

Biographical Statement

**James M. Seitzinger
Chairman
Board of Governors
Lehigh Northampton Airport Authority**

James M. Seitzinger is Chairman of the Lehigh Northampton Airport Authority, having been elected to the position by the Board of Governors in January 2006.

Mr. Seitzinger is responsible for the overall administration of the 19-member Airport Authority Board of Governors of which members are appointed to serve 5-year terms by the County Executives of Lehigh and Northampton Counties, respectively.

Mr. Seitzinger was appointed the Airport Authority Board of Governors on December 21, 1999 and is serving his second term.

Mr. Seitzinger has been active on numerous Boards in the Lehigh Valley.

At Sacred Heart Hospital and Health Care System, he has served on the Board since 1990 and has been the Chairman of the Board since 1995. Mr. Seitzinger also served as President & Chief Executive Officer of the hospital.

He also has served as a member and President of the Advisory Board of Allentown Central Catholic School and as a member and President of the Board of the Kidney Foundation of the Lehigh Valley.

Mr. Seitzinger started his business career at Connelly Container Corporation (Philadelphia) in 1957 before founding XODE, Inc. in 1967 where he continues to serve as Chief Executive Officer.

Mr. Seitzinger was educated at St. Charles Seminary and Mt. St. Mary's College.

He is married to Ann, his wife of 46 years, and they have four grown children.



Lehigh Valley International Airport
Queen City Airport
Braden Airpark

TESTIMONY OF JAMES M. SEITZINGER

CHAIRMAN

LEHIGH –NORTHAMPTON AIRPORT AUTHORITY

BEFORE THE

PENNSYLVANIA HOUSE OF REPRESENTATIVES

TRANSPORTATION COMMITTEE

JULY 23, 2007

Good afternoon, Chairman Markosek and members of the Transportation Committee, my name is Jim Seitzinger and I am the Chairman of the Lehigh Northampton Airport Authority. I am accompanied today by Mr. Glenn Walbert, Vice-Chairman of the Airport Authority, and Mr. Lawrence Krauter, Deputy Executive Director of the Airport Authority. I appreciate the opportunity to testify about House Bill No. 1182 which proposes to establish the Southeastern Pennsylvania Regional Airport Authority to operate both Lehigh Valley International Airport and Philadelphia International Airport.

The Lehigh Northampton Airport Authority is the first airport authority to be established in the Commonwealth. It was created on August 1, 1946 under the Municipal Authorities Act of May 2, 1945. Lehigh and Northampton Counties have been the sponsoring bodies of the Airport Authority since 1968. The Airport Authority Board consists of nineteen members, with 10 members appointed by the County Executive of Lehigh County and 9 members appointed by the County Executive of Northampton County. Each Airport Authority Board member serves a 5-year term.

The Lehigh Valley Airport System consists of Lehigh Valley International Airport (LVIA), which is a scheduled commercial service airport as well as Queen City Airport, located in the City of Allentown and Braden Airpark located near the City of Easton which are general aviation reliever airports to LVIA. LVIA is located approximately 4 miles from the center of the City of Allentown; 4 miles from the City of Bethlehem and 12 miles from the City of Easton. LVIA is located on 2,629 Acres of land in 5 municipalities as you can see on the aerial photo that is displayed for your reference.

LVIA currently has scheduled passenger service provided by Air Canada, Allegiant Air, Continental, Delta, Northwest, United, and US Airways with an average of 41 flights per day to 12 non-stop destinations with another nonstop destination to be named soon. LVIA is also served by DHL and FedEx which provide scheduled all-cargo service to regional sort hubs in the Midwest.

In 2006, LVIA handled 788,511 passengers and 122,000 aircraft operations. Through the end of June 2007, passenger traffic has increased 8.74 percent. Much of this growth is attributed to the availability of low cost service to non-stop Florida destinations offered by Allegiant Air. We strongly recommend that you try the service if you have never had the opportunity to experience our hassle-free facilities!

LVIA is financially self-sufficient and does not use local tax revenues from our County sponsors. We are constantly upgrading our facilities to meet the needs of our customers and to respond to constantly changing federal standards for safety and security. We are well positioned to handle increased demand that would be created from additional airline service.

Market research has shown that LVIA regularly draws customers from a 12-County area including Bucks, Montgomery, and Chester. We have found that travelers will use an airport that is more distant than alternatives when there are perceived advantages to doing so. Currently, there is a diversion of our market to Philadelphia and Newark airports, not because there is anything wrong with LVIA, but that these hubs are accessible within 90 minutes and offer more air service choices as well as greater frequencies of flights and sometimes lower fares than are available from the airlines serving LVIA.

The Lehigh Valley has experienced tremendous growth in population over the past 5 years based on a northward movement of people from the greater Philadelphia area and westward movement of people from New Jersey. Our forecasts anticipate that we will experience less diversion of passengers from our market area over time as the demographics influence air service decisions by the airlines. We also forecast that travelers will begin to place a higher value on the true costs involved in using the larger hub airports such as total travel time from door to door, traffic congestion, cost and availability of parking, security clearance and check-in wait times, runway delays, etc.

As is demonstrated in the case of the low cost fares charged by Allegiant Air for non-stop flights to Orlando and Tampa/St. Petersburg, LVIA can be an attractive alternative because the total cost of flying to the consumer on a low fare carrier out of LVIA would be less than the total cost of flying out of Philadelphia or Newark Airports.

So we know that LVIA can be an attractive alternative to Philadelphia and Newark if air service is being provided with some degree of fare parity and frequency. If all things were more or less equal, the experts who analyze these things tell us that people traveling by air will use the closest airport.

The problem is made more difficult, however, when new low-fare service is provided at Philadelphia or Newark airports. Passengers who would normally use LVIA are then attracted to the more distant airport because the total trip cost is lower when travel time to a more distant airport is substituted for ticket cost.

As a policy-making body, the Airport Authority Board has been engaged in addressing this challenge and has directed that significant resources be used to retain and develop air service, with particular emphasis on attracting a low cost carrier for the reasons I have just pointed out.

We also understand that there are examples of secondary airports that have been successful in attracting low cost carriers seeking alternatives to a congested large hub airport. Perhaps the nearest such example is the case of Southwest Airline's entry into airports at Manchester, New Hampshire and Providence, Rhode Island instead of Boston Logan International. The "Southwest Effect" did accomplish better fares at Logan and improved service and fares at the secondary airports.

The important thing to note as it pertains to the House Bill No. 1182 is that this change in the regional air service market was not accomplished through the dictation of a regional airport authority nor could it be accomplished through any such actions in Eastern Pennsylvania by a regional airport authority. Southwest made their own decision in New England that was consistent with their past

strategy. Because of the perceived weakness of US Airways and the availability of some limited remaining capacity at PHL, Southwest made a decision to directly enter the Philadelphia market at Philadelphia International Airport. Whether that was the correct decision or not it is the current reality and an increased challenge for LVIA.

While New England has achieved better distribution of air service, particularly low fare service, due to the entry of Southwest into the region, MASSPORT, operators of Boston-Logan has attempted to influence airlines to add commuter service at Worcester, Massachusetts as part of adding service to Logan. That effort failed in part because the airlines could not be mandated to serve Worcester if they wanted to serve Boston-Logan or increase service to Boston-Logan. At this point, Worcester does not have any commercial air service. Attempts to direct service to other MASSPORT-owned airports such as Hanscom Field have been only marginally successful.

The proposed legislation presumes that the market-based problem for secondary airports could be magically solved through policies of a large regional airport authority.

We can assure you that is not the case. Federal law preserves the rights of the airlines to independently determine which airports they wish to serve. Federal law further prohibits any airport authority, state or local government and even the Federal government from directing air carriers to use certain airports. Airlines must be treated in a non-discriminatory manner regarding the availability of airport facilities, which is to say that an airport authority does not have the power to deny an airline entry into any public-use airport. Nor does any airport authority have the right to condition access to one airport on an airline's willingness to serve another airport.

Any proposal to establish a regional airport authority and to establish common ownership of Philadelphia International and Lehigh Valley International airports is a complicated undertaking that would take years of effort.

In this case, each airport, and there are more airports involved than just Philadelphia International and Lehigh Valley International as I pointed out earlier, are owned and controlled by separate governmental entities and each airport has substantial assets and liabilities, including long term debt. Any legislative proposal for a regional airport authority combining these two entities must address in a comprehensive manner the issues of changing ownership and control of the existing facilities and the obligation to retire existing debt, generally from airport revenues. Also, change of ownership or control is subject to Federal Aviation Administration (FAA) review and approval, as both airport operators remain obligated under FAA grant assurances to adhere to certain standards for operations and adequate control of land use around the airports.'

While we agree with the goal of creating a better distribution of air service among all airports of the region, what is proposed in the legislation would not accomplish that goal. The premise that single control of all airports by one entity would solve the problem is not supportable. The distribution of service in the New York Airports occurred only after LaGuardia was determined to be at its capacity. The airlines had no other option than to use capacity at Newark and JFK. Also, those airports are located much closer together than PHL is to LVIA or the other airports in this region.

Some have suggested that the acquisition of Stewart Airport by the Port Authority will lead to a dramatic increase in traffic there. That is not likely since service decisions remain an airline choice and ownership makes little difference. Stewart has actually lost service from two airlines since the acquisition was announced.

New England has taken a much different approach to encourage better distribution of airline service. In order to partially address the challenges that were occurring at Boston-Logan, which is a very capacity constrained facility, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont formed a cooperative marketing association comprised of the major airport operators in each state. This consortium is called Fly New England.

This is a cooperative marketing association that did not require any legislative changes to the operating entities of any of the participating airports. Almost every form of governance is represented in the coalition including airports that are city-owned, state-owned and others that are owned by airport authorities.

We believe that, among other things, some form of a similar association would be a worthwhile pursuit by the Legislature, PennDOT and many of the airport operators referred to in the proposed legislation. Also, we believe that state government should play a much more active role in this process.

In addition to participating in a cooperative marketing association, the state should play a greater role in resolving the market driven challenges created by hub concentration at Philadelphia International Airport. The legislature should consider amending the law governing the aviation restricted account to provide flexibility to PennDOT to become involved in providing marketing assistance, limited subsidies and other state-level economic development incentives to airlines willing to initiate new service at secondary airports.

State government could also provide more focused investment in infrastructure at secondary airports to accommodate increased traffic that would result from a strategy to influence the market behavior of the airlines.

During the past few years, we have been encouraged by the response of PennDOT's Bureau of Aviation to the air service challenges faced at secondary airports and their interest in getting involved in developing solutions. PennDOT Deputy Secretary for Aviation, Sharon Daboin, convened a meeting on May 1, 2007 with representatives from Lehigh Valley International Airport, Philadelphia

International Airport, and other regional airports in Delaware and New Jersey to discuss ways to achieve the objective of shifting some traffic to secondary airports. The group has developed a problem statement and is working on next steps to establish a scope of work for a study similar to what was done in New England.

Historically aviation has been largely left on its own in this Commonwealth, even after the devastating financial impacts brought on at the beginning of the decade by airline restructuring which was further exacerbated by the 9/11 attacks and their aftermath.

All airports, but especially the smaller airports, have suffered during this time, some having lost all scheduled airline service. Others have seen service substantially reduced. For the most part, however, they have done a remarkable job of remaining financially sound. Most airports have very limited financial resources to direct at air service development while trying to continue to meet their capital and operating needs.

The same can be said for the financial means at the disposal of PennDOT to affect the changes being sought. For example, the entire state capital budget for aviation projects established by legislation in 1985 is only \$5 Million per year. Unfortunately, that number has never changed since 1985. I have with me today a letter sent to the Airport Authority on December 1, 2006 from the PennDOT Bureau of Aviation stating that for a one-year period they received over \$52 Million in capital budget release requests to fund 45 projects at 22 airports and that their limit is still only \$5 million.

There are many other issues that need to be considered pertaining to the business climate that currently exists for the aviation industry in Pennsylvania and we are eager to inform legislators and engage in a collaborative process to develop solutions that will result in the greater benefits that are being sought in part by the proposed legislation.

The examination of the objectives of the proposed legislation leaves no doubt that a comprehensive review of aviation funding and PennDOT participation in air service development should be included on this Committee's agenda. We appreciate the initiative taken by Representative Lentz to bring these important considerations forward.

I hope that my comments have contributed to a better understanding of the policy position taken by the Lehigh Northampton Airport Authority on the proposed legislation.

Again, thank you for your time and for the opportunity to present information to you about this important matter. We would be pleased to answer any questions.

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