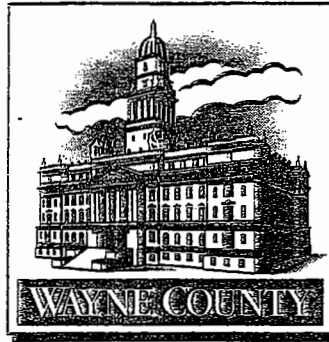


October 2, 2001



*Edward H. McNamara*  
County Executive

Catherine M. Lang  
Director, Airport Planning and Programming  
Federal Aviation Administration  
800 Independence Avenue, S.W.; APP-1  
Washington, D.C. 20591

Dear Ms. Lang:

**Re: Annual Update to Competition Plan -  
Detroit Metropolitan Wayne County Airport**

The Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub L. 106-181, April 5, 2000 contains section 155 that requires the submission of a Competition Plan by certain large and medium hub airports in order for a new Passenger Facility Charge (PFC) to be approved for collection or a grant for FY2001.

The statute also provides for periodic review of the competition plan. It is necessary for public agencies and covered airports to provide an annual update to their plan before the FAA can approve new PFC authority or process entitlements/grants.

Information included in this submission was compiled according to the Federal Aviation Administration's Program Guidance Letter 00-3 evaluation criteria, dated May 8, 2000 and your letter dated February 14, 2001.

To the best of my knowledge and belief, all information provided in the application is true and correct. For further questions, please call Robert E. Murphy, Airport General Counsel at 734-942-3556.

Sincerely,

A handwritten signature in black ink, appearing to read "Lester W. Robinson", is written over a horizontal line.

Lester W. Robinson  
Director of Airports

96084

Wayne County's  
Detroit Metropolitan Airport

1st Annual Update to It's

Competition Plan

**Introduction**

Detroit Metropolitan Wayne County Airport (the "Airport") submits this 1st Annual Update to its Competition Plan in response to the requirements of Section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21). This Update has been prepared under the guidelines contained in the Federal Aviation Administrations Program Guidance Letter 00-3 dated May 8, 2000.

Section 00-3.1 requires that Airports required to submit a competition plan must submit annual updates to its Competition Plan.

**1. AVAILABILITY OF GATES AND RELATED FACILITIES**

***A. Number of gates available at the airport by lease arrangement.***

Presently there is no change in the gates and lease arrangements reported in the Competition Plan as submitted however when the Midfield Terminal (McNamara Terminal) opens (scheduled to open January 20, 2002) Northwest Airlines will lease on a preferential basis 72 jet gates and 25 commuter gates at the McNamara Terminal. British Airways and Lufthansa Airlines will be subleasing jet gates from Northwest Airlines for international flights. There will be 12 international gates which will be capable of both international and domestic use (Swing Gates).

The North Terminal will be redeveloped to provide new and refurbished facilities for all existing carriers and all other carriers requesting gates who will sign leases requiring repayment of capital expenses.

The North Terminal Redevelopment Project includes the renovation, reconstruction, and remodeling of the James M. Davey Terminal, as well as certain terminal support areas, and the construction of new concourses integrated into the design of the terminal building. The project includes the construction of up to 29 narrow body equivalent jet aircraft gates/passenger loading gates), for domestic and international charters, itinerant flights, and other occasional passenger aircraft operations at the Airport.

All of the airline tenants that currently operate from the Smith Terminal and are signatories to lease agreements expiring at the end of 2008 have approved the North Terminal Redevelopment Project and have committed to moving to the redeveloped facility when it is completed. It is currently estimated that the North Terminal Redevelopment Project will be completed by the fall of 2005. Based upon detailed discussions with each of the airline tenants anticipated to locate to the North Terminal, 20 passenger loading gates will be initially required in the North Terminal. The airlines will lease these gates on a preferential basis under new long-term (approximately a 25-year term) use and lease agreements. In addition, the County would construct two gates for a total of 22 passenger loading gates) that would be under the County's control and available for additional aircraft operations by current airline tenants or new entrant airlines, on a per use basis. These two passenger loading gates, together with the previously discussed continued operation of the Berry Terminal will provide significant additional gate availability for new entrant carriers and expansion by incumbent carriers.

The County has negotiated with Northwest Airlines not to demolish all of concourse C as was previously required in Project Development Agreement for the Midfield Terminal. This will provide 14 additional gates which will be available until the North Terminal Redevelopment Program is complete thus providing sufficient gates to meet air carriers requirements (new entrants or incumbents).

If prior to completion of the construction of the North Terminal Redevelopment Project, any carrier (existing or a new entrant at the Airport) requests additional gates at the North Terminal, after completion of the North Terminal Redevelopment Project such request can be accommodated by either of two options. First, under the terms of the Signatory Airline approval for the North Terminal Redevelopment Project, the County can build up to 29 passenger loading gates, as long as the project cost does not exceed \$428 million and the airline requesting the additional gates is party to a long-term (approximately 25-year) agreement which the airline pays for the cost of those gates. Alternatively, if a carrier requests additional passenger loading gates (or any other facilities) in excess of the agreed upon scope of the North Terminal Redevelopment Project, the County can construct the requested facilities, as long as such carrier pays for the cost of those gates. Whether Signatory Airline approval is required before such additional gates or facilities are financed will depend on the plan of finance for the gates.

There are several options for accommodating expansion of airline service at the Airport after construction of the North Terminal Redevelopment Project is complete. Financing the construction of passenger terminal facilities is a key to accommodating expansion of airline service. One of the primary sources of funding available to U.S. airports for this purpose is PFCs. As noted above, PFC revenue at the Airport is a key component of the first phase of the North Terminal Redevelopment Project. In addition to the PFC revenue that is being used to fund the current Capital Improvement Program at the Airport, it is conservatively estimated that additional PFC revenue of about \$3 million

per year beginning in 2005, would be available to the County to use to fund the eligible portion of additional required facilities. Also, pursuant to the use and lease agreements with the Signatory Airlines, the Signatory Airlines can approve additional projects that would be funded through the issuance of tax-exempt airport revenue bonds. As another option, individual airlines can secure financing through their own credit. Plus, the County has an Airport Development Fund which would be available for this type of project. And, finally, a combination of the above financing methods, are possible.

Another key to accommodating additional growth is the availability of "real estate" conveniently located to the runways at the airport for passenger terminal expansion. Such real estate exists at the north end of the Airport, and the County has a plan to provide the additional facilities quickly and easily. The development concept for the North Terminal Redevelopment Project allows for very low cost incremental passenger loading gate construction. An additional four gates could be added to the base building (29 gates plus four equals 33 total gates) at about \$2 to 5 million per gate. And, if major new facilities are required, the site of the to-be-demolished Smith Terminal is considered the prime real estate location for a Phase II and Phase III additional passenger terminal development that could accommodate up to 24 gates. Combining both, a total of approximately 28 additional gates could be constructed, or double the number of gates provided for in the North Terminal Redevelopment Project (the first phase of development.)

Because of the plans outlined above for both the funding and construction of additional passenger terminal facilities at the Airport, the County is well positioned to respond quickly, in a cost effective way, to requests by airlines for additional facilities that would provide additional air service and enhance competition among airlines at the Airport.

**B. *Gate-use monitoring policy.***

The gate-use monitoring program which will be in place when the McNamara Terminal opens has been drafted and is being reviewed by Airport Management. This gate use monitoring program will be finalized and a copy provided prior to the opening of the McNamara Terminal.

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

There is no change in the Competition Plan with respect to this provision.

**D. *Has PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates?***

There is no change in the Competition Plan with respect to this provision.

**E. Gate utilization (departures/gate).**

There is no change in the Competition Plan with respect to this provision.

**F. Policy regard "recapturing" under-utilized gates.**

There is no change in the Competition Plan with respect to this provision.

**G. Use/lose of use/share policies.**

There is no change in the Competition Plan with respect to this provision.

**H. Future development plans to make gates and related facilities available to air carriers wishing to expand service at the Airport.**

As previously stated, the McNamara Terminal is scheduled to open January 20, 2002 and the North Terminal will be completely rebuilt to accommodate all airlines requesting gates with the County controlling 2 additional common use gates for new entrants and expanding incumbent carriers.

**I. Complaint resolution of air carrier access and/or desire to expand service at the Airport.**

There is a complaint resolution process in the preferential use requirement in Northwest Airlines use agreement for the McNamara Terminal and the same provision will be in the lease agreements with all carriers leasing space in the redeveloped North Terminal.

**J. Number of carriers in the past year that have requested access or sought to expand and how they were accommodated, etc.**

There is no change in the Competition Plan with respect to this provision since no air carrier has requested additional gates prior to the opening of the McNamara Terminal.

**2. LEASING AND SUBLEASING ARRANGEMENTS**

**A. Sub-leasing arrangement with an incumbent carrier is necessary to obtain access.**

There is no change in the Competition Plan with respect to this provision.

**B. *How the Airport assists requesting airlines obtain a sub-lease.***

There is no change in the Competition Plan with respect to this provision.

**C. *Airport oversight policies for sub-leases and ground handling arrangements.***

There is no change in the Competition Plan with respect to this provision.

**D. *Airport policies regarding sub-lease fees.***

There is no change in the Competition Plan with respect to this provision.

**E. *How complaints by sub-tenants about excessive sub-lease fees are resolved.***

There is no change in the Competition Plan with respect to this provision.

**F. *How Independent contractors who want to provide ground handling, etc. are accommodated.***

There is no change in the Competition Plan with respect to this provision.

**G. *Are formal arrangements in place to resolve disputes among air carriers regarding the use of airport facilities.***

There is no change in the Competition Plan with respect to this provision.

**H. *Signatory Status***

Historically, signatory status was a function of available gates. This policy will continue since with the opening of the McNamara Terminal there will be 14 additional gates available on Concourse C and with Continental Airlines scheduled to move to the McNamara Terminal in April of 2002 there will be four more gates available in the North Terminal Complex. All airlines who commit to lease a gate (for at least four years) prior to the completion of the North Terminal Redevelopment Project will be granted signatory status. When the North Terminal Redevelopment Project is complete all carriers with a long term lease (approximately 25 years) will have signatory status. Those carriers who meet a minimum level of operations will be charged signatory rates.

**3. PATTERNS OF AIR SERVICE**

There is no change in the Competition Plan with respect to this provision.

#### **4. GATE ASSIGNMENT POLICY**

There is no change in the Competition Plan with respect to this provision prior to the opening of the McNamara Terminal. Upon the opening of the McNamara Terminal there will be an excess of gates available for use by new entrants and existing carriers. The County will publish the availability of these gates, both by letter notification to all potential new entrant carriers and to all existing carriers.

#### **5. FINANCIAL CONSTRAINTS**

There is no change in the Competition Plan with respect to this provision.

#### **6. AIRPORT CONTROLS - RATES AND CHARGES**

Beginning in FY2009 the rates and charges calculation methodology will change from the current agreement. The new rates and charges methodology will have a significant positive effect on competition at the Airport. The current rates and charges structure keeps terminal rental charges at a very low level with relatively higher costs associated with the landing fees for the airlines. Airlines have a lower fixed operating cost but higher variable or activity-related fees. This creates little incentive for efficient gate and other airline space utilization.

Under the new rates and charges structure effective in FY2009, the fixed operating cost component for the airlines will increase as terminal rental rates will rise to capture allocated capital and operation and maintenance costs. Increased terminal rental revenues will lead to dramatically lower landing fees. The net effect of these changes will provide an incentive for airlines to maximize passenger activity while occupying the minimum amount of terminal space. This incentive for high passenger activity and minimal terminal area will allow the Airport to make the most effective use of the terminal and airfield infrastructure investments. It will also lead airlines to vacate underutilized gates more readily as the cost structure shifts to a higher fixed cost basis.

The anticipated lower landing fees coupled with the two County-controlled airline gates in the North Terminal will provide an opportunity and competitive basis for new entrant (as well as other incumbent) airline service.

#### **7. COMMON-USE FACILITIES**

As previously stated, the Airport will create two common-use gates in the rebuilt North Terminal.