



U.S. Department
of Transportation
**Federal Aviation
Administration**

Office of Airport Planning
and Programming

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0820

MAY 12 2004

Mr. Davis Yogi
Airports Administrator
Airports Division
Department of Transportation
400 Rodgers Blvd., Suite 700
Honolulu, HI 96819

Dear Mr. Yogi:

Thank you for submitting the State of Hawaii's FY 2004 Competition Plan update for Kahului Airport (OGG) and for participating in our recent telephone conference call. We have reviewed your Plan update and have determined that it is in accordance with the requirements of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. 106-181, April 5, 2000, codified as Title 49 U.S. Code sections 40117(k) and 47106(f).

The OGG FY 2004 Update indicates the airport has implemented the following competitive actions, policies, and practices:

- Accommodated new service initiated by Northwest and North American Airlines, and expanded service by Aloha Airlines;
- Monitors gate utilization;
- Assigns shared or common-use gates through either a lease or revocable permit which allows cancellation of the permit with a 30-day written notice;
- Completed the Terminal Facilities Study in September 2003 and improved operational efficiency by providing for two aircraft parking hardstands; elevated service levels by improving and expanding the terminal facilities;
- Required carriers to receive prior approval to sublease facilities; and
- Posted current and previous Competition Plans on the OGG web site.

Your Plan update also indicates the airport plans to implement the following competitive action:

- Complete development of formal dispute resolution procedures that will:
 - Establish specific procedures for filing written complaints;

- Develop a standardized form to track decisions on the outcome of each dispute;
- Designate an airport official at the District level to mediate disputes;
- Establish a specific time frame for resolution of disputes; and
- Establish a process to appeal initial determinations to either senior airports Division management or the State Department of Transportation;
- Continue its evaluation of changes to the policy requiring a new entrant to submit audited financial statements for the past three years in order to receive signatory status;
- Develop a formal gate assignment policy;
- Renegotiate the lease provision requiring carrier concurrence for capital improvement projects after the bankruptcy proceedings of current major carriers such as Hawaiian and United are clarified;
- Take short-term capacity initiatives, including adding two widebody capable aircraft gates and hold rooms for potential addition of flights on shoulders of peak period;
- Implement Common-use Terminal Equipment (CUTE) at certain interisland gates to increase flexibility in aircraft parking and gate assignments; and
- Remodel the hold rooms to increase operational flexibility and shared use.

As noted above, we have determined that your Update meets the requirements of section 155 of AIR-21. We are enclosing with this letter a chart, prepared in April 2003, highlighting actions taken by airports covered by the Competition Plan requirements to reduce barriers to entry and enhance competitive access (OGG is included). We have distributed this product at several airport conferences in order to demonstrate the tools airport managers are using to comply with the statutory elements of the Competition Plan requirement, the competitive benefits that may be achieved through implementation of these tools, and other ancillary advantages that may be derived from these tools. This chart may be of interest to you as you implement your Competition Plan. Further, although not shown on the chart, at 29 of the 38 airports highlighted on the chart, new or expanded entry or service by low-cost carriers has occurred, and larger carriers have benefited through new lease arrangements and gate change accommodations. We will be happy to discuss this information in more depth with you at your convenience. Please note that this list is not all-inclusive; many airports have adopted a variety of competitive practices that we would be pleased to share with you. We would be happy to discuss any of these items with you in more depth, at your convenience.

We look forward to reviewing future updates to your Competition Plan. Your next update will be due 18 months from the date of this letter. We will notify you before the end of your 18-month cycle as to whether you remain a covered airport. As you may know, the Secretary is required by section 40117(k) to review implementation of Competition Plans from time to time to verify each covered airport implements its plan successfully. In connection with our review, we may determine that site visits to, or teleconferences with, one or more locations would be useful. We will notify you should we decide to visit OGG in connection with its Competition Plan.

If you have any questions regarding this letter or the FAA's review of your Plan, please contact Ms. JoAnn Horne, Manager, Airports Financial Analysis and Passenger Facility Charge Branch, at (202) 267-3831.

Sincerely,

A handwritten signature in black ink, appearing to read "Dennis E. Roberts". The signature is written in a cursive style with a large initial "D" and a long horizontal stroke.

Dennis Roberts
Director, Office of Airport Planning
and Programming

Enclosure

AIRPORT COMPETITION PLANS

Highlights of Reported Actions to Reduce Barriers to Entry and Enhance Competitive Access

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April 2003

I. AVAILABILITY OF GATES AND RELATED FACILITIES

Major Elements of Competition Plan

- Number of gates available at the airport by lease arrangement.
- Samples of gate use monitoring charts.
- Description of the process for accommodating new service and for service by a new entrant.
- 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 others.
- Policy regarding "recapturing" gates that are not being fully used.
- Resolution of any access complaints during the 12 months preceding the filing.
- Use/lose or use/share policies for gates and other facilities.
- Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport.
- Availability of an airport competitive access liaison for requesting carriers, including new entrants.
- 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.

Significant Airport Responses

- Asserting control over underutilized gates.
- Designating Competition Access committees.
- Adopting more entry-friendly leasing terms.
- Removing specific access protections for signatory carriers.
- Providing new entrants with informational packages regarding airport access.
- Monitoring gate use.
- Streamlining forced accommodation process.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage	Converted from exclusive to preferential leases upon expiration of exclusive leases; created Competitive Access Team; uses web site to publish gate utilization information.
Atlanta	Provides handbook with airport information to requesting carriers and is invoking recapture authority for unused facilities.
BWI	Developed Airline Accommodations Committee consisting of air service development, operations, planning and commercial management offices.
Burbank	Designates official as new entrant liaison and provides guidance package.
Cincinnati	Using Competition Plan Coordinator to develop procedures and time lines to respond in a timely manner to requests for accommodation.
Cleveland	Competition Task Force established to ensure implementation of competition plan and pursue expansion and growth options; will develop new entrant handbook; assigns Administrative Officer to each airline to monitor sublease activity, assess operational needs to ensure efficiency of use.
Detroit	Adopted a policy to override strict "exhaustion of efforts" clause in its lease provision by assisting a requesting carrier to ease any burden and reduce unnecessary delays associated with acquiring gates and related facilities when the airport is unable to provide those facilities.
Houston Hobby/Inter-continental	Renegotiated long-term, exclusive use leases to shorter term, preferential, minimum-use leases (at some terminals) with commitment on part of airport to facilitate inter-carrier accommodations upon request of interested airline; developed Welcome Letter package to include gate usage information and a general Dispute Resolution Policy Statement, as well as other pertinent information.

Milwaukee	Removed potential obstacle for accommodation that enabled a signatory carrier to refuse to accommodate a "direct competitor."
Minneapolis	Undertook Competitive Marketing initiatives with low-fare carriers and created short-term gates with preferences for new entrant carriers; created new entrant package with plans to publish information package on web site.
Nashville	Streamlining exhaustion of efforts requirement by using web site to encourage new entrants to contact airport directly, assists carrier with voluntary accommodation and negotiations, under a timeline; intends to recapture vacant leased gates upon request of another carrier.
Newark	Initiated review of Master Airline leases, identified provisions enabling airport to regain more control over the use of gates; moved to recapture gates or to force accommodation on gates, based on utilization study; streamlined forced accommodation clause by removing an exhaustion of efforts; appointed New Entry Manager and developed New Entrant Airline Rights package.
Oakland	Installing common use ticketing equipment at ticket counters and gates so that all airlines operating there will use identical gate check-in and gate CUTE equipment, thereby providing maximum flexibility in assigning gates, even on a per flight basis, thereby increasing the opportunities for competition; provides Airline Entry Package and airport facilitates negotiations between requesting carriers and incumbents.
Providence	Facilitates gate sharing requests and will not enforce lease clause requiring requesting airline to contact all signatories.
Sacramento	Is formalizing gate availability information by preparing an Airline Information Package containing information on available gates, terms of access, and procedures for securing facilities for new service, to be made available on the airport's web page and upon request.
Salt Lake City	Start Up Package provided to requesting carriers includes a gate utilization report summary, a statement about the airport's dispute resolution practices, as well as other necessary information about operating at the airport.
San Antonio	Negotiated expiring lease to provide for preferential-use; Aviation Department assists requesting airlines in gaining access.
San Francisco	Invoked forced accommodation clause to ensure that temporary gate needs of new entrant airlines were met.
San Jose	Established a Tenant Liaison Committee to respond to requests for access within a reasonable time, gather appropriate information, meet with relevant airport personnel, provide gate utilization information to requesting airline, and act as an intermediary between prospective airline and incumbent airline to expedite accommodation; assigned Property Management personnel as first point of contact.
San Juan	Developing policy on gate use and monitoring requirements to be applied to all gates, drafting sublease guidelines and requirements, developing complaints and disputes resolution policy and developing a master lease incorporating the referenced policies and procedures.

II. ARRANGE FOR LEASING AND SUBLEASING

Major Elements of Competition Plan

- Whether a subleasing or handling arrangement with incumbent carrier is necessary.
- How the airports assists requesting airlines to obtain a sublease or handling arrangement.
- Airport oversight policies for sublease fees.
- Process by which availability of facilities for sublease or sharing is communicated to other interested carrier.
- Airport policies regarding sublease fees.
- How complaints by sub-tenants about excessive sublease fees are resolved.
- How independent contractors who want to provide such service as ground handling are accommodated.
- Formal dispute resolution procedure.

Significant Airport Responses

- Beginning to develop dispute resolution process.
- Asserting more control and oversight over sublease fees, terms, and conditions.
- Imposing sublease caps on administrative fees.
- Reviewing and/or pre-approving subleases.
- Notifying carriers of gates available for subleases.

Highlights of Recent Actions Reported by Individual Airports:

Albuquerque	Adopting dispute resolution procedures.
Anchorage	Requires airport approval and caps administrative fees; adopting dispute resolution procedures.
Atlanta	Adopting dispute resolution procedures.
Austin	Requires airport approval and caps administrative overhead fees.
BWI	Caps fees and requires airport approval.
Chicago O'Hare	Adopting dispute resolution procedures.
Chicago Midway	Gate committee is developing dispute resolution procedures for use on domestic gates.
Cleveland	Pre-approves subleases, caps fees; common-use gate protocol manages gate occupancy times and fines user for failure to comply; adopting dispute resolution procedures.
Dallas Love Field	Adopted a policy to cap sublease administrative fees.
Dallas-Fort Worth	Adopting dispute resolution procedures.
Denver	Adopting dispute resolution procedures.
Detroit	Caps sublease fees for forced accommodation arrangements; requires airport approval for subleases with new entrants; gate utilization policy assures that subtenant will not be disadvantaged by a schedule change of the tenant.
Houston Hobby/Inter-continental	Will initiate the development of a formal dispute resolution process.
Kahului	Requires pre-approval of a sublease and discourages excessive sublease rents.

Memphis	Adopting dispute resolution procedures.
Newark	Is developing more formalized procedures for hearing complaints in addition to considering complaints at station manager or airlines affairs meetings.
Oakland	Requires airport manager's pre-approval for sublease or assignment; restricts amount of assigned space that may be assigned or sublet to another airline; caps fees.
Ontario	Is developing a Gate Use Committee to resolve disputes, set timeline for appeals
Palm Beach	Pre-approval required for subleases; airport has authority to recapture subleased facilities when they represent over 50% of the tenant's leasehold; caps administrative fees; adopting dispute resolution procedures.
Reno	Adopting dispute resolution procedures.
San Antonio	Adopting dispute resolution procedures.
Saint Louis	Airport consent required for subleases; ground-handling fees are subject to airport oversight; preferential-use sublease terms and fees subject to airport oversight; will address sublease markups in new airline use agreement.
San Jose	Developed an Airline Access Complaint form and established procedures for resolving complaints within a reasonable time. Also oversees sublease fees per revised lease and applies, as a matter of policy, sublease fee caps on subleases executed under older master lease.
San Francisco	Adopting dispute resolution procedures.
Washington Dulles	Requires prior approval of subleases and handling agreements; caps sublease fees.

III. PATTERNS OF AIR SERVICE	
Major Elements of Competition Plan	<ul style="list-style-type: none"> • Markets serviced. • Small communities served. • Markets served by low-fare carrier. • New markets added or dropped in past year
Significant Airport Responses	<ul style="list-style-type: none"> • Using market analysis to add competitive services. • Using marketing tools to attract low-fare services.
Highlights of Recent Actions Reported by Individual Airports:	
Albuquerque	Instituted New Entrant Promotional Program as an incentive to promote competition.
Charlotte	Performed a Competitive Air Service Assessment indicating possibilities for adding low fare carrier service on certain routes; implemented marketing plan to attract additional service.
Palm Beach	Eliminated surcharge on use of common-use gates for a seasonal or temporary basis; is conducting an "air service enhancement campaign" to increase the air service opportunities available at its airport and to enhance the revenue-generating opportunities for airlines.

Pittsburgh	Provides Airline Information Package; adopted Air Service Marketing Incentive Program to encourage new and competitive air service for existing and new carriers.
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Reno	New Airline Incentive Policy implemented; Business Development and Property Administration Division coordinates the accommodation of services and facilities for new entrants, including assisting in negotiations with incumbent signatory airlines and participation in incentive programs.
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IV. GATE ASSIGNMENT POLICY

Major Elements of Competition Plan

- Method of informing carriers of gate assignment policy.
- Methods for announcing to carriers when gates become available.
- Policies on assigning RON positions.

Significant Airport Responses

- Adopting gate assignment protocols with consideration for new entrants.
- Changing signatory policies to lessen burdens on new entrants.
- Notifying all carriers of gate availability.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage	Posts gate utilization information and availability on web site; is required to post public notice prior to leasing space.
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Atlanta	Will add link to web site for tenant information; will post information on underused gates after gate use surveys.
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BWI	Will revise policy to offer signatory status to any airline willing and qualified to assume substantially similar obligations as those required of a signatory carrier when, due to the physical space limitations at the airport, that airline is otherwise precluded from leasing a full complement of space. Also, will post gate/hold room availability information on its web page and will advertise announcements of gates.
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Charlotte	Non-signatory/new entrant landing fee is the same as a signatory landing fee.
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Chicago O'Hare	Notified all carriers by facsimile of availability of common-use gate.
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Houston Inter-continental	Reassigned underused leased space to an incumbent air carrier for its expansion.
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Miami	Prohibits carriers from controlling gate assignments and from transferring or assigning ticket counter positions; requires sharing of contiguous and under-utilized ticket counters.
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Nashville	Will post information on gate availability on its web site.
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Newark	Notified interested subtenant carriers of potential gate availability during Master Lease Utilization review process; adopted common use procedures (for use to resolve competing interests in a gate) with a priority to new entrants offering competitive services.
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Oakland	Provides written notification to airlines as gates become available and includes estimate date of availability; requesting airlines must provide current and planned schedule information.
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Philadelphia	Intends to assign new gates on basis of accommodating competitive airline service, considering, among other factors, whether airline is a "low fare" airline, nonstop markets, size of aircraft, frequency of operations, etc.
Pittsburgh	For PFC-financed gates, airport will give priority to new, competitive airline service; signatory fee status not dependent on minimum leasehold.
Phoenix	Is studying the development of contractual and/or regulatory tools to allow airport to better coordinate gate-sharing opportunities; provides gate use and schedule information to prospective entrant carriers; provides New Entrant Information package, containing gate utilization information, to prospective entrant to enable it to make informed decision on which incumbent air carriers to contact for shared gate agreements.
Sacramento	Replaced County ordinance gate assignment process with a lease agreement providing for short-term, preferential-use leases subject to airport reassignment; is developing Airline Information Package to be provided on airport's web page.
Saint Louis	Signatory status is available to subtenants; gate assignment procedures will be published on web site; simultaneously advises all carriers of gate availability; will use its web site to publish relevant information for serving airport; is developing and placing timelines for access; City agent is contact point for City gates as well as facilitating sublease accommodation.

V. GATE USE REQUIREMENT	
Major Elements of Competition Plan	<ul style="list-style-type: none"> • Gate use monitoring policy. • RON monitoring policy. • Requirement for signatory status. • Minimum requirements for a lease. • Accommodation priorities. • Common-use gate usage policies. • Methods for calculating rental rates for common-use gates.
Significant Airport Responses	<ul style="list-style-type: none"> • Developing per-gate use monitoring policies. • Making gate usage information available. • Adopting similar minimum utilization requirements for incumbent and new entrant carriers.
Highlights of Recent Actions Reported by Individual Airports:	
Anchorage	Uses its newly installed Multi-User Flight Information Display System (MUFIDS) to identify space to fill specific requests as they arise and to determine which gate are subject to recapture; information is made available upon request and on web site; RON positions are monitored through ground handler.
Chicago Midway	Monitors gates on a per-gate basis to track airline compliance with preferential lease utilization requirements, implement shared-use provisions, develop gate use procedures, and analyze construction phasing, and develop utilization criteria. Also used to schedule airport services such as parking, custodial services, concessions and security.
Dallas-Fort Worth	Instituted formal Gate Monitoring and Reporting Procedures, under auspices of a Gate Monitoring Task Force, in support of PFC competitive access assurance, using FIDS-produced monthly gate activity reports and flight activity reports, for summary daily gate utilization activity by gate and terminal.

Denver	Will negotiate a narrower "preferential" gate availability window with its hubbing carrier and will review the use/lose provisions to ensure they are pro-competitive; drafted 5 Year Strategic Business Plan.
Detroit	Formulated a policy for (1) a gate allocation package that will chart scheduled daily and weekly departures per carrier and (2) an on-going gate monitoring program to determine whether minimum utilization is met.
Miami	Has an active gate-monitoring program to control gate assignments on a daily basis.
Minneapolis	Generates bimonthly gate plot based on scheduled gate usage, modified to reflect actual usage.
Oakland	Monitors gate usage and analyzes and maps flight schedules on a weekly basis to determine availability of space and minimum gate usage, for purposes of determining whether to exercise the 30 day revocation process for a preferential-use gate permit.
Palm Beach	Monitors common-use gate utilization and uses airline provided monthly reports and airport daily monitoring to oversee preferential-use gate usage to determine whether a reallocation of gates should be undertaken to better balance user needs with terminal capacity, and for marketing purposes, that is, identifying high demand or un-served demand markets.
Pittsburgh	Uses new software to monitor gate usage on all gates and to identify opportunities to accommodate new entrants and maximize facility utilization.
Phoenix	Performs periodic studies of flight schedules to monitor gate utilization; will use the studies to communicate gate availability to prospective entrant carriers and will incorporate it in new entrant airline packet; will also use studies to better manage and adjust operating schedules for terminal food beverage and retail concessions; will perform formal gate utilization analysis for each carrier when vacancy rates subside.
Providence	Monitors gate use relying on airline schedule information; uses this information to assist a new entrant in identifying a potential signatory carrier to accommodate it.
Saint Louis	Monitors average daily gate utilization through scheduled daily flight information supplied by airlines; requires monthly gate utilization report in each short term preferential use permit and for new master preferential lease to replace that expiring at year end 2005.

VI. FINANCIAL CONSTRAINTS	
Major Elements of Competition Plan	<ul style="list-style-type: none"> • Major source of revenue for terminal projects. • Use of PFCs for gates and related terminals. • Availability of discretionary income for capital improvement projects.
Significant Airport Responses	<ul style="list-style-type: none"> • Using discretionary income for gate projects.
Highlights of Recent Actions Reported by Individual Airports:	
Anchorage	New Airline Operating Agreement permits airport to rate-base capital projects required to accommodate a new entrant or expanding airline, under certain conditions.
Chicago O'Hare	Purchased exclusive-use gate with discretionary funds and converted it to common use.

VII. AIRPORT CONTROLS OVER AIRSIDE AND GROUNDSIDE CAPACITY	
Major Elements of Competition Plan	<ul style="list-style-type: none"> • Majority-in-interest (MII) clauses covering projects. • Projects delayed because MII clauses revoked. • Plans to modify existing MII agreements.
Significant Airport Responses	<ul style="list-style-type: none"> • Exempting capital projects necessary for competition from MII votes.
Highlights of Recent Actions Reported by Individual Airports:	
Nashville	May consider, as not enforceable, an MII vote against a development project for the purposes of excluding competition, when the development project is necessary for the airport to meet its obligation to provide access on reasonable terms as required by the AIP assurances.
Providence	Interprets MII clause that excludes from MII concurrence projects to comply with Federal requirements as permitting airport to construct terminal facilities to enhance competition without MII approval.

VIII. AIRPORT INTENTIONS TO BUILD OR ACQUIRE GATES TO BE USED AS COMMON FACILITIES

Major Elements of Competition Plan

- Common-use gates available.
- Common-use gates scheduled to be built.
- International gates available for domestic use.
- Fee differences between international gate use for domestic service and domestic gates.
- Carrier reliance on common-use gates.

Significant Airport Responses

- Utilizing discretionary income to acquire common-use gates.
- Adopting common-use gate fees comparable to fees charged for leaseholds.

Highlights of Recent Actions Reported by Individual Airports:

Anchorage	Converted from exclusive to short-term preferential (subject to recapture) and common-use gates.
Atlanta	Recaptured a temporary exclusive-use gate for preferential use, and converted one underused preferential-use gate to a common-use gate.
BWI	Installing common use terminal equipment (CUTE) in all common-use gates to enhanced the ability of airlines to share gates and hold rooms thereby increasing airport capacity.
Chicago O'Hare	Converted exclusive-use gate to common use.
Cleveland	Adopted protocol for common use gate with priorities given for (a) use by existing carrier that does not lease a gate, (b) a new entrant, and (c) an carrier seeking to expand; would apply this protocol, as needed to exclusive-use gates. Three gates converted to common use; common use gate legislation passed by City; gate program management contract developed; protocol adopted.
Houston Hobby/Inter-continental	Use CUTE system at all ticket counters; IAH has constructed common-use/preferential-use gates; HOU has common-use gates and is developing a standard fee for any common gate use to charge separately for gate use, ticket counter, and common facility use to eliminate confusion in combined "per turn" rates).
Nashville	Has several common-use gates available for requesting carriers; airport will negotiate vacant gate recapture, upon request.
San Jose	Is developing a common use philosophy for the design of new and renovated passenger terminal facilities, including the use of plasma signs, generically sized gates to facilitate sharing, an integrated data system similar to CUTE II to be installed at ticket counters and gate podiums, and a shared baggage screening system.

IX. AIRFARE LEVELS AS COMPARED TO OTHER LARGE AIRPORTS

Major Elements of Competition Plan

- Carrier local passenger, average fare, market share and average passenger trip-length data.
- Data above compared to other airports.

Significant Airport Responses

- Using fare data to illustrate competitive strength.
- Using market share data to attract new service.

Highlights of Recent Actions Reported by Individual Airports:

Chicago O'Hare Using fare data, actively tracks O'Hare's competitive position relative to other markets.

Palm Beach Using market share data to highlight market opportunities for new and incumbent carriers.

30 Airports Published Competition Plan, including market-share data, on web page.