

NEWARK LIBERTY INTERNATIONAL AIRPORT

AIRLINE COMPETITION PLAN UPDATE

Submitted to:

The Federal Aviation Administration

As required by:

**The Wendell H. Ford Aviation Investment
& Reform Act for the 21st Century
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Properties & Commercial Development, New Jersey Airports
Newark Liberty International Airport
1 Conrad Road – Building One, Newark, NJ 07114

THE PORT AUTHORITY OF NY & NJ



Availability of Gates and Related Facilities

I. Availability of Gates and Related Facilities

A. Carriers Serving the Airport

In 2012, EWR accommodated approximately 34 million passengers throughout three terminal complexes designated as Terminals A, B and C with a total of 109 aircraft gates.

Below is a table of the airlines serving EWR as of January 2013 and the corresponding terminals of operation.

Table 1. Airlines Serving EWR

AIRLINE	ARRIVING TERMINAL	DEPARTING TERMINAL
Air Canada	A	A
Air India	B	B
Alaska Airlines	B	B
Alitalia	B	B
American	A	A
American Eagle	A	A
British Airways	B	B
Delta	B	B
El Al	B	B
Jet Airways	B	B
Jet Blue	A	A
Lufthansa	B	B
Open Skies	B	B
Porter Airlines	B	B
SAS	B	B
Singapore Airlines	B	B
Southwest*	A	A
Swiss	B	B
TAP Portugal	B	B
United	B/C	C
United Express	A/C	A/C
US Airways	A	A
US Airways Express	A	A
Virgin Atlantic	B	B
WestJet	A	A

*New since last submittal.

Availability of Gates and Related Facilities

B. Process for Accommodating New Service

Despite limitations experienced by the slot allocation system at EWR, the Port Authority continues to reach different markets by promoting its services, including its proximity to Manhattan and other cities in the northeast via AirTrain and access to the Northeast Corridor (NEC), modernized terminals, and an array of retail and food services providing for a more pleasurable travel experience.

Since the last update, Port Authority staff has marketed EWR to different airlines providing them a site visit and area demographics, gate availability, and rates and charges. Hainan Airlines (Beijing), Turkish Airlines (Istanbul), BH Air (Sophia), Aeromexico (Mexico City), Austrian Airlines (Vienna), Cathay Pacific (Hong Kong), Transaero Airlines (Moscow), and Interjet Airlines (Mexico City) are just a few airlines that were thought to be possible prospects for operating at the airport. While some chose not to commence service at EWR for reasons beyond the control of the airport, Southwest airlines did commence service at EWR between March 2011 and January 2013. On April 2, 2013, Virgin America will commence service at EWR.

The process for accommodating new entrants has not changed. Port Authority staff regularly maintains the *New Entrant Guidelines* to reflect updated airport information. A copy of the *New Entrant Guidelines* is included in Attachment B.

Port Authority staff continues to ensure that new entrants who are requesting gates for service are accommodated whether it is through use of the Common Use Gates or through an arrangement with an incumbent airline. While Port Authority approval is needed for the latter arrangement, however the negotiations on the terms of the gate occupancy are left to the new entrant and incumbent airline. If the airline is not able to accommodate the new entrant, it is required to provide the new entrant with its decision in writing. When an agreement cannot be reached, the Port Authority uses its influence to negotiate on behalf of the requesting airline to locate suitable gate availability.

C. Number of Gates Now Available at Airport/Gate Allocations

As of January 1, 2013 EWR consists of 109 gates, 87 are exclusively leased and 22 are common use. There are seven domestic common use gates in Terminal A; four are located in Satellite 2, two are located in Satellite 3, and one (Gate 18) in Satellite 1. The four gates in Satellite 2 are highly utilized by United and JetBlue, and offer limited availability because their high utilization. Of the 87 exclusively leased gates, Southwest operates on three Terminal A Satellite 1 gates. Effective January 1, 2013 Virgin America is leasing one gate in Satellite 3 Terminal A.

There are fifteen international common use gates in Terminal B; all offering partial availability depending on desired arrival and departure times. The remaining 87 gates span across the airport in Terminals A, B and C and are exclusively leased gates.

Availability of Gates and Related Facilities

D. Gate Utilization

EWR gate utilization is primarily tracked by gathering scheduled departure/arrival data from an online Official Airline Guide (OAG) schedule database. Data is gathered monthly to show airline turns per gate, per day. A turnaround operation is a contiguous flight arrival and departure of an aircraft at a gate position involving both the unloading and loading of arriving and departing passengers.

Table 2 below shows the domestic common use airlines, as well as the master lease airlines, and their gates and turns per gate for each month during 2012. Average year-end 2012 numbers are shown as well as the average 2011 numbers. Terminal B international airlines and gates are not included, as the nature of their agreements with the Port Authority are such that, minimum daily gate operations (turns per gate) are not required. Numbers for airlines such as Delta and US Airways also include any handled or subleased airlines on those gates. From 2011 to 2012 the majority of airlines did increase their average turns per day per gate.

Table 2. 2012 EWR Scheduled Gate Utilization Expressed in Daily Average Turns Per Gate

Turns/Day/Gate															
Terminal A														Annual	2011
Satellite A-1	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Average	Average	
Air Canada	5.5	5.6	5.5	5.6	5.2	5.1	5.2	5.2	5.1	5.2	5.5	5.5	5.3	5.4	
Southwest	5.9	5.9	5.8	5.8	5.8	5.6	5.6	5.6	5.6	5.7	5.6	5.6	5.7	3.8	
United	4.1	3.9	9.6	7.7	6.9	8.6	9.3	9.7	7.8	7.6	9.6	7.6	7.7	4.0	
Satellite A-2															
United Express	15.2	15.8	17.2	18.2	18.2	18.1	17.3	21.3	22.9	24.2	22.4	21.6	19.4	16.3	
Satellite A-3															
American	2.7	2.7	2.9	2.8	2.8	2.9	2.8	2.9	2.8	2.8	2.8	2.7	2.8	2.7	
US Airways*	4.8	4.9	4.9	4.5	4.5	4.7	4.7	4.6	4.5	4.6	4.5	4.5	4.6	4.8	
A Common Use Gates															
JetBlue1	5.8	5.9	5.9	6.0	5.3	5.5	5.6	5.6	5.0	5.1	6.1	6.2	5.7	4.9	
United Express2	15.2	15.8	17.2	18.2	18.2	18.1	17.3	21.3	22.9	24.2	22.4	21.6	19.4	16.3	
Terminal B**															
Satellite B-1															
Delta3	3.1	3.1	3.3	3.2	3.1	3.3	3.2	3.3	3.0	3.1	2.9	2.6	3.1	3.5	
Terminal C															
United	4.1	4.2	4.4	4.6	4.3	4.6	4.7	4.2	3.4	3.5	3.5	3.6	4.1	4.3	
Ave. Utilization	4.9	5.0	5.4	5.6	5.3	5.6	5.6	5.6	5.1	5.2	5.2	5.1	5.3	5.1	

All 1999 Terminal A Reallocation Airlines are required at least a 3 turn/day/gate operation on Master Lease Gates. American was not part of the reallocation. Delta/Northwest, Southwest,

Common Use Airlines and operations in Terminal C do not have this requirement.

**US Airways operations include those of Frontier Airlines/Republic.*

***Terminal B operations include those on the 9 Delta Gates. The 15 B-2/B-3 International Gates and operations are not included.*

1. JetBlue operates on 3 Terminal A Common Use Gates, operations include seasonal once daily flights by WestJet.

2. United Express operates on 2 Terminal A Common Use Gates with split loading bridges.

3. Delta operations include departures of Air France, Alitalia, and Swiss (PrivatAir).

Availability of Gates and Related Facilities

Table 3 shows the daily departing seats requirements expressed as percentages of the total departing seats requirements. The master lease airlines, either through the Facility Termination or Forced Accommodation provision, are required to meet a 60% threshold of each one of their requirements. Through these provisions, the Port Authority has the ability to go to these airlines and recover space for a new entrant or limited incumbent with assigned aeronautical slots.

Table 3. 2012 EWR Schedule of Airline Daily Departing Seats Percentage Requirements

Terminal A													Annual	2011
Satellite A-1	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Average	Average
Air Canada	46.2%	46.2%	46.0%	45.9%	43.2%	43.8%	45.9%	44.7%	42.8%	43.5%	45.4%	45.3%	44.9%	45.1%
United	34.8%	34.9%	34.7%	34.6%	32.6%	33.0%	34.6%	33.7%	32.3%	32.8%	34.2%	34.2%	33.9%	34.0%
Satellite A-2														
United Express	146.0%	150.8%	164.1%	173.5%	173.3%	172.1%	164.6%	202.9%	218.0%	230.9%	213.2%	206.1%	184.7%	155.0%
Satellite A-3														
American	20.3%	20.5%	22.1%	21.5%	21.7%	21.5%	21.1%	21.3%	20.5%	20.7%	21.1%	20.9%	21.1%	22.8%
USAirways	69.0%	70.1%	69.8%	66.8%	67.8%	70.8%	69.1%	69.9%	71.4%	70.7%	71.6%	71.9%	69.9%	66.4%
Terminal B														
Satellite B-1														
Delta3	65.5%	66.1%	70.2%	66.9%	67.1%	71.9%	70.9%	72.0%	68.4%	67.0%	61.7%	52.0%	66.6%	82.5%
Terminal C														
United	68.1%	70.5%	77.4%	81.3%	77.2%	82.3%	82.8%	78.2%	64.2%	66.4%	66.2%	67.4%	73.5%	74.3%

Carriers shown have percentage departure seats requirements. Common Use Airlines and Southwest Airlines do not have this requirement.

II. Leasing and Subleasing Arrangements

A. Copies of Amended and New Lease Agreements

Please refer to Attachment A for copies of the three referenced agreements:

- American Airlines, Inc. has surrendered Gates A30, A31, and A32 in Terminal A-3 to the Port Authority as part of their voluntary petition under Chapter 11 of Title 11 of the United States Bankruptcy Code, effective December 31, 2012.
- Port Authority entered in a new agreement of lease with Virgin America Inc. for the letting of Gate A32 and associated space, effective January 1, 2013.
- Pending PA board approval, the Port Authority will be entering into a lease extension with Continental Airlines for Terminal C1 and C2 to be effective April 1, 2013.

B. Description of Any Major Changes

The agreements mentioned above do not change any of the existing master lease provisions, including no changes to language pertaining to security deposit requirements, airline service standards or requesting airlines at the airport. They reflect a surrender of gates by American Airlines Inc. to the Port Authority, execution of a new lease agreement between Virgin America Airlines and the Port Authority, and an extension of Continental Airlines agreement for Terminal C1 and C2.

C. Resolution of Any Disputes Between Carriers Relating to Access

Incumbent air carriers are encouraged to work with new entrant air carriers to accommodate the need for gate availability and associated space. In Terminal B, the Port Authority works with the carriers and monitors gate utilization times, allowing it to remain informed of gate availability for new entrants. Air carriers interested in Terminal B common use gates are directed to speak to a Port Authority Property Representative for assistance. The Port Authority also monitors the activity on the common use gates in Terminal A. Airlines interested in gates here also work with a Port Authority Property Representative to enter into a common use agreement. If the airport's common use gates are not available, incumbent air carriers are encouraged to provide gate availability within their exclusively leased space. To date, there has been no dispute among carriers relating to access of airport gates.

III. Patterns of Air Service

A. Number of Non-Stop Markets Served

At the end of 2012, EWR served 170 non-stop markets made up of 89 domestic markets and 81 international markets.

Starting April 2, 2013 Virgin America will begin serving EWR with six daily nonstop flights, three to Los Angeles, and three to San Francisco. These Virgin America destinations are major Origin Destination (O&D) markets from EWR, with this new service providing an additional airline choice for travel, and additional airline competition at EWR with the potential for boosting passenger growth at EWR. These destinations also contain some of Virgin America's largest operations, therefore offering a multitude of connecting options to other destinations.

B. Number of Markets Served by Low-Fare Carriers

Low-fare carriers serve markets based on data gathered at the end of 2012. These markets include Boston, San Juan (SJU), Denver, Phoenix, Houston, Chicago (MDW), Baltimore, Saint Louis, Fort Lauderdale, Orlando, West Palm Beach, Tampa, and Fort Myers.

C. Number of Markets Served by One Carrier

At the end of 2012, 117 nonstop markets were served by only one carrier out of 170 total nonstop markets.

Table 4. 2012 EWR Nonstop Markets

2012 EWR Nonstop Markets	
<u>Total Markets</u>	
Domestic	89
<u>International</u>	<u>81</u>
Total	170
<u>Markets w/ Two or More</u>	
<u>Carriers</u>	
Domestic	24
<u>International</u>	<u>18</u>
sub total	42
<u>United Only Markets</u>	
United Domestic	62
<u>United International</u>	<u>55</u>
sub total	117
<u>Other Single Carrier Markets</u>	
Domestic*	3
<u>International**</u>	<u>8</u>
sub total	11
*Delta Service to Salt Lake City Southwest to Houston (Hobby), Southwest to Chicago (Midway), **Lufthansa to Dusseldorf, Germany, Open Skies to Paris Orly, France, Lufthansa to Dusseldorf, Germany, TAP Air Portugal to Porto, Portugal, Singapore Airlines to Singapore, Porter Airlines to Toronto City Airport, Iceland Express to Reykjavik, Iceland, LOT Polish to Warsaw, Poland	

IV. Gate Assignment Policy

A. Major Changes in Assignment Policies

There has been no change in Gate Assignment Policies since the last competition plan update. As mentioned in Section 1 of this report, the Port Authority continues to ensure that airlines requesting gates be accommodated whether it be through use of the Common Use Gates or through an arrangement with an incumbent airline. Since the last submission in March 2011, the Port Authority has not encountered such requests.

B. Changes in RON Position Assignment Policies

There has been no change in RON Position Assignment Policies since the last competition plan update.

C. Real Time Gate Utilization

The Port Authority continues to provide real time gate utilization for the gates that it operates in Terminal B at the International Facility. Utilization is tracked on a monthly basis for the gates in Terminal A.

V. Financial Constraints

A. Major Source of Revenue at the Airport for Terminal Projects

In general, terminals have been funded by airline special facility bonds, airline direct investment, Port Authority investment, PFCs and grants.

The current Terminal B Modernization Program, which includes development of a new lower-level arrival area, the in-line baggage systems and satellite connectors; enhanced security; and improvements to roadways and drainage systems, is being funded with Port Authority capital, PFCs and AIP grants.

The Port Authority is also advancing the planning for a new Terminal A, primarily funded through PFCs.

B. Rates and Charges Methodology (Residual, Compensatory, or Hybrid)

There has been no change in rates and charges methodologies used by the Port Authority since the last update.

C. Past Use of PFCs for Gate and Related Terminal Projects

The following gate and terminal related projects have been funded with PFCs:

- Security Enhancement Projects for Terminal Building Frontages (Bollards)
- Fire Alarm System Upgrade (Terminal B)
- Terminal A Redevelopment – Phase II Planning Program
- Modernization of Terminal B at EWR (amendment)
- Vertical Circulation Improvements in Terminal A

D. Availability of Discretionary Income for Airport Capital Improvement Projects

The Port Authority's capital plan has been severely constrained in recent years due to the economic recession. Further, the Aviation Department's capital capacity has been limited by the inability to increase the PFC rate above \$4.50.

Airport Controls over Airside and Groundside Capacity

VI. Airport Controls over Airside and Groundside Capacity

A. Majority-In-Interest (MII) or “No Further Rates and Charges” Clauses Covering Groundside and Airside Projects

Newark Liberty International Airport is not a Majority-in-Interest airport.

B. Any Capital Construction Projects that have been Delayed or Prevented because an MII was Invoked

Not applicable.

C. Plans, if any, to Modify Existing MII Agreements

Not applicable.

D. Other Airport Controls over Airside Capacity

Per the Federal Regulation of 2008 with respect to Congestion Management, EWR is limited to 81 operations per hour from 0600 until 2259. During several key hours, including the peak afternoon hours, the FAA has allocated all of the available aeronautical capacity. As such, a carrier seeking to enter or expand service at EWR is either prevented from doing so or must enter into an agreement with an existing slot holder, which is likely to be a competitor. Carriers seeking to launch domestic service often need a minimum of three to four slot pairs including a pair during the afternoon peak hours in order to offer a basic level of service.

Airports Intentions to Build or Acquire Common Use Gates

VII. Airport Intentions to Build or Acquire Common Use Gates

A. New Designation of Gates A30 and A31

American Airlines surrendered premises consisting of Gates A30, A31 and A32 in Terminal A-3, and associated office and operational space. The Port Authority has designated the newly surrendered A30 and A31 gates as Common-Use Gates. This brings the current total to 22 Common-use Gates within the airport. These Common-Use Gates offer a more efficient use of existing space, offer congestion relief and improved traveling options for passengers, consequently allowing for greater competition within the airport.

B. Expansion of Terminal A

Table 5 below shows statistics for passenger and aircraft movements for 2006 (the first year levels were higher than the levels reported prior to 9/11), 2012 (the most current statistics) and 2030 (forecasted).

The current state of the economy has had a negative impact on passenger levels and aircraft movements as shown for 2012. Yet, different forecasts are showing an increase in passengers and movements through 2030. The Port Authority is forecasting approximately 53.9 million passengers for 2030.

Table 5. Statistics and Forecasts for EWR

	2006	2012	2030
Passengers (in millions)	35.7	34.0	53.9
Aircraft Movements	446,166	413,346	565,868

As the planning for Phase I of the Terminal A Redevelopment Program (Program) came to a closure in 2009, Phase II planning was authorized at an estimated cost of \$30 million, bringing the total authorized planning costs associated with these efforts to \$50 million, all of which are eligible for reimbursement via PFCs.

The program plans to complete Phase II planning in early 2013. Phase II planning work includes continued negotiations with the airlines on business model alternatives, fees and charges, economic feasibility and terminal functional and performance criteria. Additionally, it includes the refinement of a master site plan, continued value planning and engineering, formulation of a new terminal basis of design report, preliminary contract package definition for airside, landside and infrastructure/utility improvements, continued

Airports Intentions to Build or Acquire Common Use Gates

environmental assessments and program integrated scheduling and cost estimating.

In November of 2012, fifty-percent of the Stage 1 terminal design was completed, and full Stage 1 terminal design is anticipated for completion within the first quarter of 2013. In December of 2012, the Program completed the Environmental Assessment to the FAA, and expects a FONSI by March of 2013. They are seeking a full program authorization in the first quarter of 2013, and the goal is to have the new Terminal fully operational by 2018.

Creating new infrastructure to accommodate the future needs and safety of the travelling public and to continue to offer competitive choice in new and existing markets is a main concern in the planning of the future of Terminal A, which will initially add 5 new gates and 17 new gates by 2030.

Airfare Levels as Compared to Other Large Airports

VIII. Airfare Levels as Compared to Other Large Airports

Chart 1. Average Fares, Bureau of Transportation Statistics

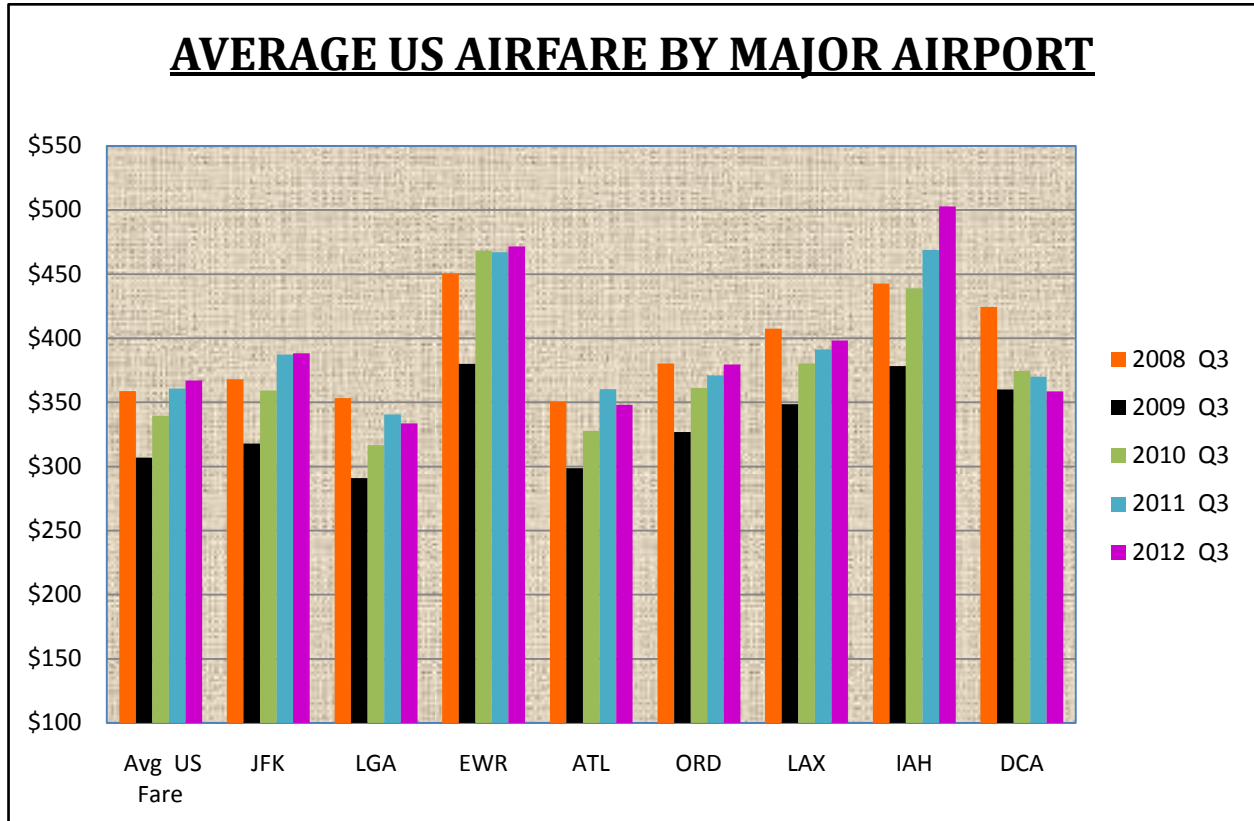


Chart 1 shows Average Fares as published by the Bureau of Transportation Statistics and based on domestic itinerary fares, round-trip or one-way for which no return is purchased. Fares are also based on the total ticket value, consisting of the price charged by the airlines plus any additional taxes and fees levied by an outside entity at the time of purchase. Fares include only the price paid at the time of the ticket purchase and do not include other fees, such as baggage fees, paid at the airport or onboard the aircraft. Averages do not include frequent-flyer or "zero fares" or a few abnormally high reported fares.