OLIVER WYMAN

May 1, 2013

Charlotte Airport Governance Study
Final Report

MARSH & McLENNAN
COMPANIES

Report Qualifications, Assumptions & Limiting Conditions

This report sets forth the information required by the terms of Oliver Wyman's engagement by the City of Charlotte.

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I.   INTRODUCTION

The City of Charlotte (the "City" or "Charlotte") commissioned Oliver Wyman to conduct an independent, objective review of airport governance models and the issues associated with a transition to a different governance model at Charlotte-Douglas International Airport (the "Charlotte Airport", "Airport" or "CLT"). The study has four components:

1. Determine drivers for interest in change of governance structure;
2. Review and assess current governance models of U.S. airports;
3. Review and assess peer airports' governance; and
4. Review governance transition issues.

This report provides a review and analysis of airport governance issues, and recommendations regarding future governance of the Airport.

At the outset, we stress that this report will address two separate and distinct sets of questions:

1. What are the arguments for changing the governance structure of the Charlotte Airport, and how strong is the case for change?
2. Putting aside the answer to the first question, what is the best form of governance for an airport like Charlotte?

The study has been overseen by a Study Oversight Committee, consisting of one member each from the Charlotte City Council, the Airport Advisory Committee, US Airways, the Charlotte Chamber, the Charlotte Regional Visitors Authority, and the Charlotte Regional Partnership. The representative for each organization is listed in Appendix C. The purpose of the Committee is to provide guidance and feedback, ensuring that the study is objective and unbiased. No Committee member or City of Charlotte official or staff has attempted to influence the outcome of this study.

Work on this six-week study began on March 20, 2013. Oliver Wyman completed and delivered an initial report on April 5, which had the limited purpose of identifying the specific reasons given for the interest in changing the governance structure of the Airport. A draft report, addressing all components of the work scope, was submitted to the Study Oversight Committee and City Manager on April 25. This final report reflects comments received on the draft report.

As background for this report, Oliver Wyman conducted stakeholder interviews over a two-week period beginning March 22 in Charlotte and Raleigh, North Carolina, held a public input meeting on April 16, reviewed prior airport governance studies, conducted independent research and data analysis, interviewed professionals involved in airport authority transitions and other airport professionals and experts.   We also relied on our own experience and findings in

conducting hundreds of research projects for airports, governments, investors, airlines, and other aviation firms.

Most people interviewed for this report are listed in Appendix C. In some cases, individuals were only willing to speak with us strictly "off-the-record." This was mostly the case with senior airport officials at other airports who provided information about the advantages and disadvantages of governance structures.

We have tried to make this report as objective as possible. In some areas, we report findings based on publicly available data thereby enabling readers to reach their own conclusion as to the validity of those conclusions. In other cases, especially those involving our assessment of best practices regarding airport board structures, we have reported our findings based largely on the experience of airport professionals with numerous years of experience.

We have added a section to the report which is not explicitly called for in the scope of work, entitled Critical Success Factors, as we believe that any assessment of effective airport governance structures must be tied to those factors.

II.   CRITICAL SUCCESS FACTORS FOR THE CHARLOTTE AIRPORT

Airport success is measured in multiple ways. Most publicly-owned U.S. commercial service airports measure success using the following general criteria:

Primary measures:
- Passengers and passenger growth

Secondary measures:
- Breadth of nonstop service (number of destinations)
- Breadth of international service
- Availability of low fares
- Customer-friendly facilities and services
- Good neighbor, good employer
- Economic development

Based on its ranking with respect to most of these criteria, the Charlotte Airport is widely regarded as one of the most successful U.S. airports.

Turning to the factors that drive passenger numbers, some are within the control of the airport operator while others are not. The number of passengers at large hub airports is determined primarily by the following:
- Strength of travel demand to and from the region served by the airport;
- Geographic location that enables the hub to serve as a relatively non-circuitous stopping point between origination and destination airports;
- Adequate runway and terminal infrastructure to handle the volume of flights and to permit the efficient transfer of passengers from one flight to another;
- Airline network and pricing strategy;
- Airline competition;
- Competition from other airports; and
- Level of airport charges.

Each airport has a different combination of strengths and weaknesses with regard to these factors. Based on 2012 passenger statistics, the Charlotte Airport has grown to become the eighth largest U.S. airport[1] in terms of total passengers.   When compared with other large hub airports, CLT differs in the following ways:
- Location in a smaller metropolitan area relative to other large U.S. hubs;

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[1] In 2012, only Atlanta, Chicago O'Hare, LAX, DFW, Denver, JFK, and San Francisco had more passengers than CLT. Source: ACI-NA 2012 Preliminary Traffic Report.

- Relatively small number of Origin & Destination (O&D) passengers. (O&D passengers are those who are beginning or ending their air travel in Charlotte); and
- High percentage of connecting passengers.

Figure 1 below lists the population of the largest 25 U.S. metropolitan areas in comparison with the number of passengers at the airport(s) in each metro area. Several airports carry far more passengers than would be suggested by their metro area populations. The exceptions are primarily the result of substantial connecting flight activity, as at CLT and Atlanta, or the strong attraction of a leisure destination, as at Orlando.

Figure 1 – Comparison of annual airport passenger traffic and surrounding population
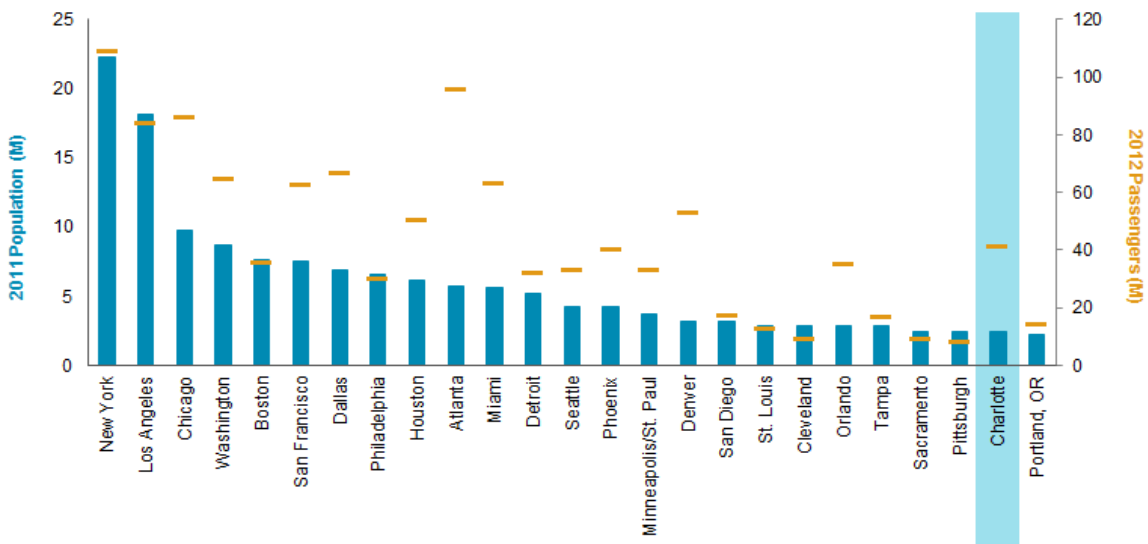
Note: Passenger figures for the larger metro areas listed include traffic from multiple airports: New York includes JFK, LGA, and EWR; Los Angeles includes LAX, LGB, SNA, ONT, and BUR; Chicago includes ORD, and MDW; Washington includes IAD, DCA, and BWI; Boston includes BOS, MHT, and PVD; San Francisco includes SFO, OAK, and SJC; Dallas includes DFW and DAL; Houston includes IAH and HOU; Miami includes MIA and FLL.
Sources: U.S. Census Bureau, Population Division, released December 2012; ACI-NA 2012 Preliminary Rankings.

Figure 2 below shows, for each of the largest 25 airports, the percent of total passengers that are transfer or connecting passengers. As illustrated in this chart, CLT has the highest percentage of connecting passengers of any U.S. hub airport.

**Figure 2 – Connecting traffic at the top 25 U.S. airports based on enplanements
Year ended 3rd Qtr 2012**

Charlotte	CLT	74%
Atlanta	ATL	68%
Houston	IAH	59%
Dallas/Fort Worth	DFW	58%
Detroit	DTW	51%
Minneapolis–Saint Paul	MSP	49%
Salt Lake City	SLC	47%
Chicago	ORD	47%
Denver	DEN	47%
Phoenix	PHX	43%
Miami	MIA	43%
Philadelphia	PHL	42%
Washington	IAD	39%
Chicago	MDW	36%
Newark	EWR	28%
Seattle–Tacoma	SEA	28%
Baltimore–Washington	BWI	26%
San Francisco	SFO	22%
Los Angeles	LAX	21%
Honolulu	HNL	19%
Washington	DCA	18%
New York	JFK	17%
Portland	PDX	16%
Las Vegas	LAS	15%
Fort Lauderdale–Hollywood	FLL	8%

Legend: City, County, or State; Port Authority; Airport Authority

Percentage of connecting traffic

Sources: U.S. DOT, T100 & OD1B database, Year Ended 3qtr 2012, using planestats.com; Oliver Wyman analysis.

In examining the Charlotte Airport's set of strengths and weaknesses, it is most important to understand that CLT relies largely on connecting or transfer passengers for its scale and success, and those connecting passengers – and the airlines that serve them – have a variety of other hubs to choose from. As a simple example, passengers flying from Albany, New York to Charleston, South Carolina have six or more options in terms of hub airports to use for their connecting flights: they can transfer at Washington Dulles, Charlotte, Reagan National, Atlanta, Philadelphia, or Newark. For this reason, CLT's success as a hub depends, in large part, on its ability to compete successfully for those transfer passengers.[2]

In terms of critical success factors, the one factor that is most within CLT's control is its low airport charges. These charges are typically measured on the basis of Cost per Enplaned Passenger ("CPE"), which is defined as the average cost to an airline for basic airport charges (airport terminal rent and landing fees) divided by the number of departing passenger (or enplanements). Although airport charges are a relatively small part of the overall cost of

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[2] A number of former hub cities did not have the combination of local traffic base and geographic location required to be successful over time, including: Nashville, Raleigh Durham, St. Louis, Columbus, Dayton, Pittsburgh, and Reno.

running an airline, they can be a differentiating factor in an airline's choice of markets served and level of flight activity, especially when the airline has multiple ways to get passengers to the same destination. As airlines merge and acquire additional hubs, they have more ways to get passengers to the same destination.

As illustrated below in Figure 3, CLT airport charges are the lowest among major U.S. airports, which has undoubtedly been a factor in its success:

Figure 3 – Cost per enplaned passenger at the top 25 U.S. airports
2011
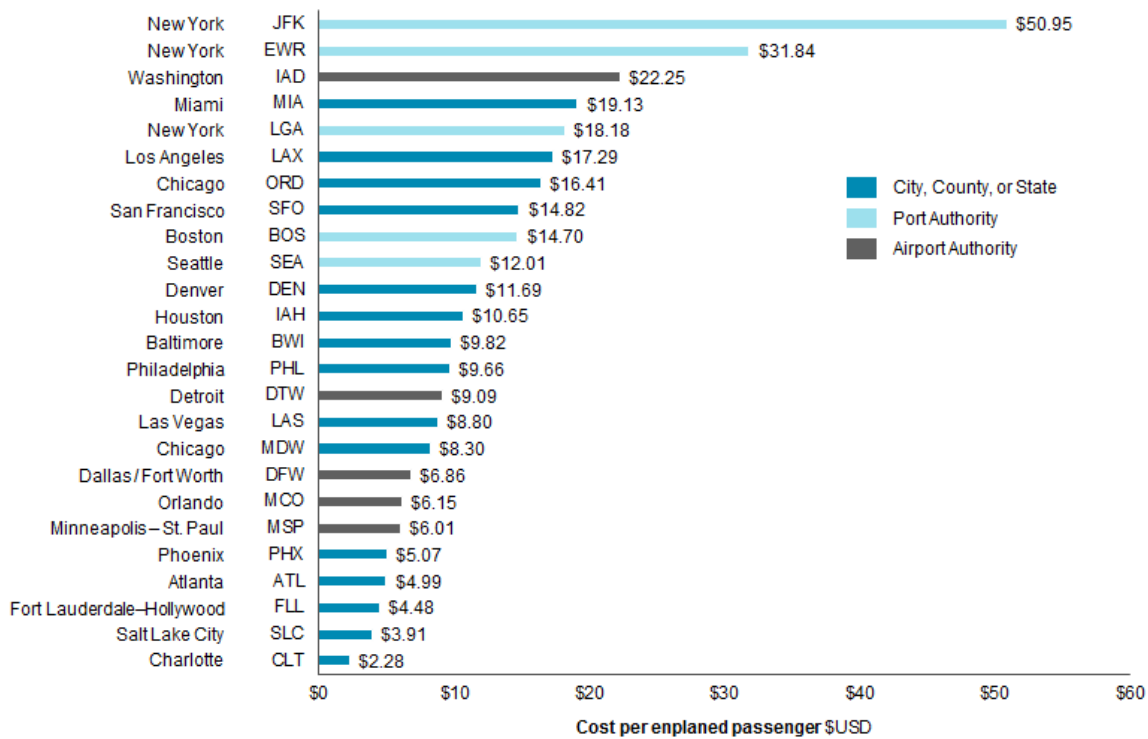
Sources: FAA Form 127 passenger aeronautical revenue divided by DOT enplanements, most recent fiscal year reported, using planestats.com; Oliver Wyman analysis.
Note: Cost adjustments made for airports that have airline-financed terminals not reflected in FAA financial reports and for ATL, which has airline-managed operations and maintenance functions. Amounts added to base CPE number: ATL = $2, ORD = $3, LAX = $6, JFK = $25, EWR = $6.

Stated simply, Charlotte cannot take its hub status for granted. Probably the most important thing CLT can do to best position itself for future success is to maintain the lowest airport charge structure for the airlines serving CLT, while at the same time providing a high level of service to travelers and the airlines.

Oliver Wyman's work in evaluating successful airports around the world has identified a number of other differentiating factors within an airport's control that contribute to its success. The three factors of most relevance to this study are listed below:

1. **Commercial mindset**
   Successful airports have a commercial mindset. To succeed in an increasingly complex environment, airports must be able to offer higher service at lower costs, and they cannot do so without being entrepreneurial and having a commercial mindset. Airports need to keep a firm eye on revenues, expenses, and return on investments. Transparency about resource consumption, for example, is critical to increasing efficiency and quality. Airports also should have some sense of urgency in what they do, a characteristic that we believe is more likely to be found in the private sector.

2. **Cooperation with hub partners, including hub carrier**
   Successful airports cooperate with their partners at the hub. This means not just the hub carrier but with all airlines and other airport tenants. As the role of the airport manager has evolved beyond that of facilities manager, airports that do not take the lead here are likely to be left behind competitors.

3. **Structured and organized management of stakeholders**
   Successful airport organizations have a decision-making structure that incorporates the input of major stakeholders – including airport owners, hub airline, other airlines, governments, non-aviation partners, and residents. A clearly defined stakeholder structure ensures that stakeholders' requirements are systematically considered in major decisions. Without a concerted management effort, the airport will find itself pulled in many directions by demands from multiple stakeholders, each with competing views and priorities.

In evaluating airport governance structure, these factors – low costs, commercial mindset, cooperation with hub partners, and structured and organized management of stakeholders – should be considered.

III.   REASONS FOR INTEREST IN CHANGING THE GOVERNANCE STRUCTURE OF THE CHARLOTTE AIRPORT

To ascertain the reasons given for the interest in changing the governance structure of the Charlotte Airport, more than 40 stakeholders were interviewed in Charlotte and Raleigh, North Carolina between March 22 and April 4. We also reviewed press reports and other material of possible relevance, including the Governor's Logistics Task Force Final Report of June 2012. Most interviews were conducted in-person; others were conducted by telephone. We received input as well from comments made at the public input hearing held in Charlotte on April 16 and from approximately 71 e-mail comments received before and after the hearing.

The hearing transcript and e-mail comments are included as separate documents along with this report. As indicated in the hearing transcript, all commenters at the hearing expressed the view that the Airport should remain under City of Charlotte governance primarily because no good reasons had been presented for changing the present system. One commenter expressed the view that to change CLT's governance without a clear explanation of the reasons why change was needed was itself "not good governance." E-mail commenters expressed a variety of views, consistent with the stakeholder interviews previously conducted. A majority of email comments received favored retaining the current governance structure, or stated that proponents for change had not made a strong case for change.

Interviews were conducted with elected City Officials; City staff involved with the Airport; State Senators and Representatives; members of the Airport Advisory Committee; members of the Study Oversight Committee; business and community leaders; and major airport tenants. Those interviewed were assured that they would not be identified directly or indirectly in connection with any specific remarks. A list of the individuals interviewed is included at the end of this report.

Stakeholders who were in favor of changing the governance structure of the Airport cited a number of reasons. In most cases, those favoring a change in airport governance framed the change in terms of a comparison between the current structure and a regional airport authority structure, defined as an authority with board representation from throughout the region. This was at least in part because a regional authority structure is embodied in current legislation that has passed the North Carolina Senate and is pending in the House of Representatives. The reasons listed below were cited as motivating factors and are presented as such, not as statements of fact:

- As the City's most important economic asset and the most important economic engine for the region, the Airport must be overseen using the governance structure most likely

to ensure its continued success. A critical factor in the Airport's success is its low cost to the airlines.

▪ The Airport's success to date is attributed to a combination of a very capable airport manager and very limited prior City involvement in the management of the Airport. Recent City actions are seen as demonstrating that the City will be more involved in Airport management going forward, which may result in a less business-like approach.

▪ There is a natural tension between the City's need for revenue to support services and programs, and the Airport's goals of keeping operating costs to a minimum. Stakeholders who favor a change in governance acknowledge that federal law prohibits the use of airport revenue for non-airport purposes, but believe that when a City operates an airport, the airport may be required to contribute more for city services than would be the case if the airport were truly independent.

▪ The governance structure most likely to ensure the continued success of the Airport involves oversight by a business-oriented board whose sole focus is the Airport.

▪ Such a board would differ from current City governance in its exclusive focus on airport issues, greater understanding of airport issues, business-orientation, and lesser degree of ongoing involvement by elected officials.

▪ The Airport has grown to become a major regional asset and the development of the Charlotte Regional Intermodal Facility means that the Airport will have even more of a regional focus in the future. Therefore, the Airport should have oversight by regional stakeholders located both in and beyond the City of Charlotte.

▪ By having elected officials from multiple North Carolina jurisdictions make appointments to a new airport authority board, proponents of change believe the new board would be more representative of the region and more likely to have a strong business-orientation.

Many of those interviewed who are in favor of changing the governance structure of the Airport nevertheless expressed several concerns and these are summarized below:

▪ A change in governance to an airport authority structure is seen as a balancing of risks; a new authority structure is seen as likely to have "less risk" in terms of effective airport governance, but as nevertheless involving some level of risk that board appointments could take the airport in an unintended direction, e.g., by focusing on specific local interests as opposed to the broader interests of the Airport and region.

- A change in governance to an airport authority is seen as likely to result in a board strongly aligned with important stakeholder interests, but there is the risk that a new authority board could prove less responsive to stakeholder interests and, in that event, that stakeholders may have less recourse than under the current system.

- A change in governance that is not seen as based on the merits and that does not involve an earnest and open discussion of the merits may cause long-term damage to the relationship between the City and other stakeholders who must continue to work together for the long-term success of the Airport.

Not surprisingly, those who are opposed to changing the current governance structure have expressed a number of reasons why the current structure should be maintained. They observe that the Airport has the lowest airline charges of any major U.S. airport; that it has become extremely successful under the current governance structure; and that no one in Charlotte City government is in favor of doing anything that would be detrimental to the success of the Airport. They assert that specific issues/problems that have arisen under the current structure can be addressed within the current structure. A number of those who oppose changing the current governance structure emphasize that they are not opposed in principle, but strongly feel that no one has put forward a persuasive case for change.

Individuals interviewed cited specific examples to support their views. In many cases, the exact same examples were used to support the positions taken by proponents of changing the Airport's governance as by those who feel that the current governance system is effective. For example, the proponents of change cited the takeover of police functions at the Airport by the Charlotte Mecklenburg Police Department ("CMPD") as evidence of unnecessary City intervention which has had the effect of increasing Airport operating costs, while individuals in favor of the current Airport governance structure cited the same incident as evidence of the City having exercised responsible oversight of the Airport to ensure security and safety.

The one issue on which there was clear alignment of all stakeholders is that the Airport is enormously important to the success of the City, and that no one wants to create conditions that would interfere with that success.

The following specific incidents and circumstances were cited in multiple interviews as supporting either the need for a change in governance or the effectiveness of the current system:

- US Airways' reported request for involvement in the process of selecting a successor to the current Aviation Director, and the City's reported response to that request.

- The City's decision to replace CLT Airport police with a larger CMPD police force.

- Airport security issues relating to the death of a teenager who allegedly gained access to the secure area of the Airport and who fell from the wheel well of an aircraft that departed from CLT.

- IRS questions regarding the use of Airport bond funds.

- The relationship between the prior City Manager and the Aviation Director.

- The City's reported requirement that the Airport participate in funding City financial and IT systems.

- The Charlotte City Council having not approved a City Capital Improvement Plan for the current year.

- The reported interest of the City in imposing a tax on Airport parking.

The above listing is not intended to express any views on the merits of proponents' or opponents' claims regarding the incidents and circumstances listed. Since most, if not all, of these subjects have already been reported in the press, and were raised in many interviews, we note simply that we have become well-acquainted with stakeholders' views on these subjects.

IV. CURRENT GOVERNANCE MODELS

A. The Origins of U.S. Airport Governance

In the 1920s and 1930s, local governments began purchasing previously private airports and acquiring land to develop airports. In addition, some airports were constructed by the U.S. government during World War II and transferred to local government afterwards.[3] In the case of Charlotte, Mayor Ben Douglas led a campaign to build a new municipal airport in the 1930s. The City reports that voters passed a bond referendum at the time to help finance the Airport and the Mayor convinced the Roosevelt Administration to fund the construction of an airport through the Works Progress Administration.

During the early years of aviation, most airports were not financially self-sufficient and were operated by city or county departments. Over time, as aviation developed, some communities with airports located in, or serving, multiple jurisdictions, established airport authorities. This early use of airport authority governance structures was typically related primarily to the fact that some airports were located in multiple jurisdictions. The focus on authorities and other special purpose entities as having potential benefits in terms of airport performance is of more recent origin.

Changes in airport governance at major airports have continued to occur over the years primarily for the following reasons:

- "[T]he governing body may perceive that the current management structure is not successful or as successful as it could be, such that a transfer or delegation will lead to more economic development, lower costs, easier access to capital, improved chances of approving infrastructure, or some other aim."[4]

- [A] change in governance may be imposed or induced from above."[5]

As of 2011, there were 86 U.S. airports with over one million annual enplanements[6]. See table in Appendix A. These airports are governed and operate as part of:

- Departments of municipal, county, and state governments
- Joint-governmental arrangements, authorities, and other special purpose entities

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[3] See Reimer, Daniel S., and John E. Putnam, "Airport Governance and Ownership." ACRP Legal Research Digest 7 (2009), at 3, and more generally for a thorough review of U.S. airport governance issues and relevant case law.

[4] Ibid, at 21.

[5] Ibid, at 21.

[6] Source: DOT T100 enplanements, 2011. An enplanement is a departing passenger; an individual who makes a round-trip flight from CLT, to say LaGuardia, is counted as one CLT *enplanement*. Confusingly, that same individual is counted as two CLT *passengers* since the term passenger is used to count both a departing passenger and an arriving passenger.

- Privatized management.

In many cases, the current airport governmental structure is same as was in place when the airport first opened.

Changes from one form of airport governance to another do not occur frequently. Over the past 20 years, only two of the top 30 U.S. airports (ranked based on 2011 enplanements) have changed governance types – Detroit (#17) and San Diego (#28). Of the 86 airports with over one million enplanements, seven have changed governance types over that same period,[7] although there have been some legislative changes in the size/makeup of a small number of additional airport governing boards.

To our knowledge, all changes in basic airport governance structure have been in the direction of moving from a municipal, county, or state form of governance to an airport authority or other special purpose form of governance. We have not found any changes in airport governance in which a commercial service airport transitioned from being an airport authority to that of a municipal, county, or state form of governance.

B. Airport Governance Structures

The most common way to categorize airport governance structures is to divide airports into city, county, state, port authorities, airport authority, and privately owned/managed airports. Each is further described below, along with variations within the categories. Some of the categories, such as city, county, and state airports, share common traits from a governance perspective and are therefore discussed as a group. A full listing of the categorization of all U.S. airports with more than one million enplanements is attached as Appendix A.

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[7] These seven are:

Rank	Code	Airport	Governance	Operator	Est.
56	BDL	Bradley International Airport	Authority	Connecticut Airport Authority	2013
28	SAN	San Diego International Airport	Authority	San Diego County Regional Airport Authority	2003
17	DTW	Detroit Metropolitan Wayne County Airport	Authority	Wayne County Airport Authority	2002
55	JAX	Jacksonville International Airport	Authority	Jacksonville Airport Authority	2001
47	PIT	Pittsburgh International Airport	Authority	Allegheny County Airport Authority	1999
64	PVD	T. F. Green Airport	Authority	Rhode Island Airport Corporation	1993
80	ALB	Albany International Airport	Authority	Albany County Airport Authority	1993

Sources: Airport websites; Oliver Wyman analysis. Rank based on 2011 enplanements.

1. Department of a City, County, or State

Airports that are directly governed by a city, county, or state typically operate as a department of the particular form of government. The reporting relationship of the airport director to the governing entity varies depending on the organization of the governing entity. In many cases, the airport director reports directly to the mayor, city manager, county executive, or county commissioners. At state-run airports, the airport director often reports to the Secretary of Transportation. The name given to the aviation entity is not necessarily indicative of the governing structure. For example, the Executive Director of Baltimore/Washington International Thurgood Marshall Airport (BWI) reports to the Secretary of Transportation for the State of Maryland even though the airport operator is officially the Maryland Aviation Administration.

Examples of airports operated by cities, counties, and states are listed in Figure 4 below. One variation of the city-operated airport structure is that used by the City of Los Angeles, where Los Angeles World Airports (LAWA) is the City of Los Angeles department that owns and operates a system of three airports: Los Angeles International Airport (LAX), Ontario, and Van Nuys. LAWA is governed by a seven-member Board of Airport Commissioners appointed by the Mayor and approved by the City Council. Commissioners serve staggered five-year terms, but are subject to removal by the Mayor and historically have been changed following Mayoral elections.

Figure 4 – Examples of airports that are directly governed by cities, counties, and states

Rank	Governance	Code	Airport	Operator
1	City	ATL	Hartsfield–Jackson Atlanta International Airport	City of Atlanta / Department of Aviation
3	City	LAX	Los Angeles International Airport	Los Angeles World Airports
5	City	DEN	Denver International Airport	Denver Department of Aviation
9	County	LAS	McCarran International Airport	Clark County
12	County	MIA	Miami International Airport	Miami-Dade County /Miami-Dade Aviation Department
22	County	FLL	Fort Lauderdale–Hollywood International Airport	Broward County
21	State	BWI	Baltimore-Washington International Airport	Maryland Aviation Administration
27	State	HNL	Honolulu International Airport	Hawaii Department of Transportation
60	State	ANC	Ted Stevens Anchorage International Airport	Alaska Department of Transportation & Public Facilities

Sources: Airport websites; Oliver Wyman analysis. Rank based on 2011 enplanements.

2. Multi-Modal Port Authorities

A port authority is a governmental or quasi-governmental public authority for a special-purpose district usually formed by a legislative body or bodies to operate ports and other transportation infrastructure. In the case of the Massachusetts Port Authority (MassPort), for example, the Port Authority has responsibility for three airports – Boston, Worcester, and Hanscom – as well as the Port of Boston and downtown Boston real estate. In the case of the Port Authority of New York and New Jersey ("PANYNJ"), the Port Authority is responsible for five airports – LaGuardia, Newark, JFK, Stewart, and Teterboro – major bridges and tunnels, the PATH subway, a bus terminal, and major New York City real estate.

In general, federal law prohibits airport revenue from being used other than for airport capital and operating costs. However, legislation enacted in 1982 permitted port authorities operating at that time to continue to use aviation revenue to subsidize other non-aviation port activities. (See 49 U.S.C. § 47107(b)(2).) This specific limited exemption is not available to newly-created port authorities.

Port authorities are usually governed by boards or commissions appointed by the surrounding governments. They often operate in multiple jurisdictions, as for example, the PANYNJ operates in two states and multiple cities. The port authority structure and separation from elected governments is thought to enable these entities the continuity and autonomy necessary to complete large infrastructure projects and manage a large complex organization.

The following are examples of airports that operate as part of port authorities:

Figure 5 – Examples of airports that are governed by port authorities

Rank	Governance	Code	Airport	Operator
6	Port Authority	JFK	John F. Kennedy International Airport	Port Authority of New York and New Jersey
14	Port Authority	EWR	Newark Liberty International Airport	Port Authority of New York and New Jersey
15	Port Authority	SEA	Seattle-Tacoma International Airport	Port of Seattle
19	Port Authority	BOS	Logan International Airport	Massachusetts Port Authority
20	Port Authority	LGA	LaGuardia Airport	Port Authority of New York and New Jersey
30	Port Authority	PDX	Portland International Airport	Port of Portland
35	Port Authority	OAK	Oakland International Airport	Port of Oakland

Sources: Airport websites; Oliver Wyman analysis. Rank based on 2011 enplanements.

3. Airport Authority or Other Special Purpose Governance

An airport authority is a quasi-governmental entity responsible for the operation and oversight of an airport or group of airports. Airport authorities may be created by state legislation, municipal or county action, or sometimes by joint agreement among jurisdictions. The Dallas/ Fort Worth Board of Directors, which operates DFW, is the product of an agreement between the cities of Dallas and Fort Worth.

Appointments to an airport authority or board may be made by a wide variety of organizations, including city, county, or state elected officials, business organizations such as the chamber of commerce, or even by current board members.

Airport board sizes vary, ranging from 7 to 17 board members among the 86 airports reviewed. Board appointments are often, but not always, distributed among stakeholders to ensure that no single stakeholder has a majority of the appointments. Similarly, board appointments are typically made on a staggered-term basis to help maintain continuity beyond election cycles. For this same reason, most authority boards provide for removal only for cause.

Airport authorities are generally delegated wide-ranging powers to operate the airport effectively, including but not limited to policing authority and land use planning. However, the specific rights and limitations of individual authorities vary depending upon the powers granted the authority. The following are examples of airports with airport authority-type governance:

Figure 6 – Examples of airports that are governed by airport authorities or similar special purpose entities

Rank	Governance	Code	Airport	Operator
4	Airport Authority	DFW	Dallas/Fort Worth International Airport	DFW Airport Board of Directors
13	Airport Authority	MCO	Orlando International Airport	Greater Orlando Airport Authority
16	Airport Authority	MSP	Minneapolis-Saint Paul International Airport	Minneapolis-Saint Paul Metropolitan Airports Commission
17	Airport Authority	DTW	Detroit Metropolitan Wayne County Airport	Wayne County Airport Authority
28	Airport Authority	SAN	San Diego International Airport	San Diego County Regional Airport Authority
29	Airport Authority	TPA	Tampa International Airport	Hillsborough County Aviation Authority

Sources: Airport websites; Oliver Wyman analysis. Rank based on 2011 enplanements.

4. Privatized Airport Governance

In 1996, Congress authorized a pilot program to encourage airport privatization in the U.S. To date, the program has had little effect on the operation of U.S airports as only two airports have been approved for participation: the first, Stewart International Airport in Newburgh, New York was returned to public operation in 2007 when the private operator sold its lease to the Port Authority of New York and New Jersey. The second, San Juan (Luis Muñoz Marin International Airport), received FAA approval in February 2013 for a 40-year lease to a private operator and is in the process of transitioning to private management.[8]

A well-publicized effort by the City of Chicago to lease Midway Airport to a private operator in 2009 failed because the private operator could not raise the financing necessary to meet the $2.5 billion it had bid for the lease. The FAA's privatization program includes only one slot for a large airport, and the City of Chicago retains that slot as it explores a second round of privatization proposals. Unless Chicago withdraws its application, Charlotte would not be eligible to participate in the privatization program as there are no other openings for a large hub airport. During our interviews, no interest was raised in the airport privatization program by anyone.

The following is an example of an airport with private governance:

Figure 7 – Example of an airport with private governance

Rank	Governance	Code	Airport	Operator
48	Private	SJU	Luis Muñoz Marin International Airport	Puerto Rico Ports Authority/Aerostar Airport Holdings

Sources: Airport websites; Oliver Wyman analysis.

C. Distribution of Airports by Specific Governance Types

The 86 U.S. airports with over one million enplanements in 2011 are distributed among the following governance categories. Because some of the largest airports are operated by port authorities and cities, those governance types have a greater share of enplanements than their share of the number of airports.

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[8] A small commercial service airport in Branson, Missouri operates on a private basis outside of the FAA's privatization program.

Figure 8 – Table – airport governance distribution

Type	Number	% of Total	% of Passengers
City	31	36%	45%
Airport Authority	30	35%	25%
County	10	12%	10%
Port Authority	8	9%	15%
State	6	7%	4%
Private	1	1%	1%
Total	86	100%	100%

Sources: U.S. DOT, T100 & OD1B database, Year Ended 3qtr 2012, using planestats.com; airport websites; Oliver Wyman analysis.

Figure 9 below displays the same information graphically.

Figure 9 – Airports and enplanements by type of airport governance
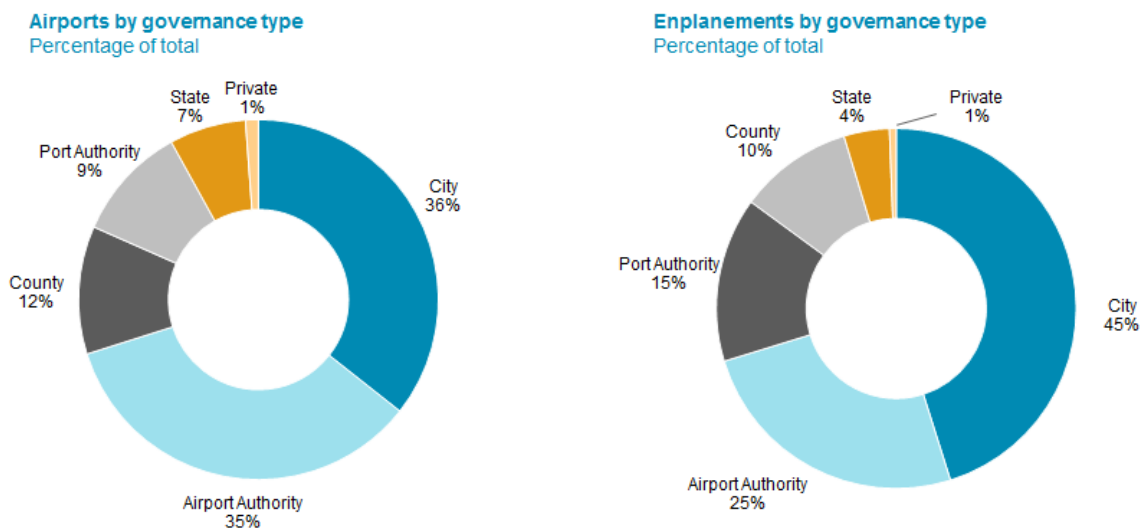
Sources: U.S. DOT, T100 & OD1B database, Year Ended 3qtr 2012, using planestats.com; airport websites; Oliver Wyman analysis.

There is no obvious set of criteria that predisposes an airport toward one type of governance over another.[9] Shown below are the governance types in place at the network airline (sometimes called "legacy airline") hubs; low cost carrier focus cities; and airports, divided into three passenger-size categories. The only discernible pattern is that authority governance is more common at the smaller airports in our set, those ranging in size from 1-3 million annual enplanements. We attribute this to the greater likelihood that these smaller airports are

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[9] Ibid, 5.

located in multiple jurisdictions, as opposed to their having specifically decided that this form of governance is superior. It has also been suggested that the success of large city airports and the political power of large cities makes it less likely that they will relinquish control to an authority or other special purpose form of governance:

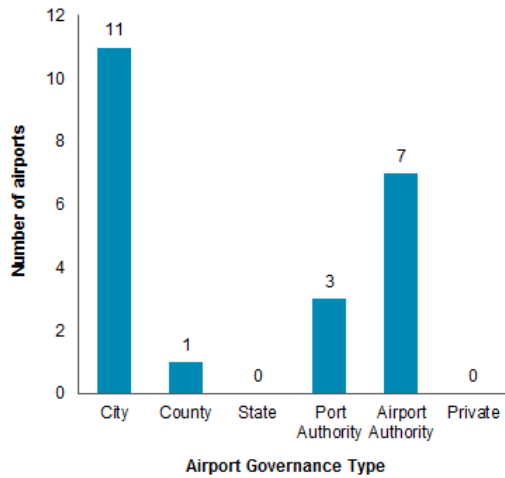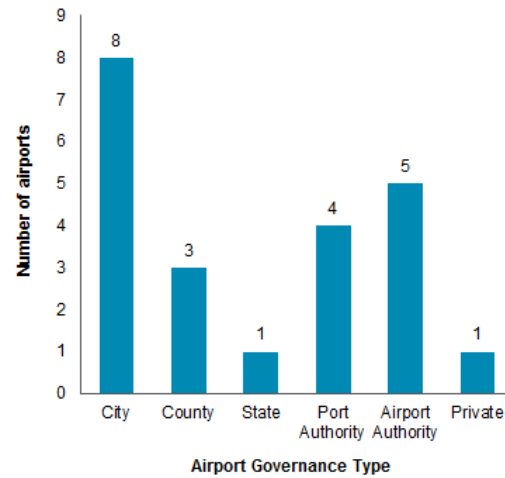**Figure 10 – Governance type distribution among U.S. hubs of network carriers**

Figure 11 - Governance type distribution among U.S. focus cities of low cost carriers

Sources: Airport websites; Oliver Wyman analysis.
Network carrier hub airports include: ATL, CLE, CLT, CVG, DCA, DEN, DFW, DTW, EWR, IAD, IAH, JFK, LAX, LGA, MEM, MIA, MSP, ORD, PHL, PHX, SFO, and SLC.
Low cost carrier focus city airports include: ATL, BNA, BOS, BWI, DAL, DEN, DFW, DTW, FLL, HOU, JFK, LAS, LAX, LBG, MCO, MDW, OAK, ORD, PHX, SAN, SJU, and STL.

As shown in Figures 12, 13, and 14 below, airport authorities make up 21% of airports with over 10 million enplanements (5 of 24 airports), 34% of airports with 3-10 million enplanements (10 of 29 airports), and 45% of airports with 1-3 million enplanements (15 of 33 airports).

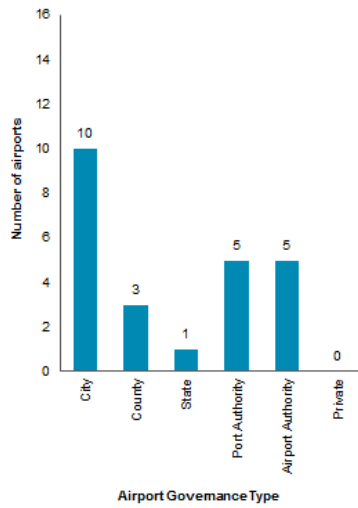**Figure 12 – Governance type distribution among airports with >10 million annual enplanements**

Figure 13 – Governance type distribution among airports with between 3-10 million annual enplanements
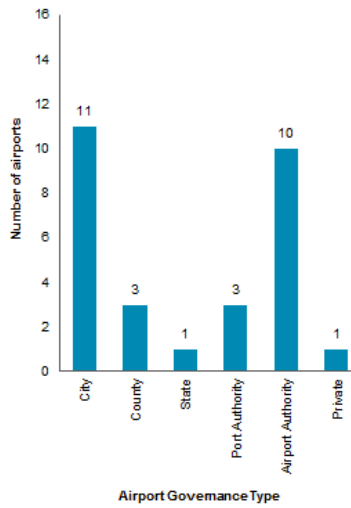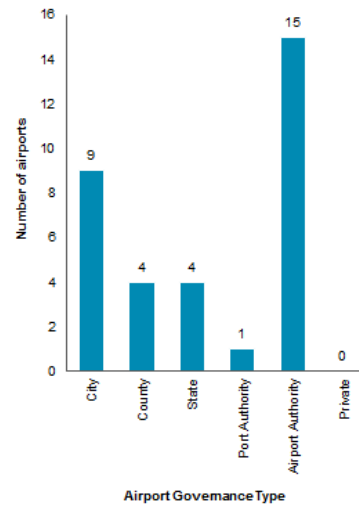
Figure 14 – Governance type distribution among airports with 1- 3 million annual enplanements

Sources: Airport websites; Oliver Wyman analysis.

V. ADVANTAGES AND DISADVANTAGES OF DIFFERENT GOVERNANCE STRUCTURES

Two basic airport governance structures are relevant to this study—municipal and authority/ special purpose. Privatization is not under consideration, nor is there currently an available slot under the FAA's privatization program. As to a port authority structure, to our knowledge, there has been no discussion of the Charlotte Airport becoming part of a larger organization that manages roads, buses, rail, or ports. The planned intermodal rail facility at the Airport is just that – a rail facility located at the Airport that will serve to generate revenue for the Airport on airfield land that would otherwise be unlikely to generate revenue.

Based on a review of prior studies, interviews with experts having experience at multiple large airports having different governance structures, and Oliver Wyman's experience from prior work, the potential advantages and disadvantages of municipal and authority/special purpose governance structures are listed below. These potential advantages and disadvantages may or may not translate into real world performance differences. In the next section, we discuss the extent to which these features have been shown to result in performance differences.

Airport governance type strengths and weaknesses:

A. Municipal

Airports that are operated directly by cities have the following strengths and weaknesses.

Strengths	Weaknesses
Intergovernmental coordination benefits	Elected officials have multiple constituents and priorities which may result in less focus on Airport issues
Access to city expertise	City may look to airport to contribute to central city services not essential to airport operation
Citizen recourse to elected officials	Airport may be less likely to attract and retain best-qualified work force
Ability to provide financial support beyond airport resources	May be less continuity in airport governance, based on election results, depending on particular form of city oversight
Procurement economies of scale available to a larger entity	Oversight may be less business-like than some other forms, with associated disadvantages in decision-making and implementation speed
	May be required to use services such as police and fire from other departments of same jurisdiction rather than most cost-effective source

Comments:

Proponents of municipal airport governance maintain that by permitting citizens to have direct access to elected officials, municipal governance models institutionalize voter control over the use of a governmental power, and that this important feature is lost under an authority structure. They also argue that the council-manager form of government, as used by Charlotte, provides greater continuity than other forms of municipal governance in that the city manager is not an elected official but has a function similar to that of a corporate CEO. The city manager is responsible for providing professional management and reporting to an elected council that functions like a board of directors.[10] Proponents also point out that Charlotte has a history of city managers having long tenures, thereby providing continuity and stability in governance.

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[10] See description of city manager and council-manager functions on International City/County Management Association website (http://www.icma.org/).

Critics of municipal airport governance maintain that authorities strive to be good neighbors and corporate citizens just as municipal airports do; and that they have no trouble in navigating intergovernmental issues, including coordinating with other public entities regarding permitting, land use or other issues. They point out that all U.S. airports with more than a million enplanements are fully self-supporting and do not rely on municipal financial support. And that any bulk purchasing savings available to municipal airports as a result of being part of a larger enterprise are modest and more than offset by higher overhead and required central services contributions.

B. Airport Authorities and Other Special Purpose Entities

Airports that are operated as independent authorities or other single-purpose independent entities[11] have the following strengths and weaknesses.

Strengths	Weaknesses
Governing board focused exclusively on airport issues	Responsiveness to citizens
Business-oriented and capable of fast decision-making and implementation	Loss of special relationship to local government and local government expertise
Clear financial independence and separation from other governmental entities	Loss of benefits of purchasing scale and local governmental expertise
Greater continuity of governance, assuming staggered board	
Greater flexibility in compensation and procurement	

Comments:

Proponents of authority governance maintain that airports benefit from a governance structure that is more like a private business, with a reduced level of political involvement reflected in the power of elected officials to make appointments to the authority board but not to have continuing oversight. Although they are not elected, board members are expected to represent the airport's stakeholders. Proponents also argue that authorities are able to operate more efficiently and at lower cost than municipal airports as a result of their full contractual and

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[11] Such as the DFW Airport Board.

financial separation from the city in which they are located, which enables them to develop specialized procurement and workforce practices, and to avoid paying for city programs and services which they do not need.

Critics maintain that the performance of an airport authority is heavily dependent on the qualities of the individual board members. When board members bring their own agenda as opposed to focusing solely on the goals of the airport, an authority can become dysfunctional and there may be no recourse to any higher public official or body. Board members appointed by remote jurisdictions without strong ties to the local community may be regarded with skepticism and not as the best stewards. In addition, authorities and other special purpose entities have only the powers granted to them, and may be established without the full set of powers necessary to function effectively.

C. Summary

A lengthy 1999 study[12] on airport governance by the Bureau of Governmental Research, a nonprofit New Orleans think tank, summarizes much of the prevalent thinking as to the strengths and weaknesses of municipal governance versus airport authority governance, and is quoted below:

CITY-OWNED AIRPORTS

"This form of governance suffers from a number of disadvantages that can impede efficiency. Such airports are vulnerable to political interference. In addition, their freedom in employment matters is constrained by applicable civil service laws restricting hiring and firing. Their ability to function efficiently can be hampered by citywide procurement rules. "[13]

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"There are certain advantages often attributed to this form: less red tape, a single purpose and focus, greater freedom from politics, and the ability to run the airport as a business…. They can also improve management by operating independently of traditional municipal civil service systems, thus allowing for greater salaries and hiring/firing flexibility. They can bypass cumbersome local processes, including certain procurement and decision-making processes. Authorities are often perceived as less subject to local political influence, leading at times to the criticism that they are unresponsive to citizens' concerns.

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[12] New Orleans International Airport Governance, Regional Cooperation and Airport Expansion, Bureau of Governmental Research, 1999, available at. http://www.bgr.org/reports/new-orleans-international-airport/

[13] Ibid, at 11.

"The fact that an airport is owned and operated by an authority will not in and of itself result in better management and less political interference. The success of a given authority depends to a large extent on who the members are, what their true interests are, and the history and culture of the community. "[14]

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[14] Ibid.

VI.   COMPARISON OF SPECIFIC CHARACTERISTICS

A. Available Data and Evidence

Prior studies on the effectiveness of different forms of airport governance generally have not found conclusive evidence that one type of airport governance produces superior performance. These studies tend to fall into one of two categories, either empirical analysis of the performance of various governance structures or holistic evaluations of changes in governance focused on the local impact of those changes. [15]

A few in-depth empirical studies have been conducted to evaluate airport governance based on performance metrics. Those studies either concluded that the results were not statistically significant, or relied on very limited data sets to draw conclusions.

- In an unpublished paper from 2005,[16] researchers compared the financial performance of municipally-operated airports to airports operated by airport authorities, and found that airport authorities operated more efficiently than municipal airports in terms of lower cost per enplanement. However, the data set used was problematic in at least two respects: (1) the data was at least 13 years old at the time of analysis, covering the period 1979-92; and (2) perhaps because of data availability, only nine of the top 20 airports were included.

- A 2008 study of airports around the world examined airport efficiency using various criteria and concluded that: "Although average efficiency of the airports owned and operated by cities/states are lower than those operated by independent airport authorities, the difference is not statistically significant."[17]

In addition to the empirical studies, several studies were conducted by or on-behalf of airports that considered transitioning from one airport governance structure to another. We reviewed studies from the Allegheny County Airport Authority, the City of Denver, and the Bureau of Government Research. These studies focused on comparing the relative benefits and drawbacks associated with transitioning to a new governance structure.

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[15] A number of these studies are discussed in Reimer, Daniel S., and John E. Putnam, "Airport Governance and Ownership." ACRP Legal Research Digest 7 (2009),

[16] Craig, Steven, James Airola & Manzur Tipu, The Effect of Institutional Form on Airport Governance Efficiency, November 2005, http://uh.edu/

[17] Tae-Hoon Oum, Jia Yan & Chunyan Yu, Ownership Forms Matter for Airport Efficiency: A Stochastic Frontier Investigation of Worldwide Airports, 64 J. Urban Economic 422 (2008). See also Effects of Government Quality and Institutional Choice on Efficiency of the U.S. Commercial Airports, Yan, Jia and Tae Hoon Oum, 2013, which focuses on corruption as a measure of governmental quality, http://www.fpti.wsu.edu/research/Documents/Effects%20of%20Govt%20Quality%20and%20Institutional%20choice%20Efficiency%20of%20US%20Commercial%20Airports.pdf

- In 2008, Allegheny County (operator of the Pittsburgh Airport) released a report that highlighted its achievements as an authority since being established in 1999, including air service development, lower airfares, and economic development activities.

- In 2005, the City of Denver conducted a study which pointed to advantages and disadvantages of the current municipal governance structure. The study noted that "City policies and procedures are cumbersome and drive higher costs at Denver International Airport ("DIA"). Examples include:

  o "Revenue opportunities and cost efficiencies that could have further improved DIA's financial situation have been lost.

  o Restructuring or amending contracts requires 60-90 days.

  o Reducing personnel costs takes 4-6 months or more and is usually driven by seniority rather than needed skills or performance.

  o Approval of contracts that can generate revenue requires 45-60 days.

  o Depending on bid requirements, facilities contracts under $500,000 take 2-4 months; more than $500,000 takes 4-6 months."

The study listed the following potential advantages of "governance with more independence":

  o "More authority to operate, purchase, plan and hire;

  o Cost reductions through efficiencies; and

  o Better focus on the needs of the traveler and tenant."

The study listed the following advantages of the current form of governance:

  o "Cost of some services (water)

  o Access to city expertise;

  o No disruption to current political process"

The Denver study found that "structure has not had an influence on levels of service or bond ratings in other cities" and that a "change in governance may or may not result in ability to lower cost of debt."[18] Overall, the study concluded that while different governance structures had benefits and drawbacks, there was no need to adopt a different governance structure.[19]

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[18] Reimer, Daniel S., and John E. Putnam, "Airport Governance and Ownership." ACRP Legal Research Digest 7 (2009).

[19] Denver International Airport Working Group, On-Airport Subcommittee, Findings, Conclusions & Recommendations, May 11, 2005.

- In 1999, the Bureau of Governmental Research produced an extensive report that assessed the value of transitioning the New Orleans airport to an airport authority, identifying benefits and drawbacks, and recommending the creation of an authority. Portions of that report are cited elsewhere in this report.[20]

A central reason why prior studies of the governance structure impact on airport performance have been inconclusive is the difficulty of making apples-to-apples comparisons between airports. For example, although the 2008 report by the Allegheny County Airport Authority highlighted the achievements made as an authority since being established in 1999, the fact is that the overall number of flights and passengers at the airport declined dramatically during that period, while airport charges per enplanement increased substantially. The increase in charges was largely a result of the decline in passengers; the airport's total operating costs did not increase during the 9-year period covered; and few would blame the Authority for US Airways' decision to de-hub Pittsburgh. Nevertheless, the comparison of pre- and post-Authority performance makes it difficult to measure the impact of the change in governance.

Similarly, the difference in governance structure between the Port Authority of New York and New Jersey airports, and the City of Phoenix's Sky Harbor Airport likely plays only a small role in the dramatic difference in airport charges between the two sets of airports.

Additional study and data sources would be required to ascertain whether there are clearly measurable differences in airport performance that are driven by differences in the governance model. Our expectation is that these differences are most likely to be measurable in areas such as: (1) procurement – especially the length of the procurement process; (2) overhead as a percentage of total operating costs; (3) degree of outsourcing, as some functions may be more likely to be outsourced by authorities; and (4) "time required" measures of other processes, such as hiring.

The sections below compare airport costs, bond ratings, and other airport characteristics between airports having different governance types.

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[20] New Orleans International Airport Governance, Regional Cooperation and Airport Expansion, Bureau of Governmental Research, 1999; available at http://www.bgr.org/reports/new-orleans-international-airport/

B. Airport Costs

There is no obvious correlation between airport governance type and airport costs, as measured by Cost per Enplanement (CPE), the most commonly-used method of comparing the level of airport charges. Among the 25 largest U.S. airports, the five airports with the lowest CPE are all city or county-run airports. CLT has the lowest CPE among major U.S. airports, followed by Salt Lake City, which is also a city-run airport. See Figure 3.

Figure 15 below shows, for each governance type, the average CPE among airports with more than one million annual enplanements, as well as the highest and lowest CPE. Although airport authorities have the lowest average CPE among the different airport governance types, at $6.60, this may reflect the fact that smaller airports are more likely to have airport authorities, and those airports are also more likely to be operated in smaller cities, which tend to have lower operating costs and therefore lower CPEs.

Figure 15 - Range of cost per enplanement for different governance structures
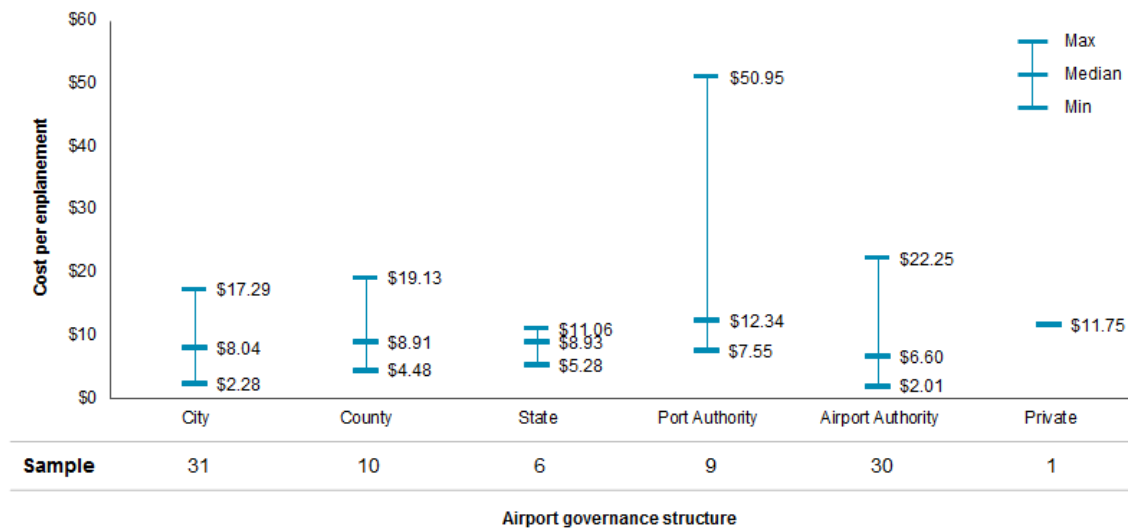
Sources: FAA Form 127 passenger aeronautical revenue divided by DOT enplanements, most recent fiscal year reported, using planestats.com; Oliver Wyman analysis. Adjustments were made to the calculated CPEs for Atlanta, Chicago O'Hare, JFK, Los Angeles, and Newark to reflect the cost of airline-financed facilities which are not incorporated in the FAA reported revenue. See Figure 2 for adjustments.

C. Ability to Obtain Financing and Strength of Bond Rating

Large U.S. airports such as CLT have long had strong access to the credit markets and relied heavily on airport revenue bonds to finance a majority of their capital funding needs. Airport revenue bonds are distinguished from general obligation bonds by their guarantee of repayment solely from airport revenues, rather than from taxes. Thus, for example, the cover of the official

statement for the $110 million 2011 Charlotte Airport Revenue Bonds states that the bonds "are not payable from the general funds of the City" and that "neither the credit nor the taxing power of the City is pledged for the payment" of the bonds.

Based on our review of the rating criteria applied to airport revenue bonds, discussions with professionals involved in the rating process, and analysis of the ratings assigned to airport revenue bonds of airports with different governance types, it is clear that authority-run airports with more than one million enplanements obtain access to revenue bond financing and have bonds that are highly rated. As shown in Figure 16 below, despite the smaller number of airports in the airport authority set, the bonds of three airport authorities were ranked in the highest two bond rating categories versus the bonds of only one airport in the city/county/state governance category.

Figure 16 below shows bond ratings assigned to the various airport revenue bonds in our set of airports with more than one million annual enplanements.[21]

Figure 16 – Comparison of airport bond ratings for city, county, state airports and airport authorities

Sources: Most ratings are by Moody's as reported in US Airport Medians for FY 2011, dated October 19, 2012. Those not included in the Moody's report are from public ratings reports by Fitch, converted to the Moody's rating scale. Note: Port Authority bonds were not included in the above because of their sometimes complex financial structure which results in multiple different ratings. Also, Salt Lake City International Airport was omitted as it does not currently have outstanding rated debt.
See Moody's Investors Service Rating Methodology, Airports with Unregulated Rate Setting, July 21, 2011 for rating criteria, ratings definitions, and ratings distribution.

In terms of averages, both airport authorities and city, county, and state run airports have an average airport revenue bonding rating of A1 from Moodys.[22]

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[21] Most ratings are by Moody's as reported in US Airport Medians for FY 2011, dated October 19, 2012. Those not included in the Moody's report are from public ratings reports by Fitch, converted to the Moody's rating scale.

D. Land Use Planning/Zoning/Noise

We know of no data source that permits an objective comparison of land use planning/zoning/noise mitigation effectivenss of different forms of airport governance. In the more than half a dozen lengthy interviews we conducted with senior airport professionals who have worked in more than a dozen of the largest U.S. airports, we pressed for possible differences in effectiveness in these areas that could result from different airport governance.

The responses we received were similar in all cases. If the airport authority has the powers needed in terms of eminent domain rights and other land use powers, then there should be no difference in effectiveness. If the authority is established without a full set of powers, then it may have difficulty in coordinating some land use issues.

The particular form of airport governance is not regarded as the distinguishing factor here, but rather the set of powers that the airport authority is given when it is established. When we asked, for example, about building permits, the response we received was that the process for granting building permits was the same regardless of whether the airport was part of a city/county or operated an independent authority. This is not to say that a city/county could not deliberately interfere with the processing of such permits, but rather that in the ordinary course of operations, there is no reason to believe the process is different for an airport authority. With specific regard to noise issues, the airport professionals we spoke with noted that this area is heavily governed by federal statute.

E. Responsiveness to the Public

As with land use issues, we know of no data source that permits an objective comparison of responsiveness to the public of different forms of airport governance. A check of airport websites shows that both municipal and authority-run airports routinely have noise compatibility programs and community relations/outreach programs. The individuals we spoke with who had worked at both municipal airports and airport authorities were not aware of any differences. They suggest that the greater "nimbleness" and "flexibility" of an airport authority sometimes made it possible for airport authorities to respond more quickly or provide more flexible solutions to neighborhood concerns. Similarly, individuals who have worked with both municipal and authority models suggest that authority board members are often not only active in the community but also frequent travelers and therefore effectively represent the interests of multiple stakeholders. On the other hand, as evidenced by Charlotte stakeholder comments, there is some level of local concern that an authority will be less responsive to the public.

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[22] As reported in Moody's investor service report "US Airport Medians for FY 2011", dated October 19, 2012.

F. Economic Development

With regard to the amount of economic impact of an airport and the number of regional jobs created by an airport, these outputs are largely driven by passenger and cargo volumes. Different types of passengers drive differing levels of economic impact. Foreign visitors typically generate the most regional economic activity based on their level of spending in the community, along with indirect and induced spending as wages earned locally are re-spent in the community. Domestic visitors typically generate less economic impact, although more than connecting passengers. Cargo volume generates regional economic impact as well through the jobs associated with cargo handling and the re-spending of local wages.

Apart from these impacts, specific local projects may benefit from regional/state cooperation and specific incentives. The individuals we spoke with were not aware of any differences in economic development that would result from different governance types.

G. Airport Leadership Succession Planning

The project scope identifies airport leadership succession planning as an area where the type of airport governance may be relevant. Our interviewees suggested that airports of all governance types may do a good job or bad job in this area. Airports with municipal governance are more likely to change airport leadership as a result of local election results; however, this is more associated with a "strong mayor" form of government than a council-manager form of government where the city manager position provides more continuity. Similarly, airports that are part of a city government are more likely to rotate personnel into senior airport positions who have spent much of their careers worked in other departments, as opposed to having a long history of airport experience.

Overall, authorities are believed to have more continuity in their governing boards as a result of staggered board terms and greater distance from the political process. In turn, this makes it more likely that the airport director position will be stable, and this stability is likely to be more conducive to careful sucession planning.

One reason why leadership stability is important to an airport's effectiveness is the long-term nature of major airport projects. Unlike airlines and some other businesses which have a shorter-term focus on profitabilty, and in contrast to the shorter-term focus of elected officials who must concentrate on winning the next election, airports must plan and execute major multi-year capital projects that will serve the community, passengers, airlines, and other tenants for many decades.

VII.   PEER GROUP ANALYSIS

A. Selection of Peers for Evaluation

To select a peer group for comparison with the Charlotte Airport, we identified airports with more than 10 million annual enplanements in 2011 and also with more than 50% of transfer passengers. (We decided to include one additional airport, Minneapolis, with 49% of transfer passengers.) As noted previously, CLT's heavy reliance on connecting passengers is one of its distinguishing characteristics. Provided below is the list of airports from which CLT peers were selected:

Figure 17 – US Airports with over 10 million enplanements in 2011

Airport	Name	Governance	Enplane- ments (M)	Connect- ing %
ATL	Hartsfield–Jackson Atlanta International Airport	City	44.4	68%
ORD	O'Hare International Airport	City	32.3	47%
LAX	Los Angeles International Airport	City	30.4	21%
DFW	Dallas/Fort Worth International Airport	Airport Authority	27.8	58%
DEN	Denver International Airport	City	26.3	47%
JFK	John F. Kennedy International Airport	Port Authority	23.7	17%
PHX	Phoenix Sky Harbor International Airport	City	20.2	43%
SFO	San Francisco International Airport	City	19.8	22%
LAS	McCarran International Airport	County	19.8	15%
IAH	George Bush Intercontinental Airport	City	19.6	59%
CLT	Charlotte/Douglas International Airport	City	19.5	74%
MIA	Miami International Airport	County	18.1	43%
MCO	Orlando International Airport	Airport Authority	17.5	7%
EWR	Newark Liberty International Airport	Port Authority	16.9	28%
SEA	Seattle–Tacoma International Airport	Port Authority	16.1	28%
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	16.0	49%
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	15.8	51%
PHL	Philadelphia International Airport	City	15.3	42%
BOS	Logan International Airport	Port Authority	14.0	5%
LGA	LaGuardia Airport	Port Authority	12.0	8%
BWI	Baltimore–Washington International Airport	State	11.5	26%
FLL	Fort Lauderdale–Hollywood International Airport	County	11.5	8%
IAD	Washington Dulles International Airport	Airport Authority	11.2	39%
SLC	Salt Lake City International Airport	City	10.1	47%

▨ **Selected as peers**

Sources: U.S. DOT, T100 & OD1B database, 2011 and Year Ended 3qtr 2012, using planestats.com; Oliver Wyman analysis. 2011 enplanements; connecting percentage for year ended 3rd quarter 2012.

The peer group selected is the following, and it consists of three city airports, including CLT, and three airport authority airports:

Figure 18 – Identified peer airports

Airport	Name	Governance	Enplane-ments (M)	Connecting Pax %
CLT	Charlotte/Douglas International Airport	City	19.5	74%
ATL	Hartsfield–Jackson Atlanta International Airport	City	44.4	68%
IAH	George Bush Intercontinental Airport	City	19.6	59%
DFW	Dallas/Fort Worth International Airport	Airport Authority	27.8	58%
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	15.8	51%
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	16.0	49%

Sources: U.S. DOT, T100 & OD1B database, 2011 and Year Ended 3qtr 2012, using planestats.com; Oliver Wyman analysis.

B. Cost - CPE

Based on financial information reported to the FAA by U.S. airports, we analyzed average airport costs, as measured by CPE. The results, as shown below, are that both the lowest cost and highest cost airports in the peer set are city airports, with authority airports clustered in the middle. We see no obvious pattern for these rankings.

Figure 19 – Peer airport CPEs

Airport	Name	Governance	CPE
CLT	Charlotte/Douglas International Airport	City	$2.28
ATL	Hartsfield–Jackson Atlanta International Airport	City	$4.99
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	$6.01
DFW	Dallas/Fort Worth International Airport	Airport Authority	$6.86
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	$9.09
IAH	George Bush Intercontinental Airport	City	$10.65

Sources: FAA Form 127 passenger aeronautical revenue divided by DOT enplanements, most recent fiscal year reported, using planestats.com; Oliver Wyman analysis.

C. Bond Ratings

Bond ratings for the peer airports are listed below, based on Moody's "US Airport Medians for FY 2011". They show that Minneapolis (authority), Charlotte (city), and Houston (city) are tied with the highest bond ratings, followed by a tie between Atlanta (city) and DFW (authority), and then Detroit (authority). We see no obvious pattern in these rankings.

Figure 20 – Peer airport bond ratings

Airport	Name	Governance	Bond Rating
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	Aaa
CLT	Charlotte/Douglas International Airport	City	Aa3
IAH	George Bush Intercontinental Airport	City	Aa3
ATL	Hartsfield–Jackson Atlanta International Airport	City	A1
DFW	Dallas/Fort Worth International Airport	Airport Authority	A1
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	A2

Sources: Most ratings are by Moody's as reported in US Airport Medians for FY 2011, dated October 19, 2012. Those not included in the Moody's report are from public ratings reports by Fitch, converted to the Moody's rating scale.

D. Customer Service

A limited set of information is available with regard to customer service rankings of U.S. airports. The rankings below are based on SkyTrax rankings of U.S. airports dated from 2012 and JD Power & Associates rankings dated from 2010. As shown below, there does not appear to be a correlation between customer service ranking and airport governance type. Note as well that the two sets of rankings do not closely resemble each other.

Figure 21 – Peer airport customer service ratings

SkyTrax

Airport	Name	Governance	SkyTrax
CLT	Charlotte/Douglas International Airport	City	88
IAH	George Bush Intercontinental Airport	City	83
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	76
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	65
ATL	Hartsfield–Jackson Atlanta International Airport	City	59
DFW	Dallas/Fort Worth International Airport	Airport Authority	49

JD Power & Associates

Airport	Name	Governance	JD Power
DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	705
MSP	Minneapolis–Saint Paul International Airport	Airport Authority	701
CLT	Charlotte/Douglas International Airport	City	697
DFW	Dallas/Fort Worth International Airport	Airport Authority	692
IAH	George Bush Intercontinental Airport	City	685
ATL	Hartsfield–Jackson Atlanta International Airport	City	666

Sources: Skytrax 2012 Airport Reviews, http://www.airlinequality.com/; 2010 North America Airport Satisfaction Study; http://www.jdpower.com/content/detail.htm?jdpaArticleId=1320; Oliver Wyman analysis.

E. Summary

Peer group statistical data does not point to a specific answer to the question of which governance type is best. Despite this, most studies conclude, and most experts believe, that a properly structured airport authority has inherent advantages over a municipal model.

VIII. AIRPORT GOVERNANCE BEST PRACTICES

A. Governance Type

Although we did not conduct a formal poll as part of this study, those interviewed with experience in both city or county systems and airport authority systems strongly favor a "properly structured" authority as the best form of governance for many U.S. airports. A majority of senior airport executives interviewed were unwilling to take a public position on this subject, but believe that an anonymous poll would show that an overwhelming majority of airport directors favor an authority structure.

Does this conclusion fairly represent the views of the full range of stakeholders at an airport such as CLT? We believe the answer is yes. The best way to explain this may be to refer back to the measures of success for the Airport listed at the beginning of this report. Using those measures, we can consider whether the Airport is more likely to be successful under an authority structure from the perspective of specific airport stakeholders.

Listed below are the measures of success identified for the Airport, the success factor most within the Airport's control, and the primary airport stakeholders, as we see them:

Figure 22 – Measures of success and primary stakeholders

PRIMARY MEASURES OF SUCCESS	PRIMARY SUCCESS FACTOR WITHIN THE AIRPORT'S CONTROL	PRIMARY STAKEHOLDERS
▪ Passengers and passenger growth Secondary measures: ▪ Breadth of nonstop service (number of destinations) ▪ Breadth of international service ▪ Availability of low fares ▪ Customer-friendly facilities and services ▪ Good neighbor, good employer ▪ Economic development	▪ Level of airport charges	▪ Residents – who benefit from economic impact of the Airport ▪ Residents – who may be impacted by noise and land use issues ▪ Passengers ▪ Business partners ▪ Employees ▪ Public officials

Addressing the perspective of each stakeholder group in turn:

▪ **Residents – who benefit from the Airport's economic impact**
  As explained more fully elsewhere in this report, our conclusion is that a properly structured airport authority will help institutionalize the conditions that have led to the Airport's success. In practical terms, this means creating the conditions under which the Airport is most likely to be able to maintain its airport-charge advantage and, as a result, to maintain or increase the overall number of passengers and flights. To the extent that an airport authority governance structure helps achieve this outcome, that structure would benefit residents of the Charlotte area because of the Airport's huge economic impact, recently estimated to be approximately $12.5 billion.[23]

▪ **Residents – who may be impacted by noise and land use issues**
  The report has previously discussed the situation of residents who may be impacted by noise and land use issues, with many experts concluding that, as a practical matter, those residents are treated the same under both authority and municipal governance structure. Others believe that municipal governance is more responsive.

▪ **Passengers**
  By creating the conditions under which the Airport is most likely to be able to maintain or increase the overall number of passengers and flights, an authority structure could benefit passengers by helping to make available more nonstop flights to more destinations, thereby creating greater choice for travelers, and saving travel time because of the greater availability of nonstop flights.

▪ **Business partners**
  Because an authority structure enables an airport to develop its own procurement and contracting practices, businesses that contract directly with the Airport, including airlines and other tenants, are likely to benefit from procurement and contracting practices that are more like those in the private sector. Other businesses – those that have no direct relationship with the Airport – are likely to benefit to the extent that an airport authority governance structure helps maintain or increase the overall number of passengers and flights. This in turn would result in greater businesss opportunities, as well as greater travel options for employees.

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[23] CLT has an economic impact of about $12.5 billion; RDU has an economic impact of about $7.8 billion, according to a 2012 study by the N.C. Department of Transportation's Division of Aviation.

- **Employees**

  Airport employees are unlikely to be disadvantaged by a transition to an authority since airport authorities typically offer transitioning employees a comparable pay and benefits package. In addition, airport authorties may have greater flexibility to provide compensation that is more closely tied to market rates. By separating airport employees from the larger city workforce, airport authorities have avoided some employee furloughs and other budget-cutting measures that have been applied uniformly to city employees, including airport employees.

- **Public officials**

  Public officials have many responsibilites, among the most important of which are economic develoment responsibilities. An authority structure is aligned with the interests of public officials to the extent that it maximizes the growth of the Airport and hence its economic impact. This is not to suggest that public officials do not have other important responsibilities, some of which may be more difficult for public officials to act upon with an aurthority structure.

It is important to stress that our conclusion as to the best form of governance for the Charlotte Airport is not based on any real or perceived wrong-doing, mismanagement, or other failing by the City of Charlotte. In fact, just the opposite. As is well-recognized, the Airport has thrived under City management, with the lowest costs among peers, a high customer service ranking, and proven ability to plan and execute capital expansion and improvement programs. The Airport has continued to innovate, from rocking chairs to restroom attendants, to the intermodal rail facilty. Furthermore, during our interviews, we did not detect any suggestion that the Airport suffers from the issues/problems that have triggered additional oversight and governance changes at other airports, such as patronage, political favoritism, or contracting irregularities.

A properly structured airport authority is considered to be the more effective form of governance for the following reasons:

1. A properly-structured airport authority reduces the amount of political involvement in airport management, which enables airport managers to better concentrate on running the airport most effectively.

2. A properly-structured airport board is able to function much like a corporate board to add value by focusing on and understanding the business of the airport.

3. The finances of a properly-structured authority are completely separated from that of the city/county/state in which it is located, thereby ensuring that the airport contracts and pays for only the services it needs and uses.

4. A properly-structured authority is able to develop its own contracting and procurement policies, which are likely to lead to more nimble procurement and possibly lower costs.

5. A properly-structured authority is able to develop a compensation system that enables it to attract and retain top talent.

The name given to a properly structured airport authority is not important. The example, the Dallas Fort Worth organization, for example, is referred to simply as the Dallas Fort Worth Airport Board. In addition, depending on the laws of the state and local jurisdiction, airport authorities may be created in multiple ways, including by state legislation or through the actions of one or more local jurisdictions.

B. Board Characteristics

All industry experts interviewed stated that one of the most important factors in airport authority success is the structure of the board of directors. The size, term length, appointment process, allocation of appointments among relevant stakeholders, and profile of individual board members are all important aspects of the board structure.

The following characteristics are best practice elements of airport governance structures:

1. Board appointments should be made by those with an important stake in the Airport.

    As applied to the Charlotte Airport, industry experts concluded this meant a heavy emphasis on appointments by the City of Charlotte and Mecklenburg County. To state the obvious, the Airport is located within the City of Charlotte; it is owned by the City; it was built by the City; and it has been operated by the City for over 75 years. As such, the City has an important stake in the Airport. The experts we interviewed suggested that having appointments made by elected officials of the state was unnecessary. We repeatedly were told that the appointments should be made by those with "the most skin in the game" and that this meant local groups, such as the City, County, and perhaps local business organizations. Although surrounding counties might be represented, their representation should be limited to reflect their lesser involvement in the Airport.

2. The City of Charlotte should have appointment power over a large number of board members, but not a majority.

We were pointed to several cases where appointment power by a single political jurisdiction worked well for some number of years, but then proved problematic as the independence of the airport board unraveled because the majority of appointments was made by a single political entity which changed direction following an election. For example, if a mayor could appoint four members out of a seven member board, the mayor could control the board through his appointments. This control would defeat the purpose of an airport authority by introducing direct political influence into an independently-structured board.

3. Board size should be between 7 and 11, not larger.

Industry experts told us that an effective board is one that has enough members to facilitate healthy internal debate, to adequately staff board committees, and to ensure continuity as staggered terms expire, yet small enough to ensure that the board is able to operate effectively and avoid the development of factions. In addition, board members require management attention, so there are practical limits from that perspective as well. Most interviewees concluded that the most effective board size would be either 9 or 11 – with 9 as the most commonly preferred number. Some thought 9 should be the maximum board size, with 7 a better number.

As shown below, the range of board sizes for airport authorities responsible for airports in the United States with over one million enplanements annually is from five to seventeen board members. The average size board has nine members. During our interviews, the largest boards were routinely described as problematic.

Figure 22 – High, low, & average board sizes by airport size
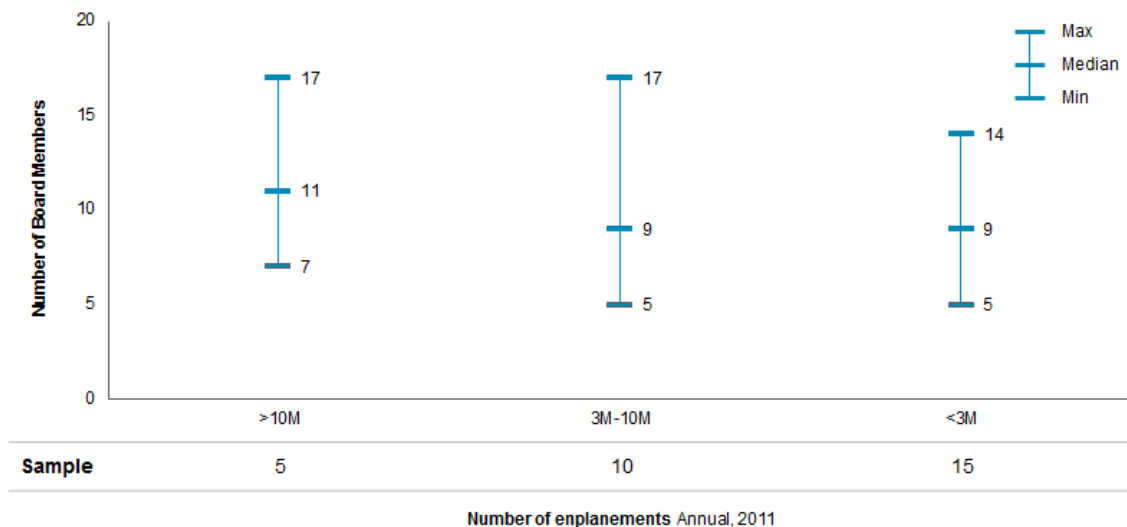
Details regarding board sizes among the airports with more than one million enplanements are shown below:

Figure 23 –Airport board sizes among airports with more than one million enplanements

| Airport	Name	Owner Operator	Board Size
DFW	Dallas/Fort Worth International Airport	DFW Airport Board of Directors	11
MCO	Orlando International Airport	Greater Orlando Aviation Authority	7
MSP	Minneapolis–Saint Paul International Airport	Minneapolis-Saint Paul Metropolitan Airports Commission	15
DTW	Detroit Metropolitan Wayne County Airport	Wayne County Airport Authority	7
IAD	Washington Dulles International Airport	Metropolitan Washington Airports Authority	17
DCA	Ronald Reagan Washington National Airport	Metropolitan Washington Airports Authority	17
SAN	San Diego International Airport	San Diego County Regional Airport Authority	9
TPA	Tampa International Airport	Hillsborough County Aviation Authority	5
BNA	Nashville International Airport	Metropolitan Nashville Airport Authority	10
MEM	Memphis International Airport	Memphis–Shelby County Airport Authority	7
RDU	Raleigh–Durham International Airport	Raleigh–Durham Airport Authority	8
PIT	Pittsburgh International Airport	Allegheny County Airport Authority	9
IND	Indianapolis International Airport	Indianapolis Airport Authority	9
CVG	Cincinnati/Northern Kentucky International Airport	Kenton County Airport Board	11
CMH	Port Columbus International Airport	Columbus Regional Airport Authority	9
JAX	Jacksonville International Airport	Jacksonville Airport Authority	7
BDL	Bradley International Airport	Connecticut Airport Authority	11
BUR	Bob Hope Airport	Burbank-Glendale-Pasadena Airport Authority	9
OMA	Eppley Airfield	Omaha Airport Authority	5
RNO	Reno-Tahoe International Airport	The Reno-Tahoe Airport Authority	9
PVD	T. F. Green Airport	Rhode Island Airport Corporation	7
OKC	Will Rogers World Airport	Oklahoma City Airport Trust	7

Airport	Name	Owner Operator	Board Size
TUS	Tucson International Airport	Tucson Airport Authority	9
SDF	Louisville International Airport	Louisville Regional Airport Authority	11
ORF	Norfolk International Airport	Norfolk Airport Authority	9
RIC	Richmond International Airport	Capital Region Airport Commission	14
BHM	Birmingham–Shuttlesworth International Airport	Birmingham Airport Authority	9
GUM	Antonio B. Won Pat International Airport	A.B. Won Pat International Airport Authority	7
ALB	Albany International Airport	Albany County Airport Authority	7
CHS	Charleston International Airport	Charleston County Aviation Authority	7

Sources: airport websites; Oliver Wyman analysis.

4. Board terms should be staggered, with removal for cause; four-year terms are the norm.

Because one of the principal strengths of an airport board is its continuity, board terms should be staggered so that only a portion of the board turns over at any one time. Standard board terms center on the 4-year mark. The industry experts we interviewed thought that some board members may require a full year before they fully understand how an airport operates and are able to contribute fully. As a result, they felt that terms of four years were the most effective. In addition, interviewees thought that it best if board members could only be removed for cause, as otherwise board members would be subject to removal whenever there was a newly-elected official having appointment power.

Figure 24 – Length of term for airport board members
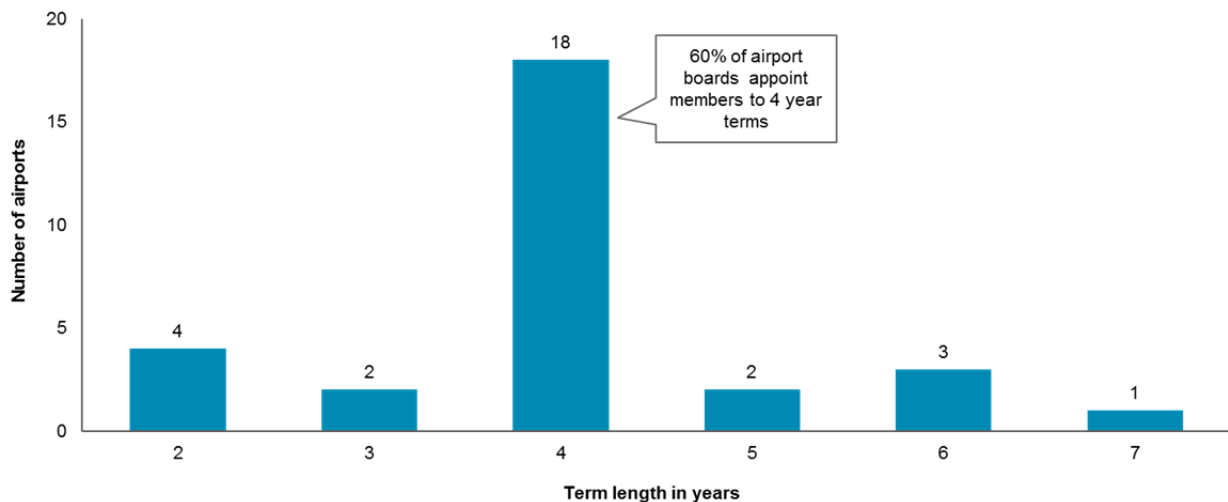
Sources: Public airport websites; Oliver Wyman analysis.

5. There was universal agreement that the quality of board appointments is critical, and that the success of the board is more dependent on this factor than any other.

Interviewees believed that specific background requirements for individual board positions are unnecessary and sometimes unhelpful. Requiring aviation experience, for example, could mean putting an individual on the board with no prior experience making commercial decisions. The fundamental theme expressed regarding board appointments for any board overseeing the Charlotte Airport is that the Airport is a large and complex organization with enormous economic impact, and therefore board members should be business-oriented individuals with senior level experience in similarly complex businesses. With a well-appointed board, the members will focus exclusively on the business of the airport and work with each other to foster the airport's interests.

The Bureau of Government Research report on airport governance states:

"One of the critical aspects in the success or failure of an authority is the quality of people appointed to the board. Politically motivated appointments leave an institution vulnerable to changes in administration and to the exertion of political influence on decisions of a business nature. Such appointments can prevent the community from realizing some of the benefits associated with this form of government."

"By contrast, the appointment of a board with a strong business orientation can increase the likelihood that the enterprise will be operated in a businesslike manner. In order to foster a commercial approach, some authorizing statutes stipulate appointment criteria, such as specific business backgrounds."[24]

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[24] New Orleans International Airport Governance, Regional Cooperation and Airport Expansion, at http://www.bgr.org/files/reports/NewOrleansInternationaAriport.pdf, last accessed April 23, 2013.

C. Other Characteristics

Boards in different states operate under different sets of laws which create different sets of issues. Accordingly, best practices concerning authority rights and powers are likely to vary from state to state. In general, however, our interviewees suggested the following as best practices:

1. No obligation to use local governmental services

   Authorities vary widely in their use of city and county services, especially police, fire, and emergency services. In most cases, the degree to which authorities use these services is left to the authority to decide as a matter of negotiation between the authority and the local government. In some cases where an airport is required to use specific local governmental services, this may impact the airport's ability to negotiate a reasonable cost for those services. In some cases, authorities may be given the right but not the obligation to use city and county services.

2. Condemnation and land use authority

   Condemnation authority varies from airport-to-airport and state to state. Some airports have full condemnation rights while others do not. Interviewees stated that airports with full condemnation rights were better situated in terms of having the tools needed to develop the airport without being subject to outside political approvals.

   From our interviews, it appears that most airport authorities have been granted sufficient land use authority to ensure that the land surrounding the airport will not be developed in a manner that interferes with the flight operations of the airport. This power is important so the airport can demonstrate that it has the authority to comply with FAA regulations and grant obligations.

IX.   TRANSITION ISSUES

The scope of this project includes a review of issues encountered in the process of changing from one form of airport governance to another. Our review is limited to identifying transition issues and how those issues have been addressed in prior airport authority transitions. The time and scope of this project do not permit use of the specialized legal, financial, and other advisory services required to definitively address these transition issues.

In this regard, we studied recent airport transitions, including the creation of the following authorities:

- Allegheny County Airport Authority (Pittsburgh), 1999
- Wayne County Airport Authority (Detroit), 2002
- San Diego County Regional Airport Authority (San Diego), 2003

To obtain more perspective on North Carolina issues, we also reviewed the status of the Greater Ashville Regional Airport Authority ("GARAA") and the functioning of the Raleigh-Durham Airport Authority.

We have grouped transition issues into the following categories:

A. Timing

Regardless of the time specified for a transfer by state legislation, the Federal Aviation Administration must approve the transfer of the Airport's sponsorship before the new sponsor is permitted to exercise control over the Airport. A great deal of prior work must be done before the FAA will take action on an application for transfer.

Our understanding is that, as of this date, approximately ten months after enactment of the legislation creating the GARAA on June 28, 2012, the FAA has not approved GARAA as the airport sponsor. FAA correspondence dated October 22, 2012 questions whether the new authority has good title, whether the transfer will diminish the rights and powers of the controlling entity, and whether the new authority will be able to restrict land use adjacent to the airport. We express no opinion on the merits of the FAA's questions regarding GARAA and note that pending legislation with regard to the Charlotte Airport has different provisions.

Experts we spoke with regarding airport authority transitions counseled that:

- FAA approval of an airport authority transaction takes time even when the legislation is well thought out and addresses all concerns likely to be raised by the FAA.

- Both the Wayne County and San Diego airport authorities created by state legislation have encountered issues that might have been better addressed while the legislation was being drafted.

- Transition planning should be an important part of any legislation establishing an airport authority.

These conclusions seem especially applicable to the situation here where the Charlotte Airport is already on sound footing, and where the stated goal is to help the Airport achieve its maximum potential without undue risk.

Figure 25 below lists the time periods for four airports between enactment of airport transfer legislation and the date on which the new authority took control. We stress that the true time period involved in planning and executing a transfer is greater than the periods listed below. For example, in the case of Pittsburgh, the 141-day period listed does not include prior work involved to plan all aspects of the authority and obtain contractual approvals required to transfer numerous contracts to the new authority. For Pittsburgh, the full period from initiation of new authority planning to date of operation of the new authority is estimated to be approximately one year.

Figure 25 – Length of transition

IATA	Name	Law	Law enacted	Assumed control	Transition days
SAN	San Diego International Airport	California State Act AB 93	14-Oct-01	1-Jan-03	444
DTW	Detroit Metropolitan Wayne County Airport	Michigan Senate Bill 690	26-Mar-02	9-Aug-02	136
JAX	Jacksonville International Airport	CHAPTER 2001-319 House Bill No. 903	11-May-01	1-Oct-01	143
PIT	Pittsburgh International Airport	County Articles of Incorporation	17-Jun-99	5-Nov-99	141

B. Financial Issues

Financial issues may be divided into three general categories: (1) debt transfers, especially transferring outstanding bonds; (2) transferring funds in airport accounts; and (3) general operating finances, such as accounts payable, receivable, and payroll.

1. Outstanding debt

We are not bond counsel and take no position on the transferability of the outstanding debt. In reviewing prior airport authority transitions, our interviewees were not aware of any that required the defeasance or re-issuance of outstanding airport revenue bonds. Obviously, in each case, bond counsel and specialized financial advisors were retained to study how best to transition the outstanding debt to a new governance structure. We were advised that in the cases of Pittsburgh, San Diego, and Wayne County, the outstanding revenue bonds were transferred to the new authority. (We were advised that the situation would likely be different under a privatization scenario.)

2. Transfer of accounts

Since federal law prohibits public entities from taking action to divert revenue generated by an airport to off-airport uses, all airport-generated funds need to be transferred from the prior operating entity to the new airport authority. This is a point of focus for the FAA during its Part 139 certification process in which it approves the transfer of operating authority. In the past, there have been issues around the transfer of capital:

- During the transition to an airport authority for Detroit Wayne County, the County Executive's office refused to transfer the airport's capital reserves to the new airport authority. To resolve the matter, the FAA intervened and forced the transfer under both existing federal law and the newly created state law.

- When the San Diego International Airport was transferred from the San Diego Unified Port District to the San Diego County Regional Airport Authority, the Port District refused to transfer capital to the new airport authority. The FAA eventually intervened on the grounds that it would not be able to certify the new airport authority unless the new governing body exhibited the financial resources to operate the airport effectively.

- Even in Pittsburgh, an amendment to the transfer agreement was executed at the time the authority began operations to further clarify financial separation issues.

As with issues regarding the transfer of outstanding debt, a careful accounting and funds transfer plan is called for.

3. General operating finances

Experts familiar with transitions from a city or county to an airport authority stated that transferring routine financial functions had not been an issue during previous transitions. In

some cases, the transfer of financial operations, in terms of processing revenue, delivering payroll, paying contractors, and servicing debt occurred within the first 60 days.

C. Property Transfer

The transfer of airport property by fee simple or lease has been an issue in some prior airport authority transitions. The legal ramifications of different approaches are not addressed here.

In the case of the Wayne County Airport Authority, the new Authority was given operational authority over the airport, while Wayne County maintained legal title to the airport. We understand that this has created issues in several areas, and that both the Airport Authority and Wayne County continue to be listed as co-sponsors of the airport for FAA purposes, which requires multiple approvals for some actions.

Advice in this area should be obtained from qualified legal experts. Some airports are leased on a long-term basis from their host governments. Others have obtained full ownership rights in the property transferred, which may be the better practice.

D. Use of City Services

During the transition from a city or county to an airport authority, the services that were once performed by the local government will need to be brought in-house to the new authority, contracted for from local government, or privately sourced. One important power for an airport authority is the right to purchase services from local governments and to operate independent police, fire, and emergency services. Currently, San Diego International Airport is required by law to purchase police services from the Port of San Diego. The legislation does not provide the basis upon which police services are to be charged, which has proved to be an important issue for that Authority. A related issue that should be resolved as part of a transition to an airport authority concerns the reasonable costs incurred by local government in making that transition, which presumably constitute start-up costs to be borne by the new airport authority.

E. Employee Transfer and Pension Issues

We are not pension experts and express no opinion as to the transferability of the existing employee pension plans for the Airport. According to the interviewed industry experts, in the prior cases of Pittsburgh, Wayne County, and San Diego, employees were offered a transfer to the new airport authority with the same pay, and comparable benefits and pensions as their previous job. Our understanding is that the airport authority in each case either adopted the same pension plan or was able to craft a separate pension plan within the same overall pension plan family.

F. Safety and Security

Of all airport functions, none are more important than safety and security. The FAA has primary jurisdiction over safety functions, while the United States Transportation Security Administration (TSA) has primary jurisdiction over security functions. To transfer from a city or county governance structure to an airport authority, the FAA would need to approve the transfer of the Airport Operator Certificate, and TSA would need to approve the transfer of obligations under the Airport Security Program. The expectations of both FAA and TSA should be well understood in advance of establishing the final details of the transfer.

G. Land Use Planning and Noise

Qualified land use and zoning experts who understand the FAA regulations regarding land use adjacent to and in the vicinity of airports should be involved in the construction of final language creating an airport authority.

X.   Conclusions and Recommendations

This report addresses two separate and distinct sets of questions:

1. What are the arguments for changing the governance structure of the Charlotte Airport, and how strong is the case for change?
2. Putting aside the answer to the first question, what is the best form of governance for an airport like Charlotte?

As explained in this report and summarized below, we conclude that the Airport has thrived under City management, but that nevertheless a different governance structure should be considered for the future.

A. The Case for Change

On its face, the Charlotte Airport is the most unlikely candidate for a change in governance of any of its peers for the following reasons.

1. The problems identified in this case are quite different from those typically cited to justify a change in governance –

   a. During our interviews, we did not detect any suggestion that the Airport suffers from the issues/problems that have triggered additional oversight and governance changes at other airports, such as patronage, political favoritism, or contracting irregularities. The City takes pride in its clean governance.

   b. Charlotte has been a spectacularly successful airport in most regards, including its low cost, high service quality, and prudent financial management.

2. The specific incidents raised by proponents, as listed below, deserve an examination on the merits, but not a rush to judgment that the City intends to increase Airport costs and therefore should be required to transfer control of the airport.   The specific questions that should be addressed are:

   a. Are there better/more cost-effective solutions to staffing the police/law enforcement function at the Airport?

   b. Is the Airport paying a cost-based share of needed City services, but no more?

   c. Will major stakeholder US Airways be permitted a voice in the selection of the next Aviation Director?

   In our interviews with elected City officials and the City Manager, there was widespread agreement that these subjects should be decided on the merits, and acknowledgment that the City was open to re-addressing each of these issues in an open and flexible fashion. We understand that the issue of US Airways' involvement in the selection of

the next Aviation Director has already been resolved, and that the City is willing to examine other specific issues where questions have been raised as to the level of Airport contribution. There is widespread recognition by City management that it must ensure that the Airport is operated safely and securely but is not targeted to contribute to City services in ways that would unnecessarily raise costs.

3. In short, the issues/incidents raised as evidence that the Airport needs to be governed under a different structure not only are readily fixable, but the City is interested in fixing them. Instead of being given the opportunity to do so, it appears the City was surprised by proponents who introduced legislation to create a regional airport authority.

B. Best Practice Airport Governance Structure

Our conclusion is nevertheless that the best form of governance for the Charlotte Airport is a **properly structured** airport authority. This form of governance may not improve the Airport's level of performance in the short term, but is likely to best position the Airport for the future. Such an authority would provide a governance structure that best supports the success factors identified in this report – low costs, commercial mindset, cooperation with hub partners, and structured and organized management of stakeholders. As noted, this conclusion is not based on any real or perceived wrong-doing, mismanagement, or other impropriety by the City of Charlotte. It simply represents our findings as to how to best institutionalize the factors that have led to the Airport's success.

A properly structured airport authority is considered to be the more effective form of governance for the following reasons:

1. Reduced political involvement in airport management, which enables airport managers to better concentrate on running the airport most effectively.

2. Ability to function much like a corporate board to add value by focusing on and understanding the business of the airport.

3. Finances are completely separated from that of the city/county/state in which it is located, thereby ensuring that the airport contracts and pays for only the services it needs and uses.

4. Ability to develop its own contracting and procurement policies, which are likely to lead to more nimble procurement and possibly lower costs.

5. Ability to develop a compensation system that enables it to attract and retain top talent.

The name given to a properly structured airport authority is not important. The Dallas Fort Worth organization, for example, is referred to simply as the Dallas Fort Worth Airport Board. In addition, depending on the laws of the state and local jurisdiction, airport authorities may be created in multiple ways, including by state legislation or through the actions of one or more local jurisdictions.

What are the aspects of a properly structured airport authority?

1. Board appointments should be made by those with an important stake in the Airport. That means primarily Charlotte, Mecklenburg County, and local organizations.

2. The City of Charlotte should have appointment power over a large number of board members, but not a majority.

3. Board size should be between 7 and 11, not larger.

4. The quality of board appointments is critical, and the success of the board is more dependent on this factor than any other.

5. Other aspects are identified in the body of this report.

C. Transition Issues

Experts we spoke with regarding airport authority transitions noted that these transitions take time, and counseled that the more details worked out in advance the fewer the problems that will be encountered later on. Although transitions can be accomplished in less than six months, to do so smoothly in that period of time generally requires that the parties have done prior work in preparation for the transition. The following issues should be resolved as part of any legislation or other joint agreement to create a new governing structure for the Charlotte Airports. Qualified legal and financial experts should be involved in the process:

1. Bond transfer – As noted, we are not providing an opinion on this subject, but simply observe that outstanding bonds have been transferred in prior airport transfers to an airport authority structure.

2. Pension transfer – As noted, we are not providing an opinion on this subject, but observe that pension issues have sometimes been complicated, although pensions have been transferred in prior transfers to an airport authority structure.

3. Employee offers of employment – These are usually specified in advance with provisions made for equal pay and comparable benefits to those under the prior governance.

4. Continued airport right to procure services from City – To ensure a smooth transition, there should be an understanding covering the airport's ability to procure needed services from the City.

5. Cooperation, and cost reimbursement for reasonable transition costs – Particularly in view of the Charlotte Airport's current high level of performance, the transition should proceed in an coordinated and orderly manner. Also the reasonable direct cost of separating functions should not be an additional burden for the City.

6. FAA approval – Obtaining FAA approval of a transfer takes time, probably more than three months from the time a new authority is established and appointments made. A reasonable timeline should be established.

7. Property transfer and land use – These have been issues in prior airport governance transitions. Again, we stress that legislators and others involved should take the time now to avoid problems for many years in the future.

D. Recommendations

We were not tasked with evaluating the pending North Carolina legislation, but for the reasons explained in this report, it is apparent that the provisions of the North Carolina Senate legislation do not meet our "best practice" criteria outlined above. In its current form, the legislation does not provide best industry practices for a properly structured airport authority, nor for a smooth transition to an airport authority.

To best position the Charlotte Airport to retain its status as one of the most successful airports in the U.S., the steps forward should be carefully considered. At a minimum, this means:

1. Reconsidering any proposed airport authority structure to better meet the criteria outlined in this report.

2. Obtaining input from needed experts in North Carolina law, FAA regulations, and airport authority law, as well as specialized financial advisors, with regard to any legislation, ordinance, or agreement that would change the Charlotte Airport governance structure.

3. Carefully planning for the tasks required to make a smooth transition, with sufficient time allotted, and tasks and responsibilities identified.

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APPENDIX A
U.S. AIRPORTS WITH OVER 1 MILLION ENPLANEMENTS,
CATEGORIZED BY GOVERNANCE TYPE

Rank	IATA	Name	Governance Structure	Owner Operator	Enplane (M)*	Board Size	Term (Years)
1	ATL	Hartsfield–Jackson Atlanta International Airport	City	City of Atlanta / Department of Aviation	44.4		
2	ORD	O'Hare International Airport	City	Chicago Department of Aviation	32.3		
3	LAX	Los Angeles International Airport	City	Los Angeles World Airports	30.4		
4	DFW	Dallas/Fort Worth International Airport	Airport Authority	DFW Airport Board of Directors / Dallas and Ft Worth	27.8	11	2
5	DEN	Denver International Airport	City	Denver Department of Aviation	26.3		
6	JFK	John F. Kennedy International Airport	Port Authority	Port Authority of New York and New Jersey	23.7		
7	PHX	Phoenix Sky Harbor International Airport	City	Phoenix Airport System	20.2		
8	SFO	San Francisco International Airport	City	San Francisco Airport Commission	19.8		
9	LAS	McCarran International Airport	County	Clark County	19.8		
10	IAH	George Bush Intercontinental Airport	City	Houston Airport System	19.6		
11	CLT	Charlotte/Douglas International Airport	City	City of Charlotte	19.5		
12	MIA	Miami International Airport	County	Miami-Dade County /Miami-Dade Aviation Department	18.1		
13	MCO	Orlando International Airport	Airport Authority	Greater Orlando Aviation Authority	17.5	7	2
14	EWR	Newark Liberty International Airport	Port Authority	Port Authority of New York and New Jersey	16.9		
15	SEA	Seattle–Tacoma International Airport	Port Authority	Port of Seattle	16.1		

Rank	IATA	Name	Governance Structure	Owner Operator	Enplane (M)*	Board Size	Term (Years)
16	MSP	Minneapolis–Saint Paul International Airport	Airport Authority	Minneapolis-Saint Paul Metropolitan Airports Commission	16.0	15	4
17	DTW	Detroit Metropolitan Wayne County Airport	Airport Authority	Wayne County Airport Authority	15.8	7	4
18	PHL	Philadelphia International Airport	City	City of Philadelphia	15.3		
19	BOS	Logan International Airport	Port Authority	Massachusetts Port Authority	14.0		
20	LGA	LaGuardia Airport	Port Authority	Port Authority of New York and New Jersey	12.0		
21	BWI	Baltimore–Washington International Airport	State	Maryland Aviation Administration	11.5		
22	FLL	Fort Lauderdale–Hollywood International Airport	County	Broward County	11.5		
23	IAD	Washington Dulles International Airport	Airport Authority	Metropolitan Washington Airports Authority	11.2	17	6
24	SLC	Salt Lake City International Airport	City	Salt Lake City	10.1		
25	MDW	Chicago Midway International Airport	City	Chicago Department of Aviation	9.7		
26	DCA	Ronald Reagan Washington National Airport	Airport Authority	Metropolitan Washington Airports Authority	9.1	17	6
27	HNL	Honolulu International Airport	State	State of Hawaii	8.8		
28	SAN	San Diego International Airport	Airport Authority	San Diego County Regional Airport Authority	8.6	9	4
29	TPA	Tampa International Airport	Airport Authority	Hillsborough County Aviation Authority	8.4	5	4
30	PDX	Portland International Airport	Port Authority	Port of Portland	6.8		
31	STL	Lambert–St. Louis International Airport	City	City of St. Louis	6.5		
32	MCI	Kansas City International Airport	City	City of Kansas City	5.3		

Rank	IATA	Name	Governance Structure	Owner Operator	Enplane (M)*	Board Size	Term (Years)
33	HOU	William P. Hobby Airport	City	Houston Airport System	5.1		
34	BNA	Nashville International Airport	Airport Authority	Metropolitan Nashville Airport Authority	4.9	10	4
35	OAK	Oakland International Airport	Port Authority	Port of Oakland	4.8		
36	MEM	Memphis International Airport	Airport Authority	Memphis–Shelby County Airport Authority	4.8	7	7
37	MKE	General Mitchell International Airport	County	Milwaukee County	4.8		
38	AUS	Austin-Bergstrom International Airport	City	City of Austin	4.6		
39	RDU	Raleigh–Durham International Airport	Airport Authority	Raleigh–Durham Airport Authority	4.5	8	2
40	SMF	Sacramento International Airport	County	County of Sacramento	4.5		
41	CLE	Cleveland Hopkins International Airport	City	City of Cleveland	4.5		
42	MSY	Louis Armstrong New Orleans International Airport	City	City of New Orleans	4.4		
43	DAL	Dallas Love Field	City	City of Dallas	4.3		
44	SNA	John Wayne Airport	County	Orange County	4.3		
45	SJC	San Jose International Airport	City	City of San Jose	4.3		
46	SAT	San Antonio International Airport	City	City of San Antonio Aviation Department	4.2		
47	PIT	Pittsburgh International Airport	Airport Authority	Allegheny County Airport Authority	4.1	9	5
48	SJU	Luis Muñoz Marín International Airport	Private	Puerto Rico Ports Authority / Aerostar Airport Holdings	4.1		
49	RSW	Southwest Florida Regional Airport	Port Authority	Lee County Port Authority	3.8		
50	IND	Indianapolis International Airport	Airport Authority	Indianapolis Airport Authority	3.7	9	4
51	CVG	Cincinnati/Northern Kentucky International Airport	Airport Authority	Kenton County Airport Board	3.4	11	2
52	CMH	Port Columbus International Airport	Airport Authority	Columbus Regional Airport Authority	3.2	9	4

Rank	IATA	Name	Governance Structure	Owner Operator	Enplane (M)*	Board Size	Term (Years)
53	ABQ	Albuquerque International Sunport	City	City of Albuquerque	3.1		
54	PBI	Palm Beach International Airport	County	Palm Beach County Department of Airports	2.9		
55	JAX	Jacksonville International Airport	Airport Authority	Jacksonville Airport Authority	2.8	7	4
56	BDL	Bradley International Airport	Airport Authority	Connecticut Airport Authority	2.8	11	4
57	OGG	Kahului Airport	State	Hawaii Department of Transportation	2.7		
58	BUF	Bradley International Airport	Port Authority	Niagara Frontier Transportation Authority	2.6	11	5
59	ONT	Ontario International Airport	City	Los Angeles World Airports	2.4		
60	ANC	Ted Stevens Anchorage International Airport	State	Alaska Department of Transportation & Public Facilities	2.3		
61	BUR	Bob Hope Airport	Airport Authority	Burbank-Glendale-Pasadena Airport Authority	2.3	9	4
62	OMA	Eppley Airfield	Airport Authority	Omaha Airport Authority	2.1	5	5
63	RNO	Reno-Tahoe International Airport	Airport Authority	The Reno-Tahoe Airport Authority	1.9	9	4
64	PVD	T. F. Green Airport	Airport Authority	Rhode Island Airport Corporation	1.9	7	4
65	OKC	Will Rogers World Airport	Airport Authority	Oklahoma City Airport Trust	1.8	7	4
66	TUS	Tucson International Airport	Airport Authority	Tucson Airport Authority	1.8	9	3
67	ELP	El Paso International Airport	City	City of El Paso	1.7		
68	SDF	Louisville International Airport	Airport Authority	Louisville Regional Airport Authority (LRAA)	1.7	11	4
69	ORF	Norfolk International Airport	Airport Authority	Norfolk Airport Authority	1.7	9	4
70	RIC	Richmond International Airport	Airport Authority	Capital Region Airport Commission	1.7	14	4
71	BHM	Birmingham–Shuttlesworth International Airport	Airport Authority	Birmingham Airport Authority	1.6	9	6

Rank	IATA	Name	Governance Structure	Owner Operator	Enplane (M)*	Board Size	Term (Years)
72	GEG	Spokane International Airport	County	Spokane County	1.5		
73	LGB	Long Beach Airport	City	City of Long Beach	1.5		
74	BOI	Boise Airport	City	City of Boise	1.5		
75	TUL	Tulsa International Airport	City	City of Tulsa	1.5		
76	GUM	Antonio B. Won Pat International Airport	Airport Authority	A.B. Won Pat International Airport Authority	1.4	7	3
77	MHT	Manchester–Boston Regional Airport	City	City of Manchester	1.4		
78	KOA	Kona International Airport	State	Hawaii Department of Transportation	1.3		
79	DAY	Dayton International Airport	City	City of Dayton	1.3		
80	ALB	Albany International Airport	Airport Authority	Albany County Airport Authority	1.2	7	4
81	ROC	Greater Rochester International Airport	County	County of Monroe	1.2		
82	LIH	Lihue Airport	State	State of Hawaii	1.2		
83	LIT	Clinton National Airport	City	City of Little Rock	1.2		
84	GRR	Gerald R. Ford International Airport	County	Kent County Department of Aeronautics	1.1		
85	CHS	Charleston International Airport	Airport Authority	Charleston County Aviation Authority	1.1	7	4
86	SYR	Syracuse Hancock International Airport	City	City of Syracuse Department of Aviation	1.0		

Sources: ACI-NA 2012 Preliminary Rankings, airport websites; Oliver Wyman analysis.
* Enplanements in millions, 2011

APPENDIX B
CASE STUDIES

Below are brief descriptions of airport authority transitions for Wayne County, San Diego, and Allegheny County.

A. Detroit Metropolitan Wayne County Airport – Transition to an Authority

Prior to 2002, Detroit Wayne County Metropolitan Airport (DTW) was owned and operated by Wayne County, Michigan. In March 2002, the governor signed Senate Bill 690, creating a new Wayne County Airport Authority (WCAA) and directing the transfer of DTW and its general aviation reliever, Willow Run Airport, to the new authority. The airport would continue to be owned by the County, but would be under the control of an independent airport authority. The WCAA held its first meeting in April 2002.

The state law was opposed by the county commission; the County Executive worked behind the scenes to shape the law. The county commissioners filed suit in Michigan state court, alleging that the law directing the airport transfer was unconstitutional. The commissioners also filed suit in federal court against the FAA, to enjoin the FAA from awarding a Part 139 airport operating certificate for DTW to the new authority. A state appellate court panel upheld the constitutionality of the statute in 3-0 decision. The commissioners eventually dismissed the suit against the FAA, when the FAA refused to delay the certification of the new authority.

The commissioners, with the cooperation of the county treasurer, argued that the new authority would not have funds to operate the airport, because the county would refuse to transfer its reserves to the new authority or forward rent and other airport payments. The WCAA and the FAA worked directly with bank officials to confirm that banks would comply with the law to make airport funds on deposit (about $30M) available to WCAA, as the new airport management, upon official transfer of the airport to WCAA.

FAA officials were actively involved in resolving the dispute over access to County airport funds, since the agency would not approve the new authority as airport operator unless it was adequately funded for the safe operation and maintenance of the airport. The County commissioners refused to participate in the transfer process, and did not apply for a release from their prior grant obligations. As a result, the County remains obligated under all grants issued while it was airport operator, jointly with WCAA.

Interestingly, the County issued a $102M bond issue for the airport on July 22, 2002, less than three weeks before the transfer to WCAA. Fitch rated the bonds "A" notwithstanding the pending change in operator and uncertainty from the ongoing litigation. WCAA assumed liability for airport bond issues on the transfer date. The FAA approved the transfer of the airport and issued a Part 139 certificate to WCAA on August 8, 2002.

B. San Diego International Airport – Transition to an Authority

Prior to 2002, San Diego Lindbergh Field (SAN) was owned and operated by the San Diego Unified Port District. In October 2001, the state legislature passed Assembly Bill 93, later amended by Senate Bill 1896, establishing a new San Diego Country Regional Airport Authority (SDCRAA), and directing that operation and facilities of the airport be transferred from the Port District to the new airport authority. The state statute was not initiated or supported by the Port District. Once the statute passed, however, the Port District generally cooperated in the orderly transfer of the airport to the authority.

The law directed the Port District to transfer ownership of airport facilities to SDCRAA, and to lease the airport land to the authority for a term of 66 years, while the Port District holds the land in trusteeship. SDCRAA pays $1 a year for the lease. At the end of the lease, the airport reverts to the Port District. As trustee of the land, the Port District retains responsibility for environmental studies related to the land, land acquisition, and other responsibilities relating only to the land and not the operation of the airport.

The statute provided for an interim period when SDCRAA staff would be operating the airport, but the airport would be funded by the Port District, as part of the Port District's budget. The parties apparently did not use this provision, and transferred all operation, facilities, and finances to SDCRAA on the same day. Between the passage of the state law directing the transfer and the actual execution of the transfer, the airport staff was in the unusual position of being employed by the Port District, and at the same time representing SCDRAA in negotiations with the Port District over the terms of transfer. While not required by the statute, SDCRAA worked toward December 31, 2002, as the transfer date in order to have all issues settled on a date certain, and avoid the uncertainty of an open-ended debate over the airport transfer in the next year.

The state statute directed the Port District to cooperate "in every way to facilitate the transfer." The Port District and the airport staff, which would become the authority staff, entered into several agreements to define the specific terms of the transfer.

The FAA reviewed the agreements relating to the transfer, and made additional requests for legal and financial information. First, the FAA requested an opinion from the state Attorney

General that the state statute was valid and that it conferred all the necessary authority on the new airport authority. The Attorney General's office declined to issue that opinion, and the FAA relied on a legal opinion issued by the new airport authority's legal counsel.

At FAA's request, the authority also produced opinions issued by Moody's Investors and Fitch Ratings concluding that the transfer of the Airport to the Authority would not cause a withdrawal or downgrade of the long-term rating for the Port's 1995 bonds. The authority obtained a statement from AMBAC Capital Funding, Inc., consenting to the transfer and assignment of the Investment Agreement by the Port to the Authority.

All airport assets were transferred from the Port District to SDCRAA as required by the state statute. Port District negotiators initially offered an inadequate amount for cash reserves. However, at the request of SDCRAA, the FAA intervened, and the Port District agreed to a higher amount.

Transfer of the airport from the Port District to SDCRAA was executed on December 31, 2002. The FAA letter approving the transfer was issued the same day.

C. Raleigh-Durham International Airport – Successful Authority

The Raleigh-Durham Airport Authority was chartered in 1939 by the North Carolina General Assembly to allow the counties of Wake and Durham and the cities of Raleigh and Durham to share the capital burdens and oversight over a new regional airport. The airport will celebrate its 70th year of operation starting in May, and the authority's board structure and oversight have been widely regarded as successful.

The Raleigh-Durham Airport Authority board consists of eight board members. The counties of Wake and Durham and the cities of Raleigh and Durham appoint two members each to board terms of two years. While two years may seem to be a short time frame, there are no term limits, and many board members serve several consecutive terms. The terms were originally created to run concurrently, but the City of Durham now appoints its members in odd years. Additionally, the chairman of the board rotates every two years between representatives of different jurisdictions to help ensure fair representation from both counties and cities. It is typical for those who become board chair to serve at least an initial term before becoming chair, then a term as board chair, and then to be re-appointed to one term to help ensure continuity.

Even though the board structure is unusual because of its eight board members and short terms, the Raleigh-Durham Airport Authority's success rests, in large part, on its ability to provide each relevant stakeholder an equal voice in the strategy and daily operations of the airport. The fact that no single appointing body or city and county working jointly can produce a majority ensures

that the board must work to compromise and make decisions that reflect the best interest of the entire surrounding region.

In addition to its board, the authority relies on its range of delegated powers. The authority has the power to maintain public services such as police, fire, and rescue services, administer fire and building codes, and regulate land use in and around the airport. Originally, Wake County provided police services, as that is where the airport is located, but in 1973, the North Carolina legislature authorized the authority and other organizations to have their own law enforcement.

The authority has chosen not to utilize its powers to administer fire and building codes or regulate land use around the airport, but reserves the right to exercise these powers in order to protect the best interest of the airport. Having this right further insulates the authority from outside influence that local governments could otherwise apply.

APPENDIX C
STAKEHOLDERS AND OTHER INTERVIEWS

Acker, Peter, Member, Charlotte Airport Advisory Committee

Allen, Chuck, Managing Director, Government and Community Relations, US Airways

Autry, John, Member, Charlotte City Council

Barnes, Michael, Member, Charlotte City Council

Bennett, David, Bennett Aviation Consulting

Brantley, John, Former Airport Director, Raleigh-Durham International Airport

Brawley, William, Representative, North Carolina House of Representatives

Bryant, Ronnie, President & CEO, Charlotte Regional Partnership

Burch, Julie, Interim City Manager, Charlotte

Cagle, Brent, Assistant Director, Charlotte/Douglas International Airport

Campbell, Stan, Alliance for a Better Charlotte

Cannon, Patrick, Member, Charlotte City Council

Carlee, Ron, City Manager, Charlotte

Carney, Becky, Representative, North Carolina House of Representatives

Clodfelter, Daniel, Senator, North Carolina Senate

Cooksey, Warren, Member, Charlotte Council Member

Culpepper, Scott, Member, Charlotte Airport Advisory Committee

Dan Garland, Delta Airlines, Regional Director - Corporate Real Estate, Delta Air Lines

Dorsch, Shawn, Chair, Charlotte Airport Advisory Committee

Dulin, Andy, Member, Charlotte City Council

Dunham, Oris, CEO, Wingmen LLC

Earle, Beverly, Representative, North Carolina House of Representatives

Emory, Frank, Chair, Charlotte Chamber

Fallon, Claire, Member, Charlotte City Council

Fenton, Dana, Intergovernmental Relations Manager, Charlotte

Ford, Joel, Senator, Senator, North Carolina Senate

Foxx, Anthony, Mayor, Charlotte

Fuller, Todd, Member, Airport Advisory Committee

Gaskins. Greg, Director of Finance, Charlotte

Gedney, Stephen, Member, Airport Advisory Committee

George, Kent, Aviation Director, Broward County

Gill, James, Chief Financial Officer, Allegheny County Airport Authority

Howard, David, Member, Charlotte City Council

Jackson, Crystal, Member, Charlotte Airport Advisory Committee

Jenkins, Larry, General Manager, Airport Food/Beverage Concession, HMS Host

Kinsey, Patsy, Member, Charlotte City Council

Krummenacker, Kurt, Vice President - Senior Credit Officer, Moody's Investors Service

Lobner, Breton, General Counsel, San Diego County Regional Airport Authority

Mayfield, LaWana, Member, Charlotte City Council

Minerva, Mike, Vice President, Airport and Government Affairs, US Airways

Mitchell, James, Member, Charlotte City Council

Moore, Rodney, Chief of Police, Charlotte Mecklenburg Police Department

Murray, Tom, Chief Executive Officer, Charlotte Regional Visitors Authority

Neuberger, Emily, Sr. Vice President and General Counsel, Wayne County Airport Authority

Orr, Jerry, Aviation Director, Charlotte

Pickering, Beth, Member, Charlotte City Council

Pope, Terri, Vice President - CLT Hub Operations, US Airways,

Rucho, Bob, Senator, North Carolina Senate

Samuelson, Ruth, Representative, North Carolina House of Representatives

Tarte, Jeff, Senator, North Carolina Senate

Tillis, Thom, Speaker of the House, North Carolina House of Representatives

The Study Oversight Committee Members are:

Charlotte City Council	LaWana Mayfield
Charlotte Regional Partnership	Landon Wyatt
Charlotte Regional Visitors Authority	Tom Murray
US Airways	Mike Minerva
Airport Advisory Committee	Andrew Riolo
Charlotte Chamber	Frank Emory

Staff Resource: Kim Eagle, Project Manager