THE NEW GOVERNANCE OF AIRPORTS IN THE UNITED STATES: HOW THE SELECTION OF POLICY TOOLS AFFECTS ACCOUNTABILITY STRUCTURES

A Thesis Presented

by

Russell W. Mills

to

The Faculty of the Graduate College

of

The University of Vermont

In Partial Fulfillment of the Requirements
for the Degree of Master Public Administration

May, 2007
Accepted by the Faculty of the Graduate College, The University of Vermont, in partial fulfillment of the requirements for the degree of Master of Public Administration.

Thesis Examination Committee:

______________________________  Advisor
Christopher Koliba, Ph.D.

______________________________
Glenn McRae, Ph.D.

______________________________
Lisa Aultman-Hall, Ph.D.

______________________________  Chairperson
Cynthia Gerstl-Pepin, Ph.D.

______________________________  Vice President for Research
and Dean of Graduate Studies
Frances E. Carr, Ph.D.

Date: April 2nd, 2007
Abstract

Airports serve as vital publicly owned infrastructure in the American transportation system. As publicly built and maintained infrastructure, airports were originally conceived as public enterprises that worked with cities, states, and even the federal government to provide a place for private airlines to do business, i.e. transport people. Recently in the United States, there has been increasing interest from the private sector in managing, operating, and even owning previously public airports (Fortune, 2007). The increase in private sector involvement in airports along with the natural monopolistic environment in which airports operate, raise several concerns for public administrators in terms of public accountability, affordability of flights, and availability of flights.

In the field of public administration much has been written on the increased role of the private sector in delivering public services. “New governance” (Salamon 2002), collaborative public management (Agranoff & McGuire 2003), network governance (Goldsmith & Eggers 2004), and contracting out (Cooper 2002) are all responses and contributions to the New Public Management paradigm that encourages increased private sector practices in the delivery of public services. In this thesis, particular emphasis will be placed on Salamon’s “new governance” framework, which uses the tool of public action as the unit of analysis.

This thesis will examine the challenges that public-private partnerships airports pose in terms of holding various actors accountable to the public. In addition, this thesis will evaluate and analyze the system and service tools utilized by airports in the United States in terms of the amount of public oversight that is allotted by each tool. Finally, this thesis will develop an accountability framework that can be used by public administrators to hold public and private sector partners accountable in public-private partnerships. The main questions that this thesis explores is: In complex, networked systems like airports, how does the selection of system tools affect public accountability? The main hypotheses that this thesis will pose is that as the level of private sector involvement at each airport increases, the access to financial statements, airport officials, and contractual agreements decreases, therefore decreasing public accountability. The case study format utilized in this study will provide a preliminary examination of this hypothesis, as three different U.S. airports utilizing three different system tools will be compared.
# Table of Contents

List of Tables ........................................................................................................................................ vi

List of Figures ........................................................................................................................................ vii

Chapter 1: Introduction .......................................................................................................................... 1

Chapter 2: Review of Literature and Theoretical Frameworks ............................................................. 8

2.1 The Management of U.S. Airports in the New Governance Paradigm ...........................................8

2.1.1 History of Airports in the U.S. ........................................................................................................8

2.1.2 Worldwide Trends in Airport Management .................................................................................11

2.1.3 Why the U.S. lacks Private Sector Management and Ownership of Airports ...13

2.1.4 The FAA Privatization Program .................................................................................................18

2.2 A New Paradigm, from Traditional Public Administration to New Governance ..................21

2.3 Defining the New Governance Paradigm .......................................................................................24

2.3.1 The Proliferation of the Tools of Government .............................................................................25

2.3.2 The Use of System and Service Tools in Airports in the United States ................................27

2.3.3 The Rise of Network Governance ..............................................................................................31

2.3.4 Partners, Not Rivals: The Nature of Public-Private Partnerships .......................................33

2.3.5 Challenges of New Governance: The Paradox of Third-Party Governance ..................36

2.3.6 Defining Public Accountability .....................................................................................................37

2.3.7 Ensuring Public Accountability in Public-Private Partnerships ..............................................41

2.3.8 The Accountability Challenge in Airports in the United States ............................................43

ii
4.1.6 Enforcing Accountability among Partners at BTV

4.1.7 Performance Measures

4.1.8 Ensuring Public Accountability at BTV

4.2 Pittsburgh International Airport

4.2.1 Overview

4.2.2 Mission

4.2.3 Governance Structure

4.2.4 Financial Overview

4.2.5 Public-Private Partnerships at PIT

4.2.6 Enforcing Accountability among Partners at PIT

4.2.7 Performance Measures

4.2.8 Ensuring Public Accountability at PIT

4.3 Stewart International Airport

4.3.1 Overview

4.3.2 Mission

4.3.3 Governance Structure

4.3.4 Financial Overview

4.3.5 Public-Private Partnerships at SWF

4.3.6 Enforcing Accountability among Partners at SWF

4.3.7 Performance Measures

4.3.8 Ensuring Public Accountability at SWF
Chapter 5: Discussion and Analysis: How System Tool Selection Affects Public Accountability

5.1 The Spectrum of Airport System and Service Tools

5.2 Evaluating the System Tools Used by U.S. Airports

5.3 Developing a Framework for Public Accountability in Public-private partnerships

5.3.1 Evaluating Public Accountability in Airports in the United States

5.3.2 Impact of visibility and directness of system tools on public accountability

5.3.3 Accountability Structures for Airport Expectations

Chapter 6: Conclusions: the Future of New Governance in Airports

References
List of Tables

Table 1: The “New Governance Paradigm” ................................................................. 24
Table 2: Common Tools of Public Action: Defining Features ................................. 25
Table 3: Scale of U.S. Federal Government Activity, by Tool of Public Action, Fiscal Year 1999 ................................................................. 26
Table 4: Romzek and Dubnick’s Accountability Systems ........................................ 39
Table 5: deLeon’s Processes of Decision-making Accountability Structures ........... 40
Table 6: Mapping the Airport Expectation System ................................................... 44
Table 7: Airports Selected for Case Study Research ............................................... 48
Table 8: Sample of Public-Private Partnerships Utilized at BTV ............................. 58
Table 9: Sample of Public-Private Partnerships Utilized at PIT ............................. 68
Table 10: Sample of Public-Private Partnerships at SWF ....................................... 76
Table 11: System Tools at Airports Studied .......................................................... 79
Table 12: Service Tools Utilized by Airport Officials in Study ............................... 81
Table 13: Salamon’s Visibility and Directness Tool Dimensions ............................. 83
Table 14: Key Dimensions of System Tools Utilized at Airports ............................ 83
Table 15: Tool Dimensions of Service Tools Utilized at Airports .......................... 84
Table 16: Framework for Evaluating Public Accountability at Airports in the United States ....................................................................................... 89
Table 17: Mapping Accountability for Airport Expectations .................................. 94
List of Figures

Figure 1: Accountability Framework for Networks..............................................43
Chapter 1. Introduction

In the United States, airports serve as vital publicly owned infrastructure in the transportation system. As public infrastructure, airports were originally conceived of as public enterprises that worked with cities, states, and even the federal government to provide a place for private airlines to do business, i.e. transport people. Of the 162 FAA hub designated airports in the United States, only Stewart International Airport is owned and operated by a private company (Leigh Fischer Associates) while the rest are owned and operated by either a government agency or a quasi-governmental entity called an airport authority. The amount of public ownership of airports in America is unique when compared to the rest of the world. For instance, the British government in 1987 turned over control of most of the airports in the country to a private company called British Airports Authority, Inc (BAA) (Parker, 1997). Why has most of the world turned over control of airports over to the private sector while the United States has retained mostly public ownership of airports?

Airports are one of the unique cases of what economists term “natural monopolies”. A natural monopoly is a monopoly that exists because the cost of producing a good or service is lower (due to economies of scale) if there is just a single producer rather than several competing producers (Linux, 2007; Kotlikoff, 2003). There are several factors that make airports natural monopolies:

- The scarcity of available open land within large urbanized areas upon which to build;
- The high capital costs of building airports; and
• Lack of sufficient population in an area to support multiple airports (Exceptions: New York, Chicago, Los Angeles).

Due to the amount of regulation that would be needed to ensure public accountability (fair prices, flight availability, etc.), these barriers of entry into the airport market have traditionally encouraged public ownership of airports.

The deregulation movement of the late 1980’s brought a new wave of thinking into the management of airports. The BAA acquisition of several airports in the United Kingdom was just one example of the worldwide selling of airports to the private sector (Rome, Amsterdam, etc.). While many other industries in the United States felt the effect of deregulation, airports remained under public control. Sridhar (2003) speculates that airports in the United States have remained under public control due to the amount of competition in the airline industry in the United States (as compared to many nations that have nationally owned airlines) (p. 5). Airlines in the United States have argued that turning control over to the private sector would only magnify the airport’s natural monopoly if landing fees and other revenue sources were not regulated. As a result, many government entities have found it much easier and effective to operate the airport through a government agency or an airport authority than to regulate many aspects of a private airport.

Another possible explanation as to why airports in the United States have remained under public control is the way in which American airports raise revenues. American airports are primarily financed through landing fees paid by airlines and ticket surcharges paid by passengers. This model of financing is inherently dependent upon the
airlines; if an airline decides it is more profitable to fly a smaller jet into an airport, the airline gains at the expense of the airport that generates less revenue as a result (smaller plane results in fewer passengers to pay surcharge). Alternatively, the European model of airport financing (usually privately owned and operated airports) depends less on landing fees and passenger surcharges and focuses more on developing area around the airport to make profit and also on adding restaurants and high-end retail establishments inside the terminal to take advantage of passengers who are spending more and more time inside of the terminals. The fear in the United States has been an increase in the amount of private sector involvement in airports would result in less of a focus on air service and more of a focus on retail development within the terminals. Some argue that this would result in fewer flights from more remote airports and fewer options for passengers that would result in higher fares. Also, the airlines (which would have to approve any sale of an airport in the United States) fear that private airports, driven by a profit motive, would raise landing fees in an attempt to reduce airline competition if not regulated by government.

Recently in the United States there has been a growing trend of governments selling publicly owned infrastructure to private sector owners and operators. Fortune Magazine recently called public infrastructure “the next big asset class” (Fortune, 2007) because of the growing constraints put on state and local budgets particularly in the area of transportation. For example, discussions are underway in Pennsylvania to lease operations of the Pennsylvania Turnpike to the private sector (Pittsburgh Post Gazette, 2007) due to the growing cost of maintaining and operating the road. Also, talks are
underway between the city of Chicago and private investment firms to bring a private owner/operator into Midway Airport.

During the past year, two major events have cast an ominous shadow on private sector involvement in operating public infrastructure such as airports. First, in February 2006, President George W. Bush authorized the sale of port management of six United States seaports to the Dubai Ports World (a state-run company of the United Arab Emirates). However, a Congressional delegation led by New York Senator Charles Schumer blocked the sale of the ports to DP World. The second incident occurred in August 2006 when terrorists plotted to target several transatlantic flights from London to the United States. The British Airports Authority (BAA), which owns and operates several airports in the UK and in the United States, was ill equipped to handle the passengers stranded by the terrorist plot. Now, the airlines in Britain are calling for the government to regain control of the airports from BAA claiming that BAA is incapable of effectively managing and securing Britain’s airports. These events point to the need for research on the arrangements airports make with the private sector and how the airports hold their private sector partners accountable to the public.

As governments continue to lease or sell existing public infrastructure questions over public accountability in airports (availability of flights, safety, prices of flights, and input in decision-making processes) become paramount. Airport officials and public administrators must find a balance between the need for greater efficiency and effectiveness in airports (which usually involves increased private sector expertise) and holding these actors accountable to the public. The field of public administration has
recently grappled with the question of how to hold actors accountable to the public in public-private partnerships. Lester Salamon’s (2002) “new governance framework” provides an interesting and useful lens through which to analyze public accountability in public-private partnerships. Through analyzing the “tools of public action” that each airport uses to provide services to the public, we can analyze how increased private sector involvement in airports affects accountability. This thesis will attempt to draw a distinction between “system tools,” the tools used to organize relationships within the airport and “service tools,” the tools used to bring basic services to the airport.

Truitt and Esler (1996) note that there are three main types of system tools used to organize the management of airports in the United States. The first of these tools is direct government, which allows the public entity to retain the right to set policy and to manage the airport, while hiring private vendors to deliver a range of selected services (retail, parking, etc.). In the United States, this arrangement is the most commonly used form of airport governance; 93 of the 162 FAA hub airports in the United States use direct government (department of aviation, etc.) to manage airports (Leigh Fischer Associates, 2005). The second system tool, the airport authority, is a quasi-governmental entity that is ordinarily a self-supporting branch of a government entity that is governed by a board of directors that is appointed by a government official. Airport authorities are an attempt by government to bring more private sector expertise into the management of airports while maintaining a close connection to the public. In the United States, airport authorities are in place at 68 of the nation’s 162 FAA hub airports (Leigh Fischer Associates, 2005). The final system tool, the long-term lease agreement, allows the
government to maintain minimal ownership of the airport while a private vendor operates the entire facility and bears most of the risk associated with operating the airport. The only airport in the United States that currently utilizes the long-term lease is Stewart International Airport in New Windsor, NY.

This thesis will examine the challenges that public-private partnerships in airports pose in terms of holding various actors accountable to the public. In addition, this thesis will evaluate and analyze the system and service tools utilized by airports in the United States in terms of the amount of public oversight that is allotted by each tool. Finally, this thesis will develop an accountability framework that can be used by public administrators to hold public and private sector partners accountable to the public interest. The main question that this thesis explores is: In public-private sector partnerships, how does the selection of system tools in airports affect public accountability? The main hypotheses that this thesis will infer is that as the level of private sector involvement at each airport increases, the access to financial statements, airport officials, and contractual agreements decreases, therefore decreasing public accountability.

The methodological approach used in this study will be a case study approach that will use maximum variation sampling to determine the cases. The airports of interest were selected based on the different policy tools utilized by airport officials to provide a broad, but detailed look at several different tools (Pittsburgh International Airport [Airport Authority], Stewart International Airport [Long-term lease], and Burlington International Airport [direct government]). In order to document these cases, airport officials, city officials, BAA representatives, National Express representatives, and other
relevant actors were interviewed and observed at each airport. Also, relevant documents (contracts, proposals, financial documents, etc.) were collected to provide additional case material.

The second chapter of this thesis is dedicated to presenting the relevant literature on airport management and reviewing current trends in airport literature. Also, the theoretical underpinnings of the public administration literature on public-private partnerships, Salamon’s tool framework, and public accountability are reviewed. The fourth chapter will provide rich, thick descriptions of the activities of each airport studied. Finally, the fifth chapter analyzes the tools utilized by each airport and their impact on accountability in airports.

The data from each case study is presented through a thick description (Geertz, 1973) of the relationship between the public and private sector at each airport. Also, the accountability relationships are described in detail for each airport. Then, the cases are analyzed using an accountability framework to show how each airport provides accountability to the public. Also, the individual tools utilized are analyzed through Salamon’s tool framework. The data is analyzed for thematic similarities and differences among the tools utilized at each airport. Finally, the data is triangulated with other sources of information and methods of data collection to try to explain discrepancies and divergent cases.
Chapter 2. Review of the Literature and Theoretical Frameworks

2.1. The Management of U.S. Airports in the New Governance Paradigm

2.1.1 History of Airports in U.S.

Wells and Young (2004) provide a good historical context for any contemporary study of airports:

On December 17, 1903, at 10:35 a.m., at Kitty Hawk, North Carolina, Orville Wright made the first powered, sustained and controlled flight known in the United States. At this point, texts often consider the evolution of air travel from the perspective of flight, dwelling on the change in aircraft technology or airline comfort and safety. Rarely told is the plight of poor Wilbur Wright, left standing on the ground. Kitty Hawk was cold and windy that day. The conditions for Wilbur must have been physically uncomfortable as he waited for "Orville's flight." During those brief seconds of flight, Wilbur could not take advantage of a comfortable terminal complete with food vendors, newspaper stands, or enclosed passage from one part of the field to another. When Orville boarded that aircraft, he could not get on board through a loading bridge and he wasn't assured of accurate weather forecasts. Nor could he plan on landing on a smooth paved runway. On the other hand, Orville didn't have to wait while fifteen flights in front of his took-off. His baggage wasn't lost. And he didn't have to change planes once during his twelve-second flight. Wilbur didn't have to contend with throngs of hurried travelers, bad food or insufficient parking and, when Orville landed, didn't have to search for him at scores of different gates (p. 2).

The first airports (landing strips would be more appropriate because airports consisted usually of a hanger and a grass runway) in the United States were developed mostly for the use of the military during World War I. After the end of World War I, many of the airports used were decommissioned, however 25 remained open for use mainly by the U.S. mail service (Wells & Young, 2004, p.56). As many local officials began to see the importance of having an air link to the rest of the country, they began to build more airports (By 1920 there were 145 municipal airports). In 1926, President Calvin Coolidge signed the Air Commerce Act, which promoted development and
stability of commercial aviation to attract business (Wells & Young, 2004, p. 56). The next major piece of legislation came in 1938 with the Civil Aeronautics Act, which created the Air Safety Board and the Civil Aeronautics Board (CAB).

After World War II, the Federal Airports Act (1946) was passed to give formal recognition to the civil-use airports in the United States as “a comprehensive system of airports” (Wells & Young, 2004, p.62). The Act also authorized $500 million dollars into the Federal-Aid Airport Program, which was designed to pay up to 50 percent of the costs of major airport construction, with the city or municipality paying for the remaining amount.

As commercial air travel boomed during the late 1950’s and early 1960’s (mainly due to the invention of the jet engine), so too did the construction of new, larger airports like New York’s Kennedy and Chicago’s O’Hare. The creation of the National Department of Transportation in 1967 also shook the airport industry by creating the Federal Aviation Administration and the National Transportation Safety Board (Wells and Young, 2004, p. 68). One of the most important and lasting impacts on airports came in 1970 when President Nixon signed the Airport and Airway Development Act of 1970, which created the Airport and Airway Trust Fund. The Airport and Airway Trust Fund is an aviation-only fund that is supported by levies on aviation users such as taxes on fares, surcharges on tickets, and taxes on jet fuel. The fund is still in operation today and encourages long-range aviation planning and a predictable source of money for airport officials to use in construction projects (Wells & Young, 2004, p. 69).
Also, during the 1970’s, many municipal leaders began to view airports as central to any economic development plan for their communities, and so many municipal entities began to invest in or build airports in their communities. At this time, there were only a few airlines that were delivering service to locations determined by the Civil Aeronautical Board. The CAB believed it was necessary to limit competition in the air travel industry and therefore subsidized routes to locations that would not survive in a purely market environment. However, there was a movement that was gaining momentum during the 1970’s that called for less government regulation in private industry.

The Airline Deregulation Act (ADA) of 1978 eventually dissolved the CAB and made the airline industry more competitive. As a result, many of the unprofitable routes subsidized by the CAB were dropped by the airlines. Airlines began a new model to deliver service called the “hub and spoke” model (deNeufville & Odoni, 2003, p. 118). The hub and spoke model is used by most airlines today and involves flying to and from most destinations from one central location. For example, Delta Airlines main hub is at Hartsfield Airport in Atlanta. The outcomes of deregulation and more specifically the hub and spoke model have been drastic on airports. First, there was an influx in the number of new airlines, the number of bankrupt airlines, and the number of low cost airlines. Second, the number of new airlines led to increased risk in facilities building and operation, which put many airports and municipalities into increased debt for airport expansion. Finally, deregulation led to increased competition among airports to attract airlines to their facilities (deNeufville & Odoni, 2003, p. 119). The fact that airports are
in competition with one another has led some airports to seek help from the private sector to give their airport an advantage over other airports. Also, many airports have adopted private-sector philosophies to run the day-to-day operations of airports.

2.1.2 Worldwide trends in Airport Management

Since the 1980’s the major movement in airport management has been towards more private sector involvement in the operation of airports. As Doganis (1992) predicted, “Progressively the view that airports were a quasi-public utility to be run and financed by local or central government in the same way as roads or public transport has been abandoned. It has been replaced in many countries by the view that airports could be and should be run as commercial enterprises” (p. 4). Juan (1996) argues,

Consistent with the global trend in other infrastructure sectors, in air transport the state’s role is shifting from owner to regulator and policymaker, and operational, investment, and management responsibilities are shifting to the private sector. The government’s role as economic regulator is particularly important in light of the fact that some airport services are inherently natural monopolies” (p. 1). Also contributing to the growing trend of private sector involvement was the notion that airports were starting to look at non-aeronautical sources of revenue as a way to distance themselves from the performance of airlines. This meant spending more money and time on marketing and retail concessions and also a new focus on customer service (Graham, 2003, p. 11). While most small general aviation airports were privately owned and operated, the commercialization of larger public airports was a new phenomenon that originated in Europe.
The first large scale private involvement in airport management came in 1987 when a previously public entity, the British Airports Authority was sold for $2.5 billion via a total floatation of shares of BAA plc (Vasigh & Haririan, 2003, p. 92). At the time, the British Airports Authority owned three airports (Heathrow, Gatwick, and Stansted) in Britain (Parker, 1997, p. 134). After the initial success of the BAA arrangement, other airports in the United Kingdom including Liverpool, East Midlands, and Belfast International entered into arrangements with the private sector in the early 1990’s. However, outside of the Vienna and Copenhagen Airports, the rest of Europe was hesitant to enter into agreements with the private sector. (Graham, 2003, p. 17).

The mid to late 1990’s saw an unprecedented influx in the amount of private sector involvement in the management, ownership, and operation of airports worldwide. Airports as diverse as Düsseldorf, Sandford, Naples, Rome, Birmingham, Bristol, Melbourne, Brisbane, and Perth entered into agreements with the private sector (Graham, 2003, p. 17). Also, airports in Latin America and Asia began to explore the possibility of using the private sector to manage airports. For example, in 1999 airports in Chile, Costa Rica, Mexico, Dominican Republic, and even the communist state of Cuba entered into private sector contracts for airport management. The events of September 11th, 2001 along with a downturn in the worldwide airline market periodically slowed the rush of private sector involvement in airports worldwide. Also, the recent plot by terrorists to detonate bombs on routes from London to the United States has raised serious questions about the ability of the BAA to deal with security and capacity issues.
2.1.3 Why the U.S. lacks private sector management and ownership of airports

While the rest of the world has been very willing to enter into private sector agreements for the management and ownership of airports, the same cannot be said for airports in the United States. It should be noted that while a large number of airports in the United States enter into contracts with the private sector for specific tasks like parking, car rentals, and individual retail stores, there is only a select few airports that have made the decision to contract with the private sector for management services. Of the 162 FAA hub designated airports in the United States, only Stewart International Airport has been sold to the private sector.

Scholars have commented extensively on the reasons why airports in the United States have resisted the trend towards more private sector involvement in the management of airports. While the United States from its origins has supported free-market economics, there has always been recognition that some functions are so “affected with the public interest” that governmental involvement is required (Truit & Esler, 1996, p. 100). Airports serve as a type of public enterprise, which is distinguished from a classic private enterprise in that they operate as government-approved monopolies that provide an essential service to the public (Garfield and Lovejoy, 1964).

Airports are one of the unique cases of what economists term “natural monopolies.” A natural monopoly is a monopoly that exists because the cost of producing a good or service is lower (due to economies of scale) if there is just a single producer rather than several competing producers (Linux, 2007; Kotlikoff, 2003). There are several factors that make airports natural monopolies:
• The scarcity of available open land within large urbanized areas upon which to build;
• The high capital costs of building airports;
• Lack of sufficient population in an area to support multiple airports (Exceptions: New York, Chicago, Los Angeles).

Due to the amount of regulation that would be needed to ensure public accountability (fair prices, flight availability, etc.), these barriers of entry into the airport market have traditionally encouraged public ownership of airports.

Sridhar (2003) speculates that airports in the United States have remained under public control due to the amount of competition in the airline industry in the United States (as compared to many nations that have nationally owned airlines) (p. 5). Airlines in the United States have argued that turning control over to the private sector would only magnify the airport’s natural monopoly if landing fees and other revenue sources were not regulated. As a result, many government entities have found it much easier and effective to operate the airport through a government agency or an airport authority than to regulate many aspects of a private airport.

Graham (2003) argues that airports in the American have remained under public control because much of the funding for airports in the United States comes from a mixture of public and private funds. The FAA’s Airport Trust Fund, which is funded through by the national passenger tax, is an important source of investment for airport improvements. The Aviation Trust Fund is the revenue source for the Airport Improvement Program that issues grants to airports for runway and property
improvements. Airports are dependent upon the government to provide these funds because of the incredible cost associated with runway repairs (p. 35).

Another possible explanation as to why airports in the United States have remained under public control is the way in which American airports raise revenues. American airports are primarily financed through landing fees paid by airlines and ticket surcharges paid by passengers. This model of financing is inherently dependent upon the airlines; if an airline decides it is more profitable to fly a smaller jet into an airport, the airline gains at the expense of the airport that generates less revenue as a result (smaller plane results in fewer passengers to pay surcharge). Also, as Graham (2003) notes, “US airports enter into legally binding contracts with their airline customers, known as airport use agreements, which detail the charging and conditions for the use of both airfield and terminal facilities” (p. 34). This gives the airlines significant say over any private sector involvement at airports in the United States.

Alternatively, the European model of airport financing (usually privately owned and operated airports) depends less on landing fees and passenger surcharges and focuses more on developing area around the airport to make profit and also on adding restaurants and high-end retail establishments inside the terminal to take advantage of passengers who are spending more and more time inside of the terminals. The fear in the United States has been that if there was an increase in the amount of private sector involvement in airports would result in less of a focus on air service and more of a focus on retail development within the terminals. Some argue that this would result in fewer flights from more remote airports and fewer options for passengers that would result in higher
fares. Also, the airlines (which would have to approve any sale of an airport in the United States) fear that private airports, driven by a profit motive, would raise landing fees in an attempt to reduce airline competition if not regulated by government.

Many cite that the importance of airports to the communities in which they are located has been a reason for the slow increase in private sector involvement. Truitt and Esler (1996) argue,

Considering the critical role of airports to the regions and the cities in which they are located, coupled with the high costs of constructing and operating these facilities, public control of airports has not been questioned throughout most of the history of aviation. The traditional role of government in aviation in the United States has been to promote the industry by subsidizing the construction and operation of aviation infrastructure, while at the same time subjecting it to comprehensive economic and safety regulations (p. 100).

There is evidence that private sector involvement in the management and ownership of airports in the United States is growing (Fortune, 2007). The FAA’s 1996 Privatization Pilot Program (which will be detailed in the next section), the increase in private sector management contracts, and the increase in contracting-out specific aspects of airport functions (i.e. retail) all lead to the conclusion that many federal, state, local, and airport officials are increasingly deciding to use the private sector to manage airports. There are several reasons for this growing phenomenon. First, the hub and spoke system that was created as a result of deregulation has led to severe congestion at many airports. This combined with the reluctance of communities to allow for expansion of airports in their communities and a declining public investment in airport infrastructure due to deficits in Washington, has led some administrators to argue that communities could benefit from selling airports to the private sector (Truitt & Esler, 1996, p. 103).
Second, the recent trend of devolution of government services from the federal government to state and local governments has placed unprecedented budget constraints on local communities. In communities that own an airport, there has been a movement to turn management and even ownership over to the private sector because airports, “represent one of the largest capital investments from which local governments do not earn any direct return, as a result of federal regulations that require recipients of federal airport grants to use airport profits exclusively for airport purposes” (Truitt and Esler, 1996, p. 103). Also, many local politicians in these communities are tempted by the amount of money that selling an airport could bring into the coffers of local government. For example, Robert Poole of the Reason Foundation estimates that the net value of the sale or long-term lease of Los Angeles International Airport would result in $1 billion for the city (http://www.reason.org/guide13.html).

One of the key questions facing the aviation industry in the United States is what the future holds for private sector involvement in airports. The terrorist attacks on September 11, 2001 have had a drastic impact on the airline industry and as a result on airports. Increased security protocols, the financial trouble of the legacy carrier airlines, and the introduction of profitable low-cost carriers have changed the paradigm in airport management. The traditional method of financing airports through charges levied on the airlines (passenger charges, ticket counter rentals, jet bridge rentals, etc.) seems to be increasingly risky due to the financial hardships that many airlines are facing.

There is an increasing trend by many airports in the United States, regardless of ownership arrangement, to diversify their revenue streams. The European model of
funding airports relies less on levying fees on the airlines, but focuses more on producing revenues from retail and food amenities in the terminal. Instead of paying fees to the airport, many low-cost European airlines offer airports a promise for increased passengers in their terminal who, in theory, will purchase goods and services while at the airport. This trend seems to be gaining precedence in the United States as many airports are enhancing and investing in retail facilities in order to diversify their revenue streams.

2.1.4 The FAA Privatization Program

On October 9th, 1996, the U.S. Congress enacted the $148 million Federal Aviation Reauthorization Act, which contained a provision for the creation of a pilot privatization program to be administered by the FAA (Public Law 104-264, 1996). The Act allowed for up to five airports, only one of which could be a hub airport (defined as having one percent of the total air traffic in the United States), to receive exemptions from laws and regulations to encourage private sector involvement. Among the exemptions was the no-profit rule for owners or lessees. The intent of the law was to “determine if new investment and capital from the private sector could be attracted through innovative financial arrangements” (FAA Report to the Congress, 2004).

The application process for the program was a very detailed and thorough. Airports applying for the program had to specify the terms and conditions of the lease or sale agreement with the private entity. Also, the airport had to receive approval from the airlines representing 65 percent of the landed weight at the airport (Public Law 104-264),
which in many airports represents one dominant airline. As Vasigh and Haririan (2003) claim, “The dominant carrier is awarded veto power over privatization efforts” (p. 96).

In 2000, the FAA approved the application of Stewart International Airport. The Department of Transportation awarded National Express PLC, a company based in the United Kingdom that at the time owned two airports in England, a 99-year lease contract to manage the airport. National Express paid the State of New York, the public sponsor of the airport, $35 million for the exclusive lease rights to the airport (FAA Report to Congress 2004). The contract essentially turned full control of Stewart International Airport over to the company, with the exception that the airport could not sell the airport property. National Express, a formally public company privatized under the Thatcher government, is planning to launch a redesign in conjunction with a local real estate development company in order to market the airport to airlines and related businesses (Vasigh & Haririan, 2003, p. 97).

Stewart has represented the only successful privatization under the Pilot Program. Many factors such as a long runway for international flights (the longest runway in the Eastern United States), proximity to New York City, and the airport’s location next to two major interstate highways made Stewart International Airport an attractive candidate for privatization. Four other airports applied (Niagara Falls International Airport, San Diego Brown Field, Rafael Hernandez Airport in Puerto Rico, and New Orleans Waterfront Airport) but were either rejected or withdrew their applications. The FAA in a report to Congress on the Pilot Program (2004) noted characteristics that were similar among the airports that applied to the program:
Management of the airport was a secondary concern of the public sponsor;

The airports were underutilized and thus all the projects were presented as economic development projects;

The process of transferring an airport from public to private control was a long and time-consuming process;

All of the private entities submitting proposals employed a newly formed limited liability corporation to manage the airport; and

A strong political commitment to complete the privatization was essential to its success.

In compliance with the Federal Aviation Reauthorization Act, the FAA evaluated the pilot program by interviewing all those involved in the first round of applications.

Several important changes were recommended and enacted in Vision 100-A Century of Aviation Reauthorization Act (2002). These changes include:

- Redefining the airline approval measures for general aviation airports;
- Putting a 60-day timeframe for airline operators to express concern in writing. Under the current law, airlines could veto the proposal by simply not acting; and
- Increasing the Federal involvement in improvement projects from 40 to 70 percent. Since airports operating under the program are federally obligated to continue to operate as an airport, this provision increases participant’s access to Airport Improvement Program funds.

The most drastic and important change relates to the Federal involvement in projects, which gives private companies and airports an added incentive to join the program by increasing their access to improvement funds. While the pilot program generated limited interest from airports, it has produced the first fully private airport in the nation, Stewart
International Airport. Many airports in the United States are looking at Stewart as a model of what is possible when a public entity relinquishes control of public infrastructure to a private company.

2.2 A New Paradigm: From Traditional Public Administration to New Governance

A central debate in the field of public administration is focused on the unit of analysis through which the effectiveness of government should be measured. The first of these paradigms harkens to the founding of the public administration field. Woodrow Wilson, Luther Gulick, and other early public administration pioneers were concerned with analyzing the central functions of public bureaucracies through three principal devices: a focus on administration instead of policymaking, personnel recruitment through technical competence instead of political influence, and finally a set of scientific management principles designed to promote efficiency (Salamon, 2002, p.10).

Arguably, the traditional public administration focus on the bureaucracy as the unit of analysis worked well when the government would develop and then implement a specific program. However, an infusion of private sector involvement in the development and implementation of policy has made traditional public administration less relevant today. Salamon (2002) argues that even the field of policy analysis, which employs scientific strategies and microeconomic principals to evaluate specific programs of agencies, fails to capture the effectiveness of the implementation of those programs when a private actor is involved in the process.

In order to explain and try to analyze private sector involvement in the provision of government services, Hood (1991) developed a new framework called New Public
Management (NPM). E.S. Savas (2001) defined New Public Management as “the label being applied to a set of innovative reforms, one of the defining features of which is the infusion of market principals into the world of government. Privatization itself is one of the elements of NPM” (p. 1327). The NPM movement led to Osborne and Gaebler’s 1992 book *Reinventing Government*, which proposed that government should “steer the boat rather than row” (Osborne & McLaughlin, 1992). The reinventing government movement used the program, not the bureaucracy as the unit of analysis.

The reinventing government movement that evolved from the NPM also claimed that government should conduct its work in several different ways (Bromberg 2006):

- Acting in preemptive ways, i.e. “prevention is better than a cure” (Pollitt, 2002, p. 276);
- “Seeking to use market mechanism wherever possible, either in the forms of quasi markets to introduce competition between public providers, or by contracting out or privatizing services which were previously undertaken directly by the state” (Pollitt, 2002, p. 276);
- “Seeking inter-organizational partnerships” with both the public and private sectors (Pollitt, 2002, p. 276);
- “Government must be restructured so that, instead of delivering services, it can authorize, partially finance, oversee, and assure access to many types of services and infrastructure (Savas, 2001, p. 1328); and
- “(NPM) requires a different role for government. It calls for more brain cells and fewer muscle cells in the public service, more steering and less rowing (Savas, 2001, p. 1328).

The reinventing government movement was a key theme throughout the Clinton administration, leading President Clinton to appoint Vice-President Al Gore to head the National Performance Review (NPR). The NPR was an attempt to “revolutionize the way government does business” through reducing government waste, bureaucracy, and a
shift in the way government served the public (i.e. citizen to customer) (Report of the National Performance Review, 1993). This shift from treating the public as citizens to customers, illustrates the influence of the private sector in the reinventing government movement.

The reinventing government movement has been criticized by Salamon (2002) who argues that the reinventing government movement, “overlooks the extent to which such instruments have already been adopted. In the process, they downplay the immense difficulties that these instruments entail and the strong possibility that the reforms they are espousing may be the source, rather than the cure, for the problems they are seeking to remedy” (p. 7). Also, Denhardt and Denhardt (2000) argued that the government should serve and not steer” (p. 93). Kettl added, “The practice of this new public management is scarcely uniform. While the growth of public-private partnerships has reshaped the foundation of public management, the partnerships themselves have created wide-ranging problems” (1993, p. 21).

Salamon (2001) argues that a shift is needed in the NPM and reinventing government paradigm because of a “massive proliferation of tools of public action” (p. 1334). In order to remedy this problem, Salamon suggests a shift to what he labels “new governance.” The new governance paradigm has two main features: first, the focus on the collaborative nature of public problem solving for the foreseeable future (governance instead of government) and second, the use of tools of public action as the unit of analysis, a focus on the challenges and opportunities that this collaborative nature presents. (Salamon, 2002, p. 8).
At a Fordham Law School symposium titled *The Changing Shape of Government*, E.S. Savas (2001) described contracting, franchising, vouchering, leasing, selling of government-owned assets to the private sector, shedding services, withdrawing services, and deregulating to allow the private sector to provide goods and services as forms of privatization (p. 1324). At the same symposium, Lester Salamon (2001) argued that privatization in all its various forms is but a “set of tools of public action” that governments can utilize to deliver services to the public (p. 1334). The definition presented by Salamon is also much broader than Savas’s (2000) definition of privatization as “the act of reducing the role of government or increasing the role of other institutions of society in producing goods and services and in owning property” (p. 3). Salamon (2002) argues that the use of the word “privatization” in describing the delivery of public services assumes that the private sector’s increased role in provision of services (along with the decreased role of the public sector) will better serve the public (p. 12).

### 2.3 Defining the New Governance Paradigm

Salamon (2001) uses *Table 1* to outline the features of the new governance framework (p. 1339). The following sections outline many of the features contained in this table.

#### Table 1: The “New Governance Paradigm”

<table>
<thead>
<tr>
<th>Classical Public Administration</th>
<th>“New Governance”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program/Agency</td>
<td>Tool</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>Network</td>
</tr>
<tr>
<td>Public vs. Private</td>
<td>Public &amp; Private</td>
</tr>
<tr>
<td>Command and Control</td>
<td>Negotiation and Persuasion</td>
</tr>
</tbody>
</table>
2.3.1 The Proliferation of the Tools of Government

In Salamon’s (2002) book, the *Tools Of Government: A Guide to New Governance*, a tool of public action is defined as “an identifiable method through which collective action is structured to address a public problem” (p. 19). This definition has several key components that Salamon describes in detail:

- Each tool is “identifiable”, meaning that not all tools share the same features;
- Tools “structure” action, meaning that the relationships that tools foster are not free-form, but rather institutionalized; and
- The action that is structured by the tools is “collective action” aimed at responding to “public problems.” This is different than saying that tools only structure government action.

Table 2 identifies many of the tools used to provide public services along with the vehicle for delivering that tool and the delivery system.

<table>
<thead>
<tr>
<th><strong>Tool</strong></th>
<th><strong>Vehicle</strong></th>
<th><strong>Delivery System</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Government</td>
<td>Direct Provision</td>
<td>Public Agency</td>
</tr>
<tr>
<td>Social Regulation</td>
<td>Rule</td>
<td>Public agency/regulatee</td>
</tr>
<tr>
<td>Economic Regulation</td>
<td>Entry and rate controls</td>
<td>Regulatory commission</td>
</tr>
<tr>
<td>Contracting</td>
<td>Contract and cash payment</td>
<td>Business, nonprofit</td>
</tr>
<tr>
<td>Grant</td>
<td>Grant award/cash payment</td>
<td>Lower level of government/nonprofit</td>
</tr>
<tr>
<td>Direct loan</td>
<td>Loan</td>
<td>Public agency</td>
</tr>
<tr>
<td>Loan guarantee</td>
<td>Loan</td>
<td>Commercial Bank</td>
</tr>
<tr>
<td>Insurance</td>
<td>Insurance Policy</td>
<td>Public agency</td>
</tr>
<tr>
<td>Tax expenditure</td>
<td>Tax</td>
<td>Tax System</td>
</tr>
</tbody>
</table>
Given the definition and examples above, the tool as a unit of analysis is more general than a program. Programs usually utilize a wide range of tools to deal with a variety of circumstances. Salamon (2002) says, “If tools are typically more general than programs, they are typically less general policies. An interesting question that tool analysis raises is whether some tools are more appropriate for some policy objectives than others” (p. 20).

One factor that led to the rise of classical public administration, with its focus on the bureaucratic agency, was the fact that many programs were directly provided by the government (Salamon et. al defines direct government provision of services as one type of policy tool). However, the “proliferation of policy tools” since the 1980’s, has led to a profound shift in the amount of government services provided directly by the government. Table 3 shows that almost 72 percent of the money spent by the federal government is implemented through indirect means. The “proliferation of policy tools” has occurred as a result of what Goldsmith and Eggers (2004) have termed “governing by network” (p. 6).

<table>
<thead>
<tr>
<th>Tool</th>
<th>Amt ($ billions)</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goods and Services</td>
<td>186.8</td>
<td>5.2</td>
</tr>
<tr>
<td>Income Support</td>
<td>550.4</td>
<td>15.4</td>
</tr>
</tbody>
</table>

Table 3: Scale of U.S. Federal Government Activity, by Tool of Public Action, Fiscal Year 1999
<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>229.7</td>
<td>6.4</td>
</tr>
<tr>
<td>Direct Loans</td>
<td>38.4</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Subtotal, Direct</strong></td>
<td><strong>1005.3</strong></td>
<td><strong>28.1</strong></td>
</tr>
<tr>
<td>Indirect Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracting</td>
<td>198.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Grants</td>
<td>286.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Vouchers</td>
<td>251.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Tax Expenditures</td>
<td>602.0</td>
<td>16.8</td>
</tr>
<tr>
<td>Loan guarantees</td>
<td>252.4</td>
<td>7.0</td>
</tr>
<tr>
<td>Government loans</td>
<td>409.2</td>
<td>11.4</td>
</tr>
<tr>
<td>Deposit Insurance</td>
<td>376.1</td>
<td>10.5</td>
</tr>
<tr>
<td>Regulation</td>
<td>200.0</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Subtotal, Indirect</strong></td>
<td><strong>2575.9</strong></td>
<td><strong>71.9</strong></td>
</tr>
<tr>
<td>Grand Total</td>
<td>3581.2</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Salamon, 2002, p. 5)

2.3.2 The Use of System and Service Tools in Airports in the United States

Salamon (2002) argues that increasingly governments are utilizing suites of tools to provide services and operate government infrastructure. Salamon’s argument is very evident in networked systems like airports, where a series of partners utilizing a suite of tools provide air travel to millions of passengers annually. In order to better understand how these suites of tools are used to provide services, it becomes necessary to classify or clarify the different types of tools that airports utilize in operating a complex system to provide air service.

The complex nature of American airports requires that some structure and order be instilled in the provision of air travel. Currently, there are three main ways in which airports are structured to provide air service: direct government, airport authorities, and the long-term lease. These tools, which will be called “system tools”, structure the
management of the airport and shape the arrangements used to provide services at airport in the United States. The decision of which system tool to utilize in structuring airports is very politically motivated and usually is not discussed in public prior to the decision. The tools that are used to provide specific services such as parking, airlines, and retail are known as “service” tools. While important individually, service tools are largely an extension of the type of system tool that is in place at each airport. A review of each of the system tools utilized in airports in America is provided below.

Direct government is the provision of a good or service by government employees (Leman, 2002, p.49). Leman (2002) argues that direct government is the most appropriate system tool in situations where performance cannot be left to chance, there are considerable equity concerns, and areas no effective market exists to supply a good or service. Airports fit the criteria outlined by Leman in that security of passengers can not be left to chance, equity of opportunity to fly and have air service in even remote destinations, and the natural monopolistic nature of airports ensures that there will not be new markets for airports in the future. In America, direct government provision of airports is usually implemented through a city or county department of aviation that has control over budgeting, decision-making, and air service at the airport.

Airport authorities are legally chartered institutions with the status of public corporations that operate publicly owned airports. Airport authorities have extensive independence from the state and local governments. Their financial independence rests largely on the power to issue their own debt, in the form of revenue bonds, and on the breadth of their revenue bases, which might include fees and charges from airport
functions (Wells & Young, 2004, p. 31). Airport authorities are usually directed by a chief executive officer that is appointed by a board of directors. The board of directors is an appointed board (typically by an elected official) that is responsible for providing oversight and direction for the airport.

Wells and Young (2004) argue that governments usually decide to utilize airport authorities for a number of reasons:

- Many airports in America have out grown the tax bases that support them (Airports are regional facilities, not just city or municipal facilities). Moving to an airport authority allows the local community whose jurisdiction the airport falls to spread the tax liability more equitable to all those who use the airport;
- Allows specialized board members can concentrate on airport matters rather than a plethora of other city or municipal concerns;
- Provide efficiency of operation and economies of scale when several political jurisdictions, each with separate airport responsibilities, choose to combine under one airport authority (LA World Airports, NY/NJ Port Authority); and
- Authorities can also provide on-scene decision makers, rates, and charges unclouded by off-airport costs, and with less political impact on the business of running an airport (p.31).

Stanton and Moe (2002) argue that “government corporations” (which airports fall under) are appropriate in programs that are “business-like” in nature, revenue producing and self-sufficient, involve a large number of transactions with the public, and require greater flexibility than the traditional government agency. Airports meet many of
Leman’s criteria: they are residual facilities that are self-sustaining; citizens make multiple transactions with multiple actors at airports; and the constant changing nature of the environment in which airports operate (weather, security, airline bankruptcy) require flexible responses to problems.

The long-term lease (or 99-year lease) is a system tool that effectively transfers ownership and operating rights to a private enterprise without actually selling the infrastructure to the private enterprise (Wells & Young, 2004, p.34). A government entity (city, county, or state) would lease an airport to a private company for a number of reasons. First, due to the natural monopolistic nature of airports, they are highly valued pieces of infrastructure and therefore could be a large source of capital for a government entity. Second, a government entity might not have the expertise needed to effectively manage and operate an airport. Finally, the political climate in an area that is demanding less government involvement in service provision might impact a decision to lease infrastructure to the private sector (Wells & Young, 2004). While the long-term lease is a popular system tool in Europe, only one airport in America (Stewart International Airport) utilizes a long-term lease to provide air service to citizens.

Each of these system tools is an attempt to try to structure relationships within the highly complex networked environment that airports operate. System tools are the mechanism through which all other decisions are made to provide services at the airport. The selection of service tools is not as politically motivated as that of system tools because service tools provide specific services (parking, retail, food and beverage) that are found in every airport because system tools have a greater impact on the tax base and
availability of flights in communities. The question of public accountability permeates the discussion of system tool selection due to the possible removal of an aspect public control over infrastructure.

2.3.3 Rise of Network Governance

Classical public administration is largely built on the hierarchical government bureaucracy model to deliver public services. In this model, public managers are rewarded for accomplishing routine, professional tasks with uniformity and without discretion. As problems have become much more complex and global, solutions are no longer “one-size-fits-all”, but rather customized approaches to solve the diverse and complicated problems of the 21st century (Goldsmith & Eggers, 2004, p. 7). Goldsmith and Eggers (2004) add, “Rigid bureaucratic systems that operate with command-and-control procedures are ill-suited to addressing problems that often transcend organizational boundaries” (p. 7).

In their book, Governing by Network, Goldsmith and Eggers (2004) define network governance as, “Initiatives deliberately undertaken by government to accomplish public goals, with measurable performance goals, assigned responsibilities to each partner, and structured information flow. The ultimate goal of these efforts is to produce the maximum possible public value, greater than the sum of what each lone player could accomplish without collaboration” (p. 8). As Koliba (2006) notes, “Complex networks of actors influence the creation, implementation and monitoring of public policies. These arrangements have resulted in the development of issue networks (Heclo, 1978), policy networks (Kikert et al., 1997), public-private partnerships (Linder & Rosenau, 2000), and
strategic alliances (Wohlstetter et al., 2005) that involve a diverse array of actors that not only span sectors, but international, national, regional, state, local and individual levels as well” (p. 593). This paper will refer to these arrangements as public-private partnerships.

Goldsmith and Eggers (2004) attribute the rise of public-private partnerships in network governance to four influential trends:

- **Third-party government**: the decades-long increase in using private firms and nonprofit organizations-as opposed to government employees-to deliver services and fulfill policy goals.
- **Joined-up government**: the increasing tendency for multiple government agencies, sometimes even at multiple levels of government, to join together to provide integrated service.
- **The Digital Revolution**: The recent technological advances that enable organizations to collaborate in real time with external partners in ways previously not possible.
- **Consumer Demand**: Increased citizen demand for more control over their own lives and more choices and varieties in their government services, to match the customized service provision technology has spawned in the private sector (p. 7).

Although network governance is a critical component to Salamon’s new governance, he argues that networks produce significant challenges for government. To illustrate this point, he focuses on two theories: principal-agent theory and network theory. Principal-agent theory states that in third-party relationships the agent usually ends up with the upper hand on the principal (government). Salamon (2002) says this is the case because, “Although the government has the power of the purse, the agents have more information than their principals about what they are doing with the discretion that is inevitably left in their hands” (p. 12). Pratt and Zeckhauser (1991) remind us, “because full information is rarely freely available to all parties, the problem becomes how to
structure an agreement that will induce agents to serve the principal’s interest even when their actions and information are not observed by the principal” (p.2).

*Network theorists* add that principals might have difficulty in getting their way even when the agents share the same goals. Beerman (2001) argues that often advocates of public choice claim that it is never advantageous for the government to enter an arrangement with the private sector because the goal of the private sector is profitability of an arrangement. (p. 1359). Salamon counters that in a network arrangement, every participant is dependent on the others, which prevents a single actor, even the principal from exerting its will (Salamon, 2002, p. 13). This produces an accountability dilemma for public officials. Salamon (2002) argues that a tool analysis framework can help define accountability in networks because, “tools define the actors that are centrally involved in particular types of programs and the formal roles they will play” (p. 13). Salamon concedes that while tool analysis can help define accountability in networks, it does little to solve the challenge of enforcing accountability between the principal and the agent. As Cooper (2003) reminds us, the public accountability responsibility does not disappear after the decision to contract out a service has been made.

### 2.3.4 Partners, Not Rivals: The Nature of Public-Private Partnerships

Defining the term “public-private partnership” (PPP) has been the subject of a debate among public administration scholars. Linder and Rosenau (2000) define PPPs as “a division of labor between government and the private sector across policy spheres as much as to any specific collaboration between government and the private sector on
particular policy projects” (p. 1). Koliba (2006) looks at PPP’s through the lens of network governance defining PPP’s as, “networks of laterally accountable actors spanning public and some combination of private and voluntary actors” (p. 594).

Akintoye et al. (2003) describe characteristics that PPPs tend to exhibit:

- “A partnership involves two or more actors, at least one of which is public and another from the private business sector”;
- “Each participant is a principal, i.e. each of the participants is capable of bargaining on its own behalf, rather than having to refer back to other sources of authority”;
- “In a PPP there is a continuing relationship between the public and private actors, the parameters of which are negotiated among the members from the outset, or a process in which such a partnership is created;”
- “In a PPP each of the partners brings something to the table, meaning that each will transfer resources to the partnership”; and
- “A PPP implies that there is some shared responsibility for outcomes or activities” (p. 6).

Savas (2000) argues that PPPs occur along a spectrum, with fully public arrangements on the left and fully private arrangements on the right hand side of the spectrum (p. 241). The different arrangements that Savas describes in detail starting from the most public are government departments, public authorities, service contract, operations and management contracts, cooperative, lease-build-operate, build-transfer-operate, build-own-operate-transfer, wrap around addition, buy-build-operate, and build-own-operate (p. 241). New governance scholars would argue that each of these arrangements is actually a tool of government, rather than a degree of private or public involvement in a partnership.
Much of the traditional public administration and privatization literature framed the relationship between the public and private sectors as an adversarial one. As Salamon (2002) describes,

Traditional public management, with its focus on the operation of public agencies, emphasizes command and control as the modus operandi of public programs. Such centralized control is, in fact, vital to the preservation of democratic accountability. The privatization school, by contrast, downplays the need for administrative management altogether. Instead, it posits the market as a superior mechanism for achieving coordination and advancing public goals (p. 15).

Savas (2000) argues, “Public provision of services is not superior to private provision. Those who believe on a priori grounds that private services are best can find considerable support for their position” (p. 111). However, the rise of network governance and public-private partnerships has changed the nature of the relationship between the public and private sectors to one of cooperation rather than competition.

Minow (2002) argues that the public and private sectors have become “partners, not rivals” (p. 168). Kettl (1993) claims, “The real issue thus is not how to choose between the market and government. It is rather, how to strike the best balance between them” (p. 38). It is important to note that in this era of devolution that the discussion has moved from how to make the public sector more like a business to how can the public sector still serve the public while cooperating with the private sector. Salamon (2002) elaborates, “A central tenant of network theory is that the participants in a network retain important elements of their individuality. However, collaboration has replaced competition as the defining feature of sectoral relationships” (p. 14). Collaboration
between the sectors has become viewed as an opportunity for each rather than as the “elephant in the corner.”

While the public and private sectors are moving from “competition to collaboration”, each still has a unique way of evaluating the outcomes of public-private partnerships. Kettl (1993) reminds us, “Market competition single-mindedly pursues one goal, efficiency, above all others. Efficiency, however, is not government’s only goal; it pursues other, sometimes contradictory, goals at the same time” (p. 17). Deborah Stone’s *Policy Paradox: The Art of Political Decision Making* (1997) adds security, liberty, and equity to the goals of public action. Cooper (2003) outlines more measures of partnership evaluation, “The best deal for the public is not measured by any one criterion. Although price is a factor, other critical issues include efficiency, effectiveness, equity, responsiveness, and responsibility” (p. 2). Kettl (1993) adds the measures of capacity and trust to evaluate public-private partnerships. While each of these criteria are important to evaluating the more macro outcomes of a partnership, it is even more important to evaluate the specific tools used in each relationship.

2.3.5 Challenges of New Governance: The Paradox of Third-Party Government

Salamon (2002) describes what he calls “The Paradox of Third-Party Government”, as the fact that, “Policymakers seem to be under increasing political pressures to select those tools of public action that are the most difficult to manage and the hardest to keep focused on their public objectives” (p. 37). This paradox is a result of the growing complexity of public problems, the skepticism of government, and the
preoccupation of efficiency as the major criterion for public action (Salamon 2002 p. 37). Another possible reason for this paradox is the constant election cycle that much of American politics is based on. Salamon notes that this has led to three major challenges in the new governance era:

- *The Management Challenge*: Indirect tools require advanced planning of far more operational details than is the case with more direct tools.

- *The Legitimacy Challenge*: Fundamentally, third-party government threatens to fray the link between citizens and the services they receive in return for the taxes they pay.

- *The Accountability Challenge*: Many of the partners in third-party government have their own autonomous sources of authority that allow them to operate with considerable independence of the authorizing body. Each of these partners enters its relationship with governmental authorities on its own terms, with its own expectations, objectives, and bottom line. (Salamon 2002 p. 38)

For the purposes of this paper, the central focus will be on the accountability challenge that complex public organizations like airports face when they decide to use tools of public action to provide services to the public.

2.3.6 Defining Public Accountability

In order to develop an effective framework through which to evaluate public accountability, it is necessary to create a working definition of public accountability. Romzek and Dubnick (1987) defined public accountability as “the means by which public agencies and their workers manage the diverse expectations generated within and outside the organization” (p. 185). Mulgan (2000) argues that public accountability has evolved from a purely public sector concept to one that involves actors from the private sector (p. 566). Goldsmith and Eggers (2004) argue that traditional measures of public
accountability are too rigid and defeat the underlying purpose of many networks: “to provide a decentralized, flexible, individualized, and creative response to a public problem” (p. 123). While each of these descriptions touches on some of the aspects of public accountability, they fail in providing a working definition of public accountability in networked environments. In terms of airports, the definition of public accountability that will be utilized in this thesis is:

The ability of citizens, through direct participation or representative participation to exercise financial, regulatory, and contractual oversight in the decision-making processes of airport officials in the United States.

To measure and evaluate the definition of public accountability, it is helpful to develop a sound and useful accountability framework. Several public administration scholars have attempted to develop frameworks to measure public accountability. The most well noted of these frameworks is Romzek and Dubnick’s (1987) accountability systems framework which evaluates accountability by two main criteria: the degree of control over agency actions (high and low) and the source of agency control (internal and external). These criteria led to the development of four types of accountability: bureaucratic (high control over agency actions with an internal source of control), legal (high control over agency actions with an external source of control), professional (low control over agency actions with an internal source of control), and political (low control over agency actions with an external source of control). Table 4 illustrates Romzek and Dubnick’s framework.
Table 4: Romzek and Dubnick’s Accountability Systems (1987)

<table>
<thead>
<tr>
<th>Source of Agency Control</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Bureaucratic</td>
<td>Legal</td>
</tr>
<tr>
<td>Low</td>
<td>Professional</td>
<td>Political</td>
</tr>
</tbody>
</table>

(Romzek and Dubnick, 1987)

Romzek and Dubnick’s systems of accountability states that bureaucratic accountability stresses the need to follow order and protocols under strict supervision. Also, there is a hierarchical arrangement; there is a clear superior/subordinate relationship through which rules and regulations are followed. Legal accountability stresses a relationship between a member of an agency and an outside organization. The relationship is similar to that expressed in principal/agent literature. Political accountability deals with the discretion of the agency or administrator to external expectations, i.e. open access to information and open meetings). Finally, professional accountability relies upon the integrity, trustworthiness, and expertise of outsiders who have the skills to perform a specific task. Here, the main focus is on performance measures (ends) rather than the discretion exercised to complete the task (means).

DeLeon (1998) argues that Romzek and Dubnick’s framework could be improved in three ways: first, the framework should focus more on institutional accountability rather than organizational (internal) accountability; second, the ‘degree of control’ dimension of the framework needs to be expanded to illustrate the differences between being held accountable for results or goals versus being held accountable for the process or means; and third, the framework needs to identify participation in decision making as a
DeLeon suggests a framework that uses goal clarity and the knowledge of the means as criteria in evaluating accountability structures (Table 5).

Table 5: deLeon’s Processes of Decision-making Accountability Structures (1998)
Goals (Preferences of Possible Outcomes)

<table>
<thead>
<tr>
<th>Knowledge of Means</th>
<th>Clear</th>
<th>Ambiguous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain</td>
<td>Cell 1: Hierarchy</td>
<td>Cell 2: Competitive Pluralism</td>
</tr>
<tr>
<td></td>
<td>Bureaucratic Structure</td>
<td>Bargaining strategy</td>
</tr>
<tr>
<td></td>
<td>Computational strategy</td>
<td>Representative structure</td>
</tr>
<tr>
<td></td>
<td>(Bureaucratic Accountability)</td>
<td>(Political/Legal Accountability)</td>
</tr>
<tr>
<td>Uncertain</td>
<td>Cell 3: Community</td>
<td>Cell 4: Anarchy</td>
</tr>
<tr>
<td></td>
<td>Collegial strategy</td>
<td>Network Structure</td>
</tr>
<tr>
<td></td>
<td>Judgmental strategy</td>
<td>Inspirational decision strategy</td>
</tr>
<tr>
<td></td>
<td>(Professional Accountability)</td>
<td>(Participatory Accountability)</td>
</tr>
</tbody>
</table>

DeLeon’s types of accountability are much more applicable to networked governance than the framework of Romzek and Dubnick because they illustrate the dilemmas of networks as goal ambiguity and information dissemination in developing an accountability framework. Goldsmith and Eggers suggest that “an over reliance on box checking and rule compliance in which government contract monitors focus on finding wrongdoing instead of making the partnership work leads to an adversarial relationship with partners” (2004, 123). Instead they present a framework that is based on trust, values, goals, and shared incentives and risk.
2.3.7 Ensuring Public Accountability in Public-Private Partnerships

One of the most difficult challenges facing new governance and government in general is the ability of partners to hold one another accountable. As Donahue (1989) argues,

A special burden of accountability accompanies grants of public authority. This is so for three potent reasons. First, some of the most crucial functions of any society must be carried out collectively. Because weighty choices are at stake, we worry about accountability in public tasks. Second, the public at large, precisely because it is so large and diverse a category, is particularly exposed to failures by authorities to take into account its interests. Third, the individual is inherently vulnerable before the powers of government in ways that history richly illustrates, which the Constitution seeks to remedy (p. 11).

Kettl (2000) provides an interesting example of how third party government places new challenges on policy makers,

In public-private partnerships, contracts replace hierarchy. Instead of a chain of authority from policy to product, there is a negotiated document that separates policymaker from policy output. Top officials cannot give orders to contractors. They can threaten, cajole, or persuade, but in the end, they can only shape the incentives to which the contractors respond. There is a gap in the chain of authority, which the contract fills. The gap does not necessarily indicate trouble. Gaps in electronic circuits literally supply the sparks that power most modern technologies. Gaps can also produce uncertain results- ask anyone whose car’s spark plugs have fouled (p. 489).

How we define accountability inherently affects how we ensure that it is maintained. Minow (2002) gives a very general description of accountability structures across sectors:

- Public methods of accountability include voting for leaders who have to explain and defend their positions and voting records on issues.
- Market-based accountability is defined at the bottom line return on investment
Non-profits are held accountable by boards of trustees who make sure that the organization is meeting its mission to serve whatever population it seeks to serve (p. 150-151).

David Riemer categorizes public accountability into two camps: the administrative and market models of accountability (2001, p. 1720). The dominant tenants of the administrative model of accountability are public provision of service, government control of spending, and accountability through elections and a sense of duty to public service. Riemer says that this type of accountability works best when “the task to be performed is simple, the main object of the task is either a thing or a narrow dimension of a person, the public accepts the effectiveness of a given technique in accomplishing the task, and repetition of this technique can be accomplished by a wide variety of individuals” (2001, p. 1725).

Goldsmith and Eggers (2004) argue that the government sphere of public-private partnerships bring a plethora of accountability challenges to the partnership, “Governments face a host of unique challenges that extend well beyond those of the private sector. Outcomes in government are often murky, hard to define, and harder to measure-and may take years to realize” (p. 122). The issue of media coverage also plays an important part of accountability in public-private partnerships, “When something goes wrong in a public-private partnership, it tends to end up on the front page of a newspaper, instantly transforming a management issue into a political problem. The good news is the very act of creating a partnership draws much more attention to accountability then simply maintaining an existing government bureaucratic delivery system” (Goldsmith & Eggers, 2004 p. 122). Figure 1 illustrates how partners in networked organizations and
environments ensure that accountability is maintained. In airports, for instance, incentive sharing and profit sharing are one way that airports and airlines hold one another accountable in their relationships and leases.

**Figure 1: Accountability Framework for Networks**

(Goldsmith and Eggers, 2004)

2.3.8 *The Accountability Challenge in Airports in the United States*

Airports provide an interesting lens through which to view accountability challenges in complex, networked environments. Due to the large number of partners, the varying types of relationships and agreements, and the different system tools utilized, airports are very difficult organizations in which to hold actors accountable. The challenge for airport officials and citizens is to identify the different stakeholders of airports, the stakeholders’ expectations of airports, and ultimately who is responsible for meeting these expectations.
Table 6 provides a brief synopsis of some of the expectations of airports, the stakeholders whose expectation is listed, and the group of people responsible for ensuring that the expectation is met. For example, the expectation of availability of flights is an expectation of citizens (who hope to have a number of carriers to choose from) and airport officials. In order to meet this expectation of an availability of flights, airport officials promote their respective airports to the airlines in hopes of attracting new service for citizens. Also, the expectation of safety of passengers is one shared by several stakeholder groups including consumers, the airlines, and the FAA. The provision of safe air travel is the responsibility of several groups including the FAA, Department of Homeland Security, and the TSA. This table illustrates how many different actors are responsible for ensuring that each expectation of air travel is met.

**Table 6: Mapping the Airport Expectation System**

<table>
<thead>
<tr>
<th>Expectation of Airport</th>
<th>Whose Expectation Is It?</th>
<th>Who is Responsible for Meeting this Expectation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Economic Development</td>
<td>Local elected officials</td>
<td>Elected officials, airport officials</td>
</tr>
<tr>
<td>Availability of Flights</td>
<td>Consumers, Airport officials</td>
<td>Airport officials, airlines</td>
</tr>
<tr>
<td>Affordable ticket prices</td>
<td>Consumers</td>
<td>Airlines, FAA, Airport</td>
</tr>
<tr>
<td>Reliability of airline service</td>
<td>Consumers</td>
<td>Airlines, airport officials</td>
</tr>
<tr>
<td>(On Time, Baggage reliability)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environmental effect of airport (Air pollution, noise pollution, storm water)</td>
<td>Local residents, elected officials</td>
<td>Airports, Airlines</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Safety of Passengers</td>
<td>Consumers, airport officials, airlines, FAA</td>
<td>FAA, TSA, Homeland Security, Airlines, Airports</td>
</tr>
</tbody>
</table>

Examining these different expectations illustrates the need for accountability structures within complex organizations such as airports. Factors in American airports such as competing public goals, network complexity, and the implementation of different system tools make public accountability vital to the success of the system. The research in the following sections is an attempt to develop an accountability framework for airport officials, public administrators, and for local elected officials. This thesis will attempt to answer how the selection of system tools in complex, networked systems like airports, affects public accountability. Also, the accountability framework that is developed will be used in analyzing the various expectations of airports in the United States.
Chapter 3. Research Methods

3.1. Methodology

3.1.1 Selection of Methodology

Due to the large size and complex nature of airports, the case study methodology was selected to gain a full and complete picture of how airports operate in the United States. Yin (1994) notes that case study methodology is particularly useful when asking how or why questions (21). Yin (1994) defines case study methodology as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (13). Hamel et al. (1993) notes that case studies meet the three tenets of qualitative research: understanding, describing, and explaining. Specifically, this study will utilize a comparative case study methodology (Agranoff and Radin, 1991).

3.1.2 Unit of analysis

Stake (1995) notes that case study research is not sampling research, that each case must have a boundary. Therefore, selecting the unit of analysis is vital to success in case study methodology. Yin (1994) says, “the definition of the unit of analysis is related to the way the initial research questions have been defined” (22). For this thesis, the unit of analysis is the airport as a system. Patton (2002) notes,

When a program, group, organization, or community is the unit of analysis, qualitative methods involve observations and description focused directly on that unit: the program, organization, or community, not just the individual people, becomes the case study focus in those settings (228).
3.1.3 Case selection and Sample Size

In order to look at how accountability structures vary across airports that utilize different tools of public action, this thesis utilized a “maximum variation sampling technique” (Patton, 2002, 234). Patton (2002) notes,

When selecting a small sample of great diversity, the data collection and analysis will yield two kinds of findings: high-quality, detailed descriptions of each case, which are useful for documenting uniqueness and important shared patterns that cut across cases and derive their significance from having emerged out of heterogeneity (235).

There were several factors that were evaluated when selecting the airports to be studied in this thesis. First, the airports in this thesis were selected by looking at the type of system tool (direct government, airport authority, long-term lease) utilized by airport officials in managing and operating each airport. In order to identify the different types of system tools utilized by airport officials, Truitt and Esler’s (1996) description of the system tools of airport management was used to identify the criteria by which each case would be selected. Second, accessibility (in terms of distance and willingness of airport officials to meet with the researcher) to each airport was a factor in evaluating the feasibility of each case.

Third, each airport had to meet minimum FAA requirements as a small, medium, large, or non-hub primary hub airport. A large hub airport is one that receives at least one percent of total enplanements in the United States. A medium hub is an airport that receives 0.25% to one percent of total enplanements in the United States. A small hub is
one that receives .05% to .25% of total enplanements. A non-hub primary airport is one that has less that .05% of total enplanements but has at least 10,000 annual enplanements.

The final consideration was how large to make the sample of airports to be studied in this thesis. Patton (2002) notes, “the validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information richness of the cases selected and the observational/analytical capabilities of the researcher than with sample size” (245). Another determining factor was the amount of time and resources that the researcher could put into the process. Table 7 identifies the three airports chosen for study in this thesis, the system tool utilized at each airport, the FAA hub designation, and the number of enplanements in 2005.

<table>
<thead>
<tr>
<th>Airport</th>
<th>System Tool Utilized</th>
<th>FAA Hub Designation</th>
<th>2005 Enplanements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burlington International Airport</td>
<td>Direct Government</td>
<td>Small-hub</td>
<td>690,641</td>
</tr>
<tr>
<td>Pittsburgh International Airport</td>
<td>Airport Authority</td>
<td>Medium-hub</td>
<td>5,198,442</td>
</tr>
<tr>
<td>Stewart International Airport</td>
<td>Long-term lease (National Express)</td>
<td>Non-hub primary</td>
<td>199,742</td>
</tr>
</tbody>
</table>

3.1.4 Data Collection

Yin (1994) says that in order for a case study research design to be deemed quality research, it must meet several criteria including construct, internal, and external validity. Construct validity involves using multiple sources of evidence in the data collection phase (Yin, 1994, 33). Stake (1995) and Yin (1994) have identified six main
sources of data that are relevant in case study research: documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts (80).

Interviews were conducted with officials at each of the three airports studied in this thesis. Also, extensive observation was utilized to provide a “thick description” (Geertz, 1973) of each airport and to provide additional evidence into the accountability structures at each airport. Finally, several documents including budgets, master plans, organizational charts, contracts and agreements were collected to provide additional insight into the tools utilized by each airport and the accountability structures at each airport.

3.2. Data Analysis

3.2.1 Case Presentation

Patton (2002) claims, “thick, rich description provides the foundation for qualitative analysis and reporting” (437). The analysis portion of this thesis will begin with a detailed and thick description of each airport, with particular attention given to the tools utilized in each airport and the accountability structures both external and internal within the airport. Each case will be presented individually, without comparison to other cases. In order to present case data in an effective and meaningful way, content analysis will be utilized. Patton (2002) defines content analysis as “any qualitative data reduction and sense-making effort that rakes a volume of qualitative material and attempts to identify core consistencies and meanings” (p. 453).
3.2.2 Cross-case analysis

Coding and thematic analysis will be used to perform a cross-case analysis of the airports studied in this thesis. Coffey and Atkinson (1996) claim that coding represents the critical link between original raw data and the researcher’s theoretical concepts (27). Each of the major themes generated by the coding and content analysis process will be compared across each case to look for commonalities or divergent cases. The data collected will then be triangulated (Patton 2002) against other sources of data within the study and also other sources outside the study to test for internal and external validity (Yin, 1994).

3.2.3 Tools Matrix and Accountability Framework

To address one of the major research questions of this thesis, data collected from the thematic analysis will be placed into Salamon’s (2002) tools framework. The system tools identified will be analyzed using Salamon’s “directness” and “visibility” dimensions. Drawing on many of the themes from the analysis, each airport’s system tool will be evaluated and analyzed in an attempt to provide airport officials with a matrix of tools that provide many of the advantages and disadvantages of each tool. In addition, using previous accountability structures from Romzek and Dubnick (1987) and Goldsmith and Eggers (2004) as well as works from deLeon (1998) and Mulgan (2000), this thesis will develop an accountability framework for airports and other networked organizations. The framework will be used to analyze accountability structures for each airport studied as well as across all of the airports studied.
3.3. Limitations of Study

3.3.1 Theoretical limitations

Salamon (2002) notes that while his new governance and tool framework is much more effective in analyzing government than using the bureaucracy as the unit of analysis, it is not perfect,

The tools of public action rarely appear in pure form. Rather, they come bundled in particular programs, many of which combine more than one tool, and all of which bring different approached to the design issue that each program must address (p.21).

Another key limitation is the lack of literature and scholarship that has been put forth by public administration scholars on accountability in public sector organizations. The hallmark piece of public administration literature on accountability was Romzek and Dubnick’s (1987) *Accountability in the Public Sector: Lessons from the Challenger Tragedy*. Two decades later, little has been written on how to hold actors in networked organizations accountable to the public. Finally, the difference in the size of the airports studied may have an impact on the way and the extent to which actors can be held accountable to the public and the tools that they are able to utilize.

3.3.2 Resources and Time

Due to the time and expenses required to travel, this study was limited in the scope of the airports that could have been selected. While an attempt was made to find the most heterogeneous examples of airport tools, the full suite of airport tools is not represented in this study. Additional cases studies were planned for this study, however,
several attempts to contact officials at those airports were unfruitful. This difficulty will be included in the analysis section of the thesis in terms of public accountability. Finally, as the amount of private sector involvement in each airport increased, the more difficult it was to collect information (i.e. financial statements, legal statements, etc.).
Chapter 4. Case Study Presentation

4.1 Burlington International Airport

4.1.1 Overview

The Burlington International Airport (BTV) is the largest commercial service airport in the state of Vermont. In 2006, the airport had nearly 700,000 enplanements, which makes Burlington International Airport small-hub airport (defined by the FAA as serving .05% to .25% of all airport enplanements in United States) (FAA, 2006). Six major airlines (Jet Blue, Continental, US Airways, Delta, United, and Northwest) serve the Burlington International Airport to destinations such as New York (LaGuardia, JFK, Newark), Chicago, Atlanta, Cincinnati, Detroit, Plattsburgh, Washington D.C. (Reagan and Dulles), Philadelphia, Boston, and Cleveland. In the past, BTV has experienced some of the largest growth rates (9.0% in 2005) for an airport in the country. This growth was a result of carriers like Jet Blue and Independence Air offering low cost fairs to popular destinations like New York and Washington DC. However, business has been flat in the year in 2006. This leveling off is due to several factors including higher ticket prices in 2006, runway construction for half the year, and a 6% reduction in the number of actual seats available as airlines attempt to increase profitability (Personal Interview, BTV Official, 2007).

While the airport is located in the city of South Burlington, BTV is actually a department of the city of Burlington. The airport is a major economic driver for the area; accounting for over $242 million dollars in economic impact dollars in 2004 (VTrans, 2004). Recently, the airport has seen an increase in the number of passengers from
Quebec that are utilizing the airport. In order to meet this increased demand, airport officials are speaking with other airlines such as Southwest Airlines, Air Tran, and Frontier about expanding their service to BTV. Additionally, due to increased passenger demands for non-stop flights to Florida, airport officials are also speaking with airlines regarding non-stop flights from BTV to several destinations in Florida.

4.1.2 Goals of Airport

One of the most difficult tasks for any organization is to define a series of goals that accurately encompasses the scope of the work of that organization. An official at BTV identified the mission of BTV as,

To make sure this facility is safe, efficient, welcoming to people, and contributes to the overall trip. The way we do that is by assuming that the trip begins at their front door and ends the door they walk in at their destination. My vision would be a system that is centered on the airport on either end and we do everything to make sure that customer has a safe and pleasant flight wherever they are going (Personal Interview, BTV Director of Aviation, 2006).

Through observation and interviews, it becomes clear that BTV tries to live its mission each day. The airport has undergone an extensive renovation in order to better serve its customers with expanded aircraft gates (so passengers do not have to leave the terminal facility to board an aircraft) and increased parking facilities to meet increasing passenger demand from Quebec. Also, the airport has established a bi-monthly survey in order to determine the demand of BTV passengers and to meet needs of increasing user populations at the airport. The results of the survey have led to free wireless Internet access throughout the terminal (to meet an increasing number of business travelers) and a bi-lingual website (to meet the increased population of travelers from Quebec).
4.1.3 Governance Structure

Although BTV is located within the city of South Burlington, it is a department of the city of Burlington. In order to remedy any conflicts between the two communities over the airport, the cities jointly formed an airport commission. The commission is made up of five members, one from South Burlington, who chairs the commission, and four from Burlington. The commission is responsible for hearing complaints from citizens, advertising, interviewing, and recommending candidates for the director of aviation position at the airport, and serving as a liaison between the airport and the city councils and mayor of both South Burlington and Burlington. Using the advice from the airport commission, the mayor of Burlington is then responsible for appointing the director of aviation at the airport. The current director of aviation explains the hiring process,

Appointments are generally made for 1 to 3 years. This happens to be a one-year appointment. I get reappointed every year. So I was reappointed by Mayor Kiss in August. In my case I was recommended by the commission. The commission actually did the hiring. They did the advertising; they did the interviews and sent recommendations to the mayor. Doesn’t have to be that way. Because the mayor has general authority, the mayor could say the hell with you commission. However, that would be politically stupid. People don’t get to be elected mayor by being politically stupid. The commission lays the groundwork for the mayor (Personal Interview, Director of Aviation, BTV, 2006).

As head of a city department, the director of aviation serves at the pleasure of the mayor. The current director of aviation at BTV described his relationship with city hall, “I’ve got to file monthly reports and annual reports and so on. I’ve got to make an appearance before city council occasionally to give them an update on how we are doing” (Personal Interview, Director of Aviation, BTV, 2006).
The main function of the director of aviation is to hire the directors of engineering, operations, maintenance, finance and management, and security. These five departments make up the airport’s main staff. The engineering department is responsible for planning, permitting, and new construction at the airport facility. The operations department is responsible for the day-to-day operations of the airport; from clearing the runways, to coordinating with the FAA in the air traffic control tower. The maintenance department is responsible for the daily upkeep on the airport facility. The security department is responsible for coordinating with the TSA and the FAA to maintain a safe facility. Finally, the finance and administration director is responsible for working with the director of aviation to maintain budgets, staff, and regulations for the airport.

4.1.4 Financial Overview

BTV has an operating budget of approximately $12.6 million dollars. BTV has many diverse and sustained revenue streams that fund the operating budget of the airport. The largest of these revenue streams is the parking fees revenue, which is projected to increase by over 25% in 2007. The increase in the parking fees is a result of the airport’s parking garage expansion and the increased number of departing flights that the airport is expecting in 2007. Another revenue stream that is projected to increase (22.7%) as a result of an increase of enplanements is the rental car revenue. Also, the landing fees revenue line (the current landing fee is $3.10 per departing and landing passenger) is expected to increase by 18.4%, which is a result of the projected increase of 3.8% in
passenger traffic by 2020 (New England Regional Airport System Plan, 2006). Overall, for 2007, BTV’s revenues are expected to increase by 5.5%.

Another source of revenue for the airport is from the FAA trust fund. Each time a passenger boards a plane, a fee (usually around $5) is taxed onto the ticket. A percentage of that fee is collected and placed into a federally managed trust fund for capital improvement at America’s airports. The money is then divided proportionally (according to the number of annual enplanements) among the nation’s airports for runway maintenance, terminal safety equipment, etc. As a general oversight practice, the FAA strictly regulates the money given to each airport.

As a department of the city of Burlington, the City Council and the mayor must approve the annual budget of the airport. Unlike other departments, the city of Burlington does not make a direct allocation to the airport because the airport (through the revenue sources listed above) is able to sustain itself. As an official at BTV mentioned,

We receive no local tax dollars, no property taxes, and no sales taxes. It is all airport related revenue. It comes from the airport improvement fund at the federal level. Landing fees are $1.75 per 10,000 lbs. of airplane that lands at the airport. We get the ticket taxes that go into the federal trust fund that approves projects. We get a certain percentage of the restaurant, gift shop, and parking revenues. It is generated locally. It is self-sustaining (Personal Interview, Airport Official, BTV, 2006).

The airport also contracts its own audit staff due to the complex nature of airport tax codes and regulations.
4.1.5 Service Tools Utilized at BTV

Like most complex organizations, BTV utilizes several service tools that help the organization meet its goals. As the director of aviation noted, “There are 1000 people who work here, but there are only 30 people employed by the airport. Most of the tasks that are performed here, those dealing with customer service are dealt with by contractors of the airport” (Personal Interview, Director of Aviation, BTV, 2006). Table 8 identifies several of the organizations and businesses that the Burlington International Airport utilizes to provide services to its customers along with the service tool utilized in each area.

<table>
<thead>
<tr>
<th>Partner</th>
<th>Service Provided</th>
<th>Service Tool Utilized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hudson News</td>
<td>Gift Shop</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>CAH Enterprises</td>
<td>Parking Shuttle</td>
<td>Purchase of Service Contract</td>
</tr>
<tr>
<td>City of Burlington</td>
<td>Parking</td>
<td>Intergovernmental Agreement</td>
</tr>
<tr>
<td>One Flight Up</td>
<td>Restaurant</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>Burlington Telecom</td>
<td>Wireless Internet Access</td>
<td>Purchase of Service Contract</td>
</tr>
<tr>
<td>Heritage Flight</td>
<td>Private Jet Service</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>US Airways</td>
<td>Commercial Air Service</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>Jet Blue Airways</td>
<td>Commercial Air Service</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>United Airlines</td>
<td>Commercial Air Service</td>
<td>Short-term lease</td>
</tr>
</tbody>
</table>

The director of aviation at BTV illustrated his role in dealing with the various partners that the airport utilizes in providing services,

People are surprised to hear that my job has nothing to do with aviation even though my title is Director of Aviation. What you are is essentially a property manager, a landlord. That is basically what I do. If I hear from US Airways that their office space is in bad shape and they have leaks in the ceiling, I’ve got to fix
that. That’s what I do constantly. That is what this job is. We have 65 tenants on this field. There are 1000 people who work here. There are day-to-day problems on the property that we try to take care of. We try to make sure that each on of our tenants has a place where there business can flourish because if their business flourishes, it reflects well on the airport (Personal Interview, Director of Aviation, BTV, 2006).

The director of aviation, while serving as a landlord, is also the person responsible for making sure that the airport, and ultimately the people of the city of Burlington are being represented in contracts and leases.

4.1.6 Enforcing Accountability among Partners at BTV

One of the most difficult aspects of new governance and network governance is holding partners accountable to the public (Salamon, 2002). The difficulty of holding private sector partners accountable is also evident at BTV,

If we hear of a complaint about baggage claim, we will make the call to the airline and say you have got to do a better job. They don’t necessarily have to listen to us. Now, we have some leverage. If we had a restaurant that served food that constantly made people sick we could terminate the contract and they would be gone. If we had an airline that was just so bad on the customer service side, we could essentially tell them they couldn’t operate here (Personal Interview, Airport Official, BTV, 2006).

The collaborative nature of airports makes it difficult to hold the plethora of actors accountable to the public. This is particularly true in terms of BTV’s relationship with the various airlines that lease space at BTV. Airports in the United States are very dependent of airlines for their revenue. For instance, if an airline were to replace a 150-seat jet with a 75-seat jet to control their costs, it would have a drastic impact on the enplanement figures and therefore the revenues. The ability of the airport to pressure airlines is drastically compromised by their inherently collaborative relationship. In
airports where there is a profit motive, the ability of these airports to hold airlines accountable for customer service related issues is even lower due to the pressure to make a profit.

While it is difficult for airport officials to hold different partners accountable, it is increasingly necessary for airports to partner with private sector firms to provide services. As an official at BTV said,

It’s more difficult if they were all, if we employed everyone who worked in the restaurant and something happened we would deal with it directly. Instead we have to deal with it through our contractor. So it is a little more difficult than it might be. On the other hand we have no expertise in running a restaurant, so we go through the contracting process to find somebody who does (Personal Interview, Director of Aviation, BTV, 2006).

The difficulty in holding partners accountable makes it imperative that airports have a set of well-developed performance measures to ensure that the mission of the airport is being executed and that, in publicly owned airports, the views of the public are being heard.

4.1.7 Performance Measures

Airports across the United States have different ways that they measure their successes and failures. These methods vary based on the different type of ownership of each airport. For instance, in privatized airports, profit is the dominant performance measure. However, in publicly run airports, customer service is the dominant performance measure. The director of aviation at BTV said that they measure performance, “based on what we hear from our customers, I think we are doing reasonably well. We have some weak spots. We get a lot of feedback. With the website now we are getting a lot of feedback” (Personal Interview, Director of Aviation, BTV,
The performance measures of each airport are vital to maintaining public accountability at each airport.

Another way that BTV measures its performance is through the number of enplanements each month. BTV officials feel that if the number of enplanements rises, that they are doing a better job in serving the public. Also, an increase in the number of enplanements means a higher percentage of the FAA’s Airway Improvement Program (AIP) funds. Finally, airport officials use the surveys results from passengers to see if they are meeting the needs of the passengers at BTV. By measuring the number of passengers from Quebec (a new market that the airport is spending resources on to attract to the airport), the top destinations of travelers, and top choices for expansion, BTV officials can see if they are meeting the needs of their passengers.

4.1.8 Ensuring Public Accountability at BTV

As a publicly owned and operated airport, BTV is heavily influenced by public opinion and customer service measures. Citizens of Burlington can affect change at BTV through a number of different methods. First, because the airport is a city department, they can appeal directly to the mayor with complaints or recommendations on how the airport could run more effectively. Second, citizens can go to members of the city council with complaints and suggestions. Third, citizens can appeal to the airport commission. An official at BTV said,

The best way (for people to impact change at the airport) is for people to call the commission. People can also call staff, call me, and I will implement change to the extent that it fits within our rules, regulations, and plans. But if you want
drastic change, then you probably want to talk to the commission. They are the public voice” (Personal Interview, Director of Aviation, BTV, 2006).

Finally, citizens can directly appeal to the director of aviation with suggestions or comments on how the airport could better serve the public. The office of the director of aviation is centrally located within the terminal making it a logical place for a passenger with a complaint to voice their opinion. In addition to all the methods of appeal listed above, the public interest is also maintained by the budget oversight exercised by both the mayor and the city council. Additionally, the bi-monthly survey that the airport conducts is aimed at better serving the public by gathering information on destinations that passengers demand. All of these tools allow citizens to impact change at the airport.

4.2 Pittsburgh International Airport

4.2.1. Overview

Pittsburgh International Airport (PIT) is the second largest airport in the state of Pennsylvania (With the largest being Philadelphia International Airport). With over 5 million enplanements in 2005, PIT is classified by the FAA as a medium-hub airport. PIT has 69 domestic flight gates, 6 international gates, and 35 commuter gates. There are 290 flights a day from PIT to over 80 destinations in the US, Canada, and the Caribbean. The new landside terminal opened on October 1, 1992 and has been named by JD Power and Associates as one of the top five airports in America (PIT Website). The airport is served by several airlines including: US Airways, United, Continental, Northwest, Southwest, Jet Blue, Delta, USA 3000, Midwest, Air Canada, Air Tran, and American Airlines.
Since September 11, 2001, PIT has seen a steady decrease in the amount of air traffic. The decline is a result of a restructuring by the largest airline at PIT, US Airways. Prior to September 11th, US Airways boarded 8.6 million passengers at PIT in 2000. In 2005, that number was cut by almost half. Also, the number of flights from PIT has been cut from 600 per day in 2001 to 290 per day in 2006. PIT’s Air Mall, a state-of-the-art retail facility that hosts over 100 stores and restaurants. The Air Mall is operated by the British Airports Authority (BAA), an airport operator in the United Kingdom.

4.2.2 Goals of Airport

The influence of a major private sector partner like BAA was evident in how the airport defined its operating goals. The airport’s website said that the mission and vision of the airport is:

It is our vision to advance Pittsburgh International Airport as a world-class facility by being the best we can be technologically and environmentally and to operate safely and efficiently. Our priorities are meeting the changing demands of commercial aviation for the passengers and airlines today and in the future, finding new ways to increase utilization of the facility to create better operating efficiencies (Pittsburgh International Airport Website).

From interviews and observations at PIT, it is clear that the airport is committed meeting the “changing demands” of passengers at PIT. After US Airways cut the number of flights from PIT and as a result ticket prices began to climb, airport officials vigorously tried to attract other carriers to the airport to attract more citizens who were driving to Cleveland and Akron for cheaper airfares. Additionally, in response to citizen complaints, the airport has lobbied the FAA to allow non-ticketed passengers into the Air
Mall complex. While these attempts have been unsuccessful to date, the talks are still progressing.

4.2.3 Governance Structure

PIT is under the authority of the Allegheny County Airport Authority (ACAA). Formed on November 5th, 1999, ACAA assumed management and administration of both the Pittsburgh International Airport and the Allegheny County Airport. Previously, the airports had fallen under the jurisdiction of the Allegheny County Department of Aviation. Management of the airport was transferred through a 25-year lease with the county and two 25-year extensions exercisable at the discretion of the authority (ACAA Financial Statements, 2005). An airport official explains why the County decided to transfer management of the airport to the ACAA:

A lot of money was slipping through the cracks. Since the county went from three county commissioners to one, the amount of politics has drastically been reduced. Also, the fact that we are an authority has reduced the amount of politics in our jobs. Since we have become an authority, we have so much more latitude to do our jobs. Our CEO delegates very well and our board is amazing (Personal Interview, Airport Official, PIT, 2006).

ACAA is comprised of a Chief Executive Officer, Chief Operating Officer, and a Chief Financial Officer who are appointed by the ACAA board. The ACAA board members are appointed by the Allegheny County Chief Executive Officer and confirmed by a majority of the County Council. The ACAA board holds monthly meetings that are open to the public. The CEO of ACAA is the key decision maker at the airport. He is responsible for the hiring of thirteen directors, development and execution of a master
plan and budget, and for negotiating contracts and other service arrangements with private sector firms.

The airport is located within two communities: Findlay and Moon townships. The portion of the airport located in Findlay Township is the main parking facility, and therefore Findlay receives a portion of the parking fees generated by the airport. Since the main airside terminal is located in Moon Township, they receive income taxes generated by the airport. While both communities benefit economically from the airport, neither has the ability to affect decision making at the airport. An airport official noted,

They can’t say that we are not within their zoning area building requirements. Legally, we don’t have to get a building permit from Findlay even though they require it; we do it as a good neighbor policy. But because we are a federally funded facility, we are not legally bound to either one of these boroughs. My boss says that we will give them the opportunity to issue the permits, but we will not give them the opportunity to stop development. They held us up for two years on a cargo building and he said this will not happen again. We don’t want to take that position, because we are an integral part of this community and most of us live here anyway (Personal Interview, Airport Official, PIT, 2006).

The county government structure along with the federal nature of the airport raise interesting questions about the role of airports in the community and how local citizens can affect change at airports.

4.2.4 Financial Overview

The Pittsburgh International Airport generated over $127 million in revenues in 2005. The largest source of revenue at PIT is through the rental of gates, ticket counters, jet bridges, and other space in the airport. Rentals accounted for over $43 million (33.9%) of the airport’s revenues in 2005. Aviation related revenues (landing fees, per
passenger fees, etc.) accounted for $38 million (29.9%) of the airport’s revenues is 2005. Parking ($19 million) and concessions ($16 million) are also other large sources of revenue for PIT. The largest pre-depreciation expenses for the airport are salaries, wages, and benefits at $27 million (21.3%).

The budget of the ACAA is proposed by the CEO and approved by the ACAA board. Other than the monthly ACAA public meeting, there is no public oversight of the ACAA budget. However, like a purely public airport, the ACAA does not receive an appropriation from the county. An airport official notes:

> We are a residual facility so all of our funds stay in one pot. Everything we raise for concessions, leases, for parking, goes into one pot, and at the end of the year the charges are recalculated and it goes to pay off our debt service, to help keep the airline rates down. Our lease rates aren’t set, they vary every year depending on our performance statement, they are recalculated based on how much money we make. We actually are an income producer for the county and the boroughs, not a revenue receiver (Personal Interview, Airport Official, PIT, 2006).

The ACAA also receives in-kind services for bomb squad services and accounting services annually from Allegheny County. Also, because of PIT’s classification as a medium-sized hub, it receives a substantial amount of funds from the FAA’s Airport Improvement Program (AIP).

### 4.2.5 Service Tools Utilized at PIT

The dominant service tool utilized at PIT is the ACAA’s agreement with BAA to run the entire retail operation at the airport. BAA serves as a master concessionaire; which means that they are responsible for negotiating with retail companies to bring them
into the Air Mall at the airport. The deal with BAA was brokered in 1991 while the airport was still under the authority of the Allegheny Department of Aviation (ADA). There were several reasons why the ADA sought the help of the private sector to provide retail services at the airport. First, the sheer size of the Air Mall made it difficult for the understaffed ADA to handle filling each storefront. Second, as an airport official noted, “The Board just thought that we had a very small staff over there. They didn’t feel that we have the expertise to go out and pull in the brand names like McDonalds and Fridays that we wanted” (Personal Interview, Airport Official, PIT, 2006). Third, the ADA knew that they had a unique opportunity to make money from the original design of the airport. Finally, there was a desire by the ADA to take politics out of doing business at the airport. As one official noted:

One of the purposes of doing this with BAA was to take the politics out of doing business at the airport. This one (the BAA deal), because it was going to be such a radical change in how airports operated in terms of the number of tenants, had the potential to become a political game that might not deliver the highest quality of service. By using a third party we have dissolved a lot of the political pressure that could be directly applied to the airport itself (Personal Interview, Airport Official, 2006).

In 1990, the ADA put out an RFP to bid for an operator who could manage a street-pricing model retail facility within the airport. The ADA was looking for a company with expertise in this field and someone who could invest $10 million in the Air Mall facility. BAA was the only company out of the five who bid on the contract that had retail experience in airports (BAA took over management of airports in the UK in 1987). BAA and the ADA agreed to a contract that provided for 59% of revenues
generated from the Air Mall to go to the ADA along with an upfront investment of $10 million. An airport official spoke to the early days of BAA’s existence at PIT:

The original deals with the brand names other than those that had been operating in Europe and knew how great it was, took some work on BAA’s part to convince those companies. To me it was a no brainer. You have 20 million people walking by your storefront with an average income of $45,000; there is no mall in the world that produced that kind of traffic. It took some work to convince companies to make the investment. We were always looking to develop competition, which is part of the concept of street pricing, which a lot of airports do (Personal Interview, Airport Official, 2006).

The arrangement at PIT has seemed to work well for both parties involved. BAA has been so successful at PIT, they recently signed a contract that paid the ACAA $5.6 million dollars in revenue sharing in addition to the 59% of revenues in exchange for a longer term at PIT. The ACAA has been very pleased with the level of service and was very excited that BAA, USA moved their corporate headquarters to the Pittsburgh International Airport.

Officials at PIT also utilize other service tools to provide services to customers. Table 9 illustrates the different service tools used by airport officials to provide services to customers at PIT.

Table 9: Sample Service Tools Utilized at PIT

<table>
<thead>
<tr>
<th>Partner</th>
<th>Service Provided</th>
<th>Service Tool Utilized</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAA, USA</td>
<td>Retail Services</td>
<td>Management contract</td>
</tr>
<tr>
<td>Grant Oliver Corporation</td>
<td>Parking</td>
<td>Purchase of service contract</td>
</tr>
<tr>
<td>Allegheny County</td>
<td>Bomb Squad Services</td>
<td>Intergovernmental agreement</td>
</tr>
<tr>
<td>Allegheny County</td>
<td>Accounting Services</td>
<td>Intergovernmental agreement</td>
</tr>
<tr>
<td>US Airways</td>
<td>Commercial Air Service</td>
<td>Signatory lease*</td>
</tr>
<tr>
<td>Jet Blue</td>
<td>Commercial Air Service</td>
<td>Signatory lease</td>
</tr>
</tbody>
</table>

68
Signatory lease is a lease that is charged 20% less than a normal lease holder if airline agrees to sign on for minimum of five years.

4.2.6 Enforcing Accountability among partners at PIT

According to officials from BAA and the ACAA, the agreement to contract retail services through BAA has worked well. However, airport officials at PIT have a responsibility to the public to enforce the terms of the contract with BAA. There are several tools at the disposal of airport officials in holding BAA accountable. One airport official noted:

We have a performance bond with them, which is $5 million for their performance. The system is so well in place here that my personal concerns are low. Why would they walk away from a cash cow? We have rights to remove managers of BAA; they are subject to our approval. We retain the right to remove people that aren’t working well with us (Personal Interview, Airport Official, 2006).

Another area where BAA is held accountable to the public is their drive to make profit by managing an Air Mall that has competitive prices and a variety of stores to serve the needs of passengers. Throughout the airport, BAA has advertisements for several of the stores in the Air Mall. In both Burlington and Stewart, there were no advertisements for the marketplaces within the airport. The ACAA also maintains control over the selection of stores and the pricing scheme that is implemented at the airport:

Every arrangement that they enter into has to be approved by us. They present the deal to us and if we don’t like something we will sit down and discuss it. Daily we are in contact with someone at BAA on construction, agreements. We audit BAA for street pricing and they bring a third party in. We didn’t audit them last year because in the previous two years they had no incidents of overcharging for goods (Personal Interview, Airport Official, 2006).
The accountability framework that is in place at PIT is one that provides incentives for BAA’s success while maintaining a competitive deal for the public.

4.2.7 Performance Measures

Officials at PIT have a mixed view of how to measure performance at their airport. One official said,

“We have won all kinds of awards. I think we are number one in the United States and number 3 in the world for customer service. So there are industry benchmarks. We are evaluated on our own, each employee goes through a performance review and customer service is one of the categories that everybody is rated on (Personal Interview, Airport Official, PIT, 2006).

Other officials mentioned that they measured success at the airport based on the profitability of the companies that were operating at the airport. PIT does not have a survey tool to measure customer service directly. PIT tends to rely on surveys by third parties (Rand McNally, American Association of Airport Executives, etc.) to gauge customer service at the airport.

4.2.8 Ensuring Public Accountability at PIT

One notable aspect of the management at PIT is that there is little room for public input on affairs at the airport. There is no airport commission to which the citizens can voice their concerns, the entity of the “airport authority” places a barrier between citizens and their elected officials and the operation of the airport, and finally, the CEO of the authority’s office is in a secure location, making it inaccessible to the common citizen or passenger who may have a concern. While the monthly board meetings of the ACAA are open to the public, there is no place in the agenda for public input or recommendations.
As was mentioned earlier, the communities in which the airport is located (Findlay and Moon Townships) have no jurisdiction over decisions implemented by the ACAA. However, this public accountability to these communities is maintained by having the state representatives in those communities (Rep. Nick Kotik and Rep. Thomas Stevenson) serve on the ACAA board of directors. However, in 1980 Moon Township filed a complaint with the Alleghany County Department of Aviation over noise abatement issues at the airport. Their efforts were met with resistance and the homeowners eventually filed a lawsuit against the county. The homeowners won their case and earlier this year, the ACAA finished installing new windows and insulation in the Moon Township homes on the flight-path for PIT. This case shows that citizens have not only the political process, but also the legal process to hold government entities accountable to the public.

4.3 Stewart International Airport

4.3.1 Overview

Stewart International Airport (SWF) is located in the towns of New Windsor and Newburgh, Orange County, New York. In 2000, SWF became the first privatized commercial airport in the United States when the National Express Group (NEG) executed a 99-year lease with the State of New York. NEG is an international transportation firm, with nearly 40,000 employees worldwide. In 2005, SWF had 199,741 enplanements, down from 250,000 in 2004. Currently, there are five airlines operating at the airport (Air Tran, Northwest, US Airways, American, and Jet Blue) with
non-stop flights to Philadelphia, Atlanta, Detroit, Chicago, Tampa, Orlando, and Fort Lauderdale.

Since becoming the nation’s first privatized airport in 2000 SWF has struggled to attract and maintain commercial air service. Since 2002, enplanements have decreased annually to the low of 199,741 in 2005. However, in January 2006, SWF was able to attract low-cost carriers Air Tran and Jet Blue to offer direct Florida service. The future for the airport is uncertain due to the notification that parent company NEG is attempting to exit the transportation field. Also, recent talks by the Port Authority of New York and New Jersey of adding a fourth airport to their network has fueled speculation that SWF might again become a publicly-operated airport.

4.3.2 Goals of the Airport

Due to the fact that SWF is a privately operated facility, the main goal is to earn a profit for the shareholders. As one official noted:

What you are really trying to do is please the airlines; it is the airlines that make you money. So if you are privatized you are trying to serve the airlines to make money, you can’t really do that unless you have good customer service with your public, but it is slightly different because the public is not your key motivator, the airlines are (Personal Interview, Airport Official, SWF, 2006).

SWF’s commitment to the “bottom line” is reflected in their attitude towards serving the airlines before the public. However, the airport believes in providing a place where airlines can compete to give the public the best prices on tickets. As the communications director said, “An airport should provide the public with an extremely safe, clean, comfortable facility that provide airlines a facility to come in and compete to provide air
travel and allow the traveling public as many options and as much price competition as possible” (Personal Interview, Airport Official, SWF, 2006).

4.3.3 Governance structure

SWF is organized like most private companies. There is a President that reports directly to the holding company and is responsible for the five general managers of the airport. The airport has a general manager of engineering and facilities, operations and security, marketing, finance, and the general manager of the terminal. Each general manager is appointed by the President and confirmed by the majority of the stockholders of NEG. Unlike other airports, there is very little oversight by public organizations. While SWF is a private airport, they still are eligible for FAA AIP funds because the airport infrastructure was built with public dollars. The FAA therefore is able to audit SWF for the funds used to build and maintain infrastructure. Also, the airport commission, which was active while SWF was under the control of New York State, still maintains an adversary role, but has no power over decision-making at the airport. One airport official mentioned:

We have an airport commission that was left over from when it was public but they have no real power at all. It doesn’t have the ability to take any action and it is only role is to listen to the public and tell the DOT how the public feels. The DOT can now listen to them and say the public likes this or doesn’t. But the DOT has no recourse other than we try to work with them and we will talk to them if there is an issue, but the DOT can’t really come to us and tell us to do something (Personal Interview, Airport Official, SWF, 2006).
4.3.4 Financial overview

One of the unique features of SWF is the confidential nature of the operating budget of the airport. Attempts to obtain a copy of SWF’s operating budget were met with resistance and a firm “no” response. While the operating budget is confidential, the capital budget of the airport is public record (Due to the fact that capital improvement funds come from the FAA). SWF has a $488 million dollar capital improvement budget for 2007, due to an anticipated increase in passenger traffic. When asked about the airport’s financial documents, one airport official responded:

That is private information. They actually don’t disclose the airport finances in that detail. You can look at National Express’s financials, but you won’t get the detailed information for the airport because the airport is private. It does run as its own entity within the day-to-day functions of the airport, the funds coming in from passengers, from landing fees, from land grant all matches the costs of running the airport, and keeping it up and paying salaries. Also, because the airline business has been bad, there has been little profit coming out of that (Personal Interview, Airport Official, SWF, 2006).

4.3.5 Public-private partnerships at SWF

National Express Group, the parent company of SWF, has been active in trying to form private-private partnerships, rather than public-private partnerships. NEG has formed partnerships with several private companies in an attempt to boost the passenger traffic at SWF. However, SWF is not pursuing traditional ways of making profit (i.e. from airline fees, ticket counter rentals, etc.) but is instead trying an alternative method:

As a private company, we make a lot more money from parking, concessions, from selling drinks at our bar, magazines. We make a dollar figure per person, which is a lot higher than we make from the airlines. We become much more creative in terms of what we can offer in the terminal. We can offer you massages, shoeshines, all the things you are starting to see at airports where they
are starting to worry about how much money they are making on passengers. All those changes are happening because are trying to figure out how to make our money on the traveling public, airlines are going bankrupt. They can barely find enough money to stay in business, so there is not a lot of money to pull from them. However, there is a lot of money in the traveling public. Your airport has to be more like a mall; it has to make money on the people that are going through the airport (Personal Interview, Airport Official, SWF, 2006).

The private sector goal of profit is dominating the strategy at SWF. While many airports are trying to attract new airlines to improve competition among airlines, very few airports in the United States are trying to directly make money from passengers through retail establishments in the terminal.

There are several reasons why SWF has decided not to enter into partnerships with the public sector. Officials at SWF cited several times that they decided not to partner with the public sector because of the political pressures that would accompany and deal with the public sector:

If you completely tie yourselves to the political people and the airport is public then politicians can impact the airport and it might be done in a way that is not good for the airport. By being privatized we can decide where we draw the line and they don’t have any real authority over us. In public airports there is a sense that you can be fired if you pissed off the politician (Personal Interview, Airport Official, SWF, 2006).

While SWF’s focus has primarily been on private-private partnerships, the main partnership that guides the airport is a public-private partnership. The long-term lease (99-years) signed by New York State and NEG, gives NEG the right to operate the airport for the next 99 years without little public oversight. Table 10 shows the few partnerships used to deliver service at SWF.
### Table 10: Sample Service Tools Utilized at SWF

<table>
<thead>
<tr>
<th>Partner</th>
<th>Service provided</th>
<th>Service Tool utilized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quiznos</td>
<td>Food and beverage</td>
<td>Short-term lease</td>
</tr>
<tr>
<td>Hudson News</td>
<td>Retail</td>
<td>Short-term lease</td>
</tr>
</tbody>
</table>

#### 4.3.6 Enforcing accountability among partners at SWF

Due to the lack of public oversight and the private nature of SWF, the only real oversight the public has over the airport is consumer choice. The citizen has the choice to use SWF or another airport in the area (JFK, LaGuardia, White Plains, Newark). The market philosophy of choice is the only real power the public has over the public infrastructure that encompasses SWF. The average citizen cannot monitor the budgets of the airport and cannot affect decision-making at the airport. While the airport solicits information and feedback from citizens, if their suggestions are not profitable for NEG, then the chances of those changes being implemented are slim. However, the airport does maintain some public accountability due to the FAA audits of the AIP capital improvement funds.

#### 4.3.7 Performance measures

Officials at SWF gauge performance in several different areas. While some of these areas are similar in public airports, the ranking of their importance is the critical difference between public and private airports:

Safety is number one because without that you are not going to have financial or anything else. The first way is through safety checks and audits by the safety regulators, the FAA. They make sure that we are operating up to standards. That is the primary performance measure, to make sure that we pass our FAA review and that our safety standards are up to date and that they give us a good review of
our security. There are a number of different organizations that take a look at airports, but overall they are working for one thing, that they are safe. So that is probably the most important thing. The second most important is financially, to make sure that our money is being spent well and that we are getting a good return on it, that it makes sense. That is where the privatization comes in and why we are able to do a much better job than the public sector. The last one, is certainly not least important is the way the traveling public perceives us, our service levels, just their general impressions, the feedback we get from them, from the community, from the individual customers (Personal Interview, Airport Official, SWF, 2006).

The focus on safety and profitability before customer service is a common trait in the private sector. However, the lack of concern for customer service and the lack of ability for the public to impact performance at SWF may have serious implications on how to maintain public accountability at SWF.

4.3.8 Ensuing public accountability at SWF

The lack of public voice at SWF may raise serious questions over public accountability. The airport, built and maintained with public funds, is essentially able to ignore public input in decision-making processes. Some will argue that the private nature of the airport will hold them accountable to the public, i.e. if they don’t respond to consumer demands, the consumers will travel to another airport. However, as Koliba (2006) asserts,

Making government act more like business, or even one step further, turning government functions over to private markets gives too much credence to the miraculous power of the hidden hand of the market. It also simplifies and dare we say glosses over some of the most pressing questions facing the field of public administration (p. 596).
The “most pressing” question facing public administrators is how to ensure public accountability in public-private partnerships. At the time of writing, talks are currently underway to transfer ownership of Stewart to the New York/New Jersey Port Authority, which may suggest that the long-term lease is not as effective as other system tools such as airport authorities.
Chapter 5. Discussion and Analysis: How Tool Selection Affects Public Accountability

5.1 The Spectrum of Airport System and Service Tools

As the case studies above illustrate, airport officials in the United States utilize a suite of tools to organize and provide services. System tools are the tools used to structure the management of the airport and shape the arrangements used to provide services at airports in the United States. Table 11 identifies the systems tools utilized in the airports studied. Salamon et al. (2002) argue that officials are likely to use direct government (airport operations are managed by a city, county, or state agency or department) in cases where performance cannot easily be left to chance or no effective market exists to provide those services (p. 61). Airport authorities organizations (airport operations are managed through an intermediary authority that has ties to the public sector through elections, appointments, or accounting practices) have gained prominence due to the pressure on government officials to operate government more like a business (Salamon et al., 2002, p.101). Finally, the long-term lease (airports operations are managed through a private entity for a predetermined period of time with no ties to the public sector) is an extension of the airport authority, but has no formal ties to the public sector and has therefore been less popular in the U.S. Service tools are tools used to structure individual agreements between actors in providing services at airports. Table 11 identifies the systems tools utilized in the airports studied.

Table 11: System Tools At Airports Studied

<table>
<thead>
<tr>
<th>Airport</th>
<th>System Tool</th>
<th>Delivery System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burlington International</td>
<td>Direct Government</td>
<td>Public Agency (City)</td>
</tr>
<tr>
<td>Airport</td>
<td>Ownership Structure</td>
<td>Authority</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Pittsburgh International</td>
<td>Quasi-Governmental Organization (25-year lease between Allegheny County and Airport Authority)</td>
<td>Allegheny County Airport Authority</td>
</tr>
<tr>
<td>Stewart International</td>
<td>Long-term lease (99-year lease between NY and National Express Group)</td>
<td>Business (National Express Group)</td>
</tr>
</tbody>
</table>

The system tools utilized in Table 11 define the various types of ownership and operational structures that are in place at each airport studied. Each of the system tools above has a drastic impact on the amount of public oversight that takes place at each airport. At SWF, when New York State officials and NEG decided to use the long-term lease to transfer ownership of SWF, they were trying to limit public involvement in each airport to quell political pressures while allowing the airport to be placed in the hands of the market. When the Allegheny County Department of Aviation decided to transfer ownership of PIT to the newly formed Airport Authority, they also were hoping to limit the political nature of appointments and business arrangements at the airport. The important questions to ask are what is the cost for taking the elected voice of the public out of the management of these airports, how does the transfer of authority affect the ability of citizens to voice concerns about airport issues, and how does the selection of these systems tools affect financial oversight at each airport.

While the systems tools listed in Table 11 illustrate the differences in ownership models utilized in each airport, they tell us little about how services are delivered at each airport. The tools listed in Table 12 show how services at each airport are delivered. Service tools are tools utilized to provide specific services at airports such as security,
retail/concessions, and airline service. It is important to note that the selection of the tools in Table 11 is not as politically motivated as the tools listed in Table 10.

### Table 12: Service Tools Utilized by Airport Officials in Study

<table>
<thead>
<tr>
<th>Service Tool Utilized</th>
<th>Airport(s)</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Service Contract</td>
<td>BTV, PIT, SWF</td>
<td>Various: Retail, food, baggage, parking (PIT), shuttle service</td>
</tr>
<tr>
<td>Management Contract</td>
<td>PIT</td>
<td>Retail management contract with BAA.</td>
</tr>
<tr>
<td>Intergovernmental Agreements</td>
<td>BTV, PIT</td>
<td>Various: Parking (BTV), Accounting services, bomb squad (PIT)</td>
</tr>
<tr>
<td>Short-term Lease</td>
<td>BTV, PIT, SWF</td>
<td>Used primarily for airlines and retail establishments within airport (Excluding PIT).</td>
</tr>
<tr>
<td>Signatory-lease</td>
<td>PIT</td>
<td>Used by PIT to ensure longevity of airlines at airport.</td>
</tr>
</tbody>
</table>

The choice by elected and airport officials to utilize the service tools listed in table 12 is influenced greatly by the type of system tool (table 10) that is in place at each airport. For example, Stewart International Airport has far fewer partnerships with outside public and private sectors firms than Burlington and Pittsburgh International Airports. One possible explanation for this situation is that the long-term lease system tool that governs Stewart provides the airport with a large amount of private sector expertise from its parent company, National Express, Inc. Also, the decision by the Allegheny County Airport Authority to use BAA to manage its Air Mall occurred only after the airport had switched from a city department to an authority. One can hypothesize that this may be due to the “increased latitude” that officials at Pittsburgh mentioned in interviews. The question for public administrators is what implications do
long-term leases and the “increased latitude” provided by airport authorities have on public accountability.

**5.2 Evaluating the Tools Used By U.S. Airports**

It is important to note that the purpose of this thesis is not to evaluate the efficiency or effectiveness of each airport in delivering service to the public. Other studies in the airport literature have evaluated the performance of airports in terms of safety, efficiency, and delay time based on the ownership structure of each airport (Bruijne, et al., 2005; Parker, 1997; Vasigh & Haririan, 2003). The purpose here is to evaluate the system tools utilizing Salamon’s framework to unpack the implications of each tool for public accountability in airports in the United States.

For the purposes of analyzing public accountability, this thesis will focus primarily on Salamon’s visibility and directness dimensions (Table 13) of each system tool. Visibility measures “the extent to which the resources devoted to a tool show up in the normal government budgeting and policy review process” (Salamon 2002 p. 32). The degree of directness, “the extent to which the entity authorizing, financing, or inaugurating a public activity is involved in carrying it out” also has an impact on public accountability. A direct tool is one in which authorization, funding, and execution are all carried out by essentially the same entity” (Salamon 2002 p. 29). These two dimensions are able to get at the public accountability question because of their focus on public oversight of processes (visibility) and the distance that decision-making occurs from the public (directness).
Table 13: Salamon’s Visibility and Directness Tool Dimensions

<table>
<thead>
<tr>
<th>Tool Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directness</td>
<td>The extent to which the entity authorizing, financing, or inaugurating a public activity is involved in carrying it out. A direct tool is one in which authorization, funding, and execution are all carried out by essentially the same entity (Salamon 2002 p. 29).</td>
</tr>
<tr>
<td>Visibility</td>
<td>The extent to which the resources devoted to a tool show up in the normal government budgeting and policy review process (Salamon 2002 p. 32).</td>
</tr>
</tbody>
</table>

Table 14 shows that as the amount of private sector involvement increases in each airport, the degree of visibility decreases. Also, the degree of directness decreased as the amount of private sector involvement in the management and operation airport increased. This illustrates the disconnect that occurs between the public and airports as private sector increases. Budgets and plans become private information, the public’s ability to influence change at the airport decreases, and the amount of financial oversight decreases as private sector influence increases.

Table 14: Key Dimensions of System Tools Utilized at Airports

<table>
<thead>
<tr>
<th>System Tool/Amount of Private Sector Involvement</th>
<th>Airport</th>
<th>Degree of Directness</th>
<th>Degree of Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct government provision (Low private sector involvement)</td>
<td>BTV</td>
<td><strong>High</strong> - provision of services managed and executed by government. Contracts are overseen by govt. agency</td>
<td><strong>High</strong> - airport remains public property and part of community. Budgets and financial documents are public record</td>
</tr>
</tbody>
</table>
Table 15 evaluates the service tools utilized by the airports studied. Several common themes emerge from the analysis of the service tools. First, service tools are more similar in nature and tend to gravitate towards the “medium” classification of the dimensions listed. Second, many of the service tools accomplish very similar tasks without little difference in the method of delivering that service. For example, the short-term lease and the signatory lease accomplish the same service (air travel). However, the difference between the tools may result in a higher airfare for a passenger who flies with a carrier who is not under the signatory lease agreement. Finally, the airports studied tended to use a suite of tools rather than a single tool to provide services to passengers.

<table>
<thead>
<tr>
<th>Tool (Airports)</th>
<th>Degree of Directness</th>
<th>Degree of Visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of Service Contract (BTV, PIT, SWF)</td>
<td>Medium- contract adds another agent into provision of service</td>
<td>Medium- For the most part, service contracts are part of budgets and are accessible to public</td>
</tr>
<tr>
<td>Management Contract (PIT)</td>
<td>Low- management contract varies from POS contract in that airport has little say</td>
<td>Medium- BAA’s financial documents are not public record, but the contract itself is public</td>
</tr>
</tbody>
</table>
What is important to take away from this analysis is the way in which system tools structure the types of service tools that are utilized at each airport and the potential implications that these tools have for enforcing public accountability at airports. The next section of this thesis will attempt to define public accountability and develop a framework through which public administrators can evaluate public accountability in increasingly public-private partnerships.

5.3 Developing a framework for public accountability in public-private partnerships

The framework that will be used to evaluate the effectiveness of airports in ensuring public accountability focuses on the system tool utilized by each airport and the

<table>
<thead>
<tr>
<th>Category</th>
<th>High- Description</th>
<th>Medium- Description</th>
<th>Low- Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intergovernmental Agreements (BTV, PIT)</td>
<td>provision of service remains “in house”</td>
<td>financial records and budgets are public record, decision-making has public oversight</td>
<td></td>
</tr>
<tr>
<td>Short-term Lease (BTV, PIT, SWF)</td>
<td>leases place some autonomy in hands of private sector, but principle maintains control</td>
<td>lease agreements are usually placed under master agreement, which makes individual leases difficult to ascertain</td>
<td></td>
</tr>
<tr>
<td>Signatory-lease (PIT)</td>
<td>leases place some autonomy in hands of private sector, but principle maintains control</td>
<td>lease agreements are usually placed under master agreement, which makes individual leases difficult to ascertain</td>
<td></td>
</tr>
</tbody>
</table>
differing types of accountability structures that are in place. These criteria were chosen to meet the definition of public accountability developed for airports in the United States:

*The ability of citizens, through direct participation or representative participation to exercise financial, regulatory, and contractual oversight in the decision-making processes of airport officials in the United States.*

In order to evaluate public accountability at airports, several types of accountability must be considered. Romzek and Dubnick’s (1987) framework of political, professional, bureaucratic, and legal accountabilities were used as a baseline to develop a framework that would accurately and rigorously evaluate public accountability in airports. Mulgan (2000) asserts that Romzek and Dubnick’s model does not accurately evaluate public accountability because it does not take into account the market forces that exist in public-private partnerships. He suggests a new type of accountability structure called consumerism. Before fully developing the framework to evaluate public accountability, it is useful to fully define each type of accountability structure.

Political accountability refers to the responsiveness of public administrators to address the needs and concerns of constituents. The nature of the term constituent is very broad in this context; it could be used to describe a citizen, agency, public official, or a business. Mulgan (2000) notes, “public agencies are expected to be responsive to other actors within the political system, particularly to elected politicians aiming to control their activities” (566). Under political accountability structures the public has an enormous amount of access to decision-making processes due open meeting laws, freedom of information acts, and sunshine laws. Sorenson and Torfing (2005) argue that in public-private partnerships and in networks that in order to improve the democratic
performance of networks and partnerships, “we must improve the democratic anchorage in elected politicians and a territorially defined citizenry” (p.196). Political accountability in airports is the democratic anchorage that ties these very networked organizations to the public. An example of a strong political accountability structure in airports is the mayor’s oversight and hiring of the director of aviation at the Burlington International Airport.

Professional accountability structures involve a public sector reliance on skilled and expert employees (mainly from the private sector) to provide expertise in certain areas. Romzek and Dubnick (1987) assert, “Professional accountability is characterized by placement of control over organizational activities in the hands of the employee with the expertise or special skills to get the job done” (p. 187). Under professional accountability, workers who are brought in by governments are held accountable through trust, job performance measures, and risk sharing techniques. Also, professional accountability is maintained through compliance with industry best practices and rules. For example, the American Association of Airport Executives (AAAE) provides training for airport officials in several areas (operations, management, finance, etc.) An example of a professional accountability structure in airports would be the relationship between the Allegheny County Airport Authority and BAA for management of the Air Mall facility in which structures such as revenue sharing are built into the contract.

Legal accountability is based on relationships between a controlling party outside of an organization and members of that organization (Romzek & Dubnick, 1987, p. 186). The outside party usually represents an entity that has legal control over the organization.
Therefore the outside party is the lawmaker while the public administrator inside the organization is the executer. Usually, these relationships are fiduciary in nature with the legal entity serving as the agent and the organization serving as the principal. An example of legal accountability structures in airports would be the security and financial oversight the FAA imposes on all airports in the United States.

Bureaucratic accountability structures are marked by a hierarchical arrangement through which there are clear relationships and between subordinates and superiors. There are very strict operating standards and procedures in place along with clearly stated rules and regulations. Bureaucratic accountability structures can be found in both public and private organizations where there is a chain of command between superiors and subordinates. An example of a bureaucratic accountability structure in airports is the monthly reporting by the director of aviation at the airport to the mayor and City Council of Burlington.

Consumerist accountability is a market based accountability system that is predicated on the ability of consumers to choose between goods. Mulgan (2000) provides an excellent description of the consumerism accountability structure,

While a customer may hold a private sector provider accountable in the case of a faulty individual purchase or contract, he or she has no general right to demand that the private provider offer services that meet his or her perceived needs. In a competitive market, the main mechanism of responsiveness is consumer choice, the capacity of the consumer to exit to an alternative provider (569).

The description of consumerism accountability is very different from the four previous mechanisms mentioned. In this arrangement, the citizen does not have the ability to directly influence the decisions of the private sector service provider. Rather, through
choice or the refusal to purchase, the consumer is able to hold the private sector accountable. While the natural monopolistic environment that airports operate in makes it hard for consumers to find substitute goods, Stewart International Airport in New York provides a good example of consumerism accountability because of its proximity to other airports in the New York City region.

5.3.1 Evaluating public accountability in airports in the United States

In order to evaluate the accountability structures of the three airports studied in this thesis, the accountability mechanisms mentioned in section 5.3.3 will be utilized. The hope here is to give some structure to the accountability structures at each airport. Through the synthesis of the data collected through interviews and observations, the type of accountability structures utilized at each airport became evident. Since each of the cases presented are unique, they are not generalizable to the population of airports in the United States due to the variance of ownership and management models employed at each airport. However, the lessons learned from each of the case studies have valuable implications for the future of accountability in public-private partnerships. Table 16 identifies the types of accountability structures employed at each airport studied.

<p>| Table 16: Framework for Evaluating Public Accountability at Airports In the United States |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Accountability Type | Burlington International Airport (Direct Government) | Pittsburgh International Airport (Airport Authority) | Stewart International Airport (Long-term lease) |
| Consumerism | Substitute airports are non-existent in | Only major accountability |</p>
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>Legal Area</th>
<th>Relationship with 90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal</td>
<td>City of Burlington rules and regulations; FAA security and audit procedures for AIP funds</td>
<td>Allegheny County legal codes; FAA security and audit procedures for AIP funds</td>
<td>FAA security and audit procedures for AIP funds.</td>
</tr>
<tr>
<td>Political</td>
<td>Mayoral appointment of director of aviation; relationship with appointed airport commission; monthly meetings open to public</td>
<td>Appointment of ACAA board members by county chief executive; monthly meetings open to public</td>
<td>None</td>
</tr>
<tr>
<td>Professional</td>
<td>Contracts with various private firms for expertise in providing services</td>
<td>Retail management contract with BAA; reliance on JD Power for performance measures;</td>
<td>Membership in AAAE</td>
</tr>
<tr>
<td></td>
<td>Membership in AAAE</td>
<td>Membership in AAAE</td>
<td>Membership in AAAE</td>
</tr>
<tr>
<td>Bureaucratic</td>
<td>Reporting protocol between director of aviation, City Council and Mayor; rules and regulations are followed according to city of Burlington</td>
<td>Limited, only real bureaucratic interaction payroll and human resources.</td>
<td>Reporting protocol within National Express Group organization.</td>
</tr>
</tbody>
</table>
Table 16 illustrates several important aspects of system tool selection for airport officials. First, as the amount of private-sector involvement in each system tool increased, the variety of types of accountability structures utilized at each airport decreased. These different avenues of accountability suggest that there are more opportunities for airport officials to be held accountable to the public for their decision-making processes. Second, the private sector influence of the long-term lease actually decreases the amount of partnerships at Stewart International Airport. Due to the expertise in operating airports, National Express Inc. does not need to partner with other entities due to its expertise in airport management.

5.3.2 Impact of visibility and directness of system tools on public accountability

The decisions of elected officials in terms of system tool (direct government, airport authority, long-term lease) selection have a drastic impact on the type of accountability structures that will be utilized at each airport. Salamon’s tool criteria framework provides a useful lens through which to view public accountability. The criteria of directness and visibility are useful when evaluating how public accountability is structured when different ownership tools are utilized. Directness measures the extent to which the organization authorizing an activity is involved in carrying it out. Visibility measures the degree to which the resources allocated to provide a service can be held accountable to the authorizing entity. Both of these criteria are very important aspects of public accountability.
BTV has a high degree of directness due to the fact that the airport remains a department of the city of Burlington, the director of aviation serves at the pleasure of the mayor, and some peripheral services (parking and police) are also provided by the city. The processes of BTV are very visible to the public; there are several opportunities for the public to affect change at the airport (airport commission, mayor, city council). The high level of visibility and directness of the system tool utilized at BTV explains the variety of accountability types that are in place at the airport.

The airport authority system tool utilized at PIT places an extra structure between airport officials and the public. This decreases the amount of directness of service provision at the airport. While the authority structure places another layer of government between the public and the airport, the authority is still held accountable to the public through various mechanisms (open public meetings and mixed public and private sector membership of board of directors). PIT also has a high degree of visibility due to the open meetings held by the authority and the public nature of the documents of the authority.

The long-term lease system tool utilized by officials at SWF and the state of New York has a very low amount of directness. The state of New York (principal) as very little if any control over SWF (agent) and is not involved in the delivery of the public service of air travel. Also, the tool removes the public from the decision-making process, which makes this a very indirect tool. The visibility of the long-term lease is very low because the private nature of SWF makes budgets, documents, and decisions confidential records of the National Express Group. Also, the “democratic anchorage” (Sorensen and
Torfing 2005) through elected officials is virtually non-existent except for the occasional “public appearance.”

The amount of public accountability in airports in the United States varies greatly based on the system tool utilized by officials. Several factors including the amount of private sector involvement, amount of public input in decision-making processes, degree of directness, and the degree of visibility all impact the type of accountability structure utilized at each airport. As the amount of private sector involvement in each system tool increases, the amount of visibility and directness decreases and moves the public accountability structure from one focused on laws, hierarchy, and rules a more market-based or consumerism accountability structure.

5.3.3 Accountability Structures for Airport Expectations

Another way to assess accountability in airports is to map the expectations of airports and the corresponding accountability structures that are in place to ensure that each expectation is met. This framework is particularly useful for several reasons. First, in complex organizations such as airports, it is important to recognize and illustrate the many different public expectations of that system. Van Slyke and Roch (2004) argue that many people are unaware of what organization is providing services in complex, networked environments. Second, this framework illustrates the holes in accountability structures for different airport expectations. Finally, this structure shows how expectations are met through a suite of accountability structures and in what areas there are accountability failures.
Table 17: Mapping Accountability for Airport Expectations

<table>
<thead>
<tr>
<th>Airport Expectation</th>
<th>Consumerism</th>
<th>Political</th>
<th>Legal</th>
<th>Bureaucratic</th>
<th>Professional</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Economic Development</strong></td>
<td>Local elected officials responsible for economic growth in community</td>
<td>Local government; bureaucratic structures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Availability of Flights</strong></td>
<td>Consumer demand shapes airlines decisions on where to fly.</td>
<td>Chain of command in airports and airline structures</td>
<td>Airport officials membership in AAAE; best practices on how to attract airlines</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Affordable Ticket Prices</strong></td>
<td>Consumers demand helps to regulate ticket prices, also citizens in some locations can choose to fly from competing airports in locations</td>
<td>Chain of command within airlines</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reliability of Airline Services (On-time flights, baggage handling)</strong></td>
<td>Consumer choice of airlines could impact service levels</td>
<td>In airports with direct government provision, ability to go to elected officials with complaints</td>
<td>Possible “Passengers Bill of Rights.””, not yet enacted</td>
<td>Chain of command in airports and airline structures</td>
<td>Best practices set by AAAE and airlines for how to handle baggage, ability of airlines and airports to cooperate and</td>
</tr>
<tr>
<td>Environmental Impact of Airport (air and noise pollution, storm water, etc.)</td>
<td>Local elected officials come before airport with noise complaints, depending on system tool, action can be taken</td>
<td>FAA noise regulations, EPA ground water and air pollution standards</td>
<td>Chain of command within airplane manufacturers</td>
<td>Airplane manufactures follow advice of environmental engineers along with company demands</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td></td>
</tr>
<tr>
<td>Safety of Passengers</td>
<td>Consumers regulate safety, if they feel unsafe then they are more likely not to fly</td>
<td>Elected officials enact new security regulations, put pressure on FAA to perform</td>
<td>FAA rules and regulations (air traffic control), TSA security protocols (screeners), Homeland Security directives</td>
<td>Chain of command within FAA and Homeland Security, also airport chain of command</td>
<td>Airline stewardesses safety training, pilot training, best practices of aviation field.</td>
</tr>
</tbody>
</table>

Although the assertions rendered in this table are in need of deeper empirical analysis, a tentative review of Table 17 that there are several gaps in accountability structures in airports to meet the expectations of the public. In the case of Stewart International Airport, the lack of a political accountability structure (i.e. elected officials with real power over decisions at the airport) has serious implications on the ability of citizens to complain to airport officials when they have a problem with airplane noise or the lack of available flights to destinations. The lack of alternative airports (consumerist
accountability) in Pittsburgh and Burlington limits the ability of citizens to select between different airports (which may have lower ticket fares). The overarching rules and regulations of the FAA in terms of security, runway regulations, and air traffic control, provide each airport studied with a legal accountability structure that suggests that the expectation of security is more in the hands of the FAA and the Department of Homeland Security than the individual airports.

The framework illustrated in Table 17 suggests that many of the expectations of the public may not be represented through adequate accountability structures in airports. Further empirical research into public perceptions of the different actors at airports along with an analysis of the ability of citizens to assign responsibility for certain airport expectations would provide greater insight into how the public’s needs are being met at airports. Also, a larger empirical study into accountability structures at airports in the United States would allow for more generalizable conclusions on the types of accountability structures in place at America’s airports.
Chapter 6. Conclusions: The Future of Public-Private Partnerships in Airports

The purpose of this thesis was not to pass judgment on the different types of tools utilized by airport officials in the United States. Rather, this thesis has attempted to provide a framework to analyze the tools they utilize in providing services to the public in terms of the effect on public accountability. The three case studies provide an interesting diversity of system and service tools that produce a wide range of accountability structures that have serious implications for the future of public-private partnerships. From the analysis of the tools utilized at each airport and the accountability structures that result from the selection of those tools, several results emerge:

• As the visibility and directness of each tool decreased, the accountability structures shifted from a politically-based structure to a more market-based accountability structure within the three cases studied;
• As private sector involvement increased, the amount of input by the public in decision-making processes decreased within the three cases studied;
• The democratic anchorage (political accountability) decreased as the amount of private sector involvement in the system tool utilized increased within the three cases studied;
• There is a strong reliance on bureaucratic and consumerist accountability structures in ensuring that airport expectations are met within the three cases studied; and
• There were a significant lack of political accountability structures present in ensuring that airport expectations are met within the three cases studied.

Many of the authors who have written on new governance, network governance, and collaborative management have acknowledged that the most daunting challenge is holding private sector actors accountable for public services and infrastructure (Salamon, 2002; deLeon, 1998; Van Slyke & Roch 2004). The results of this thesis indicate that this problem is evident in airports in the United States. As local and state governments face tighter budgets and look for additional sources of revenue, airports become attractive options to transfer to private management and even ownership to raise revenues. However, public officials must analyze the possible implications for public accountability when deciding which system tool of public action to utilize when transferring management or ownership. The question of balancing a desire for increased efficiency in public service provision with the desire for public oversight is paramount for the future of public-private partnerships in airports.

In order to maintain public accountability when transferring control of airports to the private sector, governments should look to include provisions such as revenue sharing, oversight boards (commissions, authorities, boards, etc), and open meetings as part of the contract or lease agreements. Also, quasi-government structures such as airport authorities provide increased private sector expertise while maintaining a strong level of public accountability in terms of public involvement in decision-making processes and financial oversight.
This study raises several important future areas of research that could be useful in the future as public officials debate the prospects of increased private sector involvement in managing and operating infrastructure:

- What implications does increased foreign-private sector investment in transportation infrastructure in the United States have on public accountability?
- How can the public ensure that quasi-governmental agencies like airport authorities are held accountable to the public? What types of relationships exist between elected-officials and members of the authorities?
- What standards are in place to measure performance at airports? Does the FAA need to regulate that certain standards are met?
- Can the accountability model presented here be applied to train stations, bus stations, or other pieces of transportation infrastructure?
- How aware are citizens of the providers of service in airports? Does this perception vary based on the quality of their experience?
- What is an appropriate level of accountability that is needed to ensure that the public goals of efficiency, equity, security, and liberty are met?
- As airlines continue to experience financial difficulties, what impacts will that have on airports and their ability to provide equitable air service for citizens to a variety of destinations?

The future of airport management in the United States seems to be heading in the direction of establishing more airport authorities and less towards full transfer of
ownership and management to private companies. At the time of writing, talks were underway between National Express and the Port Authority of New York and New Jersey to transfer ownership and control of Stewart International Airport to the Port Authority to make SWF the fourth major airport to service the New York metro area. It seems that the future of airport management in the United States is through the quasi-governmental organization of airport authorities. Future studies on the efficiency, effectiveness, and accountability of these structures will be needed to determine if this model could be transferred to other public services (education, health care, etc.). Future studies in public administration literature also should focus on accountability not only in public-private partnerships, but also in larger networks that are becoming more prevalent in all areas of government.
References


Allegheny County Airport Authority Financial Statements. (2005).


Personal Interview, BTV Director of Aviation. October 16, 2006.


Pittsburgh International Website. www.flypit.com


