

2011 Competition Plan Update

Attachment A

Leasing Arrangements, Financial Constraints, and Capital Improvement Plan

Albuquerque International Sunport

Prepared for **City of Albuquerque Aviation Department**

June 2011



Summary



Scope of Passenger Airline Agreements at the Sunport

Key Points

- A master agreement is used to draft each tenant's agreement
- Each type of agreement has the same general provisions regarding environmental, insurance, indemnification, and other standard requirements
- Capitalized terms are used in this document as defined in the Agreement

Agreement name	Signatory requirement	Pay signatory rates and charges?	Majority-in-interest (MII) approval rights?	Early termination provisions
Amended and Restated Scheduled Airline Operating Agreement and Terminal Building Lease*	Lease at least 5,200 square feet of Terminal Building space that, when leased together, promotes efficient facility usage	Yes	Yes	Termination of scheduled service through the remaining term of the agreement
Affiliate Airline Operating Agreement	Fully owned subsidiary of Signatory Airline's parent airline or operates flights under a codeshare or capacity purchase agreement for a Signatory Airline	Yes	No	Termination of scheduled service through the remaining term of the agreement
Commuter Airline Lease and Operating Agreement	Lease space in the Commuter Terminal	Yes	No	Termination at option of either City or airline with 30 days' notice
Non-Signatory Airline Operating Agreement and Terminal Building Lease	Engaged in air transportation business at the Sunport and desires to lease or use facilities	No; 15% premium over equivalent Signatory rates	No	Termination of scheduled airline service for a period of 60 consecutive days

* - Referred to throughout this document as the Agreement.



Summary of Changes in the 2011 Airline Agreement versus the Prior Agreement

Key Points	Provision	Change	Rationale
<ul style="list-style-type: none"> The 2011 agreement is modeled after the 2006 agreement with minimal changes to the terms The provisions were negotiated between the City and the Signatory Airlines over approximately a 9-month period between June 2010 and March 2011 	Airfield PFC Revenue Offset (definition; Section 5.02)	Increased from a guaranteed minimum \$2.45m per year to the full amount of debt service allocable to the Runway 3-21 extension project (~\$3.25m per year)	<ul style="list-style-type: none"> Keep airline rates and charges competitive Increase PFC rate to \$4.50 to increase discretionary funding sources
	Single Terminal Building rental rate (Section 7.04)	Weighted rental rates by class of space eliminated and replaced with single terminal building rental rate	<ul style="list-style-type: none"> Decrease complexity and increase transparency of rates and charges calculations for incumbent and new entrant airlines Keep airline rates and charges competitive
	Reliever Airport Deficit (Sections 7.03 and 7.09)	Exclude from the calculation of the Reliever Airport Deficit revenues and costs allocable to commercial development; require City-airline discussion of new rate-making methodology if commercial development revenues exceed costs	<ul style="list-style-type: none"> Ensure fairness by charging airlines only for reliever airport function Provide process by which airlines can share in commercial development revenues should they exceed allocable costs
	Lengthy Tarmac Delays (Section 9.06)	Commit the City to assist airlines in reducing passenger hardships attributable to lengthy tarmac delays	<ul style="list-style-type: none"> Cement partnership between City and airlines with regard to minimizing the impact of lengthy tarmac delays
	Rules and Regulations (Section 17.01)	Give airlines the opportunity to comment on changes to the Sunport's Rules and Regulations	<ul style="list-style-type: none"> Ensure fairness by giving airlines the opportunity to comment on changes that may affect their operations

Sunport Competition Plan History

Key Points <ul style="list-style-type: none"> This competition plan update is required per FAA PGL 04-08 due to the execution of a new airline agreement effective July 1, 2011 	Year of report or update	FAA approval date	Update?	Overview
	2001	April 23, 2001	No	<ul style="list-style-type: none"> First plan as required by Section 155 of the Wendell H. Ford Aviation and Investment Reform Act for the 21st Century (AIR-21) Required because market shares of 2 airlines together was greater than 50% (Southwest 46% and Delta 12%)
	2002	August 29, 2002	Yes	<ul style="list-style-type: none"> Required annual update Provisions generally unchanged
	2004	May 24, 2004	Yes	<ul style="list-style-type: none"> Required 18-month update per PGL 03-01 Included new dispute resolution procedures Other provisions generally unchanged
	2006	January 23, 2007	Yes	<ul style="list-style-type: none"> Triggered by execution of new airline agreement in September 2006 per PGL 04-08 New agreement provisions included ability for affiliate airlines to pay signatory landing fees and requirements for security deposits in light of airline bankruptcies Pre-approved capital improvement plan included terminal capacity projects and multi-user flight and baggage information display systems (FIDS and BIDS) to be funded largely with Passenger Facility Charges (PFCs)

Summary of Changes from Prior (2006) Competition Plan

Key Points	Provision (page)	Change
<ul style="list-style-type: none"> Most provisions from the original 2001 competition plan remain unchanged in this update; however the City has used the execution of a new airline agreement as an opportunity to review air service trends and formalize policies and procedures 	Comprehensive plan update	<ul style="list-style-type: none"> Comprehensive review of air service trends since FY 2001 Incorporation of terminal diagrams and parking plans reflecting gate reconfigurations and airline relocations Summary of available facilities Compilation of all relevant competition plan information, including summary of relevant airline agreement provisions, in a single place for ease of reference
	Increased public access	<ul style="list-style-type: none"> Creation of airline competition page on Sunport website (www.cabq.gov/airport) Page contains: <ul style="list-style-type: none"> Current competition plan and future updates Information regarding availability of facilities and airline rates and charges Contact information for the Competitive Access Liaison
	Competitive Access Liaison (A-6)	<ul style="list-style-type: none"> Appointment of new Competitive Access Liaison Formal identification of roles and responsibilities as single point of contact for all matters related to airline competition
	Minimum number of common use gates (A-23)	<ul style="list-style-type: none"> Adoption of new policy to keep in reserve at least 10% of gates (2 as of June 2011) as City-controlled, common-use gates
	Common use operating procedures and protocols (A-25)	<ul style="list-style-type: none"> Formal adoption of accommodation priorities in the case of competing requests for facilities Formal adoption of maximum gate-occupancy periods in the case of competing requests for common-use gates

Competitive Access Liaison

Key Points

- The Competitive Access Liaison has responsibility for all elements of Sunport operations relevant to this Competition Plan
- Contact information for the Competitive Access Liaison will be posted in the Airline Competition section of the Sunport's website where this Competition Plan and any subsequent updates are published

▪ The City's Competitive Access Liaison has responsibility for:

- Acting as the single point of contact for incumbent or new-entrant airlines requesting facilities
- Acting as the single point of contact for the Federal Aviation Administration (FAA) for matters related to this Competition Plan or relevant legislation
- Administering airline requests for common-use facilities
- Coordinating airline requests for sharing the use of leased facilities when no other facilities are available
- Coordinating airline requests for ground handling and related services
- Monitoring gate utilization to ensure their efficient use subject to the accommodation and recapture provisions of the Agreement
- Enforcing the provisions of the Agreement regarding subleasing and fees charged by Signatory Airlines for the subleasing or use of facilities
- Arbitrating disputes among airlines regarding the use of facilities and fees charged for the use of facilities subject to this Competition Plan
- Announcing to airlines when gates, aircraft remain overnight (RON) parking positions, and related facilities become available
- Administering any other operational responsibilities relevant to this Competition Plan, disputes regarding this Competition Plan, or FAA Competition Plan legislation

▪ The Competitive Access Liaison designated by the Director is:

Jack Scherer

Acting Associate Director of Planning and Development

Albuquerque International Sunport

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jscherer@cabq.gov

PGL 04-08 Cross-reference



PGL 04-08 Cross-reference

Key Points	PGL 04-08 requirement	See pages
<ul style="list-style-type: none"> This cross-reference is provided to ensure that all requirements of PGL 04-08 for competition plan updates are met by this document 	1. Availability of gates and related facilities	
	1.1 Number of gates available at the Airport by lease arrangement, i.e., exclusive, preferential, or common use, and current allocation of gates	A-14, A-23
	1.2 Whether any air carriers that have been serving the Airport for more than three years are relying exclusively on common-use gates	A-19
	1.3 Diagram of the Airport’s concourses	A-15
	1.4 Description of the gate use monitoring policies, including any differences in policy at gates subject to PFC assurance 7 and samples of gate use monitoring charts, along with a description of how the charts are derived and how they are used by the Airport	A-18
	1.5 Description of the process for accommodating new service and for service by a new entrant	A-19
	1.6 Description of any instances in which the PFC competitive assurance 7 operated to convert previously exclusive-use gates to preferential-use gates or caused such gates to become available to other users	n.a.
	1.7 Gate utilization (departures per gate) for week and month reported for each gate	A-18
	1.8 The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including the length of time between initial airline contact of Airport and start of service, the identity of the airlines, and how they were accommodated	n.a.
	1.9 Resolution of any access complaints by a new entrant of other airline seeking to expand service during the 12 months preceding the filing, including a description of the process used to resolve the complaint	n.a.
n.a.=Not applicable		



PGL 04-08 Cross-reference

Key Points	PGL 04-08 requirement	See pages
<ul style="list-style-type: none"> This cross-reference is provided to ensure that all requirements of PGL 04-08 for competition plan updates are met by this document Requirements 3 and 9 are addressed in Attachment B 	1. Availability of gates and related facilities (continued)	
	1.10 Use or lose or use or share policies and recapture policies for gates and other facilities. If no such policy exists, explain the role if any under-utilized gates play in accommodating requests for gates.	A-20
	1.11 Plans to make gates and related facilities available to new entrants or to airlines that want to expand service at the Airport and methods of accommodating new gate demand by airlines at the Airport (common-use, preferential-use, or exclusive-use gates)	n.a.
	1.12 Availability of an Airport Competitive Access Liaison to assist requesting airlines, including new entrants	A-6
	1.13 Number of aircraft remain overnight (RON) positions available at the Airport by lease arrangement, i.e., exclusive-use, preferential-use, common-use, or unassigned, and distribution by airline. Describe procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.	A-16
	2. Leasing and subleasing arrangements	
	2.1 Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access	A-21
	2.2 How the Airport assists a requesting airline obtain a sublease or handling arrangement	A-21
	2.3 Airport policies for sublease fees (e.g., maximum 15% above lease rates) and for oversight of fees, ground/handling arrangements, and incumbent schedule adjustments that could affect access to subtenants	A-21
	2.4 Process by which availability of facilities for sublease or sharing is communicated to interested carriers and procedures by which such arrangements are processed	A-24
	n.a.=Not applicable	



PGL 04-08 Cross-reference

Key Points	PGL 04-08 requirement	See pages
<ul style="list-style-type: none"> • This cross-reference is provided to ensure that all requirements of PGL 04-08 for competition plan updates are met by this document • Requirements 3 and 9 are addressed in Attachment B 	2. Leasing and subleasing arrangements (continued)	
	2.5 Procedure for resolving disputes or complaints among carriers regarding use of airport facilities, including complaints by subtenants about excessive sublease fees or unnecessary bundling of services	A-22
	2.6 Resolution of any disputes over subleasing arrangements in the 12 months preceding this filing	n.a.
	2.7 Accommodation of independent ground service support contractors, including ground handling, maintenance, fueling, catering, or other support services	A-21
	2.8 Copy of lease and use agreement in effect at the Airport	Attachment C
	4. Gate assignment policy	
	4.1 Gate assignment policy and method of informing existing carriers and new entrants of this policy, including standards and guidelines for gate usage and leasing such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory, and nonsignatory requirements	A-23
	4.2 Methods for announcing to tenant air carriers when gates become available. The description should discuss whether all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time	A-24
	4.3 Methods for announcing to non-tenant carriers, including both those operating at the Airport and those that have expressed an interest in initiating service, when gates become available and policies on assigning RON positions and how RON position availability announcements are made	A-24
	n.a.=Not applicable	



PGL 04-08 Cross-reference

Key Points	PGL 04-08 requirement	See pages
<ul style="list-style-type: none"> This cross-reference is provided to ensure that all requirements of PGL 04-08 for competition plan updates are met by this document Requirements 3 and 9 are addressed in Attachment B 	5. Gate use requirements	
	5.1 Gate use monitoring policy, including schedules for monitoring (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers	A-18
	5.2 Requirements for signatory status and identity of the current signatory carriers	A-3, A-14
	5.3 Where applicable, minimum requirements for leases (i.e., frequency of operations, number of seats, etc.)	A-3
	5.4 The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or subleasing arrangements and how these priorities are communicated to interested carriers	A-19
	5.5 Justifications for any differences in gate use requirements among tenants	n.a.
	5.6 Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates and how they are communicated to interested carriers	A-25
	5.7 Methods for calculating rental rates or fees for leased and common-use space. Where applicable, provide an explanation of the basis for disparities in rental fees for common-use versus leased gates.	A-27
	n.a.=Not applicable	



PGL 04-08 Cross-reference

Key Points	PGL 04-08 requirement	See pages
<ul style="list-style-type: none"> • This cross-reference is provided to ensure that all requirements of PGL 04-08 for competition plan updates are met by this document • Requirements 3 and 9 are addressed in Attachment B 	6. Financial constraints	
	6.1 The major source of revenue at the Airport for terminal projects	A-28
	6.2 Rates and charges methodology (residual, compensatory, or hybrid)	A-27
	6.3 Past use, if any, of PFCs for gates and related terminal projects	A-29
	6.4 Availability of discretionary income for Airport capital improvement projects	A-28
	7. Airport controls over airside and groundside capacity	
	7.1 Majority-in-interest (MII) or “no further rates and charges” clauses covering groundside and airside projects	A-30
	7.2 Any capital construction projects that have been delayed or prevented because an MII was invoked	A-30
	7.3 Plans, if any, to modify existing MII agreements	A-30
	8. Airport intentions to build or acquire gates that would be used as common facilities	
	8.1 The number of common-use gates the Airport intends to build or acquire and the timeline for completing the process of acquisition or construction	n.a.
	8.2 Whether common-use gates will be constructed in conjunction with gates leased through exclusive- or preferential-use arrangements	n.a.
	8.3 Whether gates being used for international service are available for domestic service	n.a.
	8.4 Whether air carriers that only serve domestic markets now operate from international gates and any disparity in their terminal rentals versus domestic terminal rentals	n.a.
	n.a.=Not applicable	



Facilities and Leasing Arrangements



Gate Distribution

- Key Points**
- ABQ has 22 gates on 2 concourses
 - Concourse A (east) has 13 gates and is used by Southwest and United
 - Concourse B (west) has 9 gates and is used by American, Delta, Frontier, and US Airways
 - Of the 22 gates, 15 are leased by the Signatory Airlines under the Agreement, a decrease from 17 under the prior agreement
 - All 22 gates are equipped with loading bridges and are leased on a preferential-use basis
 - The 7 vacant gates are used on a common-use basis for overflow or nonscheduled operations

Gate	Aircraft capability	Leasing airline	Gate	Aircraft capability	Leasing airline
Concourse A			Concourse B		
A1	B757-200	United	B1	B757-200	American
A2	B737-900W	United	B3	B757-200	American
A3	B757-200	United	B4	B737-800W*	US Airways
A4	B737-900W	Vacant	B5	B757-200	Vacant
A5	B737-900W	Southwest	B6	B737-800W*	Frontier
A6	B737-900W	Vacant	B7	B757-200	Delta
A7	B737-900W	Southwest	B8	B757-200	Delta
A8	B737-900W	Southwest	B9	B757-200	Vacant
A9	B737-900W	Southwest	B10	B757-200	Delta
A10	B737-900W	Vacant			
A11	B757-200	Southwest			
A12	B737-900W	Vacant			
A14	B737-900W	Vacant			

Notes: W=Aircraft equipped blended winglets. No gate A13. Gate B2 was decommissioned in 2010 due to reconfiguration of adjacent gate and removal of loading bridge Aircraft capability is the largest aircraft that can park at the gate without blocking the use of an adjacent gate. Gates A11 and B9 can accommodate larger aircraft in irregular operations (IROPS) and emergency situations. No gates are subject to PFC assurance 7. The 6 airlines listed comprise the Signatory Airlines. United includes space to be occupied and used by Continental until the airlines obtain a single operating certificate and complete integration.

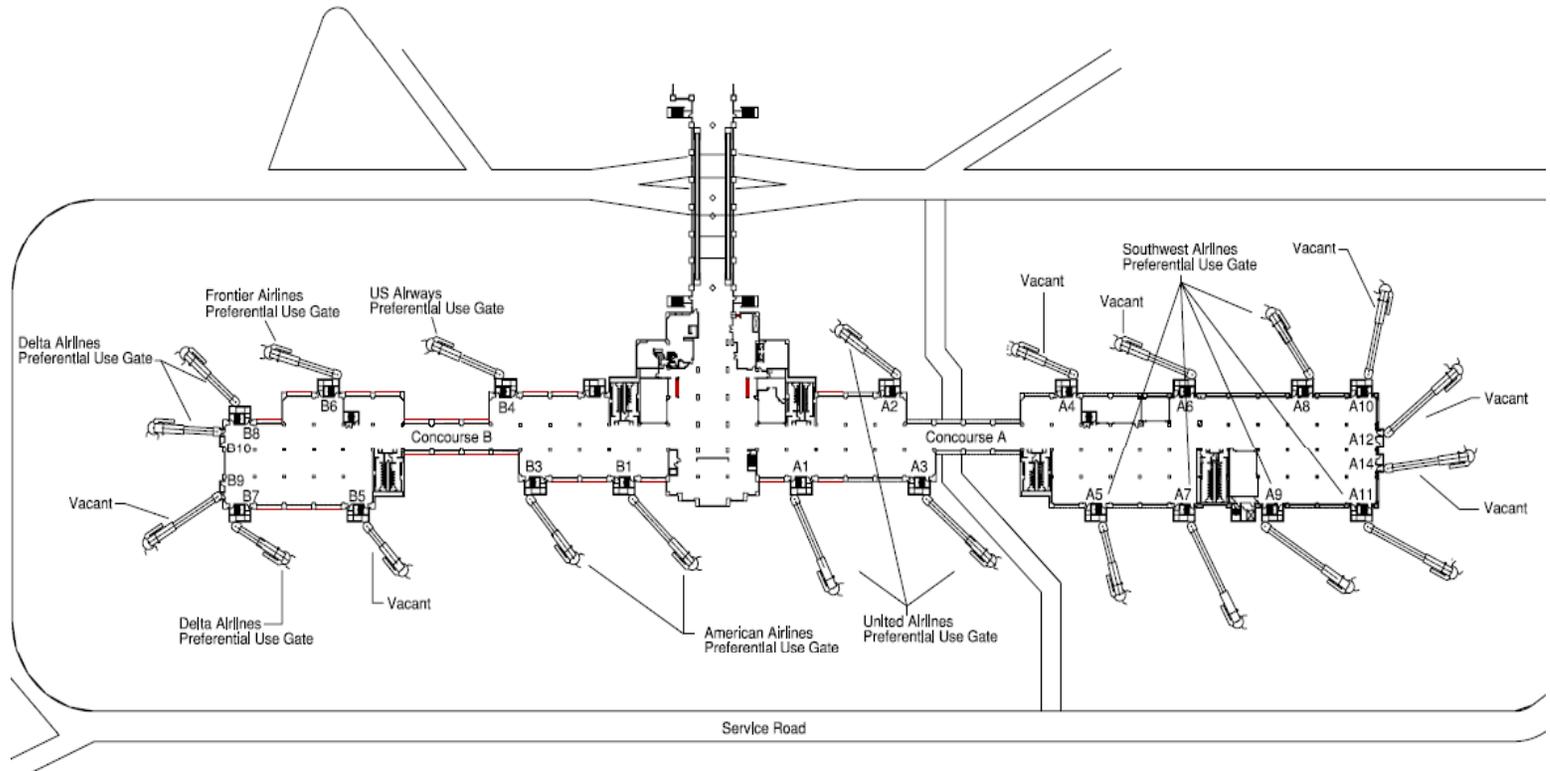
* Gate can accommodate B737-900W, but aircraft will encroach 5 feet into roadway.



Diagram of Gates

Key Points

- Of the 7 vacant gates, 5 are located on Concourse A and 2 are located on Concourse B, convenient for expansion by incumbent or new-entrant airlines

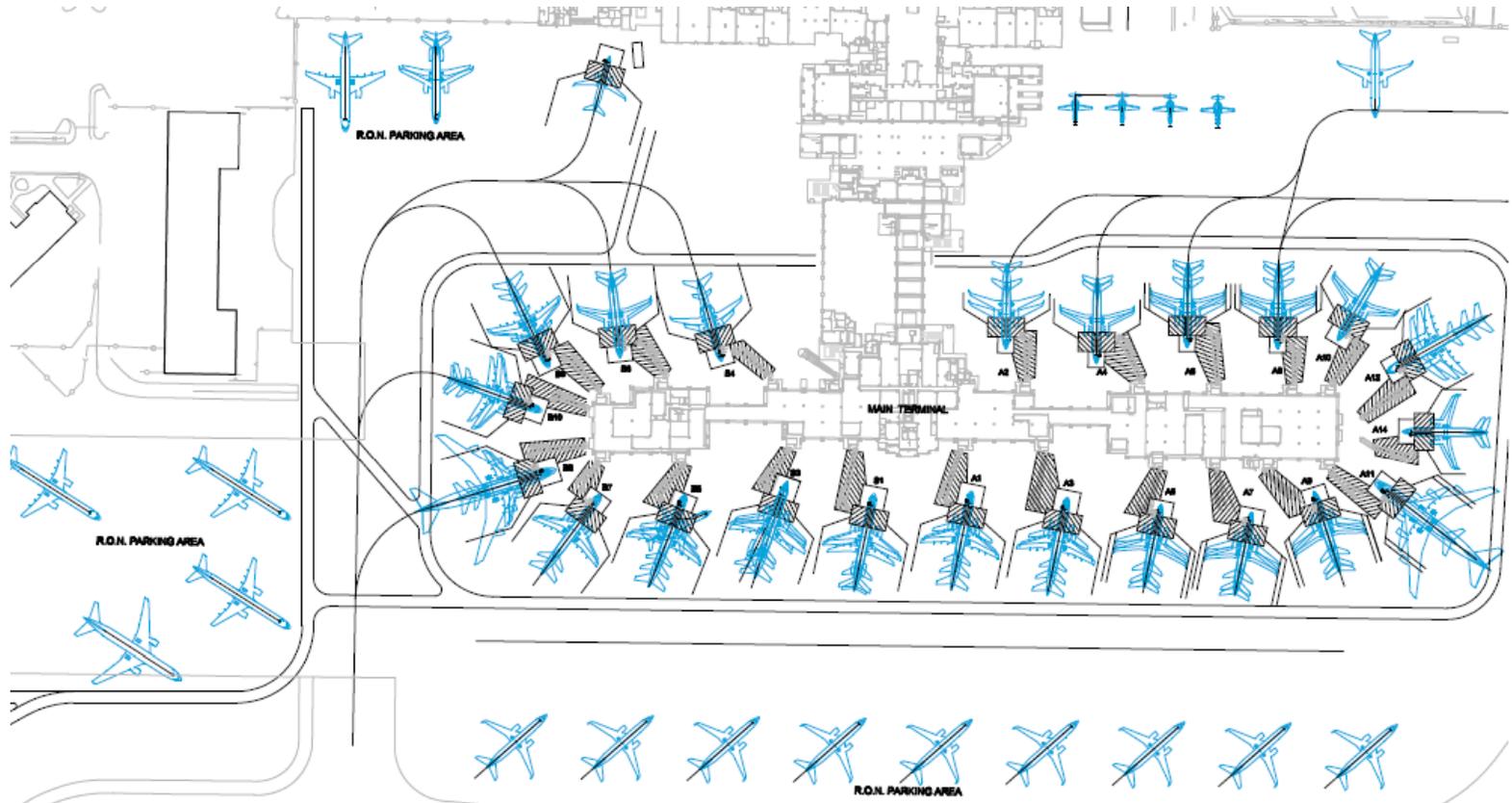


Leasing airline	Number of gates	Leasing airline	Number of gates
American	2	United	3
Delta	3	US Airways	1
Frontier	1	Vacant	7
Southwest	5		

Diagram of Aircraft Parking Positions

Key Points

- The Agreement gives Signatory Airlines the right to park aircraft overnight at no charge at their Preferential Use Gates and any common-use gates assigned for their use (Assigned Gates)
- The City also allows the use of vacant gates for remain overnight (RON) aircraft on a first-come, first-served, common-use basis
- In addition to the 22 parking positions on jetway-equipped gates, there are 17 narrowbody and 4 commuter aircraft RON parking positions on the apron surrounding the Terminal Building



Location	Number of positions	Location	Number of positions
On gate	22	Northwest apron	2
South RON parking area	9	Northwest apron @ FIS	1
West RON parking area	4	Northeast apron (narrowbody)	1
Commuter apron	4		

Basis of Use for Rentable Airline Space

Key Points	Type of space	Basis of use	Available (vacant) space as of July 2011
<ul style="list-style-type: none"> Section 4.01 of the Agreement establishes the basis of use by type of Terminal Building Premises Any space leased on an exclusive-use basis is done so for the 5-year term of the Agreement (through FY 2016) and is subject to the accommodation provisions of Section 4.02 The City uses multi-user flight information display systems (MUFIDS), multi-user baggage information display systems (MUBIDS), and other common use equipment to support efficient facility usage The City has adequate space available to accommodate new service for the term of the Agreement 	Ticket counter	Exclusive	2,175 square feet (27%) (16 positions)
	Ticket office	Exclusive	3,715 square feet (31%)
	Baggage make-up	Exclusive	5,854 square feet (26%)
	Curbside check-in	Exclusive	1,936 square feet (67%)
	Airline operations	Exclusive	4,313 square feet (21%)
	Unenclosed equipment storage	Exclusive	6,500 square feet (42%)
	Baggage claim office	Exclusive	977 square feet (39%)
	Holdroom	Preferential or non-preferential (i.e., common)	7 gates (32%)
	Passenger circulation area	Joint	Leased jointly in its entirety by all airlines; capacity exists to support vacant gates
	Baggage claim and inbound baggage	Common	Leased in common in its entirety by all airlines; capacity exists to support vacant gates



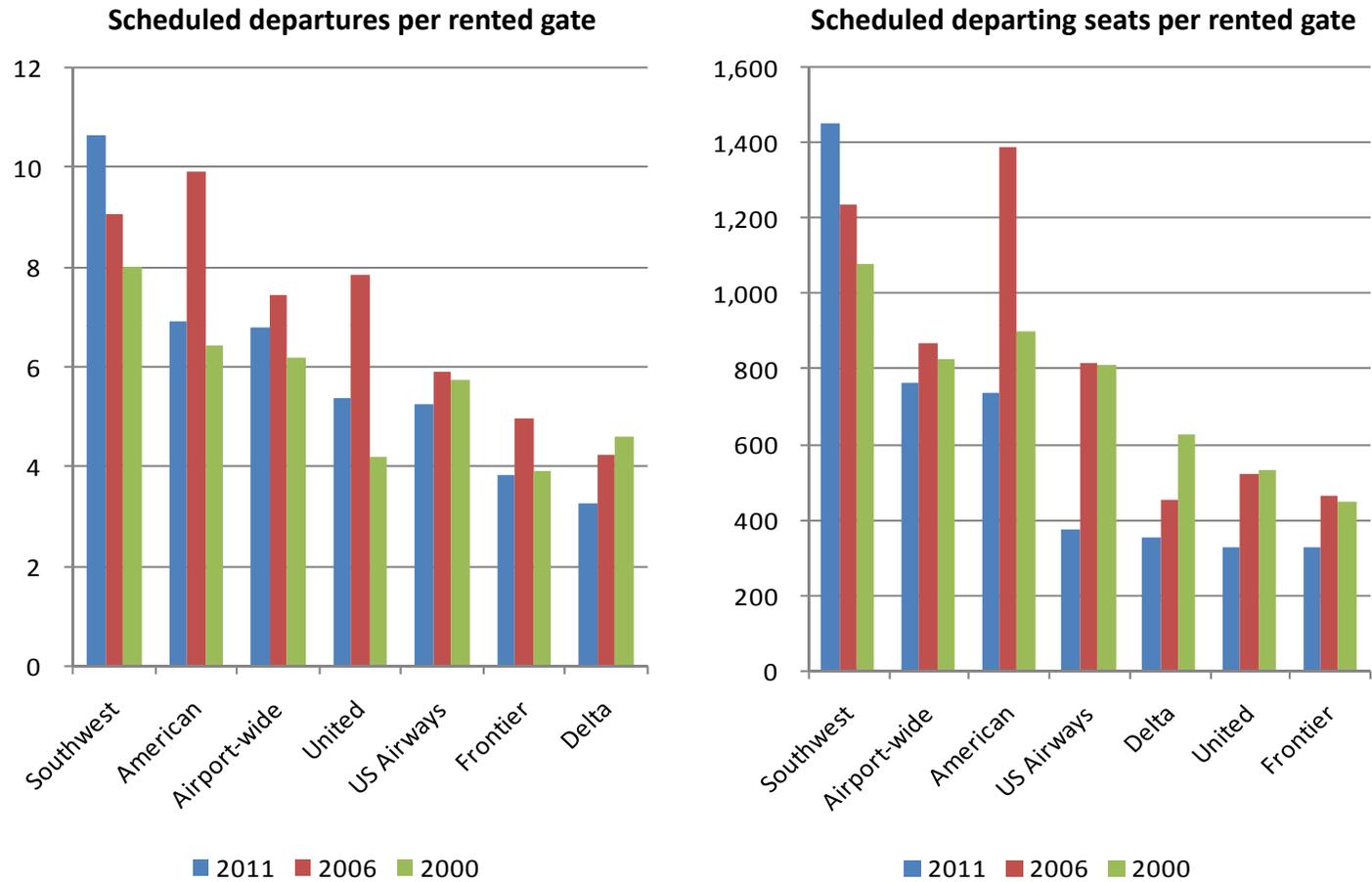
Gate Utilization and Gate Use Monitoring

Key Points

- ABQ's 15 rented gates, on average, are scheduled to accommodate 6.2 turns (i.e., 1 departure and arrival operation) and 831 seats in July 2011
- Southwest has the highest gate utilization, while Delta (departures) and Frontier (departing seats) have the lowest
- ABQ monitors gate utilization using Official Airline Guides (OAG) schedule data and publishes the data in its quarterly traffic report
- The City's Operations Department uses surface management system software that allows for the real-time monitoring of gate utilization

Gate utilization

For the month of July 2000, 2006, and 2011, ranked in descending order of utilization in July 2011



Notes: July 2000 shown as first month of fiscal year for which air service trends were analyzed for Attachment A. July 2006 shown as first month of prior airline agreement. July 2011 shown as first month of new airline agreement.

American includes Trans World; Delta includes Northwest; United includes Continental; and US Airways includes America West. Scheduled departures and departing seats from Official Airline Guides, Inc., online database, accessed June 2011.



Accommodation of Additional Service

Key Points

- ABQ's 7 vacant gates (32% of the total) provide capacity for additional service by new-entrant or incumbent airlines
- Section 4.02 of the Agreement contains the accommodation provisions
- No scheduled airlines at ABQ rely exclusively on common-use gates

▪ **All requests by incumbent or new-entrant airlines for facilities from which to provide new service are coordinated by the Competitive Access Liaison**

- Any such service is sought to be accommodated in the following order of priority: (1) at vacant gates; (2) at leased gates voluntarily by Signatory Airlines; and (3) at leased gates as designated by the Director using the accommodation provisions of the Agreement

▪ **Section 4.02 of the Agreement prescribes the process for the accommodation of other airlines on preferential-use gates or other leased Premises when not in use by the leasing airline**

- Provisions unchanged from the prior agreement; no historical usage of these provisions due to vacant gates being available

▪ **In the event a Requesting Airline cannot be accommodated on vacant or common-use gates (or other Premises):**

- Director notifies Signatory Airlines in writing that, if the Requesting Airline is not accommodated within 15 days, Director shall have the right to select a Signatory Airline to accommodate the Requesting Airline (4.02C)
- In making the decision, the Director shall take into account Signatory Airline gate utilization, schedule compatibility, union work rules, competitive relationships, and other factors (4.02D)
- The Accommodating Airline has 30 days to accommodate the Requesting Airline, but also has the ability to contest the Director's notice (4.02E)
- In accommodating the Requesting Airline's flights, the scheduled flights of the Accommodating Airline shall have priority (4.02F)
- The Accommodating Airline has the right to charge the Requesting Airline for services rendered, or Premises shared, with such charges based on the Accommodating Airline's direct and indirect costs plus a reasonable allowance for administration and profit (4.02G)

Recapture of Underutilized Facilities

Key Points

- ABQ's 7 vacant gates (32% of the total) provide capacity for additional service by new-entrant or incumbent airlines
- Section 4.03 of the Agreement contains the recapture provisions

- **The City has the right to recapture a Signatory Airline's gate if:**
 - That airline's scheduled average utilization, including Affiliate Airline Qualifying Flights, is less than 4 departing flights per day for the days Monday through Friday, and
 - The City determines that there is a reasonable need for the preferential use of such gate by another Signatory Airline
- **For purposes of calculating utilization, any Affiliate Airline Qualifying Flight on an aircraft with less than 70 seats counts as 0.5 departing flights**
- **Any departing flights operated by airlines other than the Signatory Airline or its affiliate are not to be included in the utilization calculation**
- **Pursuant to Section 4.02 of the Agreement, the Director is to take into account gate utilization when designating the accommodation of a Requesting Airline on a leased gate**

Subleasing Arrangements

Key Points

- Article 12 of the Agreement contains subleasing provisions
- No subleasing agreements are currently in effect at the Sunport, but Frontier maintains a ground handling arrangement with US Airways
- The Agreement allows Affiliate Airlines to use and occupy Premises leased by Signatory Airlines

- **Section 12.01 of the Agreement prohibits Signatory Airlines from assigning, transferring, or subletting its Premises without advance (30 days prior) written approval of the City**
 - Parent, subsidiary, and merged companies are exempt from this requirement
- **If City-controlled (common-use or vacant) Premises are not available and a Requesting Airline is accommodated in the Premises of a Signatory Airline:**
 - The Agreement requires the Requesting Airline to enter into an appropriate agreement for services rendered to, or Premises shared with, the Signatory Airline, but this agreement does not have to be a sublease (4.2F)
 - Any such agreement must contain appropriate indemnification provisions if requested by the Signatory Airline (4.02F)
 - If the airlines mutually agree to enter into a sublease, the Requesting Airline must be willing to become a Signatory Airline, enter into a sublease with substantially the same terms and conditions as the Agreement, and pay the Signatory Airline a reasonable security deposit not to exceed 3 months' rentals, fees, and charges (12.03A, 12.03B, and 12.03C)
 - The Signatory Airline is required to pay monthly to the City an administrative fee of 5% of gross revenues derived from each such sublease (12.03D)
 - Rentals, fees, and charges charged to the Requesting Airline by the Signatory Airline for a sublease are capped at 115% of Airline's rentals, i.e., the same as the premium charged by the City for non-signatory usage since such airlines do not participate in the year-end settlement
 - Unless otherwise addressed by the sublease, scheduled operations of the Accommodating Airline take precedence over scheduled operations of the Requesting Airline
- **The City allows independent ground-handling and support contractors to lease space and operate from the Sunport provided that such companies enter into Ground Handling Services agreements with the City**
 - Requesting Airlines must obtain written approval from the City to use such contractors

Procedures for Resolution of Airline Complaints or Disputes

Key Points

- The Competitive Access Liaison has responsibility for any complaints or disputes regarding subleasing or ground handling arrangements
- The City's goal is to achieve voluntary and mutually acceptable resolution of airline complaints
- The City has not received any airline complaints regarding arrangements covered by this Competition Plan
- The complaint resolution procedures summarized here are unchanged from the prior Competition Plan and plan updates

▪ **The City's goal is to achieve voluntary resolution of airline complaints**

- The City has not historically received any complaints or had to invoke formal dispute resolution procedures

▪ **In the case of any airline complaints or disputes between airlines regarding subleasing or ground handling arrangements, the City follows this process for resolution:**

- The formal written complaint or notice of dispute regarding arrangements and demand for arbitration shall be forwarded to the City's Competitive Access Liaison for consideration no later than 30 days after the dispute arises
- Within 10 days of the City's receipt of the notice, each party shall appoint one person as a representative
- Within 30 days of the City's receipt of the notice, the representatives shall meet and appoint a person to act as arbitrator
- Should the representatives fail to appoint an arbitrator within 30 days of the City's receipt of the notice, the representatives shall apply to a court of proper jurisdiction for the appointment of an arbitrator within the subsequent 30 days
- All arbitration hearings shall be held at a meeting room at the Sunport in Aviation Department facilities
- The arbitrator shall issue his or her decision with 30 days of the date he or she accepts his or her appointment
- The arbitrator may award arbitration fees and expenses (but in no event attorney fees and expenses); in the event the arbitrator makes no such award, the parties shall each pay for half of such fees and expenses
- The arbitration agreement shall be governed by the Uniform Arbitration Act

▪ **In the event that the procedures described above are not followed, the decision of the Competitive Access Liaison concerning the dispute shall be final and not subject to arbitration**

Gate and RON Position Assignment Policy

Key Points

- Per the terms of the Agreement and in compliance with City policy since 2006, all gates are leased on a preferential-use basis
- Vacant gates are available for non-preferential use in common with other airlines
- The City has 17 narrowbody common-use remote RON positions available for use on a first-come, first-served basis

- **The City assigns airlines preferential use or non-preferential use (i.e., for use in common with other airlines) rights to gates**
- **Of the 22 gates at the Sunport, 15 are leased on a preferential-use basis, and the remaining 7 are available for lease by incumbent or new-entrant airlines or for use in common with other airlines, including in regular day-to-day use to accommodate overflow operations**
 - The City assigns specific gates taking into account airline preferences for contiguous space, concourse location, and other operational considerations and requirements
 - The City has adopted a policy to keep in reserve at least 10% (2 gates) (including related support facilities) as City-controlled, common-use gates
- **Section 4.07 of the Agreement gives the City the right to relocate, reconstruct, change, or alter leased Premises, either temporarily or permanently, for the purposes of constructing improvements, modifications, or expansion of the Terminal Building**
 - The City is required to provide reasonable notice and adequate alternative space similar in character, condition, and utility value
- **In practice, airlines are given preferential rights for RON parking at leased gates**
 - Airlines can request accommodation of RONs at remote locations; for convenience, the City generally assigns rights to RON spaces directly behind gates to the airlines leasing those gates
- **Section 6.11 of the Agreement requires airlines that have served the Sunport for fewer than 12 months, or airlines in default of amounts due, to maintain an irrevocable letter-of-credit or bond in an amount equal to 3 months' payments for a 12-month period**

Airline Notification Procedures

Key Points

- The Competitive Access Liaison acts as the single point of contact for coordinating airline requests for facilities
- When space is unavailable, the Competitive Access Liaison administers the accommodation and recapture provisions of the Agreement
- The Competitive Access Liaison maintains an inventory of vacant space and RON positions and any unsatisfied airline requests for space or positions

- **The Competitive Access Liaison has responsibility for maintaining an inventory of:**
 - Available Terminal Building space
 - Available RON positions
 - Unsatisfied airline requests, if any, for such facilities, including airline name, contact, desired space requirements, and time-of-day constraints
- **A current inventory of vacant space and RON positions is also maintained on the City's website along with a schedule of rates, fees, and charges**
- **In the case of unsatisfied airline requests for space, the Competitive Access Liaison coordinates requests for accommodation on Signatory Airline space by:**
 - Notifying the Requesting Airline of relevant accommodation (Section 4.02) and recapture (Section 4.03) provisions of the Agreement
 - Reviewing Signatory Airline gate use for compliance with minimum utilization provisions of Section 4.03 and recapturing space as required
 - Coordinating with Signatory Airlines for voluntary accommodation of the Requesting Airline
 - Administering the forced accommodation provisions of Section 4.02 if voluntary accommodation cannot be achieved
 - Notifying interested airlines when requested space becomes available
- **As of the date of this update, the City has no outstanding unsatisfied requests for Terminal Building space or RON positions**
 - All airline requests under the prior Agreement have been satisfied by the City

Common Use Operating Policies and Protocols

Key Points

- Protocols regarding the use of common-use facilities are promulgated in the Rules and Regulations and are posted on the City's website
- The protocols may change from time to time as warranted by changes in operating circumstances
- Priorities for usage of common-use gates have been designed with the intention of maximizing the usage of leased facilities and maximizing access for new-entrant airlines
- There have been no historical conflicting requests for the use of common-use facilities

- **All gates and baggage claim are equipped with multi-user information display equipment allowing for use by any airline**
 - Such systems are ready-equipped with cabling to interface with airline proprietary systems and have enabled the Sunport to easily move airlines around multiple times during terminal and apron construction
 - The City also maintains common use flight and baggage information display systems (FIDS and BIDS) to support efficient facility usage
- **The City promulgates operating protocols for common-use facilities in its Rules and Regulations**
 - The Operations Department is responsible for scheduling common-use facilities on a day-to-day basis, including the usage of gates for irregular operations (IROPs)
 - Airlines must request accommodation on common-use gates with at least 30 days' advance notice for the priorities listed below to apply
- **In the case of conflicting requests for common-use facilities in which both airlines have demonstrated that they do not have the capability of accommodating the operation on a preferential-use gate, the City shall assign use rights in the following order of priority:**
 - First, to airlines demonstrating regular historical usage of the facility at the time of day (plus or minus 30 minutes from the time slot requested) specified in the prior operating season (i.e., IATA summer or winter season)
 - Second, to airlines without preferential-use rights to any gates
 - Third, to the airline scheduling the aircraft with the greatest number of seats at the time specified
- **In scheduling the common-use gates, the City shall allow for:**
 - Maximum gate occupancy periods of 60 minutes
 - Buffer periods of 30 minutes before the scheduled arrival time and after the scheduled departure time to allow for off-schedule operations
- **The City requires RON flights assigned to common-use gates to be moved if an operation cannot otherwise be accommodated at another gate**

Financial Constraints, Capital Project Approval Provisions, and Capital Improvement Plan



Rates and Charges Methodology

Key Points

- Rates and charges are calculated so as to recover the capital and operating costs allocable to facilities used by airlines
- Capital costs include allocable Annual Debt Service (including 20% coverage on Senior Lien debt) and Annual Amortization Charges for Capital Fund reinvestment
- Operating costs include allocable direct and indirect O&M expenses and equipment and capital outlays
- Non-signatory airlines generally pay a 15% premium over signatory rates and charges intended to account for budget-versus-actual cost risk as they do not participate in the year-end settlement

Rate base	Rate	Costs	Credits	Calculation methodology
Airfield	Landing Fee	Capital and operating costs of Airfield, Terminal Apron, and Cargo Apron taxilane; Reliever Airport Deficit	Non-signatory landing fees, US Air Force flight fees, general aviation fuel flowage fees	Cost center residual (Full airline risk)
Terminal Building	Terminal Building Rental Rate	Capital and operating costs of Terminal Building; 45% of Roadways costs	Airline Terminal Building Rental Credit (share of terminal and rental car concession revenues), Passenger Security Screening Fees, non-signatory and nonairline terminal rentals	Commercial compensatory (City bears full risk for costs allocable to vacant space)
Loading Bridges	Loading Bridge Fixed and Operating Fees	Capital (Fixed Fee) and operating (Operating Fee) costs of Loading Bridges	Equivalent non-signatory airline loading bridge operating fees	Cost center residual (full airline risk)
Baggage Claim	Baggage Claim Device Surcharge	Capital and operating costs of Baggage Claim areas	None	Cost center residual (full airline risk)

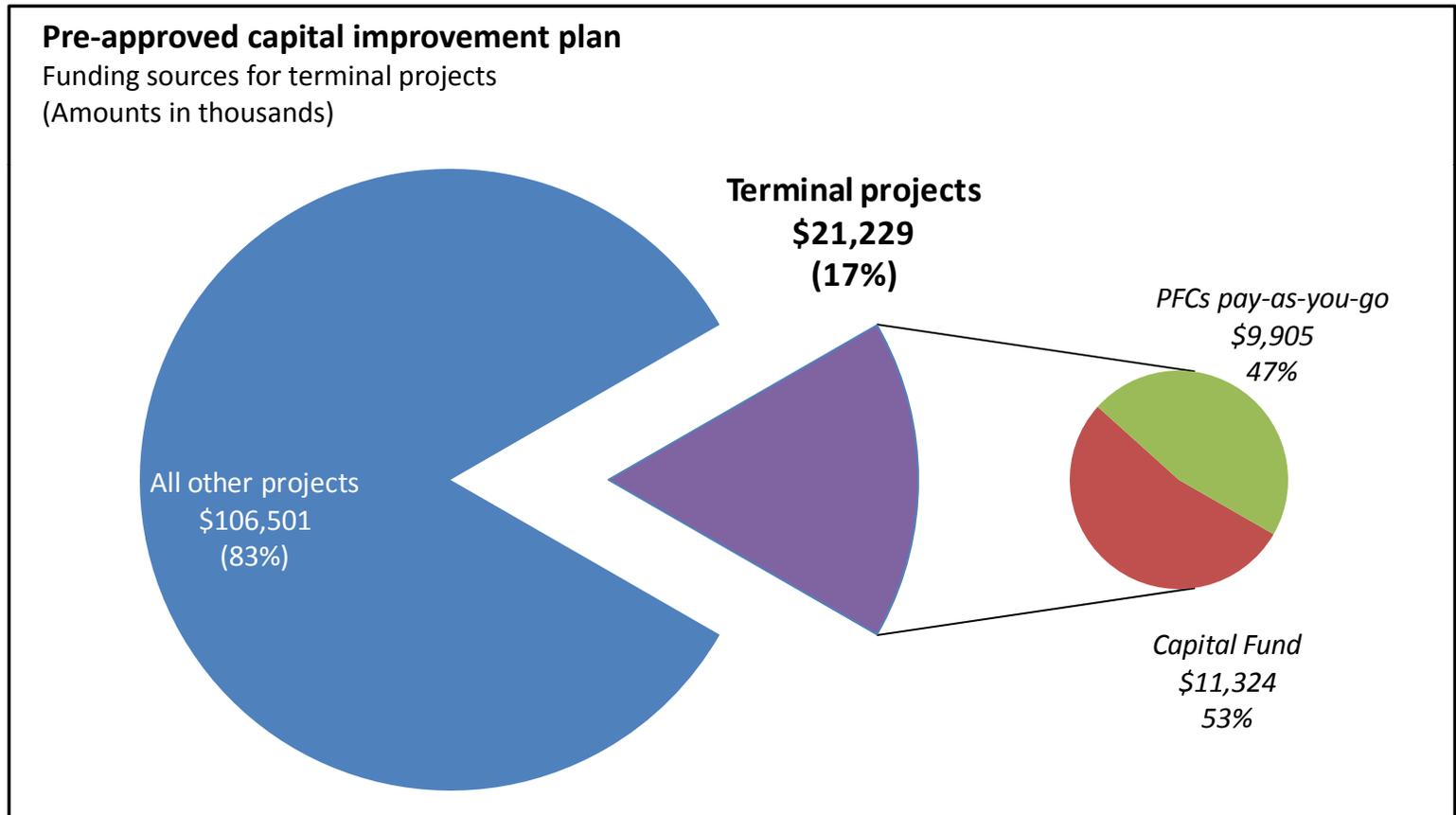
Notes: Rates and charges listed apply to Signatory Airlines. Non-signatory airlines pay landing fees at a 15% premium over signatory rates and per-turn fees (Non-preferential Gate Use Fees) for the use of the Terminal Building. Non-preferential Gate Use Fees are calculated annually to approximate 115% of the average per turn equivalent Terminal Building rentals (Holdroom, Passenger Circulation Area, and Baggage Claim Area) and gate use fees for Signatory Airlines. Airlines also pay miscellaneous fees, set at a flat rate, for use of facilities for RON parking, passenger security screening, trash pickup and disposal, the public address system, and the triturator. See rate-making Exhibits H in the Agreement provided in Attachment C for illustrative calculations.

Available Funding Sources

Key Points

- Capital projects at the Sunport are funded using internally generated revenues (Capital Fund deposits), proceeds of general airport revenue bonds, PFC revenues, and federal and state grants
- During the 5-year term of the Agreement, net revenues to the Capital Fund available for reinvestment in the Sunport are projected annually to average approximately \$15 million (\$75 million in total)
- These monies can be used to fund capital projects at the City's discretion without requiring airline approval

- **Gates, aprons, and other terminal facilities at the Sunport have historically been financed through a combination of internally generated revenues (Capital Fund deposits), proceeds of general revenue bonds, PFC revenues, and federal and state grants**
- **Capital improvements in the Terminal Building comprise 17% of the pre-approved capital improvement plan in the 2011 agreement, with the funding split between the Capital Fund and PFC pay-as-you-go revenues approximately the same**



Use of PFC Revenues

Key Points

- The City maintains an active PFC program intended in part to provide flexibility with regard to funding needed projects outside of the Signatory Airline approval process
- The City has used PFC revenues to maintain existing capacity and optimize operations in the Terminal Building
- The City's capital planning policy will continue to stress those projects intended to increase airline competition at the Sunport

- **The City instituted a \$3.00 PFC in 1996 for purposes of reconstructing Runway 8-26**
 - Subsequent PFC applications were approved by the FAA in 2002 and 2006 for other airfield, terminal, roadway, and reliever airport projects
- **PFC Application 06-03-C-00-ABQ (PFC Application 3, 2006) included the installation of new multi-user flight information display (FIDS) and baggage information display (BIDS), therefore converting all gates and baggage claim devices to common use and greatly increasing the City's flexibility with regard to accommodating new-entrant airlines and relocating airlines as necessary during terminal and apron construction**
- **Other major terminal projects in this application included:**
 - The Terminal Optimization Program, including larger restrooms, holdrooms, and other public areas to accommodate forecast traffic levels through 2020
 - Rehabilitation of the terminal apron
 - Various building and mechanical system upgrades intended to extend the life of the 20+ year old Terminal Building and improve operational efficiency
- **In compiling the pre-approved capital improvement plan for the new Agreement, the City gave priority to Airfield projects due to:**
 - Significant completion of major terminal building "re-life" and capacity optimization program
 - Greater need for major maintenance and rehabilitation projects in the airfield and uncertainty regarding long-term FAA funding
- **The City received approval in May 2011 for an amendment to PFC Application 3 in mid-2011 to increase the PFC level to \$4.50, thereby increasing its PFC funding capacity and intends to submit a new PFC application to the FAA in early 2012 for PFC-funded pre-approved capital improvement plan projects**
- **The City's capital planning policy will continue to prioritize both terminal and airfield capacity improvement projects, if any, needed to increase airline competition at the Sunport**

Summary of Airline Capital Improvement Approval (MII) Provisions

Key Points

- Article 5 of the Agreement contains the airline capital project approval provisions, which are largely unchanged from the 2006 agreement
- MII provisions give the City the flexibility to pursue Capital Improvements with its discretionary cash even if Signatory Airlines disapprove
- No capital projects were subject to the MII process during the term of the 2006 agreement
- The City has no intention to make changes to the MII process or existing agreements

Topic	Provision
Scope of Capital Improvements subject to Majority-in-Interest (MII) process	Projects in airline cost centers to be funded through the proceeds of Airport Bonds or to be funded through the Capital Fund and, in so doing, allocable Annual Amortization Charges and incremental Operating Expenses would cause an increase of 10% in the applicable rate or charge
Scope of airline participation	Signatory Cargo Airlines participate in process for Airfield projects; Affiliate Airline activity not included with Signatory Airline’s activity for purposes of calculating MII formula
Pre-approved Capital Improvement Plan	\$108.2m of capital improvements between FY 2012 and FY 2016 not subject to further airline approval included as Exhibit F to the Agreement; projects in the same airline cost center of an equal or lesser cost can be substituted for a pre-approved (Exhibit F) project without further airline approval unless 50% of Signatory Airlines in number disagree
Exclusions	Government mandates; repairs of casualty damage; projects to satisfy judgments and claims; projects of an emergency nature as related to operational, security, or safety matters, as determined at the sole discretion of the Director
Airline consultation	Signatory Airlines have 60 days to provide concurrence or non-concurrence; those airline not voting are deemed to have concurred; City can pursue project if disapproved, but cannot include allocable costs in airline rates and charges
MII formula	Signatory Airlines that together comprise 66.7% of Signatory Airline rentals, fees, and charges in the applicable cost center for the immediately preceding Fiscal Year
PFC rate	Signatory Airlines to support increasing the PFC rate from \$3.00 to \$4.50
Other	New Section 5.01H addresses possible changes in FAA regulations regarding aircraft rescue fire fighting facilities (ARFF), the construction of new facilities, and the acquisition of new equipment; intended to ensure the City can meet FAA requirements in the event the U.S. Air Force ceases providing ARFF services at the Sunport



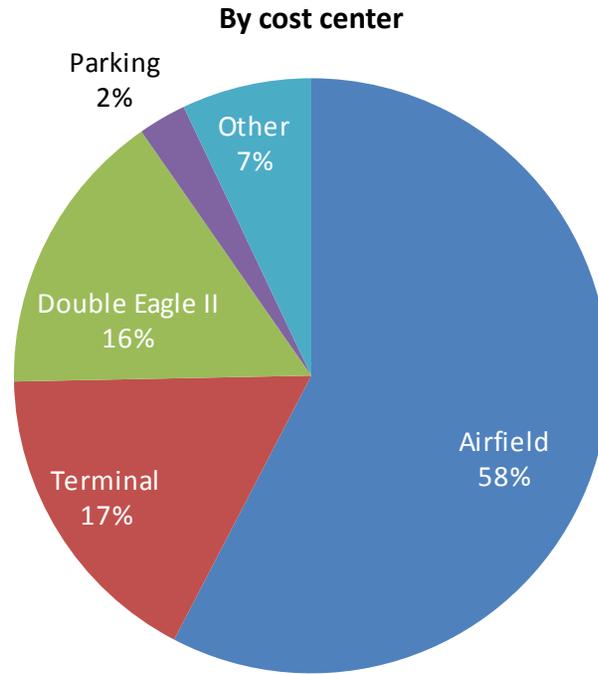
Capital Improvement Plan

Key Points

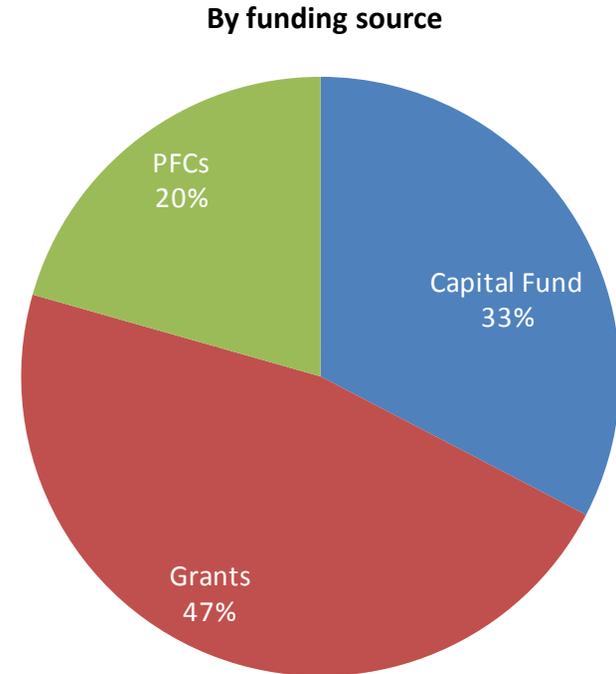
- The Signatory Airlines pre-approved a capital improvement plan consisting of \$127.7m (\$108.2m in airline cost centers) in Capital Improvements
- The pre-approved plan is not subject to further MII approval
- Projects of an equal or lesser value in the same cost center can be substituted for those in the pre-approved plan, unless 50% of Signatory Airlines in number disagree
- Exhibit F is included in Attachment C to this plan update

Pre-approved capital improvement plan (Exhibit F to the Agreement)

5 years FY 2012 to FY 2016



Cost center	Project costs (000s)
Airfield	\$73,616
Terminal	21,782
Double Eagle II	19,968
Parking	3,348
Other	<u>9,016</u>
Total	\$127,730



Funding source	Project costs (000s)
Capital Fund	\$41,691
Grants	59,729
PFCs pay-as-you-go	<u>26,310</u>
Total	\$127,730