



**AIRPORTS COUNCIL
INTERNATIONAL**

ACI-NA DBE/Small/Minority Business Survey

September 2008

**ACI-NA Insurance and Risk Management Committee
ACI-NA Economic Affairs Department**

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BACKGROUND

The ACI-NA Insurance and Risk Management Committee, with help from the Business Diversity Committee, developed a survey regarding the insurance and bonding issues of DBE/Minority/Small Businesses in airports. The survey focuses on the challenges that DBE/Minority/Small Businesses face when contracting with an airport, with the goal of learning more about the insurance requirements for, and how to better address the insurance needs of, DBE/Minority/Small Businesses. The questionnaire included policy limits and general requirements for airline liability, automobile liability, workers' compensation (WC) liability and property insurance liability coverage.

This survey was sent to all of the member airports participating in the Insurance and Risk Management Committee. A total of 28 members responded to the survey questionnaire, representing 12 large hub airports, 9 medium hub airports, 4 small hub airports, and 3 non hub primary as defined by the FAA in their preliminary 2007 traffic report (see Appendix 1 for the FAA definition of airport categories and Appendix 2 for survey samples). Airports participated by responding to the survey about their airport's program.

For this report, airports were grouped into four main categories: large, medium, small and other (see Table 1). Responses from organizations with multiple airports were grouped by the size of the largest airport. The data collection period was from April 3, 2008 when the survey was initially sent out, until April 21, 2008 when the final response was received.

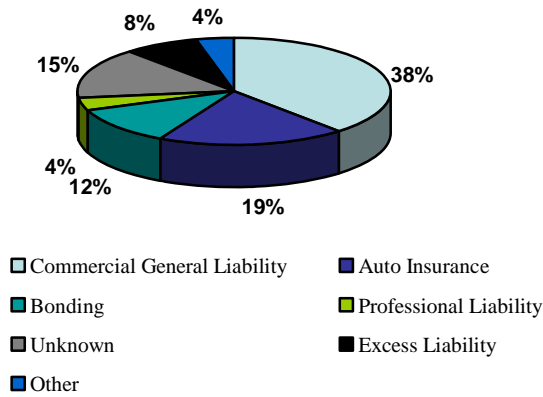
Table 1: Sample Distribution

Hub Size	Number of Responses	Industry Total	Percent of Industry Total
Large	12	30	40.0%
Medium	9	37	24.3%
Small	4	71	5.6%
Non	3	241	1.2%
Total	28	379	7.2%

SURVEY RESULTS

1. The insurance coverage most difficult to comply with by small business or DBE firms: Twenty-five airports answered this question.

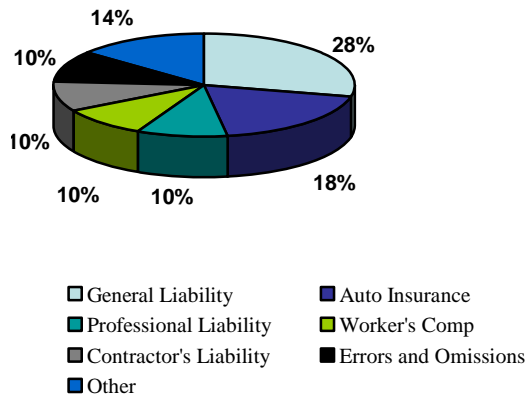
Figure 1: Insurance Coverage Most Difficult to Comply With



The other answer includes: WC with a waiver of subrogation endorsement (SAN).

2. The second most difficult insurance coverage to comply with by small business or DBE: Twenty-one airports answered this question.

Figure 2: The Second Most Difficult Insurance Coverage to Comply With



Other answers include aviation liability (SFO); surety (IND); environmental liability (OAK).

3. Have the limits of the insurance required in an airport contract frequently been identified by small business entities as a barrier to bidding on work at the airport (Yes/No): Twenty-eight airports answered this question.

Figure 3: Limits of the Insurance Required Frequently Identified as a Barrier to Bidding on Work?

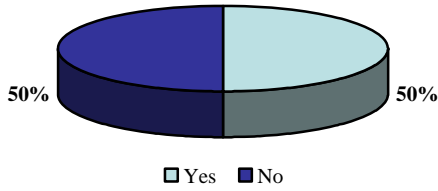
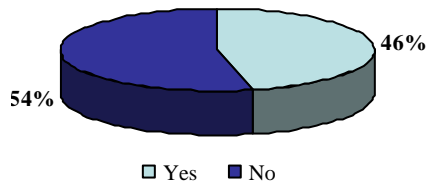


Table 2: Limits of Insurance Required Frequently Identified as a Barrier to Bidding on Work, Categorized by Hub Size

Hub Size	Yes (# of Airports)	Yes, %	No (# of Airports)	No, %
Large	8	57%	4	29%
Medium	4	29%	5	36%
Small	1	7%	3	21%
Non	1	7%	2	14%
TOTAL	14	100%	14	100%

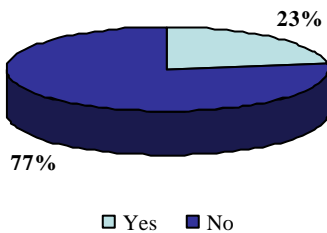
4. Have the bonding requirements for contracts been identified as a hurdle for small businesses that are trying to secure a contract for work at your airport? (Yes/No): Twenty-eight airports answered this question.

Figure 4: Bonding Requirements Identified as a Hurdle for Small Businesses?



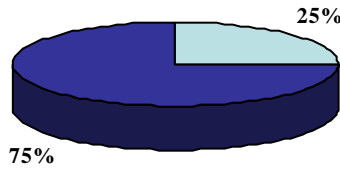
5. Has your organization addressed any bonding requirement concerns with small business entities by implementing creative programs to allow bonding to less of a hurdle for small businesses when competing for airport work? (Yes/No): Twenty-six airports answered this question.

Figure 5: Has Your Organization Addressed Any Bonding Requirement Concerns?



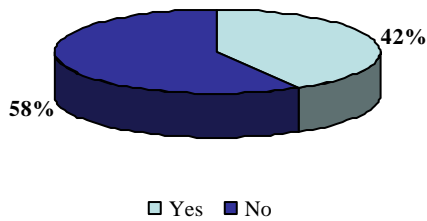
6. Has your organization’s Risk Management Department Actively tried to directly engage a small business, etc. to work on it’s own internal insurance program? (Yes/No): Twenty-four airports answered this question.

Figure 6: Has Your Risk Management Department Actively Tried to Engage a Small Business, etc.To Work On Its Own Insurance Program?



7. Has your Risk Management Department met at least once with the airport’s small business representative to discuss opportunities for qualified small businesses in the area of insurance placement, safety, loss prevention, broker services or other related services? (Yes/No): Twenty-four airports answered this question.

Figure 7: Has Your Risk Management Department Discussed Opportunities for Qualified Small Businesses?

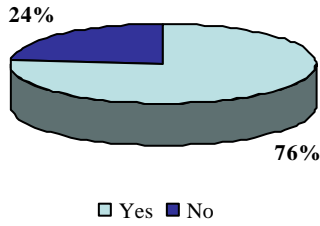


Nine airports listed the number of interviews they have had with the airport’s small business representative in the last year.

Number of interviews held in the last three years
15
10
9
8
3
3
3
2
workshop environment w/ several attendees

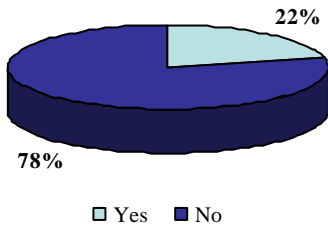
8. If allowed in your state, does the organization have general contracting goals to account for small, DBE, and minority business participation, for non-federal dollar contracts? (Yes/No): Seventeen airports answered this question.

Figure 8: Does the Organization Have General Contracting Goals to Account for Small, DBE, and Minority Business Participation?



9. If allowed under state contracting statutes, have you asked your main insurance provider or broker to utilize or seek a partnership with qualified small businesses to work on placement and/or servicing your organization's insurance in any capacity? (Yes/No): Twenty-three airports answered this question.

Figure 9: Your Main Insurance Provider Sought a Partnership with a Qualified Small Business?



10. What is the number of current active and direct contracts your organization has with small qualified businesses for insurance, broker, third party claims, administration, safety, loss prevention, or other related services?: Twenty-one airports answered this question.

Figure 10: Number of Current Active and Direct Contracts Your Organization has with Qualified Small Businesses

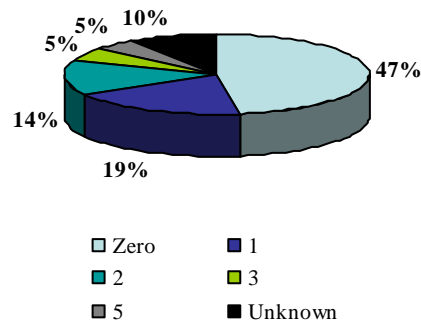


Table 2: The Estimated Total Value of Such Contracts

Number of contracts	Estimate the total value of such contracts
2	\$6,000
1	\$20,000

1	\$80,000
2	\$100,000 to 150,000
3	\$190,000
2	\$450,000
5	\$500,000
1	\$900,000
1	\$2,500,000

11. Please feel free to comment on any survey question or the larger topics of DBE, minority and small business issues.

- We have looked into an Airport-sponsored liability "program" for provision of excess limits, over a minimum requirement that DBE's and/or small business partners could access. [We] will continue to consider, but premium payment and charge-backs are an issue. (IND)
- Within Insurance/Risk Management, very little DBE talent. We use Local. [Joint ventures] can be used but difficult to receive any services of value to the organization. I use for staffing of Risk Management Department. (OAK)
- We have modified our contracts to allow DBE subcontractors to carry less GL insurance if their exposure to airport patrons, employees and airport operations is limited. However, we will not modify the insurance requirements of our general contractors. (CVG)
- We carved out a piece of our general liability program from our main liability broker and now use a MBE to place about five lines of liability coverage for us. (SEA)
- Adequate bonding is the most important issue. (ALB)
- I deal mostly with leases and contracts that have set goals for DBE. Insurance and bonding has not been an issue. (MCI)

CONCLUSIONS

Respondents indicated that Commercial General Liability and Auto Insurance are the most difficult insurance coverage for small business or DBE firms to comply with. Those who did not pick it as the most difficult selected it as the second most difficult. It is important to note that these are the two most common liabilities given in contracts, whereas the other options listed are usually not specified in contracts.

When discussing the concerns facing their small businesses, overall respondents were evenly split on whether the limits of the insurance required in an airport contract had frequently been identified by small business entities as a barrier to bidding on work at the airport. When looking at the breakdown by hub size, the 57% (or 8 airports) who said that Yes, it was a barrier, were Large Hubs; while the 36% (or 5 airports) who said No, it was not a barrier, were Medium Hubs. Additionally, the majority of airports (54%) have not identified bonding requirements as a hurdle for small businesses or even addressed any bonding requirement concerns (77%).

Additionally, airport risk management departments have not encouraged a small business to work on its own insurance program (75%) or even discussed opportunities in various service areas such as insurance placement, safety, loss prevention, or broker services with a representative for qualified small businesses (58%).

Seventy-six percent of respondents have general contracting goals to account for small, DBE, and minority business participation, for non-federal dollar contracts. However, over three-quarters of respondents (78%) say that their main insurance provider has not sought a partnership with a qualified small business. Nearly half of respondents (47%) have no current active and/or direct contracts with a qualified small business.

APPENDIX 1: FAA DEFINITION OF AIRPORT CATEGORIES

FAA defines airports by categories of airport activities, including commercial service, primary, cargo service, reliever, and general aviation airports.

Commercial Service Airports are publicly owned airports that have at least 2,500 passenger boardings each calendar year and receive scheduled passenger service. Passenger boardings refer to revenue passenger boardings on an aircraft in service in air commerce whether or not in scheduled service. The definition also includes passengers who continue on an aircraft in international flight that stops at an airport in any of the 50 States for a non-traffic purpose, such as refueling or aircraft maintenance rather than passenger activity. Passenger boardings at airports that receive scheduled passenger service are also referred to as Enplanements.

Nonprimary Commercial Service Airports are Commercial Service Airports that have at least 2,500 and no more than 10,000 passenger boardings each year.

Primary Airports are Commercial Service Airports that have more than 10,000 passenger boardings each year. Hub categories for Primary Airports are defined as a percentage of total passenger boardings within the United States in the most current calendar year ending before the start of the current fiscal year. For example, calendar year 2001 data are used for fiscal year 2003 since the fiscal year began 9 months after the end of that calendar year. The table below depicts the formulae used for the definition of airport categories based on statutory provisions cited within the table, including Hub Type described in 49 USC 47102.

Definition of Airport Categories

Airport Classifications		Hub Type: Percentage of Annual Passenger Boardings	Common Name
Commercial Service: Publicly owned airports that have <u>at least 2,500</u> passenger boardings each calendar year and receive scheduled passenger service §47102(7)	Primary: Have <u>more than 10,000</u> passenger boardings each year §47102(11)	Large: 1% or more	Large Hub
		Medium: At least 0.25%, but less than 1%	Medium Hub
		Small: At least 0.05%, but less than 0.25%	Small Hub
		Nonhub: More than 10,000, but less than 0.05%*	Nonhub Primary
	Nonprimary	Nonhub: At least 2,500 and no more than 10,000*	Nonprimary Commercial Service
Nonprimary (Except Commercial Service)		Not Applicable	Reliever §47102(18)

APPENDIX 2: SURVEY SAMPLE

Airport Name	3-Letter Code	Hub Size
Massachusetts Port Authority	BOS	L
Cincinnati/Northern Kentucky International Airport	CVG	L
DFW International Airport Board	DFW	L
McCarran International Airport	LAS	L
Metropolitan Airports Commission	MSP	L
Metropolitan Washington Airports Authority	MWAA	L
Phoenix Sky Harbor International Airport	PHX	L
San Diego County Regional Airport Authority	SAN	L
Port of Seattle	SEA	L
San Francisco International Airport	SFO	L
Salt Lake City International Airport	SLC	L
Tampa International Airport	TPA	L
City of Albuquerque Aviation Department	ABQ	M
Allegheny County Airport Authority	AGC	M
Indianapolis Airport Authority	IND	M
Jacksonville Aviation Authority	JAX	M
City of Kansas City, Missouri Aviation Department	MCI	M
Port of Oakland	OAK	M
Reno-Tahoe Airport Authority	RNO	M
Lee County Port Authority	RSW	M
John Wayne Airport	SNA	M
Albany International Airport	ALB	S
Charleston County Aviation Authority	CHS	S
Norfolk Airport Authority	ORF	S
Tulsa International Airport	TUL	S
Central West Virginia Regional Airport Authority, Yeager Airport	CRW	N
Panama City Bay County Airport	PFN	N
Roanoke Regional Airport Commission	ROA	N

APPENDIX 3: SURVEY QUESTIONNAIRE

1. Organization

2. Respondent Information

Name:

Title:

Email Address:

Phone Number:

3. If known, list the insurance coverage most difficult to comply with by small business or DBE firms. *example: auto insurance, commercial general liability insurance, etc.*

4. If known, what is the second most difficult insurance coverage to comply with by small business or DBE firms. *example: auto insurance, commercial general liability insurance, etc.*

5. Have the limits of the insurance required in an airport contract frequently been identified by small business entities as a barrier to bidding on work at the airport? (Yes/No)

6. Have bonding requirements for contracts been identified as a hurdle for small businesses that are trying to secure a contract for work at your airport? (Yes/No)

7. Has your organization addressed any bonding requirement concerns with small business entities by implementing creative programs to allow bonding to be less of a hurdle for small businesses when competing for airport work? (Yes/No)

8. Has your organization's Risk Management Department actively tried to directly engage a small business, etc. to work on its own internal insurance program and insurance related services, in whole or in part in 2007 or 2008? (Yes/No)

9. Has your Risk Management Department met at least once with the airport's small business representative to discuss opportunities for qualified small businesses in the area of insurance placement, safety, loss prevention, broker services or other related services? (Yes/No)

10. If allowed in your state, does your organization have general contracting goals to account for small, DBE, and minority business participation, for non-federal dollar contracts? (Yes/No)

11. If allowed under state contracting statutes, have you asked your main insurance provider or broker to utilize or seek a partnership with qualified small businesses to work on placement and/or servicing your organization's insurance in any capacity? (Yes/No)

12. What is the number of current active and direct contracts your organization has with small qualified businesses for insurance, broker, third party claims administration, safety, loss prevention, or other related services?

13. Please feel free to comment on any survey question or the larger topic of DBE, minority and small business issues.

APPENDIX 4: ABOUT THIS REPORT

ACI-NA thanks its member airports for their contribution and input to this report. Without their participation, ACI-NA could not have been able to develop this report and the important information on the airport operating agreements' insurance.

This report was developed by the Insurance and Risk Management Committee Steering Group: Jeff Hollingsworth (Seattle), Errol Fitzpatrick (San Diego), Bill Hoyt (Minneapolis), Scott Gibbons (Cincinnati), and Mike Natale (Washington D.C.). ACI-NA staff contributors to this report include Liying Gu and Miranda Horan.

If you have any questions or comments regarding the results of this survey, please contact Miranda Horan, Research Analyst, Economic Affairs and Research, at mhoran@aci-na.org or at (202) 293-4530.