

ARRA Forum
“Looking Back, Looking Ahead”
A Conversation with Kevin Burke
July 24, 2024

With Guest

Kevin Burke, President and CEO, Airports Council International – North America

Hosted By:

Andy Weddig, Executive Director, Airport Restaurant & Retail Association

{This conversation was recorded March 11, 2024. The transcript is slightly edited for continuity and clarity.}

Andy: [00:00:02] Good afternoon and welcome to the ARRA Forum. I am Andy Weddig, Executive Director of the Airport Restaurant and Retail Association. Earlier this year, Kevin Burke celebrated his 10th anniversary as President and CEO of Airports Council International – North America. During his decade in office there, Kevin has expanded ACI-NA’s reach and influence as the Voice of Airports® in North America by amplifying the important role airports play in our everyday lives, unifying the industry behind shared priorities, and advancing a common cause with non-traditional allies. His tenure has been marked by innovation and growth in our industry, and also the serious, industry-threatening challenge of Covid. The progress and challenges together transformed our industry to a strong, better place. Yet Kevin sees our brightest days are still ahead. Today we welcome Kevin to the ARRA Forum. Welcome, Kevin. Thank you for joining us today on the ARRA Forum.

Kevin: [00:01:02] Andy, it’s a pleasure to be with you, as always. Always enjoyed spending time with you.

Andy: [00:01:06] I’m looking forward to it. It’s going to be a good conversation. You came to ACI-NA in the aviation industry from the American Apparel and Footwear Association, and before that, government affairs positions at other trade associations, as well as Capitol Hill. Although on your two-minute video marking the occasion of your anniversary at the ACI-NA, you called yourself an “aviation geek.” There must be things about this industry that you did not expect. What surprised you over your decade with ACI-NA?

Kevin: [00:01:44] Well, first of all, again, thank you for having me on Andy. I love what you guys do at ARRA. You’re our partners. We appreciate the work that we do together. But it was interesting when I came on ten years ago, Andy, I came from the retail industry. We represented all the major U.S. brands around the world, both apparel and footwear. My job was entirely different than what I have right now. The only similarity between my old job and this is that people at airports generally wear clothes. And we supplied them those clothes. Now, as somebody who understands that business, I understand how retailers operate in airports and

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what their margins are. But I'm at heart really an aviation geek. I love airplanes, anything about an airplane or a runway or taxiway. I have this unique experience when I go to an airport, I can go anywhere with the airport personnel. They'll take me everywhere. They'll teach me things. And that's what's been interesting. Because when you don't come from an industry, and you're willing to learn, what I found in this industry is there is a whole bunch of people who want to teach you. They welcome you with open arms. They spend time with you, they teach you. Our staff here in our Washington office and our Ottawa office have been the same.

Kevin: [00:02:56] But what has surprised me is, I've never worked for public servants before, and all of our members, both on the U.S. and Canadian side, they're public servants. I've worked for corporate CEOs who basically run their company, they want to run their company, and they report to their shareholders. And their chief job is to bring their stock price up. And they have one brand or several brands within the company they're responsible for. When I look at what airport directors have to do, they are what I would call a hybrid of a corporate CEO. They have all the responsibility of running a rather large enterprise, whether it's a small airport, a medium airport, or a large airport. They have responsibility for what happens at that airport. So that's the business responsibility. And they report to oftentimes the governor, city council, or mayor or an authority, and they have to be very quick on their feet. What really has impressed me is the political skill that is often not there in the corporate side that I have witnessed on the on the airport side, where airport directors have to be savvy political operators as well. They have to be able to read the tea leaves. They have to read where their boards are coming from, or their city councils are coming from, where their bosses are coming from, and operate in an environment where they have a bunch of masters, so they have to serve at the same time and figure out how they're going to build their airport, how they're going to keep their customers happy.

Kevin: [00:04:28] Both their passengers at the airport, plus all the businesses within the airport that help make that airport successful. So, what's really surprised me was the level of aptitude that these executives have. And not only just at the C-suite level, but all the way down the line. And what I've learned, too, is people don't take these jobs because of the money. They take these jobs because they love what they're doing now. Do they like to be paid fairly well? Yes, they do. But on the scale I was used to in my prior business where, you know, Ralph Lauren was on my board. He made lots of money. That can't compare to the board I have now. But they do what they do because they love what they do, because they love airports. They love aviation. I remember one of my former chairs, Maureen [Riley] from Salt Lake City. She said, within six months, you're going to get this aviation thing in your blood and it'll never come out. And ten years later, she's absolutely correct.

Andy: [00:05:23] Absolutely correct. That's great. And that is a perspective that a couple of our prior guests have pointed to is the pressures on the airport, on the directors, that may not be understood so well. Obviously, one of those pressures was Covid and the pandemic was, we

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hope, a once in a lifetime shock and industry threatening challenge. Some of your members say we are recovered. Some are outside the industry say we're recovered. In your mind, are we recovered yet?

Kevin: [00:06:01] You know, Andy, it's a great question. I think for the most part we're almost there. Certain regions of the country have fared extremely well. If I look at Florida, for example, some of the southern states where we had north-south routes, a lot of people fled to the south. Those airports benefited immensely by people moving down to Florida. Other airports that had heavy international suffered greatly, especially flights to Asia. Our west coast airports, they're just getting back. I think all in all, when I look at the number of enplanements we have that we get from our friends at TSA, we and many places are beyond where we were in 2019 on both domestic and international. We have some airports that are still pulling up to [20]19 and the international side. But, for the most part, I think we have recovered. Our Canadian members, for example, they suffered more than any U.S. airport because they got no relief at all,

Andy: [00:07:04] Right?

Kevin: [00:07:04] Their government and they had to go to the bank and borrow lots of money to keep their airports open. And so, their cost per enplanement today versus what it was in 2019 are much higher than they are in the United States. So, as much as the Canadian system rewards airports when they want to do infrastructure through their AIF, it didn't reward them during what I would consider to be their moment of crisis. How do you keep Canadian airports open? You know full well the crisis will pass, and you have to be ready for passengers coming through again.

Andy: [00:07:38] Now that's a kind of recovery where we got back to our passenger volumes that we saw pre-Covid. Of course, that ignores for the moment the lost passenger volume and lost PFC dollars and all the lost, in Canada, AIF funds that won't come back. They're gone forever. How is the recovery going for airports in terms of that piece of it, the business side of it? Yes, the passengers are back, but how are we doing on recovering from, say, the lost opportunities?

Kevin: [00:08:19] I think, again, it's mixed when I go through airports – and I go through a lot of Andy. I see some airports, their concessions are fully open, for example. But what's disappointing in the majority of airports I go through, there are still empty storefronts that have not completely recovered. When I looked at the challenges of our partners, our concession partners during the pandemic, they had no passengers. No customers. They had to pay rent. And a lot of our airports forgave some of that rent.

Andy: [00:08:48] Yes.

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Kevin: [00:08:49] Which was wonderful because they viewed all of our, our retail customers as partners. But yet the challenge was when they finally get back to where they were, are they getting enough people to work in these facilities? Is the passenger experience different? Because instead of having 15 people in your wait staff, maybe you have seven. So, is that passenger having to wait longer to get their meal before they get on a plane? And as I look at it, once a passenger passes through the the security site for TSA, it's all in the airport. Show them the passenger experience. And I think the pandemic really gave a swift kick to the airport industry realizing that, you know, we can recover, but it might not be as fast as you would hope. I do think the challenge is for all of our members, whether they be concessionaires, whether they be car rentals, whether they be the Uber and Lyfts of the world is that, yes, it's coming back. Is it coming back in the same way? And it probably isn't coming back in the exact same way. But what I've learned over the years is whatever crisis you're faced with is that you learn how to deal with the crisis, but how to learn about it better so you can prepare for it better. None of us were prepared for Covid, let's be honest. None of us were.

Andy: [00:10:07] Exactly.

Kevin: [00:10:08] And I was just asked by an NBC reporter today in an interview that how important was the money you received in BIL? I said, “absolutely essential.” I said, but the most important money we received was the relief we had for airports so they could pay their bonds, because if airports don't pay their bonds and they default on their bonds – which has never happened, by the way, in the U.S. airports. But if they default, they can probably get money later on, but it's going to cost them a lot more money, and it reduces the confidence people have in that institution by no fault of their own. Again, we operate cities within cities. People hear me speak all over the country. They know I always bring this up. We operate cities within cities. We have a retail component. We have fire and safety. We have environmental. We have a business. We're operating a public business. And that public business was harmed greatly by the pandemic. But credit to our members of Congress who realized that these are important economic places in our communities that they came around and helped us. I wish the Canadian government felt the same way about their airports there, but our folks in the U.S. came through for us.

Andy: [00:11:15] They came through for us. Yes, came through for concessionaires as well.

Kevin: [00:11:20] They did. And we fought hard as airports for our partners. We wish we could have gotten you more money than you got, but considering we were competing with a whole bunch of different entities that sought refuge, yes, in the main, I think we made out pretty well, Andy.

Andy: [00:11:37] I think we did. Well, now we have to finish the job, get all those monies across the finish line...

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Kevin: [00:11:44] That’s correct. Yep.

Andy: [00:11:45] Uh, before they start expiring. But you just alluded to, Kevin, a new normal. You said it’s going to be different in the future. So once we get along to that stage, what do you see the biggest challenges the whole industry in airports face over the coming decade?

Kevin: [00:12:04] Well, I think there’s the first thing that we focus a lot on is infrastructure. We have old facilities. Let’s be honest. I always begin presentations by saying, “Folks, we have some of the greatest 20th century airports in the world.” And it takes them a little time to get what I just said. I say, yeah, 20th century airports. Then they get it. I think, like anything else, Andy, if you’re trying to sell a product, you have to present it in a way that people want to buy it. And our airports are safe, they’re secure, but in many cases, they’re old. So, the goal for us moving forward is to modernize these facilities that generate \$1.67 trillion in revenue every year. We’re 7.2% of the gross domestic product. And we employ about 11 million people, almost 12 million people across the country. So, we’re a major employer. As I see it moving forward, that’s going to increase. I see that increasing because I think more people are going to be traveling. The baby boomer generation is probably two-thirds retired by that point.

Kevin: [00:13:09] I’m a baby boomer. I’m not retired yet, nor are you. But eventually we’ll be one of them. And that group is going to be traveling a lot. And where are they going to be coming from? Our airports. And so, all those things that we have to take into account to take care of our passengers, for senior citizens, for people with disabilities, people with intellectual disabilities, young children. How do we make these places more inviting for people who travel? That’s why infrastructure is so important. Because [if] we left it the way it is now, yes, they’ll be fine airports, but we’re not addressing the needs of the people who support us. And so, every generation is looking different. If you took a picture of a JFK terminal in 1965, it looks all brand spanking new. It looks great. And compared it to a new terminal in 2024, It would look very, very different. It serves the same customer but a different customer need. So, we have to continually adapt to what our customers want.

Andy: [00:14:08] That gets us to the challenges we face over the next decade: basically keeping the keeping the system safe – obviously safe – but also keeping it with enough capacity. And that’s going to cost a lot of money, I think. I know it’s north of \$120 billion.

Kevin: [00:14:30] It’s 151 billion over the next five years, which equates to – do the math on that – it’s \$30 billion a year or so...

Andy: [00:14:38] \$30 billion a year.

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Kevin: [00:14:40] Right. Which you and I both know, we don't have \$30 billion to be able to do these infrastructure projects. The airlines, to some degree, have been helpful in their own way to build terminals. But we all know what that means. They build a terminal because they want to create a fortress hub, to protect their brand. I get that. That's a small majority of the airports we represent. The small and medium airports don't have that luxury. So, they have to find means by which they can finance their airports and produce a brand new 21st century airport that reflects the community in which they live.

Andy: [00:15:21] That kind of funding is obviously far outside the time we have today. Yeah, that's a whole conference.

Kevin: [00:15:31] Andy, that's a couple of drinks discussion there.

Andy: [00:15:33] Yeah, at least. As I say a couple days and a couple conferences. Where do you see, getting out your crystal ball, what does the industry look like in ten years? I know there's a lot of speculation about alternative aviation mobility and all that. But, this is basically going to be the same, or is it going to be [different].

Kevin: [00:15:58] You know me, Andy. I'm an eternal optimist. The only way I get through life is to think there's a better thing on the other side of the wall. Let's just climb the wall and figure out where it is. Right. In our case here, airports are essential. As I look at my crystal ball, they will be different. We'll be serving a different level of customer. We'll be serving our children and their children. And totally different demands than we have right now. But those airports and the airlines have to be prepared to service that customer. But we have to prepare now. You can't wait for this stuff. You have to plan now for tomorrow. And if I'm looking at my crystal ball, I think the aviation sector itself is going to do just fine. It's an enormously expensive industry to operate in, both on the airline side as well as the airport side. Most people think, it must be very expensive to buy all those planes. Guess what, it is. They lease them, they buy them. But guess what? Let's talk about what it costs to build a brand-new terminal and a three-mile runway. Let's talk about what that costs. Right? So, the entire infrastructure of our system has to be modernized and updated on a fairly regular basis if we're going to keep our customers happy.

Kevin: [00:17:12] So my crystal ball says, we're going to have airplanes that are going to be flying on SAF. And we're going to have more demands on alternative fuels at airports. They're going to be a lower carbon footprint put out by airports, because airports realize that they play a big role in controlling that, with airline partners. Our concessions business at those airports will grow as the number of passengers grows. But that business might look different as well, because maybe people don't want to sit down at a restaurant and maybe they want to pre-order their food, which they can in some places now, and take it on the plane instead of eating that airline food they serve.

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Andy: [00:17:54] Um ... serve?

Kevin: [00:17:56] Whatever they do with it there. But I think all segments of the airport industry have to look at the future and say it doesn't look bad. It's going to be good. If we listen to the people who are making our industry great and that is our customers, our passengers and the people who work in our business, who see these people day in and day out and learn how to plan for the future.

Andy: [00:18:19] So we've got time for like one question. You just alluded to concessionaires and concessions partners. Obviously, my association... Pardon me.

Kevin: [00:18:28] I knew that was coming, Andy.

Andy: [00:18:29] Yeah. My association obviously represents the airport food and beverage and retail partners community. What do you think ARRA members must understand about airports that they may not understand?

Kevin: [00:18:43] That's a great question. It could be loaded, but it's not loaded. It's a very honest question. They have to realize that we're not our airports pre-2019. Life has changed a bit. That we have to look at ourselves as partners and to figure [it] out. We know you're in business to make money and we're in business to please our customers. Somewhere in the middle lies what needs to be done. I think the airport industry has to be flexible, as well as the concessions business, as to what the demands are on both sides. And I think, like in any situation, whether it be airports or any other industry, the way you make progress is by understanding. It's like being a lobbyist. To be honest with you, I was a lobbyist for many years. I was told early on that if you can't argue your opponent's position as effectively as they can, then your credibility is shot. Now the same corollary goes to the airport industry. If the concessionaires don't understand the challenges that the airport directors have and vice versa, then we'll have a problem. But I think the more we can talk to one another and understand our challenges, the better off we're all going to be. And look, we both need each other. You can't have an airport without concessions. You can't. You might as well just open up a bunch of food trucks before you get in. There's nothing wrong with food trucks, but you don't want them in your terminal. But you want great restaurants, and you want great opportunities to sell product. And that's what people are going to want.

Andy: [00:20:11] Perfect.

Andy: [00:20:12] Well, thank you, Kevin, for sharing your insights. Thank you, Kevin Burke, for joining us on the ARRA Forum today.

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Kevin: [00:20:19] Well, it's my pleasure, Andy. Any time you want to do this again, give me a holler.

Andy: [00:20:25] I certainly will.

Andy: [00:20:27] And on behalf of the Airport Restaurant and Retail Association, I thank all of you for watching, listening to, or reading the ARRA Forum. Be sure to watch your email or follow us on LinkedIn for the next episode. I'm Andy Weddig. Our guest today has been Kevin Burke. Everybody have a good day. Thank you very much.