

	<b>Date</b>	August 7, 2006
	<b>Agenda Item No.</b> <b>46</b> <b>Roll Call No.</b> <b><u>06-</u></b> <b>Communication No.</b> <b><u>06-508</u></b> <b>Submitted by: Craig Smith, Aviation Director</b>	

**AGENDA HEADING:**

Hearing on amendments to current operating agreements extending their signatory status until June 30, 2008 at the Des Moines International Airport for the following:

- (A) Skyway Airlines, Inc. d/b/a Midwest Airlines
- (B) Allegiant Air, LLC
- (C) United Parcel Service Co.
- (D) ABX Air Inc. d/b/a DHL
- (E) Comair Inc. d/b/a Delta Airlines

**SYNOPSIS:**

Recommend approval of Amendments to the Scheduled Airline Operating Agreements and Terminal Lease and Cargo Airline Operating Agreements (Signatory Agreements) with United Parcel Service Co., ABX Air Inc. (d/b/a DHL), Comair Inc. (d/b/a Delta Airlines), Skyway Airlines Inc. (d/b/a Midwest Airlines), and Allegiant Air LLC at Des Moines International Airport as recommended by the Airport Board.

**FISCAL IMPACT:**

Amount: No change

Funding Source: The proposed Amendments continue the established rates and charges formula as outlined in the previous Signatory Agreements and as adjusted through the Des Moines International Airport Regulations.

**ADDITIONAL INFORMATION:**

The current Scheduled Airline Operating Agreement and Terminal Lease and Cargo Airline Operating Agreements (Signatory Agreements) expired June 30, 2006. In early 2006, Airport staff began discussions regarding these agreements with the Signatory Airline representatives in order to develop a new Agreement. As the discussion progressed, all parties reached the conclusion that the most proper course of action was to execute a two (2) year extension of the term through an amendment to the current Agreements, from July 1, 2006 to June 30, 2008.

The decision was based on several factors: 1) the current relationship generally meets the needs of both the Signatory Airlines and the Airport, financially and operationally, 2) two major airlines are currently in bankruptcy and terminating the current Signatory Agreement, and beginning a new one may complicate the status of claims included in bankruptcy proceedings, and 3) there have been numerous staff changes both at the Airport and within the administrative offices of many of the airlines.

As currently proposed, the only clause needed in a majority of the amendments is a statement which extends the term of the Agreement to June 30, 2008. With the two Signatory Carriers currently in bankruptcy (Northwest and Comair), there will be additional language in those particular amendments to address the Chapter 11 bankruptcy condition. The bankruptcy language essentially clarifies that the amendment will not affect the bankruptcy proceedings nor the status of the Signatory Agreement with these carriers.

With this amendment, Airport staff had several goals in mind, including but not limited to, maintaining operational and financial control of the Airport System and maintaining overall system revenues. The current Signatory Agreements and related Amendments meet or exceed all of those expectations.

This action will extend the Signatory Agreements beyond a three-year overall term, which requires approval by City Council. By Resolution A06-85, the Airport Board approved the negotiation of a two-year extension to the Agreement and recommended approval of such amendments to City Council. The Airport Board action stated that the amendments would be submitted for City Council approval as they are received. Thus far, amendments have been received from UPS, ABX, Comair, Skyway and Allegiant and are presented to Council as such. Airport staff continues to work with the remaining carriers, and amendments are expected to be forthcoming in the near future from United Air Lines Inc., Federal Express Corp., Northwest Airlines Inc., Mesa Airlines Inc. (d/b/a US Air), and American Eagle Airlines Inc. Council will be asked to approve those amendments as they become available.

**PREVIOUS COUNCIL ACTION(S): NONE**

Date: July 24, 2006

Roll Call Number: 06-1455, 06-1456, 06-1457, 06-1458, 06-1459,

Action: Set date of hearing on amendments to current operating agreements extending their signatory status until June 30, 2008 at the Des Moines International Airport for the following:

- (F) Skyway Airlines, Inc. d/b/a Midwest Airlines
- (G) Allegiant Air, LLC
- (H) United Parcel Service Co.
- (I) ABX Air Inc. d/b/a DHL
- (J) Comair Inc. d/b/a Delta Airlines

**BOARD/COMMISSION ACTION(S):**

Date: May 2, 2006

Resolution Number: Airport Board A06-84

Action: Approval to Negotiate Amendments to Current Scheduled Airline (Passenger Signatory) Operating Agreements and Terminal Leases and Amendments to Current Scheduled Cargo Airline (Cargo Signatory) Operating Agreements

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:**

Set hearings and approval of remaining Amendments as presented.