



AMERICAN ASSOCIATION OF AIRPORT EXECUTIVES

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October 21, 2010

Mr. Brian Reed
Chair, AAAE Corporate Committee
RS&H
10748 Deerwood Park Blvd.
Jacksonville, FL 32068

Dear Brian,

I want to thank you for your time and effort with the AAAE Corporate Committee on AAAE's Spatial Airport Asset Management System (SAAMS) product and the concerns it has raised with some consulting firms. AAAE's relationship with our corporate community is very important to the association and staff, so I want to respond to three of the fundamental concerns we've heard raised: 1) The selection of AECOM as the platform developer as a "fair" process; 2) The issue that SAAMS competes with services offered by private consulting firms; and 3) the claim that AAAE offering SAAMS creates a "conflict of interest with regard to AAAE being able to effectively represent ongoing regulatory concerns."

Item 1. As a non-profit association, rather than a public agency, AAAE utilizes flexibility and a number of approaches in determining appropriate partners for our business programs. We have utilized everything from a public bidding process for formal joint venture and co-ownership in a biometrics services company to confidential, negotiated terms with other associations and companies. AAAE certainly believes in "fairness" when dealing with business opportunities that may generate interest from multiple companies, but as you know, that qualitative opinion is often in the eye of the beholder.

In the specific case of SAAMS, it was AECOM's original idea to merge the capabilities of its basic GIS software with AAAE's unique IT infrastructure in networking airports for application service provider, or "cloud computing", delivery. AAAE's investment in this infrastructure is more a decade old and financially in the tens-of-millions of dollars. AAAE has a long record of successfully delivering applications and protecting data for airports in security, biometrics and computer-based training. AAAE consistently has invited our corporate members to approach us with ideas for utilizing this unique resource. In fact, I personally made that pitch to ACC members at our last two breakfast meetings at the AAAE annual conferences in Philadelphia and Dallas.

In the case at hand, AAAE purposely went beyond simply adopting AECOM's original idea and published an RFI to ask if other firms were interesting in offering competing ideas for partnering in the use of our IT infrastructure. While several companies responded, only AECOM offered a professional GIS proposal, and AAAE determined that AECOM was the

appropriate partner for SAAMS. I have no hesitation whatsoever in defending the “fairness” of AAAE’s approach to partnering on SAAMS. While I understand the disappointment of firms that now see potential value in the “AAAE as an application service provider” model for GIS services, it is clear that fair opportunity existed for all interested consulting firms to be as far-sighted and responsive as AECOM.

Item 2. Competition will continue to be a sensitive area. AAAE does not and will not seek to offer professional services as a general consultant to airports. AAAE does and will continue to offer network services that take advantage of airports’ group purchasing power in response to airport member requests, especially for products and services beyond the economic reach of smaller airports. There exists an overlap in these realities and AAAE is today, and will continue to be, in competition with some corporate members in some limited areas.

As a non-profit organization, AAAE will stay within its not-for-profit purposes and will focus primarily on services that build on its robust, system wide IT network, as well as airport-specific training. Our priority will be responding to airport members’ needs that are not being met, as members request the organization to try to overcome economic barriers to entry with a network approach. Unlike a profit-driven concern, AAAE does not seek the largest and most lucrative markets in which it can compete. Rather, it attempts to respond to members’ needs and requests, which come primarily in under-served markets. But that does not preclude competition with corporate members in markets that may bridge those two approaches.

Most associations seek non-dues revenue with group purchasing efforts, including I’m sure, trade associations to which many corporate members belong. AAAE has been remarkably successful among its peers in the non-profit world at successfully offering its members optional services rather than relying on charging high membership dues (Dues only account for 4% of AAAE’s budget). Our successful business model of low dues and optional member services is one that has the strong commitment of AAAE’s leaders and airport members, and has served the association well for more than three decades. While it is not our goal to compete with corporate members, it will continue to happen occasionally in the limited areas noted above.

Item 3. Contrary to the notion that AAAE's business programs in security, training or now GIS, somehow conflict with our regulatory representation of airport executives, the opposite is reality. AAAE currently subsidizes its legislative and regulatory operations with more than \$2 million dollars every year from its business operations. This is the subsidy over-and-above what is provided by general and specific dues for legislative and regulatory work. An enormous amount of airport work before federal legislative and regulatory bodies would go undone if not for AAAE's successful business operations. I'd point out that this includes AAAE's significant legislative work on AIP and PFC funding, which directly benefits our corporate members.

SAAMS in particular offers very limited opportunities, if any, to create conflicts of interest with regulatory policy. And, while any are difficult to foresee, if they should occur, AAAE always takes the position that airport members' regulatory positions trump consideration of any effects on business lines. Whether in security, training, GIS or any other business area, AAAE never loses sight of the fact that it is "owned" by airport executives and their priorities are the association's priorities. As a non-profit organization, when we make some profit on a business line, rather than rewarding shareholders or owners, we reward our not-for-profit purposes that don't pay for themselves – such as legislative and regulatory representation of airport executive views before government. So if SAAMS is a successful business program, it will a) fill an unmet need for smaller airports seeking low cost GIS tools, b) help with the new GIS regulatory compliance and c) enhance resources for AAAE to represent airport interests before government.

Before AECOM originally approached us, our smaller airport members asked AAAE to help find a solution to the problem that their GIS needs could not be met at a price point they could afford. More recently, as you heard, at least a half-dozen members from smaller airports spoke up at our Board of Directors meeting in San Diego stating how important the SAAMS effort will be to their airport and their future need for economical GIS tools. This is, and must be, AAAE's top priority in weighing the issues surrounding this business area. But I want to add that missing among most expressions of concern is a recognition that if AAAE through SAAMS and its Web-Based applications can deliver GIS access to many, many more airports than the handful that can afford customized GIS tools and applications today, the expanded market opportunities for corporate members are significant. If GIS tools can be made available over the Web at a small fraction of the cost of custom GIS installations, the increased business opportunities for corporate members will far outweigh any losses.

Letter to Brain Reed

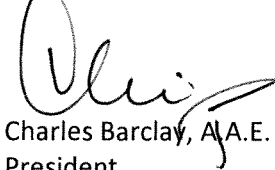
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In addition, the lion's share of the savings at airports will come from the substantial IT hardware, network and staffing costs associated with custom GIS installations, rather than from airports' consulting budgets.

We regret any angst that the SAAMS program is creating for some corporate members, but this effort is a response to a previously unmet airport member need and is a program that has our Board's endorsement and commitment. AAAE staff looks forward to working with corporate members on SAAMS to expand the GIS market for the benefit of all in the airport system. Further, we look forward to working with the AAAE Corporate Committee, under your leadership, to enhance communications and understanding with our corporate community.

Best regards,

A handwritten signature in black ink, appearing to read "Charles Barclay", with a stylized flourish at the end.

Charles Barclay, A.A.E.
President

CC: AAAE Corporate Committee

AAAE GIS Committee

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