The Second Annual
New York/New Jersey Regional
Aviation Symposium

Rebuilding Air Travel After September 11th:
Integrating Security and Service

May 7, 2002

Executive Summary of the
Conference Proceedings

Partnering Institutions:

The Port Authority of New York and New Jersey
The New York Metropolitan Transportation Council
University Transportation Research Center at the City College of New York
CUNY Institute for Urban Systems
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ELLiot G. SANDER’S MESSAGE TO ATTENDEES

It was my pleasure to welcome everyone to the Second Annual New York/New Jersey Regional Aviation Symposium sponsored by the Rudin Center for Transportation Policy at New York University’s Robert F. Wagner Graduate School of Public Service; The Port Authority of New York and New Jersey; the New York Metropolitan Transportation Council; the University Transportation Research Center at the City College of New York; the CUNY Institute for Urban Systems; and our industry partners. I am now honored to send you the proceedings for this exceptionally important conference. The May 7th Symposium marks only the second time that a full range of regional transportation issues have been discussed in depth within an independent, information-sharing, university forum. Coming less than a year after the tragedy and brutality of September 11, 2001, the timing could not be more significant.

We were excited by the quality, range, and thoughtfulness of our presentations and by the diversity, size, and distinction of our audience for today’s forum. We were most pleased that Congressman John L. Mica (R-7th Fla.) and Gordon Bethune, Chairman and CEO of Continental Airlines, were featured speakers at the conference. I hope you will enjoy reading through the day’s activities, and will find them both intellectually stimulating and rewarding.
EXECUTIVE SUMMARY

By TONY HISS
AN OVERVIEW

The region’s Second Annual Regional Aviation Symposium, originally planned for September 21, 2001, and abruptly postponed after the tragic and terrible events of September 11, 2001, convened eight and a half months late. Given the new schedule September 11th imposed on the world, this was also the earliest possible moment for such a meeting.

Unexpectedly, May 7th was the regional aviation community’s very first opportunity to pause from the overwhelming task of keeping planes in the sky over the city hit hardest by last year’s terrorist attacks. With a redrafted theme—Rebuilding Air Travel After September 11th: Integrating Security and Service—the rescheduled Symposium was a day for taking a fresh look at America’s and New York’s achievements and blessings: Almost a century ago, William R. DeCota, Director of Aviation for The Port Authority of New York and New Jersey and the day’s eloquent keynoter, reminded everyone near the beginning of the day, the Wright Brothers “forever changed the way people would live and dream.”

Echoing these remarks near the end of the day, the Honorable John L. Mica (Republican–Florida), Chairman, Sub-Committee on Aviation, United States House of Representatives, the session’s stirring luncheon speaker, told everyone that “aviation is part of the American psyche. It is part of the essence of our freedoms.” “On September 12th, as on September 10th,” Congressman Mica declared, “the whole economy of America remained closely intertwined with aviation.”

Aviation, the Congressman went on, is also the key to the New York area’s prosperity: For 177 years, he pointed out, transportation—first shipping, then railroads, and more recently aviation—has made New York “the center of commerce and business on the East Coast,” a role the city commandingly assumed on the day that Governor De Witt Clinton opened the Erie Canal in 1825. And today, Congressman Mica said, as a result of the Region’s pivotal position in aviation—the New York area’s airports are the most heavily used in the country—local conditions inevitably bring with them nationwide ramifications: “When New York suffers from congestion, the whole system goes down.”
The May 7th Symposium was also a day to take heart from the recovery American aviation has been mounting in the months since September 11th. Speaker after speaker spoke to this point. “For four days,” as Gordon Bethune, Chairman and CEO, Continental Airlines, said, remembering the national grounding of civilian airliners on the morning of September 11th, “there was, in effect, no Tokyo. Hawaii disappeared. You couldn’t get to London. The Cancer Center in Houston had no visitors.” And when flights resumed, “At Continental, over half our business disappeared overnight.” But “New York’s still here. And so is Houston. And Continental will still be here, too.”

“We made it. We are alive and well, and we are on the road to full recovery,” said Bill DeCota. “Passenger traffic was down 40% in September, and it’s down 10% now,” reported Samuel C. Buttrick, Managing Director of U.S. Equity Research for USB Warburg. “Traffic is coming back at about a rate of 1% to 1½% a month.” Aviation, said Congressman Mica, “will continue to grow in America, and in New York, and soon enough we’ll be back to talking about last July’s problems—congestion and competition among airlines.”

Indeed, as Vicki Escarra, Executive Vice President and Chief Marketing Officer for Delta Airlines, told the conference, the latest FAA forecast for the country “indicates that 1 billion passengers are expected by 2013”—a sharp jump over the 700 million Americans who took to the air in 2000.

No one was minimizing September 11th’s significance, or the severity of the problems ahead. As Ms. Escarra noted, “I’ve been at Delta for 29 years, which means I’ve been through deregulation and two Gulf Wars, and I’ve never seen business as impacted as it was after September 11th”; she also cautioned that “Air travel is coming back much more slowly than we had expected.” David Plavin, President of Airports Council International–North America, concurred. “Passengers are not coming back as quickly as flights,” he said. “And airports are not coming back evenly, since small communities have been disproportionately hurt.”
Bill DeCota presented New York as a different kind of special case, offering FAA data that showed that “the New York airports (LaGuardia and Kennedy) were ranked 3rd and 4th in terms of biggest declines in traffic for the five full months after the attacks–Number 1 being Washington-Reagan, for obvious reasons, and Number 2, Los Angeles.” Although the country as a whole saw capacity reductions of 20%, flights into and out of New York were down by almost 35%. And a local survey showed that when two jobs disappeared at New York airports, another job was lost in nearby communities.

New York City, Mr. DeCota said ringingly, “is too compelling a city” to sustain any long-term decline in air traffic, although he acknowledged that “we expect that the recovery may be a little later” here than elsewhere–“some 3 to 6 months after those levels are returned to on a national level.”

In Mr. DeCota’s recovery timetable, “the region will continue to disproportionately suffer from the lingering fear of flying.” He applauded vigorous post-September 11th efforts by NYC&Co., New York’s convention and visitors’ bureau–“they cajoled, they pleaded, they begged, and they delivered dozens of new trade shows, conferences and conventions to this city”–seeing in these actions an effective antidote to a nationwide survey’s recent findings that, among the 20% of travelers who have said their business plans will continue to be affected by last fall’s events, six out of 10 plan to avoid specific destinations, most prominently New York (46%), followed by the Middle East and Washington D.C. (tied at 23%).

The May 7th Symposium, as it progressed, became a day to appreciate, as never before, that airlines, airports, cities, and government agencies can be “wonderful partners,” as Bill DeCota put it, when mobilized by crisis. “We will all need to work together–customers, employees, and share owners–to restore aviation as one of America’s most vibrant businesses,” said Vicki Escarra.

As it turned out, the Symposium itself became a platform for seeking answers together–with so many regional and national aviation leaders sitting in the same room, this was a day for talking together both about change and about continuity; for discussing the pieces of the “new reality,” as Bill DeCota called it, that have come into focus, as well as those that are not yet clear; for addressing the reverberating questions New Yorkers, New Jerseyans, and Americans in all lines of work have been wrestling with since September 11th: **What have we lost? How have we changed? How do we move forward?**
Fittingly, the May 7th Symposium opened with a moment of silence for a man participants last year had eagerly looked forward to hearing at the September 21st Forum, Neil Levin, then Executive Director of The Port Authority of New York and New Jersey; Mr. Levin was killed September 11th in the collapse of the World Trade Center towers, which served as Port Authority headquarters. “We greatly miss Neil,” Congressman Mica said at lunch, speaking for all. The thoughts and feelings evoked by the Symposium’s solemn, silent beginning stayed with everyone—speakers and audience alike—throughout the day.

THE SPEAKERS’ COMMENTS

Collectively, conference presentations offered fresh information and up-to-date evaluations—not all of them in close alignment—for four closely linked aspects of the “new reality”:

The Airlines. Samuel Buttrick said that “the market systematically underestimates the strength and staying power of this industry.” Technically, he said, analysts consider the airline industry “a bad business”–since “we call companies that make money ‘good.’” On the other hand, he said, “if you’re not going to be good at making money, you’d better be good at finding it.” The industry’s approach—and problem, historically—has been “excess access to capital”: “Manufacturers are willing to lend on aircraft,” and “when all else fails, Federal money is generally available.” “It’s been a successful strategy for airlines,” said Mr. Buttrick, one “that’s not going to change—until someone loses some real money on lending.” Airlines lost $6½ billion last year. His forecast: “We think they’ll do better this year, losing $3 1/4 to $4 billion. Next year they should break even. And in 2004, they’ll bring good or reasonable returns.”

In the weeks after September 11th, said Gordon Bethune, “Success was suddenly a matter of which airline was losing the least amount of money.” At Continental, however, “we project we’ll be one of the first to return to profitability. The reason: “We were a good airline before September 11th, and we are a good airline today.” “What did we do right? We didn’t change our fundamentals. To save money, the others took blankets and pillows off their planes, or they took magazines off, or meals off,
or movies off. We knew that the new circumstances hadn’t changed what our customers wanted when they boarded a plane; **they still wanted good food and a clean and comfortable airplane.** The only thing that had changed was how many times a day they expected those services to be available.”

Delta, Vicki Escarra said, has concluded that the only way to make sense of the “new reality” is to think far beyond it—“**We’ve got to be thinking 10 and 20 years down the road.**” On the financial side, this includes **“allowing airlines to use the normal range of business tools,”** including restructuring, to solidify their financial base.” Airlines also need Congress’ assistance, she said, “to **ensure that failing carriers don’t drag healthy carriers down.**” Internally, Ms. Escarra continued, “our industry must find a way to arrive at **labor agreements that don’t hold our customers hostage** in the process.” Since “no airline today can weather a strike,” she said, “our industry would strongly advocate **some form of mandatory arbitration—perhaps even the “last best offer” approach,** widely used now by firefighters and police officers.”

David Plavin took a darker view of the airlines’ current situation: “**They can’t solve the fare game,**” he said. “Some carriers,” he noted, “have to **fill 90% of their seats to break even.** And these days they’re actually filling 75-80% of their seats.” He asked: “What will happen if fares can’t go up?” His answer: “I believe **some bankruptcies are coming.**” Bill DeCota concurred, foreseeing “an industry somewhat smaller than previously envisioned.”

**The Airports.** At the First Annual Regional Aviation Symposium, in 2000, much of the conversation centered around what was then called the “**three megas,”**—meaning carrier consolidation, on the one hand, and easing existing and projected congestion by building larger megaterminals and buying NLAs (or New Large Aircraft). There was considerable discussion at the May 7th Symposium, in contrast, about “**throughput,**” or using congestion management tools to speed airplane take-offs and the flow of passengers into and through terminals.
As David Plavin saw it, the “good news” for airports since September 11th has been that, as flights were cut back, “the grounded planes tend to be the larger, older noisier planes,” and now “we’re dealing with the return of passengers by putting more, smaller planes in the sky. This is not bad for noise, but it’s not good for congestion. So, congestion is coming back, too.”

Vicki Escarra strongly urged an accelerated national runway construction program to ease capacity constraints as “something that we can do—and something that we MUST do.” “Today,” she said, “the average runway project takes 10 years, start to finish.” And although, in the 1950s, the United States undertook to construct 43,000 miles of Interstate highways, “Delta Chairman and CEO Leo Mullin often cites a study that indicates building runways at the top 25 most congested airports would alleviate capacity constraints. And this construction effort would only require 50 miles of construction. Fifty miles, that’s it.” On the other hand, as Mr. Plavin pointed out, “Airports are not thought of as good neighbors. And the 50 miles of new runways that Leo Mullin talks about are 25 two-mile-long runways at our 25 biggest airports.”

“I think we’ll need reliever airports,” Congressman Mica suggested. “And I promote high-speed rail”: “Now is the moment for a new vision of a truly high-speed network that connects cities and airports and can then relieve airport congestion by replacing short-haul airline services. And when these trains arrive—the airlines could operate them, and very efficiently!”

For the immediate future, airports expect losses of $2.5 billion in the fiscal year ending this September (War Risk Insurance premiums, for instance, are now 50 times more expensive). In the year ahead, compliance with the more than 100 new post-September 11th security directives may wind up costing more than $1 billion—and who will pay these bills is still, as Bill DeCota pointed out, “far from settled.”
Travel Patterns. Aviation, like driving, has been an American specialty in the years since World War II: Two thirds of the world’s passengers are Americans flying from one place in the country to another; 16 of the world’s 20 busiest airports are American. Aviation’s great expansion came after deregulation—these days, every four or five years there are as many American passengers as there were in the first full 75 years of aviation (from 1903 to 1978), as Bill DeCota reminded his listeners.

Are such travel patterns likely to change, as part of the “new reality”? “People have come to think of low fares as something akin to a constitutional right,” said David Plavin. But, asked Samuel Buttrick, “what is it that airlines are fundamentally selling? Essentially, I’d say—speed. If you could drive to Houston faster than you could fly there, you’d drive.” And “as a time/value proposition, airline service has deteriorated in the last 5 years. We’ve reduced delay time, but we’ve increased airport wait time. As a result, total elapsed travel time between two points has increased.” In such a situation, he said—one that began long before September 11th, “companies are paying more attention to the substitutes, whether they’re virtual—like teleconferencing—or physical, especially now that fractional ownership of executive jets is becoming more affordable.”

Addressing “the hassle-factor involved in flying” and its impact on “business markets where time and speed of travel are of the essence,” Vicki Escarra saw a far narrower change in travel patterns: “The only segments of our market where traffic is not returning are the trips of 200 to 250 miles or less. On these flights, traffic is down 40%,” and people are driving these distances, or—at least between Boston, New York, and Washington—taking the train.

For Bill DeCota, changes in travel patterns were only temporary: “Yes,” he said, “we’ve all seen the recent Business Travel Coalition survey that found that businesses are still looking to reduce travel budgets,” but “we know traffic will eventually return, as it always has.” He foresaw a different danger: “My fear is that, if not managed, chaos could easily return.”
Security and the Travel Experience. “The air travel experience, may never be the same,” said Bill DeCota—calling this a “sobering fact.” “Until such time,” he went on, “that we have restored the confidence of travelers, especially those having second thoughts about flying to New York and Washington, consumers will continue to seek alternative travel plans, and their confidence in the system remains the greatest risk to a future growth that could be easily sidetracked by further terrorist activities.”

So “we need to convince people to fly again—and ultimately, however, security is the key.” The Port Authority, he said, has over the last four years evolved a multi-dimensional definition of security: It’s a “vision and a commitment to integrating security and service to establish a new world order, a safe haven environment within which customers are secure, yet receive quality service.”

Mr. DeCota’s—and his agency’s—comprehensive approach to security matters inspired the day’s most wide-ranging discussion. A principal speaker on the subject was Joanne Paternoster, Assistant Director of the Port Authority’s Aviation Department for Customer Service and Standards, and as such the guardian of what the P.A. has come to call “customer well-being”: “People,” she said, “become truly safe when they are both physically safe and at the same time feel safe and well taken care of.”

By thinking about customer well being long before September 11th, Ms. Paternoster said, the Port Authority has learned how greatly it contributes to restoring the country’s confidence to travel, by restoring people’s sense that they can control their own travel experiences. She cited a specific example: a new, easy-to-follow signage system, highly visible at a distance, now being implemented at the New York-area airports. “People’s sense of safety and their comfort levels improve dramatically, we’ve discovered, when they can find their way through airports with ease.”

Bill DeCota pointed to this evolving expertise as one reason why—at a moment when new measures are necessarily being put into place to restrict universal ease of access at airports, including “obvious changes that may be hard to miss, like hand wanding of individuals, requests for passenger shoe removal, and bomb-sniffing dogs working the check-in line”—it was more necessary than ever to form
working partnerships for security. “Airports and other segments of the aviation industry must be involved in shaping” the new programs and procedures required to meet any security challenges,” he said.

Congressman Mica saw an equally compelling reason for security partnerships—“I come from the private sector, and I know we can run things so they work. That’s why, as the airport security program was being formed, I would have preferred a model that incorporated private/public involvement.” Speaking about Congress’s new requirement that all baggage on board planes be inspected by Explosive Detection Systems, the Congressman said, “I have to tell you: If the Federal government runs a program, it usually costs more, uses more people, takes longer to finish than a comparable private program. This is about to happen once again with EDS,” since “there are only two companies certified to make EDS machines to scan luggage, and they can manufacture per company 14 a month.”

And David Plavin had similar concerns, saying that “when the government intervened after September 11th, no one had a clue what we were taking on.” We’re only now, he thought, “seeing the beginnings of ‘sticker shock’—I’m betting that instead of $2 billion a year, as originally estimated, it’s going to cost $10 billion a year just for the aviation security side.” Another speaker, Allen Ganz, Vice President for Business Development at the Visionics Corporation, further expanded the security conversation by offering a concise, lucid introduction to biometrics—in his definition, an “emerging technology that uses biological or, more specifically, several distinctive and recognizable human characteristics—such as eye scans, fingerprints, ‘voiceprints,’ or ‘faceprints’—to help identify people more accurately.”

Although few at the May 7th Symposium had yet had any direct experience with biometrics, Mr. Ganz predicted that “Within in the next 12 months, you will have used biometrics.” He called ‘faceprints,’ in particular, “a comfortable biometric,” since “we already carry 2 or 3 pictures of ourselves in our wallets and purses.” This “non-invasive technique,” he said “enhances security without altering the travel experience, since cameras can be set up at established security checkpoints, like the
magnetometers that already check every boarding passenger.” Dallas-Ft. Worth is currently testing Visionics’ “FacelIt” ‘faceprint’ system, he said, to “see if it meets our strict criteria for airport security and guest convenience.”

A more extensive Executive Summary of each speaker’s address or presentation follows.

TONY HISS, a Visiting Scholar at New York University’s Robert F. Wagner Graduate School of Public Service, is completing his twelfth book, “From Place to Place,” about solving America’s 21st Century transportation problems. Mr. Hiss is also the founder of NatureRail, a new national environmental and transportation initiative.
PRESENTATIONS
KEYNOTE ADDRESS:

“Finding the Best Flight Paths Through the New Reality”

WILLIAM R. DECOTA
Director of Aviation, The Port Authority of New York and New Jersey

The full written text of Mr. DeCota’s speech, incorporating his additional, unwritten comments:

Good morning everyone, and thank you, Janette Sadik-Khan, for that very kind introduction. I’m actually very pleased to have the opportunity to personally thank Janette for her invaluable assistance in helping us get the funding approval for the AirTrain JFK. We have not forgotten how influential you were in persuading the FAA and your former colleagues at DOT about the importance of the project.

There are several other people I want to acknowledge. First, I also want to acknowledge the new Executive Director of the Port Authority, Joe Seymour, and thank him for joining us this morning for opening remarks. In his short tenure at the Port Authority he has provided the agency and the Aviation Department, in particular, with leadership and direction during this time of tremendous challenge.

Chairman Mica’s presence at this Symposium underscores how critical the NY/NJ airports are to the national air transportation system. We appreciate the support he has given the aviation industry and us. We thank him for taking time from your pressing schedule to attend today’s session. And to Gordon Bethune, we thank him for giving your undivided attention to this region. We look forward to your observations and counsel this afternoon.

It gives me the greatest of pleasures in welcoming representatives from the City of New York. It’s been a long time, but thanks to tremendous new leadership from Mayor Michael Bloomberg and his administration, the airports and the City are enjoying a healthy, cooperative relationship. It is a relationship that, I am confident, will prove to benefit the City and the traveling public.

I would also like to acknowledge our Symposium partners, NYMTC, the Urban Transportation Research Council, the City University Institute for Urban Systems, and the NYU Rudin Center for Transportation Policy and Management—all of whom are dedicated to the proposition that cities only thrive when people and goods can move through and around the region to all points of commerce and exchange so that businesses and residents are connected to the global economy.

And finally I want to thank all of you for being here today. As most of you know, this event was actually planned for September 21st. Its theme: How was the region going to manage the burgeoning growth in aviation? But after the horrific events of September 11th rocked our nation, and virtually shook the aviation industry to its very core, it was postponed. But we couldn’t just pick up where we left off. There’s a term in chemistry called the reversible process. It’s a hypothetical pathway, which leaves the universe exactly the same as it was before the process. Ironically, no real process is reversible. We just can’t go back to September 10th.

Owing to the loss of confidence in the travel industry, and the ensuing feeling that air travel, in particular, would never again be the same, the focus of the Symposium changed. Seminars on “Balancing Supply and Demand” were replaced by “The Economics of America’s New Travel Patterns.” Instead of discussing how to manage an overly popular airport, we now will discuss the challenge of rebuilding air travel post-September 11th.

As Director of Aviation for one of the largest airport systems in the world, I am very pleased to set the stage for these discussions; to give context, in terms of historical perspective and future
forecast. It will be a “State of the Industry,” if you will—at least from the perspective of aviation in this region—addressing the industry’s most pressing issues and urgent new challenges, and outlining the region’s redefined thinking in the post-September 11th world.

The issue for us today is “Finding the Best Flight Path Through The New Reality.”

For those of you who like Greek myths, I have a quote from the newly crowned King Creon to his attendants in Socrates’ Antigone:

“Sirs, the vessel of our state, after being tossed on wild waves, hath once more been safely steadied by the gods.”

A recession … the tragic events of September 11th coupled with the security mandates created in their wake … the crash of American Airlines Flight 587: The aviation industry has known no more tumultuous times.

Ladies and gentlemen, I am happy to report that the seas of aviation are calming. They are becoming more navigable, more predictable. And if there is only one thing you take away from today’s conference let it be this: that the aviation industry is alive and, while still recuperating, is on its way to a full recovery.

I didn’t realize how important this seemingly simple message was until a few weeks ago when I addressed students at the College of Aeronautics. I was sharing with the students what it takes to be an airport operator, focusing mostly on themes of knowledge of aviation laws, regulation, and issues; leadership; the ability to balance complex and often-times, competing needs, and the like. John Fitzpatrick, the president of the college, approached me afterwards to thank me—not for my inspiring career counseling, but rather for telling his students that “the industry was okay.”

It seems the College had witnessed a drop in admission applications after September 11th. Students in their 2nd and 3rd year were concerned that they’d made a bad career choice and were contemplating leaving the program. President Fitzpatrick said those simple words, “the industry is okay,” restored his students’ confidence, and so a new crop of aviation professionals continues to be cultivated.

For those of you old enough to have watched “Ben Casey” when it debuted in 1961 (or had enough energy to watch reruns on Nick at Nite at 3:00 AM), you may recall that virtually every other episode involved the life and death situation of a patient with a brain tumor. After fifty minutes of drama—including Ben being short-tempered with every physician, nurse and other health care provider at County General, he’d consult with the respected Dr. Zobra. A light bulb would go off, and Dr. Casey would perform some never-before tried procedure. The closing scene showed Dr. Casey telling the heavily-bandaged patient that the prognosis was good and a full recovery expected, and the patient extolling eternal gratitude to the esteemed doctor. The audience is relieved until the next week when Ben faces another medical trauma.

What the audience doesn’t see, however, is the months of rehabilitation, the frustration of regression, the struggle to find the right balance of medication, etc. And you know what? The audience doesn’t need to know that. The most important thing for the television audience to know is that the patient “made it,” that everything is okay.

And the same is true of what the general public needs to know about the fate of the aviation industry. We made it. We are alive and well, and we are on the road to full recovery.

But as industry specialists, people involved in or affected by air travel, we do have a greater responsibility. We need to know what happens after Dr. Casey leaves the room. We do need to know about the recovery. We need to prepare for the ups and down that will greet us as we return to full operating levels. We need to plan for sustainable growth, so we can provide the service that is desired at a cost that is reasonable, without harm to the environment and neighboring communities.
Obviously, the multiple attacks by terrorists on the United States utilizing civilian aircraft in Washington, Pennsylvania and here in NY were incomprehensible in both in their magnitude and their impact on air travel. The consequent airline revenue/losses were unprecedented. But before I talk about more recent history, and what I think are a few of the bigger issues lying before us, I think it’s appropriate to take a quick look back at the world of aviation before our world changed, in order to put the changes and the future in proper perspective.

First a little context: The airline industry transformed itself in the final two decades of the 20th Century. Before deregulation, in 1978, a cumulative total of 3.2 billion people had been on a plane since 1903. In 2000 alone, 700 million Americans took to the skies--and 90 million of them took off from or landed at the NY airports. Our four airports in the NY area altogether occupy 8,500 acres. Contrast that to Denver, where a single airport sits on 33,000 acres.

Before September 11th there were a number of major challenges that the NY airports, like many throughout the United States, were struggling to address. But I think the three most critical ones were: managing delays; insufficient capacity; and the need to provide excellent customer service.

**Delays.** First and foremost, there was the problem of airport congestion and delays. Over the last twenty years the deregulation of the airline industry, our country’s booming economy and the appetite of businesses and the general public for long distance travel prior to September 11th, resulted in the system being stretched thin as it attempted to accommodate too many people and too many flights.

As a result, the pervasiveness of aircraft delays and flight cancellations throughout the country had turned what was formerly considered an exciting experience into what was described as “an endurance contest for the air traveling public.” It was the combination of this abysmal level of service coupled with delays of tremendous proportion that prompted the Port Authority to rein in the chaos. After shouting like the Howard Beale character in the movie “Network,” “We are mad as hell, and we’re not going to take it anymore,” we declared a moratorium on additional flights, then subsequently joined with the FAA in conducting the now infamous slot lottery at LaGuardia Airport.

**Capacity.** A second issue of importance that airports were confronting was that of an inadequate air transportation infrastructure to accommodate future growth. Aging facilities were in need of a more aggressive redevelopment. As the FAA’s benchmark study of the 31 major airports sadly pointed out last year, any increases in capacity that were being planned over the next ten years at the most delayed airports were predicted to be outstripped by forecasted growth in flight operations. The Port Authority airport system has perpetually been hovering just about at capacity, in terms of aircraft movements, with LaGuardia and Newark typically ranked among the most delayed airports in the nation, and Kennedy having limited additional capacity available--and I might point out that the average-sized plane entering and leaving LaGuardia has 66 seats. While airspace redesign and improved navigational technologies were expected to provide capacity improvements in the future, they were not expected to keep pace with future demand if aircrafts of all sizes are allowed unrestricted access to congested airports.

**Customer Service.** And lastly, there was the issue of poor customer service. The speech I had prepared for the September 21st Symposium but never delivered, due to the events of September 11th, lamented about how the air travel experience was not the experience it used to be. Customer service standards were at a low point, with increasing complaints, and customer satisfaction was down precipitously, partly as a result of the first two issues I mentioned—capacity and delays. Here’s a little known but alarming fact: A survey conducted showed that people were more fond of dealing with the IRS than with airport personnel. What a wake up call!
The Port Authority had a very aggressive view of the future on increasing customer service and a vision to make the New York/New Jersey Airports rank among the top airports in the world by meeting or exceeding the expectations of the demanding New York/New Jersey Market. Enlisting the help of J.D. Power and Associates, the pre-eminent voice on customer satisfaction, we had embarked on a plan to “Be the Best by Putting the Customer First.” Seventy-two thousand people work at our four airports, and we recognized that getting any large airport to perform as a unified place is like teaching an elephant to dance.

Now, you may think that all that changed on September 11th and in the months following the attacks. But let’s revisit the three critical issues I just outlined and view them nearly eight months after the tragedy.

**Delays.** Obviously these all but disappeared on September 11th and in the months after. In fact, since the attacks LGA has experienced a five-fold reduction in the percentage of operations delayed and a ten-fold reduction in delays related to volume which has led to on-time performance approaching 90%–a level not realized since the airport was opened! The most delayed airport in the country, one year later, was the least delayed airport. A title that, frankly, was scary, for what it actually foretold.

In some ways, there are probably many in the industry today that wish we still had the delay problem, and who am I to argue? It would be nice to see more people flying. But I think it would be even nicer to see more people flying on fewer, but larger, quieter planes. But as tragic as the events of last fall were, we have been presented with a rare opportunity to evaluate how to deal with the problem when it arises in the future again, because the fact is, it will.

There’s a saying that President Kennedy used to use when he wanted Congress to spend money on programs for which there was no public outcry. He’d say, “You know, the best time to fix the roof is when the sun is shining.” Interestingly, the FAA and DOT have resurrected the demand management initiative and set a new date for comments on long-term approaches to managing demand. They reasoned, an “anticipated strong recovery in airline passenger traffic in 2003.”

I concur. The time is right to fix the roof.

The winter of our discontent— that is, December of 2000–will never be repeated at LaGuardia Airport. Not on my watch. If I may be so bold, I will boast that the slot lottery virtually restored sanity to the national air transportation system. Under AIR-21, the air carriers increased their operations at LaGuardia by nearly a third over pre-AIR 21 levels, yet they only increased capacity by 18%. After the slot lottery, there was an 11% increase in capacity but on only 14% more flights. Not ideal, but a significant improvement. We had more service to more places with more competition, and without delays.

But keep in mind; the slot lottery has a sunset, as does the High Density Rule. My fear is that, if not managed, chaos could easily return.

Since I’ve employed scientific and medical themes, like Ben Casey and reversible processes, throughout this presentation allow me one more such analogy. There is phenomenon in biology called co-evolution. It’s reciprocally induced evolutionary change between two or more species or populations. Suppose there’s a plant (or an airport) that is subject to attack by an insect herbivore (or is sought after by a multitude of air carriers). Genetic mechanisms (like demand management strategies) allow the plant (or airport) to produce a chemical, which is toxic to the herbivore (or so the air carriers would have you believe). The plant is protected against insect attack. Not for long, as the insect can also respond by developing chemicals to detoxify the defensive chemicals produced. This cycle continues with the result that the two species become symbiotic, and are closely associated with each other. Much like what the relationship between an airport and air carriers should be.
However, there is a vast difference. As a result of the Deregulation Act air carriers were given the freedom to create their own defenses. But, alas, airports were not afforded this same right. Unless airport operators are given the same ability to respond to circumstances unique to their facility, this relationship with always be out of balance. Equilibrium must be restored. Airports need the ability to govern their own destiny.

**Capacity** is the second critical issue we talked about. While traffic is down significantly and airports are for the moment not bursting at the seams, we know traffic will eventually return, as it always has:

- In the 1960s, traffic was affected by a recession and the Cuban hijackings. Traffic returned.
- In the 1970s, it was recession, again, and fuel shortages. Traffic returned.
- The 1980s saw more recession, a controllers’ strike, and many terrorist events, including the Pan Am Lockerbie tragedy. Traffic returned. And ...
- The 1990s saw a recession and the TWA disaster. And traffic reached record levels.

Yes, we’ve all seen the recent Business Travel Coalition survey that found that businesses are still looking to reduce travel budgets. But we have also witnessed other signs that air travel is slowly taking off again. As a result, airports need to keep planning for future growth, because we know that, at some point in the not so distant future, we’ll need added capacity. What’s central to the issue is how and when it’s appropriate to bring it on line, due to this time of great uncertainty.

And we still have those interminable government regulations and environmental review processes to try and climb over just to get things built at our airports. I am a committed advocate of sustainable growth, but interpretations of environmental regulations that are so narrowly defined that they impede commerce, trade and tourism are not acceptable.

The capacity problem is also taking on new dimensions as we try to figure out how to accommodate new security requirements, a separate issue I’ll discuss later.

**Customer Service**, finally, is still one of our top issues even though the whole customer service paradigm has changed as a result of having to respond to the harsh realities of the new age in security. I taught you about co-evolution to explain the airport/airline relationship, now I’ll talk about customer service using the term entropy—a measure of a system’s ability to undergo systematic change.

The more ways things can be arranged, the more entropy produced. So in a way the Transportation Security Administration (TSA) has created order, vis a vis organizing security in the terminals. Yet science also tells us that the entropy of the universe is always increasing, and that any process that gives order in one part of the universe increases the disorder in other places.

Thus we are evolving our customer service program needs to respond to the newly created disorder. Our mission changed from one where customer care was our mantra to one where customer well being is the focus. Joanne Paternoster, my Assistant Director for Customer Service and Standards will speak to this more specifically in the next session.

It is somewhat interesting that I stand here today in what was once one of the finest retail institutions in this city talking about customer service. The following passage was written in 1914 when B. Altman & Co. enlarged their store on Fifth Avenue:

*The comfort and convenience of their patrons have been a paramount consideration with B. Altman & Co. To render shopping as agreeable as possible by reducing to a minimum the labor and fatigue, by endeavoring to obviate the congestion incident to special sales, and by ensuring courteous attention on the part of employees, has been from the beginning one of the fundamental principles of the house.*
Well, department store service is no longer the same, and the sobering fact of the matter is the air travel experience may never be the same. The Port Authority, however, still has the vision and a commitment to integrating security and service to establish a new world order, a safe haven environment within which customers are secure, yet receive quality service.

One of Yogi Berra’s most famous malapropisms was “it seems like déjà vu all over again.” But, the fact is things have changed. September 11th has engendered new challenges, as well as new opportunities.

A critical issue that we face and is fundamental to our business is the fragile financial condition of the industry and its effects on airports, services and the national economy alike.

Last year and the first quarter of this year, marked new low points for airline industry financials, with analysts forecasting unprecedented net losses. Although the carriers had been suffering from declines in traffic and revenues related to the weakening economy prior to the attacks and had been forecasted to lose about $2 billion for the year, we never imagined how deep the red ink would truly be. Immediately after the attacks, analysts estimated that the carriers were incurring losses of $120 million per day while being forced to remain inactive until the turbulence in the industry could be settled. (To give you some perspective, Mayor Bloomberg’s budget for the City’s Housing and Preservation Department for an entire year is less than $120 million. The airlines were losing that on a daily basis.)

Airline layoffs of more than 120,000 people. Reductions in overall capacity nationwide of about 20%, though the NY region saw cuts of almost 35% by some carriers, and retirement of older aircraft. But sharp declines in passenger growth of more than 20% across the nation came faster than the carriers could cut costs. And while things may be improving, analysts are predicting that the major airlines will post huge net losses this year, and are predicting full recovery is still a ways off.

And the hurt was widespread. The Queens Overall Economic Development Corporation, under the leadership of executive director Marie Nahikian, did a study that found that for every two jobs eliminated at the airports, another one was lost in the Queens community. From hotels to luggage repair shops. From tailors to fruit vendors. The downturn of the aviation business was felt far and wide.

It obviously doesn’t take a rocket scientist, … nor an aircraft manufacturer, …nor an airport operator, for that matter, to figure out that the financial strength of airports has been severely affected as a result of the steep decline in the air carrier industry.

Airports have seen revenues; especially activity-related ones like concessions and public parking revenues, plummet significantly as a result of the severe decline in passenger traffic. And with almost 40% of airport operating revenues provided by airlines, it should not be unexpected that some airports, like air carriers, are struggling to pay bills, too.

A study conducted in the fall on behalf of Airports Council International has estimated that for the 12-month period through September of 2002, airports are estimating a decrease in revenue of almost $2.5 billion, or an overall loss in revenue from all sources of almost 20%. The study also pointed out that, in addition to steep declines in revenue from the usual types of on-airport revenues, ACI is estimating that PFC collections for the 12 months through September 2002 will decline about $350 million, while sorely needed FY 2003 AIP funding could see a cut of more than $80 million. And while some airports have successfully dealt with the loss of revenue and funding as individual carriers ceased operations at their airports, the overall steep decline in revenues presents a hurdle that few airports have ever had to deal with as airports have amassed almost $60 billion in debt to meet the needs of what, a short time ago was a booming industry.
Wall Street had put virtually every airport with an outstanding bond on a credit watch. I’m anxious to hear what Sam Buttrick has to say later this morning, to hear his perspective.

At the same time airports are facing steep declines in revenues, they are also struggling with escalating costs, mainly security related. Additional security costs incurred as a result of meeting the more than 100 new security directives issued after September 11th are significant as some analysts have estimated that could cost airports over $1 billion. And the question of who is going to pay for all these measures is far from settled.

In addition, there is also the specter of huge increases in War Risk Insurance. After the events of September 11th, airports unfortunately saw their underwriters cancel their war and terrorism liability coverage, and new rates have increased substantially. For example, before September 11th, one airport received $2,500 worth of coverage for every $1 in premium. Today, that very same coverage now costs $50.

However, none of us should focus on the ailing trees and ignore the thriving forest. Yes, there was some bad news in what I’ve spoken this morning, but don’t be pessimistic. Someone once told me you should always have a pessimist as your best man at a wedding, that way the bride’s parents will be glad she married you! But the fact is there is good news, too.

Airports, like air carriers, have taken aggressive action. Airports are revaluating capital plans to readjust and prioritize both ongoing and planned projects under conditions of uncertainty in an effort to cut down on costs. Airports have also revaluated estimated spending for the year and made budget cuts where able and appropriate.

Airports have also lobbied for aid and were gratified that an additional $175 million in AIP grant funding was recently approved and made available to airports to cover certain eligible security costs. But there’s still a significant cost associated with the increase in security and airports need to ensure that the $1.5 billion authorized by the U.S. Congress is appropriated to help offset these increased security costs. I don’t mean to sound ungrateful, but our estimate of additional security costs were in the $50 million range. Our allotment from the FAA was just a little more than $8 million. While current recovery trends are encouraging, the industry still has a long way to go before profits are restored. The good news, however, is we believe that federal financial assistance and draw downs on other forms of capital will tide the airline industry over. This sentiment was echoed recently by Leo Mullin, Chairman and CEO of Delta Airlines, in Washington, DC at the International Aviation Club when he stated that “despite losses … all U.S. airlines [are] likely to survive.” And while the airlines are estimated to lose just over $3 billion for the full year 2002 and the outlook for a couple of carriers is downright scary, we know that the airline industry will be profitable in the future. This is good news for us since we need a healthy partnership if we are going to serve our customers.

I think changes in the industry due to the aftermath of the September 11th events should produce a stronger, more profitable industry. Airlines instituted aggressive pricing campaigns to attract passengers back to the air transportation system. At some point carriers will find a fare level that will produce a reasonable profit given the number of passengers carried, even if it leads to an industry somewhat smaller than previously envisioned. And I am an optimist about the business—I am somewhat like the 100-year-old man who marries the 20-year old and then begins to look for a house in the neighborhood with the best schools.

My optimism about how we solve the problem of lower traffic by getting people to return to flying in greater numbers is well founded. We know from history and experience that traffic will eventually return.

The Cuban hijackings, recessions, the Gulf War … in all cases, traffic recovered to previous levels and previous or greater growth rates. It may take some time, but business is too important. And New York is too compelling a city. Airlines are ramping up their schedules and recalling furloughed
workers. Passenger boardings in March were down slightly less than 9% over last year versus more than 20% in December, and hotel occupancy rates are starting to improve. In New York, we expect that the recovery may be a little later than everyone else as the economy and passenger traffic return to normal in 2003, some 3 to 6 months after those levels are returned to on a national level. But we can’t just sit on the sidelines waiting for people to return. We must take a proactive role in getting passengers back into aircraft.

I’d like to applaud the work of NYC&Co who worked tirelessly to do just that. Cristyne Nicholas, the President, and Tim Zagat, the Chairman, who had hoped to be with us later this morning, deserve our utmost gratitude. They cajoled, they pleaded, they begged, and … they delivered dozens of new trade shows, conferences and conventions to this city. Thank you. Keep up the good work.

We need to convince people to fly again—and ultimately, however, security is the key.

Clearly, getting larger numbers of people onto planes is heavily dependent upon the confidence of the consumer concerning the safety of the system and the perception that it may not be safe to fly.

In the weeks following the attack, there were a number of surveys in order to determine what the public sentiment was towards flying. While initially most business travelers expressed a willingness and desire to get back to flying immediately, most pleasure travelers expressed some concern and at the time stated that they would take a “wait and see” approach before flying a commercial jet. And while it appears that some of those pleasure travelers have responded to the increased security—like the baggage check initiative and reinforced cockpit doors—and regained a level of comfort and returned to the air, there are a number who still have some doubt.

We believe the region will continue to disproportionately suffer from the lingering fear of flying. A nationwide survey conducted early this year by Yasawich, Pepperdine and Brown (YP&B) found that among the 20% of travelers who said that their business plans would continue to be affected by the terrorist events, six out of 10 said they would not travel to specific destinations, mentioned most frequently were New York (46%)—beating the Middle East (23%) and Washington D.C. (23%).

And recent data released by FAA suggests this to be true, as the New York airports (LGA and JFK) were ranked 3rd and 4th in terms of biggest declines in traffic for the five full months after the attacks—Number 1 being Washington-Reagan for obvious reasons, and Number 2, LAX.

Until such time that we have restored the confidence of travelers, especially those having second thoughts about flying to New York and Washington, consumers will continue to seek alternative travel plans, and their confidence in the system remains the greatest risk to a future growth that could be easily sidetracked by further terrorist activities. The TSA continues to assume control of aviation security, but a full revamping will take many months, and ultimately the agency will have more than 40,000 employees in more than 400 locations nationwide in an effort to improve airport security.

There are now obvious changes that may be hard to miss, like hand wanding of individuals, requests for passenger shoe removal, and bomb-sniffing dogs working the check-in line. But as David Plavin, the President of Airports Council International, stressed in his testimony to the United States Congress, airports and other segments of the aviation industry must be involved in shaping the implementation of new programs and procedures to meet on-going security challenges. Recall entropy.

While I believe that airports have shown exceptional flexibility adapting to the new security requirements, there are still many sub-issues to be grappled with like Explosive Detection System installation; reimbursement of security-related expenses; federal screener workforce; access control; the “300 foot” rule; and expediting security-related projects, to name a few.

American author William Faulkner once said, “I decline to accept the end of man. I believe he will not merely endure, he will prevail.” As you listen to our speakers today, who are wonderful partners of our airports, I think you’ll see why I have that same confidence.
So, where does that leave us all? Well, to some extent, getting people back into planes is out of our control. But to the extent that we can do things to enable passengers to overcome any fears that they may have, like improving security, we need to work together on implementing those solutions. There are a lot of issues we can grapple with. Airlines can’t do it alone, nor can airports, nor can cities, nor can the FAA, TSA, nor DOT—but, from our perspective, you are all wonderful partners. Ultimately, if we are to succeed in rebuilding this great industry which was begun in earnest by the two Wright Brothers on a wind-swept beach at Kitty Hawk in North Carolina almost 100 years ago, we must work together to restore the flying public’s confidence in the air transport system.

Imagine the confidence that Orville and Wilbur must have had to believe they could actually get their heavier-than-air, manmade machine with a homemade gasoline engine to take flight, especially at a time when the general public was so skeptical. Thankfully the Wright Brothers persisted, and in spite of public skepticism, succeeded in their quest to fly and forever changed the way people would live and dream.

And so must we.
SESSION 1: Service and Security: Wary Allies or Vital Partners?

1. – JOANNE PATERNOSTER
Assistant Director for Customer Service and Standards, Aviation Department, The Port Authority of New York and New Jersey

“Customer Well Being Program”

Ms. Paternoster, who spoke from a PowerPoint presentation, gave a forceful, thoughtful assessment of the progress the Port Authority has been making since launching what she called “an aggressive customer service program” at LaGuardia, Kennedy, and Newark Airports in 1998.

She had two themes. One was to describe how customer service can evolve, mature, and blossom once an airport authority acknowledges that it shares responsibility for what people are experiencing as they move through an airline terminal.

The other was to explain that the Port Authority, as it assesses what has been learned both before and after September 11th, confirmed that security and service are more than either allies or partners—they are two dimensions of the same need. People become truly safe when they are both physically safe and at the same time feel safe and well taken care of.

The two themes were exemplified, she said, by the successive names the PA has given to its work in this area: “Customer Service” became “Customer Care”—which in turn grew into “Customer Well Being.” At first, she said, one priority focus was the courtesy of airport workers and how their actions affect the experiences of the traveling public. Now it has expanded again to emphasize that safety and comfort are equally important—and cannot be considered separately.

Ms. Paternoster began with a little history: “Walk a mile in my shoes,” she invited us. “Our New York/New Jersey Airports have 17 terminals (only two of which we operate directly); 10 other terminal operators; 100 + airlines; and over 300 employers in and around our terminals. Of the 72,000 people who work at our airports, only 1,000 work directly for us. Our customers don’t know who works for whom—they just know how they’d like to be treated.

“Bill DeCota, when he set up the customer service program in 1998, said, ‘I have a little challenge for you!’ It was clearly important to get all our airport partners aligned in this effort.

“We decided to lead by example. We identified customer priorities—among them, that every restroom would be clean, and that every gate would have a variety of good food, beverage and retail. When something goes wrong, we share accountability, instead of simply referring the problem to the service provider.

“We realized that a common understanding of what ‘the airport experience’ should be had not been established. For example, simple as it sounds, we had never created explicit, airport-wide courtesy standards which could be published, distributed to all our partners, and also incorporated into our contracts. So we created them—and this month we have just published the third, expanded edition of our ‘Airports Standards Manual.’

“Expanded, how? The new edition has a new chapter on ‘Security Awareness.’ We now explicitly expect every airport employee—whether they work for us or for McDonald’s—to be vigilant at all times. If they see an unaccompanied package anywhere, it’s now defined as their duty to report it. Without security standards every bit as clear as our courtesy standards, it won’t matter if airport employees have a smile on their faces—there won’t be anyone there for them to smile at.” (At the same time, we are developing a “frequent friendly program” whereby employees accumulate points when they meet the new standards.)
“People’s sense of safety and their comfort levels improve dramatically when they can find their way through airports with ease. Therefore we developed and adopted a new, easy-to-follow signage system now being implemented throughout our airports. Yellow signs point outbound passengers to their gates; green signs point incoming passengers to the front of the airport. (Black signs with yellow letters show people where to find ancillary services such as phones or restrooms.) The new colors, highly visible at a distance, help people save time, feel less stress and less intimidated.

“Red-jacketed customer service representatives, who will soon sport ‘iHELP’ pins, are as deliberately easy to spot as the new signs. They’re the ‘high touch’ side of customer well being—and we’ve found that their presence specifically assists those in need of help but, also, can also create a positive effect on everyone—because even travelers who don’t ask for help can feel, ‘There are people here to take care of me.’”

Summing up, Ms. Paternoster said that the Port Authority, by establishing a framework to improve customer satisfaction long before September 11th, has seen since then how greatly this approach contributes to enhancing the customer’s sense of well being with the travel experience and helping restore their confidence to travel.

2. ALLEN GANZ
Vice President for Business Development, Visionics Corporation

“Biometrics: Facial Recognition for Border Control”

Allen Ganz, who spoke from a PowerPoint presentation, began by asking us whether we’d ever heard of biometrics. Most of the hands in the room went up. Then he asked how many of us had actually used any kind of biometrics. This time only a few hands went up.

Then he made a prediction: “Within in the next 12 months, you will have used biometrics. I’m here to challenge you to begin thinking about how this powerful technology can and should be used.”

Biometrics, as a word, is about 100 years old, and, according to practitioners, referred originally to using statistical and mathematical methods for analyzing data produced by biological sciences—so people could compare wheat yields, for instance, or evaluate the effectiveness of various therapies for a disease. Biometrics now also applies to an emerging technology that uses biological or, more specifically, several distinctive and recognizable human characteristics—such as eye scans, fingerprints, “voiceprints,” or “faceprints”—to help identify people more accurately.

Dr. Joseph J. Atick, Visionics’ chairman, CEO, and co-founder, and a mathematical physicist formerly on the faculties of the Institute for Advanced Studies, in Princeton, and of Rockefeller University, in New York, is one of the fathers of the “faceprint,” which uses a video camera’s information selectively to observe only certain “nodal points,” such as cheekbones or the bridge of the nose. A faceprint, which is more like a geometry diagram than a photograph, is a digitally stored, mathematical representation of two things: the identified nodal points—all of them clustered within the center, or “golden triangle” of a face (meaning from the temples to just below the nose)—in combination with the distances between them.

Since Facelt, Visionics’ facial recognition software, records 80 nodal points, but relies on 14 to construct a “faceprint,” how can this simplified and abstracted information be more useful than a photograph?

In several ways, Mr. Ganz explained. Because the biometrics stay the same from one “faceprint” to the next—when hair color and length has changed, for instance, and even as a face ages over time—the human eye examining a series of photographs may be fooled, while the Facelt scans will
continue to show a consistent, unbroken pattern. (In Mexico’s presidential elections, FaceIt scans of voter registration cards showed that some voters had voted as many as 20 times.)

And because FaceIt’s information is computerized, it can instantly be compared to the information in a “legacy database,” such as a photographic file of known criminals or a “watch list” of suspected terrorists, at a processing rate of 1 million images a second.

Visionics’ biometrics, Mr. Ganz said, can be useful to airports in several ways:

- FaceIt’s criminal and terrorist surveillance capabilities are “a comfortable biometric—we already carry 2 or 3 pictures of ourselves in our wallets and purses; it’s a non-invasive technique; and it enhances security without altering the travel experience, since cameras can be set up at established security checkpoints, like the magnetometers that already check every boarding passenger.” (Dallas-Ft. Worth is currently testing such a system to “see if it meets our strict criteria for airport security and guest convenience.”)
- FaceIt, if the TSA gives approval, could also be part of a time-saving system of privileged access for frequent flyers. “The vision is, enroll once, and you’ll be issued a photo I.D. ‘proximity card’ that can be machine-scanned to make sure you are who you say you are without your having to pass by a human face.”
- Fingerprinter CMS, Visionics’ digitized, ink-free fingerprinting equipment can be part of a background check on potential airport employees, since the images it captures can be electronically compared to the 40 million fingerprints on file in the FBI’s IAFIS database. (Before September 11th, such background checks had been mandated for “CatX,” or Category X airports, meaning the 20 biggest airports in the country; such checks are now mandatory at all U.S. airports.)

Mr. Ganz stressed several points—“I’d like to challenge you to help manage expectations for biometrics. Finger and face, independently or in conjunction, are being offered as component parts of the comprehensive security solution for tomorrow’s airports. The key to biometrics is not to look at them as the ultimate solution—they are not 100% accurate, any more than metal detectors are—but to see them as a valuable security tool that can substantially raise the bar in denying airport access to the wrong people, at a reasonable cost, while minimizing the disruption to travelers. Crime and terror are not faceless.

“Visionics has also developed privacy protection guidelines for all biometrics surveillance applications, including our built-in No Match-No Memory policy, meaning that a ‘faceprint’ is discarded if it fails to match the faces on a ‘watch list.’ Equally importantly, FaceIt is never used surreptitiously or anonymously—its presence and use is always clearly announced.”
3. **VICKI ESCARRA**  
Executive Vice President and Chief Marketing Officer, Delta Airlines, Inc.  

**“Four Steps for Commercial Aviation”**  

*The written text of Ms. Escarra’s speech, incorporating her additional, unwritten comments:*

As a representative of the third largest U.S. carrier, I’d like to share my thoughts on ways to meet our shared goal of improving service without compromising security.

I’ve been at Delta for 29 years, which means I’ve been through deregulation and two Gulf Wars, and I’ve never seen business as impacted as it was after September 11th.

We will all need to work together—customers, employees, and share owners—to restore aviation as one of America’s most vibrant businesses. And this means bridging two overriding concerns. The Under Secretary of Transportation for Security, John W. Magaw, has promised that America’s aviation and airport security will be second to none. And we at Delta had already committed ourselves to customer service at that same world class level.

What’s clear is that heightened security and the highest levels of service cannot be mutually exclusive. You will recall that months prior to September 11th, aviation debate in the United States centered largely on customer service and the Airline Customer Service Commitments. These Commitments, twelve in all, responded to the tremendous growth of air travel, and the need for airlines to better communicate what priorities we would meet throughout the travel experience, including:

- Better information flow to customers
- Expanded use of Internet resources to offer lower fares
- More efficient baggage handling
- Faster refunds
- More useful processes for assisting special needs passengers
- The list goes on....

For airlines, however, it quickly became apparent that unless we corrected the very serious issues associated with the need to expand the capacity of our nation’s air transportation system, we would surely fail in meeting our customer service obligations.

Then came 9/11, and all at once, national aviation policy was necessarily refocused. Today, nearly eight months later, U.S. airlines have recovered from the initial blows of the crisis. And, in Delta’s view, the industry has begun to recover in restoring the public’s confidence in air travel.

However, the potential for airlines to thrive still remains in question. Standing before you this morning, I don’t think any of us ever imagined that we might look back nostalgically on air traffic control and system infrastructure improvements as our nation’s chief aviation concern. But with a system-wide capacity reduction of 15% continuing to temporarily mask our infrastructure challenges, the need to address this challenge remains more critical than ever before.

And because we have entered a new era of heightened security—an era which is rapidly changing the face of customer service—now is an excellent time not only to address, but to fix, many of the problems troubling our industry. We’ve got to be thinking 10 and 20 years down the road.
Today, I want to propose a four-step program that will help restore some degree of normalcy to commercial aviation, and one that will also aid in preparing all aviation stakeholders for the 1 billion plus customers that the FAA says will arrive at our boarding gates by the year 2013.

**Step 1.** The first thing we must do to meet our shared goal is restore a customer service mindset to the airport environment.

Today, the hassle-factor involved in flying has increased beyond acceptable levels. It’s imperative that we improve this situation, especially in business markets where time and speed of travel are of the essence. The only segments of our market where traffic is not returning are the trips of 200 to 250 miles or less. On these flights, traffic is down 40%—and people are driving, not flying. And these flights account for 25% of our business.

Let me share with you how a recent *USA Today* article described the airport experience:

“Creep through serpentine security lines. Dump laptops, cell phones, the tiniest metal bits of anything into the X-ray machine belt. Bite your lip as guards thumb through your wallet or dig into your neatly packed undies. Hop around in stocking feet for the shoe inspection. Get frisked.

“To improve this situation, the most promising tool on the horizon is a system called the "Known Passenger Program," which uses data-mining and predictive software to positively determine a passenger’s identity. This system would work to improve security and operational efficiency in two ways. One, by identifying passengers who pose potential threats, and Two, by allowing known passengers, flight crews and airport personnel, to travel more efficiently through the airport.

The "Known Passenger Program" has yet to receive approval by the Transportation Security Administration. And it is expected that prior to any approval, the TSA will require the incorporation of additional security precautions, such as biometrics, which my colleague, Allen Ganz, has just addressed. Nevertheless, whatever the process, we must distinguish between profiling based on bias and profiling based on information.

As you know, today all passengers are screened by the “Computer Assisted Passenger Profile” system, also known as CAPPS. This program screens passengers, employees and vendors against operational databases created by the FBI. Though this system has been effective, it has not improved airport efficiency, which is why Delta supports the convergence of both the Known Passenger Program and the CAPPS system.

**Step 2.** The second step is allowing airlines to use the normal range of business tools, including restructuring, to solidify their financial base.

As you well know, U.S. airlines reported net losses of more than $7 billion last year. And though demand is slowly returning, yields are down considerably, making it even more difficult for airlines to reach profitability. Numerous aircraft have been parked or taken out of service altogether, which will only serve to depress our growth in the years to come.

Furthermore, the annual compensation of airline employees has grown at a rate of 3.5 percent since 1986. And the direct costs of delays and cancellations totaled more than $3 billion last year alone. So clearly, the airline industry needs access to the methods that other industries use to address overcapacity and to achieve cost benefits, including mergers and acquisitions. Airlines also need Congress’ assistance to ensure that failing carriers don’t drag healthy carriers down.

It is important to understand that the mission of every major airline in this global economy—be it Delta, American, United—is to create a network that allows us to take our customers from anywhere to everywhere. By doing so, we create the convenience as well as the benefits—such as frequent flyer programs, lounge access and consistent levels of service—that customers expect wherever they fly. To ensure real competition on a global basis, we must allow the market to run its course and we must ensure that these options remain open.
Step 3. The third thing that we must do is refine the collective bargaining process so that it encourages resolution of labor issues without inconveniencing customers.

Today, in the face of a highly unionized industry, airlines have virtually no control over our largest cost category—salaries and benefits. From both a customer service and a financial perspective, no airline today can weather a strike. So our industry must find a way to arrive at labor agreements that don’t hold our customers hostage in the process.

The current process pushes all parties to an impasse. We need to define new procedures that respect the collective bargaining process and that also respect the customers we serve. Our industry would strongly advocate some form of mandatory arbitration—perhaps even the “last best offer” approach, widely used now by firefighters and police officers.

In such a scenario, both management and labor would provide a last best offer to arbitrators. Arbitrators would only choose one or the other, not bargain between offers. This would force both sides to the center, and would re-introduce true collective bargaining to airlines. And, most importantly, these new procedures would avoid a situation where all the power lies on the side of the party with the capacity to impose a strike, which neither the traveling public nor airlines can afford.

Step 4. The fourth and final step is to ensure that the airline industry has an infrastructure that will accommodate future travel demand.

Clearly, this is a concern for all aviation stakeholders, but the primary responsibility rests with the federal government. As I said earlier, the latest FAA forecast indicates that 1 billion passengers are expected by 2013. When this time comes, we must have adequate runway capacity, efficient airport infrastructures and an air traffic control system that not only accommodates customers, but also welcomes them aboard with the level of service they deserve.

For airlines, that means providing the surrounding infrastructure of facilities and employees, trained to operate the flights we schedule to meet consumer demand. While airlines clearly have room for improvement, especially in the area of how effectively we communicate with customers when flights are canceled or delayed, on the whole, I think we’ve done a fair job.

A good example is the many technology improvements that airlines have introduced to the airport environment. This year alone, Delta is investing more than $5 million to enhance and expand our self-service check-in kiosks at airports throughout the country. These kiosks allow passengers who are flying domestically on an e-ticket, to quickly check-in and avoid ticket counter lines altogether. Customers also can check baggage, change flights, select or change seats, request to standby for upgrades, and initiate multi-party check-in. We’re installing more than 300 kiosks in 80 airport locations this year, which will bring the total number of Delta kiosks to more than 400 by 2003.

We’ve also added a helpful feature to our Web site—delta.com—which enables customers to check airport wait times for curbside check-in, ticket counters and security lines. And our “frequent traveler” security lines in 17 cities are proving effective in saving time and reducing inconvenience for our top business flyers. So clearly we’re doing a lot within the airport environment to meet the needs of a returning demand.

Airports are, of course, another important component in the aviation system. For airports to support their side of the overall effort requires a continued investment in runways, taxiways and gates. And that investment must be supported by new methods of expediting the environmental review process. We have witnessed a disturbing trend in the area of new runway construction, due, in large part, to the extended time required for approval.
Today, the average runway project takes 10 years, start to finish. Since 1999, only three new runways [SLC, DFW, and PHI] were built at the nation’s 28 largest airports, resulting in a three percent increase in capacity. The number of passengers increased during that time by 16 percent—five times the increase in runways.

By way of comparison, I think it’s important to quickly review what our country did in the 1950s, as cars replaced railroads for both passenger travel and the movement of freight. Under the guidance of President Eisenhower’s administration, the Interstate Highway System was built, stretching for more than 43,000 miles. In contrast, Delta Chairman and CEO Leo Mullin often cites a study that indicates building runways at the top 25 most congested airports would alleviate capacity constraints. And this construction effort would only require 50 miles of construction. Fifty miles, that’s it. Clearly this is something that we can do—and something that we MUST do.

And once complete, it will serve as another fine example of our country doing whatever is required to meet the needs of its citizens. It’s either that or wait until capacity returns to pre-September 11th levels, so that we can see, once again, that our nation’s air traffic control system is indeed an aging, inefficient and bureaucratic one. Air travel is coming back much more slowly than we had expected. Nevertheless, the time to act is right now.

I think all of us recall the FAA announcement on September 11th grounding air service. The nation’s 2nd largest industry—travel and tourism—came to a fast halt, and it was in this context that the government provided aid to the airline industry. Not because airlines are more deserving than any other sector of commerce, but because the public interest of our nation so greatly depends on a vibrant aviation sector.

The proof of the interdependence of a strong aviation sector and the public interest of the country was plainly there for all to see—clearer than ever before. So now we know: We need, as a country, an aviation sector that thrives, not just survives. And it must thrive because that’s in the public interest.

The program I’ve outlined today would help immensely. Together we can create a more customer-focused system of aviation, and one that’s also the safest and most secure.

**DISCUSSION**

In a brief question-and-answer period after Session 1, Allen Ganz was asked about misidentifications by facial recognition equipment. He said that, although accuracy depended on the quality of the images available, FaceIt’s Equal Error Rate, a calibration that balances “false acceptances” (when the machine incorrectly thinks it recognizes face from a database) and “false rejections” (when the machine fails to recognize a face that does match an image in a database) stood at 0.68%, meaning less than 1%.

Vicki Escarra fielded several questions: She was asked whether Delta needed to re-think reconstruction and renovation plans for New York-area airports drawn up before September 11th to deal with the larger crowds within terminals created by new security procedures. She said that it was Delta’s hope that, as the TSA comes into being, screening will move more quickly. Nevertheless, Delta is taking a second look at its JFK plans. “If Delta’s so healthy,” asked someone else, “why hasn’t it been moving forward with Terminal 5 at JFK?” Ms. Escarra called this “a very good and thoughtful question.” She said Delta would “maintain its commitment to New York and, in particular, to JFK, and would be presenting new facility plans to its board at the end of July.”
Another questioner wondered whether Ms. Escarra’s comments about how the government shouldn’t prop up failing carriers that might then drag healthy carriers down was “directed squarely at US Air, your Number One competitor in the New York shuttle market.” “Not exactly,” said Ms. Escarra. “We’d like to see them compete.” She was also asked if Delta would welcome re-regulation. Ms. Escarra said that “we know how to manage our business better than the government does. But we recognize that unless airlines continue to find ways to provide a good product, we’ll be at the risk of re-regulation.”

The panel as a whole was asked about workforce development and training for the thousands of new security personnel who would soon be arriving at America’s airports and other public buildings—“they’re the front line of the new security, and they have no idea of customer service.” Joanne Paternoster said the Port Authority was working hard on training both existing security personnel and new hires, “and you should begin to see improvements in a couple of months.” Vicki Escarra said that “passengers don’t connect a bad experience at security with the government—they associate it with the airlines or the airport they’re in. Security is a work in progress—we don’t even have billing procedures in place, as yet. Right now, we’re spending about 25% of our time interfacing with airport and TSA people about security matters.”
Mr. Buttrick, who spoke extemporaneously, insightfully and vivaciously commented on the state of the airlines from the perspective of a Wall Street analyst—or as he said “from the perspective of someone interested in profit and loss.”

“It’s hardly headline news,” Mr. Buttrick said, “that the airline industry is a bad business. That’s a technical term, not a moral judgment. We keep track of profits, so we call companies that make money ‘good,’ and companies that lose money ‘bad.’ When it comes to airlines, we have 60 to 70 years of data to support that conclusion. Their net margin in a good year is lower than any other industry, except food and retail. Now, we could dress it up, and call the airlines a ‘difficult’ or a ‘challenged’ industry. Or we can call it ‘bad’ and get on it with it.

“The industry’s problem is: excess access to capital. If you’re not going to be good at making money, you’d better be good at finding it. I’m not talking about the Federal bailout of the industry after September 11th; I’m saying that even in normal times it’s too darn easy to finance a new airplane. Manufacturers are willing to lend on aircraft, and that’s not going to change—until someone loses some real money on lending. And when all else fails, Federal money is generally available.

“It’s been a successful strategy for airlines. Let’s look at the numbers: How many major carriers have gone bankrupt since September 11th? Zero. How many have filed for Federal loan guarantees? One. Airlines had $10 billion in liquidity at the beginning of last year. They lost $7 billion after September 11th. They financed $4 billion in new equipment. And they ended the year with $16 billion in liquidity. The more they lose, the more cash they have. So maybe we need to redefine ‘good’ and ‘bad.’ The market systematically underestimates the strength and staying power of this industry.

“Airlines have other problems other than their main one—that of too much capital chasing too many planes and too few travel dollars. Labor now accounts for 40% of their costs, up from a percentage in the low-to-mid 30s only 6 to 7 years ago. Labor’s got significant structural leverage, since the cost of a strike would be prohibitive. Is this going to change? Sustained reduction of these costs is unlikely, absent any fundamental restructuring of airline labor relations.

“Business has been recovering since September 11th, as you’ve already heard. Passenger traffic was down 40% in September, and it’s down 10% now. Revenue was off 50% in September, and it’s now off ‘only’ 20%—although that’s twice the rate of declines seen in past recessions. Oil prices are bounding around, though they’re still below pre-September 11th levels. The industry has reduced capacity and head counts.

“Traffic is coming back at about a rate of 1% to 1½ % a month. Here’s our forecast: Airlines lost $6½ billion last year. We think they’ll do better this year, losing $3 1/4 to $4 billion. Next year they should break even. And in 2004, they’ll bring good or reasonable returns.

“What effect will increased airport security have on the industry? Let’s answer that by asking what is it that airlines are fundamentally selling? Essentially, I’d say–speed. If you could drive to Houston faster than you could fly there, you’d drive. Security waits since September 11th have already vastly improved. But as a time/value proposition, airline service has deteriorated in the last 5 years. We’ve reduced delay time, but we’ve increased airport wait time. As a result, total elapsed travel time between two points has increased. And although average airline fares haven’t changed much—that’s like the old joke of the man who has one hand in ice water and one hand in boiling water, but can still say, ‘On average, I’m comfortable.’
“Airlines’ time/value equations have also deteriorated in a relative sense—and companies are paying more attention to the substitutes, whether they’re virtual, like teleconferencing, or physical, now that fractional ownership of executive jets is becoming more affordable. But it’s not yet clear how these factors will affect the industry’s future performance. You could say that the “lender of last resort,” meaning the Federal government, is in the business of picking winners and losers. But maybe this just means that everybody’s a winner.”

2. DAVID PLAVIN  
President, Airports Council International –North America

Mr. Plavin, who spoke from an outline augmented by extemporaneous comments, offered a wise and trenchant post-September 11th prognosis for both airlines and airports, remarking that he “could say things that an airline or an airport couldn’t say for themselves.”

He began by asking, “Where were we going before September 11th?” “A year ago,” he reminded his listeners, “we were talking about congestion and delay, although we were already well into recession. Business travel had taken a big hit; there was labor unrest, and a cost push. Although yields and average fares were softening, there was, nevertheless, congestion.

“Competition was pushing airlines to downsize aircraft. And, the number of seats in city-pair markets has not been growing. Thus airlines were adding frequency—not capacity, and replacing bigger aircraft. In 1999, the average number of seats per planes was 139, while six years earlier it was 149. This trend continues.”

Mr. Plavin’s next question was, “What’s happened since September 11th?” His answer: “There’s been a dramatic fall off in traffic: people have been staying home and businesses are disappearing (like the “dotcoms”) or chopping their travel budgets (even within the travel industry). Airlines cut way back, reduced flights, laid off workers, and yields have dropped off further. As a result, airlines have bashing airports to cut their costs, so airports have cut back their long term capital programs; this doesn’t save a lot of money. In addition, as we all know, security queues got very long.”

“Where are we today?” Mr. Plavin then asked. “Passengers are not coming back as quickly as flights, he said. “And airports are not coming back evenly. Small communities have been disproportionately hurt, while hubs have not been hurt as badly. International markets, especially the Atlantic and Pacific, which were very badly hit, are coming back stronger. The good and bad news for airports is that the grounded planes tend to be the larger, older noisier planes. These planes were resurrected in the 1990s, as part of a capacity enhancement program, but now they’re 10 years older still; they’re not coming back.

“So we’re dealing with the return of passengers by putting more, smaller planes in the sky. This is not bad for noise, but it’s not good for congestion. So, congestion is coming back, too. The question that needs to be asked is, How can we add capacity to the air traffic control system, and on the ground? Airports are not thought of as good neighbors.

The 50 miles of new runways that Leo Mullin talks about represents a two-mile-long runway at each of our 25 most congested airports.

“But, some airports can’t add new capacity. Look at LaGuardia, for instance, where demand is greater than capacity, but access is still controlled by an antiquated and somewhat absurd system of allocating slots. If more carriers want to get into airports than there are slots available, doesn’t this mean that the goods being offered are too cheap? Somebody ought to pay a proper price for them. But what are they really worth?

“Solving this is mostly a matter of will, not regulations. We have to acknowledge that we have conflicting public policy goals, and we have to find our way through them. We want use scarce resources wisely, and we also want to promote competition. We want to make room for access
from smaller communities, and we also want to pay attention to environmental and social issues. The Feds tend to want a simple and simpleminded system (they can’t handle anything else); they also want to sustain the U.S. airline industry. There are international issues as well, since international ‘route rights’ aren’t worth much if a foreign carrier can’t arrive here at a reasonable time of day.”

Mr. Plavin then put his next question–“What is the current state of the airline industry?” “Some carriers,” he said, “have to fill 90% of their seats to break even. (These days they’re actually filling 75-80% of their seats.) They can’t solve the fare game. The traditional pricing pattern has become a bi-polar distribution of fares that milks business travelers, and then offers low fares to fill the rest of the seats. These two ways of pricing the business are really not the same business at all—or even offering the same product.

“If the traditional pattern can’t function, because business travel is contracting or resisting traditional fares, the average fare would have to go up. But people have come to think of low fares as something akin to a constitutional right. So can fares go up? When one airline tries to raise fares, those who are in a little healthier position hold off until the first airline backs down. What will happen if fares can’t go up? I believe some bankruptcies are coming.

“This is not a good thing for airports. Big markets will survive–in the New York area, for instance, if the tails of planes have been red and become blue, it won’t make all that much difference. If one of the major airlines goes under, others may fail, and the industry would be disrupted yet again.

“And then there’s security,” Mr. Plavin went on. “As passengers, we all want three things: Real security; the return of public confidence; and ‘throughput’–meaning whatever it takes to move us through airports smoothly. In the current situation, three factors have been added to the previous mix:

1. People’s Propensity to Fly: We’ve always had those who fear to fly, and now we have a few more. “

2. The Travel Hassle: There have been improvements, but they’ve been sporadic and unreliable, and you still have to assume that time at an airport will be long and painful. “

3. The Federal Presence, with all its implications–assuming the Feds can get their act together and figure it all out. So far we’ve seen unreasonable Congressional deadlines, which cannot be met without far higher levels of expenditure and commitment. We’ve been offered unproven technology whose deployment hasn’t been thought through, as in the case of Explosive Detection Systems for example: Each machine is about the size of a pick-up truck and weighs 20,000 pounds. We’ve ordered 2,000; it looks as though we’ll need 3,000 to 4,000; it also looks as if we’ll get delivery on only about 500, this year. They’re too expensive, too big, and they take up too much space in an airport. We’ll have to provide space in bag rooms where it doesn’t exist or in ticketing lobbies which can’t accommodate them AND passengers. We don’t know what their real world capacity is, or how to use them, or how many people it takes to operate them.

“There’s also the matter of ‘Mission Creep.’ Just for aviation, the Federal government has since September 11th assumed these new responsibilities: we not only now have Federal workers for passenger screening (which was previously done by airlines); Federal Air Marshals in the sky (previously a function of the FAA, and there were not too many of them); and Federal baggage screening (work previously done by no one)— In addition, TSA has now also insisted that it needs to take on all the related work already being done by others: such as investigative services; procurement; law enforcement; hazardous materials; aeronautical access control, perimeter security; etc., etc.
“When the government intervened after September 11th, no one had a clue what we were taking on. At the moment, we’re seeing the beginnings of “sticker shock”—I’m betting that instead of $2 billion a year, as originally estimated, it’s going to cost $10 billion a year just for the aviation security side. And that doesn’t include the adding on and reconfiguring of space for all these activities at airports. In most larger airports, it will take 24 to 30 months to complete the needed facility modifications, which will cost hundreds of millions of dollars. (And don’t forget that the Feds always want donated space.)

“We’ve heard that there will be 40,000 Federal workers in airports. My guess is that we’re going to need closer to 60,000 just for screening, and that the total Federal workforce will go over 100,000. What are the customer service implications of these changes? In the worst case, the new workers won’t be properly managed or fully funded, and you will wait in huge lines before every flight, and won’t be able to schedule the flights you want. And what about peak traffic times, seasonality, or short-term surges in travel? The passenger experience will suffer.

“What’s clear to me about airport security is that we’ll have to do it twice: Once to meet the TSA deadline, and once to do it right. No combination of technology and people can get 100% baggage screening in place by the imposed December 31, 2002 deadline. How will these security problems be solved? Some airports want to be good citizens. So while some will say to the Feds, ‘You do it,’ others will say ‘We’ll do it ourselves—and we’ll do it right.’ The big challenge will be to keep capacity issues on the radar screen while all this is happening.”

Summing up, Mr. Plavin said that “the industry is what it is today because of four factors—the economic cycle; terrorism; the fragile condition of the industry; and the security responses. I say ‘security responses’ because I’m talking both about the ones that have been mandated, and the ones that will be required. We know that we will deal with the first two factors—the economy will come back, and of course it will come back faster without any further terrorism incidents. Whether we will survive all four of these forces, in combination, is another question, entirely.”
SPECIAL ADDRESS: “The Industry and Congressional Perspectives”

1. GORDON BETHUNE
Chairman and CEO, Continental Airlines

Mr. Bethune, who spoke extemporaneously and with his celebrated energy and enthusiasm, began by telling his audience that “it isn’t exactly breaking news that Continental has had a pretty good run since 1995. It’s a place where employees like to come to work. We have a really good product. We get you there every time, safely–and with your underwear!”

And Continental, Mr. Bethune said, has the statistics to match its assertions, consistently performing well on the Department of Transportation’s metrics—measurements of airlines’ on time performance, mis-handled baggage, customer complaints, and involuntarily denied boardings.

“We also have won awards from J.D.Power and Associates for customer satisfaction,” he said, “and our financial performance has been improving. Up until September 11th, we were one of only two airlines making money.”

Explaining Continental’s profitability, Mr. Bethune noted that business travel began dropping well over a year ago, so that “those companies who depended on high-cost, last minute fares began losing money in the fourth quarter of 2000. The market was changing—and they weren’t. Then the dot.com bubble burst, and that market share was gone—maybe forever.

Continental, he said, had evolved a different business model: “In 1993 and 1994, we set up CALite—a low-cost, no frills airline-within-an-airline. It was not a success. We make money by giving our customers what they want and treating them with respect.

“Then came September 11th—and let me say immediately that Congressman Mica was more active than anyone in finding creative solutions to bring the country back from that tragedy. For four days, there was, in effect, no Tokyo. Hawaii disappeared. You couldn’t get to London. The Cancer Center in Houston had no visitors.

“At Continental, over half our business disappeared overnight. No money was coming in the door. Why? Partly because of fear, and partly because, given the state of the economy, many companies simply couldn’t afford to fly.

“Success was suddenly a matter of which airline was losing the least amount of money. The airline business, I like to say, is like a horse-race—and suddenly all the thoroughbreds were running on a muddy track. Who had a better chance? We all fly new planes; we all fly to the same cities; we all buy the same fuel.

“The results? Some of us were nimble enough to change ourselves to meet changing conditions. In the first quarter of 2002, Continental lost $114 million. We’re half the size of the largest carrier—and they lost $575 million. The next largest carrier lost $500 million.

“What did we do right? We didn’t change. To save money, the others took blankets and pillows off their planes, or they took magazines off, or meals off, or movies off. We knew that the new circumstances hadn’t changed what our customers wanted when they boarded a plane; they still wanted good food and a clean and comfortable airplane. The only thing that had changed was how many times a day they expected those services to be available.

“We were a good airline before September 11th, and we are a good airline today. Just this month, for instance, we’re inaugurating non-stop service between Houston and Amsterdam.
“It’s a tough economy–not a time you would want to be in the airline business. But that’s what we do, and we’re the best at it. We’re tops on daily business, on baggage delivery, on employee satisfaction. This is not a testosterone war, but we project we’ll be one of the first to return to profitability. (Although we would urge our friends in Congress: Don’t tax this frail industry just as it’s recovering its balance.) We’re not interested in gaining market share, we just want to continue giving our customers what they want. And we call that rational business thinking.

“This has been one of the most turbulent times in Continental’s history. In America’s history. But let me remind you–New York’s still here. And so is Houston. And Continental will still be here, too.”

2. The Honorable JOHN L. MICA (Republican–Florida)  
Chairman, Sub-Committee on Aviation, United States House of Representatives

Congressman Mica gave an eloquent, deeply felt, extemporaneous talk about aviation’s ongoing importance to America, and how the country has fared since September 11, 2001.

“I’ve been happily coming to New York since I was a boy growing up in Binghamton and in nearby New Jersey, and I was particularly proud to come here last July 16th, as Chairman of the House Aviation Sub-Committee, to spend a productive weekend talking about congestion and other pressing New York-area issues with my old friend, Neil Levin, the Executive Director of the Port Authority, whom I first knew when we were both aides in the U.S. Senate, back in the 1980s. We greatly miss Neil.

“Neil and I had more in common than our Senate days: New York is the center of commerce and business on the East Coast, and transportation is the reason why–and has been ever since Gov. De Witt Clinton opened the Erie Canal in 1825. Today, aviation is the key to this country’s–and this community’s–prosperity, and Neil and I pledged ourselves to keep working together, because we both knew that when New York suffers from congestion, the whole system goes down.

“Just seeing what I’ve seen in America and in New York and New Jersey since September 11th, the day we lost Neil, the energy, the initiative, and the durability of this great country is not in doubt. Aviation will continue to grow in America, and in New York, and soon enough we’ll be back to talking about last July’s problems–congestion and competition among airlines in an era of deregulation, low-cost start-up carriers, and high labor costs (and I have to say that I think some horrible labor decisions have been made in recent years).

“On September 11th, when our planes were grounded, I talked to the Attorney General about securing the cockpit doors on American planes; about getting air marshals into the sky; and about getting the American people flying again. There are still some interruptions and problems, but we have to make people feel secure–as a government, that’s our responsibility.

“In a crisis, people in and out of government pull together. I come from the private sector, and I know we can run things so they work. That’s why, as the airport security program was being formed, I would have preferred a model that incorporated private/public involvement. But despite my warnings, my colleagues on Capitol Hill chose all-Federal programs instead, regardless of the cost and the staggering number of Federal employees their plan will create. I have to tell you: If the Federal government runs a program, it usually costs more, uses more people, takes longer to finish than a comparable private program. This is about to happen once again with EDS: Perhaps you don’t know it, but there are only two companies certified to make EDS machines to scan luggage, and they can manufacture per company 14 a month. Since we’ll need thousands of machines, all baggage will have to be hand-screened until we get them. And I estimate that means we’ll need 72,000 new airport security employees, not the 30,000 who have been estimated.

“On September 12th, as on September 10th, the whole economy of America remained closely
intertwined with aviation. Aviation is part of the American psyche. It is part of the essence of our freedoms. Our first job, after September 11th, was to make sure the airlines would stay in the air. Our job was not to bail them out— but to keep them flying. The loan fund, prudently conceived, has specific caveats built in: No Federal money flows out unless a loss can be shown to be directly related to September 11th. Our primary job as government—intelligence and security—failed on September 11th. So this was the fair thing to do. Despite the missteps since then, I’d do it again.

“Some big challenges and big choices lie ahead for this area, even before congestion returns—and let’s be quite clear about that: this area is eventually headed for congestion. If we want the New York area to expand its economy and its aviation, we have to start from the fact that we’ve basically maxed out the capabilities for runways within New York City. How will we expand capacity? Are we looking for bigger planes? For congestion pricing?

“I think we’ll need reliever airports, and I recently had lunch at Stewart Airport, now appropriately renamed New York Stewart. And I promote high-speed rail. I’ve been Amtrak’s critic—not of the people at Amtrak, but of the structure Congress gave it, and of the fact that the Northeast Corridor is saddled with 25,000 highly unionized employees. I’ve been on trains in China and haven’t been tortured so much as on some Amtrak trains! But I’m talking about creating true high-speed rail—not some train that’s only 7 to 10 miles an hour faster than a Metroliner. Now is the moment for a new vision of a truly high-speed network that connects cities and airports and can then relieve airport congestion by replacing short-haul airline services. (And when these trains arrive—the airlines could operate them, and very efficiently!)

“Now is our moment, before the airports are jam-packed again, to stop and think. We’ve got to find and look at a series of new visions—of reliever airports; of intermodal high-speed technologies. And start talking to your elected officials about these visions. We’re depending on you—our fate in this region is in your hands.

“When you talk, we’ll be listening. I’ve been honored to serve as Chairman of the Aviation Sub- Committee. The responsibility is awesome. When I started, we were dealing with mundane issues—such as congestion and mode share—in an ordinary, predictable world. And now we have to address those same issues in a vastly changed world. But if I’ve found out one thing, it’s that in America we can solve whatever problems we have, and find the solutions we need. A few folks working together can accomplish just about anything in this great country. We’ve seen it before. We will see it again.

After his address, Congressman Mica commended New York University and the Port Authority for the unique public/private partnership that had made the May 7th Symposium possible. “They have brought so much value to the industry and the region by convening all of here today, that I hope to see this process replicated throughout the country.”

He then offered to answer questions. Asked about the “opt out provision” of the new Transportation Security Act, he said, “I was the author of the opt out provision that will, after two years, allow any airport that chooses to hire private security companies to replace the new Federal workers being hired. And after a dose of federalization, I can guarantee that some airports will opt out— as soon as the little scenario for disaster that’s been created starts to fall apart. But let me also say that the new Federal airport workers are just that—they’re not Federal employees. They’re a different breed of cats, not civil servants. They can be hired and fired and disciplined under the rules of the TSA.”
SPEAKER BIOGRAPHIES
SPEAKER BIOGRAPHIES

**Gordon Bethune** is Chairman of the Board and Chief Executive Officer of Continental Airlines Inc., the nation’s fifth largest airline. He has been ranked among the 50 best CEOs in America by *Worth* magazine for the last three years. Under Bethune’s leadership, Continental has won more awards for customer satisfaction than any other airline. Prior to joining Continental, Bethune was Vice President and general manager of the Boeing Commercial Airplane Group’s Renton Division. Before joining Boeing, Bethune held a number of senior management positions in commercial airlines.

**Jo Ivey Boufford, M.D.** was appointed Dean of the Robert F. Wagner Graduate School of Public Service at New York University in 1997. Prior to her position at NYU, she served as Principal Deputy Assistant Secretary for Health in the U.S. Department of Health and Human Services, and as Acting Assistant Secretary. While at HHS, she was also the U.S. representative on the Executive Board of the World Health Organization. She served as President of the New York City Health and Hospitals Corporation, the largest municipal system in the United States.

**Samuel Buttrick** joined UBS Warburg (formerly PaineWebber) in 1994 to provide coverage of the US airline industry. He has been an active airline analyst for the past 15 years and followed the industry for five years at Kidder Peabody & Co. prior to that firm’s sale to PaineWebber. He has consistently been recognized as a leading airline analyst by both Institutional Investor Magazine and the Greenwich Survey and been ranked as the #1 airline analyst by Institutional Investor. His views are frequently cited by the Wall Street Journal and other leading financial publications.

**Allison L. C. de Cerreño, Ph.D.** is Co-Director of the Rudin Center for Transportation Policy and Management. Previously, she was Director of Science & Technology Policy at the New York Academy of Sciences (1998-2002). Before the Academy, she was Associate Director of Studies (1996-1998) and Research Associate, Latin America (1991-1996) at the Council on Foreign Relations. She has taught at Hunter and City Colleges. She has been cited in the local, national, and foreign press on issues ranging from weapons proliferation and political modernization in Latin America to technology-led economic development and education in New York City and abroad.

**Kevin S. Corbett** is Chief Operating Officer and Executive Vice President of Empire State Development Corporation (ESDC). He was also appointed Executive Deputy Commissioner of the Department of Economic Development, the state agency responsible for economic development throughout the State of New York. As Chief Operating Officer and Executive Deputy Commissioner, Mr. Corbett is responsible for the day-to-day operations of the entire spectrum of New York State's economic development programs. Previously, Mr. Corbett served as the Senior Vice President for Transportation and Infrastructure for ESDC and as the Executive Director for Port Authority Affairs at ESDC.

**William R. DeCota** was appointed Director of Aviation in December 1999 for The Port Authority of New York and New Jersey. He leads a staff of nearly 1,000 employees for the management of Kennedy International, Newark International and LaGuardia Airports, which together comprise the world’s largest aviation system. Previously, he served as Deputy Director of Aviation, Assistant Director for Business and Properties, as well as Manager of Business and Financial Services for the Aviation Department.
Vicki Escarra is Executive Vice President and Chief Marketing Officer for Delta Air Lines at its world headquarters in Atlanta, Georgia. She is responsible for all sales, schedule development, revenue management, product development, brand management, and customer service activities. She was recognized as one of the “200 Most Powerful Women in Travel” by Travel Agent Magazine in 1997, 1999, 2000, and 2001 and was named to the “100 List of Georgia’s Most Powerful Women” by Women Looking Ahead news magazine in 1999. She was presented with the National Aviation and Space Exploration Wall of Honor certificate by the National Air & Space Museum of the Smithsonian Institution in January 2000.

Allen Ganz joined Identix, formerly Visionics, in January of 1998 as Vice President of Business Development and was a key player in the developing and managing strategic channel relationships for the deployment of the Company’s identification systems and technologies, including facial recognition. His latest capacity at Identix is Vice President of Sales & Business Development, International. Ganz has extensive experience in applying state-of-the-art biometric technologies for mission-critical applications. Prior to joining Visionics, he was Marketing Manager for Identification Technologies International, and was involved in developing marketing and business development solutions for emerging companies in diverse market segments including, biometrics, computer software, multimedia kiosks, pharmaceuticals, solar energy and telecommunications.

The Honorable John L. Mica is serving his fifth term in the 107th Congress as representative of East Central Florida’s 7th Congressional District. Mica serves on the Committee on Transportation and Infrastructure, the Government Reform Committee and the House Administration Committee. In 2001, he was named Chairman of the Subcommittee on Aviation, a subcommittee of the Transportation and Infrastructure Committee. The Aviation Subcommittee has jurisdiction over all matters relating to civil aviation, including airport improvement, aviation safety and security, and other related issues. Major federal agencies under oversight by this subcommittee include the Federal Aviation Administration and the National Transportation Safety Board.

Joanne Paternoster was appointed Assistant Director, Customer Services and Standards for Aviation in December 1999 for The Port Authority of New York and New Jersey. She leads an unprecedented and aggressive Customer Service Improvement Program for Kennedy International, Newark International and LaGuardia Airports, which together comprise the world’s largest aviation system. Previously, she served as Assistant Director, Customer Services, Human Resource Administration, and External Affairs for Aviation, as well as Acting Director, Information Services for The Port Authority of New York and New Jersey.

David Z. Plavin was appointed President of the Airports Council International-North America (ACI-NA) in January 1996. As North America’s “Voice of Airports,” ACI-NA provides a wide range of member services as it represents 150 governing bodies that own and operate some 300 airports located internationally. Previously, he served as Director of Aviation for The Port Authority of New York and New Jersey, Executive Vice President for Operations at the Jacob K. Javits Convention Center, and as Executive Director of the Metropolitan Transportation Authority from 1981 through 1984.

Janette Sadik-Khan is Senior Vice President of Parsons Brinckerhoff and President of Company39, the e-business subsidiary of the firm. She is nationally recognized for her expertise in innovative finance, public policy development and transportation issues, a knowledge gained in over 15 years of experience at the federal, state and local level. Janette recently served as Deputy Administrator at the U.S. Department of Transportation, and previously served as the Chief Financial Officer of the Federal Transit Administration.
Elliot G. Sander is the Director of the Rudin Center for Transportation Policy and Management as well as Senior Vice President at DMJM + Harris, a large international architectural, planning, and engineering firm. In addition, he serves as a Commissioner on the New York City Taxi and Limousine Commission, and as a senior advisor to National Association of City Transportation Officials. Mr. Sander was recently appointed by Governor George Pataki to the Lower Manhattan Development Corporation 's citizen advisory board and is a former Commissioner of the New York City Department of Transportation.

Joseph J. Seymour was appointed Executive Director of the Port Authority by the Board of Commissioners on December 13, 2001 based on his nomination by New York Governor George E. Pataki. Currently, he also serves as a Trustee of the New York Power Authority. He has more than 30 years of administrative, managerial, and economic development experience in New York State and local governments. Prior to joining The Port Authority he was Chairman and Chief Executive Officer of the Power Authority, Commissioner of General Services and Executive Deputy Commissioner of the New York State Department of Motor Vehicles.

Robert D. Yaro is President of The Regional Plan Association. Before assuming this role, he served as Executive Director of Regional Plan Association (1990 -2001). Headquartered in Manhattan, RPA is America's oldest and most distinguished independent metropolitan research and advocacy group. In addition to his work at RPA, he is currently Practice Professor in City and Regional planning at the University of Pennsylvania. He has also taught at Harvard University, Columbia University, and the University of Massachusetts at Amherst.
EVENT DAY PROGRAM
**PROGRAM SCHEDULE***

<table>
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<tr>
<th>Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>8:00-8:45am</td>
<td>Registration and Continental Breakfast</td>
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<tr>
<td>8:45am</td>
<td>Welcome</td>
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<td>Jo Ivey Boufford, Dean, NYU Robert F. Wagner Graduate School of Public Service</td>
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<td>Elliot G. Sander, Director, NYU Rudin Center for Transportation Policy and Management</td>
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<tr>
<td>9:00-9:45am</td>
<td>Keynote Address</td>
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<td>“Finding the Best Flight Paths Through the New Reality”</td>
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<td>This keynote address will examine the aviation industry's most pressing issues and urgent new challenges, and will outline the New York/New Jersey region's redefined thinking in the post-September 11th world.</td>
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<tr>
<td></td>
<td>Introduction:</td>
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<tr>
<td></td>
<td>Janette Sadik-Khan, President, Company 39, E-business Subsidiary of Parsons Brinckerhoff, Inc.</td>
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<tr>
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<td>Speaker:</td>
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<td>William R. DeCota, Director of Aviation, The Port Authority of NY &amp; NJ</td>
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<tr>
<td>9:45-11:15am</td>
<td>Session 1</td>
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<td>“Service and Security: Wary Allies or Vital Partners?”</td>
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<td>Security is clearly now a core component of quality customer service. Discussants will look at how both airports and airlines can improve service while incorporating permanently higher security levels.</td>
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<td>Moderator:</td>
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<td>Allison L. C. de Cerreño, Co-Director, NYU Rudin Center for Transportation Policy &amp; Management</td>
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<td>Joanne Paternoster, Assistant Director, Customer Service and Standards, Aviation Department, The Port Authority of NY &amp; NJ</td>
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<td>Vicki Escarra, Executive Vice President and Chief Marketing Officer Delta Air Lines, Inc.</td>
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<td>Allen Ganz, Vice President for Business Development, Visionics Corporation</td>
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</table>
11:15-11:30am  Break
11:30am-12:45pm  Session 2
“The Economics of America’s New Travel Patterns”
In the aftermath of the September 11th attacks, some began predicting revised 21st-century American travel patterns. How might changes in air travel demand affect airline economics, New York City’s business picture, and airports across the country?
Moderator:
Robert D. Yaro, President, Regional Plan Association
Panelists:
Samuel C. Buttrick, CFA, Managing Director, UBS Warburg, LLC
David Plavin, President, Airports Council International-North America
12:45-2:20pm  Luncheon
“The Congressional and Industry Perspectives”
Knowledgeable and candid inside appraisals of the aviation industry’s near-term prospects from a key congressional chairman and one of the industry’s most creative innovators.
Introduction:
Kevin S. Corbett, Chief Operating Officer and Executive Vice President, Empire State Development Corporation, and Executive Deputy Commissioner of the Department of Economic Development
Speakers:
Gordon Bethune, Chairman & CEO, Continental Airlines
Honorable John L. Mica (R-7th Fl), Chairman House Aviation Subcommittee
2:20-2:30pm  Closing Remarks
William R DeCota, Director of Aviation, The Port Authority of NY & NJ

*Agenda reflects changes made during the event day.*
## LIST OF PARTICIPANTS

<table>
<thead>
<tr>
<th>Name</th>
<th>Title/Role</th>
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<tbody>
<tr>
<td>Barry Abromowitz</td>
<td>O'Brien Kreitzberg/URS</td>
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<td>Fred Baer</td>
<td>The Port Authority of NY &amp; NJ</td>
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<td>Susan Baer</td>
<td>The Port Authority of NY &amp; NJ</td>
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<td>Anthony Baker, AIA</td>
<td>Anthony Baker Architects</td>
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<td>John Barile</td>
<td>Delta Air Lines, Inc.</td>
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<td>Noel Barilla</td>
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<td>Dennis Barron</td>
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<td>Inga Barry</td>
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<td>Chris Bastian</td>
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<td>Barbara Becco</td>
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<td>Gordon Bethune</td>
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<td>Dieter Bergt</td>
<td>ABB Airport Technologies</td>
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<td>Juliette Bergman</td>
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<td>Jan David Blais</td>
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<td>Thomas Bock</td>
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<td>NYU, Wagner School</td>
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<td>Tracey Bowen</td>
<td>Delta Air Lines</td>
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<td>Betty Braton</td>
<td>Queens Community Board 10</td>
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<td>Daniel Bright</td>
<td>New York Building Congress</td>
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<td>Samuel C. Buttrick</td>
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<td>Karla R. Cadden</td>
<td>ARINC</td>
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<td>Amrah Cardoso</td>
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Nene Foxhall  
*Continental Airlines*

Alan Frank  
*Star Ledger*

Robert Funicello  
*Westchester County DOT*

Allen Ganz  
*Visionics*
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<td>Ted Kleiner</td>
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<td>Arnold Kolihoff</td>
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<td>Altan Kolsal</td>
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<td>James Lobello</td>
<td>Lufthansa Cargo AG</td>
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<td>Roger Lo Menzo</td>
<td>PACO Group</td>
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<td>Michael Lorczak</td>
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<td>Richard Louis</td>
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<td>Maria Luongo</td>
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<td>John Magliano</td>
<td>Syska &amp; Hennessy, Inc.</td>
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<td>Richard Maitino</td>
<td>Parsons Corporation</td>
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<td>Francis X. McArdle</td>
<td>The General Contractors Association of NY, Inc.</td>
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<td>Pat McCabe</td>
<td>Office of NYC Councilman Joseph Addabbo</td>
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<td>Edward McCarthy</td>
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<td>Carlene McIntyre</td>
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<td>Michael McKay</td>
<td>Office of Congressman Gregory W. Meeks</td>
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<td>Charles Meara</td>
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<tr>
<td>Edward Merlis</td>
<td>Air Transport Association</td>
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<tr>
<td>John L. Mica</td>
<td>House Aviation Subcommittee, U.S. House of</td>
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<td></td>
<td>Representatives</td>
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<td>Pieter Moen</td>
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</table>
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Regional Plan Association

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Ithan Zimmer
NJ Institute of Technology

Jeff Zupan
Regional Plan Association
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TRANSPORTATION POLICY AND MANAGEMENT
wishes to specially acknowledge
THE PORT AUTHORITY OF NY & NJ
for its commitment to the
2nd Annual New York/New Jersey Regional Aviation Symposium.
Without its funding and support this event would not have been possible.

The NYU-Wagner Rudin Center for Transportation Policy and Management and The Port Authority of New York and New Jersey wish to acknowledge the following entities for their generous support.

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