Memphis-Shelby County Airport Authority
Memphis International Airport

2003 Airline Competition Plan Update

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INTRODUCTION

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21) required the submission of a Competition Plan by certain medium and large hub airports. The Memphis-Shelby County Airport Authority (Authority) submitted its original Competition Plan (2000 Plan) for the Memphis International Airport (Airport) in August 2000, which was accepted by the Federal Aviation Administration (FAA) in October 2000. In April 2002, the Authority submitted the 2002 Competition Plan Update (2002 Plan Update), which was accepted by the FAA in September 2002.

Since the submittal of the 2002 Plan Update, Program Guidance Letter (PGL) 03-01 changed the requirements for submitting updates to competition plans from a 12-month cycle to an 18-month cycle. In addition, several sections were added to the requirements for Competition Plans under PGL 03-01. This submittal, the 2003 Competition Plan Update (2003 Plan Update), has been prepared to meet the 18-month update cycle and contains the additional requirements as outlined in PGL 03-01. While the events of September 11, 2001 have changed the aviation industry and provided a focus on airport security, it continues to be important to focus on providing access to affordable quality air service to the traveling public. As a result, the Authority continues its efforts to assure high levels of passenger service including non-stop flights to as many destinations as possible at competitive fares.

Each airport continues to operate in its own unique business environment and was affected differently by the downturn in air traffic resulting from September 11, 2001 and the general impact of the economic recession in the United States. The Airport relies heavily on the service it receives as a connecting hub for Northwest Airlines and is, therefore, impacted by the health of that airline. After the submittal of the 2000 Plan, Northwest increased its operations by adding a fourth bank of flights at the Airport. Since that time, the airline's level of service at the Airport has fluctuated.

UPDATE SUMMARY

According to the Official Airline Guide (OAG), Northwest had approximately 260 daily departures during the third quarter of 2001. During the fourth quarter of 2001, Northwest's daily departures decreased to approximately 190 due to the discontinuation of the previously added fourth bank of flights. Currently, Northwest has approximately 240 daily departures. In September 2003, the airline announced a flight reduction to its hub at the Airport. Effective January 2004, Northwest's number of daily departures will be reduced by approximately 40, which is equivalent to 16 percent of Northwest's daily departures. With this schedule change, no destinations will lose non-stop service, but frequency to certain markets will be affected.

Notwithstanding the above, Authority management continues its commitment to encouraging competitive air service. In order to regain passengers and service, the Authority has enhanced its efforts to promote market growth at reasonable fares. The Authority's marketing efforts have continued and have proven successful, since the

2000 Plan submittal. The following table presents non-stop service initiated and discontinued since the submission of the 2000 Plan to the Airport's top 50 origin and destination (O&D) markets for fiscal year[1] (FY) 2003, which represents approximately 80 percent of total O&D passengers. As shown, service was added to five markets and discontinued to one market for a net gain of service to four of the Airport's top markets.

Changes in Service
Since the 2000 Plan to
Airport's Top 50 O&D Markets

Initiated Service	Discontinued Service
Baltimore Columbus, OH Ft. Lauderdale Greensboro, NC Pittsburgh	San Diego

In addition, Northwest initiated service to Cancun, Mexico and Montego Bay, Jamaica. Northwest also initiated non-stop service to Amsterdam subsequent to the discontinuation of this service by KLM Royal Dutch, thus linking the region with Europe. With this service, Memphis remains one of the smallest metropolitan areas in the country with non-stop service to Europe. A more detailed discussion of the changes in service is presented in Section 3.6.

The Authority's focus continues to be on providing quality air service in a safe and secure environment for the Memphis region of Tennessee. There has been an increased focus on security and meeting the new federal requirements; however, efforts have also focused on sustaining the highest quality air service with competitive fares, with as much of the service as possible provided by jets, and for as many non-stop destinations as possible for a community of this size.

THE NEW REALITIES

While no one argues that the terrorist attacks on New York, N.Y. and Washington, D.C. and the subsequent shut down of the air transportation system in the United States have fundamentally changed the public's view of flying, it is important to recognize that some of the basic industry fundamentals have not changed. The hub and spoke system of providing airline service continues despite the financial issues faced by many carriers in recent years. Most major carriers have survived and have continued to operate similar route structures with reduced service. The current concentrated connecting hubs continue to operate where airlines transfer large numbers of passengers in addition to the origin and destination (O&D) traffic that is generated by the local market. Connecting hubs continue to be important to a region's economy and Memphis' business community continues to recognize the benefits of its Northwest hub to the economic strength of the local community. Working as a team with carriers and the Federal Government, airports continue to assist all carriers through this difficult period.

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[1] The Authority's fiscal year begins July 1st and ends June 30th each year.

The type of financial assistance made available by the Federal Government was key to stabilizing the industry and the Authority has also made efforts to assist all carriers during this time of financial distress.

The Airport has experienced a modest recovery from the impacts of the economic recession and the events of September 11, 2001. In FY 2002, enplanements decreased nearly 18 percent from FY 2001 levels. In FY 2003, enplanements increased 8.4 percent over FY 2002 levels; however, the Airport has not recovered completely as enplanements for FY 2003 were 11 percent lower than FY 2001. While exceptions can be noted, the loss in traffic and the recovery experienced to date at the Airport is similar to the recovery of traffic in the United States for the same time period.

The Airport remains the smallest concentrated hub in the country. This continues to result in a high level of non-stop service to and from Memphis as compared to other similarly sized areas as well as significant economic impact on the region. After submission of the 2000 Plan, the Airport ranked number two among its peer cities in providing non-stop seats to a wide array of destinations and this continues to be the case. Overall, service on trans-Atlantic routes continues to be impaired more than domestic routes, which is why the Airport's losses since the submission of the 2000 Plan, have not been as great as other airports. In addition, the Airport continues to serve as the major distribution point for FedEx and its air cargo traffic. While cargo and mail have not been as much the topic of industry discussions, the economic recession has also led to a reduction in cargo and mail traffic worldwide. Authority management feels the economy has had more impact on cargo traffic than the terrorist attacks. However, at the Airport, cargo and mail traffic remains strong as a result of the Authority's agreements with FedEx and the United States Postal Service.

The presence of Northwest and FedEx at the Airport continues to make the airport a significant economic generator for the region. When added to Memphis' status as a major railroad hub and river port on the Mississippi River, Memphis's place as one of the "Distribution Centers of the World" continues despite industry changes. The Airport continues to generate more than $9 billion of income and over 100,000 jobs from economic activity for the region.

The business community continues to be a strong source of support for the Airport and the Authority continues to support these advocates for business development and tourism as the industry evolves. During these times of distress, these partnerships in the community and the aviation industry as a whole have helped to maintain Memphis' economic prosperity. While no one will argue that unemployment has risen and job cuts in the airline industry have impacted job loss, it is safe to conclude that the impact of the economic slowdown would have been more severe on the region without the presence of Northwest and FedEx. In partnership with key leaders in the business community, the Authority continues to make strong efforts to market the Airport and the region to all carriers. Low-fare carriers continue to be less affected by some of the industry changes and the Authority recognizes their importance to improving competitive air service options for the traveling public. These efforts will continue; however, it is important to recognize that most of the concentrated hubs with a significant presence of one or more low-fare carriers are located in much larger and more densely populated metropolitan areas. Certainly, the Authority will continue to make sure it is not responsible for any barriers to entry that will limit the potential for such service.

Changes in Competition Effort

While there continues to be actions that airport operators can and should do to impact competition, it is also important to note that there are a large number of other factors driving market conditions in the air transport industry. The 2000 Plan identifies the policy decisions made by the United States Department of Justice, the United States Department of Transportation, and the FAA. Airports are further influenced by the creation of the United States Department of Homeland Security and the Transportation Security Administration. The role of these new agencies must be considered. New security mandates have altered terminal operating requirements. The speed in which flights can be turned and the potential for delays has increased with these new requirements. The realities of 100 percent baggage screening change the dynamics of gate utilization and security operations. It continues to be important that all of the stakeholders in the industry work together on these issues, as many goals will conflict. Increasing gate utilization has become more of a challenge in this environment of decreasing passengers and increased security. Despite the fact that these issues are beyond the scope of the requirements for competition plans, they will impact the implementation of a truly competitive air transport system.

2003 Competition Plan Update

The 2003 Plan Update focuses on changes in activity statistics and Authority efforts since the submission of the 2002 Plan Update. The Authority's actions are reiterated as they relate to the findings in "Airport Business Practices and Their Impact on Airline Competition" prepared by the FAA and the Office of the Secretary of Transportation (OST) task force. This will reinforce Authority management's dedication to encouraging fair access to its Airport facilities and the changes that have occurred since the 2000 Plan and the 2002 Plan Update. For ease of review, the remainder of the 2003 Plan Update is structured in accordance with the 2002 Plan Update and highlights changes that have occurred since that time. The information included in each of the sections reiterates key information that is relevant to competition and provides an update to the statistics contained in the 2002 Plan Update.

The original FAA/OST study was prepared at a time when traffic was growing rapidly and airports were struggling to build facilities to meet growing demand. Numerous carriers were complaining that airports throughout the country were not responding quickly enough to meet market demand for more flights at lower prices. While the demand for air travel has changed since the 2000 Plan, Authority management continues to provide equal and nondiscriminatory access to all carriers and to be prepared for future growth in both passenger and cargo demand. Recent economic indicators create optimism that the economy is rebounding. Therefore, as demand for air transportation increases, the policies outlined in the report continue to be important. The report focused on three different areas where airports could contribute to encouraging competition. These continue to be the same principal areas as identified in the 2002 Plan Update, but they have been summarized and reflect the changes that have occurred in the current environment. These areas are as follows:

- **Business Practices** - Prior to the submission of the 2000 Plan, the Authority had renegotiated its Airport Use and Lease Agreement (Airline Agreement). The Airline Agreement had been modified to deal with many of the issues addressed in the FAA/OST report. This includes changes from exclusive to preferentially assigned gates, pre-approval of a capital program without submission under the Majority-In-Interest (MII) clause, enhanced monitoring of gate utilization, and changes in the MII clause to require action on a project within 30 days.

- **Facility Availability** - The Airport has sufficient capital facilities available and plans to accommodate new service and new entrants. The Airport also has sufficient financial capacity to expand as required by even the most optimistic forecasted passenger activity level. The Authority no longer collects a Passenger Facility Charge (PFC) but if the Authority re-imposes the PFC in the future it expects to use it only for terminal cost center improvements.

- **Management Practices** - Authority management is committed to enforce the terms of the Airline Agreement and to work with new entrants to ensure reasonable behavior by existing carriers. In addition, Authority management is aggressively continuing to market the airport and the region to new carriers. Reviewing potential markets, monitoring gate utilization, and efficiently implementing the capital improvement program are all key elements of management's strategy to enhance competition.

The following is the section-by-section description that coincides with the numerical organization of PGL-03-01:

SECTION 1
Availability of gates and related facilities (identify or describe)

1.1 Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common use.

There are currently 81 gates at the Airport. Of these, 79 are preferentially assigned and two are common use. There are no exclusive-use gates under the current Airline Agreement. The Authority is able to also generate additional gate positions by using more efficient aircraft parking arrangements for regional jets.

1.2 Diagram of the airport's concourses.

A diagram of the Airport's concourses is presented as **Attachment A** to this document.

1.3 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 sample gate use monitoring chart used by the Authority is provided as **Attachment B** to this document.

Article 6 of the Airline Agreement, which is entitled Reallocation of Space, addresses the Authority's gate-use monitoring policy. The first section of this article states the following:

> "6.01 Airport Policy as to Access. Authority hereby establishes and shall maintain a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. To achieve that goal, Authority (a) has planned or will plan for exclusive possession (by the Authority) and control of Authority-Controlled Facilities; (b) has established or will establish procedures for the consensual reallocation of space and accommodations among Air Transportation Companies, including Airline; (c) has reserved and does hereby reserve to Authority the right to require sharing and temporary use of Leased Premise; (d) has established or will establish priorities to accommodate requests for facilities by Air Transportation Companies seeking to expand their present service at the Airport or Air Transportation Companies seeking entry into the Airport and (e) has established or will establish certain utilization requirements."

Article 6 has five additional sections that address accommodation through Authority-Controlled facilities, accommodation through sharing and temporary use of leased premises, priorities for accommodation, utilization requirements, and revisions to leased premises.

1.4 Description of the process for accommodating new service and for service by a new entrant.

The process that a new entrant would follow to obtain space at the Airport is included as **Attachment C** to this document. In summary, the steps include, but are not limited to, the following:

- Communication with current carriers to determine availability of space for sublease.
- Submittal of a formal request in writing to obtain space for the initiation of operations to the Director of Properties by the new entrant carrier.
- Resolution of problems through the revision of the proposed schedule by coordination efforts of the Director of Properties and the subleasing airline.

1.5 Differences, if any, between gate-use monitoring policy at PFC-financed facilities, facilities subject to PFC assurance #7, and other gates.

None of the existing terminal facilities have been financed with passenger facility charges (PFCs). As a result, there are no differences with the gate-use monitoring policies for Concourses A, B, and C. The Authority has committed that if future PFCs are used to fund terminal facilities, the gate-use monitoring policies will be in accordance with PFC Assurance #7.

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 has it caused such gates to become available to other users.

None of the existing terminal facilities have been financed with PFCs and there are no exclusive use gates under the current Airline Agreement. If future terminal facilities are funded with PFCs, they will be in accordance with PFC Assurance #7.

1.7 Gate utilization (departures/gate) per week and month.

Gate utilization for the 2000 Plan was based on June 2000 flight schedule information as depicted in the OAG and observed gate usage on June 2, 2000. The data presented included the addition of a fourth bank of flights by Northwest from its Memphis hub. In June 2000, the Airport's average gate utilization was 4.6 departures per day. Individual gate usage ranged from one departure per day to 19.9 departures per day (a regional airline gate with several parking positions served by one gate). For the submittal of the 2002 Plan Update, the Airport's average gate utilization as of April 2002 was 3.4 departures per day.

As of November 2003, average gate utilization is 3.8 departures per day. In January 2004, it is estimated the average gate utilization will decrease to 3.3 departures per day due to Northwest's changes in service, which are described in the introductory section to this document. The following table presents a comparison of average gate utilization for the submittal of the 2000 Plan and subsequent updates as well as the estimated gate utilization for January 2004.

Submittal	Status	Date	Daily	Weekly	Monthly
2000 Plan	Approved	June 2000	4.6	32.2	138.0
2002 Plan Update	Approved	April 2002	3.4	23.8	102.0
2003 Plan Update	Draft	November 2003	3.8	26.6	114.0
Estimated	Future	January 2004	3.3	23.1	99.0

1.8 Policy regarding "recapturing" gates that are not being fully used. If no such policy exists, explain how the airport will accommodate a carrier requesting a gate in the circumstances of under-utilized gates.

The Authority's management has determined that gates not being utilized will be recaptured. Under Section 6.05 of the Airline Agreement, the Authority requires all airline tenants to maintain a minimum Daily Average Utilization for each gate. The Authority defines Daily Average Utilization as "(i) an average of at least two scheduled daily departures, and (ii) the average number of departing seats per day per gate." The Authority's Director of Properties monitors gate usage and is the point of contact when carriers need gates. Data on the usage of gates by the airlines is collected on a quarterly basis and monitored closely by the Authority. The policy is intended to match the demand for gates with the availability of specific gates. In addition to the specific recapture language in Section 6.05 of the Airline Agreement, the Director of Properties monitors requests by carriers and works to accommodate their specific needs through the assignment of appropriate facilities.

1.9 The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including denials of accommodations for gates, holdrooms, ticket counters, baggage facilities, or overnight parking positions.

No new entrants have requested gates during the past 12 months. All requests for expanding carriers have been accommodated with no denial of accommodation.

1.10 Resolution of any access complaints during the 12 months preceding the filing.

No new entrants have requested gates in the past 12 months. As a result, there have been no complaints regarding obtaining access to the Airport during the same time period.

1.11 Use/lose or use/share policies for gates and other facilities. If no such policy exists, explain how the airport will accommodate a carrier requesting a gate in circumstances of sub-utilized gates.

Section 6.05 of the Airline Agreement presents the Authority's policy regarding recapturing gates that are not being fully used. The article states the following:

> "6.05 Utilization Requirements. In the event that Airline does not maintain in a subsequent calendar quarter the Daily Average Utilization with respect to the Leased Premises established during the prior calendar quarter, Authority may upon thirty (30) days prior written notice to Airline, terminate this Agreement with respect to, and delete from, the Leased Premises, that number of the Airline gates and associated operations facilities, as may be necessary to cause Airline to maintain the Daily Average Utilization established during the prior calendar quarter, provided, however, that application of this Section 6.05 shall not cause the number of Airline's gates to be reduced to less than one gate and associated operations facilities."

1.12 Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport; methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates); and length of time between when an air carrier initially contacts the airport and the possible commencement of service.

There are two components that affect the Authority's ability to make gates available for either new entrants or to allow existing carriers to expand service. The first of these is the lease type. As described above, all gates other than the common use gates are preferentially assigned at the Airport. The second element is the physical capacity of the existing gates, i.e., the number of gates and their utilization coupled with the plans that the Authority has to expand gate capacity in the future, which is explained as follows.

- ***Physical Gate Availability*** – The basic physical elements of gate availability, either for new entrants or expansion of service by existing carriers, include:

  - the number of gates currently available
  - the utilization rate of gates that are currently available
  - plans and implementation schedules for expanding gate capacity (refer to Section 8)

- ***Current Gates –***The total number of designated gate positions is 81. Of these, 79 are preferentially assigned and two are common use.

- ***Gate Utilization –*** Based on data reported in the Authority's Master Plan Update, the utilization rate for gates at the Airport is extremely low, particularly for those gates used by Northwest Airlines and Northwest Airlink in their hub operations. According to the Authority's Master Plan Update, with three flight banks, the average utilization for the Northwest Airlines' gates is 2.7 departures per day. According to the OAG, actual gate utilization for November 2003 indicates average daily departures of 3.8 per day (see Section 1.7). This is significantly lower than the industry average, which according to FAA Advisory Circular 150/5360-13 (Planning and Design Guidelines for Airport Terminal Facilities), is five to seven departures per day per gate for major/national air carrier operations.

  The following table presents the average gate utilization by carrier for November 2003. As shown, the daily gate utilization by carrier ranges from 3.8 departures to 8.5 daily departures. The data presented in the table is extrapolated from the concourse layout map presented as Attachment A and the daily non-stop flights presented in Section 3.2.

Airline	**Gates** [1]	**Daily Non-stop Flights** [2]	**Daily Gate Utilization**
Northwest	64	243	3.8
Delta [3]	3	19	6.3
American	2	17	8.5
Continental	2	10	5.0
United	2	8	4.0
US Airways	1	7	7.0
AirTran	1	5	5.0
Total	81	309	3.8

[1] The number of gates presented for the individual airlines do not add to the Authority's official gate count of 81 gate positions. There are several aircraft parking positions at various gates, which can be counted as one or more allowing the Authority flexibility in providing facilities to its tenants.

[2] Includes flights for the carrier listed and its affiliates, if any.

[3] The non-stop flights presented includes flights for Freedom (d/b/a America West), which subleases facilities at the Airport from Delta.

The Authority makes every effort to minimize the time between when an air carrier initially contacts the Airport and the possible commencement of service. However, no specific time frame is written in policy since every situation is unique.

1.12 Availability of an airport competitive access liaison for requesting carriers, including new entrants. If no such liaison exists, explain how the airport will accommodate a carrier requesting a gate.

The Authority has designated its Director of Properties as the Airport's competitive access liaison.

1.14 The resolution of any complaints of denial of reasonable access by a new entrant or an air carrier seeking to expand service in the 12 months preceding the filing of the plan. Explain how complaints were resolved, including a description of the dispute resolution procedures at the airport including the contact official, the process of mediating or addressing disputes, a timeline, and a review process.

It is the Authority's policy to take an active role in resolving access issues that could prevent new or existing carriers from seeking to expand service. The Authority has authorized the Director of Properties to resolve complaints of denials of access to gates. Issues associated with airlines creating unreasonable barriers to entry are resolved through direct negotiation between the Director of Properties and that airline. The process for securing a gate is addressed in Article 6 of the Airline Agreement. This is regularly monitored to assure airlines that are experiencing difficulty in gaining access to Airport facilities can work with the Authority to mediate and resolve the situation. It is important to note that, to the best of the Authority's knowledge, the USDOT has not received any complaints from potential entrants on difficulties encountered at the Airport.

1.15 Number and identity of carriers in the past year that have requested access or sought to expand, how were they accommodated, and the length of time between any requests and access.

During the past year, the Authority has not received any formal requests from any new carriers wishing to gain access or existing carriers requiring additional facilities to support expanded service at the Airport.

1.16 Number of aircraft remain overnight (RON) positions available at the airport by lease arrangement, i.e. exclusive, preferential, common-use, or unassigned, and distribution by carrier. Describe procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.

There is a more than adequate supply of approved aircraft parking positions for RON aircraft (30 RON positions are currently available at the Airport). The Authority does not have a history of problems in accommodating RON aircraft and has achieved a balanced utilization of Airport facilities for Signatory Airlines and other users of the facility.

The Authority employs the same policy for RON position use monitoring as for gate use monitoring. As in the case of terminal facilities, the Authority maintains a policy of providing open access to overnight parking for aircraft for Signatory Airlines, new entrants, and independent users of the Airport. The Authority, through the Director of Properties, maintains a concise and up to date inventory of all aircraft positions at the terminals and additional designated parking areas at the Airport for use by RON aircraft. This information is provided to the Authority by airline station managers as well as through a periodic review of schedules and observations by Airport personnel. The Authority's policy is to utilize this information to assure accessibility upon the request of an air carrier for temporary, short term, or long term RON needs at the Airport. Signatory Airlines utilize their assigned gates and associated aircraft parking areas for RON activity. Utilizing this list of areas approved for RON aircraft, spaces are generally assigned on a first come, first served basis by the Authority, through the Director of Properties.

SECTION 2
Leasing and sub-leasing arrangements (identify or describe)

The Authority has fostered cooperation among its airline tenants. Hence, the Airport has historically worked to assure there are no barriers to competition resulting from the inability to lease or secure subleasing arrangements at the Airport. The Authority will continue to work to ensure there are no such barriers.

2.1 Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access.

When a subleasing arrangement becomes necessary with the incumbent airline to attain access to a gate (with the exception of the common use gates), the Director of Properties works with the incumbent airline and the new entrant to ensure reasonable accommodations are being made. New entrants pay the same rate as carriers that are non-signatory to the Airline Agreement.

2.2 How the airport assists requesting airlines obtain a sublease or handling arrangements.

Article 6 of the Airline Agreement defines a procedure for new entrants to gain access to the Airport. The Director of Properties assists the new entrant if they are having difficulties with the incumbent. Authority management assists in encouraging both the new entrant and the incumbent to act reasonably to assure a successful resolution to any facility access issues.

2.3 Airport oversight policies for sublease fees and ground-handling arrangements.

Authority management makes every effort to assure that the incumbent airline is not unreasonably denying access. This is done as a matter of general business practices at the Airport and if a new entrant expresses concerns with the incumbent's policies, the Authority management will work with the carriers to resolve disputes. Negotiations and responses to complaints are handled through the Director of Properties.

2.4 Process by which availability of facilities for sublease or sharing is communicated to other interested carriers and procedures by which sublease or sharing arrangements are processed.

Air carriers currently occupying space at the Airport are required to notify the Director of Properties if all or a portion of leased space becomes available for sublease or sharing. Therefore, if requests are made for facilities (either new entrants or expanding carriers), the Director of Properties can provide information regarding facility availability to the requesting carrier.

2.5 Airport oversight policies concerning schedule adjustments that may affect subtenants and mechanisms to provide continued access to subtenants in those situations

The Authority will intervene when necessary to resolve scheduling conflicts of leasing and subleasing tenants. The Authority maintains information regarding the availability of facilities and assists subtenants by suggesting potential alternatives.

2.6 Airport policies regarding sublease fees (e.g., no more than 15 percent above the standard airport-determined fee)

The Authority encourages reasonable fees and makes certain the airlines are not charging more than the rate being paid by the non-signatory carriers. The Authority management works directly with both proposed new entrants and the incumbent carriers to assure the negotiations and contractual terms are reasonable. Airlines are allowed to recover certain other costs including jet bridges, special facilities debt, preconditioned air, and other special costs.

Section 6.03 of the Airline Agreement provides that the Authority may grant the right of temporary or shared use to a requesting airline for facilities that are currently being leased by an incumbent carrier, in a commercially reasonable manner. Section 6.04 further stipulates that the Authority has the right to determine if such sublease rental rates are substantiated and reasonable, not exceeding the non-signatory rental rates established in the Airline Agreement. In addition, for situations when the Authority does not have a contractual relationship with regard to the facilities being subleased, the Authority's policy calls for mediation if petitioned by either party involved to intervene to ensure that the rates charged are reasonable.

2.7 How complaints by subtenants about excessive sublease fees or unnecessary bundling of services are resolved.

The Authority becomes involved, through the Director of Properties, to determine the reasonableness of the claim and if warranted, the Authority will aggressively recommend incumbent carriers to be reasonable and substantiate sublease fees and the bundling of services. Due to the fact that the Director of Properties has numerous ongoing issues with the incumbent airline, this is an effective way to assure the business arrangement is reasonable.

2.8 How independent contractors, that want to provide ground handling, maintenance, fueling, catering, or other support services have been unable to establish a presence at the airport are accommodated.

In order to operate at the Airport, independent contractors must sign a handling agreement, provide proof of insurance, and abide by rules and regulations outlined by the Authority for access to the Airport. The Authority will assist independent contractors who are having difficulty being accommodated by the airlines in their negotiations if necessary.

2.9 Whether formal arrangements are in place to resolve disputes among air carriers regarding the use of airport facilities. If so, provide a description of these procedures.

The Airline Agreement provides certain formal procedures for the relationships among air carriers. The Director of Properties is supported by the standards established in the Airline Agreement, and reacts to a specific dispute accordingly. Regular meetings with all of the tenants promote understanding by the Authority management of what the concerns and issues are of incumbent carriers. Both incumbent carriers and new entrants have access to Authority officials to deal with unreasonableness and unresponsiveness by any of the parties.

2.10 Resolution of any disputes over subleasing arrangements in the 12 months preceding this filing

There have been no disputes regarding subleasing arrangements during the past 12 months at the Airport.

2.11 Copies of lease and use agreements in effect at the airport.

The Authority's Airline Agreement for the Airport is included as **Attachment D** to this document.

SECTION 3
Patterns of air service (identify or describe)

Since the submission of the 2000 Plan and 2002 Plan Update, the information contained in this section has changed significantly.

3.1 Number of markets served and the identities of carriers serving the airport.

In FY 2003, passengers using the Airport traveled to and from 345 markets. Of the 345 markets, 119 markets averaged 10 or more O&D passengers per day.

Table 1 lists the airlines serving the Airport. As of November 2003, five major/national airlines and eleven regional/commuter airlines provided scheduled passenger service at the Airport.[2] The major/national airlines typically operate large aircraft in the higher density markets and the regional/commuter airlines operate smaller aircraft in the shorter haul/less dense markets.

3.2 Number of markets served on a non-stop basis and the average number of flights per day.

Table 2 presents the Airport's non-stop markets as of November 2003, including the markets served, number of average daily flights, and the airlines providing non-stop flights. As of November 2003, daily non-stop service is provided to 79 cities with a total of 309 daily flights. The Airport's top 20 O&D markets for FY 2003 are currently served with a total of 112 daily non-stop flights. Atlanta (the Airport's top-ranked O&D market) is served by four airlines with 17 non-stop flights, Chicago (the Airport's second-ranked O&D market) is served by three airlines with 12 non-stop flights, and Dallas/Ft. Worth (the Airport's fifth-ranked O&D market) is served by six airlines with 16 non-stop flights.

3.3 Number of small communities served.

As of November 2003, non-stop service is provided to 26 small communities[3] from the Airport. This represents 33 percent of the total non-stop markets served.

3.4 Number of markets served by low-fare carriers.

AirTran is a low fare carrier providing service at the Airport. AirTran currently serves the Atlanta market from the Airport with five daily non-stop flights. In addition, passengers

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[2] Major airlines are airlines with gross operating revenues during any calendar year of more than $1 billion; national airlines gross between $100 million and $1 billion; and regional airlines gross under $100 million. Commuter airlines are classified according to the type of aircraft used (a maximum of 60 seats) and their operating frequency (at least five scheduled round trips per week between two or more points).

[3] Small communities are airports that are located in metropolitan statistical areas (MSA) with population less than 500,000. Population data for the MSAs was obtained from *Sales and Marketing Management*, *2003 Survey of Buying Power*.

can connect to 45 other cities on AirTran by flying through Atlanta. The other carriers serving the Airport occasionally offer “low fares”; however, those airlines are not considered low-fare carriers.

3.5 Number of markets served by one carrier.

As of November 2003, 52 markets are being served on a non-stop basis by only one carrier. This represents 66 percent of the total non-stop markets served. With the exception of Cleveland and Pittsburgh, these markets are served by either Northwest or an affiliate of Northwest. In addition, 18 of these markets (or 23 percent of total markets served) are small communities.

3.6 Number of new markets added or previously served markets dropped in the past year.

The following provides information regarding changes in service at the Airport by fiscal year since the submission of the 2002 Plan Update.

- ***FY 2002:*** Service was initiated to Moline, Illinois and Montego Bay, Jamaica. Service was discontinued to Winston-Salem, North Carolina; San Diego, California; Columbus, Mississippi; Meridian, Mississippi; and Monterrey, Mexico. In addition, service was initiated and discontinued to Aspen, Colorado; Baltimore, Maryland; West Palm Beach, Florida; Cancun, Mexico; and Freeport, Bahamas. It is important to note that some of the initiated and discontinued service occurring in the same year is to markets where seasonal vacation service is offered.

- ***FY 2003:*** Service was initiated to Madison, Wisconsin and Norfolk, Virginia. Service was re-initiated to Baltimore, Maryland; West Palm Beach, Florida; Cancun, Mexico; Aspen, Colorado; and Freeport, Bahamas. Service was discontinued to Joplin, Missouri; Moline, Illinois; and Springfield, Illinois. Service was re-initiated and discontinued to Columbus, Mississippi. Service was initiated and discontinued to Puerto Vallarta, Mexico and Ft. Myers, Florida.

- ***FY 2004:*** There have been no changes in the markets served thus far in FY 2004. However, it is important to note that service to Cancun, Mexico, which was offered only seasonally in previous years has been continuous in FY 2004

3.7 Additional information.

This section presents additional information regarding the patterns of air service at the Airport that are not required by the PGL.

- **O&D Markets** – An important characteristic of an airport’s air service is the distribution of its O&D markets, which is a function of air travel demands and available services and facilities. **Table 3** presents the Airport’s 20 largest markets served at the Airport in FY 2003 based on the number of O&D passengers. It also compares the number of O&D passengers to the same markets in FY 1998 and FY 1993. As shown in the table, total O&D passengers increased at an average annual growth rate of 2.0 percent from approximately 2.9 million passengers in FY 1993 to approximately 3.5 million passengers in FY 2003. The most significant shift in the percentage of O&D traffic during the periods depicted occurred in the Houston, Raleigh/Durham, and Baltimore markets, as O&D passengers increased 16.5 percent, 9.9 percent, and 6.7 percent, respectively in those markets between FY 1993 and FY 2003.

- **Airlines Serving the Airport** – **Table 4** presents the historical passenger jet air carrier presence at the Airport since 1993. As shown, the Airport has had the benefit of a large and stable air carrier base during the years depicted, which helps promote competitive pricing and scheduling diversity in the Airport's major markets.

- **Enplaned Passengers** – **Table 5** presents the share of enplanements for each of the passenger airlines serving the Airport from FY 1999 through FY 2003.

  As shown, Northwest and its affiliates (Northwest Airlink and KLM) accounted for the highest share of Airport enplanements during the years shown, with approximately 77 to 83 percent of the total between FY 1999 and FY 2003. The enplanement market share for Northwest and its affiliates' is higher than the O&D market share because of the relatively large number of connecting passengers.

  Table 6 presents a comparison of airline market share for FY 2003, FY 2000, and FY 1997. As shown in the table, Northwest and its affiliates' share of enplanements has remained at approximately 80 percent from FY 1997 through FY 2003, while the share of enplanements carried by Delta and US Airways decreased slightly over the same time period. Note that the enplanement share for Northwest and airlines affiliated with Northwest is higher than its share of O&D traffic. This is because enplanements include passengers connecting at Memphis. Northwest is the only carrier with measurable connecting passenger traffic at Memphis.

SECTION 4
Gate assignment policy (identify or describe)

4.1 Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory, and non-signatory requirements.

Gates are preferentially assigned within the Airline Agreement. There are two common-use gates that are assigned as required by different carriers. The usage is monitored as described above and the Authority matches available gates to entrants' needs.

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.

The Authority staff takes the steps necessary to make sure information is available to tenant carriers who want additional gates. Regular tenant meetings with the Authority provide all tenants and the Airport with information on needs and availability. One of the purposes of the Authority's marketing program is to assure that potential new entrants are aware of the availability of gates.

4.3 New policies that have been adopted or actions that have been taken to ensure that new entrant carriers have reasonable access to the airport and that incumbent carriers can expand their operations.

The Authority took significant steps in its Airline Agreement to assure that new entrants would have reasonable access to the Airport and that incumbent carriers can expand their operations/service. This includes changing from exclusive use to preferentially assigned gates, gaining approval for the current capital improvement program, and changing the approval process in the MII clause. In addition, the Authority is continuing to market the Airport to potential new entrants and to make sure gates are available.

4.4 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.

The Authority maintains a database containing information regarding the availability of gates and facilities at the Airport. Information regarding the Authority's point of contact is available on the Authority's website at www.mscaa.com.

4.5 *Policies for assigning RON positions and how RON position availability announcements are made.*

The Authority employs the same policy for RON position use monitoring as for gate use monitoring. As in the case of terminal facilities, the Authority maintains a policy of providing open access to overnight parking for aircraft for Signatory Airlines, new entrants, and independent users of the Airport. The Authority, through the Director of Properties, maintains a concise and up to date inventory of all aircraft positions at the terminals and additional designated parking areas at the Airport for use by RON aircraft. This information is provided to the Authority by airline station managers as well as through a periodic review of schedules and observations by Airport personnel. The Authority's policy is to utilize this information to assure accessibility upon the request of an air carrier for temporary, short term, or long term RON needs at the Airport. Signatory Airlines utilize their assigned gates and associated aircraft parking areas for RON activity. Utilizing this list of areas approved for RON aircraft, spaces are generally assigned on a first come, first served basis by Authority staff, through the Director of Properties.

SECTION 5
Gate use requirements (identify or describe)

The Authority maintains a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. This is demonstrated through the agreements negotiated with the airlines, in the day-to-day practices of airport staff, and processes implemented by the Authority.

In summary, gate usage at the Airport is determined based on the provisions of the Airline Agreement. Leased premises are preferentially assigned (i.e., the air carrier has the first right to use). The preferentially assigned premises may be used by another air carrier and the Airline Agreement contains provisions for the Authority to intervene in gate usage. There are a total of 81 gates at the Airport. Of these, 79 are preferentially assigned and two are common use.

5.1 Gate use monitoring policy, including schedules for monitoring, basis for monitoring activity (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers.

As background, the Authority has been able to effectively match the operational requirements of existing and new entrant carriers with requirements for gates and associated facilities. This function is overseen by the Director of Properties as the official responsible to ensure competitive access on a daily basis at the Airport. Given this, the Authority has adopted the practice of providing the Director of Properties' contact information to both existing and new entrant carriers in various meetings as well as on the Authority's website. The Director of Properties responds to any inquiries within 72 hours of receipt of an inquiry from an interested carrier, including the current gate use at the Airport.

Pursuant to Article 6 of the Airline Agreement, the Authority maintains a policy of providing open access to the Airport and achieving a balanced utilization of Airport facilities. To achieve this goal, the Authority has done the following:

- Established a plan for possession and control of common use or Authority controlled facilities, the "Authority-Controlled Facilities".
- Provided for consensual reallocation of space and accommodations among incumbent airlines.
- Reserved the right to require sharing and temporary use of Leased Premises.
- Provided for certain utilization requirements for existing facilities.

The Authority's gate assignment policies provide flexibility in responding to the needs of a Signatory Airline's expansion plans, temporary needs, or a new entrant carrier to the

Airport. Upon receiving a request for gate facilities, the Authority assists the requesting airline in identifying all unused capacity in the portfolio of 81 gates. Article 6 of the Airline Agreement specifies the procedures used by the Authority to provide adequate facilities to all airlines operating at the Airport. Pursuant to Article 6, the Authority has the right to allocate space among airlines, to provide access through the use of Authority-Controlled Facilities, and to request that a Signatory Airline accommodate another airline on their Leased Premises.

Attachment E presents the Authority's gate use monitoring policy, which includes the schedules for monitoring and the basis for monitoring activity. This policy also includes correspondence from the Authority to incumbent carriers on a quarterly basis, or upon request from potential new airline entrants, outlining the gate usage for the previous period.

A sample gate use monitoring chart is provided in **Attachment B**. The attachment includes operations for Concourse B (which is comprised of operations from Northwest Airlines) and outlines usage of three times per day. This is compared to the Airport's average gate utilization of approximately four departures per day. The Authority monitors the use of Airport facilities from published airline schedules, information from the airline station managers, and from the observations of airport management. Information regarding the availability of access can be obtained from the Director of Properties to any requesting Air Transportation Company, Signatory Airline, or new entrant. Upon the request of an airline, the Authority will work closely to share all such information. The intent of these cooperative efforts is to assure access to the Airport for new entrants as well as to accommodate the expansion of service of Signatory Airlines.

The data used for gate monitoring is based on arrivals and departures, by hour, by carrier, by terminal concourse, for one 24-hour day. The Authority also utilizes this information to determine the operating schedules to manage its food and beverage and retail concession program.

The Authority's process that a new entrant would follow to obtain space at the Airport is provided in **Attachment C**. It is the Authority's intention to ensure that every new air carrier (and existing carrier) that wishes to provide or increase air service at the Airport is accommodated within a reasonable timeframe to meet the requirements of the requesting carrier. The Director of Properties has the flexibility to work with each carrier (both new entrant and existing carriers) to shorten the process to ensure that the needs are accommodated within a timeframe that is satisfactory to all parties. If the procedures for a requesting carrier to lodge a complaint at the Airport are followed, it could take up to 120 days for an air carrier to gain access to a gate.

Generally, the Authority is contacted by an airline interested in pursuing new service at the Airport. The Authority makes its staff available with information to assist the assessment and analysis of the proposed new entrant. At the outset of planning for the entrance of a new air carrier, information is exchanged between the Authority and the new airline in a series of meetings. During these meetings, the Authority offers information to help the airline understand its options, from Authority-Controlled Facilities to Leased Premises. Determination of use generally rests on airline needs, including proposed airline frequency, schedule, aircraft type, affiliations, ground handling preferences, compatibility of communications systems; terminal aircraft apron area position locations available, and other operational factors. In addition, marketing partnerships and the potential for passenger connections to partners play a critical role in the determination of need, both short and long term. Information shared with the airline includes the Airline Agreement, rate summaries for Airport use and facility rentals, maps of the Airport, floor plans, lists of airline users, ground handlers, and other information requested by the airline.

Upon consideration of the information provided, the airline will make its request for Airport facilities directly to the Authority through the Director of Properties. Considering all criteria, the Authority accommodates such request by providing access to Authority-Controlled Facilities, encouraging such airline to request consensual accommodation from Signatory Airlines or if this fails to provide access, invoking the accommodation provisions of Article 6 of the Airline Agreement. The Authority works with the Signatory Airlines in designating a specific portion of Leased Premises for the requesting airline. In any event, if a Signatory Airline is required to share its Leased Premises, it retains priority in usage of such shared premises over the requesting airline.

Alternatively, the airline may choose to make its own sublease arrangements with a Signatory Airline for its Leased Premises. Any sublease arrangements require prior written consent from the Authority under Article 19 of the Airline Agreement. The Authority stands ready to assist a requesting airline by arranging a meeting with a Signatory Airline to discuss the requesting airline's schedule.

The Authority has not experienced complaints about excessive sublease or handling fees. An airline lessee charging excessive fees would be in violation of the Airline Agreement. In the event the rentals, fees, and charges for subleased premises exceed the rentals, fees, and charges payable by Airline for the premises, such excess shall be paid to the Authority. However, a Signatory Airline may charge an accommodated carrier for administrative costs, an amount not to exceed 15 percent of the specified sublease rental and such administrative fees shall not be considered part of excess rentals, fees, and charges. A Signatory Airline may also charge a reasonable fee to others for the use of Airline's capital equipment, tenant finishes and furnishings, and for use of utilities and other services being paid for by the Signatory. The Signatory may require a security deposit and reserves the right to terminate the arrangement for nonpayment.

The following presents processes available for distributing gate utilization information to interested carriers.

- ***Airline Station Manager's Meeting –*** The Airport coordinates various meetings with the airline station managers and their staff. These meetings are held in order to facilitate communication between the airlines and airport staff. Gate utilization is discussed on an ad hoc basis and at the discretion of the Authority.

- ***New Entrant Carrier –*** Upon request, a "New Carrier Entrant Package" will be provided to the new entrant carrier, which includes the following information:

  - Introduction
  - Landing Fee Agreement
  - Airport Telephone Directory
  - Monthly Carrier Activity Report
  - Rates and Charges
  - Report of Non-Schedule Aircraft Landing
  - Terminal Directory

  According to the Authority's procedure, a new entrant carrier first communicates with each Signatory Airline to determine the availability of gates.

5.2 RON monitoring policy.

The same policy for gate use monitoring, as identified in Section 5.1 above, is utilized for the Authority's RON monitoring policy.

As in the case of terminal facilities, the Authority maintains a policy of providing open access to overnight parking for aircraft for Signatory Airlines, new entrants, and independent users of the Airport. The Authority, through the Director of Properties, maintains a concise and up to date inventory of all aircraft positions at the terminals and additional designated parking areas at the Airport for use by RON aircraft. This information is provided to the Authority by airline station managers as well as through a periodic review of schedules and observations by Airport personnel. The Authority's policy is to utilize this information to assure accessibility upon the request of an air carrier for temporary, short term, or long term RON needs at the Airport. Signatory Airlines utilize their assigned gates and associated aircraft parking areas for RON activity. Utilizing this list of areas approved for RON aircraft, spaces are generally assigned on a first come, first served basis by Authority staff, through the Director of Properties.

There is a more than adequate supply of approved aircraft parking positions for RON aircraft (30 RON positions are currently available at the Airport). The Authority does not have a history of problems in accommodating RON aircraft and has achieved a balanced utilization of Airport facilities for Signatory Airlines and other users of the facility.

5.3 Requirements for signatory status and an identification of the current

signatory carriers.

Article 1 of the Airline Agreement provides that "Signatory Airline" shall mean:

> "a Scheduled Air Transportation company that, (i) in the case of an Air Transportation Company which is a passenger airline, either (a) has duly executed an agreement substantially identical to this Agreement providing for the lease in the Terminal Complex and Terminal Aircraft Apron Areas of at least two ticket counter positions and one gate (i.e. holdroom area and related Terminal Aircraft Apron Positions), to the extent and when such space is available, or (b) has duly executed a Landing Agreement and has beneficial use of the Leased Premises or (ii) has duly executed an agreement substantially identical to this Agreement and leased directly from the Authority for a term at least comparable to the term of this Agreement either cargo building facilities or land upon which it will or has made substantial improvements, or (b) has duly executed a Landing Agreement and leased directly from the Authority for a term at least comparable to the term of this Agreement either cargo building facilities or land upon which it will or has made substantial improvements"

The list below presents the carriers that are current Signatory Airlines at the Airport.

- AirTran
- American Airlines
- Continental Airlines
- Delta Air Lines
- FedEx
- Northwest Airlines, Inc.
- United Parcel Service
- Trans World Express

5.4 Where applicable, minimum requirements for leases (i.e., frequency of operations, number of seats, etc.).

There are no minimum requirements for leases in terms of the frequency of operations, the number of seats, or other items. However, the carrier must provide the Authority with a security for payment in the amount of three months rentals, fees, and charges unless the carrier has provided regularly scheduled flights to and from the Airport during the eighteen months prior to the commencement date of the agreement.

5.5 The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or sub-leasing arrangements. Describe how these priorities are communicated to interested carriers.

Accommodation of airline requirements through the sharing of Leased Premises provides the Signatory Airline with the stability of a lease and the assurance that its schedule will have preference on a particular gate. In return for this assurance, the airline remains financially obligated for the gate until the Airline Agreement expires in 2007. The Airline Agreement gives the Authority the right to put another airline on a Signatory Airline's Leased Premises when the schedule of the requesting airline does not conflict with that of the Signatory Airline.

In designating the specific portion of the Leased Premises for temporary or shared use by the requesting airline, the Authority takes into account the following items per Section 6.05 of the Airline Agreement. Those items (in the following order of importance), are listed below:

- The number of total daily scheduled departing seats from each gate;
- Scheduling considerations;
- Compatibility of communications systems;
- Union work rules;
- Terminal aircraft apron area position locations; and
- Other operational considerations.

Further, the Authority consults with the Signatory Airline in designating the specific portion of the Leased Premises to be utilized by the requesting airline. In any event, if a Signatory Airline is required to share its Leased Premises, it shall have priority in all aspects of usage of such shared premises over all other Air Transportation Companies.

In addition, the Authority requires daily average utilization of at least two scheduled daily departures and reviews the average number of departing seats per day per gate per Section 6.05 of the Airline Agreement. In the event that utilization is not maintained during the prior quarter, the Authority has the right to reclaim the gates and associated operations facilities upon 30 days prior written notice.

The process for communicating the accommodation priorities to interested carriers is as follows:

- ***Airline Station Manager's Meeting –*** The Airport coordinates various meetings with the airline station managers and their staff. These meetings are held in order to facilitate communication between the airlines and airport staff. Accommodation of new entrants is discussed on an ad hoc basis and at the discretion of the Authority.

- ***New Entrant Carrier –*** The priorities for accommodation will be provided upon request.

Please note, that while the Authority encourages gate sharing, it does not sacrifice revenue that accrues to the Airport. As a result, the Authority does not reclaim the leasehold unless the rate of gate availability is substantially reduced or if there is anticipated need.

5.6 Justifications for any differences in gate use requirements among tenants

The Authority encourages and maintains a policy of providing open access to the Airport. In order to uphold this policy, there are no differences at the Airport in gate use requirements among tenants.

5.7 Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates. Explain how these priorities are communicated to interested carriers.

Authority-Controlled Facilities provide the Authority control of additional gates, particularly geared to assure immediate access for domestic and international flights. These areas are not leased but are assigned on a "per use basis". There are two common use gates at the Airport. Priority for usage of the common use gates is first given to international flights. Second in priority are flights operated by either Northwest or its affiliated partners. All other users, including charter, other signatory, and non-signatory use requests are taken on a first come, first served basis. Authority-Controlled Facilities are suited best for O&D traffic rather than connecting traffic given a lack of passenger handling facilities to facilitate the transfer of passengers and baggage. Authority-Controlled Facilities have historically been utilized by originating or terminating flights. The Authority, in accordance with the Airport Rules and Regulations, shall periodically determine the allocation of Authority-Controlled Facilities.

The fee for Authority-Controlled Facilities consists of a relatively modest fee per use that recovers the cost of the operation and maintenance costs of the gate, the jet bridge, and a set capital recovery established for all gate areas of the Airport. This fee is established at an amount reasonable in relationship to the cost of such facilities.

In all cases, the Authority can dictate the usage of the common use gates.

The priorities for the usage of the two common use gates, and the other preferential gates at the Airport, are identified in Section 6.04 of the Airline Agreement.

> "Priorities for Accommodation. If Authority receives a request from an Air Transportation Company seeking to expand its present service at the Airport or an Air Transportation Company seeking entry into the Airport, Authority shall accommodate such request by, among other things, (i) providing access to Authority-Controlled Facilities in accordance with the provisions of Section 6.02 of this Article; (ii) encouraging such Air Transportation Company to request consensual accommodation from Signatory Airlines; and (iii) invoking the accommodation provisions of Section 6.03 of this Article. An offer of accommodation by Airline, which conditions providing requested space or facilities upon the payment of rentals which are unsubstantiated and unreasonably exceed the rates and charges established pursuant to this Agreement, shall be deemed unreasonable for purposes of these priorities; provided, however, that it the Airline's documented direct costs and reasonable administrative fee exceed the applicable amount established herein. Airline shall

have the right to petition the Authority for approval of the rentals being required of such Requesting Airline, which approval shall be in the reasonable discretion of Authority.

In designating the specific portion of the Leased Premises for temporary or shared use by the Requesting Airline, Authority shall take into account the following (in the following order of importance):

A. The number of total daily scheduled departing seats from each gate;
B. Scheduling considerations;
C. Compatibility of communications systems;
D. Union work rules;
E. Terminal Aircraft Apron Area position locations; and
F. Other operational considerations.

Authority shall consult with Airline in designating the specific portion of the Leased Premises of Airline to be utilized by a Requesting Airline. In any event, if Airline is required to share its Leased Premises, it shall have priority in all aspects of usage of such shared premises over all other Air Transportation Companies."

The process for communicating the accommodation priorities for common use gates to interested carriers is as follows:

- ***Airline Station Manager's Meeting –*** The Airport coordinates various meetings with the airline station managers and their staff. These meetings are held in order to facilitate communication between the airlines and airport staff. Utilization of the common use gates is discussed on an ad hoc basis and at the discretion of the Authority.

- ***New Entrant Carrier –*** The utilization of the common use gates will be provided upon request.

5.8 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.

Rentals, fees, and charges are estimated, each year, by the Authority and reviewed with the Signatory Airlines. The methodology for calculating rental rates and fees is outlined in Article 10 of the Airline Agreement. In summary, the Authority projects the operation and maintenance expenses, fund deposit requirements, and revenues for the upcoming fiscal year. These items are allocated among the airport cost centers. The common use charges are allocated based on the square footage contained in those areas (i.e., baggage claim area and the inbound baggage area). The methodology for monthly payment of the common use space is ten percent (10%) divided equally among all of the air transportation carriers and ninety percent (90%) apportioned among the carriers based on the enplaned passengers during the most recent six-month period ending in June or December. This common use charge is revised every six months.

As mentioned in Section 5.7, there are two common use gates at the Airport. The facility fees are established on a per use basis at $150 for the holdroom and $150 for the jet bridge. Since these gates are associated with the Federal Inspection Service, there is a charge of $9.42 per seat that is set to reimburse the approximate capital charges for these facilities. The rates and charges for the common use gates are established each year but have been constant for the past few years. The rates and charges for the facilities are in addition to the landing fees imposed by the Authority for all carriers.

SECTION 6
Financial constraints (identify or describe)

6.1 The major source of revenue at the airport for terminal projects.

Currently, the primary sources of revenue for terminal projects are federal grants, airline rates and charges, concession revenues, and general airport revenue bonds. The Authority currently does not collect PFCs; however, a policy decision has been made to consider the use of PFCs to fund future terminal facilities

6.2 Rates and charges methodology (residual, compensatory, or hybrid).

The Authority's existing rates and charges methodology is residual. Under the residual cost formula, revenues from all sources other than Signatory Airline square foot rentals and landing fees are credited against the requirements to determine the amount of Signatory Airline rentals and fees to be paid. The accumulated surplus (or deficit) in the Revenue Fund, after all other required payments have been made, may be included as a credit (or deduction) in the next annual calculation of the net requirements to be met. Amounts accumulated to ensure that the 1.25 debt service coverage requirement of the Rate Covenant is met are to be held in the Coverage Account and rolled over as a credit against required debt service coverage in later years.

6.3 Past use, if any, of PFC's for gates and related terminal projects.

None of the existing terminal facilities have been financed with PFCs. The Authority first began collecting PFCs on August 1, 1992. This application was subsequently amended with the final amendment approved by the FAA on May 7, 1997. Projects included in this application are all airfield-related and include land acquisition, roadways, utilities, a third parallel runway, rehabilitation of Taxiway N, slab and joint seal replacement, and financing costs.

The Authority suspended imposition of PFCs on December 31, 1996. Until recently, the Authority has held in escrow PFCs collected but not expended. In July 1999, the Authority began using the remainder of these PFCs to pay debt service on the bonds issued for the airfield projects previously listed.

6.4 Availability of discretionary income for airport capital improvement projects.

The Authority has discretionary income available for airport capital improvement projects. Section 10.12(F) of the Airline Agreement establishes the discretionary fund to use for any legal Airport purpose without MII approval. The Authority may deposit $500,000 in any fiscal year to the discretionary fund to use for projects in both the airfield and terminal for a total of $1 million. The amount of funds in the discretionary fund cannot accumulate to exceed $4 million. In addition, Section 10.12(b) of the Airline Agreement provides conditions for projects that the Authority may undertake without MII approval.

SECTION 7
Airport controls over airside and groundside capacity (identify or describe)

7.1 Majority-in-interest (MII) or "no further rates and charges" clauses covering groundside and airside projects.

The Authority's current MII is as follows:

> "Majority-In-Interest" or "MII" shall mean, during any Fiscal Year, (i) for the Landing Field Area or the Cargo Building Area, at least Fifty-one percent (51 percent) of the Signatory Airlines, in number, which in the aggregate have landed Fifty-one percent (51 percent) of the total Maximum Certificated Landed Weight of all such Signatory Airlines during the immediately preceding Calculation Period (as defined below) as such weight is reflected by official Airport records, (ii) for the Terminal Complex Area or the Terminal Aircraft Apron Area, at least Fifty-one percent (51 percent) of the Signatory Airlines, in number, which, in the aggregate, paid Fifty-one percent (51 percent) or more of the respective fees and charges in the Terminal Complex Area and the Terminal Aircraft Apron Area during the immediately preceding Calculation Period as reflected by official Airport records, or (iii) for any purpose, at least seventy percent (70 percent), in number, of the Signatory Airlines…."

Unless the Authority receives negative votes on the matter from an MII in the appropriate percentage set forth above, the Authority may proceed on the matter as submitted. Failure of the Signatory Airline to submit a negative response within a 30-day period will be deemed to be consent to the matter as submitted.

7.2 Any capital construction projects that have been delayed or prevented because an MII was invoked.

No projects at the Airport have been prevented as a result of an MII being invoked.

7.3 Plans, if any, to modify existing MII agreements?

The Authority executed its existing Airline Agreements on July 1, 1999. The Airline Agreements extend through June 30, 2007. As a result, the Authority has no plans to modify the existing MII until such time.

SECTION 8
Airport intentions to build or acquire gates that would be used as common facilities

The Authority's Master Plan Update projects that eight to 12 additional gates could be needed by 2005 and 25 to 31 additional gates could be needed by 2015. These projections, however, are based on the extremely low utilization rates of approximately 72,000 enplaned passengers/gate/year for air carrier operations and 128,000 enplaned passengers/gate/year for regional carriers that are currently experienced at the Airport.

There is no doubt, however, that additional gates will be needed simply due to the change in the aircraft forecast to occur over this time period, particularly due to the shift from the DC-9 to the A-320 as the dominant aircraft. According to the Authority's Master Plan Update forecasts, the DC-9 30/40/50 series aircraft currently account for slightly more than 51 percent of all passenger operations. This is forecast to change by 2015 to an aircraft mix dominated by the A320 (27 percent) aircraft. The wingspan for the A320 is approximately 18 feet greater than the DC-9 30/40/50 series aircraft. This difference is sufficient to result in a reduction of available gate positions, particularly on the longer terminal faces. The larger number reported in the gate increases for 2005 and 2015 is intended to account for the positions lost due to the change in aircraft mix.

Once demand warrants, the Authority's Master Plan Update recommends adding the needed gate positions by expanding Concourses A and C to the north and extending the two ends of the Concourse B "Y" to the south. The first phase of expansion would be the extension of Concourse A. One reason for this recommendation is that the landside facilities that serve Concourse A are currently operating well below capacity. The expansion of Concourse A could be designed in a modular fashion that would allow the addition of two gates at a time that could be constructed within a relatively short period. The time necessary for construction could be as little as 90 days if the expansion is designed ahead of time and the apron and utility infrastructure developed ahead of the concourse structure.

Based on the discussion above, there is a significant reserve of physical gate capacity at the Airport. Given the nature of the Northwest hub operation, characterized by quick turnarounds and short gate occupancy times, there is little limitation of physical gate availability to new entrants or the expansion of service by other existing operators at the Airport. Again, this capacity exists in the hours that are outside the Northwest banks.

Gates needed during the period of operation of the Northwest banks would likely involve construction of a portion of the proposed northward extension of Concourse A. The time needed to develop these gates could be minimized by constructing the apron and utility infrastructure ahead of the need for additional gates. This would allow modular expansion of the concourse to provide gates on an as-needed basis. The current agreement limits the ability of the airlines to block such expansion through the MII process, and the Authority has stated that they will use PFC funding to construct additional terminal facilities if needed.

8.1 The number of common-use gates available at the airport today.

Currently, the Authority maintains two common use gates. As additional gates are developed, the Authority will increase the number of gates that it controls directly if experience with the preferential use arrangement indicates that the Authority needs greater control over more gates.

8.2 The number of common-use gates the airport intends to build or acquire and the timeline for completing the process of acquisition or construction. Indicate the intended financing arrangements for these common-use gates.

Based on the Authority's Master Plan Update, demand indicates that an additional eight to 12 gates will be needed by 2005 and 25 to 31 more gates could be needed by 2015. At present, the planned development for the Airport does not differentiate between whether gates will be common use or preferential use. Based on the current conditions, it is likely that gates will be preferentially assigned, as they are needed. Current financing plans do not include the use of PFCs for terminal development but are being funded with federal grants, airport revenue bonds, airline rates and charges, and concession revenues. However, the Authority has committed that should the need arise, it will apply to use PFCs for terminal gate development.

8.3 Whether any air carriers that have been serving the airport for more than three years relying exclusively on common-use gates.

No airline that has been serving the Airport for more than three years has needed to rely exclusively on common-use gates.

8.4 Whether common-use gates will be constructed in conjunction with gates leased through exclusive- or preferential-use arrangements.

It is possible that common use gates will be constructed in conjunction with other gates in the future if demand justifies such expansion.

8.5 Whether gates being used for international service are available for domestic service.

There are currently two common use gates (B42 and B44) available for international service. Domestic departures are served from these gates when they are not in use for international flights.

8.6 Whether air carriers that only serve domestic markets now operate from international gates. If so, describe and explain any disparity in their terminal rentals versus domestic terminal rentals.

No air carriers that only serve domestic markets are operating from the international gates at the Airport. However, some of Northwest's domestic operations do operate from these gates. This is prudent given that there are a limited number of regularly scheduled international flights.

Carriers providing international service pay fees based upon usage of Airport facilities. The current rates are $150 per departure/arrival for use of the jet bridge; $150 per departure/arrival for use of the holdroom; a per seat fee of $9.42 for Federal Inspection Services facilities; and common use charges on a per passenger basis for the use of baggage claim facilities.

SECTION 9
Airfare levels compared to other large airports

This section compares the airfare levels at the Airport with the airfare levels of other airports. The data used in this section was compiled from the DOT's O&D Survey and provided by the DOT via the worldwide web.

Considerations for comparison were also provided for the FAA data. These considerations included using similar average stage length to determine comparison airports and also using airports with similar percentages of traffic traveling on low-fare air carriers.

9.1 Summarized data for the airport showing each carrier's local passengers, average fares, market share (based on passengers), and average passenger trip length.

Table 7 presents the market share and average fares by airline at the Airport for FY 2003. As presented in the table, Northwest has the largest market share in terms of passengers with 55.9 percent and Delta has the second largest market share with 18.3 percent. As also shown, Continental and America West have the highest average fares.

Table 8 presents a comparison of airline O&D passenger market share for FY 2003, FY 2000, and FY 1997. As shown in the table, Northwest and its affiliates' share of O&D passengers was between approximately 48 percent and 56 percent from FY 1997 through FY 2003, while the share of O&D passengers carried by AirTran and Continental has increased and the share carried by Delta and United has decreased.

Table 9 presents comparison of average fares by airline at airports with similar average stage lengths. The table ranks the airports by average fares and the Airport ranks third. As also shown in the table, the average fares for Northwest and Delta at the Airport ranked third and eighth, respectively based on the carriers serving these markets. Northwest and Delta collectively accounted for approximately 74 percent of the O&D passenger market for FY 2003.

9.2 Summarized data for the airport showing local passengers, average passenger trip length, average passenger yield, and number of city-pair markets served disaggregated by distance (distinguishing between markets of 750 miles or less and markets over 750 miles).

Table 10 presents a comparison of the number of passengers, average stage length, passenger yield and number of city-pair markets served in total and for short-haul (less than 750 miles) and long-haul (longer than 750 miles) markets. As shown in the table, out of 20 similarly sized airports, the Airport ranks fourth with respect to the highest yield for all markets served. As also shown in the table, the Airport ranked seventh and first with respect to yield for short and long haul city-pairs, respectively.

9.3 Additional information that is pertinent to particular circumstances at individual airports, and may not be apparent in the summarized information.

Table 11 presents a comparison of the number of passengers, revenues, and average fares at the Airport's top six O&D markets for FY 2003. These markets accounted for approximately one-fourth of the Airport's O&D passengers for FY 2003. The comparative airports to each of the top O&D markets were chosen due to their similarity to the Airport and the top O&D market with regard to distance block grouping, density grouping, and the presence or lack of a low-fare carrier. As shown in the table, the Airport has the fourth lowest fare to Atlanta, and the fares at the other markets are higher than the fares at most of the comparable airports.

Table 1
AIRLINES SERVING THE AIRPORT

Major/National Airlines	**Regional/Commuter Airlines**
AirTran	American Eagle
American	Atlantic Southeast (d/b/a American Connection)
Delta	Atlantic Coast (d/b/a United Express & Delta Connection)
Northwest	Comair (d/b/a Delta Connection)
US Airways	Express Jet (d/b/a/ Continental Express)
	Freedom (d/b/a America West Express)
	Mesa (d/b/a US Airways Express)
	Mesaba (d/b/a Northwest Airlink)
	Pinnacle (d/b/a Northwest Airlink)
	Skywest (d/b/a United Express)
	Trans States (d/b/a American Connection)

Source: Authority Reports
Official Airline Guide, November 2003
Compiled by PB Aviation

Table 2
NONSTOP MARKETS AS OF NOVEMBER 2003
(Page 1 of 2)

Market (Airport)	Daily Nonstop Flights	Number of Airlines	Airline
Alexandria, LA	4	1	Mesaba [1]
Amsterdam	1	1	Northwest
Atlanta	17	4	AirTran, Delta, Mesaba, Northwest
Austin	4	1	Pinnacle [1]
Baltimore	1	1	Northwest
Baton Rouge	4	1	Pinnacle
Biloxi, MS	4	2	Mesaba, Pinnacle
Birmingham	4	3	Mesaba, Northwest, Pinnacle
Boston	1	1	Northwest
Cancun	1	1	Northwest
Charlotte	9	2	Pinnacle, US Airways Express
Chattanooga	4	2	Mesaba, Pinnacle
Chicago (O'Hare)	12	3	American Eagle, Northwest, United Express
Cincinnati	8	3	Atlantic Coast [2], Comair, Pinnacle
Cleveland	3	1	Continental Express
Columbus, OH	4	2	Northwest, Pinnacle
Dallas/Ft. Worth	16	6	American, American Eagle, Atlantic Southeast [3], Mesaba, Northwest, Skywest [4]
Denver	5	2	Northwest, United Express
Des Moines	2	1	Pinnacle
Detroit	8	1	Northwest
Evansville, IN	3	1	Mesaba
Fayetteville, AR	4	1	Mesaba
Ft. Lauderdale	1	1	Northwest
Ft. Smith, AR	4	2	Mesaba, Pinnacle
Ft. Walton Beach, FL	4	2	Mesaba, Northwest
Grand Rapids	1	1	Mesaba
Greensboro, NC	2	1	Pinnacle
Greenville, MS	2	1	Mesaba
Greenville, SC	4	1	Pinnacle
Hattiesburg, MS	2	1	Mesaba
Houston	9	3	Continental, Continental Express, Northwest
Huntsville	4	2	Mesaba, Pinnacle
Indianapolis	4	1	Northwest
Jackson, MS	4	2	Mesaba, Pinnacle
Jacksonville	4	2	Northwest, Pinnacle
Kansas City	4	2	Mesaba, Northwest
Knoxville	4	1	Pinnacle
Lafayette, LA	4	1	Mesaba
Las Vegas	1	1	Northwest
Lexington	3	1	Mesaba
Little Rock	4	1	Northwest
Los Angeles	3	1	Northwest
Louisville	4	1	Pinnacle
Madison, WI	1	1	Pinnacle
Miami	1	1	Northwest
Milwaukee	3	1	Northwest
Minneapolis	6	1	Northwest
Mobile, AL	4	1	Pinnacle
Monroe, LA	4	1	Mesaba
Montego Bay, Jamaica	1	1	Northwest
Montgomery, AL	4	2	Mesaba, Pinnacle
Muscle Shoals	2	1	Mesaba
Nashville	4	2	Mesaba, Northwest
New Orleans	4	1	Northwest
Newark	6	3	Continental Express, Mesaba, Northwest
New York (LaGuardia)	3	1	Northwest
Oklahoma City	4	3	Mesaba, Northwest, Pinnacle

Table 2
NONSTOP MARKETS AS OF NOVEMBER 2003
(Page 2 of 2)

Market	Daily Nonstop Flights	Number of Airlines	Airline
Omaha	4	2	Northwest, Pinnacle
Orlando	3	1	Northwest
Paducah, KY	4	1	Mesaba
Panama City, FL	2	1	Pinnacle
Pensacola, FL	4	1	Pinnacle
Philadelphia	3	1	Mesaba
Phoenix	3	2	Freedom [5], Northwest
Pittsburgh	2	1	US Airways Express
Raleigh/Durham	2	1	Northwest
San Antonio	4	2	Northwest, Pinnacle
San Francisco	1	1	Northwest
Seattle	1	1	Northwest
Shreveport	4	1	Pinnacle
Springfield, MO	4	2	Mesaba, Pinnacle
St. Louis	9	3	Mesaba, Northwest, Trans States
Tallahassee	3	1	Pinnacle
Tampa	2	1	Northwest
Tri-Cities, TN	2	1	Mesaba
Tulsa	4	2	Mesaba, Pinnacle
Tupelo	4	1	Mesaba
Washington (National)	4	1	Northwest
Wichita, KS	2	1	Pinnacle
Total Nonstop Flights	309		

[1] Mesaba and Pinnacle are affiliates of Northwest at the Airport.

[2] Atlantic Coast is an affiliate with Delta in this market at the Airport.

[3] Atlantic Southeast is an affiliate with American in this market at the Airport.

[4] Skywest is an affiliate with Delta in this market at the Airport.

[5] Freedom is an affiliate with America West at the Airport.

Source: Official Airline Guide, November 2003
Compiled by PB Aviation.

Table 3
PRIMARY O&D MARKETS

DESTINATION	O&D PASSENGERS			Avg. Annual Growth Rate
	FY 2003	FY 1998	FY 1993	FY 93 - FY 03
Atlanta	306,990	443,610	178,550	5.6%
Chicago (O'Hare)	141,720	150,990	147,580	-0.4%
New York (LaGuardia)	139,030	114,110	97,640	3.6%
Orlando	114,250	118,950	76,950	4.0%
Dallas/Ft. Worth	112,040	136,040	105,760	0.6%
Washington (National)	105,750	109,610	90,180	1.6%
Newark	90,640	74,380	62,640	3.8%
Los Angeles	87,250	102,900	82,560	0.6%
Philadelphia	82,630	83,070	55,000	4.2%
Tampa	73,070	79,470	48,790	4.1%
Minneapolis	72,680	70,100	56,870	2.5%
Boston	69,580	79,890	52,390	2.9%
Denver	69,160	56,440	55,060	2.3%
Detroit	68,480	73,330	63,170	0.8%
Charlotte	67,300	73,280	36,530	6.3%
Houston	62,230	32,790	13,510	16.5%
Raleigh/Durham	56,990	45,290	22,210	9.9%
Las Vegas	51,880	40,110	46,270	1.2%
Baltimore	47,840	26,200	24,900	6.7%
San Francisco	46,810	59,010	43,480	0.7%
Total	**3,502,000**	**3,617,370**	**2,862,440**	**2.0%**

Sources: Origin & Destination Survey of Airline Passenger Traffic, U.S. DOT, Table 8
Compiled by PB Aviation

Table 4
AIR CARRIER BASE

Airline [1]	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Northwest	X	X	X	X	X	X	X	X	X	X	X
Delta	X	X	X	X	X	X	X	X	X	X	X
US Airways	X	X	X	X	X	X	X	X	X	X	X
American	X	X	X	X	X	X	X	X	X	X	X
United	X	X	X	X	X	X	X	X	X	X	X
AirTran		X	X	X	X	X	X	X	X	X	X
KLM Royal Dutch [2]			X	X	X	X	X	X	X	X	X
Continental					X	X	X	X	X	X	X

[1] Includes service for the airline listed and its affiliates, if any.

[2] KLM Royal Dutch ceased operations on June 3, 2003. The service provided by this airline was replaced with service by Northwest.

Source: Authority Records
Official Airline Guide
Compiled by PB Aviation

Table 5
HISTORICAL ENPLANEMENTS BY AIRLINE

Airline [1]	FY 2003 Enplanements	FY 2003 Share	FY 2002 Enplanements	FY 2002 Share	FY 2001 Enplanements	FY 2001 Share	FY 2000 Enplanements	FY 2000 Share	FY 1999 Enplanements	FY 1999 Share
Northwest	3,176,338	57.8%	3,005,340	59.3%	3,699,854	59.9%	3,204,596	60.9%	3,112,459	63.7%
Northwest Airlink [2]	1,326,411	24.1%	1,014,647	20.0%	1,333,637	21.6%	817,752	15.5%	579,109	11.9%
Delta	268,223	4.9%	318,528	6.3%	421,132	6.8%	494,836	9.4%	504,903	10.3%
AirTran	100,757	1.8%	100,916	2.0%	102,679	1.7%	94,532	1.8%	78,393	1.6%
United Express [3]	85,404	1.6%	76,401	1.5%	87,982	1.4%	80,616	1.5%	89,912	1.8%
American	82,041	1.5%	77,990	1.5%	87,478	1.4%	92,066	1.7%	96,074	2.0%
Continental Express	78,866	1.4%	85,222	1.7%	85,702	1.4%	83,902	1.6%	43,352	0.9%
KLM Royal Dutch	69,562	1.3%	78,253	1.5%	91,391	1.5%	93,616	1.8%	87,874	1.8%
US Airways Express	54,809	1.0%	36,899	0.7%	5,495	0.1%	0	0.0%	0	0.0%
Comair	50,601	0.9%	40,128	0.8%	32,374	0.5%	42,840	0.8%	39,156	0.8%
US Airways	48,356	0.9%	95,505	1.9%	109,721	1.8%	109,221	2.1%	122,866	2.5%
American Eagle	41,558	0.8%	49,810	1.0%	43,215	0.7%	36,415	0.7%	30,203	0.6%
Delta Connection	38,270	0.7%	15,216	0.3%	0	0.0%	0	0.0%	0	0.0%
American Connection	27,807	0.5%	30,392	0.6%	29,820	0.5%	33,954	0.6%	45,632	0.9%
Other [4]	50,728	0.9%	46,680	0.9%	50,434	0.8%	78,027	1.5%	54,740	1.1%
AIRPORT TOTAL [5, 6]	5,499,731	100.0%	5,071,927	100.0%	6,180,914	100.0%	5,262,373	100.0%	4,884,673	100.0%

[1] For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table. However, the activity for the airlines that are now a part of the surviivng airline is included in the information presented.

[2] Combined data for Mesaba and Express.

[3] Consists of traffic for United and United Express prior to FY 2003.

[4] Consists of airlines no longer serving the Airport and charters.

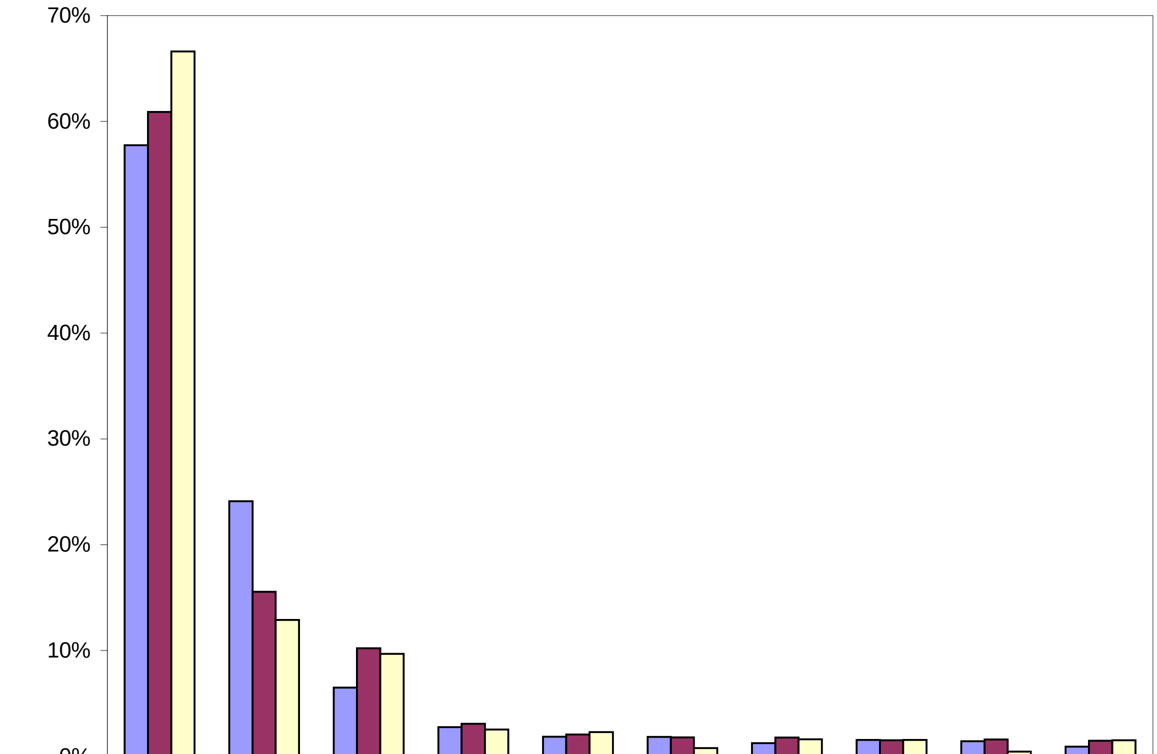
[5] Totals may not add to 100 percent due to individual rounding.

[6] Enplanements include connecting passengers.

Sources: The Authority
Compiled by PB Aviation

Table 6

COMPARISON OF AIRLINE ENPLANEMENTS MARKET SHARE [1]



	NW	NW Airlink	DL	AA	US	FL	KL	UA	CO Exp	Other
FY 2003	57.8%	24.1%	6.5%	2.8%	1.9%	1.8%	1.3%	1.6%	1.4%	0.9%
FY 2000	60.9%	15.5%	10.2%	3.1%	2.1%	1.8%	1.8%	1.5%	1.6%	1.5%
FY 1997	66.6%	12.9%	9.7%	2.5%	2.3%	0.8%	1.6%	1.6%	0.5%	1.5%

Key:

NW= Northwest
DL= Delta [2]
US= US Airways [3]
FL= AirTrans
KL= KLM-Royal Dutch [4]
UA= United [5]
AA= American [6]
CO= Continental

[1] Includes connecting passengers. Table 8 presents O&D passenger market share.

[2] Includes passengers for Delta and Delta Connection.

[3] Includes passengers for US Airways and US Airways Express.

[4] KLM ceased operations on June 3, 2003. Service to Amsterdam previously offered by KLM is now offered by Northwest.

[5] Includes passengers for United and United Express

[6] Includes passengers for American, American Eagle, and American Connection.

Sources: The Authority
Compiled by PB Aviation

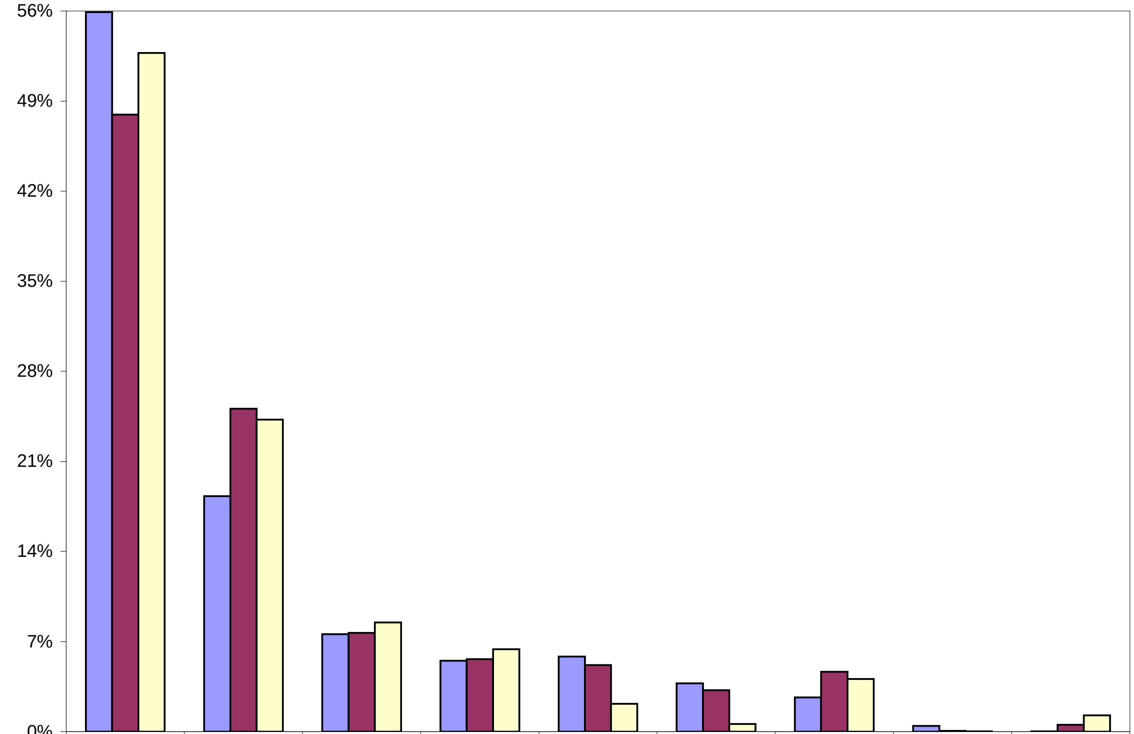
Table 7
AIRLINE FARES AND O&D PASSENGER MARKET SHARE - FY 2003

Carrier	O&D Passengers [1]	Zero-Fare Passengers	Average Fare	Average Trip Length	Market Share
Northwest	1,958,310	104,570	$170.14	760	55.9%
Delta	641,060	35,970	$148.06	657	18.3%
American	264,980	19,280	$181.89	966	7.6%
US Airways	193,150	10,820	$148.25	727	5.5%
AirTran	203,930	1,880	$111.61	615	5.8%
Continental	131,310	7,630	$206.45	965	3.7%
United	93,350	8,600	$169.43	1,258	2.7%
America West	15,220	80	$191.76	1,597	0.4%
Other	690	80	$212.84	1,733	0.0%
Total	**3,502,000**	**188,910**	**$163.82**	**844**	**100.0%**

[1] Includes O&D passengers for the carrier listed and its affiliates, if any.

Source: US Department of Transportation, Origin and Destination Survey
Compiled by PB Aviation

Table 8
COMPARISON OF AIRLINE O&D PASSENGER MARKET SHARE [1]



	NW	DL	AA	US	FL	CO	UA	HP	Other
FY 2003	55.9%	18.3%	7.6%	5.5%	5.8%	3.7%	2.7%	0.4%	0.0%
FY 2000	48.0%	25.1%	7.7%	5.6%	5.2%	3.2%	4.7%	0.1%	0.5%
FY 1997	52.7%	24.3%	8.5%	6.4%	2.2%	0.6%	4.1%	0.0%	1.3%

Key:

NW= Northwest
DL= Delta
AA= American
US= US Airways
FL= AirTrans
CO= Continental
UA= United
HP= America West

[1] Includes passengers for the carrier listed as well as its affiliates, if any.

Source: US Department of Transportation, Origin and Destination Survey
Compiled by PB Aviation

Table 9
COMPARISON OF FARES BY MARKET AND AIRLINE - CY 2002

Airport	Average Fare	Average Trip Length	Northwest	Delta	US Airways	American	AirTran	United	Continental
Charlotte	$214.84	870	$198.99	$207.92	$218.41	$211.04	N/A	$203.90	$233.24
Cincinnati	$211.23	861	$223.99	$212.13	$169.69	$209.98	N/A	$206.38	$218.51
Memphis	**$187.31**	**792**	**$201.36**	**$160.21**	**$159.98**	**$213.37**	**$125.63**	**$198.81**	**$221.42**
Washington (National)	$180.00	857	$202.64	$159.12	$157.69	$209.98	N/A	$197.89	$231.19
Pittsburgh	$175.08	871	$195.27	$155.30	$173.95	$202.31	$104.37	$190.08	$218.49
Cleveland	$164.21	939	$192.90	$163.27	$159.70	$169.21	N/A	$165.73	$184.77
New York (LaGuardia)	$160.88	905	$195.34	$138.85	$138.30	$184.80	$119.29	$212.52	$250.90
Atlanta	$152.94	829	$146.47	$159.23	$122.71	$161.88	$106.54	$177.64	$143.72
St. Louis	$149.57	837	$169.37	$183.84	$181.34	$162.44	N/A	$145.78	$161.13
Omaha	$145.14	939	$164.64	$174.94	N/A	$153.21	N/A	$156.97	$165.93
Louisville	$142.20	823	$170.99	$159.89	$170.10	$154.99	N/A	$138.54	$188.46
Nashville	$139.48	836	$156.47	$165.51	$187.50	$172.40	N/A	$194.63	$179.37
New Orleans	$136.77	928	$160.66	$138.90	$147.45	$148.82	$126.74	$179.64	$158.68
Kansas City	$136.38	877	$176.36	$148.22	$160.16	$129.64	N/A	$147.52	$175.31
Jacksonville	$134.57	891	$142.03	$147.19	$131.08	$159.11	$116.65	$187.42	$169.14
Raleigh/Durham	$133.69	900	$164.94	$129.19	$126.72	$151.89	$104.10	$201.95	$148.80
Buffalo	$127.74	937	$164.87	$129.58	$131.34	$161.61	$115.22	$174.12	$139.09
Houston (Hobby)	$119.31	696	N/A	$159.35	N/A	$165.72	$153.98	N/A	N/A
Reno	$113.46	914	$175.53	$173.08	N/A	$147.69	N/A	$156.89	$165.69
Chicago (Midway)	$109.75	870	$116.05	$132.49	N/A	$157.66	$111.46	N/A	$110.91
Memphis Rank	**3**		**3**	**8**	**8**	**1**	**3**	**5**	**4**

N/A=Not Applicable, indicating the airline did not serve the airport.

Source: US Department of Transportation, Origin and Destination Survey
Compiled by PB Aviation

Table 10

COMPARISON OF PASSENGERS, TRIP LENGTH, YIELD AND CITY-PAIRS [1] - CY 2002

	All Trip Lengths				Short-Haul (750 Nonstop Miles or Less)				Long-Haul (Over 750 Nonstop Miles)			
Airport	O&D Passengers	Avg Trip Length	Yield	City-Pairs	O&D Passengers	Avg Trip Length	Yield	City-Pairs	O&D Passengers	Avg Trip Length	Yield	City-Pairs
Dallas (Love Field)	4,393,580	362	$0.24	40	4,193,220	321	$0.26	21	200,360	1,217	$0.09	19
Charlotte	4,599,590	914	$0.23	129	3,089,940	531	$0.40	81	1,509,650	1,699	$0.13	48
Cincinnati	4,060,350	903	$0.23	127	2,183,090	484	$0.45	79	1,877,260	1,391	$0.15	48
Memphis	**3,116,060**	**866**	**$0.22**	**110**	**1,794,640**	**541**	**$0.32**	**63**	**1,321,420**	**1,307**	**$0.16**	**47**
Washington (National)	9,934,520	898	$0.20	169	5,415,420	426	$0.38	80	4,519,100	1,464	$0.14	89
Pittsburgh	5,704,620	906	$0.19	130	2,990,940	423	$0.41	69	2,713,680	1,439	$0.12	61
Atlanta	23,273,000	854	$0.18	205	15,360,750	546	$0.24	115	7,912,250	1,452	$0.13	90
New York (LaGuardia)	18,554,790	936	$0.17	176	8,046,300	456	$0.32	67	10,508,490	1,303	$0.13	109
St. Louis	9,205,040	873	$0.17	158	4,712,020	487	$0.27	84	4,493,020	1,278	$0.13	74
Burbank	4,577,950	587	$0.17	69	3,472,280	330	$0.24	17	1,105,670	1,394	$0.12	52
Houston (Hobby)	5,596,010	720	$0.17	94	3,407,050	383	$0.25	26	2,188,960	1,243	$0.12	68
Cleveland	6,548,700	990	$0.17	129	3,380,820	439	$0.36	63	3,167,880	1,579	$0.11	66
Louisville	3,002,550	910	$0.16	105	1,952,560	551	$0.24	65	1,049,990	1,577	$0.10	40
Nashville	6,043,990	896	$0.16	143	3,716,140	556	$0.23	91	2,327,850	1,438	$0.11	52
Kansas City	8,291,610	941	$0.14	157	3,772,470	541	$0.22	67	4,519,140	1,275	$0.12	90
Jacksonville	4,182,870	964	$0.14	119	1,949,150	535	$0.21	46	2,233,720	1,338	$0.12	73
Raleigh/Durham	7,051,970	968	$0.14	145	4,606,430	535	$0.22	80	2,445,540	1,784	$0.09	65
Chicago (Midway)	10,966,550	883	$0.12	94	5,214,430	462	$0.21	40	5,752,120	1,264	$0.10	54
Reno	3,741,110	976	$0.12	88	2,365,560	430	$0.19	23	1,375,550	1,915	$0.09	65
Oakland	11,519,680	989	$0.12	104	7,780,010	440	$0.19	17	3,739,670	2,132	$0.09	87
Memphis Rank			**4**				**7**				**1**	

[1] Includes only markets with 10 or more passengers per day.

Source: US Department of Transportation, Origin and Destination Survey
Compiled by PB Aviation

Table 11
COMPARISON OF FARES AT THE AIRPORT'S TOP SIX O&D MARKETS - CY 2002

Market	Passengers	Revenue	Average Fare [1]
ATLANTA			
Orlando	565,010	$72,503,118	$128.32
Tampa	547,330	$66,508,319	$121.51
Dayton	245,740	$26,558,314	$108.07
New Orleans	332,300	$35,613,022	$107.17
Memphis	**332,420**	**$32,707,460**	**$98.39**
Raleigh/Durham	436,990	$40,624,133	$92.96
Jacksonville	294,090	$27,015,808	$91.86
Greensboro, NC	200,830	$18,146,622	$90.36
NEW YORK (LAGUARDIA)			
Nashville	139,430	$27,711,712	$198.75
Memphis	**141,980**	**$27,300,733**	**$192.29**
Birmingham	64,370	$12,144,579	$188.67
Jacksonville	141,920	$19,754,091	$139.19
Madison, WI	59,900	$7,840,623	$130.90
CHICAGO (O'HARE)			
Cincinnati	154,110	$37,920,766	$246.06
Memphis	**96,840**	**$19,414,863**	**$200.48**
Chicago O'Hare	101,450	$16,960,956	$167.19
Omaha	130,470	$14,384,572	$110.25
Nashville	112,550	$11,164,594	$99.20
Louisville	90,330	$8,761,923	$97.00
ORLANDO			
Memphis	**114,780**	**$17,092,543**	**$148.92**
Louisville	155,670	$16,708,343	$107.33
Greensboro, NC	117,120	$12,127,472	$103.55
Jackson, MS	67,140	$6,456,224	$96.16
Norfolk	155,330	$13,529,546	$87.10
Newport News	51,820	$4,485,894	$86.57
DALLAS-FT. WORTH			
Memphis	**99,880**	**$19,872,144**	**$198.96**
McAllen, TX	45,150	$7,090,917	$157.05
Jackson, MS	41,270	$5,691,328	$137.90
Baton Rouge	47,250	$6,162,630	$130.43
Corpus Christi	44,610	$4,800,117	$107.60
New Orleans	155,750	$16,328,912	$104.84
WASHINGTON (NATIONAL)			
Memphis	**99,880**	**$19,721,233**	**$197.45**
New Orleans	125,020	$23,208,904	$185.64
Kansas City	145,320	$25,153,991	$173.09
Ft. Lauderdale	180,310	$24,002,673	$133.12
West Palm Beach, FL	122,030	$16,141,271	$132.27

[1] Average fare is calculated based on passenger and revenue information presented.

Source: US Department of Transportation, Origin and Destination Survey
Compiled by PB Aviation

ATTACHMENT A
AIRPORT CONCOURSE DIAGRAM

ATTACHMENT B
SAMPLE GATE USE MONITORING CHARTS

ATTACHMENT C
PROCEDURE TO APPLY FOR GATE ACCESS

ATTACHMENT D
AIRPORT USE AND LEASE AGREEMENT

ATTACHMENT E
GATE USE MONITORING POLICY