



Council Communication

Office of the City Manager

Date February 26, 2007

Agenda Item No. 58&59
Roll Call No. 07-
Communication No. 07-123
Submitted by: Craig Smith, A.A.E.
Aviation Director

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) Federal Express Corporation
- (B) Mesa Airlines, Inc. d/b/a US Airways
- (C) Northwest Airlines, Inc.
- (D) ExpressJet Airlines, Inc. d/b/a Continental Express
- (E) United Air Lines Inc.

SYNOPSIS:

Recommend approval of Amendments to the Scheduled Airline Operating Agreements and Terminal Lease and Cargo Airline Operating Agreements (Signatory Agreements) with Federal Express Corporation; Mesa Airlines, Inc. d/b/a US Airways, Inc.; Northwest Airlines, Inc.; ExpressJet Airlines, Inc. d/b/a Continental Express; and United Air Lines Inc. at Des Moines International Airport as recommended by the Airport Board.

FISCAL IMPACT:

Amount: There is no new fiscal impact associated with this action. 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.

Funding Source: N/A

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 that 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 or 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. Previously, amendments were received from UPS, ABX, Comair, Skyway and Allegiant, and were approved by City Council. Airport staff has since received amendments from United Air Lines Inc., Federal Express Corporation, Northwest Airlines Inc., and Mesa Airlines Inc. American Eagle Airlines Inc. has not returned its amendment at this time. Council will be asked to approve that amendment when it is received.

PREVIOUS COUNCIL ACTION(S):

Date: February 12, 2007

Roll Call Number: 07-236, 07-237, 07-238, and 07-239

Action: On Amendments to the Scheduled Airline Operating Agreements and Terminal Building Leases at the Des Moines International Airport to extend to June 30, 2008, (2-26-07) as follows:

- A) [ExpressJet](#) Airlines, Inc., d/b/a Continental Express. Moved by Vlassis to adopt. Motion Carried 7-0.
- B) [MESA](#) Airlines, Inc. d/b/a U.S. Airways. Moved by Vlassis to adopt. Motion Carried 7-0.
- C) [Northwest](#) Airlines, Inc. Moved by Vlassis to adopt. Motion Carried 7-0.
- D) [United](#) Air Lines, Inc. Moved by Vlassis to adopt. Motion Carried 7-0.

Date: February 12, 2007

Roll Call Number: 07-240

Action: On Amendment to current Operating Agreement with Federal Express Corporation extending their scheduled cargo airline at the Des Moines International Airport until June 30, 2008, (2-26-07). Moved by Vlassis to adopt. Motion Carried 7-0.

Date: August 7, 2006

Roll Call Number: 06-1601, 06-1602, 06-1603, 06-1604, and 06-1605

Action: On amendments to current operating agreements with the following, extending their signatory status at the Des Moines International Airport until June 30, 2008::

- (A) Skyway Airlines, Inc. d/b/a Midwest Airlines Moved by Hensley to adopt. Motion Carried 6-1.
- (B) Allegiant Air, LLC Moved by Hensley to adopt. Motion Carried 6-1.
- (C) United Parcel Service Co. Moved by Hensley to adopt. Motion Carried 6-1.
- (D) ABX Air Inc. d/b/a DHL Moved by Hensley to adopt. Motion Carried 6-1.
- (E) Comair Inc. d/b/a Delta Airlines Moved by Hensley to adopt. Motion Carried 6-1.

Date: July 24, 2006

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

Action: On Amendments to current operating agreements extending their signatory status until June 30, 2008 at the Des Moines International Airport for the following, (8-7-06):

- (F) Skyway Airlines, Inc. d/b/a Midwest Airlines Moved by Hensley to adopt. Motion Carried 7-0.
- (G) Allegiant Air, LLC Moved by Hensley to adopt. Motion Carried 7-0.
- (H) United Parcel Service Co. Moved by Hensley to adopt. Motion Carried 7-0.
- (I) ABX Air Inc. d/b/a DHL Moved by Hensley to adopt. Motion Carried 7-0.
- (J) Comair Inc. d/b/a Delta Airlines Moved by Hensley to adopt. Motion Carried 7-0.

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 hearing and approval of remaining Amendment with American Eagle when presented.