

SEC JOURNAL

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WAL-MART PUSHES XNA

BENTONVILLE - Like most area residents, Robert Wilson of Springdale enjoys having the Northwest Arkansas Regional Airport close to home. But Wilson, residents and others who fly in and out of the area on business or to visit family and friends tend to fear one thing when going online to book a flight at XNA.

"Price," Wilson answered, while making his way to his gate at XNA recently. "I've driven to Tulsa (International Airport) a couple times because the flight has been half the price. I should do that more often, but driving to Tulsa just to board a plane is such an inconvenience. Any

of our friends who look into flights to this area for the first time always ask, 'Why are the prices so out of whack?'"

Wilson's frustration is not news to XNA Executive Director Scott VanLaningham.

"Ticket prices are the No. 1 complaint we hear," VanLaningham said. "We hear that a lot, especially with some of our flights to Dallas and Chicago. Everyone wants to know when we're going to get a low-cost carrier."

Given the current economic climate, and turbulent times in the airline industry in general, VanLaningham is unable to answer that question. But in the

meantime, Wal-Mart Stores Inc. recently launched a company-wide initiative to book associate business flights out of Tulsa International, Fort Smith or other airports if ticket prices at XNA are higher. Wal-Mart has flown out of other airports in the past on occasion, but if the savings are there, this initiative could end up sending associates to Tulsa - some 120 miles to the west - considerably more often.

"At Wal-Mart, we continue to look at costs in every aspect of our business," Wal-Mart spokesman Dan Fogleman said. "There's been direction to see if we can find more afford-

GOBB RESIGNS FROM LEXINGTON, KY

Michael Gobb, executive director of Blue Grass Airport resigned his position January 2. Gobb read a letter of resignation during a special meeting of the board that Friday morning. The resignation was effective immediately. The airport board had called a special meeting, saying in its agenda that it would entertain a motion for a closed session to discuss action "that might lead to the discipline or dismissal of an individual employee."

However, after Gobb resigned, airport board chairman Bernard Lovely said the closed session was no longer necessary.

He would not confirm that the meeting was called to discuss firing Gobb. However, "the events of the day made the closed session moot," he said.

The board suspended Gobb with pay last month after articles in the Herald-Leader showed that he had spent more than \$200,000 for travel, some to foreign cities, and other expenses in a span of a little more than two years.

The expenses are in addition to Gobb's salary of nearly \$220,000 a year, plus extensive benefits that include a car, gas and other perks.

A Herald-Leader survey of the travel and training expenses of top officials at

airports with passenger counts similar to that of Blue Grass found that Gobb's expenses exceeded all of them.

Gobb had recently hired an attorney to represent him and to negotiate a severance agreement with the airport.

However, Lovely said Friday that Gobb was not offered a severance package and he did not expect there to be further discussion of one.

Lovely said he is currently taking a larger role in the day-to-day operations of the airport, which is being run by its current management team.

"I'm attending staff meetings that I really didn't attend before," he said.

The search for a new executive director will begin in the very near future, he said. The search will be conducted either by a search committee or by the board's internal-affairs committee.

The board will meet on Jan. 13 to discuss the logistics of that search.

The board also is hiring a consultant to review management and compensation policies at the airport.

Several board members had a con-

ference call on January 7 with Nick Davidson, an aviation specialist with Jacobs Consultancy. During that call, Davidson was told about the current situation at the airport, coverage by the media and the construction goals for the airport before the 2010 Alltech FEI World Equestrian Games in Lexington.

Davidson will meet with board members on January 13.

In his letter, Gobb praised airport colleagues and said he was proud of the work that he and others had done in his 10 years as airport director.

"This airport has been very successful over the last 10 years due to your efforts," board chairman Bernard Lovely said after Gobb finished reading the letter.

After the Herald-Leader stories ran, the Urban County Council approved a resolution from Vice Mayor Jim Gray to have state Auditor Crit Luallen examine the airport's finances. That audit is now under way.

Gobb, 46, came to Blue Grass Airport 10 years ago from Bradley International Airport in Hartford, Conn.

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ATLANTA AIRPORT SETS NEW YEAR'S RESOLUTIONS

Hartsfield-Jackson Atlanta International Airport officials have made their resolution for 2009 simple: be one of the world's best.

Officials at the world's busiest airport said late Tuesday that their goal is to become one of the world's best airports in the eyes of the millions of customers that pass through Hartsfield-Jackson each year.

"2009 will build on what we accomplished in 2008, bringing additional customer improvements and enhancements designed to make the Airport a more hassle-free and convenient place for travelers," airport General Manager Ben DeCosta said in a news release. "We aim to be one of the world's best airports and Hartsfield-Jackson will achieve that goal by exceeding our customers' expectations everyday in the New Year."

Hartsfield-Jackson officials have set 10 goals to meet their 2009 resolution. The goals are:

-Redesign the airport Web site (www.atlanta-airport.com) with new interactive features, graphics and photographs. The airport also wants to increase the site's functionality for instant information, parking availability, flight information and security waits. The site will also be upgraded with functionality in Spanish, German, French and Chinese.

-Having ample parking through its more than 30,000 on-site spaces.

-Improved security screening. The airport recently opened new security lanes, bring its total to 32. Airport officials say waits will be less than 10 minutes on average during non-peak times, and less than 20 minutes on average at peak periods.

-New shopping. More than 70 new stores will open between Jan. 1 and the summer as part of Hartsfield-Jackson's planned "retail renaissance." Names include Brooks Brothers, Sean John and Lacoste.

-New international destinations. Starting in the summer, Atlanta will have more access to Africa than any other U.S. airport. Overall, the city will boast 90 international destinations to 55 countries, including non-stop service to cities in Europe, Asia, Latin and South America and Australia.

-New art. The airport boasts about 250 pieces across its six concourses and will add a permanent collection on Concourse T from the Arrowmont School of Art and Craft in Tennessee.

-New entertainment will be offered at the airport, including the return of its holiday music series and a rotation of regular pianists in the atrium and on Concourse E.

-Improved sights in Hartsfield-Jackson's terminals, including its planters and landscaping on its 4,700-acre grounds.

-The Consolidated Rental Car Facility (CONRAC). CONRAC, which opens in November, will hold all airport rental car agencies and is connected to Hartsfield-Jackson via automated tram. CONRAC will reduce traffic congestion and link the airport to two new hotels under construction at the [Georgia International Convention Center](#).

-Recycling. The airport will implement in early 2009 a comprehensive recycling program that ultimately will reduce the airport's landfill load by 70 percent. The airport said it will become Atlanta's largest recycler.

Wal-Mart Pushes XNA, continued from Page 1

able options, whether flying from Tulsa, Fort Smith or another location. It might mean we travel less.

"Expense control is on everyone's mind right now - every business," Fogleman said. "Wal-Mart has a good relationship with XNA and its airlines, but if there's an opportunity to save money, we're going to take it. Those savings are eventually passed on to our customers."

Without the demand for air travel created by Wal-Mart Stores Inc. and its web of vendors, odds are XNA wouldn't exist. So, depending on how often Wal-Mart exercises its option to fly out of Tulsa instead of out of XNA, the Highfill-based facility, which celebrated its 10th anniversary last month, could feel a significant sting, especially following a harsh November in which XNA saw ridership drop 17 percent over November 2007.

"We understand completely the decision Wal-Mart had to make," VanLaningham said. "All over northwest Arkansas, businesses are having to make these kinds of decisions.

"We've been encouraging our airlines to bring their prices to a more competitive level," VanLaningham said. "I'd love to see that happen, but as administrators of the airport, we don't have that power. I like to refer to airport administration as the owners of the mall. We provide the facility. The airlines are like the stores. They set their prices."

The Daily Record recently punched in a few itinerary options to see how XNA fares compared to those being offered at Tulsa International Airport. For a flight leaving XNA for O'Hare International in Chicago the morning of Dec. 26 and returning that same evening, fares began at an eye-opening \$1,450. Situated in the middle of the holiday season, higher fares are to be expected, but the same flight itinerary out of Tulsa carried a price tag of \$433.50 to \$773.50.

For a flight leaving XNA for O'Hare International on Friday, Jan. 9, and returning on Monday, Jan. 12, the best price available through the travelplanning link on the XNA Web site was \$396 on American Eagle, which included a connection in St. Louis. There were also options offered with a connection in Charlotte, N.C., for \$699. From Tulsa, the majority of options were direct flights ranging from \$307.50 to \$379.50.

For a flight leaving XNA the morning of Monday, Jan. 19, to O'Hare International and returning Thursday, Jan. 22, options ranged from \$396 to \$886, the majority of which included one connection along the way. The cheapest direct flight was \$655. Meanwhile, Tulsa offered the same flight with or without connections on a host of airlines from \$307.50 to \$319.50.

There were several flights to destinations other than Dallas and Chicago where XNA and Tulsa's fares were comparable. But there appeared to be little rhyme or reason between the two when it came to Dallas and

Wal-Mart Pushes XNA, continued from Page 4

Chicago, which are not only popular destinations from this area, but serve as major points of connection to additional destinations.

Andrea Huguely, spokeswoman for American Eagle, XNA's largest carrier, said there are a number of factors that play into fares at various airports, including destination, size of aircraft and landing fees charged by airports. "Fares are very complicated," she said. "You can find one price one minute, and it can be different the next. There's no simple, uncomplicated answer to how it works."

Huguely said American Eagle does not want customers from northwest Arkansas to have to drive to Tulsa, an airport the airline also serves, for flights. But sometimes, fares are simply going to be higher to some destinations.

"XNA has a lot of convenience factors," Huguely said. "Parking is close, you don't have to drive 90 minutes or more to Tulsa, especially during the winter months. For the size market it is, XNA has a lot more service than what's typical. And we do listen to our customers. We are constantly studying every market we're in."

Huguely said American Eagle and representatives from its parent company, American Airlines, meet with Wal-Mart representatives regularly. She said American Eagle has corporate rates for Wal-Mart and other corporations based in the areas the airline serves.

Wal-Mart's looking more seriously at flights out of Tulsa could have a significant impact on XNA. While the degree of that impact is unknown at this time, VanLaningham and XNA administrators figure to be watching closely. Wilson and several other travelers interviewed for this story hope XNA's six airlines are keeping tabs as well.

"I hope it drives prices down for all of us - even those who aren't traveling on business," Wilson said.

Bristol, VA Seeks Financial Protection From Airport

BRISTOL, Va. – With plans to form an independent governing authority at Tri-Cities Regional Airport grounded by uncertainty, city leaders plan to seek another source of financial protection.

Bristol, Va., is one of six local governments sharing ownership of the Blountville, Tenn.-based airport, but the only one not covered by Tennessee's tort liability insurance. In the event of a judgment in a catastrophic accident or other lawsuit, the city could be found liable for an unlimited amount of money. State insurance caps damages for Tennessee-based governments at \$450,000.

An airport authority, in addition to overseeing operations, would insulate all owners from such claims.

Bristol, Va., city leaders met with airport officials numerous times this year and have studied the concept. "We plan to try and work with the state of Tennessee, after the first of the year, to try to get this resolved," Bristol, Va., Mayor Jim Rector said. "We've talked with our lawmakers and now we need to try to get some direction from Tennessee."

Virginia state Sen. William Wampler, R-Bristol, thinks an old agreement between former governors George Allen of Virginia and Don Sundquist of Tennessee should cover the city and extend state insurance coverage. "Gov. Allen and Gov. Sundquist met one day at Acme Hot Dog in Bristol, Tenn., and jointly agreed each state would help either city, in the event of a problem. I believe some-

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Bristol, VA Seeks Financial Protection, continued from Page 5

thing like this would be covered by that agreement,” Wampler said.

City anxieties rose late in November, after the Sullivan County Commission voted to withdraw its support for the authority concept. Airport officials have said the plan wouldn't proceed without unanimous support from the owners. In addition to Bristol, Va., and Sullivan County, Tenn., the owners are Bristol, Tenn., Johnson City, Kingsport and Washington County, Tenn.

In the wake of Sullivan's vote, airport leaders plan to re-examine the authority issue, airport Director Patrick Wilson said. “The airport executive committee has previously been studying this. They plan to meet after the first of the year, to pick the issue up and see what the next step might be,” Wilson said.

Rector, who also serves on the committee and the full Airport Commission, predicted its future was uncertain.

“After Sullivan County took their position, we'll probably revisit the issue. With the economy like it is, there may be more pressing issues the airport needs to work on than the authority.”

Asked about how the Sullivan vote could impact the authority plan, Wilson said that will be up to the committee, which isn't expected to proceed without the support of every owner.

“I don't think they're [Sullivan] opposed, they just withdrew their previous support,” Wilson said.

Sullivan County Mayor Steve Godsey agreed, saying commissioners want to revisit the issue.

“Since nothing was being done, the commission didn't want that [2003] vote out there, that we were the only ones supporting it,” Godsey said. “I think, overall, the commission will go along with the authority – once it's looked at. I don't read a whole lot into that vote.” Godsey said the primary reason for establishing the authority is to expedite the approval of federal and state transportation grants, and he is ready to propose an alternative. “Each owner could pass a resolution at the beginning of each year, authorizing the Airport Commission to accept grants on our behalf,” Godsey said. “Everybody would have to pass it at the beginning of each year. But that doesn't address the issue of liability.”

Godsey, a former state representative, said he isn't sure if the gubernatorial agreement would be enough to cover Bristol, Va., in the event of a lawsuit.

Rector said an accident, or other catastrophic event, isn't the city's only worry. “Without the authority, each owner is responsible for their share of the airport's debt,” Rector said. “The bonds are issued in the name of Sullivan County, but each owner agrees to guarantee its [percentage] share. That means, if the airport defaulted for whatever reason, Bristol, Va., would be responsible for 10 percent.”

The airport currently has almost \$8 million in bond debt, Wilson said.

“Our business model says that when funds come into the airport, they first go to pay those debts,” Wilson said. “Any other funds go into airport accounts. If for some reason all those were depleted, it would fall back to the six county and city owners to back that debt. It's been that way since the airport was established.”

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Gobb Resigns from Lexington, KY, continued from Page 2

Unfortunately, a hasty departure usually means there is more to the story.

The Blue Grass Airport board will cancel credit cards for the airport's top officials in light of widespread concern about excessive and inappropriate spending, including the revelation that three airport employees charged \$4,500 at a Texas strip club to one of the cards.

Bernard Lovely, the board's chairman, said Monday the cards would be canceled. He and airport attorney Thomas Halbleib discussed some of their findings in an ongoing inquiry into what they described as an entrenched "culture" that has allowed suspicious spending practices to flourish.

Last week, Michael Gobb, the airport's executive director, resigned because of questions about his expenses.

Gobb was one of the three at the strip club outing, which occurred in 2003, Lovely confirmed. He would not disclose who the other employees were, citing a continuing internal investigation.

The new disclosures also have prompted Lexington Vice Mayor Jim Gray to call for city leaders to take a stand on the "broadening scandal" when the Urban County Council holds its works session Tuesday.

Gray said they should ask Lovely to "step aside immediately." He also said that no new board members should be appointed and no out-of-state travel allowed until State Auditor Crit Luallen completes an audit of airport finances.

"If criminal actions have occurred, those involved must be punished," Gray said. "If those charged with oversight have failed in their responsibilities, they should be removed."

He said it was inappropriate for Lovely to be involved in day-to-day management of the airport when his oversight is being questioned.

Lovely, who is scheduled to step aside next week as board chairman, said the strip-club incident predates his tenure as chairman "and more importantly, I'm the one that uncovered it."

He said he'll serve the remaining year and a half of his term on the board. The board members are likely to nominate their treasurer, J. Robert Owens, president of Risk Placement Services of Lexington, as the next chairman, Lovely said.

Lovely said "no determination has been made" about whether the airport will press charges or forward information about the expenses to law enforcement agencies.

Lovely, who as airport board chairman is charged with overseeing Gobb's expenses, said Gobb may have hidden some spending from him by having subordinates purchase items for him on their airport credit cards.

It was Gobb's responsibility to review those charges.

"This, of course, offered Mr. Gobb the opportunity to cause purchases to be made on the airport credit cards without any review," Lovely said in a statement.

Gobb was in Hawaii attending an airport executives' conference. Neither he nor his attorney could immediately be reached for comment.

Lovely said he has learned that Gobb might have purchased original artwork that is unaccounted for, DVDs, computer software and expensive lunches and dinners, which might not have been appropriate.

A new Herald-Leader review of the credit-card statements from the six other officials beyond Gobb who were assigned airport cards shows thousands of dollars' worth of other questionable purchases.

Gobb resigns from Lexington, KY, continued from Page 7

Some charges, such as hundreds of dollars' worth of Nintendo Wii video games purchased last fall on another airport administrator's card, had Gobb's initials next to them or indications that Gobb had requested that the purchases be made.

Some specific instances discovered in the Herald-Leader's review of documents include:

- \$2,688 charged for five Bose Wave Music Systems on Dec. 20, 2005, on the credit card assigned to airport administration manager Debbie Kelly. The notation next to the purchase said it was for a "special event."

Lovely said Gobb asked Kelly to make the purchases from the Sharperimage.com so he could give them as Christmas gifts to employees, "and I guess himself. ... It has not been denied."

- \$663 charged on Kelly's card from Walmart.com on Nov. 9, 2007. Various Wii video games were purchased, including *Donkey Kong: Barrel Blast* and *Tiger Woods PGA Tour '08*. Gobb's initials "MAG" were listed next to the charge on the statement.

- \$697 charged on the credit card of John Coon, director of operations, in March 2007 for four tickets to a Baltimore Orioles-Arizona Diamondbacks game.

- \$389.26 for GPS mapping software of Italy, Greece and the Alps purchased in March 2008 and \$1,700 for a telephoto camera lens bought on the card of another airport director, John Rhodes.

In addition to those spending examples, Lovely and Halbleib are investigating whether airport employees used funds to purchase four shotguns for a shooting fund-raiser for the Boy Scouts of America. At least three of the shotguns are missing, Lovely said.

Lovely said it appeared that airport staffers were afraid to come forward about problems they saw.

He said he learned of the 2003 strip club excursion after a Dec. 17 airport board meeting when he was approached by an airport employee, whom he declined to name.

"The employee indicated and the third employee confirmed that the evening involved a trip to a strip club in Texas, that a tab of over \$4,500 was incurred, that the tab was put on a Blue Grass Airport credit card and that the airport was never reimbursed," Lovely said.

The charge was listed on the statement of one of the men's credit cards, with the justification that they were "entertaining American Airlines executives," said Lovely.

Halbleib said they think no American Airlines executives attended the strip club outing.

Lovely noted that he wasn't board chairman at the time.

Lovely said he confronted Gobb and his attorney about the strip club expenses last week and Gobb confirmed going to the strip club.

Gobb acknowledged that he did not tell the board of the events and that he had not reimbursed the airport, Lovely said. "This situation left me without confidence in Mr. Gobb's ability to lead and manage Blue Grass Airport," he said.

The airport is a public, non-profit corporation that uses a mix of public and private funds, which are overseen by a board appointed by Lexington's mayor.

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**Airport Cancels
Lease**

WILLIAMSTOWN, W.Va. -- The Mid-Ohio Valley Regional Airport has terminated the lease for a proposed jet center, saying the developer owes \$27,800 in back rent.

Airport manager Terry Moore says the lease was recently voided.

The Wood County Airport Authority approved Bill Thayer's 50-year lease in January.

Thayer says it's the wrong time and the wrong economy for the jet center and the project is dead. He says he's negotiating with the airport on how much he owes in back rent.

Thayer had said in January that the jet center would be modeled after a facility called Multiflight in Leeds, England, that provides services such as aircraft repairs and sales, charter and hangar services, and flight lessons.

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TERMINAL CHANGE DRAWS ANGER

PANAMA CITY - The Airport Authority has approved a structural change to the \$64 million terminal for the new Panama City-Bay County International Airport that drew the ire of Authority Chairman Joe Tannehill, who called the changes the result of "poor performance."

Jeff Dealy, program manager for construction of the new airport north of Highway 388 near West Bay, said deeper auger-cast piles than first anticipated must be driven into the ground in order to properly support the new air traffic control tower.

This will take not only additional time but add \$155,000 to the original cost-estimate for the terminal, the most important portion of which is the control tower.

Despite some joking that the change was needed to prevent a "Leaning Tower of Pisa," Tannehill angrily insisted the Airport Authority should not have to pay the extra expense and that the deeper piles should have been predicted.

"We should not have to pay for poor performance," he said. "Somebody blew it, and it was not this board."

Dealy explained that the original design for the tower called for 72 piles drilled to a depth of 52 feet. The new design, based on actual field tests, will require 44 piles at 70 feet and 28 piles at 80 feet.

Auger-cast piles are installed by rotating a hollow-shaft auger, or drill, into the soil to a specified depth. High-strength cement is then pumped under pressure through the hollow

shaft as the auger is slowly withdrawn. The resulting column hardens and forms an auger-cast pile.

The need for the change has already set the construction for the terminal back about two weeks, Dealy said, and two more test piles should be drilled.

David Hanson, senior vice president of Walbridge, which won the low bid for the terminal's construction, told Authority members that such changes were not unusual.

"Probably half the virgin sites we have worked on have problems such as this with the piles," he said.

Airport Authority board members agreed to proceed with the change, but with the right to seek reimbursement "from those responsible."