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Mayor Pro Tem Patrick D. Cannon

David L. Howard
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LaWana Mayfield
James Mitchell, Jr.
Beth Pickering

CITY COUNCIL WORKSHOP

Monday, May 6, 2013

- | | |
|------------------|---|
| 5:00 p.m. | Dinner |
| 5:15 p.m. | Economic Development and Transportation: Airport Governance Study |
| 6:30 p.m. | Citizens Forum
Room 267 |
| 7:00 p.m. | City Manager's Recommended Budget Presentation
Meeting Chamber |

COUNCIL WORKSHOP AGENDA ITEM SUMMARY

TOPIC: Airport Governance Study

COUNCIL FOCUS AREA: Economic Development and Transportation

RESOURCES: Bob Hazel, Oliver Wyman

KEY POINTS:

- On March 4, 2013, the City Council authorized the Interim City Manager to enter into a contract with an independent consulting firm to conduct a study of airport governance models and issues associated with transition to a different governance model at the Charlotte Douglas International Airport.
- This action was in response to pending State Senate Bill 81, entitled "Charlotte Regional Airport Authority Act." The study's intent was to provide a review, analysis and recommendations regarding future governance of the Airport for use as information, context and a guide for decision-making.
- The firm Oliver Wyman, a global management consulting firm, was selected to conduct the study. Robert A. Hazel, a partner in the firm, led the study. He has a strong background in aviation economics and commercial and regulatory issues, and is recognized as an expert on airports. Oliver Wyman was selected after vetting nine firms highly experienced in Aviation matters.
- The cost of the study was \$150,000 and was completed in the sixty-day timeframe allotted in order to meet the goal of a May 1st for consideration in this legislative session.
- The study scope of work consisted of four phases: 1) determine the drivers for interest in change of governance; 2) review and assess current governance of U.S. airports; 3) review and assess peer airports' governance; and 4) governance transition issues.
- The Study Oversight Committee was appointed by the Interim City Manager and was charged with providing guidance and feedback to the consultant, ensuring the study was objective, independent, and unbiased, and with monitoring study progress. In addition to a representative of the City Council (LaWana Mayfield), the Study Oversight Committee included representatives of the Airport Advisory Committee, Charlotte Chamber, Charlotte Regional Partnership, Charlotte Regional Visitors Authority, and US Airways. The Study Oversight Committee met three times during the course of the study.

- A report summarizing phase one of the study was issued on April 5th. The report focused on determining the drivers for interest in the change in governance. The consultant interviewed over forty stakeholders to determine the specific reasons for the interest in changing the governance structure of the Charlotte Airport.
- A public input meeting was held on April 16th and comments were accepted from the public through the study website through April 22nd.
- The final study report was issued on May 1st. The final report was distributed to the Study Oversight Committee, members of the Mecklenburg Delegation, and other interested parties. The Final Report is also available to the public, along with other information about the study, on the City's website at <http://charlottenc.gov>.
- At the workshop, Mr. Hazel will make a brief presentation summarizing his findings and recommendations.

COUNCIL DECISION OR DIRECTION REQUESTED:

This presentation is for Council information and discussion.

ATTACHMENTS:

Phase One Report
Final Report, including public input attachment

April 5, 2013

Charlotte Airport Governance Study
Task 1 Report

Interview Results – Reasons for Interest in Changing the
Governance Structure of the Charlotte Airport

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I. INTRODUCTION

The City of Charlotte (the “City” or “Charlotte”) has 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 “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. Governance transition issues.

The study scope of work and schedule are attached.

The study is being 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.

Oliver Wyman will complete the study and submit a final report to the Study Oversight Committee and City Manager by May 1. This initial report, due April 5, has the limited purpose of identifying the specific reasons given for the interest in changing the governance structure of the Airport.

As background for this report, Oliver Wyman conducted more than 40 interviews of stakeholders in Charlotte and Raleigh, North Carolina. We also reviewed press reports and other material of possible relevance, including the Governor’s Logistics Task Force Final Report of June 2012. The majority of interviews were conducted in-person; others were conducted by telephone. Those interviewed were assured that they would not be identified directly or indirectly in connection with any specific remarks, although a list of the individuals interviewed would be attached to the final report. Interviews have been 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.

This initial report will become one section of the final study report and may be modified in that process. Although we believe that our many hours of interviews have resulted in an understanding of the drivers for the interest in changing airport governance, we remain open to receiving additional input during the public input hearing scheduled for April 16.

This initial report is:

- A summary of the main reasons given for the interest in changing the governance structure of the Charlotte Airport.

This initial report is not:

- An assessment of the validity of the individual reasons given.
- A summary of “pros” and “cons” for changing the current Airport governance structure.

- A determination of whether or not the weight of the evidence supports a change in governance.
- A statistically representative sample of responses.
- A list of theories as to what the “unspoken reasons” may be for the interest in changing the current governance structure.

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

The following reasons were cited by stakeholders who were in favor of changing the governance structure of the Airport. 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.
- 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 full-time 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.

III. CONCERNS EXPRESSED ABOUT CHANGING THE GOVERNANCE STRUCTURE OF THE CHARLOTTE AIRPORT BY INTERVIEWEES WHO FAVOR CHANGE

The purpose of this report is to “determine the specific reasons for the interest in changing the governance structure” of the Airport. It is not to list each argument for and against a governance change. Nevertheless, several concerns have been expressed by individuals who are in favor of changing the governance structure of the Airport, and these are summarized below:

- A change in governance to that of 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 still 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 proponents of change nevertheless recognize there is still 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.
- There is concern that 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 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 just feel that no one has put forward a persuasive case for change.

IV. SPECIFIC INCIDENTS AND CIRCUMSTANCES

Individuals interviewed cited specific examples to support their views. And 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.

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 final report will address how different forms of governance will or will not address the issues with the current form of governance that are identified in Section II of this report. In the interest of full disclosure, we also list without comment some of the specific incidents and circumstances that were cited in multiple interviews as relevant to an examination of CLT Airport governance. In a number of cases, individuals in favor of a change in Airport governance cited the circumstances surrounding a particular incident as evidence of unnecessary City intervention which 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. The following specific incidents and circumstances were cited in multiple interviews:

- 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 replacement of CLT Airport police with a larger CMPD police force.
- The death of a teenager who may have climbed the Airport fence 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.

Our final report will not address any of these individual incidents or circumstances, nor is the above listing intended to express any views on the merits of 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.

We would appreciate receiving any comments on this report from the Oversight Committee. Our Draft Final Report will be provided to the Oversight Committee and the City on April 25.

RAH

EXHIBIT A

SCOPE OF WORK AND MILESTONE PLAN

This Scope of Work and Milestone Plan is an Exhibit to and is incorporated into the Fixed Price Services Contract between the City of Charlotte and Oliver Wyman, Inc. (the "Contract"). Capitalized terms not defined in this Exhibit shall have the meanings assigned to such terms in the Contract. Each reference to "consultant" in this Exhibit refers to the Company, and each reference to "you" in this Exhibit refers to the City.

The Company will promptly undertake the following analysis, and will prepare and deliver a final report for submission to the City by May 1, 2013.

A. Scope of Work

1. Determine Drivers for Interest in Change of Governance

As part of the initial stage of the study, the consultant will be asked to interview stakeholders to determine the specific reasons for the interest in changing the governance structure of the Charlotte Airport. The consultant will be asked to provide an information report summarizing the outcome of the interviews to the Interim City Manager and the Mayor and Council at the conclusion of this first stage of the study. Specifically, the consultant will:

- a. Document the issues or problems a change in governance would address
- b. Provide a report at the conclusion of this step describing such issues or problems in detail

2. Review and Assess Current Governance of U.S. Airports

The consultant will review and assess current forms of governance of U.S. airports, including municipal models, authority models, and any other forms, such as hybrid models, that exist. Attention shall be paid to airports located in peer airports of similar size and scope. Best practices, advantages, disadvantages, and other considerations for each governance model shall be reviewed. The review will address how the different forms of governance would or would not address the problems or issues with the current form of governance identified through stakeholder interviews.

- a. Municipal models
- b. Authority models
- c. Any other forms of governance, including hybrid models
- d. Include in assessment of each form the matter of succession planning for Airport leadership

3. Review and Assess Peer Airports' Governance

The consultant will:

- a. Review selected airports with similar size and scope as Charlotte-Douglas International Airport
- b. Identify key variations in governance within the peer group and drivers for those variations
- c. Costs of operations and related service delivery impacts
- d. Address the role of airports in economic development, i.e. does the form of governance make a difference in an airport's impact or contributions to economic development
- e. Impact of any change in governance on successful airport operations

4. Governance Transition Issues

The study conducted by the consultant shall also address matters to be considered as part of any transition from a City department to a different governance structure, including but not limited to: finances, debt, property, operations and services, security, administrative and management support, and legal considerations.

- a. Review factors for consideration if Airport were to transition from a City department to a different governance structure, including but not limited to the following list of factors for consideration for transition:
 1. General Operational Finances
 2. Maintenance of low cost advantage to enhance hub activity
 3. Bond Rating
 4. Past and current City of Charlotte General Fund CIP infrastructure support
 5. Debt
 6. Property and facilities
 7. City land use planning and decision-making
 8. Operations and services
 9. Security
 10. Administrative and management support, including impact of change on current City Airport employees
 11. Impact on surrounding communities, including land use planning and decision-making
 12. Responsiveness to the public on matters such as land use, noise impacts and customer service
 13. Any applicable Federal or State laws or regulations that may impact a possible change in governance
 14. Any other considerations deemed relevant to a change in governance, including economic development impacts
- b. Review of results of any similar transitions at other airports and impacts on Airport stakeholders.

Section b.4. Governance Transition Issues

Work under Section 4(b) of this Exhibit will be limited as follows:

Within the limited time available and project budget, it will not be possible to make use of the specialized professional advisory services required to definitively address these transition issues, as doing so would require specialized legal, financial advisory, and other specialized expert advice that does not reside in the core team.

Instead, the report will identify likely transition issues and how those issues have been addressed in prior airport authority transactions. These issues include bond assumption/ refinancing issues, pension transfer issues, transfer of title issues, land use and condemnation powers, etc.

B. Conducting the Study

1. The input and involvement of major community and airport stakeholders is an important component of the study.
2. Establishment of a Study Oversight Committee of 7–10 members appointed by the Interim City Manager, including representatives of the organizations and stakeholders outlined below:
 - a. Mecklenburg Legislative Delegation
 - b. Charlotte City Council
 - c. Airport Advisory Committee
 - d. US Airways
 - e. Norfolk Southern
 - f. Charlotte Chamber
 - g. Charlotte Regional Visitors Authority
 - h. Charlotte Regional Partnership

3. The Committee will be charged with providing guidance and feedback to the consultant, ensuring the study is objective and unbiased and with monitoring study progress within the bounds of the scope of work. It is anticipated the Committee will meet with the consultant three or four times over the 60 day study period, For example, (1) at the outset of the study, (2) at the conclusion of Step I of the scope of work, (3) at approximately the 50% completion point and (4) at the completion of final findings and recommendations.
4. There will be at least one meeting to allow broad public input and comment.
5. Additional opportunities for public input could be provided if time allows.
6. City staff resources will be available to provide information, data, technical assistance and context as needed.

C. Timeline and Deliverables

The consultant will provide the final report by May 1, 2013 (subject to contract execution no later than Thursday, March 21, 2013.) Deliverables and due dates are as follows:

1. Deliverable #1, Initial draft report summarizing findings from Section 1 (drivers of interest in change of governance) – due April 5 (subject to availability of key stakeholders for interviews to be completed no later than April 2).
2. Deliverable #2, PowerPoint or other appropriate material for public hearing – due prior to public hearing tentatively scheduled for April 16 or 18.
3. Deliverable #3, Final report – due May 1. The final report shall include all information and meet all requirements set forth in Sections A and B of this Exhibit, and shall detail the results of all Work described in Sections A and B of this Exhibit.
4. We commit to provide regular project updates to the Oversight Committee, but will do informally as agreed with the Oversight Committee in order not to divert resources from the core work for this project.
5. Following submission of the final report, the Company will answer questions about the Company's findings. Should significant additional work be required in addition to telephone follow-up, other than due to a failure of the Company to meet the requirements of this Contract, the Company would bill for that work on an hourly basis or for a fixed fee as agreed.

D. Fees

The fixed price fee for all Work and Deliverables is US \$150,000 total, including travel, hotel and other expenses. The Company will bill the City in accordance with the following Milestone Plan

Milestone 1: \$50,000, due after completion and submission of Deliverable #1, and

Milestone 2: \$100,000, due after completion and submission of Deliverables 2 and 3.

Addenda:

The Airport Governance Study Background Information for Potential Consultants attached as Addenda 1 is incorporated into this Exhibit and the Contract by reference.

May 1, 2013

Charlotte Airport Governance Study
Final Report

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.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified. No warranty is given as to the accuracy of such information. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information and have accepted the information without further verification.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

This report does not represent legal advice, financial advisory recommendations, or investment advice.

The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. In particular, actual results could be impacted by future events which cannot be predicted or controlled, including, without limitation, changes in business strategies, the development of future products and services, changes in market and industry conditions, the outcome of contingencies, changes in management, changes in law or regulations. Oliver Wyman accepts no responsibility for actual results or future events.

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APPENDICES

- A U.S. Airports with Over 1 Million Enplanements, Categorized by Governance Type
- B Case Studies
- C Interview Participants

SUBMITTED SEPARATELY:

- Email Comments Received April 16-22 in Conjunction with Public Input Hearing
- Transcript of Public Input Hearing, April 16, 2013

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. airport¹ in terms of total passengers. When compared with other large hub airports, CLT differs in the following ways:

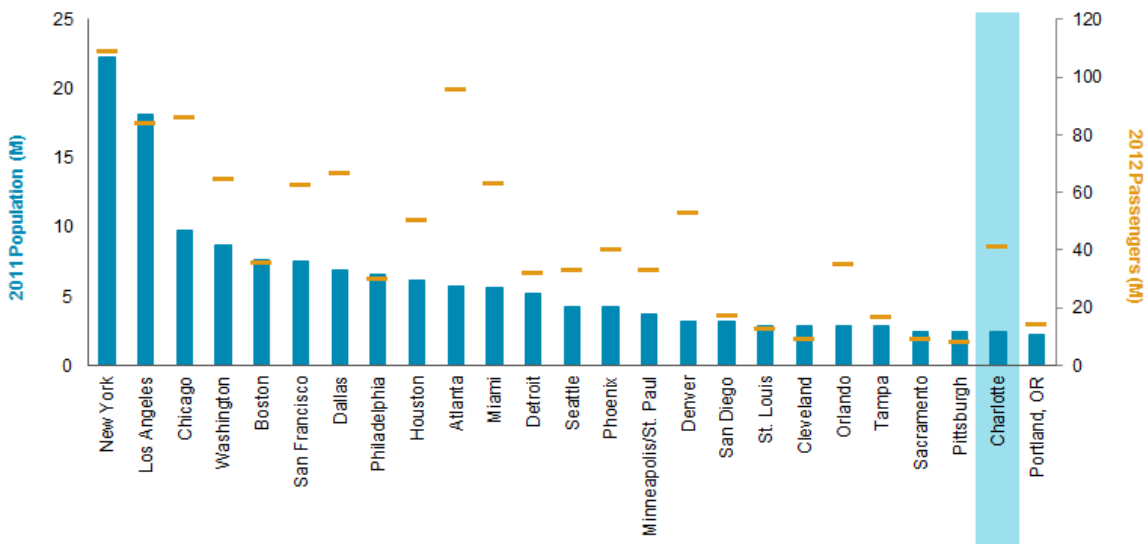
- Location in a smaller metropolitan area relative to other large U.S. hubs;

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

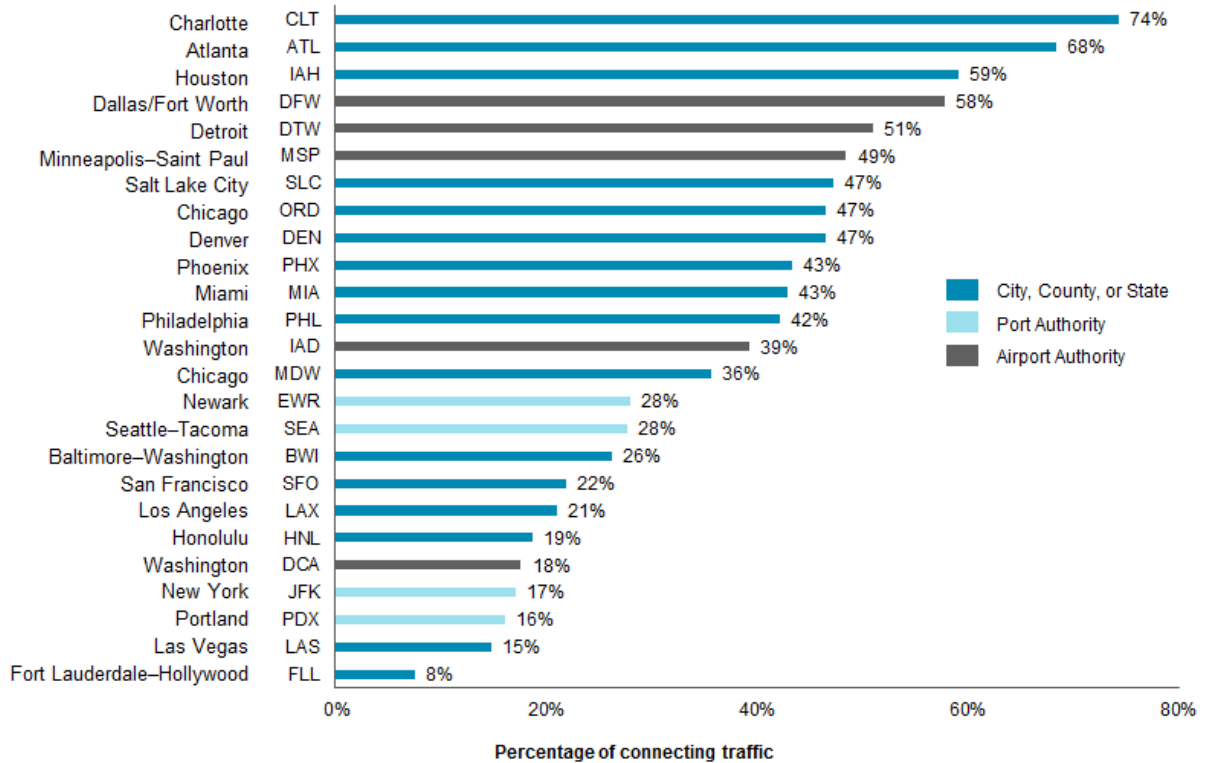


Note: Passenger figures for the larger metro areas listed include traffic from multiple airports: New York includes JFK, LGA, and EWR; Los Angeles includes LAX, LGB, SNA, ONT, and BUR; Chicago includes ORD, and MDW; Washington includes IAD, DCA, and BWI; Boston includes BOS, MHT, and PVD; San Francisco 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**



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

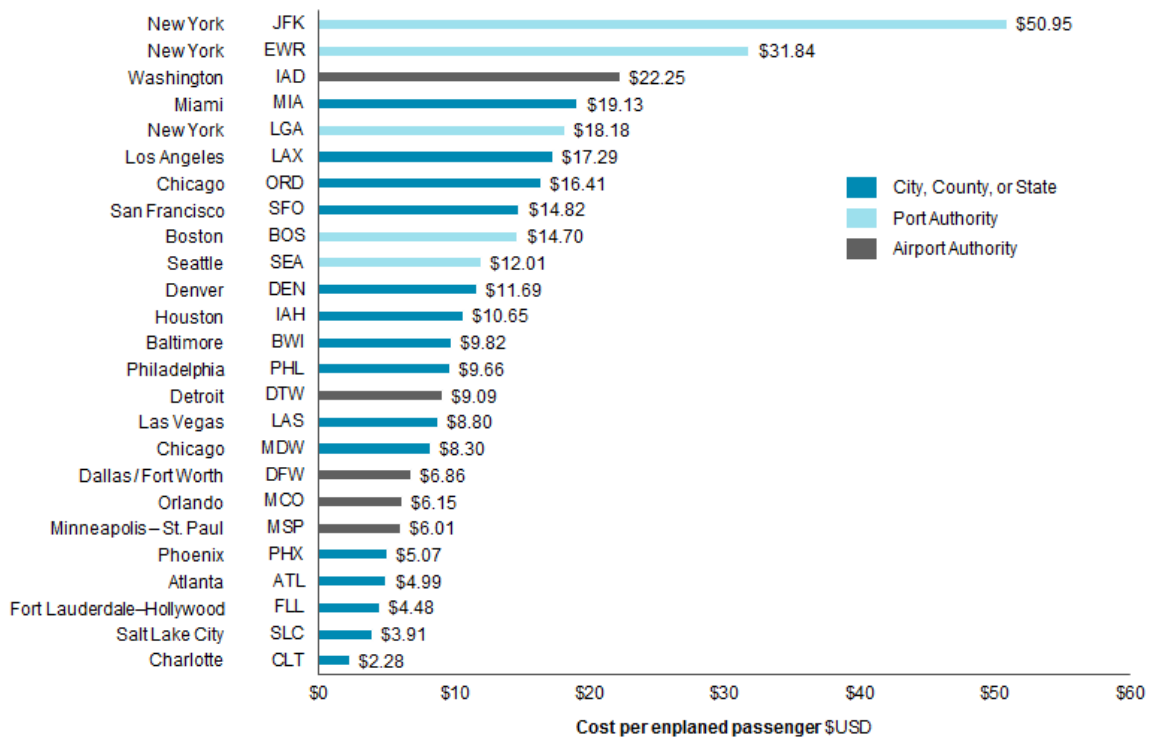
In terms of critical success factors, the one factor that is most within CLT’s control is its low airport charges. These charges are typically measured on the basis of Cost per Enplaned Passenger (“CPE”), which is defined as the average cost to an airline for basic airport charges (airport terminal rent 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

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 plane-stats.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 enplanements⁶. 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

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.

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.

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

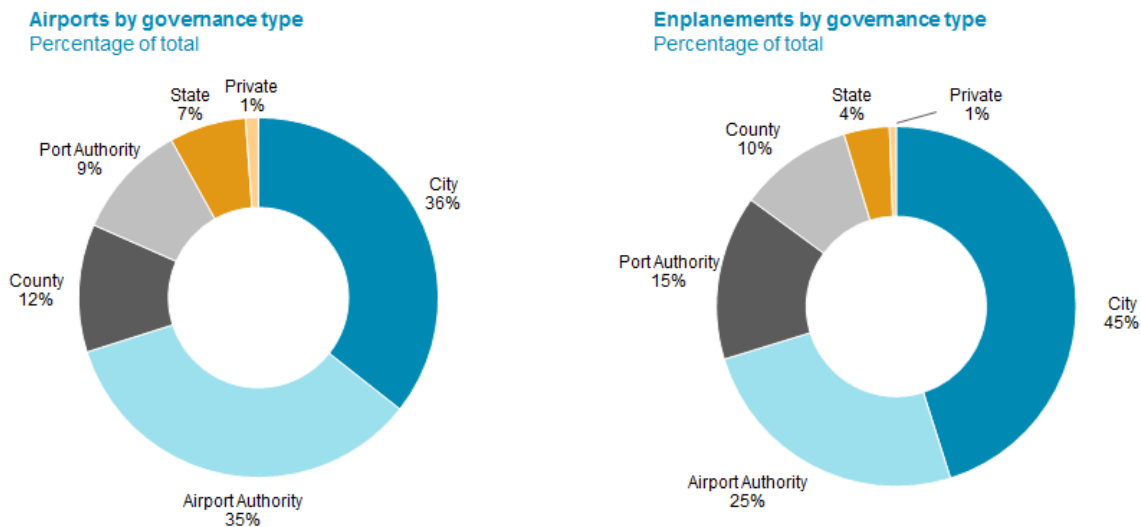
Figure 8 – Table – airport governance distribution

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

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

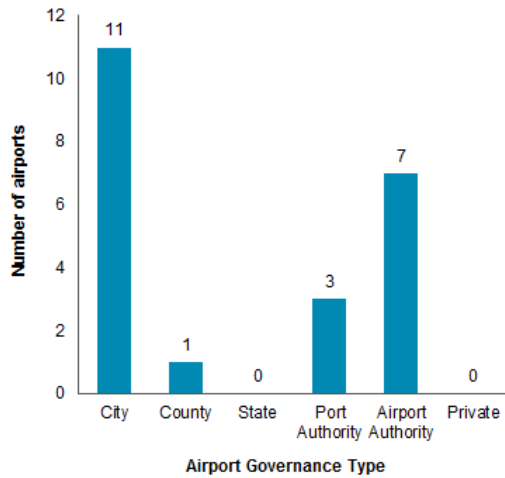
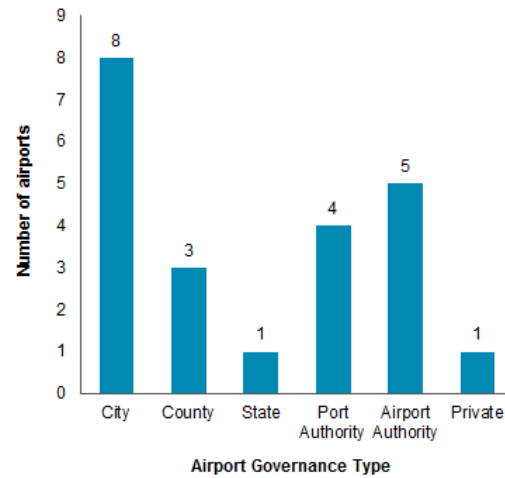


Figure 11 - Governance type distribution among U.S. focus cities of low cost carriers



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

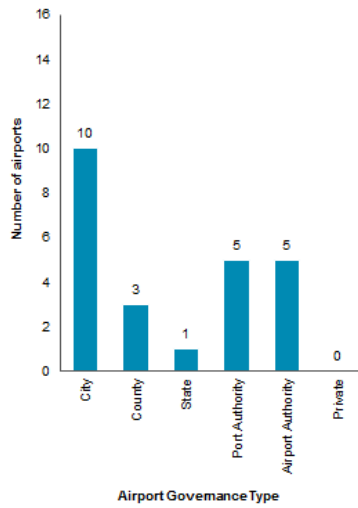


Figure 13 – Governance type distribution among airports with between 3-10 million annual enplanements

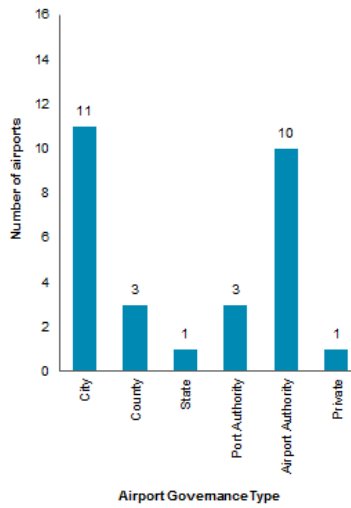
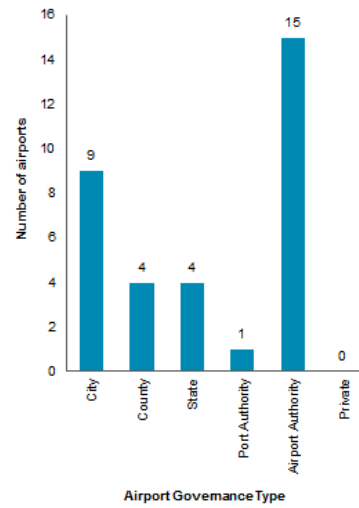


Figure 14 – Governance type distribution among airports with 1- 3 million annual enplanements



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.

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 entities¹¹ 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

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 study¹² 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.

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

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.

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:
 - “Revenue opportunities and cost efficiencies that could have further improved DIA’s financial situation have been lost.
 - Restructuring or amending contracts requires 60-90 days.
 - Reducing personnel costs takes 4-6 months or more and is usually driven by seniority rather than needed skills or performance.
 - Approval of contracts that can generate revenue requires 45-60 days.
 - 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”:

- “More authority to operate, purchase, plan and hire;
- Cost reductions through efficiencies; and
- Better focus on the needs of the traveler and tenant.”

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

- “Cost of some services (water)
- Access to city expertise;
- 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

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.

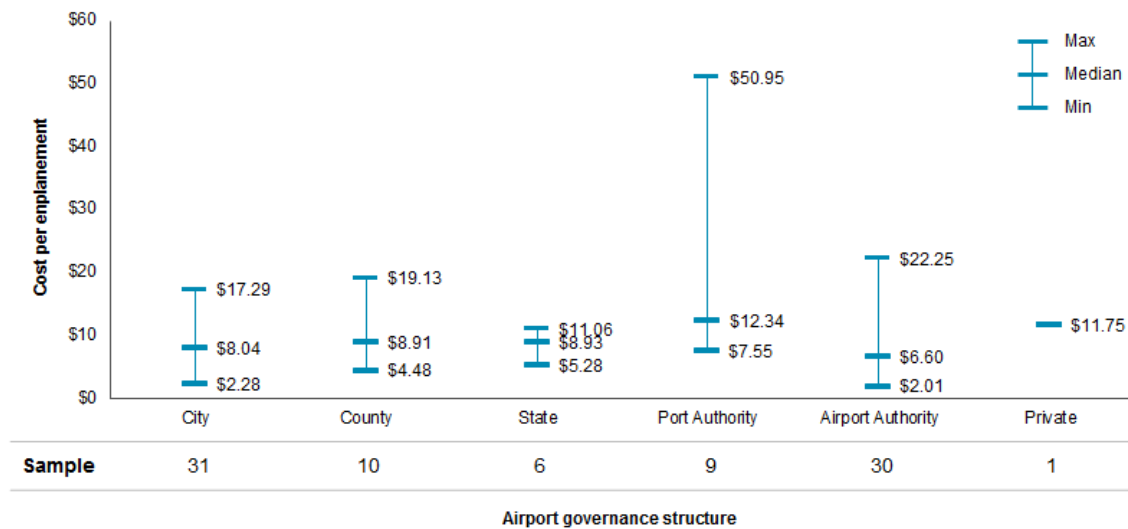
²⁰ New Orleans International Airport Governance, Regional Cooperation and Airport Expansion, Bureau of Governmental Research, 1999; available at <http://www.bgr.org/reports/new-orleans-international-airport/>

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 planetstats.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

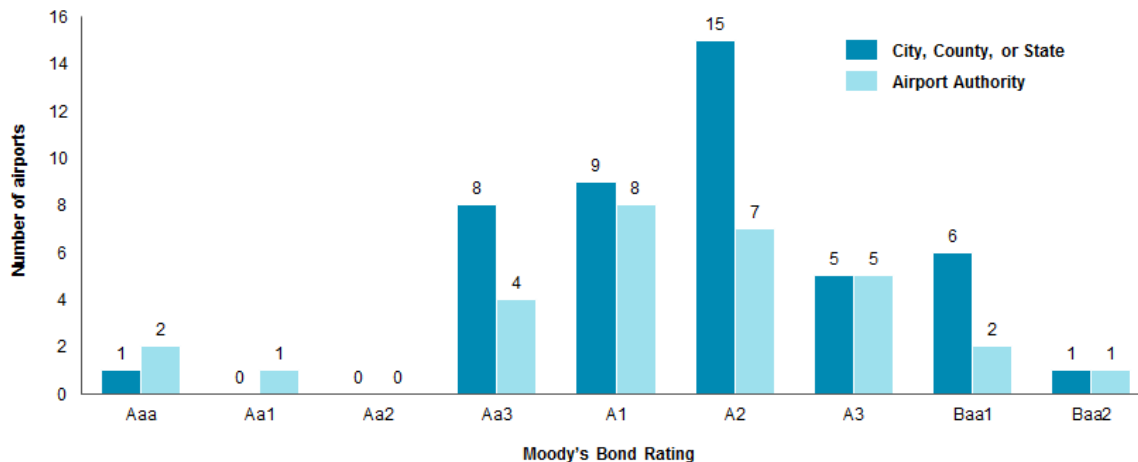
Large U.S. airports such as CLT have long had strong access to the credit markets and relied heavily on airport revenue bonds to finance a majority of their capital funding needs. Airport revenue bonds are distinguished from general obligation bonds by their guarantee of repayment solely from airport 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 Moody’s.²²

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 effectiveness 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.

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 succession 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 profitability, 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?jdpArticleId=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
<ul style="list-style-type: none"> ▪ Passengers and passenger growth <p>Secondary measures:</p> <ul style="list-style-type: none"> ▪ 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 	<ul style="list-style-type: none"> ▪ Level of airport charges 	<ul style="list-style-type: none"> ▪ 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 business opportunities, as well as greater travel options for employees.

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 authorities 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 responsibilities, among the most important of which are economic development 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 authority 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 facility. 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.

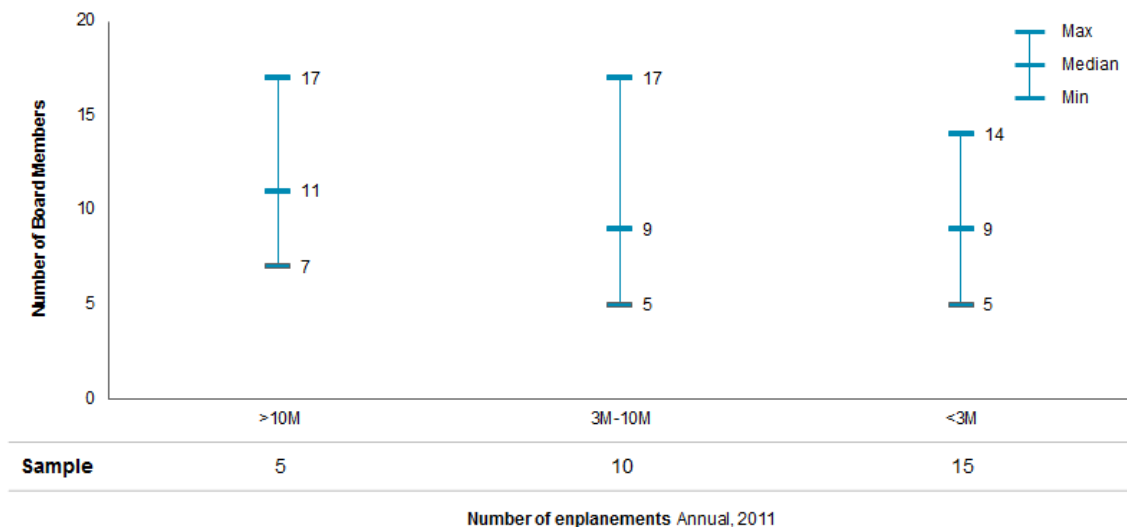
We were pointed to several cases where appointment power by a single political jurisdiction worked well for some number of years, but then proved problematic as the independence of the airport board unraveled because the majority of appointments was made by a single political entity which changed direction 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



Sources: Airport websites; Oliver Wyman analysis.

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

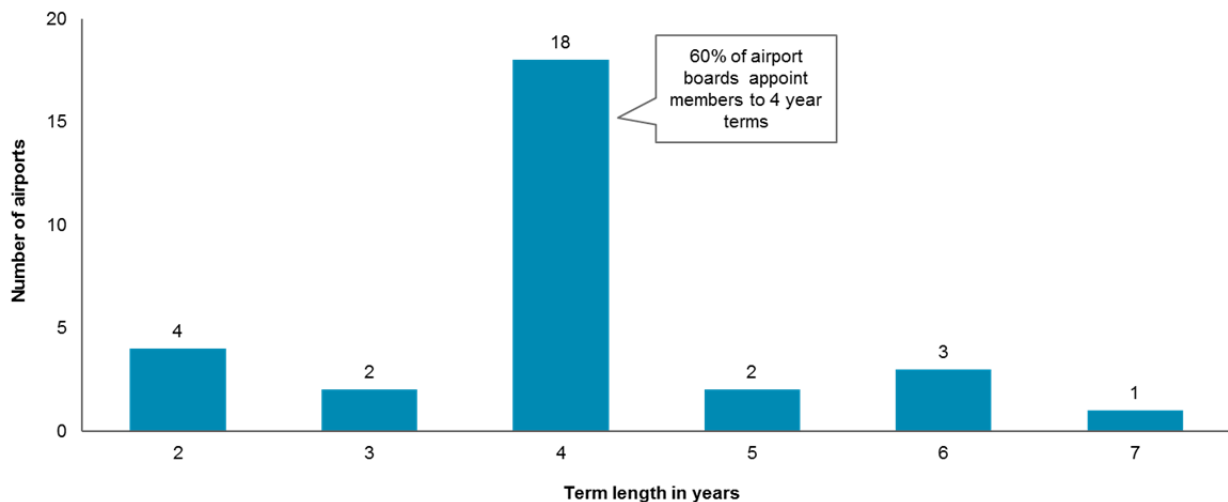
Airport	Name	Owner Operator	Board Size
TUS	Tucson International Airport	Tucson Airport Authority	9
SDF	Louisville International Airport	Louisville Regional Airport Authority	11
ORF	Norfolk International Airport	Norfolk Airport Authority	9
RIC	Richmond International Airport	Capital Region Airport Commission	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

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 Asheville 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 County 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
Foxy, 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

**CHARLOTTE AIRPORT GOVERNANCE STUDY
E-MAIL COMMENTS RECEIVED APRIL 15-22 IN CONJUNCTION WITH
PUBLIC INPUT HEARING, APRIL 16, 2013
LISTED IN THE ORDER RECEIVED**

1. A change is needed. Sure the airport has done well up to this point but to a large extent due to (1) an extraordinary manager and (2) the fact that the City has taken a "hands off" approach. That is to say with little City involvement. During most of that time we had a well-functioning City Council and, until recently, the City Manager was "hands off." Recent evidence has indicated that this model is in danger of being caught up in local politics and efforts to squeeze tax revenue from the airport have surfaced. The manager is ready to retire and, frankly, I am concerned about how the airport would operate under the thumb of a City Manager with a different agenda than the airport's and a divisive city council many of whom are most concerned about their own "districts" and have no knowledge of how to run an airport. An authority would focus only on the airport and keeping it competitive in the marketplace. Those who want the City to run the airport would do well to look at the Philadelphia airport, run by the city, and what issues they have been dealing with lately related to airport expansion and a new runway.

2. The Charlotte Airport well-serves this unique city in North Carolina. The members of city-council are best suited and positioned to make decisions regarding the airport that will best support Charlotte and the surrounding community. I strongly oppose turning management over to an independent authority that would not be required to answer to the voting people of Charlotte.

3. Mr. Hazel - I've been following this issue for some time and have some comments: - In the draft Oliver Wyman consultant study there is mention of the Norfolk Southern (NS) Intermodal Facility as a "driver" for a regional authority. This is a "red herring." I'm a specialist in intermodal transportation (as in containers) and a former Army Transportation Officer experienced in the field. (I also analyzed transportation operations and infrastructure for much of my 34 year Intelligence career in DoD.) The intermodal facility is merely located at the airport because of a favorable financial agreement and because of the geographic proximity to NS's main "Crescent Corridor" main line and local highways and not because of any expected rail to plane or plane to rail transfers. It, of course, will have a possible highway to air role, but it has been unclear to me as to how extensive the relationship with aviation, if any, of this facility will be. Oliver Wyman should "peel back the onion" on this issue. -- Airport Security --- I currently instruct and speak on aviation security and also have extensive experience with the government in that area prior to my "retirement" from federal service. Again, the tragic incident with the young fool who climbed the extensive security fence and died in the wheel well of an aircraft with his body falling out over Boston really has no bearing on airport aviation security (AVSEC) measures. However - again - this is just my opinion - it appears that political squabbles and personal vendettas are playing a role here. There have been reports in the media and I've heard hear say from at least one law enforcement professional that the current Airport Director is at odds with the city over the merger of the Airport Police into the CMPD - adversely affecting security - and

that accusing the TSA of "Thousands Standing Around" has refused TSA patrols beyond the screening gates. It should be noted that CMPD taking over security would not be in variance with International Civil Aviation Organization requirements (which US AVSEC laws are based on.) Although Special Security Information (SSI) is not involved, as a free lance correspondent I know from personal experience that the current director refuses to comment on any matter related to overall security politics or organization and refuses to allow his public affairs staff to deal with the subject. It is issues such as these that may be influencing the politics of seeking regional control. -- I fail to see how any of this would justify a "regional authority" as geographically, most of the affected infrastructure is within Charlotte-Mecklenburg. This is not a New York New Jersey Port Authority situation with a major metropolitan area and multiple airports. Most of the region is also served by smaller general aviation airports. -- Additionally, regional rather than city politicians from what I've read in the press have not necessarily been supportive of ancillary regional infrastructure such as LYNX light rail and especially the Charlotte Streetcar (which should be considered as a part of light rail.) --- I will be glad to follow up with you if you should desire.

4. I am a lifelong resident of Charlotte and work at the airport as a Aviation (city) employee. If the legislation passes, what will become of the city employees, their benefits, retirement, etc...? Would the authority pick and choose who they will keep? Are there any guarantees? It seems like employees won't have the same employment protections the city offers and it would be run like a sheriffs department "employees will serve at the pleasure of the authority". We can't get much from Orr and quite frankly why would he care. He has said that he plans to retire as soon as it passes, so he can collect his city retirement and then be hired by the authority....he doesn't care about us, only his own greed for power and money. Please remember your city employees at the airport and don't let us get taken advantage of - a lot of us are in fear of our jobs, especially the ones who have spoken against becoming an authority.
5. The airport has thrived under Jerry Orr's direction, without interference from the City. The more people involved in decision making, the worse the process gets. I would vote for an Airport Authority made up of people familiar with the unique problems an airport faces on a day to day basis and leave the City out of the process. The City Commission is made up of members who don't have a clue what it takes to efficiently run an airport. That process requires specialized knowledge.
6. With there being no real tax impact for the benefit of the city is it really a problem for it to change hands? it may free up some city resources to focus on other efforts more important to the people of the city/county.
7. It is not okay for our Charlotte airport to be taken away and put under the control of an independent authority. The city of Charlotte has done an admirable job with the airport and has proven success. Leave the airport under control of the city of Charlotte.
8. It is highly questionable that this has become such a major issue when there are so many other more important matters in this state, i.e. health and education. The direction of the NC legislation is dangerous and wrong-headed. I think former Mayor McCrory is behind this underhanded scheme. He appointed the person leading the pack

in this issue. I also think there is some issue related of not wanting "urban city leaders" to have control. Does that mean there are also racist motives as well? McCrory is behind this - and it is not the first time he has been behind some underhanded move that affected the city of Charlotte. Now his moves will affect the region and the entire state. I served on the CRVA from 2000 - 2005. I was on the search committee when we were looking for a new director. We paid a head-hunter \$65,000.00 to help with the search. But, McCrory made the decision to hire Tim Newman. He used Luther Cochran, the CRVA board chair (another one of McCrory's appointees) to make it happen. So, he went around the process we had in place - to get "his guy" the job. Tim Newman later proved to be an embarrassment for the CRVA and had to step down from that position. What I learned from that experience is that "the good ole boys" run this city and they continue to pull McCrory's strings like a puppet. The meetings "before" the meetings are when real change is made. It does not matter who else sits at the table. The community voices like mine ... made no difference what-so-ever. I lost any confidence in the way things work in this city ... and now the state. The "good ole boy" system and "money & power" are behind this proposed airport committee. It is unnecessary and dead wrong. Do the research ... and do the math. This idea is politically motivated. It is not sound.

9. Do not cede control of the airport! I was struck by actual comments by surrounding County Leaders (Lincoln, Iredell) that showed no inclination, desire or preparedness to have a hand in anything that is "Charlotte". There has been a tendency in surrounding areas to lampoon everything Charlotte as an overwrought boondoggle. Giving these folks a seat at the table seems counter to efficiency. I am not sure their rural community focus, interest align with Charlotte's. Look at the Iredell Co. Board's dismissal of Light Rail to Mooresville. This will not be a productive partnership but will only add dissonance to the airport's mission. There has been no transparent logic to justify such a move in the public discourse and that is a troubling "putting the cart before the horse" scenario. My dad once told me the answer usually is "follow the money" or "quest for power". Certainly 12 appointed advisory panel jobs will command a salary, expense accounts, fact finding junkets and lavish trips, meals. Imagine the political patronage treasure associated with such a move. Perhaps they will survive the learning curve and do their jobs superbly but the question remains why the change. Orr has done a great job. I have flown through 50+ airports, like the current structure and am suspicious of unwarranted, unjustified, change. I am equally troubled by the legality and debt transfer machinations surrounding such a move.
10. I do not like the idea of just adding another layer of bureaucracy over the airport with no discernible benefit. All I can see this doing is adding cost to the airport administration. Also I am worried over time the authority will need to justify its existence and declare that Gastonia, Concord and Monroe airports are Charlotte reliever airports and annex those as well adding to their cost. I think the Charlotte airport has done well for itself over the years and there has not been evidence of mismanagement. Leave well enough alone!
11. If regional counties - including SC - want to be involved, can the current Airport Advisory Committee (or something like it) be expanded to include those seats? I do not support an independent authority, particularly given the way it was proposed and moved

forward without the city's involvement. An important decision like that should be shared, not forced.

12. I strongly oppose the transfer of Governance of our airport which is being considered by the NC State House or Representatives and Senate. The City of Charlotte has developed this asset to its current level of world class service. Transferring its governance is similar to giving up a home you have built to someone who comes to your home from time to time for dinner. Their needs to be some creditable reason why this need to be done. If the current leader of the Airport organization has not developed leadership for the future that person or group has not done its duty for a continued successful operation. The City of Charlotte has demonstrated and is more than able to hire a director to take the Airport to greater success for the future. After all, before the current Director there was a very successful director. Let's not forget all of us are replaceable. Lastly, some of the surrounding county officials do not want Charlotte Officials to come and take control of their Airport or other assets they have developed.
13. I come from a family of four generations that has lived in close proximity to the airport close to historical Steele Creek Presbyterian Church. We have witnessed many changes in and around the airport, most recently being the expansions. Most notably, the noise has greatly increased to an unacceptable level. Expansion to our city is expected when necessary to contribute to a more successful and thriving economy in which citizens live and participate. Change of governance is not necessary when there is no persuasive evidence identified to the public to prove its benefit. In particular, the citizens most closely impacted by expansion and modifications should be led by city leaders that we have the opportunity to elect. Simply stated, I am opposed to the change of Charlotte Douglas International Airport from a City department to an independent authority.
14. I have lived in Charlotte for 20 years and I think that the city has done a wonderful job with the airport. I think that it would be wrong to change it to an independent authority.
15. If an authority is found to be valuable/helpful/appropriate to the future of the Charlotte Douglas Airport, then it should be composed with members that have an important/vested interest in the future of the airport and the region that it serves. CLT serves the greater Charlotte region including the City of Charlotte, the State of North Carolina and the State of South Carolina. What is most critical is the need to establish a balance of interests to make sure that one interest does not overrun the other interests. Since CLT was established, it has been primarily focused upon passenger traffic. With the completion of the Intermodal Center in 2014, transportation of freight and containers will grow significantly. Most of that freight and containers will reach Charlotte by Norfolk Southern and CSX railroads from the Ports of Savannah and Charleston. Any authority ought to include a significant representation from South Carolina. Service for American/US Airways and for Norfolk Southern and CSX will demand that the integrated interests of passengers and freight will need to be addressed on a regular and consistent basis. The entire region has grown as a result of CLT and that growth will be magnified in the next 30 to 50 years as freight traffic will grow from the expansion of the Panama Canal that will be completed in 2015 allowing the huge Panamax ships carrying freight from Asia will be delivered to East Coast deep

water ports instead of off-loading all their freight in Los Angeles and Long Beach California. There is much to be considered and to be overseen.

16. Something smells bad. When a politician tries to push through a bill, it means that they are hiding something. Bob Rucho who I consider a friend, won't respond to my emails. This bill WON'T be good for Charlotte but will somehow be good for the Republicans. Even the Pat who I also know is relatively quiet on this subject. REJECT it.
17. I'm confused as to why the Charlotte tax payers have paid to build up our airport, and now that it is a huge success, everyone else seems to want in. Maybe more money comes in from the State and Federal than I'm aware of, but for the parts that we have paid, shouldn't a buy in be considered to make it fair, if others want to be a part of it? Every other airport in the State has had the same opportunity to build up their airports in the same way, and just because we were so successful doesn't give everyone rights to it. I'm concerned that flight paths will be changed and suddenly the planes will be going over my house, because the political powers that be have the ear of the new "authority", and the everyday resident effected does not have that same political clout. This whole thing seems to be about power and politics, led by some guy in Ballantyne, but I don't know because it is all so confusing, with the lack of information.
18. "If it ain't broke, don't fix it." Once again this out of control legislature is trying to pass resolutions for problems not in evidence. How about slowing down and presenting well-reasoned arguments for such legislation rather than rapidly pushing through bills that reflect only the GOP's platform simply because you now have a governor who is most likely to sign them. Remember - you supposedly represent the all of the citizens of North Carolina, not just the rich old white ones.
19. Transportation is regional...the surrounding counties and municipalities should have input to the process. Mayor Foxx in his zeal to promote the trolley and the political perception/reality of his "tax anything or cut budgets at all costs " to find the trolley dollars, precipitated the State stepping in. The business community and City Government has always had a working relationship. Foxx's overbearing ways costs the him and the City.
20. My concern is that revenue appears to be will be lost to the city because it will be changed from a city department to an independent authority. With the city needing funding for an extention of rail services and renovation to the panther stadium I do not feel to change the current operating situation to another is a wise one unless the new authority can ensure that more revenue will be gained if it is to be switched
21. Please keep our Airport as a part of Charlotte. This was paid for by taxpayer money.
22. The rush to turn everything over to private corporations so that the only consideration will be how much money can be squeezed from the entity is unconscionable. The general public has only a vague notion about the intricate workings of government, so there must be a way to communicate to them the undesirable consequences of changing the airport from a public good, to a corporate shareholder piggy bank.

23. Keep control of the CLT airport in the hands of Charlotte.
24. I oppose the proposal to put the airport under the control of the described authority. The airport has been hugely successful, and of great benefit to the entire region, under the existing structure. The Committee appointed to oversee the airport has obviously not been effective; the minutes show that meetings have been just cursory reviews of matters presented. Proper leadership would correct that. There is no agreement about the impact on outstanding bonds. Those questions - e.g. whether bondholder consent is required - MUST be resolved before anything is done. This could, in time, turn out to be a good idea. But this rushed move makes citizens suspicious.
25. The sleazy effort to usurp ownership and control of the city's airport is nothing more than a power grab by Raleigh and surrounding counties. If there was any evidence that the city had not managed the facility prudently and efficiently, there might be just cause. But in fact the opposite is true and the airport's success has been a pride to the city for decades. That pride comes from our investment, our financial risk and credit, and our acceptance of the issues and problems that are inherent in hosting an expansive, comprehensive facility. The evidence to make this case is simple and incontrovertible - we have the lowest landing fees in the nation - and that means we must have good management and governance. The city may ultimately not have the ability to prevent takeover, but given that the surrounding counties could have stood with us, the city should threaten to sever regional connections if the authority comes to pass. After all, the regional alliance is to coordinate on mutually beneficial activities, and we were effectively sold out by the neighboring municipalities that supported the authority. I'm a taxpayer who helped build this airport and I want Charlotte to preserve our common asset. I urge the city to stand tall and fight this if for principle alone. Raleigh's partisan radicalism must be curtailed now and Charlotte presents a powerful force if united.
26. Why has this come about? Now that the airport has become international with lots of flights going and coming the governor wants to capitalize on the profits. Every state has their own airport. There is no need for it to be independently owned? This is a plot for self advancement and has nothing to do with the good of the city of Charlotte.
27. What is the reason(s) for the independent take-over? Is this a trial period or permanent? Is the city doing a bad job in managing or do you not like the person or group managing it? Will our taxes be less? Will this new group put the citizens of this community well being first? Are you trying to follow other cities who have their Mayors and city councils with Little POWER? Thanks.
28. I support the independent authority.
29. If it's not broken --- don't fix it. Leave it the way it is, seem like more layers of management will cost more as well.
30. The transfer of the airport to a state appointed authority concerns me greatly. The more beneficial funding rate based on the City's bond rating, the responsiveness to issues on both the airport's and the city's sides (need for international flights, bolstering the investment of foreign businesses in CLT; approval of MAJOR improvements to the

airport, 3rd runway, parking, etc.) can be weighed against the state's non-responsiveness to the airport's and city's mutual needs (delayed completion of I-485 and its connector to the airport, funding for transit which would access the airport, etc.). I would also point to the lack of success of the Global Transit Park and the airport at Asheville. Projects which impact local residents are best managed and governed by local government. Thank you for this opportunity to comment.

31. The airport should be one that the entire regions share and not just the City of Charlotte. Do agree with Jerry Orr and the others that hoping an Airport Authority is formed. Read about the issues Atlanta had with the city owned airport.
32. It is very disturbing to me, as a resident of Charlotte, to have representatives from the surrounding small towns attack Charlotte in this way. To take a system that is working with the support of the City which has helped to make it successful--and to put it under control of political appointees who aren't connected to it on a daily basis--is not logical. To make such a radical change in this flawed political process is extremely disturbing. As a native North Carolinian who grew up in eastern North Carolina and have always been proud of our state, it is embarrassing and very sad. If there is a need to explore further representation, but under Charlotte's final control, let's explore this through a regional process that studies best practices as well as the history of Charlotte Douglas Airport. The state needs to focus on their responsibilities and our needs--jobs, mental health, education, and other transportation needs where things are not working! Our state is truly blessed by strong cities that contribute to our economy. They should be supported, not interfered with.
33. It is my opinion that the Airport governance is extremely important. I believe an independent governance that supports the best interest of the Airport and all citizens of the state of NC would be most appropriate to achieve a safe and secure environment. Recently, I was driving along the highway where the planes were in the process of making their landings and my thought was what if an airplane would have to make a landing that would be right on the highway. Let us be sensible and responsible legislators.
34. After reviewing Phase I of the Oliver Wyman report, I can see no compelling reason to change the management and operational structure of Charlotte's airport. On the contrary I foresee significant legal, accountability, and operational issues that are likely to damage the cost effective and customer friendly operation that we have enjoyed for 77 years. Any change would be traumatic, and the good image of the city and the airport(and the region)would be tarnished in the process. As a compromise, and to satisfy regional concerns,I suggest the legislation pending in Raliegh be amended to give counties in the region a seat on a board or commission of the City charged with oversight of the airport. The region would be represented in the decision making process and the airport would still have access to the City's financial standing and management experience. This is,after all,the people of Charlotte's airport....and has been since 1935.
35. I see absolutely no reason for an authority independent of the city to run the airport. It has had no significant problems and is better under local authority as it is the Charlotte

airport, even though others in the region may use it. The city residents paid for it and continue to provide most of its support both directly and indirectly. The city needs to maintain control of such an important facility and the state has not provided any good reasons to take away that control.

36. This is a City of Charlotte facility located in Mecklenburg County any attempts by the power hungry State officials must be stopped, there is no justification to steal the airport from the City.
37. I watched Charlotte grew day by day from a small rural community into a now (not major) city but into a now growing metropolitan city. Charlotte has the ability and strength in becoming a world class establishment. In order to establish this goal then we (government officials & citizens of North Carolina cannot take away, we must stand for what's right and support Charlotte in this endeavour. As a citizen then Charlotte, NC must remain over the Charlotte Douglas Airport without outside interference. If Governor Pat McCrory need additional projects to work on then tackle the EMPLOYMENT AT WILL which is affecting citizenship here in the State of N.C. This law was put in place back in the 1800s to keep slaves in check. Eliminate this law from the books. In this way then all the citizens in the State of NC will have a chance with justice and jobs.
38. Did I say you could park in my garage ? This is the impression I am getting from some "other" authority coming into Charlotte, NC and using some gallish attitude to just "take over". Who exactly is the head of this "independent authority" ? Who wants to own our airport and for what reason except for money making purposes ? What about quality of life ? Did I say you could come into my home and move me into the guest bedroom taking up the other three bedrooms that my family and children use and allot me two spots on the guest bed while you run my own home ? WOW ! Now that is one for the books. THE VERY GALL ! Does Pat McCrory have this attitude ? Can I come into his home and tell his wife who does not want to "get involved" in politics, and tell both of them to "move into the guest bedroom" while I run your home ? VERY INTERESTING. AND BY THE WAY, I taught school and if our own City Manager, Julie Burch, is going to sign a "consultant agreement" with this consulting company to have it ready by May 1, 2013 they had better spell the word North Carolina right. It is spelled on the end page of the agreement for bills to be paid to this consulting company,....Charlotte, "NORTH CAROLIAN" How grandiose and obviously unintelligent ! 7
39. It is absolutely ridiculous to take the airport away from the city. We don't need an independent authority to oversee something that is already being done. Just another bunch of politicians that can't solve the problems that we already have. This disgusts me and everyone I know. This state is still so backwards. We look like idiots to everyone else.
40. The idea of changing Charlotte Douglas International Airport from a City department to an independent authority is not desirable for the people of Charlotte or the airport. Charlotte Douglas International Airport is in control of the city as it is meant to be. Handing over Charlotte Douglas International Airport from a City department to an independent authority is an insult to the city of Charlotte. The Mayor, the Airport Advisory Committee, the City Council, and all involved in maintaining, improving, and

expanding the airport have and continue to do an excellent job. Handing over the important job of maintaining the airport from our city's leaders to an independent authority will cut into Charlotte's assets, economy, responsibility and even reputation. Charlotte Douglas International Airport has an excellent history and the facts are proven that there is no need to change the structure of the Airport. The Airport is one of the top airports in the U.S.A, and the world itself because of its current model. The reputation of the Airport is strong and part of the reason it is so successful is due to self management. The City of Charlotte, North Carolina and Charlotte Douglas International Airport should not hand over the City's valuable asset. Charlotte Douglas International Airport history shows that it needs no governance. For the North Carolina Legislature to change the governance of the Airport is unreasonable. Thank you.

41. Really? Don't the powers that be in Raleigh have bigger issues than this? I have lived here 16 years and feel the airport is one of the best in the country. I will fly 45,000 next month, so I have some flying experience.
42. I live in Highland Creek, Charlotte. I have been following the issue of an independent commission to run the Charlotte-Douglas Airport. I smell-a-rat(s) as to why an independent authority needs to be created, when in fact, nothing is severely wrong with the way the airport is currently operating. The claim that the airport needs to be run by a regional committee is nonsense. If it wasn't for the city of Charlotte, these bedroom-commuter regions would still be agrarian, old vacant mill counties. For politicians to run on smaller gov't platforms and now want to add a layer raises my eyebrows! I smell-no-bid cronyism contracts and jobs-to-buddies program. This whole idea of fixing what isn't broken reeks of political BS and will believe will drive up cost due to built in inefficiency, more \$\$ for buddies program. I'm from the Northeast, this "deal" could make for a good episode of HBO's "Soprano's". Who is going to back the outstanding bond ratings? They've tried this in Asheville, NC and the FAA wants no part of their newly formed airport authority for many reasons. CLT airport could lose Federal funding, too, all due to appears as an outcrop of backroom deals (my opinion). I have no skin in this, other than my tax \$\$ being wasted, this whole idea "smells funny". Thank you for your time
43. I do not think that Charlotte Douglas Airport should be controlled by any other body than the city of Charlotte. The people of Charlotte do not control other airports, so why should anyone outside of Charlotte control Charlotte Douglas International Airport? As citizens and taxpayers in Charlotte, that is our right!!!!!!
44. The airport has been successfully run by the city since the 1930s. It has seen tremendous growth and recognition throughout the United States. I believe that this is entirely a political move by the Republicans to stick it to the citizens of Charlotte since the city and county generally vote for Democrats. What other motivation could there possibly be? I believe Jerry Orr and his cohorts are responsible for pushing for this disgrace. Why should people in surrounding counties have a say in how the airport is run when they have contributed nothing to its development and growth? What will Raleigh take from the city next? This should be a rallying cry for citizens of Charlotte to vote against anyone who votes for this legislation.

45. Please stop this legislation from happening!!!!!! Herbert Judon has told me that city airport management members (city airport employees, asst aviation directors, jerry, etc...) stand to GAIN larger salaries if this happens. For example, the city would no longer be in charge of setting salaries and PRD (yearly) raises; therefore, they could stand to make MORE money by way of the authority since the authority could vote to increase their salaries and/or raises. This legislation is about greed and more power for more money in the pockets of the current airport management. If the city can sue and come out on top, please consider replacing the current airport leadership. If you have listened to the recording of Herbert Judon on Cedarposts.blogspot.com you can hear how he knew this was happening back in August....they've been planning this for years, he should be held to task as well. Greed is driving this, please stop it. Please get a court order to stop it or delay.
46. No to Regional, but double the landing fees. 31 year resident!
47. keep fighting for the city let us demonstrate in public form about stealing the airport.
48. I think the Charlotte airport would be much better served if the control were given to an independent authority. The airport has suffered for many years because of Orr's mismanagement. Arrival and departure automobile traffic remains unchanged and unimproved despite massive expansion of the airport. Chaotic and dangerous traffic situations occur because all the traffic flows to one area and police do not force drivers who park to wait for passengers to move. Shuttle operations to long term parking is unsupervised and disorganized, resulting in passengers' inability to get to their cars. US Airways has been allowed to create a monopolistic environment with far too little competition, resulting in overpriced tickets. I have personally experienced where it was cheaper to drive to Columbia, get on a flight that connects through Charlotte to get to NY than it was to get on the very same plane in Charlotte to get to NY.
49. Leave it with the city!!! This group in Raleigh is trying to take everything from cities like Asheville's water system and etc. They keep harping on making everything Regional. Why should cities invest any money in infrastructure if they will just take it.
50. By what right does the state believe it may steal a city's airport, simply because of regime change to GOP, from the former democratic administration? Who is to benefit? Is it to divert revenue from the airport away from Charlotte, to stuff the pockets of others who did not do the work to create it? Nor manage it all these years, and darn well, I'd say? Is it payback for somebody not liking someone who says "TSA, we can do things a better way" Who in NC Government believes it is just fine to abscond with decades of property growth in a city, to benefit some board? Why is this board really necessary? What is the justification for it, and how does it benefit property rights, due process, and wise restraint of Eminent domain Who came up with this notion that SUDDENLY, because NC elected a GOP Governor, now the Airport is in play? Stinks of partisan rich guy politicking. Here's the question for all those voting YAY. At what point did you come to agree that citizens in another town may demand, and gain ownership and domain over your own homes and property? Because that is how you think. This is NO different.

51. As an employee of a company which operates in the airport, I would LIKE to see a regional authority. Me and several of my associates are extremely concerned that the city government will use the Director's position as a political folly. With a regional governance, all local areas will have input which is only fair since they reap economic profits.
52. There is absolutely no common sense reason for airport governance to be changed. The City of Charlotte's management is effective and the current State Legislature's is not!
53. The transfer of control of the Charlotte airport -- without the consent of the current owners, without a greater public benefit as rationale, without compensation to the current owners and without any study to demonstrate need -- is the moral equivalent of a violation of the takings clause of the Fifth Amendment to the Constitution. It raises the issue of where the limits of state government abuse of power lie. It is an overtly statist and deeply offensive notion. A collaborative study and plan for the future of this community asset would be a far more mature path. I oppose the current plan in the state legislature to seize control of the airport and cede it to a new body created by the state legislature.
54. I oppose the N.C. Legislature's initiative to change the airport control to an independent authority. This proposal and the manner in which it has come about are shameful and a wreck of dirty, spiteful politics. Its genesis was the Republican victories in the last (statewide) election and their move to exert control over the state's urban centers which do not share their politics. Any proposal of this magnitude should be studied and evaluated by responsible stakeholders, but only after problems (with the current authority) surface that render such a change to be necessary. None of that happened; the city leaders were ambushed, and the whole embarrassing episode would be laughable were the stakes not so high. Similar unwarranted state power grabs have been initiated over the Asheville airport and water authority. I am surprised and dismayed that the business community which traditionally has exerted positive, moderate political influence in Charlotte has not spoken out forcefully. I am likewise dismayed, but not surprised, that the governor has failed to show leadership in this matter. Our state has been hijacked by a group that is actually scary in terms of the damage they are doing to our state, its institutions, its image and its citizens. I fear the loss of the airport in the manner that it has been undertaken will spell doom for Charlotte's future, and that is not hyperbole.
55. I am strongly in favor of the airport remaining a part of the City of Charlotte. If I understand correctly the legislation introduced in the N C General Assembly, the need to form an authority seemed primarily focused on the pending retirement of Jerry Orr, and that, as a result, there might be a problem in the future. I find this puzzling. Certainly, the mayor, the city leaders and elected council members of Charlotte are quite capable of finding a qualified replacement for Mr. Orr. If they fail to do so, and the airport struggles under less-than-effective, new leadership, then perhaps a discussion of an authority becomes more pertinent. However, at the present time it's akin to putting the cart before the horse. Secondly, with the merger of American and US Airways, it's a given the new airline will have too many hubs. Though Charlotte seems ideally located in the southeast, it's far too soon to rest on our laurels and that geography alone will

assure our future as a hub under the merger. I don't think this debate between the city and a propose authority is in our favor. Though I am a registered Republican, I'm highly suspicious of the party's deft course of action to do as it wishes and largely ignore the will of the people of the districts they represent; the proposed airport authority being one of several recent examples. There's a hidden agenda somewhere and a payday for somebody. Finally, an airport authority seems to exacerbate this recent fracturing of relations between Charlotte and Raleigh. I'm not above thinking that somewhere down the line, if the airport situation becomes more divisive and political, that Raleigh isn't above a clandestine offer to the merged airline to "put your hub here." Charlotte needs to stand up for what made Charlotte great in the first place. We need inspired leadership to do so.

56. Lincoln County representatives said they want a say in the CLT airport but do not want anyone from Charlotte interfering in their airport. Why not and how fair is that. It is interesting that Stan Campbell assured all the surrounding counties that they will get their input to the CLT airport but their airports will be left alone. Why? If an advisory committee is best for Charlotte, why is it not best for the local airports. It should be all or none. Any county that has a person on the committee should also have their airport under the authority of the same committee. See if they support it then. Why does Stan Campbell have the authority to say what the legislature will do unless this is all contrived by the Governor, Rucho, Brawley, Campbell, and Dorsch, and they've chosen Stan as their liason with the counties. Jerry Orr is insubordinate. The one area where I think Charlotte could have done a better job is keeping him in line. There is little doubt that he worked with the scalawags who initiated this take-over. That in itself should be a firing offense. He has bitten the hand that fed him all these years. Jerry Orr has had a good reputation for running the airport. If this takeover happens, I believe the majority of Charlotteans will despise him and think he was instrumental in the hostile take-over. If an advisory committee takes over the airport, there will be no voter oversight. You can't vote out of office people who are appointed. In other areas where advisory committees have taken over, operations have declined, not improved. Asheville is a good example. When Jerry Orr's private police force was in charge, a teenager walked onto the tarmac and got on a plane and was killed. A committee will, like Jerry, only look at the cost of police, not the efficiency or safety. If this happens we will increase the likelihood of a terrorist act in Charlotte because security will once again be slack as they only focus on the bottomline. The governor is either exceedingly weak and has no control or he is conniving and using Dorsch as his front man to keep him up to date on their progress to take over the airport. He says it is a local issue but the decision will be made in Raleigh. I fear that he is very much involved and seeking to make it happen. In doing so he is poisoning the well. The majority of Charlotteans will never trust him or Raleigh for that matter. They are essentially declaring war on Charlotte. The bad blood will last for decades. This is politics, the very worst of politics at play. There has always been resentment of Charlotte in Raleigh and many of the rural legislatures have a thing about cities. This is their big chance to stick it to Charlotte. They don't care about the airport except that they may get financial rewards from their cronyism. They don't care about safety, they don't care about economic growth for the area. They just think, this is our chance to take Charlotte down and they're going for it. If ever there is a bond issue in any way related to the airport or airport environs, any Mecklenburg County resident would be foolish to vote for it. Lastly, our city should pursue every legal grounds to

challenge this in court if the law passes. I, and I believe most residents, would support using our reserves if necessary to fund legal challenges even if they take years. Also we should default on any outstanding bonds. Why should we be liable if they're taking all responsibility and the rewards. Let them also have the debts. With friends like McCrory, Campbell, Rucho, Brawley, Dorsch, and Berger, Charlotte does not need enemies. They are the worst of the worst politicians. Everyone is either part of the solution or part of the problem. They are the problem and trying to fix something that is not broken. It will be broken if they succeed.

57. I am NOT in favor of establishing a regional independent authority. I feel it would add an unnecessary layer of bureaucracy. Why fix something that is not broken?
58. Having moved from Boston to Charlotte last July and traveling frequently I am extremely satisfied with the management of the airport, especially compared to Logan. It's a quick access from uptown or anywhere for that matter, parking is very reasonable and the one terminal design with multiple security points that all lead to the concourses offer maximum flexibility in checking in - I truly hope that the state legislature stops its power grab since it is not proven anywhere in the nation that airport authorities do a better job than a city.
59. Read Sunday's Charlotte Observer's coverage on the particulars of Sen. Robert Rucho's Bill that passed in Senate and will go to house after awaited Report on Analysis due in May. I am in favor of an Independent Authority, I agree all communities or cities should participate for passage in the House. I agree with Council Member Andy Dulin that persons who have conflict of interest not be on committee as to how the airport be run. I disagree with Dem. State Rep Alexander and Barnes. Alexander feels it would hurt Mecklenburg Cty. The purpose of passage of this bill is that it is for the good of the State of NC and the ability of the Airlines to set forth better policies and an Independent authority to provide better management of the Airlines.
60. The City has done a good job with the Airport and advancing it to a major hub. I don't think it is a good idea to transfer it to a regional authority.
61. Charlotte Douglas International Airport should remain under city control. All residents of Charlotte (and I am one) have invested our tax dollars for the development and upkeep of the airport (we also purchased the land) and the current legislators in Raleigh should not be involved. This is our airport !!! It is unthinkable that state government would ride in and take Charlotte assets. I can't say that I am surprised though, Look what the Republicans are doing in Michigan. They have even dissolved their local government. I assume the next step is to have Raleigh pick our next Mayor...oh, that's right they are already talking about that.
62. I would like to add these additional comments for consideration to the Testimony that I offered 4/16/13: 1- Nancy Carter so correctly pointed out that several times the City of Charlotte had to provide funding for expansion and repair to the airport via GENERAL OBLIGATION BONDS AND NOT AIRPORT BONDS. The Regional Advisory Board would need the same capacity and it would have to be shared by all of the governing bodies and their citizens equally. Secondly, those assets developed by the City of

Charlotte should have to be purchased from the City of Charlotte. 2- If this Regional Airport Authority is to be truly regional then it should have domain and jurisdiction and fiscal and physical responsibility for ALL airports that operate in the region especially publicly run airports. The purpose of my testimony tonight [4/16/13] is to support the City of Charlotte's retention of Airport Ownership for the follow reasons 1. Since the first airport that I can remember, being the white frame two story building, the Douglas airport has been guided by imaginative and forward thinking leadership from our mayors and councils- Ben Douglas, Stan Brookshire, John Belk, Eddie Knox, Ken Harris, Harvey Gantt and Anthony Fox to name a few. All of these leaders have contributed to the growth and development of the airport both in structure and market transportation reach. Our management has always reflected fiscal responsibility and efficient service to our aviation clients, our commercial users, and to our passenger patrons. 2. Due to our City's fiscal policies over the decades, we have enjoyed top borrowing capacity, so that we could expand our horizons in air service when necessary to grow our city and region. I fear that committee leadership will mean that our airport will stagnate in its current state- just like our government in Washington has come to a mighty impasse. We will not benefit from the One source solution that has driven the airport's excellence and growth over the decades. 3. When I was in graduate school in Texas, we lived in the land of Authorities. Our simple VA Home was subject to taxation by 11 different authorities- airport, community colleges, emergency response, hospitals, schools, etc. This multi-layered taxing system will be necessary for the entire region to insure the Airport's financial well being- in order to retain or secure bonding capacity to meet its needs. These taxing authorities become a nightmare to any property owner who must pay multiple jurisdictions annually and closing the sale of a property become overwhelming. 4. The City of Charlotte was able to step up and provide the safety required for us to land the DNC and to take care of security breaches that have arisen. An Authority would bicker for months to resolve these issues and to try to provide a safe and secure facility for all. 5. Under the city's leadership and management through the decades, we have faced and resolved the loss of a major carrier- when we lost Eastern Airlines. We were able to expand to fulfill the growing needs of Piedmont Airlines through its mergers [US Air]. We have expanded our regional and national gates to include multiple international destinations. We have just welcomed Southwestern Airlines as a new airline to our port this week. And finally, the city is continuing to expand our logistic offerings, enterprises that have consistently provided 20% of our city's business revenue for decades. We do not need to change this successful enterprise. The region has benefited from this excellent facility in the City's hands. The other communities in the region have not been successful in their attempts to develop high quality air service, so I think that track records speak for themselves. If the political leaders in Raleigh take the airport, then they should have to compensate the city for its previous work and require the region members to reimburse Charlotte for the fair market value and immediately take over the debt. Speaking Directly to Governance Issues-There must be a sufficient, efficient and effective method or mechanism of displacing and replacing Authority Members or Airport Management should it become necessary due to unethical or illegal behavior.

63. I feel Charlotte Douglas International Airport should not be changed from a City Department. Charlotte Douglas International Airport has been and still is one of Charlotte's most loved sites of the City of Charlotte. Please don't Change the Governance. Let the City of Charlotte take care of its own.

64. I live and pay taxes in the city of Charlotte. The Charlotte Douglas International Airport needs to remain under the governance of the City of Charlotte. We absolutely do not need the legislators in the state taking the airport away from the city and putting it in the hands of some regional authority! Thank you!
65. Are there valid reasons established for wanting to take over the airport? - Has the City of Charlotte inappropriately handled the management of the airport? How can this group better manage? - What major changes will result in regards to jobs, airport management, and security? I think the City of Charlotte has done an excellent job in managing and expanding the airport. I have not heard any valid reasons from this group or any spokesperson representing this group as to why there is a need to take over the Charlotte Airport.
66. I am opposed to the change in airport management on two levels. The first is that it would involve fixing something that isn't broken. If the airport were being mismanaged, I could see looking into an alternative. But it is not. We are lucky to have one of the nicer hub airports in the United States. Why mess with that? Second, this just feels like a power grab. Whenever possible, I believe that local decisions should be made on a local basis. Having a new regional authority simply robs the city of control over something that it has thus far managed very well. The airport is within the city limits of Charlotte. It should be a City of Charlotte endeavor. Please leave things as they are.
67. I have one concern that I would like the State of North Carolina to address, please. I have lived in Charlotte and dutifully paid my taxes for many years, some of which were used to pay for the airport property, it's construction and maintenance. How will I and all the other residents of Charlotte be compensated for this taking of our airport if the state does proceed with this taking? Surely, the state realizes that a class action law suit by the citizens, seeking just compensation, will result? Or haven't you thought of that?
68. The Airport Authority plan is unfair to Charlotte by David Erdman April 22, 2013 erdman@charlotte-nc-law.com 704-333-7800 The Airport Authority bill that passed the state Senate is unfair to Charlotte. The Senate bill guarantees Charlotte only two appointments to the 13-member Authority board. The NC House of Representatives, which is now considering the proposal, should defeat any bill that allots Charlotte less than seven seats to guarantee Charlotte majority representation on the board. As the dual public hearings this past week have shown, there are two separate issues in the debate over the proposed Airport Authority. The first issue is whether the legislature should confiscate Charlotte's hugely successful airport and give it to an untested new Authority. The second issue, which is an entirely separate concern, relates to the composition of the proposed 13-member Authority. The seizure itself is a bitter pill for the citizens of Charlotte to swallow. The long-term impact for better or worse of the airport's takeover, however, will be determined by the 13 individuals named to the Authority. The only way to guarantee fundamental fairness to Charlotte is for the bill to be amended in the NC House. The Senate bill inflicts substantial and undeserved injury on the City. It sternly mandates that "The City of Charlotte shall transfer to the Authority within 90 days ... all of its right, title, and interest to the Charlotte Douglas International

Airport.” The bill continues “This transfer includes all property, real or personal, tangible or intangible.” Even the “Charlotte” sign in front of the airport will no longer be the city’s! The Authority will seize control of every inch of the storied airport which Charlotte has successfully built, owned and operated for nearly 80 years. As if the taking without good cause and without compensation were not enough, the bill adds insult to injury by assigning the City only two appointees to the 13-member Authority board. Assuming for the sake of discussion that the airport could somehow be managed better by an Authority, it is critical to Charlotte that the City not be excluded from governance of that facility located within its territory. Under the Senate plan, Charlotte is indefensibly short-changed. Here are two examples of the unjust allocation of Authority seats: First, the so-called Local Bill names the new entity a Regional Authority. It serves no “regional” purpose and it makes no sense for that bill to empower the Speaker of the House, the President of the Senate and the Governor each to appoint a member of the Authority. There is no compelling, or even persuasive, rationale for allocating Authority seats in this manner. From year to year, these officials may reside anywhere from Manteo to Murphy. Giving these state officials three appointments raises the question whether the bill is truly a “local” bill. Because it is designated as a Local Bill, however, any power that Governor Pat McCrory’s would otherwise possess to veto the bill is bypassed. The second problem is that the Mecklenburg County Commissioners are allowed to fill only one seat on the Authority. The County Commissions of Cabarrus, Gaston, Iredell, Lincoln and Union Counties are also each given a seat. Mecklenburg has a greater population than the total of the other five counties put together. It is disproportionate and blatantly unfair to allot the Mecklenburg board only one seat. The apologists for the Senate bill argue that the three state officials must appoint Mecklenburg residents. There is no reason to believe that these state officials would be better able than the Charlotte City Council to identify the best qualified individuals to be appointed to the Authority. While the Senate bill requires certain appointees to be Mecklenburg residents, it only guarantees that two of the appointees will be citizens of Charlotte. The City of Charlotte and the County of Mecklenburg are distinct and separate entities as the bill itself makes clear. With Charlotte’s excellent stewardship of the airport from its beginning, the creation of an Authority is justified only if Charlotte’s representatives comprise a majority of the board. Charlotte’s elected legislators should take a stand for this City and rectify the defects in the Senate bill. Charlotte’s citizens are counting on their representatives to assure that, if an Authority takes over the airport, it will be an Authority that acknowledges and continues Charlotte’s successful stewardship of its most successful economic asset. David Erdman is a Charlotte attorney who formerly served on the Charlotte City Council. He has testified at both public meetings regarding the proposed Airport Authority.

69. Charlotte has done a fine job and should retain authority over the airport. I'm against the power grab by the state.
70. The name of the airport is called Charlotte Douglas International Airport not Charlotte Regional Airport. This airport has functioned, has grown and is making great strides under its current administration and does not need to be controled or administered by persons who do not live nor pay taxes to this community and have self imposed interest to make the airport what they want it to be but should remain a product of the

Charlotte community. A move of this magnitude will weaken the confidence in our state leaders for making a decision without merit and just cause.

71. The proposal to take the Charlotte Douglas International Airport away from City of Charlotte oversight and transfer it to a newly created multi-government authority is a bad idea and should be defeated. Although some merit to this proposal may exist, the way that this entire effort has developed and proceeded is outrageous. The longstanding city, county, and state relationships in North Carolina have served the state well. Historically North Carolina has had fewer independent local government authorities compared to other states. This has allowed it to avoid many of the problems suffered by urban areas in other states. These problems include fragmentation—numerous local and overlapping governments in the same region. Such fragmentation complicates service delivery, service coordination, and tax policy. It also makes accountability for actions and outcomes more difficult. The creation of an airport authority in the Charlotte region would have the potential of all of these. In addition, research shows that total local public debt in areas with many authorities is higher than in areas without authorities. In other words, total debt is likely to increase over the current situation. The proposal is viewed by many as a takeover by a few private citizens and appointed officials virtually by passing the input of elected officials of the city and Mecklenburg County. Such a situation has created so many tensions and anger that smooth operation of an authority would be difficult to accomplish. This anger would also make other cooperative actions among regional local governments more difficult to develop. Authorities can under certain circumstances be the better method of governing services. However, where a single government is successfully providing management, shifting to an authority is seldom warranted. If the shift of governance of the Charlotte Douglas Airport has more benefits than costs, then such a move should be studied and considered more extensively over a longer period of time and in a less emotionally charged atmosphere. There has been too much “back room” dealing with this proposal to make it palatable to many residents.

The Airport Governance Oversight Committee convened to receive public comments on Tuesday, April 16, 2013 at 7:00 p.m. in Room 267 of the Charlotte Mecklenburg Government Center with Project Manager Kim Eagle presiding.

Those present included: Project Manager Kim Eagle, Consultant Bob Hazel; Study Committee Members Frank Emory, LaWana Mayfield, Mike Minerva, Tom Murray, Landon Wyatt (for Ronnie Bryant)

Kim Eagle said I'm the Project Manager for the Airport Governance Study and I will facilitate the meeting tonight. As you all know, the Council for the City of Charlotte did approve this study. It's an independent study to insure that the public has an opportunity to give input on the issue. I wanted to point out that you can also provide written comment on the City's website. Until April 22, 2013, you can go to www.airportstudy.charlotte.nc.gov. These comments will go directly from that website to the consultant. Speaking of which, I would like to introduce the folks at the front of the room tonight

First, we'll start with members of the Oversight Committee that are here to receive your input: Frank Emory with the Charlotte Chamber, Tom Murray with the Charlotte Regional Visitor's Authority, Bob Hazel, the study consultant. He is with the firm of Oliver Wyman. I wanted to recognize any elected officials that might be here, but I don't believe we have any at this point and time.

So tonight we'll kick-off the public meeting with a brief overview of the study. Bob will provide that for us shortly. Then we'll open the meeting for comments. We have limited each speaker to three minutes for comments so that we can ensure that everyone has an opportunity to provide input. We will open it up at the conclusion of the list that we have so far to see if anyone else would like to give input. I believe we have five or six different folks signed up currently. All of the comments received tonight will be recorded by the City Clerk. Those will be provided to the Study Consultant Bob Hazel to be included in the study. So that's an overview of where we're going tonight and how the meeting will be structured. With that being said, I'll turn it over to Bob Hazel to give us the overview.

Study Consultant Bob Hazel said thanks everyone for coming out tonight on what's really a sad day for everyone; certainly something you can feel if you're traveling today. My name's Bob Hazel. I'm with the firm Oliver Wyman. We're the consultants on this Airport Governance Study. I would like to introduce the study very briefly to you.

The City of Charlotte is commissioned Oliver Wyman to conduct an independent, object review of review of airport governance models and the issues associated with a transition to a different governance model at Charlotte Douglas Airport. Our work is being overseen by a Study Oversight Committee to help insure objectivity, with representatives from six organizations; the Charlotte City Council, the Airport Advisory Committee, US Airways, the Charlotte Chamber, the Charlotte Regional Visitors Authority and the Charlotte Regional Partnership. All contract documents and all study reports are available to the public and our final report is due May 1st. The scope of our work consists of five elements. First, determine the drivers for interest in

change of governance. For this element of the study, we interviewed stakeholders to determine the specific reasons for the interest in changing the governance structure of the Charlotte Airport. We interviewed over forty stakeholders. We reported our findings on April 5th. The second element of the study is to review and assess current governance of U.S. airports. What governance structures are used at other U.S. airports? What are the best practices? What are the advantages and disadvantages of each? And also how would the different forms of governance address the problems or issues with the current form of governance as identified by the stakeholder interviews? Third, review and assess peer airports' governance. Charlotte is the 8th largest US airport as of 2012. How do peer airports' govern themselves? What are the drivers for the difference in governance at peer airports? When we look at peer airports, we look at airports with similar size. We also will look at airports that rely largely on connecting passengers, as does Charlotte. Fourth, what are the governance transition issues for a City department transitioning from a different form of governance? In terms of other airports that have gone through this transition, what are the issues they've encountered? How did they resolve those issues? How long has it taken to make a transition from one form of governance to another? Finally, number five is we'll make recommendations. This is the project timeline. It's very accelerated. We are now in the blue box, April 16th. Our draft final report is due April 25th. That will be a full report. So nine days from now, there will be a full report, with recommendations for review by the Oversight Committee. After that a final report due May 1st; and a City Council briefing on May 6th. Tonight's session; the purpose of the meeting is to allow broad public input and comment. This is a meeting to obtain public comments, not for us to provide preliminary findings. All findings will be included in our draft and final reports. So for those of you who are expecting Q & A, or discussion of best practices at U.S. airports, you're going to be disappointed. We are really just here to listen; we're only going to listen. We will do our best to incorporate what you say tonight into our report, but again, this is a one-way meeting. Speakers should limit their remarks to three minutes. You may submit written comments at any time. I have received over a dozen written comments, so far. You can send them either to the City website which automatically forwards to me or directly to my email, which is listed here. With that, I thank you, I turn it back over to Kim.

Kim Eagle said we will start now with public input portion of the meeting. The City Clerk will read the names of those that have previously signed up to speak. Afterwards, we will hear from others that may have changed your minds and would like to contribute.

Phil Hazel, 1033 Jennings Road, Statesville, NC said the first thing I'd like to say is, I'm here not as a representative of anybody but myself. The thing that concerns me about this operation is that it looks like a rush to judgment to me. The current bills that are before the legislature, the Senate bill has already been passed. It requires a ninety day period of handover of the Airport to the Airport Authority after the legislation is passed. The House version of that has the same language in it. That's mighty fast to do this kind of thing. Thank you for the opportunity to provide input into this airport authority discussion. My name is Phil Hazel. My son Thomas and I are owners of Statesville Flying Service. We operate the fixed based operation at the Statesville Regional Airport. We don't speak for the City of Statesville, who is the owner of the Airport's sponsor. And we don't speak for Iredell County. For 35 years, my company's been in the public private partnership with our Airport Sponsor, the City. Statesville is my town. I live there, work

there, pay taxes there. I consider my role important to the community industrial development. My relationship with the city officials is long, strong and critical to business success for both sides of the partnership. My contribution is leasing nearly nineteen acres of airport property, building hangars, providing good customer services, fueling based and transient aircrafts, seeing to the provision of aircraft maintenance, flight instruction, aircraft rental, concierge's services and serving as a greeter at the City's front door. The City's contribution is being a good airport sponsor, seeking development grants, and cultivating good relationships with the FAA and State officials. Having been in the business for nearly 35 years and having flown for 40 years, I've had the benefit of seeing the overall development of airport assets in this area, particularly in Statesville, and the positives of that development. Of all the positives, number one is the availability of funding through the FAA and the North Carolina Department of Transportation, Division of Aviation. In 1989, the FAA named North Carolina one of three block grant states. That number has since been increased to 10 states, which is the maximum possible under the legislation that created the block grant system. The FAA gives the states lump sums and the states direct it to airports based on their own criteria. States that participate in the block grant program assume responsibility for administering airport improvement program grants at airports classified as "other than primary airports"; that is non-primary commercial service reliever and general aviation airports, of which we are one. Each state is responsible for determining which locations will receive funds for ongoing project administration. Among the criteria for determining is local support. Local support means appropriating funds. Local support in those counties named in the House and Senate bills (Union, Cabarrus, Iredell, Lincoln and Gaston) have been largely strong. I'm concerned that an airport authority acting in those counties operating as the "Corporate Instrumentality and Agent for the Development of Aviation Facilities" would lose the FAA and State financial support and would depend upon the kindness of strangers. The additional remarks I left with you are in your hands.

Kim Eagle said before we move to the next speaker, we have had several elected officials join us tonight. I would like to recognize those folks. We have Council Member Andy Dulin. We have Council Member John Autry. And then we have former Council Woman Nancy Carter.

Nancy Wiggins, 3909 Bon Rea Drive, Charlotte, NC said I am a citizen of Charlotte, North Carolina. The purpose of my testimony tonight is to support the City of Charlotte's retention of the Airport ownership for the following reasons. Since the first airport that I can remember, being the white framed two-story building, the Douglas Airport has been guided by imaginative and forward thinking leadership from our Mayors and Councils, Ben Douglas, Stan Brookshire, John Belk, Eddie Knox, Ken Harris, Harvey Gantt, and Anthony Foxx, to name a few. All of these leaders have contributed to the growth and development of the Airport both in structure and market transportation reach. Our management has always reflected fiscal responsibility and efficient service to our aviation clients, our commercial users, and to our passenger patrons. Due to our City's fiscal policies over the decades, we have enjoyed top borrowing capacity, so that we could expand our horizons in air service when necessary to grow our city and region. I fear that committee leadership will mean that our airport will stagnate in its current state just like our government in Washington has come to a mighty impasse. We will not benefit from the one source solution that has driven the Airport's excellence and growth over the decades. When I was in graduate school in Texas, we lived in the land of authorities. Our simple VA Home was

subject to taxation by eleven different taxing authorities, airport, community colleges, emergency response, etc. This multi-layered taxing system will be necessary for the entire region to insure the Airport's financial well-being in order to retain or secure bonding capacity to meet its needs. These taxing authorities become a nightmare to any property owner who must pay multiple jurisdictions annually and closing the sale of a property become overwhelming. The City of Charlotte was able to step up and provide the safety required for us to land the DNC and to take care of security breaches that have arisen. An Authority would bicker for months to resolve these issues and try to provide a safe and secure facility for all. Under the City's leadership and management through the decades, we have faced and resolved the loss of a major carrier when Eastern Airlines left. We were able to expand to fulfill the growing needs of Piedmont Airlines through its' mergers and acquisitions and changing of its name. We've expanded our regional and national gates to include multiple international destinations. We have welcomed Southwest Airlines as a new airline to our port this week. And finally, the City is continuing to expand our logistics offerings. The logistics have consistently provided 20% of our City's business revenue for decades. We do not need to change this successful enterprise. The region has benefited from the excellent facility in the City's hands. The other communities in the region have not been successful in their efforts to develop high quality air service, so I think the track record speaks for itself. If the political leaders in Raleigh take over the Airport, then they should have to compensate the City for its previous work and require the regional members to reimburse Charlotte for the fair market value and take over the debt.

Allen Shaw, 6909 Idlewild Road, Charlotte, NC said the City of Charlotte has done an excellent job regarding this facility. This facility out at Douglas Airport has been under the City's control every sense the money was appropriated back in the mid 1930's by the Works Progress Administration. The only time that our airport has not been in direct control by our City and Council is during the war years when it was Morris Army Airfield. We have a model of efficiency. We have a model of cost efficiency at this airport that if wasn't for the way its run and operated now, we would not have what we have. Only 25% of the passengers or less originate and terminate in this City. If it wasn't for the efficiency that this gentleman back here provides, the cost efficiencies, we would not have the US Airways Hub that we enjoy today and the ability to travel all over the Country. My background is maintenance and we have a model; if it's not broken then don't fix it. It's that simple. I'm asking that this whole thing come to an end. The City of Charlotte, its Mayor and Mr. Orr have done a fantastic job. In my opinion, when Mr. Orr decides to retire, there should be something of prominence at that airport named in his honor. He's that kind of a guy; he's a great leader. And he's the kind of person that really believes in what he's doing. We're going to need another person, that when he decides to retire, he's probably got someone in mind just like Mr. R.C. Birmingham had in this gentleman back here. We need to continue the path we're on. The people that are wanting to make commissions and create greater bureaucracies; you're going to end up driving up costs. You're going to wheels grind slower. Airlines industry moves at a minimum of 400 miles an hour. You have to be able to keep pace with that. It doesn't need multi-layers of bureaucracy that would impede being able to move with that kind of sting.

Kim Eagle said before we move on, I'd like to point out that we've had an additional elected official to join us. We have LaWana Mayfield that has joined us. She is also a member of the Oversight Committee for the study.

Jeremy Johnson, 10321 Foxhall Drive, Charlotte, NC said I think everyone's opinion is great. I'm totally against it. But the opinions and words we haven't heard are the words of our delegates up in Raleigh. I've been harassing them for the past couple weeks. I have invited all of them back this Saturday, April 20th, 3:00 pm at Myers Park Baptist Church. I rented a room, on my dime, to get them, all the local officials and all of the public to come out and actually talk about it objectively. How the airport is today, what they are proposing, the pros and cons, and just the opportunity to get some discussion going. I hope that our folks up in Raleigh voting on this are actually hearing the opinions that we're all expressing today.

Justin Stewart, 3042 East Independence Boulevard, Charlotte, NC said all of this is new to me. When I first heard it, it wasn't anything that surprised me, given the fact that whether the politicians are in Washington, DC or they're right here in Charlotte; we're going to play this political dancing game until the cows come home. I find it strange, in a sense that they want to transfer the authority of the Airport to an independent advisory board that the Governor, the Speaker of the House, and the President of the Senate appoints. To try to smooth out some ruffled feathers, we'll give the Region a chance to appoint some board members, as well. What's the point? I just don't understand it. I was reading that there's \$800 Million in outstanding bond debt. Are the five counties in question, are they going to help with that as well, or are they going to leave that to the Charlotte taxpayers? All I can hope for is that better days are coming. We hope against hope that we're not crushed against under the already heavy burden that placed on our shoulders. I will say "I smell a rat" involved some way, somehow. I don't know if it's just me or if it's everyone else that's involved in this, but somewhere in the midst of this is some political good-ole-boy system that the Governor and the Speaker of the House and the President of the Senate has cooped up.

David Erdman, 251 Huntley Place, Charlotte, NC said I am a former member of the Charlotte City Council. I'm sitting here listening to this and I've been watching it for the last couple months and it's obvious to me that what we have is an outcome in search of a rationale. When I was on the City Council, I went out to the Airport; I met with Jerry Orr. I was very impressed with him and his operation and I reported that to the City Manager. And for thirteen years since then, everything has held together. You folks have to make a recommendation and I have less than three minutes left to suggest some points. I want to make the point; the most basic rule of conservatism was articulated by Dr. Johnson 250 years ago. He said, "Unless there is reason to change, there is reason not to change." And when I worked around the General Assembly, 30 years ago, the most basic rule there was, as has already been quoted, "if it ain't broke, don't fix it." What has happened to our General Assembly and what in particular has happened to our representatives from these very city limits of Charlotte? But since you need recommendations from me, let me point out that the allocation of 13 members to this board of which only two are guaranteed to the City of Charlotte is an outrageous usurpation. Two more guaranteed to Mecklenburg County and there are some guarantees to surrounding counties. But I worked for the General Obligation Bond Campaign that built that terminal. I was there the day it did open.

Those were General Obligation Bonds. I understand the difference between an airport bond, self-liquidating and all that. But those were General Obligation Bonds. So the most basic rule of democracy is no taxation without representation. Well what we're doing is turning that on its head if this passes and giving representation to those that have had no taxation. So it's representation without taxation. I will finish my remarks in my remaining time by saying what Jefferson said, "When a long train of abuses and usurpations pursuing invariably the same object evinces a design to reduce them under absolute despotism is their right, it is their duty to throw off such Government and provide new Guards for their security". And he goes on and he also says that, "prudence, indeed will dictate that Governments long established should not be changed for light and transient causes." I value US Airways as much as any citizen in this town. I understand your impact and I'm proud of it. I want to make sure we do all that we ever have to do to keep you as a happy tenant. But, I don't see any tether connected between the new authority and US Airways, none whatsoever. And furthermore, I don't see any compelling rationale; it's an outcome in search for rational.

Carey Head, 8717 Douglas Drive, Charlotte, NC said I am a homeowner in the Steelberry Acres Neighborhood, directly south of the Airport. We bought our house in 2007. When we moved in there, we knew exactly what we were getting into. In fact, we tell most people that the Airport has helped us to afford the kind of house that we are in. We have a very large backyard, with high canopy and a beautiful lawn that overlooks Watt Lake and I'm 12 minutes from South End. There aren't many places in Charlotte that you can get that for what I paid for my house. Now I know that the Airport inevitably will grow and expand. We were under no illusions about that and there would be new terminals and new runways. Our expectations however, was that when it came time to deal with the Airport, we would be dealing with Charlotte's airport. As citizens of the City, we would have direct recourse to our elected officials and through the power of the ballot box, be able to have recourse if we were unhappy with what was going on. This regional authority puts additional layers of bureaucracy between us who live in the neighborhood of the Airport and gives us less control over what happens, not only to the Airport, but to our properties, as well.

Charles Bizzell, 4601 Quail Canyon Drive, Charlotte, NC said they're trying to spring it on us all of sudden, it's not fair. Nobody heard about it during the election. Not a word said. All of sudden February comes and we're just going to steal your airport. I put all that sweat equity in that airport. I have been here. We put the money in the Airport. Are we going to get reimbursed? I don't think that's the plan. I think the plan is just to flatten us and say, "Too bad, guys." Now what does Bruton Smith think about this? He puts down a lot of asphalt, so I'm sure they've got a nice airport in Concord. I don't know whether he's going to want to get involved in this or not. Are we going to just desert everybody? I want US Airways to be happy. When people come to my airport, I want them to think, I want to come back. But we don't get that. We get it sprung on us. Where did it come from? Who thought it up? It didn't come from me. I don't know. Does anyone have any idea? We just heard about it. One day we woke up and there it was. I can't figure out why they would try to fix something that's not broken. I can't figure for the life of me. There it is. We want to keep the Airport in our name. We want the deed to be in our name. We want everybody to come visit us to have an enjoyable time in our City. We want everybody to be able to get in and out from our airport that we built.

Nancy Carter, 1401 Cavendish Court, Charlotte, NC said thank you for the opportunity to speak to you all. While I'm here, I want to give you three bests. The Airport was best financed because of the rating of the City, AAA consistently. We have citizens who invested their time, given up other things to invest in our airport and are very concerned that they have service that is locally responsive. We've worked with US Air. I was part of that Council that approved the training facility staying here. We were excited about that. We want the investment of US Air and the new name, as it will come about and we're delighted over that, as well. Thank you so much for the service you provide all of us, but this is a question: Who is going to finance the Airport in the coming years? The Bonds, will they get the cut rate that we do? Will it be the State's rating, which is questionable these days, or will it be ours still? And we are very positive about the Airport and think that we provide the best value there. We're looking at the businesses that have located here because of the Airport. When this change and shift in control impact the people that invest in our City? I'm going to be Chair of the International Cabinet here in Charlotte this coming year, as the Mayor has told me. I am very concerned about international businesses that locate here because they state that the Airport is one of the assets that make them make that decision. We are now an international city. We deserve to continue that way. Number 2 best practices; we are invested in best practices. Our Airport has received the "Crystal Eagle", Best Managed Airport in the world under the guidance of Jerry Orr. The City has had best practices in recruiting the talent that run our City Departments. Notice our new City Manager, moving in with great talent and great experience. We do the same; we recruit the best talent to run our City. It's acknowledged. There are so many national awards that have been given to our City. One sitting right there is our Clerk; she's received a national award. We're very pleased with what we can do in the city and think that the next leadership, with the advice of those who are concerned, will continue in that same practice. We have another best; it is the best supervision. Who gives the best supervision of a local asset? Those who live there; the residents who live there in that area. The City, they participate, so best management practices are here.

Mattie Marshall, 2304 Booker Avenue, Charlotte, NC said I live on the Westside of Charlotte. I feel strongly that the support we have given to the Airport as citizens over the years has been tremendous, not only in our blood, sweat and tears, but we have, as taxpayers, paid tremendously for that particular airport. We are a can-do City with an international flare about this particular city. I feel strongly that the Airport should remain in the hands of the City. I feel that the City staff is experts in their fields. We have utilized a team approach to building that airport. I remember back in 1976 that when I came through Charlotte it was just a little place. But now, because of the expertise and the talents that we have brought to this city, we are making a tremendous difference. As others have said, if it's not broken, why are you trying to fix it? And all the back room deals that I see that I feel are going on are unnecessary. We as a people need to come together for the good of the whole. And what's happening now is not good for Charlotte, North Carolina.

36:49 Mary Klenz of 7404 Sherwood Forest Drive, Charlotte, NC said my family and I moved here to Charlotte in 1973. When we moved here, my husband was flying when it was Piedmont Airlines. And, I'm a frequent flyer for US Air myself. I appreciate having the presence of the Airline here in Charlotte. We have a lot invested in our community over the years and I've

always found local government to be prudent, thoughtful, responsible and forward-thinking. I and many of my friends are stunned that a change of this magnitude is being proposed and based on something that might happen or could happen sometime, maybe never. It really does not pass the smell test. I'm not in a position personally to know what the best governing structure is and who should be in charge. But I do know that how this has come about, this proposed change, is not good governance and it leads us down a slippery slope. It does not speak well of those that are proposed the change. It is a breach of the public trust in my view and I believe the city officials have an obligation to the people who elected them to protect this asset that they are charged with overseeing. I hope that those proposing this change will step back, rethink the implications of what these actions will do and focus their time and attention on issues that benefit rather than harm the public interest.

Justin Stewart said the board up here stated they wouldn't be answering questions so this question just simply goes to the audience, what is the motive behind moving that airport? What do you get out of it? It behooves me to say, you're not doing a good job of governing this airport so let's create a 13-member advisory board, by the way we'll give you two seats on the board, and the other seats we'll appoint the majority so in the end, what we say goes. And the surrounding region, we'll give them a voice in it, too. But in the end, we'll have the final say in it. What is the trophy you get at the end of saying you weren't controlling this to our satisfaction for the last 30 years, so now we'll swap it over to someone we appoint and we'll have final say in it.

Charles Bizzell said I would like to get Mr. Orr's opinion on this, if we could. I'm interested in what he has to say about it.

Kim Eagle said for purposes of tonight's meeting, we're going to stay focused on the public input and not do responses from City staff or others.

David Erdman said when I got to Charlotte in 1976, I was actually surprised that our airport was not under an Authority. I understand authorities. In fact, I asked one of the nation's leading experts on authorities, Robert Caro, what he thought about this transfer. He said the basic problem with authorities is you lose local control and we all know that's true. In fact, that's the actual stated purpose of doing it that I'm hearing through the General Assembly. There are two issues; one is, do we go to an authority, if there is some compelling reason, but there's the other issue, and that is who gets appointed to that authority and what is the allocation of the seats? And what is profoundly unfair is to punish the City of Charlotte which has run this Airport so successfully since the 30's by giving the City a guaranteed two seats out of 13. That is an indefensible outrage. And whatever the Study Commission comes up with as to whether or not there should be an authority, it absolutely should not come down on the side of such an abject revocation of this city's good work and great history related to this Airport. Because if the authority theory works, it works just as well with six people from the City and five or seven or whatever the number is, as it does with two. There's something punitive in that. There are a lot of people here that suspect that, by their own remarks.

Kim said is there anyone else that would like to provide input that hasn't contributed? I would like to remind everyone that you still have the opportunity to provide written feedback and input via the website that closes on April 22nd to allow time to get that information into the final report. The final report will be issued on May 1st. Thank you for attendance and input here tonight.

The meeting was adjourned at 7:48pm.

Stephanie C. Kelly, MMC, NCCMC
City Clerk

Length of Meeting: 48 minutes
Minutes Completed: April 18, 2013