

SPECIAL COMMITTEE ON AIRPORT ACTIVITIES

February 25, 2013

1:00 p.m.

Chairman Katsiantonis called the meeting to order.

The Clerk called the roll.

Present: Aldermen Katsiantonis, Greazzo and Shaw
Alderman Corriveau arrived late

Absent: Alderman Ludwig

Chairman Katsiantonis addressed item 3 of the agenda:

3. [Airport Activity Updated presented by Mark Brewer, Airport Director.](#)

Mr. Mark Brewer, Airport Director, stated thank you, Mr. Chairman and all of you for taking time out of your busy day, especially during a work day. We have a presentation to give you on airport activities but with your indulgence, what we would like to do is start off with a demonstration for you, but first, I will introduce to you Steve Adams. Steve is our assistant airport director of operations and maintenance and he also oversees the entire security detail. I'll turn it over to Steve.

Mr. Steve Adams, Assistant Director, Operations and Facilities, stated thank you. We have a good, solid operating team here at the airport. As the director indicated, security is a big portion of what we do on a daily basis. In support of that, we have had K-9 teams on board the airport since 2006. We have three teams. Dan Jackman, one of our handlers, has been with the airport, previous to

being on the K-9 team for five years with the Rockingham County sheriff's department and served in that capacity up until the change over to Londonderry PD some years ago. Mike Robbins has been a police officer with the Salem Police Department with 21 years of experience there before coming to the airport. He has worked with canines since 1991 and has been K-9 academy assistant and trainer since 1995. The third member of our team is Glen Cramer who is a 22-year veteran of the Manchester Police Department. Glen has been working with K-9 for 11 years. With the Police Department in Manchester, he was a crisis negotiator and also worked in drug enforcement. Glen is our supervisor on the team. Each of the individuals went through a training course at an airport space in Texas to start these teams off. They work with TSA. It took us a number of years working traditionally with FAA and then with TSA to hire these teams at the airport. They are an integral part of the security of the airport. They are important in that if we have an issue or we have a concern we can immediately have the K-9 teams address the concern, investigate it and determine whether we have an issue or not. They are great ambassadors also to the airport. You will see them around the terminal building and you will see that folks are attracted to them. These teams have worked at the highest levels of performance since they have been at the airport. They are one of only four civilian teams in the country. There are over 700 TSA teams and our guys are only one of four civilian teams. They have to go through a certification process on an annual basis. They have never failed in that certification process. They have consistently performed at the highest levels. They have an excellent reputation on a regional basis for their performance. They have worked closely with the New Hampshire state police, US Customs, teams from Logan, the DA's protective services, as well as units from Portland and Bangor airports. Those teams have all come here to train here at Manchester, again, because of the great spirit and cooperation that our teams also have in working with those other agencies. They have responded to a number of issues

throughout the state during their time here. They are also in support of the various presidential visits and in some cases they have been on the trip to Kennebunkport some years ago with George Bush, Senior and there were a number of foreign dignitaries visiting at that particular location. Through an agreement with TSA, two-thirds of the cost of the team is covered by the federal government. Again, they have been a great asset to this airport. They have resolved issues quickly when we may have them. They work closely and support the state police if their teams are not available at their locations, our team will work to support them and to fill in. What I am going to do at this particular time is hand you off to Mike Robbins who is going to give you a demonstration as to just what the teams do and how they work.

Mr. Mike Robbins, K-9 Team, stated like Mr. Adams was saying, I started here in 2006 and the transition was just so smooth. I worked K-9 for 18 years when I was in Salem and when I came up here, the transition was so smooth. He mentioned that we have other guys from Bangor, Berlin, Boston, Providence who all come up here to celebrate our friendship with customs. These guys are the bomb marshals, strictly explosive bombs. They are sniffers. They do apprehension work. They do not bite. When we walk around the airport with them and you have little kids running up excited for the dog, we have no issues whatsoever with these dogs. It is such a big PR part. You have to have the PR to keep your programs open. So far, I think we have done a great job. TSA loves us. We get along fine with customs. I have had pilots come up to me and ask if they could switch jobs with me. A few years ago we got sent up to Kennebunkport when the Bush's were up there and I was stationed up there for a week. I was assigned to the guys who were in the black hawks and followed behind everyone else. I asked one of them if I could get a picture in the helicopter. He said sure; that it wasn't a problem. It is just amazing. I have been blessed for almost the last 25 years of being able to

bring my dog to work everyday. He is ready to go. I'm just going to show you real quick what we would do with hundreds and hundreds of bags that we see everyday between the bag rooms or unattended bags throughout the airport. That is all he gets; he gets his toy. I could put his supper down in the corner and he is going to go for that cone 100 out of 100 times. It is the most important thing in his life. As you see, if he senses something, he will sit. A lot of times we teach drug dogs to scratch at the source of the odor, but obviously you don't want to do that with a bomb dog because if it was a real bomb he would only be a bomb dog once. That is his thing; he sits. That tells you this is where it is.

Alderman O'Neil asked how long is the initial training with the dog?

Mr. Robbins replied that is a good question. When we go down, they say here is your dog. We have no say what you get. They hand you your dog. They do a very good job of matching personalities which is really important. The dog knows the initial audience. These guys go through so many different types of schools. Last week they were training with the FBI. When they start, they have no idea how to search like you saw me going around each bag. Their final response, which is to sit, sometimes they do it, sometimes they don't, but we work with that. Then you go home and come back to your airport and there is 60 days of acclimation, which is just walking the dog around the airport, bringing him up escalators, bringing him on aircraft, bringing him all sorts of different places. Then they send up a trainer to work with me who says you guys are okay to start the work. Then we have to do a certification every single year. Like I said, I have worked with drug dogs and different dogs for 18 years. This, by far, is the hardest certification I ever did. It is a week long. If you mess up one part you are not certified. It is pretty stressful when they come up here. You have to be able to do aircraft, luggage, terminal, cargo, cars. They could put something out or they

could put nothing out. They could put ten dummies out. You don't know when you get out there. The hard part about some of these warehouses is coming up from behind. Any other questions.

Mr. Adams stated as Mike indicated, the dog at the end of leash is very important and as he mentioned, it is stressful, both for the dog as well as the handler going through that week long certification process. They are both, as part of the team, judged very closely and one end of the leash has to work very well with the other end of the leash. Otherwise, it doesn't work. Also, the personalities, as Mike mentioned, are important in that these dogs also live with the handlers too. It is a 24-hour job for them. Again, we have some of the best in the country right here at this airport.

Mr. Robbins stated like I said, the training on the job or on the street, it is real hard to get your training time in, but with explosives, you can't miss. There is not a 'we'll get them next time'. We can't miss. We have to constantly put stuff out. We are very blessed here.

Mr. Brewer stated thank you again, for the indulgence for that demonstration. Obviously, it is a great team. Steve talked about them being very important members of the airport staff. What I wanted to do today was go over some statistics about our airport activity. There are times when you read the newspaper about airport traffic has gone down. If you look at it by itself, there is some kind of indication or sense that maybe something is wrong at the airport or something is changing here at the airport. The reality is that the industry has changed nationwide. In particular, it has really changed because of the impact of what has happened near Boston Logan. I want to talk to you about some of the other initiatives we have working here, but before I do that I want to start out with

introductions of the team. I think you all know Brian O'Neill who is the deputy airport director; Steve Adams, who oversees the operations and maintenance; Tom Malafronte who oversees public relations, marketing and peer service development; Richard Fixler who oversees engineering, planning and everything environmental; David Bush who oversees everything having to do with contracts and agreements; Wayne Robinson is in charge of our internal audit. We have so many agreements and internal procedures and we need to make sure that we are complying with all of our agreements. This is what most people think of as the Manchester-Boston Regional Airport; a 300,000 square foot terminal building, 14 gates and all of the commercial service aircraft in the lineup at terminal buildings throughout the day. Really, as this indicates, we are an economic engine, if not the largest economic engine in the state, one of the most major economic engines in the state. We have \$1.24 billion worth of economic impact each and every year. We have \$153 million worth of payroll and almost 4,000 jobs, about 1,900 jobs on the airport and another 1,920 just off of the airport that would not exist if the airport wasn't here, particularly those in hotels, gas stations and restaurants that are around the airport, many of which have the Manchester Airport right in their names. Of that 1,900 jobs on the airport, there are only about 75 City of Manchester airport employees. Many of our federal government TSA, FAA, we also have the airlines, food and beverage concessions, retail concessions. I want to call your attention to this \$753 million. That is the economic impact from other states. Let's talk for a minute about where our passengers come from: 26% come from New Hampshire, 22% from Massachusetts, 6% from Maine, 2% from Rhode Island. If you do the math in your head, that leaves 44%. Those 44% are people who do not live in our region as the name implies, Manchester-Boston Regional Airport. Those 44% live elsewhere: California, Texas, Florida. They fly into here, they do their business, they go on vacation and then they come back to the airport and fly back to wherever they came from. That 44% represented \$753

million worth of economic impact. If you are good at math that represents 61% of the economic impact. It is really important, from our perspective, to have this airport be the economic engine that it is to make sure that we maintain a destination. Working with the State and working with other agencies so that people use this facility to come to this region. One of the things I wanted to highlight for you is 47-16-1,000 plus. We have 47 flights a day, going to 16 non-stop destinations and from those 16 destinations, you can connect to well over 1,000 locations. Literally, you are one stop away from 1,000 places across the country and effectively, around the world as well. We are operating, as you just saw, very safe and secure airport. Airports, much like airlines and pilots, have FAA regulations. We are a certified airport. FAR part 139 is a certification process that we use and we go through a very thorough, multi-day inspection each year by the FAA and we have a tremendous record. We are very environmentally responsible. We do a lot of things dealing with light bulbs, solar energy and so on and we will talk a little bit more about that. One of the things that really makes us different when we talk about the airlines, is our cost per enplaned passengers. When you take all of the costs for an airline to operate out here—the landing fees, terminal building rents, even the bathrooms and ID badges—all those costs and divide by the number of enplaned passengers, you get what is called a CPU. In Manchester, it was \$7.33. In Providence, it is \$11.00. Boston is more than double what it costs to operate out of here at \$14.93. That is very important from the airline's perspective. When we go and meet with them, they know the operating costs. They know we are efficient, safe and secure and that we are operating effectively and managing our finances in such a way because if they can save \$7 more per seat, per flight that drops right down to the bottom line. If that is the case, then why wouldn't every airline in the country not want to come to Manchester as compared to Boston? Here is the challenge: airport costs represent 3% to 5% of the cost of operation. Even though ours are half the cost, it is not

enough of a motivation for an airline to change their business strategy. That is what we have to overcome in order to bring in additional service and maintain the service we already have. We get accolades from all the airlines for the way we are able to manage our finances, but again, even if we gave it away, it is not enough to change their business strategy. Last year we had about 2.5 million passengers. Cargo activity, 176 million pounds of cargo from Federal Express and UPS. That was the 3rd best year on record. One thing I really want to point to you here is infrastructure. Our longest runway is 9,250 feet. That is not just a nice round number, that is our design runway based on the design aircraft route of a Boeing 767, fully loaded with passengers and cargo and obviously fuel to go non-stop from the east coast all the way across the country to the west coast. We are well positioned for the growth of this airport to get us non-stop coast to coast service as well as obviously non-stop international service when the time is right. There are several things about the airport that I wanted to point out to you. All of that infrastructure doesn't come cheap. Over \$500 million worth of infrastructure with debt service associated with that. We also just updated our master plan. What the master plan shows us is that the infrastructure we have now, the terminal building, the airfield, the layout that it is, is going to last us for a significant amount of time. We talked a little bit about it already, but our passenger numbers have gone down since 2005 and the slow growth that we are anticipating when it picks up again, we expect throughout the master planning process, in the next five or ten years, that this terminal building and the infrastructure that we have will meet all of our needs. What we will be doing is decreasing the efficiency and the effectiveness of the facilities that we have. Much more technology related, much more environmentally friendly, and much more energy efficient. Recently we refinanced, thanks to your help, \$85 million worth of bonds that will save us over half a million dollars a year on debt service payments. That is a huge benefit for us especially with the downturn of the economy to be able to save that money. As

you know with bonds, some years it is \$200,000 and some years it is \$900,000 and we saved \$500,000. We have several green initiatives that we are working on including nine arrays solar panels on top of our garage that saves about \$100,000 a year. When we go to the airlines and meet with them and are looking for additional service, these are the things that we go over with them: location, location, location. We are centrally located and we are very convenient. We have tremendous highway access getting here from east, west, north and south. We also have over 5 million people living within an hour's drive. That is their market. That is their catch pool. We also have tremendous support, not only from the aldermen, but also from the governor's office and the congressional delegation as well as FAA, TSA and CBP. As you saw yesterday, we have tremendous reliability with our snow removal team. They really are the best in the business. Yesterday, even with the storm that we had, we only had one flight cancelled and that was a non-stop flight to Denver and that was cancelled because of weather in Denver, not because of anything here. Things have really changed over the past several years. This is the makeup of our airline market. We have four major airlines. Southwest Airlines is about 60% of our market. That is the good news and that's the bad news. The good news is, especially in this environment, Southwest Airlines has been making money for 40 years. If you wanted to have an anchor in a downturn economy that is aim. We are very fortunate to have them. The downside of it is that they are such a dominant presence here that the other airlines are reluctant to compete. They are reluctant to add additional service. They want to maintain their market service, but that is where their comfort zone is. I would suspect that that would scare off some of the other airlines as well that we do not have services as of yet. It may be because of such a large presence from Southwest. United Airlines is 15% of our market. A couple of years ago that used to say United and Continental. Delta, that used to say a couple years ago Delta and Northwest. Now, we have all read in the papers, US Airways will be merging

with American Airlines in a couple years. That, in a couple years, will say American Airlines verses US Airways. I do think from our perspective that this merger will be a good thing for us. In each of these cases, it is two airlines that were already here who are merging. The two airlines that merged it never means more service, it always means less. It means that they stop picking up routes, they don't need as much ticket counter space, and they get efficiencies on the ramp. Both United and Continental and Delta and Northwest both gave back ticket counter space and gave back gates and we saw reductions in flights. With US Air and American, we saw that as a potential expansion because American was not over here. This is where I want to spend the bulk of our discussion. Just to orient you, the blue line is Manchester and the red line is Providence. You will see the Southwest effect, north and south of Boston and pretty much parallel lines all the way across, back from 1995 to January of 2012. As I said before, 2005 was our record year. Let's see how we got there and why we are running what seems to be a downward trend. I realize these are small fonts, but back in 1996, Southwest went into Providence, Rhode Island, and you can see a dramatic increase. Then in 1998, they came into Manchester. This is the audience participation part. Why do you think that is? We went from 50,000 up to about 125,000. The population of the state didn't double.

Alderman Greazzo stated ticket pricing.

Mr. Brewer stated absolutely; ticket price, competition. Think about what the larger airport is in our region, Boston Logan. There is a lot of United, Continental, and American. They were entrenched there. There was not a lot of competition. They had very high ticket prices. Logan was the 12th most congested airport in the country. It was problematic just to get into and out of Logan Airport with the tunnels and the traffic. This young upstart airline called Southwest Airlines going

north to south, had their territory covered and there were people in the Boston region who were looking for an alternative and they found low fares, great service, and great customer service as well. We are still on the upward climb here and Jet Blue goes into Burlington, Vermont. Jet Blue, as we all know, is a big name now and we would love to have Jet Blue and we are pursuing Jet Blue at this point. It really didn't make that big of a difference to our growth here in Manchester when Jet Blue went into Burlington, Vermont. Then what happened? September 11th. That put a shock into the entire system and you can see right here the dramatic drops that took place in our industry after September 11th. What it did was reset everybody and we had to start working back up again. We have had a couple little shocks to the system since then. One of the biggest shocks after September 11th was in Boston. I'll show you that in a little bit. Even though back then Metro Jet was their version of Southwest or the US Airways version of a low cost no seat assigned airline with low fares, Metro Jet went out of business. Again, they were passing along the sky while we were continuing to grow. Now Jet Blue goes into Boston. Jet Blue, again, was an upstart airline at that time. Jet Blue actually did not find welcoming arms in Boston when they were there. Boston Logan only allocated a couple of gates to Jet Blue. They were really entrenched with the legacy carriers and didn't really believe that this would be a success. Jet Blue is now the largest carrier at Logan Airport. Now we have US Airways and the America West merger. That again, had an impact because we had US Airways but not America West so we saw continued growth because again, adding new dots on the map, new destinations that US Airways now served when they merged with America West. Now we start getting past our peak and we see Independence Air has seven flights a day out to Dulles, went away. That capacity was lost. Now Jet Blue, low fare carrier, went into Portland, Maine. Now we have some low fare competition up in Burlington, Vermont, in Boston and in Portland, Maine, and we start seeing some of our capacity dropping off. What we were going to talk about

before, low fair carriers didn't exist in Boston, but now they have Jet Blue and now comes Spirit and Sun Country, and Boston Express, the bus service. The State of New Hampshire subsidizes bus service. Fifty thousand passengers a year take the bus right by Manchester-Boston Regional Airport on I-93 and goes down to Logan Airport. When you talk about 2.5 million passengers, 50,000 is not a big number, but 50,000 divided by 365 days comes out to be 137. That is a fully loaded Boeing 737 on Southwest each and every day that we lose for economic impact. One of the things that we will talk about later that helps official services, if we can help demonstrate demand of the airlines, they will be more inclined than not, if the price is right, to add additional service. Even though it is still a little bit, it still hurts. Now we have AirTran, another low fair carrier, that starts up in Portland, Maine. As you have all heard, AirTran has been acquired by Southwest Airlines and all the AirTran logos in Portland, Maine, will go away and Southwest Airlines will be on the tail of those air craft carriers. Southwest will now be in Providence, Boston, Manchester and Portland, Maine. Now, all of that congestion that we were talking about back here the Big Dig is now complete so now there are low fair carriers at Logan, it is easier to get there, the congestion is gone and so we continue to see whether or not we are sizing back to where we used to be or are people able to get into and out of Logan Airport that much easier on low fair carriers so they are more inclined to look both ways before they make that decision. This really set the entire industry on its heels. Back in 2008, oil prices for jet fuel cost \$147 a barrel. The aviation industry, the airline industry business model relies on oil prices to be \$60 or \$70 per barrel and they were at \$147. The airlines asked how they were going to get through this. How are we going to manage? They said supply and demand and. So they took literally hundreds of airplanes out of the skies. United Airlines, here and other places, parked every one of their Boeing 747s and replaced them with regional planes. Our capacity, the number of seats, has gone down and not just United, but every other airline as

well. They said we are going to shrink the supply and demand is going to go up, we will raise our prices and that is how we are going to get through it. Then what happened? The economic recession, that whole shock wave to the airline industry hit the whole country. Now, even though they reduced supply, the demand didn't come because people just didn't have the money. All of you who have businesses, you used to go on three or four business trips a year and then they were cut back to two or one or you didn't go or you drove. That was a major impact on the entire existence of the airlines. As you can see, all this is parallel tracks between Providence and Manchester. Delta and Northwest merge. As I said before, when two airlines merge it never means added capacity, it means less so we lost passengers there. Virgin America, another low fair carrier with non-stop from San Francisco to Boston and back originally started out in Boston. Actually, our name change from Manchester Airport to Manchester-Boston Regional Airport was done at the request of Southwest Airline because they wanted to have a well known geographic locator that told people west of the Mississippi where Manchester was. They really didn't know where Manchester, New Hampshire, was so by adding that well known geographic locator it really made a significant difference. Southwest going into Boston now, rather than using us as an entry into the Boston area people can now fly directly into Boston on Southwest Airlines. From Southwest's perspective, the reason why they did that, to be honest with you, makes perfect sense. They found that inside the 128 beltway, they were not able to do attract people, especially their business customer. When you buy an airline ticket using a credit card, based on your credit card zip code, they know where you live. What they found was that inside the 128 beltway people inside there, if they were going to fly they were going to Boston; they are not thinking about going to Providence or Manchester. The business community, they are the ones who buy the last minute fairs. Southwest said that if they are not going to attract them, then what we are effectively doing is conceding all of those business

schedules to our competitors. From their perspective, they see us as the Boston area north, Providence to the south, Boston in the center and Manchester in the north. When they took flights from us, they took flights from Providence and from their perspective, they tied up the whole Boston area and it makes perfect sense from their perspective. Then Southwest did something called system optimization. Southwest Airlines has a corporate role of making 15% profit on every airplane every day and if you can't make that 15% profit on every airplane every day, and if you can't make that 15% on that airplane everyday, you lose that benefit. Remember we had Jim Kelly, CEO of Southwest up and he gave a presentation to about 300 people at Southern New Hampshire University and he made the comment then that if the flight made money you still have it, but if it doesn't, you are going to lose it. We have already seen that it is not a Manchester-centric approach; they are doing that nationwide at every airport. The way that the airline industry determines profitability is cents per seat per mile. If they can make Manchester \$.10 per seat per mile on a certain premium or they can take that same airplane and put it in Chicago, and they could make \$.11 per seat per mile, they just increased their profitability by 10% just by reallocating that jet. That is what we are up against every time Southwest resets their schedule. United and Continental merged. Again, same thing: they reduced flights, they reduced ticket counter space, and they reduced gates. Last, but not least, Frontier comes to Boston. One thing that we didn't update on this slide, in January of 2012, Southwest also pulled four flights a day. Again, it wasn't a Manchester issue, it was a Philadelphia issue. They pulled four flights a day from Manchester because there were five flights a day from Providence, six flights a day from Pittsburgh and Jacksonville, Florida. They pulled all those flights to Philadelphia all in the same day. About two weeks later they pulled the Philadelphia flight from Boston. There are a number of reasons why, but mainly it is about efficiency and cross structure in Philadelphia. At the time, Southwest Airlines had 75 flights a day to

Philadelphia and I think we are down about 30 flights a day at this point. You either make money or they make changes. Again, because they are 60% of our market even a small one makes a big impact with us. This is what it means in terms of our traffic as compared with Providence. As I have said to the board, you can see very parallel lines all the way through. Let's get the whole regional picture. This is, down the very bottom, the blue line that is Manchester, the red line is Providence, the yellow/gold line is Bradley and the very bottom, the green is Burlington, Vermont, and then the brown is Portland, Maine. As you can see, throughout the course of time, each one of these airports, the lines run parallel, we all maintained our, lack of a better term, our market's share within the region, but all of the changes we have seen within Manchester we have seen with the other airports as well with Burlington and Portland, Maine, bouncing along the bottom. This is Boston. It is ten times the size of Manchester. It is ten times the price, ten times the seats, ten times as large. You can see the dramatic drop after September 11th. Again, the new airline business model is reduce seats, raise the average fare and get a load factor on it. Load factor means 4% of the airplane total. We have the highest load factor of any of those other airports that I showed you. In some cases it is less than 1% higher, but we are still higher. It gives us a great opportunity when we go to the airlines to be able to demonstrate to them to give us the additional seating. We need the capacity because right now, we have every seat effectively going out as full as we can get. Some of the challenges is when we talked earlier about making Manchester a destination because of the economic impact. Right now, through DRED and their division of travel and tourism, they have a large pot of money, certainly much larger than our marketing budget is, to help attract people to come to New Hampshire for business and for pleasure. One of the things that they are doing, especially on the leisure side is they are looking to attract what we call a drive market—Connecticut, Pennsylvania, New York and to a certain extent, Massachusetts—getting those individuals to get in a car, drive

up to New Hampshire and it works. They are attracting them. But it doesn't help as far as the airport is concerned or that economic impact because where we need to go, we need to be able to advertise further west than our drive market. We have a new DRED commissioner and we have gotten on his or her agenda as quickly as we can to talk about getting a portion of their marketing dollars to help us with getting that message out because of the economic impact. It is not just for the airport, but what it means for the entire state. When Tom, Brian and I go out to the rotary club circuits and so on, we hear frequently that I would like to fly out of Manchester, but it costs more than flying out of Boston or I only want to fly non-stop or I need to have three flights a day in case I miss the 11 o'clock and need the one o'clock for my business. Clearly we don't set the airlines schedule, we don't set their fares. What we do, when we meet with the airlines, we tell them what we term here as local knowledge. When we meet with the airlines they tell us not to tell them what they already know. We know where you live because we have the credit card data. We know where your top ten destinations are because we flew you there. What we don't know is when there is a new business that opened up or whether or not there is a big change that is going to take place or the new airport access road. They found that to be very intriguing. Some kind of infrastructure change that can help change the dynamic. This is one of the things that we are continuing to work with the airlines on to educate them. I mentioned earlier about our cost per plane passenger. The FAA allows airports to do an incentive program to help attract service to un-served markets or what we consider under-served markets. We have the absolute maximum incentive program allowed by the FAA regulations. It is up to two years of free landing fees and free terminal building rent for a new destination and up to one year of free landing fees and free terminal rents for an under-served destination. We have had that since I got here anyways, since 2008 and there have been zero takers. Imagine if in any of your businesses that someone will give you two years of rent just to come. Again, I go back to that

original slide that said our rates that we charge only represent 3% to 5% of the overall costs. They are in a market share battle down in Boston or at some other airport and our giving it away is not enough of a motivation for them to change to a different strategy. We will continue to do that. It is one of the things that you need to have in your quiver of arrows, but at this point in time, we have not had any takers on that.

Alderman Arnold asked is that the industry standard, to max out the incentives? Does every other airport offer that too?

Mr. Brewer replied most airports our size do. Large airports like Logan don't have an incentive.

Alderman Arnold stated they don't have to.

Mr. Brewer stated they don't have to. The other challenges we talked about include mergers and acquisitions. There are very few additional airlines that you can go to. Our pie chart that started off with seven dropped to four. We are looking at other airlines as well, but we are running out of the menu of options. The airlines, again, are always working with the credit card data. I am going to talk more about that in a couple of minutes. It is not all challenges. We do have some victories here as well. Southwest Airlines just started their non-stop flight to Fort Lauderdale again. It is seasonal and will run through mid-April. Starting in June, the very popular and long sought after Las Vegas non-stop service. That will be our longest non-stop flight in our system. Then also Southwest Airlines, all of their 737s used to hold 137 seats. Those 137 seat airplanes are being converted to a new savings system that gets them up to 144 and they are bringing in a new Boeing 737 800 series that had 175. Southwest is sending signals that

they are purchasing 737 800s for the long haul to go to maybe Hawaii or it might be Alaska and potentially internationally. They are setting themselves up for the long haul. Delta Airlines has been a tremendous partner for us. Back a couple years ago or so Delta and US Airways did what is known as a slot swap. Delta Airlines got slots into La Guardia and US Airlines got additional spots into Washington National. US Air, when they were going down to La Guardia, it was three commuter terminals a day. When Delta took over in March 2012, they started out with one jet service flight a day. In April they went to two; in July they went to three and they just announced, starting next month, four jet flights a day. One of the complaints we have gotten, especially with US Air is that there was no first class product. Frankly, a lot of the business customers who fly a lot want that additional comfort, they want that ability to use frequent flier miles to bump them to first class, especially if they are road warriors and on an airplane all the time. By putting in a CRJ 700 which has a first class product has really been an enhancement for us. Delta is also operating the aircraft to Detroit, which is another one of their hubs. Seasonally we will get back the Atlanta route. One of the real bright spots we had was 176 million pounds of cargo on FedEx. On that economic impact, if you remember that early slide that talked about \$153 million worth of apparel, if you think of the airlines, there may be a dozen people working behind the ticket counter, but there are literally tens and tens or maybe hundreds of employees at FedEx and UPS who sort through all the cargo, deliver it all to the vehicle and so on. It is a huge economic facet for the City. Where do we go from here? First of all, we are going to continue to maintain our low operating costs. When we deal with the airlines, that is what sets us apart. That gets the conversation going. It lets the airline know we are working efficiently and effectively and we are always going to make sure we are aware of what is happening to our budget and we operate safely and securely. We will always market MHT to the airlines. We will develop strategic marketing campaigns. We

want to make sure we get the right message to the right areas of our region to make sure we are attracting customers and reminding them that we are here. We are going to reinforce the CEOs that it is so important that we have fair pay. I mentioned that a little bit earlier when we went to the rotary circle. One of the things that we were hearing for a while was that it costs \$50 less to fly out of Logan Airport. We did some research and found that in some cases it was true. I wrote to each of the four airlines and they went through and researched it and found in fact that there were a number of cases where there were not fair fares. There is so much competition going out of Logan Airport and they are doing rate setting and they didn't worry about what was happening pricewise in Manchester or Providence. Now they have given us all fair fares and in many cases we have lower fares. We have the lowest average fares of all the airports in this area. We want to continue to build strong business relationships to enhance the economic development. Again, what we need to be able to do is go to the airlines and tell them this is what is changing. If any of you know or are familiar with any major announcements, the sooner we know about them, the sooner we get them the information, the sooner the airlines can get us some additional services. We work very closely with DRED. That is another major initiative. Obviously, second to none customer service. Economic development: one of the biggest things that we have going is, just south of the airport, the new airport access road coming in. It is about 700 to 1,000 acres of land of which Pettingill Road is yet to be completed, but I know the Town of Londonderry is working on getting some financing for that. Once Pettingill Road opens up that 700 to 1,000 acres could be a new industrial development. One of the things that we are working on, Jay Bush and I are working with an entity that develops gas and convenience stores. This is the roundabout that is just before you go under the bridge, this is the taxi way and up on the hill you can see the big Wiggins fuel tanks. It used to be parking lot E. We are looking to create a gas station and convenience store operation there, not only

typical gasoline and diesel fuel, but also CNG, compressed natural gas. One of the things that we have just behind the parking garage is our cell phone lot. The cell phone lots are designed as a customer amenity that will allow customers who don't want to go to the parking lot to pay \$2 or \$3 while they are waiting for their family member or business associate to arrive. They can go to the cell phone lot and when they arrive they get the call and they can pick them up and then they can go. What we would like to do or what our goal is to relocate the cell phone lot up by this gas and convenience store so while you are waiting you can fill up your car with gas, run in and get that gallon of milk or that loaf of bread or get a bite to eat. We would receive a percentage of that gross. We are in the process of working to try to put that on the table. If this is the new Pettingill Road, the airport also owns just under 22 acres of land. We have already done a feasibility study for a potential for a 150 room hotel and meeting space. This would be a great location for it. The reason we haven't put it out on the street yet is because we don't know when this is going to be done. Our consultant is saying that if you can't guarantee a developer when they are going to have access, when they are going to have water and sewer then there is no sense in putting it out on the street. I just had a meeting last week with the acting town manger of Londonderry. As you know, there are two members from Londonderry on our Manchester Airport Authority. They are very involved and engaged and we have a lot of future prospects. This is a slide that when we give this presentation around the state and around the region of help us, help you. One of the things we need to be able to demonstrate is not only don't tell us what we already know, but we need to be able to demonstrate need. We need to be able to demonstrate to the airlines that there is a high demand for flights. What we need folks to do is not just automatically just check Boston Logan. We need you to check MHT first. If you legitimately, for your family or your business, can save money and make an internal justification that you need to fly out of Logan, so be it. What we are asking for you to do is at least make sure

that you checked MHT first. Check it for convenience, check it for ease of access, check it for a less hassle factor. Most people, and this is where the airlines are making a lot of money—hundreds of millions of dollars a year—in what they call ancillary revenue, which are the bag fees and so on because people don't check or don't include all of that in their overall costs. Consider the fact that our parking here is \$10 a day, \$17 if you want to leave it in the parking garage and it is \$27 a day down at Logan. Our largest carrier doesn't charge you for a bag. Certainly you need to consider your time. When you land here at 11 o'clock at night on a Friday night, you are ten minutes from home. If you are in Boston, you are an hour and 20 minutes from home and you have to worry about paying the toll and traffic. It is low stress and low hassle factor. The high load factors mean it lessens the ability to ask for additional service. An airline will put a flight on the schedule and I'll make some numbers up here, 120 days in advance of the flight, their parameters say that they want 30% of the seats to be sold. In 90 days, they expect 50% of the seats to be sold and 30 days out they want 85% of the seats sold. If we can demonstrate that there is so much demand here by booking early and you book out of MHT there is such a demand that that aircraft fills up, we are more likely than not to get a second route. That is our presentation and I would be happy to answer any questions if you have any.

Alderman Greazzo asked Director Brewer, what are your plans to expand those international flights that you talked about at the beginning?

Mr. Brewer replied our goal is to always look for international opportunities. The reality is that in this economic environment, I don't think it is going to happen any time soon. Here is the challenge: economic impact wise, one flight a day represents \$100 million. It is \$37 million of that \$100 million from passengers that are on board and \$67 million is from the cargo that is carried on board.

Certainly it is in our best interest to look for international plans. Our challenge is how we fill up those aircraft. If I went around the table and asked if everyone would like international flights from MHT and I asked where would you like to go and you said Paris or London or Athens. There are more than six flights out of Boston everyday. That is the competition. Fifty miles down the street are six, seven or eight flights a day over to London. What would be the competitive expense? Nothing could hurt us worse than to initiate service and not have it be successful. Our goal is to be able to demonstrate the economic viability of a route and we are going to make it successful. We have a couple things that we are working on that I would rather not elaborate on.

Alderman Greazzo asked are there any other regional airports in the area that have international flights or are capable of having international flights?

Mr. Brewer replied I think from Providence. In Providence we did have customs and immigration facility and they used to have two or three flights a week over to the Azores. A large percent of Rhode Island is of Portuguese decent. Even those flights have gone down so they have no international flights. It is a huge economic engine if we can get it as soon as the time is right.

Alderman Corriveau stated Nashua has been very aggressive about courting passenger rail. Concord is largely on board because they want to be seen as part of the southern New Hampshire hub alongside Nashua and Manchester. Here in Manchester we have been relatively silent in terms of pursuing passenger rail. I have read that Manchester is actually the largest city to not be connected to any form of passenger rail in the country. From your perspective and I understand there are studies about to be undertaken so I don't want to be too premature here, but what would be the impact to the Manchester Boston Regional Airport if

passenger rail was to be available? Would you be seeking to have a stop here on a route that would serve Boston all the way up to Concord? Would that help you make your case in terms of facilities or infrastructure or looking at it the other way, could it actually be a negative in that there is already a bus service going from Concord to Boston or does it help mitigate that? I understand that is a broad question, but on our end, Manchester's government has been silent on passenger rail and Nashua has been very vocal.

Mr. Brewer stated as you may know, I sit on the New Hampshire Rail and Transit Authority as well. The study is underway and that is a good thing. To finally get the operational challenges and certainly the costs all laid out for everybody to take a fresh look at it and determine what is the best course of action. Back to your international question, Tom and I went over and met with an international carrier a couple of years ago. We met with the CEO of the airline. The first question out of his mouth was not what are your rates and charges, was not how do your operations go, it was if we have rail because the international passenger is looking for rail. Down in Providence they just opened up a rail station. It opened after I had left. Rail connectivity is important, especially going forward because it gives us that opportunity. Whether or not it makes economic sense is a whole other issue. If you take BWI which has one of the most popular rail tracks on the Amtrak system because of its ability to connect to downtown Washington, DC for tourists and Baltimore, they get about 3% to 5% of their passengers who connect through. For me, giving ground transportation as an option, whether it is bus or as you probably read in the paper about us working with a couple of our state senators trying to get bus service up to Concord this summer and starting bus service out to Portsmouth at a park and ride. Ground transportation options are something that we all want. People flying in, unless they want to get to downtown Manchester, don't have a convenient way or a routine way to get to where they

need to. There are one or two trips a day up to Dartmouth. I'm very much in support of us studying it and we will have the numbers following that.

Alderman O'Neil stated just to follow up on that, many of you met the delegation from the United Kingdom in the morning when I couldn't get there so I caught up with them later. Mark was at the dinner with them and we were just having a casual discussion about it and I didn't bring it up, but they asked the question about rail and they were very surprised that we didn't have passenger rail here. We have heard a lot of people talk about international air service in front of large groups, but rail needs to be part of it. I think the big step for us is making sure that the group doing the study gets the information that they need so that they can present strong recommendations one way or the other. I'm going to just around from your presentation. I was curious of the 44% from other. Are you able to break that down, business versus tourism or vacation or leisure?

Mr. Brewer replied 48% business and 52% leisure.

Alderman O'Neil stated so it is a big player in the tourism market then.

Mr. Brewer stated absolutely.

Alderman O'Neil stated you talked about the 176 million pounds of cargo that is moved. Is that only through UPS and FedEx or are there others? I don't even know there are other providers, but there might be other cargo providers.

Mr. Brewer stated there is minimal cargo carry-on with the commercial carriers. There are feeder systems in UPS and FedEx. It is literally about 50-50 between FedEx and UPS. They are neck and neck, within a couple hundred pounds of each

other between who is first and who is second. We have two very strong stable operators.

Alderman O'Neil stated you mentioned the Boston Express to Logan. There wasn't a worse decision made by the State of New Hampshire than subsidizing bus service from New Hampshire to Logan. What can we do to get out of that?

Mr. Brewer replied the State of New Hampshire just voted to give another \$1.8 million to that. Based on our Southern New Hampshire Planning Advisory Committee meeting last week, I was surprised to learn that they are looking for a subsidy on the Manchester-Nashua Boston Logan line as well. The state is running busses down 93...

Alderman O'Neil interjected stated we have two members of the legislature here and a former member of the legislature. It is something they need to pay attention to. We are not helping ourselves by funding bus service out of state.

Mr. Brewer stated I totally understand why the state did it. The state was looking to demonstrate that when they wanted to expand I-93 the court said you can't just do that and keep on building, you have to demonstrate that you are trying to get people off the highways using public transportation. The state built the system, they bought the buses, they built the bus stations and they provided \$600,000 in operating subsidies. The first three years went, the subsidy was raised up and then the state went back and gave another \$1.8 million. From a state perspective the number one infrastructure project that is out there is widening I-93. Beyond that, from the airport perspective, as I heard the conversation with the leaders, 50,000 passengers is a comparatively small number when you are talking about 5 million. My response is exactly what I told you. It is demand. It is another full airplane

and the economic impact benefit, that those passengers are fly out. That is not to say that some people will not fly out of Boston. Of course they are, especially international destinations or it makes non-stop sense to fly out. When Brian and I were up at DOT working at a conference, it came up with two state senators who said that in some cases it is easier to fly out of Logan than it is out of Manchester because of the bus service. They get on and the next time they get off the bus they are at Logan Airport. We need ground transportation options to get people here. Don't forget that it is that 44% that when they come here they need to be able to get around as well. We tend to think that the ground transportation option is just for people who already live here and want to get somewhere. We are a national piece of infrastructure and we need to get ground transportation out to the people and now wonder how they are going to get there if they fly into Logan.

Alderman Shaw stated you said the state asked for it. Is that through DOT?

Mr. Brewer replied yes.

Alderman Shaw stated so they are the ones who are in charge of that.

Mr. Brewer stated yes.

Alderman O'Neil stated you used the term local knowledge that you need to bring to the airlines as a kind of a game changer. What can we do? You mentioned that the airport access road was one of those things. What can we do as local elected officials to make sure that we are getting you information? Besides new businesses opening up, what other opportunities are part of that local knowledge or fit into that category?

Mr. Brewer replied I think it is anything that an airline corporate headquarters would not know unless we brought it to their attention: if they won't already be able to determine based on credit card information, traffic trends that are already there. As I said, they already know about our lines because they took them here, they already know where you live. One of the analogies that we had here, when we go look for new airline service, if you live in Manchester and fly out of Boston, they see your credit card number and the airline knows that they are able to attract outside the Logan area, people from New Hampshire. Why would they add service here, when in their mind, they already have you? That is why I say that we need to be able to demonstrate that the demand is here to support the economic engine that makes the state and the region.

Alderman O'Neil stated many businesses use travel agencies or some sort, especially national or large businesses. Just from my experience through my wife, sometimes they don't lay out the best options. How can we do a better job of getting to them? For instance, my wife is in Detroit as we speak and for some reason she took a flight out here yesterday to Philadelphia to get to Detroit when there is a non-stop from here. I don't know what happened there. I don't know if it was the travel agency. I don't know if it was here. She has seen a lot of Philadelphia lately.

Mr. Tom Malafronte, Assistant Director, Air Service Development and Marketing, stated one of the things that we were trying to accomplish... This presentation is based on a white paper to educate our board members as well as the community so all of the things that Mark said are obviously valid, but we need to go out into the community and advise them that they want this airport or for the airlines to be successful we need to support the airlines that we have so look for reasons to fly Manchester versus Boston Logan. This message that Mark, Brian and I carry, we

carry to elected officials, to the state, to chambers of commerce, to rotary groups. We are in the process of talking to other groups to have transportation types of summits where we bring in travel agencies, for example, or anybody who has connections in this industry that can hear this message and understand how important it is to support this local asset that we have. The more we do that and the more that information gets throughout the community and the region then the more successful we will be.

Mr. Brian O'Neill, Deputy Airport Director, stated I think, Alderman O'Neil, one of the problems of your wife seeing too much of Philadelphia right now is that her company may have some sort of a corporate discount with US Airways and that is where they are sending a lot of the employees instead of having an agreement with Delta where she would be able to take the Delta non-stop to Detroit. I think if you looked into their corporate policy, because she does spend so much time in Philadelphia, they may be looking to book her on a US Airways flight.

Mr. Brewer stated that is one of the things that we hear all the time, the corporate sales offices, especially if a new company comes to town, the airlines are going to swarm on that business and try to get all their business and give them some type of a discount, seeming to get them to fly on their airline.

Alderman O'Neil stated and that is beyond your control, other than just trying to get out and meet at the corporate level to those companies.

Alderman Arnold stated it is sort of beyond their control, but as Tom and Mark just said, they have these discussions with the airline sales guys and if we were to rope a large company to the greater Manchester region, I'm sure a discussion with the airline sales guys would make sense.

Mr. O'Neill stated we have gone on corporate visits with airlines sales people before, corporate visits in northern New England and New Hampshire where the Delta regional sales person will come in and ask if we have any local knowledge with Fidelity. We have gone to Fidelity with the airline corporate sales person trying to get them to understand the benefits of having a corporate agreement with Delta. Unfortunately, the airlines have really scaled back on their corporate sales people. They are fewer and further between.

Alderman Arnold stated I'm still glad to hear that we participate in those discussions, whether we can facilitate the meeting or at least have a seat in that room. I think that's great.

Mr. Brewer stated the airlines and airports have a tenant landlord relationship, but we really recognize that it is a partnership.

Alderman Arnold stated one thing you had said that you had heard from some people that it was easier to go down to Boston and that is shocking to me because I don't think I have found an airport that is easier to fly in and out of than Manchester.

Mr. Brewer stated easier because of the bus service.

Alderman Arnold stated I still think this is the easiest place ever. One thing I did want to mention is that I suspect over the coming months that there is going to be more aggressive discussions about economic development at city hall and I think one of the things that I took away from your presentation was that the airport, at least today, is the largest concentration of our economic development engine in the

city. I know you have been a part of those discussions in the past and I hope that we continue to do that.

Mr. Brewer stated I have sat side by side with Jay Minkarah supporting business because they want to know, transportation wise, not only for their employees but also for bids and the kind of infrastructure to build on.

Alderman Corriveau stated Mark, in terms of transportation, it sounds like a lot of this is the demand in the state, whether it is I-93 or passenger rail or if they ever develop a real east west highway. On our end, the City's end, what feedback do you hear in terms of the ease of the business people who are coming in here, literally to do business with people within the City of Manchester or within the greater Manchester area, the suburbs of Londonderry, Hooksett or Bedford? Is the feedback you are getting as far as ground transportation options there, access options... I assume the airport access road has helped, but what are you hearing on the more local end from people?

Mr. Brewer replied I hear nothing about convenience and the ease of access.

Alderman Corriveau stated for greater Manchester.

Mr. Brewer stated the big question from the business community is frequency. They want to have the ten o'clock, the 11 o'clock flight, the 12 o'clock flight. They need flights to accommodate their business meetings. When we have non-stop flights to Atlanta, just one a day, you either make that or you don't. In Boston, there are seven flights a day down to Atlanta and that is what we are competing against. Ease of access, short security lines, if you are going to park your vehicle here it is half the cost or less so we hear all those very positive things,

but strictly from a business perspective I can understand.

Alderman Greazzo stated Director Brewer, your presentation basically showed Jet Blue everywhere in New England except for New Hampshire. Could you give us your assessment as to why that is and how we overcome it?

Mr. Brewer replied we have met with Jet Blue and this very room. It is not a matter of if, it is a matter of when. I have very strong feelings that we will be seeing Jet Blue operating out of this terminal building at some point in the future. All I can tell you is that they were very positive towards the cost structure here and very positive with the infrastructure that we have and the facilities that we have, with the ticket counter space and the gate space, all of those kinds of decisions have already been thought through.

Mr. O'Neill stated one of the challenges with having Southwest here at the airport and Southwest went into Providence in 1996 and came into Manchester in 1998 is that as these other low cost carries developed, they had an interest in New England, but they didn't have an interest in going head to head with Southwest so Southwest in Manchester and Southwest in Providence, when Jet Blue first initiated as an airline they went into Burlington, they went into Boston, they went into Portland—they were going everywhere they could in New England—expect going head to head against Southwest. Then Southwest crossed the line and went into Boston and then Jet Blue, in response, said okay, we are going to go into Hartford, we are going to go into Providence and we are going to look at Manchester. Initially, because Southwest was here early and had such a major presence in Manchester and Providence, Jet Blue and Air Tran were looking to serve New England, but avoid going head to head with Southwest. Now it has gotten to the critical mass where you can't avoid Southwest and that is why Jet

Blue went into Hartford and Providence and has been here talking to Manchester.

Mr. Brewer stated on that note, Jet Blue has told us that their strategy has been relatively Hartford based, then to Providence. That has been their corporate strategy with no dates assigned to Manchester. I will tell you though, that when Southwest went into Logan they not only double downed, they triple downed. Jet Blue, when I got here in 2008, had 51 flights a day from Boston Logan. They now have 109. They are committed to 150 flights a day by 2015. Every new airplane that Jet Blue gets is going to Logan. It is a market share factor. One of the airlines that we talked to about getting some additional service, they asked what else could we do. Our costs are half of what it is in other airports so what else is it that we could do and they say prevent other airlines from having service in Boston. I asked why that was. They said that when you add additional service in Boston it adds it at the low end. There is a competitive, then a lower fare so the yields are low and so it is not in their best interest. Remember they had a valuable resource in the airplane that flies equally well between any two cities. As we were talking before about cents per seat per mile, why put it into a market model? There is more capacity than there is demand because there is a market share value on that. That is part of the reality of what we are up against. That is why you saw those numbers.

Alderman Greazzo asked can you gauge at all how TSA procedures have changed over time and how it might have affected leisure travel, if any?

Mr. Brewer replied TSA procedures are always evolving. I can tell you that we have a very good working relationship with TSA. If we see that there are any issues, we have a direct line right to the top. I'm not gathering any problems lately with TSA. There was a big concern with the scanners, but we don't have those

here. TSA nationally is eliminating that technology out of their system.

Alderman Greazzo stated I heard that was going to remain here in Manchester though.

Mr. Brewer stated no. There are two different kinds. One is called back scatter x-ray and that is the one that actually looks directly through your clothes and then there is a system called millimeter wave technology and that is what we have. That bounces radio waves off of your clothing. Basically it is a stick figure, but if there is an article in your pocket it will put a yellow box around it and that is what they will pat down.

Alderman Greazzo asked so you haven't seen any problems with travel reduction at all?

Mr. Brewer replied no. In fact, TSA recognizes nationally that they have an image issue. In fact, they have a special lane for families or people who need a bit more time. You have a business person who is trying to rush through and then you have the family lane with TSA screeners who are a little bit more adept at helping them through the process because they are frequent fliers.

Alderman O'Neil asked Mark, would it be possible to get a possible of the PowerPoint from you to Maura in the City Clerk's Office? I need to commend Alderman Katsiantonis; it is not easy to take the board of aldermen on the road. With your coordination and with Maura Leahy from the City Clerk and Doreen Braley from Mark's office they pulled it together. Those are probably the two who deserve the credit.

Mr. Brewer stated Mr. Chairman, with your indulgence, we have one more item. I want to show you a little video. This is a program we have here called Wings for Autism. On a national basis, one out of every 55 males born today, is born with some form of autism. One out of 88 females has some form of autism. What we have found over the course of the past couple of years is that families were calling us frequently and Tom has been extraordinary in getting those individuals through the process because with an autistic child it is repetition. They are not good with change and they are not good with loud noises. We are working with a group called the Charles River Center on a national program to create Wings for Autism program that will get airports across the country trained on how to deal with autistic children and help them with their families and how to get them through the airport, and not just through the security checkpoint, but even going down the tunnel to the plane could be overwhelming to someone with autism. There is a whole autism spectrum from low impact to very high impact and everything in between. Each individual needs to be dealt with individually. We did make a film, a training video and we just wanted to run it by you. It runs about five minutes. Clearly that was a great venture between Charles River Center and TSA. Southwest Airlines dedicated an airplane for it. They took it off the line for about two or three hours and let the children on. It was led by Tom Malafronte. I just wanted to share that with you in case you have friends or family members or acquaintances who have autistic children, you can let them know that we have the ability to help give them that training.

There being no further business, on motion of Alderman Shaw, duly seconded by Alderman Corriveau, it was voted to adjourn.

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Normand". The signature is written in a cursive style with a prominent initial "M".

Clerk of Committee