travel. A major drawback of Bradley International Airport, however, is its lack of true international service (other than charter or flights to Canada). For years, Bradley management has attempted to bring international service (i.e., flights to Europe) to Connecticut. One of the problems appears to be that Bradley has not developed a comprehensive strategy for attracting international carriers to service Bradley, as noted in the Schiphol consultant report (p. 20-21). At Baltimore-Washington, airport management established a business objective of "2 by 2" (two international carriers by the year 2000), and enlisted the assistance of Maryland's governor and lieutenant governor to pursue potential carriers. This contrasts sharply with Bradley's hit or miss approaches such as changes in advertising forms, hiring an airline-marketing firm, and attempts to survey the business community's support for international service have yet to result in service to Europe.

Figure III-7. Number of Markets in the Top 1,000 -- By Airport



Yields. Another measure of an airport's consumer competitiveness is the yield for flights originating at that airport. Yield is the individual fare charged divided by the number of miles for a particular flight. It is usually expressed in cents per mile. The lower the yield the better for the consumer, since they are being charged less per mile traveled. The higher the yield the more the airlines are charging each passenger per mile traveled. As column G in Table III-7, shows, the average yield at Bradley for the last quarter of 1999 was 14.59, placing it fifth among the airports in the selected sample. The yield at Bradley is almost 2.5 cents higher than Providence, which had the lowest yield, but is about 13 cents lower per mile than Cincinnati. This seems to further indicate that growth at an airline hub, like Cincinnati, does not necessarily mean it is due to lower fares, or that growth directly benefits the consumer.

On the other hand, consumers have benefited from lower yield (meaning lower fares) at Bradley over the past couple of years. As recently as 1997, the average yield at Bradley was 19.5 cents, before dropping to 15.9 in 1998 and to 14.6 in 1999.

Thus, while Bradley has made remarkable improvements in both fares and yields that certainly benefit the consumer and have contributed to passenger growth, those have been most dramatic since 1999, and are in large part due to the "Southwest effect".

Air cargo. Airports within the same geographic region compete for the area's cargo business just as they do for passengers. This is an important competition because the amount of cargo handled at an airport contributes not only to the airport's economic health, but also directly impacts the economy of the surrounding region.

The national statistics indicate Bradley does very well in this area, consistently ranking among the top 35 U.S. airports in the volume of air cargo handled. As Table III-8 shows, Bradley does even better among the 14 selected comparison airports, with the 3rd best ranking in cargo activity in 1998 and 1999, and 4th largest increase in cargo volume between 1998 and 1999.

Table III-8. Air Cargo Statistics for Selected Airports – Metric Tons

Airport	*1999 Metric tons*	*1998 Metric Tons*	*Increase 1998-1999*	*% Increase*
Albany	21,195	18,543	2,652	14.3%
Austin, TX (1)	92,151	22,099	70,052	317.0%
BWI	225,153	235,516	(10,363)	(4.4%)
Bradley	175,451	164,588	10,863	6.6%
Buffalo	52,309	53,052	(743)	(1.4%)
Cincinnati	399,869	364,511	35,358	9.7%
Colorado Springs	24,553	21,258	3,295	15.5%
Columbus	84,733	77,030	7,700	10.0%
Indianapolis	1,041,810	812,644	229,166	28.2%
Manchester N.H.	88,185	73,579	14,606	19.9%
Milwaukee	119,183	119,422	(239)	(0.2%)
Nashville	56,702	54,785	1,917	3.5%
West Palm Beach	23,131	23,507	(376)	(1.6%)
Providence	22,623	25,123	(2,499)	(9.9%)

(1) Began service in 1998
Source of Data: Airports Council International 1999 Traffic Data

Several factors impact an airport's ability to increase the volume of air cargo it handles. Among them are:

- location within a region were goods need to be distributed;
- access to good highway system connecting all points within the region;
- airport infrastructure;
- ability to handle weather conditions; and
- airport marketing.

Concession development. In addition to attractive fares and destinations, a competitive airport must offer its customers convenient services at good value. Bradley certainly does not provide "best in class" concessions, either in terms of the number or the level of goods and services offered. Bradley has only six food concessions, including two snack bars, compared to 15 food concessions at Indianapolis airport, which has a similar number of enplaning passengers, and 13 at Palm Beach airport, which has about 300,000 fewer enplaned passengers than Bradley. In fact, airports with far fewer passengers have a better selection of food concessions. Albany, for example, has about one-third the number of passengers as Bradley, but has seven food shops.

In addition, airport management consultants studying Bradley have noted the poor lighting and layout of many of the concession areas. The program review committee agrees the concessions are sorely lacking in appeal, as well as products and services.

In terms of revenues, Bradley ranks at the top of all mid-sized airports with respect to the money the airport gets from concessions on a per-passenger basis. However, as the Schiphol report cited, this is not because passengers at Bradley spend a lot at the concessions; that amount is actually low for an airport Bradley's size. It is instead because the contract Bradley has with Host International, (now Host Marriott), which was signed in 1984 and runs for 20 years, contains provisions financially beneficial to Bradley. The Host group is required to pay 12 percent of gross receipts on food and beverage, and 20 percent on alcoholic beverages, or an increasing base amount per year, whichever is greater. Currently Host is paying Bradley the base amount, about $2.2 million in calendar year 2000. The provisions of the contract encourage Host to adopt a captive rather than choice strategy -- depending that customers who require a meal or a snack at the airport are willing to pay a high price for limited offerings. It may also encourage Host to hire fewer workers than are needed and pay low wages, as implied in testimony by concession workers and their labor representatives at the program review committee's October 12, 2000, public hearing (see public hearing transcript pages 90-92). By contract, Host is also responsible for all renovations, upgrades in lighting and the like.

Bradley management, as with other areas of the airport, does not take a business development thrust -- expanding and upgrading for customer satisfaction -- with its concessions. Instead it is focused on: the predictability of the contract with Host Marriott; the substantial payments currently received from the contractor; and the belief that customer concerns will be directed at the vendor and not negatively impact the airport.

At Indianapolis airport, BAA (a subsidiary of British Airways) assumed management in 1995. BAA indicates it initially tried to work with Host Marriott to upgrade it concession choice, expand hours and institute street pricing (charging the same price for an item as would be charged in an off-airport location.) When BAA could not get full cooperation with Host, it terminated its contract. It now handles its own concession management, has expanded to 15 food concessions and upgraded the types of food offerings.

Intermodal Transportation

The Gallis study of Bradley (December 1999) indicates, "often airports provide a critical element to a region's competition for economic activity, requiring it to reach beyond its borders to form new sets of social, economic transportation, logistic and communication relationships". The program review committee finds that Bradley management does not "reach beyond its borders". The committee believes that the passive approach to on-airport planning discussed in the previous chapter also applies to Bradley management's approach to off-airport efforts, including those for alternate sources of ground transportation. It does not aggressively pursue policies or strategies that would grow the airport, but reacts to plans or policies, when presented with them, in a process-oriented rather than results-oriented fashion.

The program review committee believes Bradley needs to take an aggressive outcomes approach to intermodal transportation if economic development projects -- like Adriaen's Landing and the convention center in Hartford -- that depend on moving large numbers of people in short time periods, are to be successful.

Generating Capital for Airport Improvements.

Revenue bonds. Consultant reports, as well as the 1993 master plan, have been highly critical of Bradley's lack of space, its layout, and obsolete Murphy terminal. The committee believes the reports depict accurately the terminal conditions at Bradley. The situation has worsened since the arrival of Southwest. The airline's is located in the old International Arrivals Building (IAB), where passengers pack into small gate areas, clearly indicating a makeshift approach to accommodating the airline and its passengers.

As the briefing report indicates, Bradley has not issued bonds to finance new development since 1982. At that time, $100 million in revenue bonds were issued to fund a major upgrade, including the construction of a new terminal as well roadways and airside improvements. Between 1982 and 1998 no new bonds were issued to finance improvements. In 1999, the construction of a parking garage was begun and financed with special obligation bonds. These bonds, to be paid back entirely with parking revenue, do not affect the $294 million in airport-revenue bonding the legislature authorized for Bradley. Bradley is currently putting a financial package together to go to the bond market in February 2001 for approximately $140 million.

Thus, including the upcoming issuance, Bradley has only twice sought to finance major capital improvements through the sale of bonds since its creation as an Enterprise Fund in 1981. It should be pointed out there is no evidence that during this period Bradley explored any other way of new construction or improvements. Instead, Bradley is just now ready to move ahead with it plans to build a new terminal, even though it was recommended seven years ago in the 1993 master plan.

Airport improvement funds. As discussed earlier in this chapter, Bradley has not applied for any discretionary funding under the federal Airport Improvement Program since 1993, and thus has not fared as well as other airports in garnering federal financing. DOT staff state the regional FAA indicated Bradley had no projects that would qualify for discretionary money when it developed its master plan, and thus Bradley did not file applications. Instead, Bradley kept its financial belt tightened, and operated in a maintenance mode.

The FAA New England region also wrote a letter stating "because Bradley has the necessary infrastructure and has developed and maintained the airport in an efficient and self-supportive manner, the state [DOT] has been able to rely on their entitlement dollars and not required the level of discretionary moneys [sic] that other airports have needed."[8] The program review committee believes that while this is testament to Bradley's ability to live within its means to maintain and operate its airside, without reliance on discretionary federal money, it is another indication of Bradley's non-competitive attitude toward development and financing. This may have been the acceptable approach prior to airline deregulation but, in the competitive post-deregulation era, Bradley management needs to assert itself to obtain as much federal financing as possible. Indianapolis for example, meets at least monthly to go over its needs with its regional FAA office, and often enlist the support of its congressional delegation to assist with funding requests.

Passenger facility charges. PFCs are federally authorized charges an airport may assess on passenger tickets to maintain and upgrade airport facilities. As discussed earlier in this chapter, Bradley has been authorized to collect passenger facility charges since late 1993. Bradley collected more than $30 million since FY 94, and has expended about $13 million for projects approved for PFC money, the costliest being the glycol recovery system (anticipated to cost $14 million when completed). Bradley has been running a surplus from the PFCs, which are to be used for the new terminal once that project receives necessary FAA approval.

Business Development

Business plan. Bradley does not have a strategic or business plan as pointed out in the previous chapter. The concept of such a plan, while not yet widespread among airports, is not a new one. It is apparent from Bradley's organizational chart there is currently no unit with the expertise to develop such a plan. DOT has acknowledged its lack of a strategic plan for Bradley, and contracted with PB Aviation, an airport consultant, to develop one along with a master plan for Bradley.

Interaction with business. DOT has not actively worked with major business interests to respond to and shape the region's growth. Bradley management could have initiated working with business leaders to initiate a business plan or strategy for Bradley to help shape the region's economic future. Instead, the Governor's Council on Economic Competitiveness and

[8] September 21, 2000 letter from FAA New England Region. p. 2.

Technology, and its subgroups, commissioned three separate studies that all concluded Bradley does not have a vision for economic development and lacks an entrepreneurial culture.

Bradley management has also not worked sufficiently with state agencies like the Department of Economic and Community Development (DECD) or the Connecticut Development Authority (CDA) that could use the airport as a tool to bring in new businesses or expand existing ones. While financial incentives of approximately $35 million were made from DECD and/or CDA to locate and expand Bombardier, United Parcel Services, and Aviation Facilities Company (AFCO) at Bradley, cooperative efforts on the part of all agencies may well produce even greater results. For example, Indianapolis Airport worked with the city of Indianapolis and the state to support financial incentives of almost $800 million for a United Airlines maintenance facility, FedEx sort facility, and FedEx hangar facility, creating thousands of jobs and generating hundreds of millions of dollars to the economy.

Creating a commercial center that creates jobs, opportunities, and wealth. Bradley management has not assessed, with any frequency, the economic value of the airport to the region, or marketed and promoted the airport's value. As reported in the briefing document, the last economic impact statement was developed in conjunction with the master plan in 1993. DOT contracted with a consultant, Wilbur Smith Associates, in June 2000, to conduct an economic impact study. The results -- which indicate Bradley's economic impact on the area including direct, indirect, and induced benefits is currently about $2 billion annually -- were released at a press conference on December 6, 2000.

However, the program review committee believes a seven-year interval between economic impact assessments allows too much time to lapse. If the assessments were done at regular intervals -- for example, every two years -- Bradley management would be able to assess whether the airport is contributing to regional growth to the extent expected, and gauge Bradley's impact trends with other airports of similar size and in this region.

The economic impact study conducted by Wilbur Smith assesses present impact only and makes no evaluation of the impact based on growth estimates. The Connecticut Center for Economic Analysis (CCES) performed an independent analysis, (not at Bradley's request) on growth at Bradley using its computer model - Regional Economic Models Incorporated (REMI). The results concluded that for every 1,000 increase in passengers: 2.23 new jobs are created; the gross state product rises by $75,550; and personal income increases by $102,707.

The committee believes that Bradley should be initiating such evaluations of the airport; working with entities like the CCES to assess Bradley's value to growth in the region and promote it that way. Baltimore-Washington constantly uses the economic value of the airport to the region and the state economy (about $5 billion) in its marketing of the airport. Likewise, Indianapolis in its marketing material to customers stresses the billions of dollars the airport, its customers, and the 110 businesses located there generate to the economy.

Other efforts. The Bradley Development League (BDL) is a non-statutory consortium, comprised of representatives of towns adjoining the airport, aimed at furthering the economic development of the region surrounding Bradley International Airport. Participants include the economic development directors from each of the four towns. Bradley International Airport has no economic development director. The marketing director for Bradley tries to attend the BDL meetings and work with BDL, according to the group, but marketing is only one function of business development, and marketing resources are thin at Bradley. Economic growth in the towns surrounding Bradley – as measured by the growth in each town's grand list from 1993 to 1998 – has been only tepid. The growth for the period has ranged from 5.7 percent in Windsor to 9.5 percent in Suffield. Some towns in the state enjoyed growth in their taxable property as high as 50 to 90 percent for the period. A wide variety of factors contribute to a town or region's economic development, but the sluggish growth in the towns surrounding Bradley suggest to the committee the airport has not capitalized on its economic significance to the region.

According to a 1999 study on Bradley's development potential by Hagler Bailly, Inc., an airport consultant in Arlington, Va., there are approximately 2,600 acres of developable land in the Bradley airport environs, but only about 200 developable acres are actually located on the airport site itself. Thus, it becomes imperative for Bradley to work with its neighboring towns, and the Bradley Development League, to realize the airport's development potential to the area.

Findings

- *Bradley devotes sufficient resources to safety, security and airside operations*
- *Bradley compares well with other cities in terms of the number of favorable destinations*
- *Bradley lacks a comprehensive, persistently applied strategy to obtain international service*
- *The addition of Southwest Airlines has helped Bradley reduce its average air fares to more competitive levels and increased passenger flow through the airport*
- *Bradley's food concessions generate more revenue per passenger than other airports, but because of required vendor payments, not because of wide selection and value pricing to the customer*
- *Bradley has not sought financing for major improvements or expansion of passenger facilities in more than 15 years, choosing instead to pursue a maintenance strategy over a build and grow approach*
- *Bradley does not have a strategic or business plan*
- *Bradley has taken a passive approach to economic development, working with external parties only when approached for assistance*

Management and Financial Constraints

The deficiencies discussed above are products of a number of constraints both external and internal. Those constraints may have, at one time or another, been put in place to ensure a system of checks and balances for Bradley. The committee staff believes the result has been that Bradley is treated like any other state agency, ensuring adherence to policy, process and procedures, while losing sight of the ultimate goal of economic development at the airport and beyond. Some of the constraints and their impact are discussed below.

A number of constraints negatively impacting Bradley were outlined in the briefing report and are listed in Table III-9.

Table III-9. Constraints on Management and Financing at Bradley

Management Constraint	***Source***
Decisions affecting Bradley's non day-to-day operations are subject to the same policies and procedures designed to oversee and manage all DOT functions – from road building to contract procurements. These decisions are mostly made at DOT headquarters in Newington.	State statutes and regulations; organizational structure
Key administrative functions – planning, marketing, finance, legal – are dispersed among many DOT units that have responsibilities for matters beyond Bradley	Organizational structure
Restrictions on Bradley assessments for certain areas of airport (e.g., off-airport parking), and taxation limits	State statutes
Financial Constraint	***Source***
Bond authorization on bonding	State statutes
All Bradley capital improvements require Bond Commission approval regardless of whether bond funds are involved	Bond indenture
Gross operating revenues less current expenses and payments for reserves must at least equal 125 percent of debt service	Bond indenture
AIP and PFC funding require prior approval of projects	FAA
Budget must have OPM approval	State statutes
Capital budget must have approval of signatory airlines; operating budget subject to negotiation with airlines	Contracts, bond indenture
A series of separate funds for revenues and financing of airport operations and improvements limit flexible flow of funds	State statutes; bond indentures
State may issue new bonds only after a CPA and aviation consultant verify revenues can sustain	Bond indenture
Source: LPR&IC Staff Analysis	

External Constraints

Budget. When Bradley International Airport was statutorily authorized as an enterprise fund in 1981, it was required to operate on its own revenue, and was removed from the regular budgetary process. Thus, Bradley's budget is not a part of the DOT's budget, and is not required to receive approval from the legislature. However, the airport's budget as indicated in the briefing report must receive approval from the Office of Policy and Management. While Bradley management indicates OPM has always approved the budget once the airlines have accepted it, the state budget agency applies the same budget development guidelines and increase restrictions on the airport as it does with other state agencies. But Bradley's costs are not paid for with tax dollars, and the ultimate goal of growth at Bradley may be sacrificed for the sake of staying below the standard budgetary increases.

Cap on hiring. In addition to requiring compliance with OPM budget development guidelines, Bradley must also comply with caps on hiring like any other state agency. In fact Bradley has been frozen at its current 122-position level since 1994. Further, when vacancies occur, approvals for the positions must go through the regular personnel processes, adding time to the process and imposing a state bureaucratic focus on the descriptions, functions, and skills required for airport positions.

Law enforcement contract. Over the years, Bradley's commitment to contract with the state police has also become a constraint. When first begun, the state police were to act as overseers of the airport police, with Bradley paying for half of the state police budget there. Now the state police has more than 40 sworn personnel at Bradley, and since 1992, the airport has paid for the entire Bradley troop budget, the equivalent of 37 percent of Bradley's own personnel budget.

Bond commission approval. The bond indentures entered into in the early 1980s require the state bond commission to approve all capital improvement expenditures, even when no bond funds are involved. This requirement will likely be in effect until 2004, when the current bonds can be redeemed. While a perceived restriction only (the Bond Commission has always approved a Bradley request) it does add another bureaucratic hoop to accomplishing any capital improvements at Bradley.

Bonding authorizations. Having the legislature approve bond authorizations can be an obstacle in capital improvement planning and implementation. Since the bonds issued for Bradley are based on airport revenue, and not the general obligation of the state, the committee believes the authorization ceiling should be removed. The financial markets, and not an arbitrary cap, should establish what debt Bradley is capable of assuming.

Other outside approvals. Section 13b-42 of the Connecticut General Statutes states "with the approval of the Attorney General, the Secretary of the Office of Policy and Management and the State Properties Review Board, the commissioner may sell or lease or grant any interest in any airport or airport site or any part thereof". While Bradley is a state property, the program review committee believes requiring Bradley to submit to the same cumbersome processes for lease approvals as any other state agency is a severe constraint. Bradley's enabling legislation as a separate Enterprise Fund should release the airport from compliance with some of the more cumbersome restrictions meant to protect Connecticut taxpayers but which do not serve that purpose with Bradley since the airport pays its expenses with user fees, not taxes.

Another external constraint is the requirement Bradley use DOT's procurement system when purchasing goods for the airport. This can delay obtaining goods needed for the airport, further restricts Bradley's ability to operate like a business, and, according to Bradley management, does not reduce its purchasing costs.

Authority to impose fees and rates. Another constraint affecting Bradley is interference through the political process with the airport's ability to impose fees and rates as authorized in C.G.S., Sec. 15-101m. In 1997, off-airport parking operators were successful in having airport-set fees reduced through legislation (P.A. 97-269). The program review committee believes Bradley management's legislative authority to impose fees and rates at the airport should not be undermined. If parties dealing with Bradley management believe they can work out a "better deal" in the political arena, Bradley leadership is somewhat handicapped in managing the airport.

Internal Constraints

The external constraints discussed above certainly affect Bradley's ability to perform in a quick and business-like fashion. But, the committee believes Bradley management has not chafed against operating under such limitations, and in fact imposes its own set of confinements that affect the focus and growth of Bradley.

Organizational structure. As discussed earlier in the chapter, the airport is considered just one of many units within the Department of Transportation. Its organizational chart (see Figure III-1 on page 26) shows the emphasis is on maintenance, security, and airport operations. Further organizational and structural characteristics reveal Bradley's status within the DOT:

- the organizational focus of Bradley International Airport is to operate it as a transportation facility;
- key policy and management decisions are made off-site at DOT headquarters and not at the airport;
- there is not a division (or even a unit) responsible for business development in the organizational structure at Bradley;
- Bradley has no personnel designated to conduct planning;
- Bradley has no personnel designated to community relations or community development;
- Bradley has a unit responsible for project management but no unit responsible for project development; and
- Bradley has no economic development director (even though surrounding towns do).

Bradley is also treated like any other DOT unit in that it must conform to DOT policies and procedures:

- When selecting a consultant or contractor, Bradley follows the DOT selection process outlined in C.G.S. Section 13b-20b to Section 13b-20k. These procedures are time-consuming and cumbersome, and contrary to the spirit of the legislation establishing Bradley as a business enterprise so it could respond quickly to opportunity and challenges. In addition, this type of selection process defies what is considered "best practices" for airports, where airports actively solicit the best consultant or contractor based on specific performance at an agreed upon amount.
- In addition, the BAC, which has members with some expertise in airport management, offered its assistance to Bradley management in helping write requests for proposals (RFPs) for certain projects, but their input was not accepted.
- The job descriptions for the upper management of Bradley and the Bureau of Aviation and Ports are heavily weighted on the airport operations side rather than on business and development. For example, the aviation administration position duties emphasize ensuring preparedness of airport to respond to emergency situations; "directing and coordinating aviation activities including airside and landside operational activities, security and emergency services; and mutual aid/protocol (for emergency services) agreements; negotiates and manages airport capital improvement contracts and major equipment purchases". The duties do not include a business development perspective to grow the airport.

Marketing

Resources. DOT allocates little staff or monetary resources to marketing. It also has no written marketing or business development plan. Neither does it have any type of expected growth benchmarks by which to measure its own success. Bradley marketing has 2.25 DOT positions, and expends about $250,000. In contrast, on a per-passenger basis, Baltimore-Washington spends about eight times what Bradley does and Indianapolis expends about 1.5 times.

While resources allocated to marketing are extremely limited, the expectations of the job are not. For example, the marketing director's job description contains the following duties:

- formulate programs to maximize revenue on the airport;
- coordinates, plans, and manages aeronautical development activities;
- administers existing and potential airline operating agreements;
- lease concessions and other contractual agreements involving use of state airport property;
- recommends terms and negotiates leases requiring multi-million dollar investments to realize maximum revenues;
- initiates and develops special studies, reports and analysis with respect to airline industry trends on traffic, schedules, routes and fares.

It appears to the committee that all business development and implementation responsibilities have been assigned to one person. In the committee's estimation, this is unrealistic for one person to accomplish and makes success impossible. Business development is more than marketing. There has to be adequate and knowledgeable staff to: be familiar with the area's development potential, both on and off airport; understand development programs and potential sources of capital, both locally and within state economic development agencies that could attract growth. There also must be adequate and capable staff to market the area and build incentives to potential business and industry.

Marketing strategy. Without a marketing or strategic plan, Bradley's objectives for growth are not articulated, its staff are operating without a guide for development, and Bradley's performance – other than it makes a profit—is difficult to measure. If no goals and objectives are established, it is easy for management to accept no growth or minimal growth at Bradley as normal course of business. For example, the February 1998 Bradley Airport Commission minutes reflect that 1997 was a "record year" for Bradley. Technically, that was true; however, the actual passenger growth rate for 1997 was .8 percent compared to a 5.3 percent increase in the gross state product, and a rise of 6 percent in personal income in the state. It appears Bradley was not capitalizing on the state's economic recovery as it should have.

Customer satisfaction. Another "best practices" approach to operating a competitive airport is to ensure the customer is satisfied. Airport management must consult customers about what they like, but also what they would like to see changed. As noted in the September 2000 committee briefing report on Bradley, Indianapolis International Airport is an airport that employs this "best practice", surveying about 10,000 customers a year and using the resulting information to change and upgrade airport operations and facilities.

Bradley began to adopt this practice in 1999. It conducted two extensive survey asking customers what they liked and didn't and also *what they would like to see.* During calendar year 2000, Bradley conducted six airport-sponsored surveys, but the recent surveys concentrate on demographics and generally what the customers indicate they like about Bradley compared with other airports (e.g., closeness, road systems, flight times, etc.).

The committee believes it is not clear that Bradley intends to use surveys as a method to discern real customer satisfaction, or only as a tool to collect passenger demographics and gauge broad airport services. The committee concludes to truly be a "best practice," airports should survey and measure what customers would like to see improved, and incorporate those into business and facility planning.

Findings

- *Bradley does not have a business development approach in its management and operations and is not organizationally structured to carry out such an approach.*
- *Bradley does not devote the staffing and resources needed to business development, nor does it have staff with the knowledge, skills and experience to implement such an approach.*

- *Bradley has no goals and objectives targeted at airport growth, nor any measures for tracking them.*
- *Bradley's passenger growth in the 1990s was positive but sluggish, behind the increases in the state's overall economy. Only in 1999 and 2000 has growth picked up substantially, due to introduction of Southwest Airlines service, resulting in lower fares at Bradley.*
- *Bradley's enabling legislation, creating it as enterprise fund, intends that Bradley operate differently than other state agencies, dependent on it own revenues for capital improvements and operations.*
- *Despite intent of legislation, Bradley is operated like any other DOT unit, with the same department- and state-imposed constraints on budget increases, hiring freezes, bonding approvals, contractor and consultant selection procedures, and contracts and lease agreements.*
- *Bradley is operated like a transportation facility and not a business. It does not view itself in competition with other airports in the region for passengers, business development, or funding.*
- *Bradley's key decisions are made offsite. Most airport management teams are located on airport.*
- *Bradley's operations are process-oriented -- assuring that proper policies and procedures are followed – and not results-oriented. Bradley management is used to functioning in this environment, and has not sought to change these process-directed constraints*
- *Bradley marketing is in need of significant resources. It has allocated too many responsibilities to the marketing director; they cannot be successfully accomplished by one person.*
- *Bradley has begun a practice of gauging customer satisfaction, but it needs to focus on what customers want and work that into its business practices and facility development.*

Recommendations

8. The program review committee recommends that Bradley International Airport be reorganized to add a business development approach. It shall establish a business development division in its organizational structure. The division shall be headed by a director of business development with knowledge, background, and skills in economic development and business expansion. The business development division shall be responsible for non-airside operations including: retail and concessions; on- and off-airport economic development; airline and passenger development; contract negotiation; airline and lease agreements; marketing and public affairs; community affairs; and customer relations. (See Appendix E for proposed organizational chart.)

The program review committee review also recommends that Bradley establish a planning and project development division. It shall have

responsibility for coordinating development of the airport's master plan, strategic and business plans, and their implementation.

The committee also recommends that Bradley significantly upgrade the resources (both in number of qualified personnel and financial resources) allocated to perform the duties involved in business and economic development, marketing, and planning and project development.

All staff included in the Bradley Enterprise Fund, and who spend half time or greater on Bradley functions shall be located at Bradley International Airport.

The program review committee recommends Bradley management and staff operate in an entrepreneurial fashion, where they can respond quickly, and seize opportunities for growth. To do that, Bradley shall be exempted from compliance with the following:

- **legislative authorization in order to issue revenue bonds;**
- **state-imposed budget guidelines or hiring freezes;**
- **DOT internal selection processes for contractor and consultant selection;**
- **DOT and state procurement procedures for purchasing; and**
- **DOT and state personnel functions for top management positions including development of position descriptions and selection of candidates.**

Further, the indentures for any new bond issuance should not require bond commission approval each time capital improvement funds are expended for Bradley.

The program review committee also recommends Bradley establish goals and objectives for growth, infusing a competitive approach to running the airport.

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Chapter IV

Airport Governance

Studies of Bradley

As discussed in Chapter I, there have been a number of task forces, advisory groups, and working groups (examples include the industry clusters advisory group; Governor's Council on Economic Competitiveness and Innovation; Transportation Infrastructure Advisory Team, and the Bradley Advisory Group) that have concluded that Bradley International Airport is an important tool in the future economic development of the Hartford region as well as the entire state. The chronology of those groups and their focus on Bradley was outlined in Chapter I. The results of the various groups work are discussed below.

The groups mentioned above believed expertise was needed in analyzing Bradley as a competitive airport and as an economic development tool. Since 1998, three separate consultants have been commissioned to study Bradley from different perspectives. Each of those consultants – Frasca, Schiphol, and Gallis – issued separate reports, which are summarized in this section. While each approached its task in a different way, a common theme runs through the outcomes.

There is a strong belief that a profound institutional and cultural change will be necessary if Bradley is to succeed. *The change must produce an organization that has a clear vision, a highly customer- and community-focused orientation, a capability to properly assess and take risks to realize the airport's potential, an agility and commercial sophistication to capitalize on market and financial opportunities, and a management approach that fully taps the energy and innovative resources of a motivated staff.*[9]

Frasca report. Frasca and Associates, L.L.C., is a financial and management consulting firm located in New York City. In 1998, the firm was hired by the by the Transportation Infrastructure Advisory Team, a sub-group of the Governor's Council on Innovation and Technology, to assess recent experience at airports in the U.S. and worldwide where private management arrangements have been initiated. A subsequent focus of the study was to examine specific challenges facing Bradley and assess those in the context of approaches to airport management. A summary of the key findings of both segments of the consultant's report (both segments were issued in September 1998) is provided below:

[9] Contained in an attachment to a May 9, 2000, letter to the governor and legislative leadership from the governor's Council's Leadership Committee

Key findings of the first segment of the Frasca report.

- Virtually all commercial airports (with commercial air carriers) are publicly owned.
- Most U.S. commercial airports contract certain functions to private sector companies; thus, the majority of employees are private sector, and not government employees.
- Very few U.S. commercial airports have private management. In contrast, many European and Latin American countries airports have moved to private management or outright private ownership.
- Factors motivating the private ownership/management trend include enhancing marketing and management, accessing additional financing, and receiving financial benefit from the proceeds of sale or lease of an airport.
- The track record of privatized commercial airports is limited - only recent.
- Each airport is unique and models of management must be assessed on strengths, weaknesses, and constraints to match with strategic objectives.
- There are many ways private sector participation can enhance airport management and competitiveness, depending on objectives.
- The importance of planning - financial, marketing, operational, and facility - cannot be overstated. In considering a shift from one type of governance to another, there must be a clear understanding of the objectives, opportunities, and risks.
- Retail concessions offer valuable opportunities to enhance revenue and promote public image.
- Airports must find ways to be competitive to maintain position and grow. Community attitudes and political environment can help or hinder that growth potential.

The key findings of the second segment of the report, which focused on Bradley, are included in Table IV-1, on the following page.

Schiphol Report. In May 1999 the Departments of Transportation and Economic and Community Development hired Schiphol Project Consult B.V., a subsidiary of Amsterdam Airport Schiphol - a European airport management company - to review operations at Bradley International Airport and develop proposals to ensure the airport reaches its full potential as an economic asset of the state and region. Schiphol's report was released in November 1999.

The report includes a table summarizing what Schiphol viewed as Bradley's strengths, weaknesses, opportunities, and threats. An examination of the table -- which is reproduced as Table IV-2 -- indicates the consultants see Bradley as beset with management problems at a time when the airport is simultaneously confronted with threats from competitors and opportunities to grow.

Table IV-1. Summary of Frasca Report: Second Segment

Identified Objectives for Bradley

1. Introduction of better, more frequent airline service at competitive fares are high priorities
   - Attracting additional low-fare domestic carriers. (The Frasca report was issued one year prior to the initiation of low-fare service by Southwest Airlines and America West at Bradley)
   - Introduction of direct international service
2. Implementation of a comprehensive and aggressive program to achieve Bradley's potential
   - Enhancing passenger and cargo utilization of airfield capacity
   - Expansion of passenger terminal
3. Enhance Bradley as significant economic driver for capitol region and the state
   - Greater business and industrial use of appropriate land parcels at and adjacent to airport
   - Stimulate economic growth with airport activity

Challenges Facing Bradley:

1. Geographic Location
   - Well-situated to serve Hartford region and draw upon population in region but affected by close proximity to New York and Boston;
   - To stimulate significant growth, measures to offset limiting geographical location will have to be explored – for example, improved ground access and significant financial support for international service by the business community, and greater resources to marketing.
2. Difficulties in obtaining additional low-cost carriers
   - Smaller population base than Boston and New York
   - Pending terminal development creating uncertainty about cost, delays and inconvenience during construction
3. Obstacles to direct international service
   - Ranks at only 57th largest airport nationally
   - Hartford is not a large population center
   - Bradley is an origination and destination airport, with minimal airline hubbing activity
   - Equidistant between NY and Boston; both offer significant choice of international flights
4. Competition from other airports
   - Highly competitive area with several airports that compete for airline service and passengers
   - Parts of Bradley current terminal complex deemed functionally obsolete
   - Competing airports in region have already completed new passenger facilities. (Report cites Providence and Stewart – However, Manchester, NH. and Albany, NY. also have new or expanded terminals)
5. Capital investments are constrained by Bradley's financial capacity
   - Bradley's revenue stream further impacted by competition from off-airport parking
   - Bradley's ability to offset financial impact by charging off-site parking vendors fee limited by legislature to 4% of revenues
   - Payment in Lieu of Taxes (PILOT)
   - Statutory limits on bond ceiling for Bradley
   - Airlines place constraints on Bradley's financial independence
6. Development of Air Cargo
   - Competition from other airports
   - Previous unsuccessful developments of perishable centers at other airports
   - Increasing congestion on connector roads to and from Bradley

Private Management Models

Cites pros and cons of private airport management generally

<u>Pros of private airport management:</u> streamline procurement; aggressive about capital project completion; adaptable to opportunities and challenges; capitalize on economies of scale; use innovative and more efficient fee structures

<u>Cons of private airport management:</u> private operators may place short-term profit over long-term growth or public objectives; private operators may only take risks at greater costs or pass costs or risk along to others; not great evidence that private management is more successful at attracting new airlines or expanding service; private prospects for leveraging resources or achieving economies are not proven; depending on private structure, may not have access to low-cost tax-exempt financing.

Report lays out a management model on a spectrum as illustrated below:

Increasing Public Control ⟷ Increasing Private Control

Outsourcing	Long-term lease/development of individual airport facilities	Overall airport management contract	Lease, development and operation by a private entity

Management Models and Bradley

- Report cites pros and cons of each of the four options displayed on spectrum above
- No recommendation is made on which option to choose; instead outlines complexities involved in selecting and implementing the optimal choice for Bradley. Report advocates continuously evaluating underlying goals and fully understanding the constraints previously impeding achieving those goals
- Ultimate solution should be based on a carefully developed, long-range plan for growth and management of the airport
- Report underscores that timing is crucial – decisions being made currently that will affect the long-term operational and financial aspects of the airport.

At its core, the Schiphol report conveys the view Bradley is being operated like a transportation facility when it should be run as a business. Implied throughout the report is the notion if Bradley does not change it will never be more than a second tier airport. The report includes numerous recommendations for change. Grouped thematically, the proposals may be characterized as follows:

- Broaden the mission statement for Bradley to include a vision of the airport as seeking to be best in class, customer friendly and driven, an economic engine for the region, and managed in a professional and business-like manner.

- Develop a marketing strategy that strengthens Bradley's relationships with its present and future customers, increases understanding of their needs, and advances the airport as an alternative that can meet those needs.

- Introduce business-like decision-making regarding the utilization of scarce financing capacity and relate long-term financial planning to a strategic business plan and airport master plan.

- Establish a Board of Directors to set policy for Bradley and contract for a professional management team reporting directly to the board and the DOT commissioner.

Table IV-2. Schiphol's Summary of Bradley's Strengths, Weaknesses, Opportunities, and Threats

<u>Strengths</u> • No airport curfews, slots or aeronautical restrictions • Within two hour driving distance from Boston/New York • Ample land available for business development • Minimal downtime (due to weather conditions) • No road congestion in direct catchment area and easy access to major interstate highways • Low long-term parking rates	<u>Weaknesses</u> • Lack of strategic planning • Lack of customer focus • Not managed as a business; weak financial performance, limited control over facilities, strong political influences, weak stakeholdership • Weak oversight; limited management accountability • Weak presence in Hartford/Springfield area of international companies, regional distribution facilities, tourist industry • No fully dedicated overall management team • Limited direct catchment area • No home/hub carrier • No international air service • Historically high air fares
<u>Opportunities</u> • Terminal and parking garage projects • Arrival of southwest airlines • Low airline related cost attractive for international charter and full freighter operators • Availability of land for airport related/supportive activities • Increasing air traffic congestion/limitations at Boston and NY airports • Hartford rail network • Increasing interest of stakeholders	<u>Threats</u> • Development of competing airports in the region • Future growth may be endangered by financial performance, long-term third party contracts, community noise issues, lack of long-term strategic plan • Increasing congestion at I-95 south of New Haven • Future possible expansion of air force activities • Long-term contracts
Source: Schiphol Project Consultant B.V.	

Overall, the report contained findings and recommendations in 10 specific areas. Key aspects of each of the areas are highlighted in Appendix F. It should be noted DOT strongly disputes the accuracy of many of the report's findings. It also questions the need and value of several of Schiphol's recommendations. Given this view and the fact the findings and recommendations in many instances are based on the opinions and beliefs of the consultants, a summary of DOT's response to the report is included in Appendix F.

Gallis Report. The Gallis Report on Bradley International Airport, *Establishing the Context: Global to Regional*, was one part of a larger study on regional and global transportation and how Connecticut fits into the larger transportation picture.

Key findings of the Gallis Report on Bradley.

- Connecticut is in danger of becoming isolated, as surface modes of transport move west of the Hudson River and Bradley becomes crucial as Connecticut's most important link to the global marketplace.
- Airports, including Bradley, are commonly viewed as public facilities, but they increasingly operate in a competitive environment, competing for passengers and air service. Often airports provide a critical element to a region's competition for economic activity, requiring it to reach beyond its borders to form new sets of social, economic, transportation, logistic and communication relationships.
- These new demands are generating significant change in the culture of airports: only those airports that develop a *highly competitive and entrepreneurial culture* will be able to maximize their future and that of their regions.
- It is imperative that Bradley develop a competitive stance because:
  - there is an opportunity now for Bradley to capitalize on the capacity problems at New York and Boston airports;
  - without a strongly directed and competitive stance, Bradley runs the risk of losing market share as other airports expand to consume Bradley's market area; and
  - decisions regarding Bradley's future must be made with an understanding of the airport's impact on the future of Connecticut, its economy, and institutions.

Conclusions drawn from the reports. Based on the findings of these reports, the Governor's Council Leadership Committee and the Bradley Advisory Group communicated to the governor and legislative leaders *that Bradley's current management structure within DOT's Bureau of Aviation and Ports will not allow the airport to reach its full potential.* The crux of the conclusions reached by these groups is that Bradley does not have a clear vision and mission to achieve economic development and that it is not a "world class" or "best in class" airport. The Bradley Advisory Group (which issued its findings in April 2000) indicated that to rank in these categories an airport must have a *sustained record* of:

- providing a wide range of flights to key locations where passengers and businesses want to fly;
- offering competitive, if not lower, fares on flights than nearby airports;

- generating or attracting capital to continue investing and maintaining terminals and physical activities that are "first class";

- providing highest quality in customer service -- e.g., signs and other communication; customer responsiveness; and easy access to gates, baggage and parking;

- using modern strategic, business and marketing planning as essential management tools;

- creating a safe and secure airport that provides reliable service;

- interacting with major business interests to respond to and help shape the region's economic future;

- developing a good working relationship with neighboring communities to jointly tackle issues that arise;

- offering a wide variety of goods and services at concessions;

- creating a vibrant commercial center on and around the airport that generates jobs, opportunities, and wealth;

- planning for long-term intermodal transportation that effectively links the airport with rail, roads, and ports; and

- creating a terminal that is a symbol of the community and region.

Proposals resulting from the reports. To achieve the functioning of a "best in class" airport, the Bradley Advisory Group and the Leadership Committee advocated a change in the fundamental governance structure of Bradley airport. Options for change were presented to the governor and legislative leaders in May 2000, after the legislative session had ended. The principal recommendation was for a Bradley Board of Directors to be formally established by the governor and legislative leadership. The composition of the board would include key business leaders, the DOT and DECD commissioners, and senior representatives from communities surrounding Bradley, and the region, including Massachusetts.

The board would have clear authority to direct the future of the airport and to select a management team that would be held accountable for the airport's operating results. The board's recommended functions would include:

- establishing mission, vision, and goals for Bradley;
- approving capital and operating budgets, and facilities, business and long-range plans;
- establishing and tracking performance measures for the airport;
- approving consultant contracts in excess of specified limits;

- appointing an airport executive director and approving hiring of senior staff;
- approving compensation and benefit policies for senior management; approving policies governing airport usage by tenants and approving property and space leases; and
- approving all construction contracts and service agreements; and approving terms of debt financing before legislative review.

While the proposal for a Board of Directors was considered crucial, the Leadership Committee and Bradley Advisory Group suggested one of two organizational options under the Board of Directors:

1. create a unique public/private partnership; or
2. establish a new authority for Bradley.

In the first instance, the board would appoint the management team, which would be accountable to the board (rather than the DOT). The management team would oversee the day-to-day operations of the airport, including overseeing existing DOT employees. With the second option, all airport staff would be authority employees, who would ultimately be responsible to the board. All existing DOT staff would be given the option to become authority employees. In either case, the proposals recommended that no existing DOT employees lose their jobs because of structural changes.

DOT did not agree with either of these options. Instead, DOT proposed that it retain control of the airport, but that an executive council be created to work with the DOT to develop: a mission statement; long-term goals; a strategic plan; an airport master plan; a marketing plan; customer service standards; airport commercial activity; economic development considerations; and activities to maximize revenues.

As discussed in Chapter I, the governor created an executive council via Executive Order No. 18 in May 2000. The charge given the executive council appears similar to the DOT proposal. However, the executive order appears to limit the scope of what the council may consider for airport structure because it states it should recommend changes to “enhance the operation of Bradley International Airport by the Department of Transportation”. Under the executive order, the council terminates on December 31, 2001. A key difference between the DOT proposal and the executive order is that under the latter the executive council will advise the governor and not just the DOT on issues relating to the future of Bradley International Airport.

The executive council has met about twice a month since its formation in July 2000 and is scheduled to deliver its legislative recommendations to the governor in January 2001. The question remains whether the council will propose the structural and cultural change that has been repeatedly called for at Bradley International Airport.

Committee Findings and Recommendations on Governance

The major theme running through the findings outlined in the program review committee's report is the need for Bradley International Airport to operate as a business enterprise rather than a transportation facility. In addressing the findings, the committee made a number of specific recommendations designed to help Bradley's management team operate the airport as a business. These included proposals to:

- add resources to business development, marketing, and planning;
- modify several state statutes and DOT policies and procedures aimed at increasing the airport's flexibility and streamlining its ability to respond to problems and opportunities; and
- require Bradley to perform functions common to a business enterprise, such as developing strategic and business plans.

An additional means of assuring a business perspective at Bradley is to change the governance structure. As noted in this chapter, there are several airport governance models in use throughout the world that could be employed to accomplish this objective.

These models could be set on a continuum ranging from completely public to entirely private. However, the committee discarded the extremes as not being practical at this time. Being consistent with the purpose of the study, the committee identified simple governance structures that met an objective for introducing a business viewpoint into Bradley's decision-making process.

Figure IV-1 shows the governance models the committee considered for Bradley placed on a continuum, which -- moving from left to right -- reflect greater autonomy from DOT. Three of the models were derived from governance structures identified in one or more of the studies of Bradley referenced above. The committee added the fourth, an independent state agency.

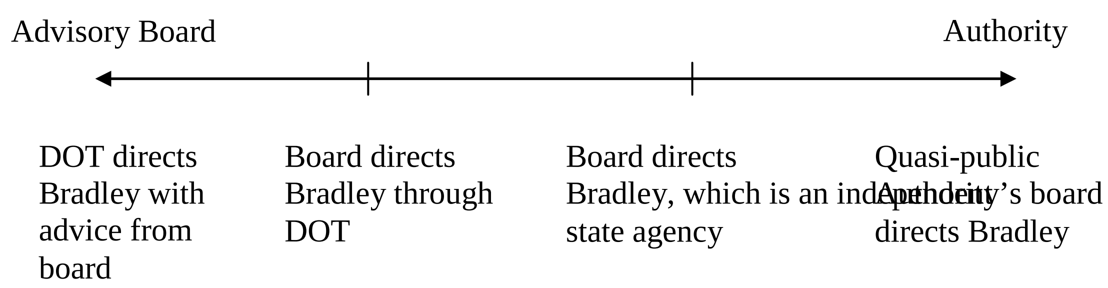
The models range from an advisory board to an independent authority. Two key functions differentiating the options are the party given the ultimate authority to direct the operation of Bradley and the entity employing the airport staff. Under the advisory board structure, the power to direct resides with DOT. Under the other three models the board exercises this authority. In terms of the employing entity: DOT employs the staff under the options that create an advisory board and most of the employees under an executive board; a newly created state agency is the employer under a third option; and staff is employed directly by a quasi-public authority under the last option.

The program review committee analyzed how specific responsibilities would be handled under the four governance options shown in Figure IV-1. The responsibilities were primarily obtained from the list contained in the report of the Bradley Advisory Group published in April 2000. As modified by the committee, the principal responsibilities include:

- establish a vision and mission for Bradley International Airport;
- approve operating and capital budgets;

- appoint senior level management staff;
- approve airport policies and procedures;
- approve contracts;
- approve airport master, layout, strategic, and business plans;
- create an economic development focus; and
- establish performance measures and track the results;

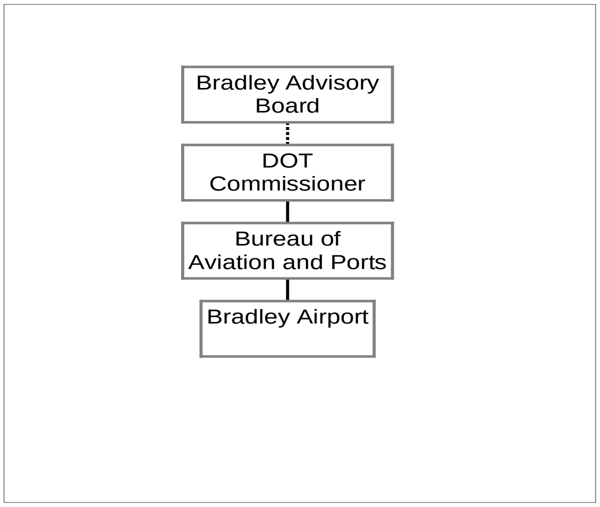
Figure IV-1. Range of Options for Bradley Governance Models



Three key assumptions were built into each of the four models. First, all existing staff would be retained at the same or higher salary and benefit level. Second, the commissioners of the Departments of Transportation and Economic and Community Development would be ex officio voting members of any board. Finally, and most important, there would be no more than nine voting members on any board. All appointed members would be chosen by the governor and confirmed by the General Assembly.

The four governance models reviewed by the committee are outlined below. Also included are a brief description of the role of the board under each option, identification of the entity employing staff, and a listing of the major pros and cons seen by the committee.

Advisory Board



Purpose: To assure those with the power to direct the development and operation of Bradley International Airport have access to advice from individuals with significant business experience

Employing entity: DOT

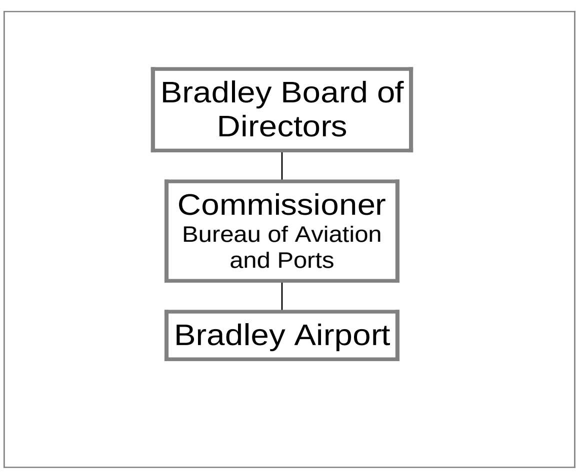
Pros:

- Assures no disruption in working conditions for existing employees
- Preserves continuity with current operations
- Provides easy access to expertise of top business executives
- Provides easy access to DOT resources
- Least threatening to DOT management

Cons:

- Difficult to sustain interest of top business executives if board lacks authority
- DOT has demonstrated a resistance to suggestions for change from outsiders
- Board lacks the authority to hold Bradley accountable for its policies and actions
- Board lacks the authority to force change

Board of Directors



Purpose: To assure those possessing the power to direct the development and operation of Bradley International Airport have significant business experience and bring a business perspective to the formulation of airport policies.

Employing entity: DOT for existing employees. In the future, selected top management positions would serve at the pleasure of the board.

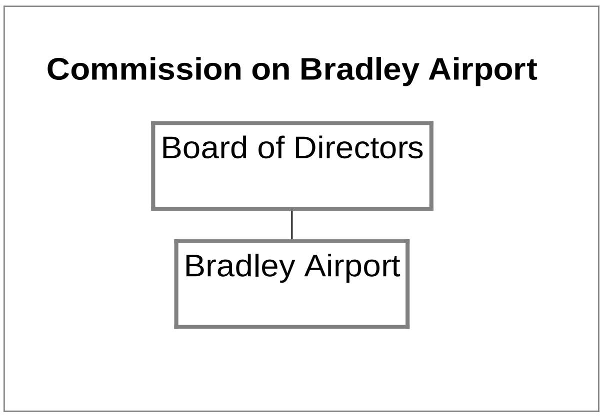
Pros:

- Business focus will be assured by a board with power and authority
- Minimal disruption in working conditions for most current employees.
- Preserves continuity with current management team and operations

Cons:

- Links among Bradley, Bureau of Aviation and Ports, and DOT are fuzzy
- Employees may have conflicted loyalties at least for a transitional period
- Current management team may experience problems adapting to new source of direction

State Agency



Purpose: To assure the agency operating Bradley has a single focus, does not need to compete with other units within the same department for resources, and the power to direct the development and operation of the airport is in the hands of individuals who have significant business experience and bring a business perspective to airport policies.

Employing entity: New state agency

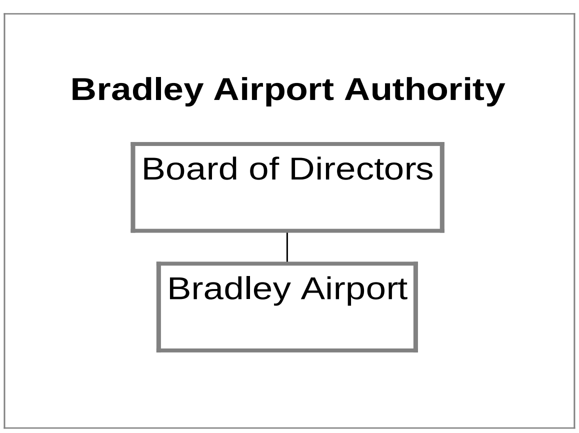
Pros:

- Creates an entity with a single focus
- Management team can be held directly responsible for performance
- Minimal disruption for most existing employees

Cons:

- Influence of state bureaucracy continues
- Weakens ties to broader transportation system
- Increases costs as back-office services currently provided by DOT must be developed and supported

Quasi-Public Authority



Purpose: To assure Bradley International Airport has single focus, is free of the state bureaucracy, and the power to direct the development and operation of the airport is in the hands of individuals who have significant business experience and bring a business perspective to airport policies.

Employing entity: Authority

Pros:	**Cons:**
• Creates an entity with a single focus	• Weakens ties to broader transportation system
• Removes the entire state bureaucracy and provides the flexibility to respond like a business to problems and opportunities	• Increases costs as back-office services currently provided by DOT must be developed and supported
• Greatest opportunity to effect change	• Public control diminished
• Management team can be held directly responsible for its performance	• Numerous problems must be solved to keep employee benefit and working conditions similar to the state system

Governance Structure Recommendations

As the pros and cons show, none of the models offer a perfect solution to the concerns raised in this study. While all the options presented meet the objective of providing a business focus and direction to Bradley, none does so without introducing new issues or failing to solve all existing problems.

In choosing a model to recommend, many factors were taken into consideration but the final decision was generally based on the committee’s view of the effect of one or two key matters on Bradley’s development. For example, the advisory board was eliminated as a possible recommendation based on the committee’s belief that such a board would be too weak to overcome any resistance presented by DOT, and over a period of time this reality would lead to the frustration and eventual resignation of the more assertive and committed board members.

The program review committee dismissed the single purpose state agency model from further consideration primarily on the belief such an agency would face the same bureaucratic hurdles from the Department of Administrative Services and the Office of Policy and Management as currently confront DOT. Given this, the committee concluded the gain -- primarily an agency with a single focus -- was not worth the disruption that would result from forming a new agency.

Setting up an authority and staffing it with personnel transferred from DOT, and mandating they maintain their existing employment rights and privileges posed numerous problems, which the committee did not believe could be overcome in the short run. Committee staff discussed the matter with Connecticut Lottery Corporation officials, who went through such a conversion -- from state agency to quasi-public corporation -- in 1996. Lottery management indicated they are still working to solve similar personnel issues associated with the conversion. Based on this information the committee concluded the disruption related to making Bradley an authority would, in the short-run, divert attention away from key policy and operational matters at a crucial time.

Through this process the board of directors option emerged as the preferred choice of the program review committee. The full recommendation follows.

9. A Board of Directors shall be established to oversee the operations of Bradley International Airport.

10. *__Composition.__* The board shall be composed of seven prominent and experienced leaders of business and industry crucial to Connecticut and Bradley's regional service area. All members shall be appointed by the Governor, and shall be approved by the General Assembly. The governor shall appoint the chairperson of the board from among the business and industry members. Members shall be appointed for four-year staggered terms. The commissioners of the Department of Transportation and the Department of Economic and Community Development shall be ex officio, voting members. A member of the board shall be eligible for reappointment. No member may have a financial interest in the airport or its concessions. Each member of the board before entering upon his or her duties shall take and subscribe the oath or affirmation required by article XI, section 1, of the State Constitution. A member who misses three consecutive meetings shall be deemed to have resigned from the Board, and the Governor shall immediately make a new appointment to fill the vacancy.

11. *__Purpose.__* The purpose of the board shall be to set a direction for Bradley International Airport that will establish it as a competitive, thriving enterprise, driving the economic development of the region.

12. *__Transition period.__* The commissioner of the Department of Transportation shall be the chief administrative officer of Bradley International Airport, reporting directly to the Board of Directors, until not later than January 1, 2003. By January 1, 2003, the board shall develop a job description for a Bradley International Airport chief executive officer. The qualifications may include, but not be limited to, experience in airport administration, finance and budgeting, planning, and business development.

13. *__Powers and duties.__* The Board of Directors shall have the following powers and duties:

- **Adopt a mission and vision for Bradley International Airport;**
- **Approve the operating and capital budget for Bradley International Airport and monitor the airport's indebtedness;**
- **Approve all airport policies and procedures;**
- **Employ staff and consultants as necessary to oversee and manage Bradley International Airport;**
- **Establish goals and objectives for the airport and for key management staff, and track performance;**
- **Establish and implement by June 1, 2002, an organizational structure for Bradley International Airport that at a minimum includes**

divisions for operations, finance, business development, and planning and project development, each of which shall be headed by a director.

- **Direct the development and implementation of Bradley International Airport's master, layout, strategic, business, marketing, and customer service plans;**
- **Approve all airport contracts and use agreements whose value exceeds $100,000;**
- **Direct commercial development for the airport;**
- **Direct the economic development focus, including seeking out and promoting grant and loan incentives for businesses to locate or expand within the Bradley International Airport service area;**
- **Direct efforts to maximize revenue production; and**
- **Periodically review all policies and procedures that impact Bradley operations and where constraints are identified that hamper Bradley's ability to act quickly, or prevent growth opportunities, the board shall seek an exemption to compliance.**

14. *Employees.* All current employees assigned to Bradley International Airport shall remain employed under the same working conditions, privileges, and rights as currently exist. Any newly authorized position filled after October 1, 2001, that is funded under the Bradley Enterprise Fund and reports directly to the Board of Directors or to a position that reports directly to the board, shall be under the sole purview of the board, and the board shall decide the duties, skills, qualifications, and salary level of the position and shall select the candidate to fill the position. Such newly authorized positions or filled vacancies shall not be considered classified service positions and the holders shall serve at the will of the board.

15. *Administrative functions.* Administrative functions such as payroll and benefits, shall continue to be performed at the Department of Transportation, which may submit for reimbursement from the Enterprise Fund the costs for performing such services.

16. *Bradley Airport Community Commission.* There shall be established the Bradley Airport Community Commission to address issues of concern to local communities surrounding the airport. The membership and appointment of the commission shall be as currently constituted in Section 15-101r(b) of the Connecticut General Statutes, except that one member shall also be a member of the Bradley International Airport Board of Directors. Sections 15-101r and 15-101s of the C.G.S. shall be revised to include the following powers and duties:

- **provide advice to the Board of Directors and Bradley management staff on project development, including the airport master plan;**

- **provide advice to ensure the airport development meets the social, environmental, and community needs and concerns -- including noise and traffic -- of the surrounding towns, the region, and the state; and**
- **provide a forum for addressing the issues, needs and concerns of the users of the airport and the general public.**

Rationale

The committee believes the recommended governance structure provides Bradley International Airport with the outside business development focus the airport needs to become a vital economic enterprise, driving the growth of the Hartford-Springfield region. Leaders who have successfully directed or operated significant industrial, commercial, or financial enterprises can best provide the business direction Bradley needs.

While achieving the objective of providing Bradley a business perspective, the recommendation also presents the most workable solution to several problems associated with ensuring the present workforce that its jobs will be protected and benefits preserved, as a transition from one management structure to another takes place. The recommended governance structure also provides the best opportunity for a private-public partnership to work, ensuring the state and region benefit from a dynamic and growing Bradley International Airport. However, in the opinion of the committee, a change in governance structure alone won't ensure success at Bradley. The change in governance must be coupled with the recommended removal of constraints, an elevation of business development within Bradley's organizational structure, and allocation of the appropriate resources to that development.

The committee identified, and recommended removal of, many constraints on Bradley's operations, although there may be many others. As part of the board's recommended responsibilities, it should examine whether these continue to be restrictions -- like the airport's legal affairs and representation, its contract for law enforcement activities, and property review requirements -- and, where possible, seek their removal.

APPENDICES

APPENDIX A
Agency Response

STATE OF CONNECTICUT

DEPARTMENT OF TRANSPORTATION

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

Office of the
Commissioner

January 26, 2001

Mr. Michael L. Nauer
Executive Director
Legislative Program Review and
Investigations Committee
State Capitol
Room 506
Hartford, CT 06106

Dear Mr. Nauer:

The Connecticut Department of Transportation (DOT) would like to thank the Legislative Program Review and Investigations Committee (LPR&IC) for its report on Bradley International Airport (BIA). The DOT believes the airport is a state resource and that any dialogue on the future of BIA will ultimately lead to a better airport.

For several months, the DOT has worked with the LPR&IC to address points of contention and explain the rationale for past decisions. The DOT's objective in communicating with the committee was to inform the staff members about the myriad of federally mandated regulations and procedures that govern airport operations in the United States.

While the DOT disagrees with some of the findings in the LPR&IC report, it agrees with many of its recommendations. The DOT has previously submitted written statements and given oral testimony on the recommendations and findings of the LPR&IC report.

Lastly, the DOT has always believed that in order for BIA to achieve its potential, the constraints placed upon the airport and DOT must be removed. Based on the recommendations in the LPR&IC report, the DOT concludes that the LPR&IC is in agreement on that point. We look forward to working with the LPR& IC to achieve the common goal of building a better BIA.

Very truly yours,

James F. Sullivan

James F. Sullivan
Commissioner

APPENDIX B

Summary of Selected Bond Covenants

The covenants detailed in the various indentures are among other things intended to outline acceptable operational and management policies and procedures. Selected covenants relating to the operation of the airport are summarized below.

- The state shall charge and collect fees for services and use of facilities that provide sufficient gross operating revenues to pay bond obligations as they come due and to create and maintain reserve funds.

- The state shall from time to time engage an independent airport consultant to review and make recommendations concerning the development, operation, maintenance, and management of the airport including changes in fees charged for services and use of the facilities.

- The state shall promptly acquire, construct, restore, and equip all of the properties for which the cost is to be paid from the proceeds of the bond issuances.

- The state shall maintain the airport, or cause the airport to be maintained in good operating condition in conformity with standards customarily followed by the aviation industry for airports of similar size and character.

- The state shall operate and maintain the airport, or cause it to be operated and maintained, at standards required in order for the airport to be approved by federal authorities.

- The state shall operate and maintain the airport as a revenue-producing enterprise, or cause it to be operated and maintained as a revenue-producing enterprise, in order to assure the airport shall be self-sufficient and self-sustaining.

- The state shall not consent to any amendments to operating agreements or concession agreements, or enter into any new agreements that would impair or diminish the security and payment of the bonds.

- The state shall comply with terms of grants-in-aid of the federal government and, if not in conflict with such terms, apply the grant-in-aid funds to (1) pay the costs of improvements not yet paid; (2) reimburse any fund from which money was advanced to pay for a purpose for which the grant-in-aid could be used; (3) redeem or repurchase bonds; or (4) any other lawful purpose.

- The state shall employ, or caused to be employed, competent supervisory personnel for the operation and management of the airport.

- The state shall not sell, lease, sublease, or otherwise dispose of all, or substantially all, of the properties constituting the airport, without simultaneously depositing cash or governmental obligations in an amount sufficient to meet current and future obligations of all outstanding bonds.

- The state may execute leases, licenses, and other agreements pertaining to airport properties in connection with the normal and customary business operations provided no such agreements impair or diminish the payment of outstanding bond obligations.

- The state may issue additional bonds to finance new airport projects provided a independent certified public accountant and an independent aviation consultant have determined gross operating revenues will be sufficient to meet the payment obligations of both the existing and new bonds.

- The state shall provide the bond insurer with a copy of each operating budget, a copy of each annual audit, the official statement prepared in connection with the issuance of additional debt, notice of any draw on the reserve account, notice of any bond redemptions, and at the request of the bond insurer annual traffic data, number and names of airlines maintaining maintenance facilities at the airport, landing fee and rental rates, and other information as may reasonably be requested.

The covenants cited are focused on assuring bond obligations will be met. They do not appear to impose any unusual restrictions on the operation or management structure of the airport. Nor do the requirements directly preclude the airport from engaging in alternative operational practices or management structures.

Of course, the covenants are subject to interpretation. It would seem the primary criterion for screening the legitimacy of changes to Bradley's operations and management structure would be the certainty with which any new arrangement would continue to assure airport revenues would be sufficient to meet current and future bond obligations. If such actions are contemplated, legal experts and the Trustee should be consulted prior to any major changes being made. However, it takes the consent of no less than 60 percent of the bonds outstanding to change or add to any of the covenants detailed in the Indenture.

Financial requirements. The indentures designate an Airport Revenue Fund as the account for the deposit of all rentals, fees, charges, and other revenues received by the airport. The indentures also identify a series of sub-accounts and an order of priority for the funding the accounts from the airport's operating revenues. Requirements for the amount of money to be transferred monthly from the Airport Revenue Fund to each sub-account and the purpose for which the funds could be expended were outlined as well.

The table below lists the sub-accounts in the order of their priority for receiving funds and the type of expenditures authorized for each account. The table shows priority is given to assuring obligations to bond holders can met.

Financial Accounts Established by the Bond Indentures	
Account or Fund:	***Authorized Expenditures***
Bond Service Account: An amount equal to one-twelfth of the principal of each bond that will come due within the next twelve months, times the number of months since the last installment¸ plus one-sixth the interest that will come due times the number of months since the last installment.	Payment of principal and interest on outstanding bonds.
Reserve Account: An amount equal to the principal and interest requirements for the current or succeeding year for all bonds outstanding.	Payment of principal and interest in the event of a deficiency in the Bond Service Account.
State of Connecticut: An amount equal to the budgeted operating expenses for the next two months.	Payment of current expenses.
Operations and Maintenance Reserve Account: An amount equal to 25 percent of the budgeted operations and maintenance expenses for the current fiscal year.	Payment of current expenses whenever there are insufficient funds for such purpose.
Note Payment Fund: One-twelfth of the amount necessary to make the balance equal to 25 percent of the sum budgeted to pay the principal and interest of any notes payable in the current fiscal year.	Payment of principal and interest on any notes issued.
Improvement Fund: An amount designated by the State Bond Commission.	Payment of costs of any additions, expansions, or improvements.
Airport Coverage Fund: An amount equal to 25 percent of the sum required in the fiscal year to pay the interest on the notes and bonds and the principal of the bonds as they come due.	Transfer to the Redemption, Bond Service, Improvement accounts, or any authorized airport purpose
General Airport Fund: The balance remaining after making the required distributions above.	Transfer to the Redemption, Bond Service, Improvement, Note Repayment accounts, or any authorized airport purpose

As part of the 1992 refinancing of the 1982 bonds there was established a Subordinated Debt Service Fund. The fund currently consisting of the four sub-accounts. The sub-accounts are funded through withdrawals from the General Airport Fund, which are distributed in the order and amounts listed below.	
Subordinated Bond Service Account: An amount equal to the principal and interest payments due on the date due	Payment of the principal and interest due on outstanding bonds
Subordinated Redemption Account: An amount equal to the amortization payments due on the date due.	Payment of amortization on outstanding bonds.
Subordinated Reserve Account: An amount equal to the principal and interest requirements for the current or succeeding year for all outstanding bonds.	Payment of principal and interest
Subordinated General Account: The balance remaining after making the required distributions above.	Any authorized purpose
Source: Bond Indentures of Trust Statements of 1982 and 1989; Bradley Airport Financial Statements, DiSanto & Bertoline Company.	

APPENDIX C

Airport Improvement Program Funding Process

FAA requests Airports –in connection with their local planning agencies—
to identify capital improvements needed and annually submit proposals for AIP-eligible projects to FAA regional office

↓

FAA includes AIP-eligible projects in the National Plan of Integrated Airport Systems, and in the FAA 5-year Airport Capital Improvement Plan (ACIP)

↓

AIP-entitlement funding is based on formula (boarded passengers), but airport must submit an application for a specific project before grants are awarded

↓

All airports competing for discretionary funding must submit an application for FAA review. FAA will generally fund an eligible project using a combination of entitlement and discretionary or set-aside funds. Airports must provide 10-25% matching share of total project cost to receive FAA grant

↓

FAA receives more applications than there are funds available. FAA has developed a priority system for discretionary $. Each project must first be listed in FAA's ACIP.

↓

FAA then calculates a national priority on each project. Factors considered include:size of airport; and type of development proposed. Factors not considered include: cost of project, cost-benefit data, nor historical or forecasted growth.

↓

FAA then uses the ranked list to fund as many projects as possible within available appropriations.

↓

In addition to a project's priority number, FAA also considers prior ***commitments*** it made to allocate funding. FAA considers the project with identified commitments to warrant funding, regardless of their priority ranking.

↓

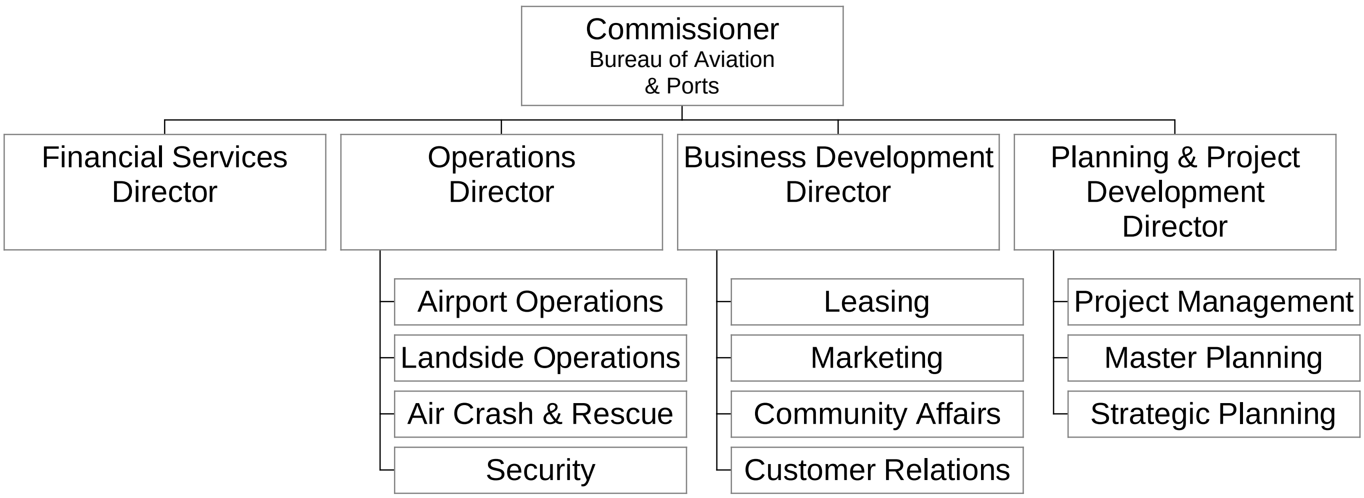
These "committed" projects typically include phase projects, where funding would be needed over several years, and most have letters of intent from the FAA.

Appendix D

Bradley Expenditures of Federal AIP Funds						
Number of Projects (#)						***Cumulative $ to FY 00***
Vehicles (2)	$202,341	$70,310				$272,651
Ramps (5)	$2,786,409	$77,358	$2,506,604	$1.887.997	$3,971,154	$11,229,522
Lighting (1)	$610,013					$610,013
Runways (2)	$8,732,593	$3,971,154				12,703,747
Snow Removal Equip. (5)	$82,822	$82,822	$117,488	$144,892	$210,854	$638,878
Consultants (1)	$258,229					$258,229
Environmental Plan – tree removal (1)	$206,250					$206,250
Taxiways (5)	$4,994,796	$2,141,709	$343,927	$1,386,065	$678,623	$9,545,120
Paving (2)	$197,408	$1,724,940				$1,922,348
Noise Study (1)	$366,525					$366,525
Master Plan (1)	$394,148					$394,148
Security System (1)	$591,260					$591,260
3000 gallon fire rescue (1)	$308,827					$308,827
						$39,047,518

APPENDIX E

Proposed Organizational Chart for Bradley International Airport



APPENDIX F

Summary of the Schiphol Report's Findings and Recommendations
Plus DOT's Response

Mission and Strategy

Findings

- The mission statement is focused on safety, efficiency, and convenience - implying a vision of the airport as little more than a public service facility.

- There is no overall strategic plan that encompasses marketing, physical and financial planning, environmental policies, and political issues such as community concerns.

- Bradley needs to choose between one of two strategic options. The airport can pursue (1) a "volume strategy", where the goal is to grow economic activity by increasing passenger and cargo traffic, or (2) a "yield strategy" where the goal is to grow in value by maximizing net revenues through increases in rentals, fees, and charges.

Recommendations

- Construct a mission statement for Bradley that notes the airport seeks to be best in class, customer friendly and driven, an economic engine for the region, and managed in a professional and business like manner.

- Bradley should adopt a "volume strategy."

- Bradley needs to put an emphasis on enhancing "returns on Investment" (ROI)

DOT response

DOT indicates it has a broader vision of its mission than the written statement describes and faults itself for not sharing this vision, noting the department sometimes chooses to promise less and deliver more. DOT indicates it is constantly striving to improve customer services and acknowledges Bradley has a role to play in the region's economy.

DOT maintains it has vigorously and successfully pursued the "volume strategy" noting among other things increases in the number of carriers (7), the number of nonstop destinations (18), and cargo volume (up 23 percent since 1995).

DOT disputes the method used to calculate "return on investment" in the report. It believes passenger facility charges (a per passenger remittance to the airport) should be included in computing returns and the consultants should not have ignored an estimated $100 million in existing private investment at Bradley.

Marketing - passengers

Findings

- The marketing plan prepared for 1998/99 provided a short-term action plan focused on promotion and advertising. It did not articulate a long-term vision of what the plan expected to achieve or identify the resources needed to carry out the plan.

- Bradley has not been successful in differentiating itself from other airports and needs an aggressive marketing strategy to put itself on the map as an alternative for airlines.

- The value of Bradley's marketing through contracted air service development firms is limited.

Recommendations

- Bradley must aggressively market itself to airlines and passengers as an alternative airport and strengthen its relationships with present and future customers.

- Bradley needs to refocus its resources away from print ads and consultants and toward establishing a professional in-house marketing staff.

- Bradley needs to create a Quality Board composed of airport stakeholders to provide a mechanism for discussing issues and establishing standards.

DOT's response

DOT states it has an aggressive marketing strategy. Evidence of this is the addition of several new, low cost carriers in recent years, which according to DOT is a direct result of personal meetings and presentations to airlines by both Bradley's marketing staff and its air service consultant. Bradley's print and radio advertising has been directed at building "Brand" and has been effective as evidenced by an increase in Fairfield County passengers from less than 2 percent in 1993 to approximately 10 percent in 1999. DOT acknowledges value of the Quality Board and other customer service recommendations, but believes several customer feedback mechanisms were overlooked.

Marketing – cargo

Findings

- Cargo has grown strongly at Bradley over the past decade, but the growth has fluctuated randomly and does not correlate to economic indicators.

- Land leases at Bradley have exceeding long terms and rental rates are very low

- Bradley is an attractive location for cargo development based on its strength of good interstate road network, airside infrastructure, capacity for growth, and dependable winter operations.

Recommendations

- Bradley should aggressively pursue cargo operators and seek to become the choice of cost sensitive cargo operators.

- Bradley should develop an overall cargo-related strategy with the four neighboring towns.

- Bradley's agreements with cargo operators should set a maximum 10-year concession period to keep control of land for future development and charge market rates.

- Marketing staff should develop a strong relationship with the cargo community in order to better understand and meet its needs.

DOT response

DOT indicated it maintains a close relationship with the cargo community and has worked closely with the Bradley Development League in jointly pursuing cargo leads and staffing trade shows.

Master Planning

Findings

- Bradley's current master plan was prepared in 1993 - covers the period up to 2015 - and has not been updated or comprehensively reviewed, as good master-planning practices would dictate.

- DOT should not have proceeded with terminal expansion plans without an up-to-date master plan.

- The introduction of Southwest Airlines changes Bradley's growth scenario and no overall plan to address the situation has been developed.

Recommendations

- Review the forecasting data, based upon strategy and marketing plan, with a planning horizon of 2015-2020.

- Review the Master Plan for the entire airport according to new projections and planned activities, incorporating the airport-zoning concept.

- Review the Federal Inspection Service (FIS) facility location and hotel re-use option.

- Preserve terminal expansion options for the future.

- Reserve space within the appropriate zone for new activities such as a second hotel, real estate, hangers, and train station.

- Use a one-terminal concept in planning airport development – it is more efficient, commercially attractive, economical, and passenger friendly than the current plans.

DOT Response

DOT stated master plans typically are updated every 10 years. It noted the 1997 Terminal Study did update the forecasting data. DOT pointed out the new FIS facility is consistent with the 1993 master plan. DOT noted it had examined the hotel and found it did not lend itself the changes suggested by the consultant. DOT indicated that for the most part the plans for the Bradley terminal were consistent with the consultant's report.

Financial Performance and Planning

Findings

- The 1982 bond indenture creates the framework for financial management of the airport.

- Financial maneuverability of the airport is tightly bound. Airlines consent is required on the operating and capita budgets and surpluses cannot be used without the authorization of the State Bond Commission.

- Under current airline agreements Bradley derives little financial benefit from increases in volume.

- DOT financial managers view compliance with the bond indenture as their sole responsibility.

- Management dwells on budget issues, lacks an overall and integrated long-term focus, and neither receives nor provides incentives for innovation, improvement, or efficiency.

- Financial performance has been marginal when measured by net profit and return on capital.

- The budget planning and control cycle is well organized and management has a tight rein on costs.

Recommendations

- Profitability and return on investment should be the highest priority.

- Cash flow should be viewed as no more than a tool to promote business objectives.

- Investments should be assessed in terms of their returns, capital costs, and depreciation.

- Assess revenue growth opportunities developing commercial office space, advertising inside terminals, aircraft services, and cargo facilities and development.

- Review the need for an external debt capacity limit.

- Study downsizing the fire rescue crew.

- Review the decision to use state troopers to provide airport safety and security.

DOT response

DOT states the airport must operate within a set of regulatory concerns, state laws, collective bargaining and contractual agreements, FAA regulations, and political realities. Regarding recommendations to increase revenues from carrier and commercial activities, DOT notes the intent of the Airport Enterprise Fund is to recover costs of providing airport facilities and public services primarily through user charges. This approach is consistent with FAA policy and federal airport improvement grant and passenger facility charge assurances that require establishing only reasonable rates and charges. According to DOT accumulating excessive surplus revenue would be an indicator of unreasonable rates and charges. DOT repeated its concern that the return on investment calculations used in the report exclude Passenger Facility Charges, resulting in an understatement of revenues. DOT indicates that when these revenues are included in the ROI calculations the results are more favorable to Bradley.

Airline Agreements

Findings

- The landing rate calculation used to allocate airfield costs at Bradley (landed weight and landings) results in a large part of the airfield costs being assigned to lighter aircraft (general aviation), which are exempt from paying landing fees. This prevents Bradley from fully recovering all the costs related to the airfield, and in the process grants commercial airlines a better landing rate than they get at other airports.

- Airlines pay costs for only the areas of the terminal they use exclusively (30 percent of the terminal) and not for common spaces used by everyone, resulting in Bradley losing money on its terminal operation.

- Commercial airlines do pay their fair share for apron space.

- Aviation activities at Bradley are subsidized by non-aviation activities.

- Airlines maintain existing agreements prevent Bradley from imposing fees on third parties providing services to airlines (The report disputes this claim).

- The influence of the signatory airlines with respect to capital improvements is unacceptable and may be an obstacle to airport development.

Recommendations

- DOT should amend airline agreements to make it clear the airport has a right to impose fees on third parties.

- DOT should use the opportunity provided by the construction of the new terminal to renegotiate airline use agreements.

DOT response

DOT states it is currently developing a new five-year airline agreement based on preferential use of facilities. It notes the current airline agreements' are a potential obstacle to airport development, but points out no major project has ever been stopped by an airline veto.

Retail and Terminal Concessions

Findings

- The food and beverage aspects of Bradley's retail services fall well short of industry standards

- The new terminal provides an excellent opportunity to improve the retail program.

- Opportunities to increase airport revenue can be found in agreements for advertising, rental cars, telecommunications, vending machines, baggage carts, and other areas.

Recommendations

- Bradley should develop a "portfolio concept" for providing retail and terminal concessions (researching and developing the type of concessions that meet the needs of the particular target groups using the airport).

- The contract with Host Marriott should be re-negotiated to improve the quality of food and beverage services.

- DOT should pursue better agreements for duty free stores, advertising, financial services, telecommunications, and vending machines.

DOT Response

DOT acknowledged the growing importance of retail activities at airports, the need to develop a strategy that meets travelers' needs, and the shortcomings in current food and beverage services. It noted the value of improving these services and indicated it is seeking opportunities accomplish this objective along with obtaining more favorable terms for the airport. DOT points out the report did not suggest a strategy for renegotiating the existing contracts without incurring costs that would undermine efforts to minimize costs and maximize revenue.

Airport parking

Findings

- Revenue from parking exceeds $8 million per year and is the largest single source of airport income.

- The decision to turn over development and operation of a new parking garage and all surface parking to a developer under a 25-year contract raises several strategic and financial questions.

- On airport parking has been placed at a disadvantage relative to private off-airport parking by the imposition of a sales tax on the former and a concession fee on the latter, which is among the lowest in the nation at 4 percent.

Recommendations

- Equalize the sales tax applied to on- and off-airport parking.

- DOT should develop an overall parking pricing policy while managing the parking flow.

- Short-term and long-term parking should be located close to the terminal, and long- term parking should at an efficient surface parking lot between five and 10 minutes away from the terminal.

DOT Response

DOT states the decision to turn over the construction an operation of the parking garage and surface lots to a vendor for a 25-year period was the result of careful analysis that found this approach was the best way to protect current and future parking revenues, pay for the bond issued to construct the garage, and provide the quickest and most cost-effective means for developing the parking structure. DOT agrees private parking lot operators have a competitive advantage through their sales tax exemption and 4 percent concession fee. However, DOT pointed out that both of these things were the result of legislative actions.

Safety and security

Findings

- Safety and security at Bradley meet all FAA requirements.

- The cost of providing safety and security through Connecticut State Police and the DOT Fire Brigade ($0.68 per passenger in 1998) is more than three time as expensive as the cost at Indianapolis International Airport, and almost three times the cost at Columbus International.

Recommendations

- Greater utilization of the firefighters by assigning additional responsibilities and optimizing the shift structure.

- Use private security to accomplish many of the tasks currently performed by Connecticut State Police.

DOT Response

DOT stated it finds it difficult to look at safety and security primarily as an issue of cost and budget. It pointed out that federal inspectors have recently evaluated Bradley and indicated it would be used as the standard to measure other airports.

Governance, Management Structure, and Culture

Findings

- DOT's operational capabilities have ensured that Bradley is a reliable and safe facility, but it is not yet a "World Class" or "Best in Class" airport.

- The lack of clear accountability and sophisticated business management and marketing skills will continue to relegate Bradley to a catch-up position.

- The management structure that has been in place for decades must bear primary responsibility for Bradley's present condition.

Recommendations

- Establish a Board of Directors composed of eight to 10 members including the commissioners of DOT and DECD, and five or six CEO's of state industries. The board should provide oversight of the airports management, ensure it engagers in strategic planning, has a customer service focus, and seeks economic development opportunities.

- Hire a new professional airport management team reporting to the DOT commissioner and the Bradley Board of Directors. The team should be located at the airport and to handle all aspects of the airport's operations.

- Retain and more constructively use the Bradley Commission.

DOT Response

DOT states that having raised concerns about the accuracy of many of the facts that form the basis for the report's findings, the recommendations contained in the report need to be revisited. Further, DOT questions the need to change a management approach the report acknowledges has provided a safe and reliable airport. DOT reiterates previous statements indicating it currently is pursuing many innovations called for in the report. DOT does agree it may be useful to review the makeup of the Bradley Commission and consider the inclusion of stakeholders who operate at the airport in order to add their perspective to the body's deliberations.