
Newark International Airport Airline Competition Plan



Submitted to:

The Federal Aviation Administration

As required to be submitted by:

**The Wendell H. Ford Aviation Investment & Reform Act for
the 21st Century, Pub. L. 106-181, Section 155**

Ms. Woodie Woodward
Acting Associate Administrator for Airports
Federal Aviation Administration
Room 600E, 800 Independence Avenue, S.W.
Washington, DC 20591

December 11, 2000

Re: Newark International Airport—Airline Competition Plan

Dear Ms. Woodward:

The Port Authority of New York and New Jersey (The Port Authority) is pleased to provide¹ the Airline Competition Plan for Newark International Airport (EWR) as is required to be submitted by The Wendell H. Ford Investment and Reform Act for the 21st Century (AIR-21), Pub L. 106-181. The Port Authority is keenly interested in ensuring that residents and businesses in the region are provided with an airport system that provides the highest levels of customer service, generates substantial economic benefits, and provides a large and level platform for airlines to compete for passengers. We view competition as essential to our thriving airport system and are dedicated to allowing existing carriers the opportunity to expand operations and new airlines the opportunity to serve this great metropolitan area. No other airport operator has done more to optimize the operation and efficiency of its facilities to support airline competition.

Although the Port Authority is only required by law to submit a competition plan for Newark Airport, that plan must be considered in the context of the overall system of four airports and a commercial heliport owned or operated by the Port Authority within the Port District, an area roughly 25 miles in diameter centering on the Statue of Liberty. The Port Authority was created and exists by virtue of a compact entered into between the states of NY and NJ which recited their confident belief that a better coordination of transportation and commerce facilities in the Port of New York would have competitive advantages and create great economies benefiting the nation and the States. That same philosophy served as the underpinning for the Port Authority assuming operation of regional aviation facilities in the late 1940's. As a result it would be inappropriate for the Airline Competition Plan for one airport, EWR, be viewed outside the competitive access opportunities available within the entire Port Authority airport system. Within this system, the businesses and residents of the New York/New Jersey region not only have an enormous variety of non-stop destinations, and in fact more than anywhere else on the globe, but also airline choices—over 100.

¹ One copy of the Plan is enclosed, one copy was sent to Philip Brito, Manager of NYADO, and two have been sent to Barry Molar, Manager of FAA Airports Financial Assistance Division.

We are continuously working to strengthen the airport system and one of the most important methods entails addressing the airside and airspace constraints. Airside and airspace constraints act as obstacles to increasing the number of passengers our airports can accommodate, the number of airlines that can operate at the airport, and the quality of service that passengers can expect. We applaud the FAA funding and support for airside improvements such as high-speed taxiway turnoffs that are vital to increasing the airports' efficiency. These types of improvements are especially important as our airports operate out of one of the world's most densely populated and highly developed geographic areas with virtually no opportunities for adding significant runway capacity.² Additionally, the New York/New Jersey metropolitan area's airspace is the world's most congested and we are grateful for the FAA's on-going efforts to expedite its redesign so fewer aircraft remain immobilized on congested taxiways awaiting the opportunity to depart.

We are also encouraged by the FAA's recent announcements that during the next year it will be looking at ways to encourage airport and airspace efficiency and airline competition. We understand that FAA will be considering changing the way airlines are charged for takeoffs and landings as part of a nation-wide plan to prevent the most congested airports from reaching gridlock states. Our goal is to better use the scarce airport resources by encouraging airlines to use efficient aircraft and ensure the facilities do not reach a gridlock state.

While maximizing airside efficiency the Port Authority is also looking at every opportunity to upgrade and expand landside and terminal facilities. Building physical capacity on the terminal and landside areas of the airport are paramount to allowing an opportunity for new entrants to have a presence and providing incumbents expansion possibilities. The Port Authority airports are in the process of a \$14 billion construction program aimed at expanding and modernizing the range of airport facilities from roads to terminals to taxiways to ramp areas. We operate some of the nation's oldest airports and are grateful for the FAA's past grants to assist in the modernization programs. However, the majority of costs are covered by the users of the facilities, particularly the airlines, whose support is essential in our goal of dramatically rebuilding our airports and improving the passenger's experience while at our facilities. While we look to the airlines for partnering opportunities for these physical improvements, it is important that the Port Authority maintains control over the capital investment planning process for common-use infrastructure and can do so because of the absence of majority-in-interest clauses in our leases.

We are currently in the process of updating our gate and ticket counter utilization studies so we have the most current information and over the next year we will be looking for ways to improve the utilization of those facilities. Also, we are reviewing additional possibilities to expand terminal facilities at EWR. The additional gates would provide the Port Authority with greater opportunities to accommodate new airlines as well as existing airlines that are seeking to expand. We will also be looking at clauses in leases

² For comparison, all of our airports combined can fit into the space occupied by Dallas/Fort Worth Airport—twice.

as they come due to provide opportunities to maintain greater control over underutilized facilities.

We are also very active at the other Port Authority system airports to encourage competition. At JFK the Port Authority is currently working with jetBlue, a low-fare new entrant, to assist with financing the design of a new terminal. The congested situation at LGA caused by the increased number of regional jets has been widely reported and the Port Authority is actively working with the FAA to fairly allocate this limited resource initially with a lottery system and in the longer-term most likely with some form of market mechanism. New entrants and flights to under-served markets are given special consideration as we work with the FAA to assure competitive access to LGA in support of the AIR-21 legislation.

We are grateful for the cooperative working relationship with the DOT and FAA aimed at dealing with the ever-increasing growth at our airside and airspace constrained facilities and look forward to further discussions to accommodate those pressures while providing a positive experience for the travelling public. Airline competition is important for the airports, our patrons, and the region's economy, and something that we will continue to strive to maintain and improve.

Sincerely,

William DeCota
Director
Aviation Department

Cc: S. Baer
P. Brito, FAA (with one report)
A. Graser
B. Molar, FAA (with two reports)
L. Scully

Newark International Airport Airline Competition Plan

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1.0 The Port Authority's Role and Mission

The Port Authority of New York and New Jersey (The Port Authority) is pleased to submit this Competition Plan consistent with the requirements of Section 155 of the Aviation Investment and Reform Act for the 21st Century, and the associated guidelines developed by the FAA. The Port Authority operates one of the country's most unified airport systems that has a unique history and background because of its' bi-state nature, distinct facilities that include the nation's first air traffic control tower and passenger terminal, both at EWR, and the complexity of an airport system that is one of the world's largest. Therefore we are prefacing the presentation of our Competition Plan with a discussion of our regional role and mission, and of our overall approach from our Business Plan for ensuring a safe and pleasurable traveling experience for the public.

The Port Authority's Role and Mission

The Port Authority is a bi-state agency formed by the States of New York and New Jersey with the consent of the Congress. The Port Authority's overall mission is to develop and operate transportation and other facilities of commerce in the Port District, the bi-state area within a twenty-five mile radius from the Statue of Liberty. The mission of the Port Authority's Aviation Department is to plan, develop, provide, promote, operate and maintain a unified system of airport facilities. The Port Authority's 1947 bi-State air terminal legislation established our mission by explicitly recognizing that each of the airports located in the bi-State port district serves regional needs and that their unified operation is beneficial to the entire region. More specifically, the air terminal legislation provides that:

“The States of New York and New Jersey declare and agree that each air terminal within the Port of New York District serves the entire district, and that the problem of furnishing proper and adequate air terminal facilities within the district is a regional and interstate problem, and that it is and shall be the policy of the two states to encourage the integration of such air terminals so far as practicable in a unified system.”

The Port Authority operates the region's airports and heliports as an aviation system in the public interest with specific, vital and integrated roles based on regional needs and each facility's relative strengths and capabilities. The Port Authority operates five aviation facilities that includes: John F. Kennedy International Airport (JFK); LaGuardia Airport (LGA); Newark International Airport (EWR); Teterboro Airport (TEB); and Downtown Manhattan Heliport (DMH). Each of the facilities has a specific mission in that system. Newark International Airport is being nurtured as the region's domestic hub along with growing international connections. JFK is being nurtured as the Nation's premiere international passenger and cargo gateway with an increasing domestic presence, and LGA is being nurtured as the region's premiere business airport with

emphasis on short and medium-haul operations. TEB will continue to serve as the general aviation reliever for the region's air carrier airports. The DMH is located on the east-side of Lower Manhattan and is used by helicopters serving the immediate region.

While the Port Authority is only required by law to submit a competition plan for Newark Airport, that plan must be considered in the context of the overall system of four airports and a commercial heliport owned or operated by the Port Authority within the Port District, an area roughly 25 miles in diameter centering on the Statue of Liberty. The Port Authority was created and exists by virtue of a compact entered into between the states of NY and NJ which recited their confident belief that a better coordination of transportation and commerce facilities in the Port of New York would have competitive advantages and create great economies benefiting the nation and the States. That same philosophy served as the underpinning for the Port Authority assuming operation of regional aviation facilities in the late 1940's and remains true today.

2.0 The Regional Airport System

The Port Authority operates one of the world's largest airport systems serving more markets on a non-stop basis than anywhere else on the globe. The regional system, with more than seventeen (17) terminals, is second worldwide in total annual passengers. Over 100 airlines serve the four Port Authority airports, including 31 US carriers, 71 foreign-flag carriers and over a dozen cargo only or all-freighter airlines. These airlines fly non-stop to 84 cities in the United States and nearly 100 cities around the world. The following descriptions are intended to provide a quick overview of the five aviation facilities that the Port Authority operates.

John F. Kennedy International Airport (JFK) has 10 terminals and is undergoing a \$9(+) billion redevelopment and expansion program that includes a new light rail system for better airport access by public transportation. JFK is being nurtured as the Nation's premiere international and passenger gateway, with current emphasis on the Trans-Atlantic corridor, and growing emphasis on the Trans-Pacific and South American markets.

JFK 1999 Data	
Passengers*	32,752,356
Freight (in short tons)	1,752,167
Mail (in short tons)	153,238
Carriers	85
<i>Domestic</i>	23
<i>International</i>	62
Cities Served	125
<i>Domestic</i>	42
<i>International</i>	83
<i>*Includes revenue and non-revenue passengers</i>	

Newark International Airport (EWR) has three main terminals. EWR is in the middle of constructing two new parking garages, expanding its terminals, building improved and expanded roadways, and a monorail connection to the Northeast corridor train line. EWR is being nurtured as the region's integrated domestic and international hub.

EWR 1999 Data	
Passengers*	35,087,567
Freight (in short tons)	1,084,660
Mail (in short tons)	121,120
Carriers	43
<i>Domestic</i>	<i>21</i>
<i>International</i>	<i>22</i>
Cities Served	129
<i>Domestic</i>	<i>76</i>
<i>International</i>	<i>53</i>
<i>*Includes revenue and non-revenue passengers</i>	

LaGuardia Airport (LGA) has a Central Terminal Building (CTB) and Delta and U.S. Airways Terminals. The Marine Air Terminal (MAT) occupied by the Delta Shuttle is a historic landmark. The airport also has direct ferry service to Downtown Manhattan. LGA recently completed new concessions in the CTB and other passenger terminal improvements. LGA is being nurtured as the region's premiere business airport with emphasis on short and medium-haul operations consistent with the 1,500-mile perimeter rule.

LGA 1999 Data	
Passengers*	24,857,854
Freight (in short tons)	22,392
Mail (in short tons)	57,051
Carriers	18
<i>Domestic</i>	<i>16</i>
<i>International</i>	<i>2</i>
Cities Served	65
<i>Domestic</i>	<i>60</i>
<i>International</i>	<i>5</i>
<i>*Includes revenue and non-revenue passengers</i>	

Teterboro Airport (TEB) has nineteen hangars occupied by five fixed-based operators and eight charter operators that provide aircraft and helicopter services. Teterboro is the home of the New Jersey Aviation Hall of Fame museum, founded in 1972. It is also the first airport to have a noise abatement monitoring committee and system. TEB is being nurtured as the general aviation reliever for the region's air carrier airports.

TEB 1999 Data	
Flight Movements	185,710

Downtown Manhattan Heliport (DMH), located on Pier 6, was the first heliport in the United States to be certified for scheduled passenger helicopter service by the Federal Aviation Administration. The DMH features a passenger terminal and is one of four FAA designated national demonstration projects for the testing of the latest equipment to enhance helicopter operations. The DMH will continue to serve both the tourism industry as well as the high value courier business that is important to New York's financial services industry.

Combined Regional System

If there were only one commercial service airport in the New York/New Jersey region as opposed to the three in existence today, that one airport would have over 92 million passengers and almost three million tons of cargo. Because of the proximity the Port Authority airports it considers them to a certain extent interchangeable as airlines and passengers can choose among the facilities based upon their needs. But to another extent as previously mentioned each facility serves different niches—JFK the premier international gateway with long-runways, LGA the business airport with its close proximity to the City and flight restrictions as a result of perimeter rules, EWR an integrated domestic hub with growing international presence, TEB the general aviation reliever airport for the region's air carrier airports, and DMH serves both the tourism industry as well as the high value courier business that is important to New York's financial services industry. Over 100 carriers serve the three airports and connect the region to 182 cities throughout the globe.

Summary 1999 Data JFK, EWR & LGA	
Passengers*	92,697,777
Freight (in short tons)	2,859,219
Mail (in short tons)	331,409
Carriers	109
<i>Domestic</i>	<i>34</i>
<i>International</i>	<i>75</i>
Cities Served	182
<i>Domestic</i>	<i>84</i>
<i>International</i>	<i>98</i>
<i>*Includes revenue and non-revenue passengers</i>	

3.0 The Aviation Department's Strategic Vision

3.1 The Aviation Department Business Plan

The Port Authority's Aviation Department has assembled a Business Plan whose purpose is to guide development of the airport system for the next four years. The Strategic Vision for the Aviation Department is to provide the region with unsurpassed global access, restoring the region to its renowned, preeminent, dominant status as the Nation's state of the art gateway for passengers and cargo. This Vision is key to ensuring airline competition by providing an airport with expanding capacity and an attractive and user-friendly facility to maintain the constant flow of travelers which all airlines depend. Severely space-constrained facilities will ultimately limit expansion by existing airlines and the ability of new entrants to establish a presence. The following bullets highlight some of the Business Plan's goals such as ensuring sufficient capacity and customer service levels:

- ❑ Ensuring that excellent customer service is delivered to passengers and shippers by Aviation, the airlines, contractors, tenants and concessionaires;
- ❑ Ensuring the timely renewal of airport infrastructure, providing adequate airport capacity and tenaciously advancing the planning and development cycle;
- ❑ Ensuring that the region is a key hub in the global transportation network;
- ❑ Maintaining supportive, productive and mutually beneficial relationships with our partners, facility owners, airlines and host communities; and
- ❑ Most importantly, by the Aviation Department of the Port Authority, continuing to be the manager, operator and developer of the region's aviation system.

The Port Authority strongly believes its strategic vision and overall department planning practices have facilitated enormous investment in terminal facilities and that those practices have tended to preserve and enhance our ability to assign capacity to new entrants. The following priorities are identified in the Business Plan, are relevant to the Competition Plan, and are discussed in greater detail.

3.2 Ensuring a Pleasurable Traveling Experience

The Competition Plan for EWR, including the gate use requirements, availability of gates and related facilities, leasing and sub-leasing arrangements, patterns of air service, gate assignment policy, financial constraints, airport controls over air- and ground- side capacity, creating common use gates, and airfare levels, must all be considered in the

context of our regional role and mission, and *our overall approach to ensuring a pleasurable travel experience for the public.*

Our region continues to enjoy the greatest choices of air travel through the largest and most diverse airport system in the world. These choices include over 100 air carriers (31 US-flag carriers and 71 foreign-flag) providing over 1.4 million flights to over 180 non-stop destinations. They serve 92 million passengers and handle 2.8 million tons of cargo and 331,000 tons of mail annually. In addition to maintaining and improving competition among airlines, ensuring a pleasurable traveling experience for the public also requires a focus on service excellence and adequate capacity.

- ❑ **Service Excellence** - The Port Authority has successfully fostered a public/private partnership that has provided enormous investments in new facilities for the region's airport system. The Port Authority will also build on the background of its joint efforts with JD Power and Associates, and focus on developing, implementing, measuring and enforcing compliance with service standards for itself, and for the various services delivered by the airlines, contractors, tenants and concessionaires, in the operation of these facilities. This will require a business strategy of gaining and asserting greater influence over service delivery by the private sector.

An example of The Port Authority's very active role in ensuring service excellence is its issuance of a moratorium on additional flights at LGA when faced with a potential increase of over 600 flights that would be possible as a result of AIR-21. The Port Authority took a leadership position and informed the airlines that it would not allow the airport to reach a gridlocked state and that if the airlines would not voluntarily agree to shift flights the Port Authority may take further action. The resulting inaction by the airlines forced the Port Authority to require them to move flights from certain time slots where such activity exceeded the airport's capacity. It was also recommended that airlines shift those flights to JFK. The FAA and the Port Authority are now in the process of investigating the use of a lottery system to allocate flights during certain time periods and over the longer-term is researching the use of other methods such as congestion pricing. As usual the Port Authority looks forward to the input and assistance of the FAA and DOT during this process to ensure service excellence for the airport patron is maintained.

- ❑ **Adequate Capacity** - The Port Authority is addressing capacity issues at all three of its commercial aviation airports focusing on the four key elements of air travel: Landside Capacity, Terminal Capacity, Airside and Airspace Capacity. During the last decade passenger growth at EWR has risen over 60 percent to nearly 35 million air passengers. The Port Authority is addressing landside and terminal capacity constraints resulting from that dramatic growth with significant investments both by the airlines and the Port Authority. The redevelopment program will include the Continental Airlines Global Gateway Project at Terminal C, two new parking garages, new Central Terminal Area roadways, new roadway connections from the southern part of the airport, additional aircraft expansions to the fuel farm, the extension of the Monorail to the Northeast Corridor's NJ Transit and Amtrak rail

service, improvements to all terminals, and a new control tower being constructed by the FAA. The specific objectives of the EWR construction projects are to:

- ❑ Implement infrastructure improvements necessary to accommodate current conditions and projected growth;
- ❑ Provide assistance to airport tenants planning to expand their operations;
- ❑ Ensure that projects are consistent with long-range plans for the facility and are environmentally sound; and
- ❑ Promote economic growth in the region.

The construction investment being made by the Port Authority, airlines and FAA is as follows:

EWR Construction	
EWR Redevelopment Program-Roadways, Parking Structures, Airport Admin. Bldg.	\$780 million
Continental Airlines Global Gateway Project	\$800 million
EWR Monorail & NEC Extension ¹	\$769 million
Runway & Taxiway Improvements	\$160 million
Cargo Facilities	\$310 million
FAA Air Traffic Control Tower	\$ 22 million
Terminal A & B Improvements	\$710 million
Other Airport Improvements	\$330 million
Total Investment	\$3.8 billion

- ❑ **Airline Competition** - Building on a history of success consistent with our unified system approach as previously discussed and each airport's defined role, the Port Authority has created a system offering the most choices to the most places in the world for the benefit of the New York/New Jersey region. Within this system there are 109 airlines operating at JFK, EWR and LGA. Almost one-half of those are operating at EWR with 43 airlines about evenly split between domestic and international-flag carriers.

3.3 Airport System Limitations

A significant constraint that the region's airports face is airspace capacity. It is significant to note that over the past decade, Port Authority airport system has accommodated more aircraft operations, passengers and cargo than any other airport complex in the world. However, over that same period the region's three major airports have had the dubious distinction of being among the ten most delay-prone in the country,

¹ The NEC Connection is the Northeast Corridor extension of the EWR airport monorail system. The NEC will connect the airport monorail with the Amtrak and New Jersey Transit trains that use the Northeast Corridor train line.

costing the region's airlines over \$200 million per year in terms of aircraft direct operating costs and resulting in 17 million annual passenger hours of delay. In the last several years EWR has had the greatest delays of any airport in the country and, most recently, LGA has ranked second and JFK has been ranked in the top ten. While weather is a contributor, other factors include airspace constraints, air traffic control staffing and equipment, and noise abatement procedures to minimize noise over communities surrounding the region's airports—all of which require Federal recognition and funding to address. The Port Authority is working with the FAA to identify and implement airspace redesign, air traffic control procedural improvements, equipment upgrades, airfield modifications, and other measures to mitigate the discrepancy in airfield and airspace capacity between what exists and what is demanded by all of the aircraft using these facilities.

4.0 Airline Competition Strategy

The Port Authority is committed to the goal of making its airport facilities, including EWR, available on a reasonable basis to all carriers wishing to use them. To this end, EWR's Competition Plan must be developed in the context of:

- ❑ A regional aviation system operated by the Port Authority, and each airport's role within the system; and
- ❑ Ensuring a pleasurable traveling experience for the public through adequate capacity, service excellence and airline competition.

Based on Port Authority management policies as well as existing conditions at our airports, we do not believe that there is a barrier to competition for carriers wishing to initiate new or additional air service for the region. Certain policies and a lack of airport facilities have apparently been identified by others as a barrier to entry at some airports and, while the Port Authority's airports do face some capacity constraints, the Port Authority is aggressively working to overcome the perception of barriers. Approximately \$4 billion is being spent to upgrade and expand facilities at EWR and an additional \$10 billion at JFK and LGA.

New entrant airline accommodation in the New York/New Jersey region involves both system and airport perspectives. At the system level, the Port Authority Aviation Department located in the World Trade Center works to foster air service development for the benefit of the region consistent with these objectives. At the airport level under the direction of the airport General Managers and Assistant Director of Properties, Property Managers at JFK, LGA and EWR implement those strategic policies by negotiating lease terms that govern airline terminal occupancy and use.

To effectively exercise this capability, however, airline utilization rates should be analyzed regularly consistent with applicable lease terms governing required use. Responding fully to the concerns over airline competition will require that airports be more proactive in anticipating and responding to new entrant airline requests. For the Port Authority, this enhanced level of involvement in capacity administration would be made more effective with certain changes to lease provisions and statistical reporting practices, and by regularly conducting and disseminating gate utilization and scheduling analyses.

In recognition of this context identified at the beginning of this section, we have formulated a four-tier competition plan and strategy for EWR that is designed to:

- ❑ Capitalize on negotiating opportunities to change the perceived barriers to entry;
- ❑ Be more proactive in administering capacity;

- ❑ Pursue alternative methods of financing and leasing expanded terminal capacity that will enhance competition; and
- ❑ Continue to pursue the regional airport system concept.

4.1 Capitalize on Negotiating Opportunities

The Port Authority will capitalize on opportunities to negotiate better forced accommodation provisions applicable to certain master airline lessees, and to the extent possible uniformly apply those provisions to all existing master lessees. Those opportunities occur when agreements require changes either at the request of the Port Authority or the tenant such as changing leasehold space, changes in fees and charges such as changes in the monorail fee, or a request by a tenant to lease space to a subtenant. It should be noted that some airline tenants are investing hundreds of millions of dollars to increase capacity at EWR specifically because they need additional gate capacity and therefore only when their facilities are underutilized would the opportunity to accommodate others exist. Negotiating opportunities will be used to provide the Port Authority with the opportunity to include imposed accommodation provisions that are possible, practical and sustainable if required to be implemented. Some of the particular changes that can be considered in future negotiations could include:

- ❑ Eliminating a required 30-day notice of intent to exercise the forced accommodation provision, and the associated submission and implementation of utilization plans by master lessees that may be used to avoid forced accommodation;
- ❑ Reducing the six months advance notice of forced accommodation to 90 days; and
- ❑ Utilize or capitalize on opportunities (at EWR, LGA or JFK) to renegotiate existing long-term leases and strengthen language related to utilization of gates.

4.2 Administer Utilization Requirements

The Port Authority will also develop a program to regularly assess and advise each master airline lessee of its utilization rates consistent with lease provisions concerning requesting airlines at the Airport, forced accommodation, and facility take-back. This ongoing process will be the precursor to any Port Authority-imposed accommodation. Ways will be investigated to improve the administration and documentation of the “commencement basic schedule” requirement of each master airline lessee. The commencement basic schedule is the basis of comparison for determining if an airline is meeting its gate utilization requirements.

4.3 Alternative Business Arrangements for New Facilities

The Port Authority will consider alternative methods of financing and leasing that will enhance airline competition when new facilities are constructed. These alternative methods may include common use and/or short-term leases, and the use of PFCs to finance terminal expansion. For example, Terminal A may have space to be expanded from the existing 27 gates to approximately 43 gates. Depending on the allocation of funds some of those gates could be funded through the use of PFCs and thereby allow those gates to be used as common-use facilities with short-term leases. As previously stated policy decisions such as allocating funds for the construction of new gates can only be authorized by the Port Authority Board.

4.4 Continue to Pursue Airline System Concept

It is possible that one of the other Port Authority airports would satisfy the needs of the new entrants. The Port Authority will continue to operate the airports as a system and encourage the use of its other facilities if one particular time slot is not available for a new entrant. The role of the Port Authority's World Trade Center Aviation Department staff plays a particularly important role in ensuring this process operates properly.

5.0 Current Gate Capacity and Leasing Arrangements

EWR accommodates approximately 15 million enplaned passengers annually with three terminal complexes that have 92 aircraft gates and 349 ticket counters. Eight signatory and 38 non-signatory air carriers use the three terminals designated as Terminals A, B and C. Each terminal is divided into four levels including Departures, Arrivals, a Concourse and a Parking/Operations Services level and each terminal has multiple satellites stemming from the main terminal building where aircraft boarding gates and loading bridges are located. The ground floor of the satellites consists of the airlines' ground support and operations level and parking.

Ticket counters are located on the Departures level of each terminal. Airline bag claim and ground transportation can be found on the Arrivals level and the satellite access corridors are considered the Concourse level. Airline administrative offices are located throughout the terminals, some can even be found off the corridors to the satellite facilities.

Some of the facilities are designated for domestic use and others are designated for international use. The Port Authority is responsible for the allocation of these facilities consistent with its mission to develop and operate a unified airport system for the region. It uses separate methods of gate and counter allocation for the domestic and international operations as discussed below. In summary, the domestic gates are exclusively leased and the international gates are common use.

- ❑ **Domestic Operations** - The Airport's domestic operations are conducted from 77 aircraft gates and 261 airline ticket counters located in Terminals A, B and C. This equates to 84 percent of total gates and 75 percent of total ticket counters designated for domestic use. The Port Authority has allocated these assets to eight master passenger airline lessees through the use of long term exclusive use leases that support the financing and operation of those facilities. The master passenger airline lessees are Continental, United, USAir, TWA, American, Northwest, Air Canada², and Delta. Through subleases and handling agreements, the master lessees accommodate 19 additional airlines offering service on their gates and counters.
- ❑ **International Operations** - International operations are conducted from 15 aircraft gates and 88 airline ticket counters located in Terminal B. This equates to 16% of total gates and 25% of total counters being reserved for international use. Twenty-two air carriers provide international service from these facilities. Some of these carriers also utilize domestic facilities. The international assets are controlled and allocated by the Port Authority pursuant to its Operating Guidelines for Use of the International Arrivals and Departures Facility. This document references the

² Air Canada has a month-to-month lease that can be extended for no longer than five-years (expires in 2003).

Scheduling Procedures Guide of the International Air Transportation Association, and the semi-annual proceedings of its Scheduling Committee, as the procedures through which international operations at the Airport are scheduled. Being scheduled in this manner means that the Port Authority will accommodate the flight through the Airport's international facilities subject to its Operating Guidelines.

The table below identifies the terminals and satellites showing which are domestic and which are international as well as the operator and number of gates. The map on the following page shows the airport layout and location of those gates.

Terminal	Counters	Satellite	Use	Operator	Total Gates	Total Bridges
A	95	A-1	Domestic	Airline	8	8
		A-2	Domestic	Airline	9	9
		A-3	Domestic	Airline	10	18
B	126	B-1	Domestic	Airline	7	10
		B-2	Int'l.	PANYNJ	7	12
		B-3	Int'l.	PANYNJ	8	8
C	128	C-1	Domestic	Airline	25	25
		C-2	Domestic	Airline	13	13
		C-3	Domestic	Airline	0	0
		C-4	Domestic	Airline	5	5
TOTAL	349				92	108

Drawing 1 – Terminal Facilities – Newark International Airport

5.1 Availability of Gates and Related Facilities

All of the Airport's domestic gate and counter facilities, which include those in Terminals A and C and Satellite B-1, have been allocated pursuant to long term exclusive leases with the eight master passenger airline lessees including United, US Air, American, TWA, Northwest, Delta, Air Canada and Continental. The eight domestic master airline lessees accommodated an additional 17 airlines on their gates and counters in August and December of 1998 through sub-leases and handling agreements. These sub-leasing or handled airlines provided 13 percent of total domestic departures and 11 percent of the departing seats and enplaned passengers. The master airline lessees and the at-gate sub-lessees or handled airlines are listed below:

Terminal A

- ❑ **United** - Also handles AirTran and United Express.
- ❑ **US Airways** – Also handles Allegheny, National Airlines, and US Airways Express.
- ❑ **American** - Also handles Midway Airlines
- ❑ **TWA** - Does not handle others at Newark
- ❑ **Continental** - Also handles America West
- ❑ **Air Canada** - Also handles Air Alliance, Canada Air, Chautauqua, Commet Air and Spirit

The re-allocation of airlines within Terminal A will result in United Airlines releasing seven underutilized gates so that Air Canada could directly lease three gates from the Port Authority. The new lease with Air Canada is short term rather than long term and requires Air Canada to handle at least one additional carrier that is currently not a master lessee. This recapturing of gates will result in more effective utilization of Terminal A.

Terminal B

- ❑ **American, TWA, United and Continental** – Arrival operations in the International Terminal
- ❑ **Northwest** - Does not handle others at Newark
- ❑ **Delta** - Also handles Swiss Air, Sabena and Midwest Express.
- ❑ **International Carriers** - Nineteen regularly scheduled foreign flag carriers operated in Satellites B-2 & B-3 pursuant to Port Authority and IATA permits and procedures. They are not considered master lessees, sub-lessees or handled airlines.

Terminal C

- ❑ **Continental** - Includes Continental Express and handles Air France and Alitalia.

The availability of gates and related facilities must also be considered in the context of lease terms concerning utilization rates, and the policy on monitoring use, which is discussed in the next two sections of this Competition Plan. As a prelude to that

discussion, certain utilization rates are summarized below for the period before and after the Terminal A re-allocation.

EWR Terminal Utilization Rates				
	Domestic			Intern'l.
	Terminal A	Terminal B-1	Terminal C	Terminal B-2 & 3 ³
Existing Allocation/Utilization				
Daily Departures Per Gate	5.07	6.34	7.72	4.73
Daily Departing Seats Per Gate	642.17	940.64	942.77	341.13
Daily Enplaned Passengers Per Gate	422.46	704.53	595.67	286.76
Ultimate Allocation/Utilization⁴				
Daily Departures Per Gate	5.15	6.34	7.68	1.33
Daily Departing Seats Per Gate	651.00	940.64	937.47	341.13
Daily Enplaned Passengers Per Gate	428.11	704.53	592.28	286.76
Change in Allocation/Utilization				
Daily Departures Per Gate	0.08	----	(0.05)	----
Daily Departing Seats Per Gate	8.83	----	(5.30)	----
Daily Enplaned Passengers Per Gate	5.65	----	(3.39)	----

5.1.1 Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common use.

There are 92 gates available at EWR of which 77 are exclusive use and 15 common-use gates in the international terminal.

5.1.2 Gate-use monitoring policy.

The Port Authority controls and monitors the schedule for the 15 common-use gates in Terminals B-2 and B-3. The operations at these gates are conducted in accordance with the Port Authority's Operating guidelines for Use of the International Arrivals and Departures Facility and the International Air Transportation Association's Scheduling Procedures Guide. The Guidelines were designed with the objective of moving the maximum number of people through the facility with minimal inconvenience and optimum security. The Guidelines describe the proper use of the facilities, airline staffing and scheduling requirements and the assignment of assets including gates and ticket counters. Initial requests to use the international facilities are submitted to the Port Authority's General Manager, New Jersey Airports. This is followed up by a meeting with the Port Authority's Principal Property Representative, and customs approvals for

³ The international facilities are more heavily weighted toward arrivals than departures, departing seats and enplaned passengers and therefore it would not be appropriate to use departures per gate. International terminal ramp schedule data indicates that total international carrier gate uses (arrivals, departures and turns) averaged 4.73 per gate in August and 4.19 per gate in December, 1998.

⁴ Ultimate Allocation are projections of utilization when the airlines have moved to their new Terminal A ticket counter and gate assignment as specified in recently executed agreements estimated to be completed by approximately December 2001.

arriving flights. Since Newark International is a “coordinated airport”, its on-going international flight schedules are prepared by the scheduling committee of the International Air Transportation Association. IATA meets semi-annually to prepare future semi-annual flight schedules one year in advance. Proposed schedules are submitted to an airline elected coordinator who represents all international airlines operating at Newark International at the scheduling meeting. Unresolved conflicts are referred to the Port Authority, which will consider requests for revisions en masse and may impose a deadline after which no changes will be made.

The Port Authority assigns the terminal facilities needed to accommodate international flights pursuant to processes and priorities also established in the Operating Guidelines. Frequent communications with Port Authority gate management staff are required so that gate assignments may be updated regularly and reflect the latest expected time of arrivals. Ticket counters are assigned based on the approved IATA flight schedule and pursuant to a shared ticket counter program that permits airlines to occupy counters for up to three hours before and one hour after the scheduled departure time. The shared counter program utilizes a space permit agreement. The Port Authority provides common use terminal equipment at the departure ticket counters, gate, ticket pull stations and airline service desks. Aircraft gate assignments are made pursuant to a priority system that reflects certain customer service minimum standards.

The Airports international facilities are first reserved for international operations. Domestic flights may only be accommodated during off-peak hours if they do not conflict with the primary international uses. International arrivals take precedence over international departures in the assignment of gates. The Port Authority may direct that departures be rescheduled or relocated to another terminal and must so notify affected airlines after it receives the IATA schedule. International carriers that are also master airline lessees of domestic space at Newark International are required to use their domestic space for the international departures as well. The Port Authority may grant exceptions to this requirement. A maximum wait of two hours for arriving flights to be assigned a gate has been established and the Port Authority maintains a permanent record of gate assignments, including processing times, to ensure fair and reasonable assignments. The order of assignment priority listed in the Operating Guidelines is as follows:

- ❑ Scheduled, all year, international flights
- ❑ International charter flights, off-peak
- ❑ International diversions
- ❑ Scheduled domestic flights, off-peak
- ❑ Domestic charter flights, off peak
- ❑ Domestic diversions

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

No gates were financed with PFC's.

5.1.4 Has 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 other users?

No gates were financed with PFC's.

5.1.5 Gate Utilization (departures/gate)

The gate utilization is highest in Terminal C with 7.7 daily departures per gate, followed by Terminal B-1 and Terminal A. The International Terminal gates in Satellites B-2 and B-3 are used primarily to accommodate inbound traffic and the total international gate use averaged 4.73 in August 1998. International flights must arrive at Terminal B-2 or B-3 as those gates are the only location on the airport to process passengers through customs and immigration; international flights can depart from gates at any other of the airport terminals.

EWR Terminal Utilization Rates				
	Domestic			Intern'l.
Existing Allocation/Utilization	Term. A	Term. B-1	Term. C	Terminal B-2 & 3⁵
Daily Departures Per Gate	5.07	6.34	7.72	4.73
Daily Departing Seats Per Gate	642.17	940.64	942.77	341.13
Daily Enplaned Passengers Per Gate	422.46	704.53	595.67	286.76

Source: *Aircraft Gate and Ticket Counter Utilization Study*, Louis Berger Group, June 1999.

5.1.6 Policy regarding "recapturing" gates that are not being fully used.

The Port Authority has the option as provided for in the Master Leases to require one of the Master Lessees to accommodate the new entrant based on gate utilization. Specifically a base year or commencement utilization is established for each of the Master Lessees based on revenue seats daily average. The Port Authority has the right to terminate all or a portion of the letting of the premises if, because of reasons *within* the Master Lessees control, the Master Lessees revenue seats daily average for the

⁵ Intentionally Repeated Footnote: The international facilities are more heavily weighted toward arrivals than departures, departing seats and enplaned passengers and therefore it would not be appropriate to use departures per gate. International terminal ramp schedule data indicates that total international carrier gate uses (arrivals, departures and turns) averaged 4.73 per gate in August and 4.19 per gate in December, 1998.

immediately preceding calendar year is less than 60 percent of the base year utilization or for reasons *not within* its control a 60 percent reduction over a two year period. The Port Authority must give a six-month notice of the termination determination. Prior to issuing the six-month notice it must give a 30-days prior written notice of its intention to give the termination. The Port Authority is restricted from proceeding with such termination if the Master Lessee provides definite plans for utilization and commences such use within 90-days of the submission of the utilization plans. The two provisions apply to all the Master Lessees.

An additional condition applies to five airlines whose leases have recently been renegotiated and include Air Canada, Continental TWA, United and US Airways. The additional restriction includes a minimum of three aircraft operations per aircraft gate position each and every calendar day for the immediately preceding three months. Therefore, if any of the three provisions are not met the Port Authority can start the notification process with the airline.

The length of time between when an air carrier initially contacts the airport and could begin serving it greatly depends on the carrier, their scheduling requirements, and whether they are a domestic or international carrier. It has varied from as little as two to three months to almost one year. The Port Authority requests all new entrants to provide as much time as possible given the high demand, but works as much as possible within the timelines provided by the air carriers.

5.1.7 Use/lose or use/share policies for gates and other facilities.

See Section 5.1.6.

5.1.8 Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport; methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates); and length of time between when an air carrier initially contacts the airport and could begin serving it.

To accommodate the 60 percent growth in EWR passengers over the past decade approximately \$3.8 billion is being spent on improvements and include the following:

Capital Investments	Cost
EWR Redevelopment Program: roadways, parking structures, airport administration building	\$780 million
Continental Airlines Global Gateway Project	\$800 million
EWR Monorail and NEC Extension	\$769 million
Runway and Taxiway Improvements	\$160 million
Cargo Facilities	\$310 million
FAA Air Traffic Control Tower	\$22 million

Terminal A and B Improvements	\$710 million
Other Airport Improvements	\$330 million
Total Investment	\$3.8 billion

These investments include the expansion of ticket counters and gates at Terminal C. Additionally the Port Authority completed in 1996 the expansion of Terminal B into an International Terminal with common use gates and is in the planning stages for the expansion of Terminal A. The Port Authority encourages private investment in its facilities and works with airlines seeking to expand. Continental Airlines is investing several hundred million for the expansion of Terminal C. However, just a decade ago when the Port Authority proposed the expansion of Terminal B into an International Terminal no airlines were willing to make the long-term investment. Therefore the Port Authority expanded the terminal that was completed in 1996 and that is operated as a common use gate facility. As identified, the terminal and ground capacity is increasing. The most significant constraint on competition now and in the future is airspace capacity. Until the airspace design is completed and has positive benefits on the airports the airspace congestion will continue to pose the most substantial obstacle to improving the efficient operation of the Port Authority airport and their capacity.

The expanded gates at Terminal C are exclusive use gates leased to Continental Airlines who is investing substantial capital in the expansion project. The expansion of Terminal B1 and B2 into the International Terminal was financed by the Port Authority and is managed as common use gates with preference being given to international operations. The possible expansion of Terminal A is still early in the planning stages.

5.1.9 How are complaints of denial of reasonable access by a new entrant or an air carrier that wants to expand services resolved?

If a new entrant is unsuccessful in reaching an agreement with a master airline lessee the Port Authority works actively with the new entrant to locate a suitable location at EWR or one of the other Port Authority airports. The constant high demand for airport gates means that the new entrant may need to be somewhat flexible as they may not get the exact time slot initially requested.

5.1.10 Number of carriers in the past year that have requested access or sought to expand, how were they accommodated, and the length of time between any requests and access.

Excluding charter airlines, seven scheduled airlines have requested access to Newark International Airport within the last year. These include Canadian Air International, Canadian Regional Airlines, Piedmont Airlines, National Airlines, AirTran, Canada 3000 and Egypt Air. Each of these seven airlines had commenced flight activity at the Airport on the date requested. Three of the airlines were handled and accommodated by their parent company in Terminal A (Air Canada handled Canadian Air International and

Canadian Regional; USAirways handled Piedmont). National Airlines will be utilizing a USAirways gate in Terminal A. AirTran was originally using Terminal B gates at the International Facility and is now accommodated by United Airlines in Terminal A. Egypt Air is the newest international carrier to commence service from the Port Authority's International Facility in Terminal B. Canada 3000's scheduled charter activity was accommodated in the Terminal B International Facility as well. The length of time between the request and when the carrier was accommodated ranged from a few months to up to a year depending on the airline requirements.

An additional airline (United Arab Emirates) requested and received information and a presentation regarding the potential startup of operations at EWR in 2002.

5.2 Leasing and Subleasing Arrangements

As noted above, the Port Authority uses separate leasing and subleasing arrangements for the domestic and international operations. The domestic gates are exclusively leased and the international gates are common use. Leasing and subleasing arrangements are addressed in more detail below:

5.2.1 Whether a subleasing arrangement with an incumbent carrier is necessary to obtain access.

The Port Authority has entered into long-term exclusive use leases with eight master air carriers for the domestic operations conducted from Terminals A and C and Satellite B-1. The master leases at Terminal A were recently extended for the twenty-year term ending in 2018 with two exceptions that includes Air Canada. The other exception is the Terminal C lease that expires in 2028. The master leases and supplements thereto are the same for all airlines with the exception of some business terms and conditions specific to the particular airline. The master leases cover both exclusive use and non-exclusive use space. The exclusive space includes the gates, ticket counters and operations space. While long term, exclusive master leases have been used, the Port Authority has protected its rights to assign capacity to new entrants and is sensitive to the concerns and guidelines expressed in AIR-21 and the related reports and testimony. These rights and sensitivities are demonstrated in three ways. The master leases contain relevant provisions regarding new entrant airline requests to be accommodated, the Port Authority has maintained rights of accommodation related to facility utilization, and the Port Authority has recently negotiated a lease amendment to strengthen these provisions. The following are the master lease provisions:

Requesting Airlines at the Airport - This provision mandates that airlines with master leases use their best efforts to accommodate requests to provide scheduled service by airlines that do not possess a master lease. If the airline with the master lease is unable to reach an agreement to accommodate the requesting airline, the master lessee is required to so advise the Port Authority, which in turn makes a final determination of the master

lessee's ability to accommodate the requesting airline. The Port Authority analyzes specific requests for flight accommodation. The Port Authority's determination includes consideration of the nature and extent of the operations to be accommodated including the master airlines' utilization of the premises or a bona fide plan for future utilization. Port Authority considerations also include the necessity for the flights, flight times, operations, operating practices and aircraft equipment proposed by the requesting airline, and the need for labor harmony.

Additional Rights of Termination by the Port Authority - This provision gives the Port Authority the right to take back portions of the leased premises in the event that the master airline lessee under-utilizes them. To provide the mechanism to determine utilization, the master leases establish what is referred to as the lessee's commencement basic schedule, which reflects the lessee's average daily revenue seats on its departing flights. Each year, the Port Authority may calculate a master airline lessee's revenue seats daily average based on the official airline guide or other appropriate report, and the aircraft equipment scheduled on published departures during the two weeks including February 15th and August 15th. In the event that the revenue seats daily average is less than 60 percent of the commencement basic schedule, the Port Authority may terminate the lease with respect to portions of the premises determined to be under-utilized. A six-month notice of termination is required and must be preceded by a 30-day notice of intent to terminate. During this 30-day period, the lessee may submit plans for utilization of the affected space. The termination may not occur if the lessee commences such utilization within 90 days of submission of the plan.

New Lease Amendment - The Port Authority recently concluded negotiating an amendment to the master leases with United, US Airways, TWA and Continental. Negotiations have also recently been completed for new master leases with Air Canada and Continental in Terminal A. This agreement facilitates the exchange of space between the airlines involved and results in the net availability of three gates, 12 ticket counters and support space for direct lease by the Port Authority to Air Canada for up to a five-year term. During this period of time, planning and financing for new gate construction is to occur. The Air Canada lease requires it to handle at least one non-signatory air carrier. As part of this negotiation, the Port Authority further strengthened its ability to assign capacity to new entrants.

The additional rights of termination discussed above were modified to provide the Authority with the right to require the airlines to make available accommodations for new entrants in the event the airline's revenue seats daily average falls below 60 percent of its commencement basic schedule, or the airline fails to operate a minimum of three aircraft turns per gate position each calendar day for a period of three months. The movement from termination to forced accommodation is viewed as strengthening the Authority's ability to assign capacity to new entrants for several reasons including:

- ❑ Addition of the minimum use per gate requirement.

- ❑ Accommodation has been defined to include necessary ramp and gate capacity, ticketing, check-in, bag handling, FIDS, lounge and waiting areas, etc.
- ❑ Handling agreements used to accommodate new entrants are subject to the prior and continuing written consent of the Port Authority and the master airlines must consult with and inform the Port Authority of all aspects of their accommodations.
- ❑ Accommodations via sublease of exclusive space are subject to the same continuing written consent and oversight as handling agreements.
- ❑ The Port Authority has specified its right not to consent to service requirements included in handling agreements or subleases, and the handled airline's right to secure catering, fuel, ramp and other services as it chooses.
- ❑ Requires that handling agreements and subleases be at reasonable, non-discriminatory rates based on a pro rata recovery of the lessees operating, maintenance, investment and service costs.
- ❑ Narrowly defines the conditions under which a lessee may request that The Port Authority not require accommodation as those resulting in immediate and unremediable labor disharmony that would seriously affect the operation of the lessee on the premises.

5.2.2 How the airport assists requesting airlines obtain a sublease.

New entrants who are requesting space at EWR are instructed to contact the master lessee airlines at EWR. While Port Authority approval is needed prior to the execution of a sublease agreement, 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 times. Because of the continuous high demand for gates at EWR the Port Authority may need the requesting airlines to be flexible in terms of its scheduling requirements.

As a matter of policy, the Port Authority's determination for accommodation includes consideration of the nature and extent of the operations to be accommodated, including the master airlines' utilization of the premises or a bona fide plan for future utilization; and the necessity for the flights, flight times, operations, operating practices and aircraft equipment proposed by the requesting airline, and the need for labor harmony.

International operations are conducted at Newark International Airport pursuant to Port Authority Operating Guidelines for Use of the International Arrivals and Departures Facility and the International Air Transportation Association's Scheduling Procedures Guide. The master long term exclusive use leases discussed above for the Airport's

domestic terminal facilities are not used for the international facilities in Terminal B and Satellites B-2 and B-3. Space permits and fee schedules are used in lieu of leases.

Operating Guidelines - The latest version of the Operating Guidelines for Use of the International Arrivals & Departures Facility was issued May 22, 1998. The Guidelines are designed with the objective of moving the maximum number of people through the facility with minimal inconvenience and optimum security. The Guidelines describe the proper use of the facilities, airline staffing and scheduling requirements and the assignment of facilities including gates and ticket counters. Initial requests to use the international facilities are submitted to the Port Authority's General Manager, New Jersey Airports. A meeting follows this with the Port Authority's Principal Property Representative, and customs approvals for arriving flights. Since Newark International is a "coordinated airport", its on-going international flight schedules are prepared by the scheduling committee of the International Air Transportation Association. IATA meets semi-annually to prepare future semi-annual flight schedules one year in advance. Proposed schedules are submitted to an airline elected coordinator who represents all international airlines operating at Newark International at the scheduling meeting. Unresolved conflicts are referred to the Port Authority, which will consider requests for revisions en masse and may impose a deadline after which no changes will be made.

The Port Authority assigns the terminal facilities needed to accommodate international flights pursuant to processes and priorities also established in the Operating Guidelines. Frequent communications with Port Authority gate management staff are required so that gate assignments may be updated regularly and reflect the latest ETAs. Ticket counters are assigned based on the approved IATA flight schedule and pursuant to a shared ticket counter program that permits airlines to occupy counters for up to three hours before and one hour after the scheduled departure time. The Port Authority provides common use terminal equipment at the departure ticket counters, gate, ticket pull stations and airline service desks. Aircraft gate assignments are made pursuant to a priority system that reflects certain customer service minimum standards.

The Airport's international facilities are first reserved for international operations. Domestic flights may only be accommodated during off-peak hours if they do not conflict with the primary international uses. International arrivals take precedence over international departures in the assignment of gates. The Port Authority may direct that departures be rescheduled or relocated to another terminal and must so notify affected airlines after it receives the IATA schedule. International carriers that are also master airline lessees of domestic space at Newark International are required to use their domestic space for their international departures as well. The Port Authority may grant exceptions to this requirement. A maximum wait of two hours for arriving flights to be assigned a gate has been established and the Port Authority maintains a permanent record of gate assignments, including processing times, to ensure fair and reasonable assignments. The order of assignment priority listed in the Operating Guidelines is as follows:

- ❑ Scheduled, all year, international flights
- ❑ International charter flights, off-peak
- ❑ International diversions
- ❑ Scheduled domestic flights, off-peak
- ❑ Domestic charter flights, off peak
- ❑ Domestic diversions

5.2.3 Airport oversight policies for sublease fees and ground-handling arrangements.

The Port Authority consents to fees, but does not typically get involved in the discussions between the incumbent and requesting airlines unless requested to do so. The Port Authority approval is required of all sublease agreements and that includes fees and ground-handling arrangements.

5.2.4 Airport policies regarding sublease fees (e.g., no more than 15 percent above the standard airport-determined fee).

Master lease provisions require that sublease fees be reasonable and non-discriminatory and based on a pro-rata recovery of the lessee's costs. Consistent with the privatized nature of the terminals the Port Authority does not regulate sublease fees. The Port Authority requires that it receive ten percent of the sublease fees.

5.2.5 How complaints by subtenants about excessive sublease fees or unneeded bundling of services are resolved.

Master lease provisions specifically express the Port Authority right not to consent to service bundling required in subleases. Therefore the Port Authority would not provide its consent to the sublease agreement. Subtenants to date have not submitted any complaints related to excessive sublease fees or unneeded bundling of services.

5.2.6 How independent contractors who want to provide ground handling, maintenance, fueling, catering or other support services but have been unable to establish a presence at the airport are accommodated.

At present many of the airlines such as Continental, Delta and United Airlines provide ground-handling services as do third party handlers such as World Wide Flight Services and Signature Flight Support Services. At EWR there have been no complaints by the airlines or independent contractors regarding the lack of competition by ground-handlers at the airport. Ramp space constraints may serve to limit the number of handlers at the airport.

5.2.7 Are formal arrangements in place to resolve disputes among air carriers regarding the use of airport facilities?

The airport can and does resolve disputes between airlines on a case-by-case basis upon request by the affected airlines.

5.3 Gate Assignment Policy

5.3.1 Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements.

The Port Authority employs several measures of utilization to monitor gate use. These include each airline's market share measured in terms of the percent of total departures, seats and passengers, and airline utilization rates measured in terms of the number of departures, seats and passengers on a per gate basis. International facility arrivals, departures, turns and gate occupancy times are monitored as well. The sources of data used to develop these ratios primarily include the "CATER" system, Passenger Facility Charge reporting and the Master Ramp Schedules maintained by the Port Authority for the international operations in Terminal B. These sources and utilization measures are discussed below. In addition, The Port Authority analyzes specific requests for flight accommodation. For example, several specific gate and ticket counter analyses were prepared in 1998 and used in Port Authority new entrant accommodation determinations relevant to service by AirTran, Sky Trek and Swiss World Air. The Port Authority considers the nature and extent of the operations to be accommodated, including the master airlines' utilization of the premises or a bona fide plan for future utilization; and the necessity for the flights, flight times, operations, operating practices; and aircraft equipment proposed by the requesting airline, and the need for labor harmony.

CATER System - CATER stands for the collection and analysis of terminal records. It is a data collection, repository and analytical process originally initiated by the FAA for the New York region. When the FAA eliminated funding for the system, it was managed by a not-for-profit organization known as the Aviation Development Council. For approximately the last 11 years, the system has been maintained by Aviation Data Systems of Long Island City, New York under contract with the Port Authority. The primary source of data for the CATER system is FAA flight strip data from the airport control tower. Flight strip data is also augmented with data from the Official Airline Guide, and the U.S. Department of Transportation's ASQP database concerning the on-time performance of the top 10 U.S. domestic air carriers. The CATER system is a proprietary, defined database used to provide reports *on demand* to such users as the Aviation Development Council, the FAA, the Port Authority and its consultants.

The data available in the system includes airline, flight number, arrival and departure times and equipment type for all movements by air carriers at Newark. Using airline and industry published data on the seating capacity of aircraft equipment types, the total number of available departing seats that are offered at the airport by each airline may be determined. Combining this data with the allocation of facilities among airlines as previously discussed forms the basis for monitoring airline market shares, the average number of departures per airline and per gate, and the average number of available seats per airline and per gate.

Passenger Facility Charges - The Port Authority has also imposed Passenger Facility Charges (PFCs) upon the air carriers for landside access projects at Newark International Airport. PFCs may only be imposed pursuant to the provisions of Part 158 of the Federal Aviation Regulations which mandate the reporting, record keeping and audit requirements of public agencies and air carriers involved in their collection and use. Each air carrier collecting PFCs is required to file a quarterly report with the airport providing an accounting of all funds collected and remitted. Likewise, the airport is required to compile a quarterly report reflecting the collection and use of PFCs from all air carriers. Accordingly, PFC reporting requirements provide an excellent source of enplaned passenger data, which can be combined with facility allocations, movements and available seats determined through analysis of the CATER system data. This forms the basis for monitoring passenger market shares, passengers per gate and load factors.

Master Ramp Schedules – Newark’s international facilities are common use. The Port Authority is responsible for, and maintains a permanent record of, international gate assignments, including processing times, to ensure that they are fair and reasonable. The permanent record is known as the Master Ramp Schedule including a Daily Gate Assignment Listing and a Daily Ramp Chart. The Port Authority uses independent Gate Management Software for its scheduling activities. For each flight, the data includes the airline, flight number, equipment type, origin or destination, schedule times, gate number and actual time on and off the gate. The Ramp Schedule data also includes the type of operation (arrival, departure or turn).

5.3.2 How announcements are made to tenant air carriers when gates become available. Do all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time?

With the exception of the Terminal B common-use gates all others have long-term lease arrangements. All carriers have the option of offering to construct additional gates at the terminal facility provided adequate land area is available. Some airlines have made long-term investments at the airport and constructed or are in the process of constructing additional gates. Additionally the Port Authority has allocated funds and is actively planning for additional gates in Terminal A.

5.3.3 New policies that have been adopted or actions that have been taken to ensure that new entrant carriers have reasonable access to the airport and those incumbent carriers can expand their operations.

There are a number of actions that have recently been completed, are ongoing, or planned aimed at increasing gate capacity at EWR. In 1996, the Port Authority expanded Terminal B into its current configuration for 15 international gates in Concourses B-2 and B-3. Terminal C is currently being expanded by Continental Airlines. As previously mentioned the Port Authority is also in the planning stage for the expansion of Terminal A.

5.4 Gate Utilization

As noted in the previous section of this Competition Plan, the Port Authority has used several measures of utilization to monitor gate use at EWR. These include each airline's market share measured in terms of the percent of total departures, seats and passengers, and airline utilization measured in terms of the number of departures, seats and passengers on a per gate basis. International facility arrivals, departures, turns and gate occupancy times have been monitored as well. Extensive data was analyzed for the Summer and Winter peak months of August and December 1998 in conjunction with the Port Authority's internal assessment of gate allocation practices and also presented elsewhere in this Plan.

The analyses presented indicates that Continental Airlines, together with its express operation and sub-tenants, holds the largest market share in terms of total domestic and international aircraft departures, departing seats and enplaned passengers with a 65%, 61% and 59% share of each measure respectively. No other master airline, including the international carriers as a whole, represented more than a 14% market share in any measure. However, it should be noted that these calculations include sub-tenant and handled airline activity accumulated to the master airline consistent with applicable lease provisions concerning use requirements. Separating this activity indicates that the sub-tenant and handled airlines actually provide for over 14% of departures and 12% of departing seats and enplaned passengers at the Airport.

Analysis of the data on a per gate basis indicates that Continental Express made the most efficient use of its gates with 19.55 average daily departures per gate. This is because it operated from five ground level gates that provide access to 12 dedicated aircraft parking positions. Delta and US Airways were the next most efficient operators with 6.95 and 6.76 departures per gate respectively. On the opposite end of the utilization spectrum, United Airlines departs 4.97, and the international carriers uses are 4.73⁶, average daily flights per gate based on the CATER data. The usage at the international facility is due to

⁶ As previously mentioned international flights are not required to depart from B-2 or B-3 while international flights must arrive at those gates as it is the only location on the airport to process passengers through customs and immigration. The total international carrier gate uses (arrivals, departures and turns) averaged 4.73 per gate in August and 4.19 per gate in December.

the larger planes used for international travel resulting in longer turnaround times and that the terminal is used more heavily for arrivals than departures.

The other master airlines are within a reasonable range of each other in terms of departures per gate. Measuring utilization in terms of departing seats and enplaned passengers per gate also puts United Airlines and the international carriers at the low end of the ratios developed. The international carriers and United generate between 50% and 66% of the utilization rates generated by the other master airline lessees.

Analysis of ticket counter utilization data presents somewhat different conclusions. Continental Airlines makes the most efficient use of their counters with 200 average daily enplanements per counter. Delta is the next most efficient with approximately 161 enplanements per counter followed by United, American, Northwest and US Airways in the 100 to 130 range. TWA was the least efficient domestic user in terms of counter utilization with only 66 enplanements per counter. It should be noted that these rankings assume equivalent ticket counter bypass ratios among the domestic operators. The international carriers experience 52 average daily enplanements per counter. However, the bypass ratios experienced internationally are much lower than domestically and the international peak period is more intense than the domestic peak making the counter ratios not comparable between domestic and international uses.

The international facilities are more heavily weighted toward arrivals than departures, departing seats and enplaned passengers. Accordingly, the Port Authority maintained master ramp schedules for the international operations in Terminal B were also analyzed. International terminal ramp schedule data indicates that total international carrier gate uses (arrivals, departures and turns) averaged 4.73 per gate in August and 4.19 per gate in December. This confirms the international carrier utilization conclusions drawn from analysis of CATER System data.

Total daily block times per gate for the international carriers averaged 9.41 hours in August and 8.53 hours in December of 1998. This equates to average aircraft gate occupancy per use of approximately 2 hours. International carrier occupancy times have been further broken down by arrivals, departures and aircraft turns. In August, arrivals consumed 1.32 hours on average, departures 4.60 hours and aircraft turn 3.34 hours. Similar results were obtained through analysis of December data. The actual occupancy times are well above the minimums established in the Port Authority's operating guidelines. Continental Airlines is the most frequent user of the international facilities. It represented 71% of total arrivals in August and 73% in December.

The Port Authority has recently concluded negotiations for the reallocation of space in Terminal A. The Terminal A reallocation involves United Airlines releasing seven underutilized gates so that Air Canada could directly lease three gates from the Port Authority and US Air could double its gate capacity from two to four gates. Continental Airlines received the other two gates.

As part of its internal assessment of gate allocating practices, the Port Authority estimated the allocation percents and utilization rates that would be experienced with the above stated reallocations in place by reassigning gates and counters to the airlines as noted and applying the departures, departing seats and enplaned passenger activity for the months of August and December 1998 to those allocations. Airline representatives involved with the assessment advised that no air service changes were contemplated as a result of the reallocations. Continental was planning to relocate certain flights from Terminal C to Terminal A. Based on a schedule provided by Continental, it was estimated that Continental's relocation represents approximately 64 departures, 7,389 departing seats and 4,729 enplaned passengers assuming a 64% load factor. The utilization ratios estimated by terminal and airline before and after the anticipated reallocation are shown below:

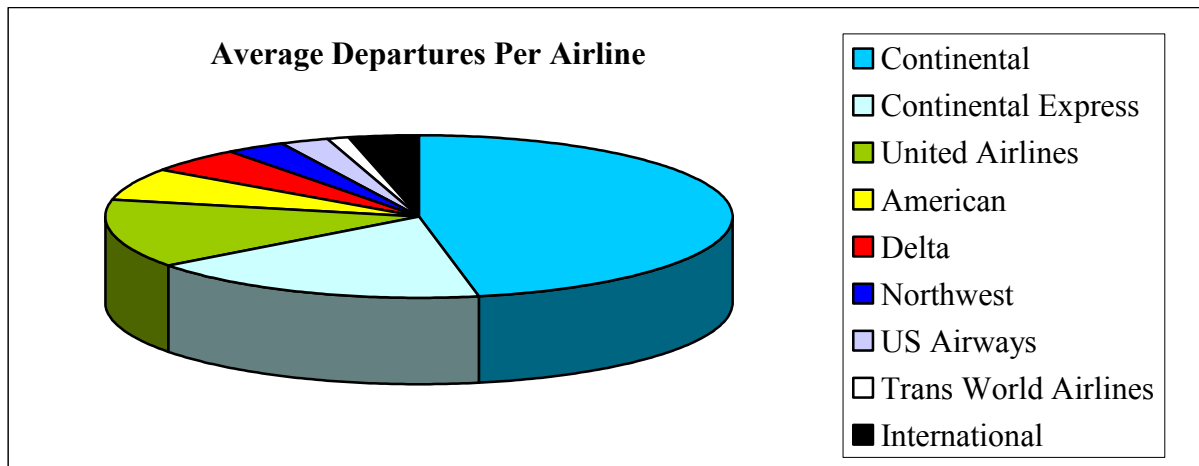
EWR Gate Utilization				
	Domestic			Intern'l.
	<i>Term. A</i>	<i>Term. B-1</i>	<i>Term. C</i>	Term. B-2 & 3
Existing Allocation/Utilization				
Daily Departures Per Gate	5.07	6.34	7.72	4.73 ⁷
Daily Departing Seats Per Gate	642.17	940.64	942.77	341.13
Daily Enplaned Passengers Per Gate	422.46	704.53	595.67	286.76
Ultimate Allocation/Utilization				
Daily Departures Per Gate	5.15	6.34	7.68	1.33
Daily Departing Seats Per Gate	651.00	940.64	937.47	341.13
Daily Enplaned Passengers Per Gate	428.11	704.53	592.28	286.76
Change in Allocation/Utilization				
Daily Departures Per Gate	0.08	--	(0.05)	--
Daily Departing Seats Per Gate	8.83	--	(5.30)	--
Daily Enplaned Passengers Per Gate	5.65	--	(3.39)	--

The tables presented on the following pages represent the data obtained, and analyses conducted, in order to monitor market shares and utilization rates measured in terms of scheduled aircraft departures, available seats and enplaned passengers. The analyses were conducted in June 1999 for the summer and winter peak months of August and December 1998 as part of the Port Authority's internal assessment of its allocation practices.

⁷ Intentionally Repeated Footnote: The international facilities are more heavily weighted toward arrivals than departures, departing seats and enplaned passengers and therefore it would not be appropriate to use departures per gate. International terminal ramp schedule data indicates that total international carrier gate uses (arrivals, departures and turns) averaged 4.73 per gate in August and 4.19 per gate in December, 1998.

EWR--Analysis of Average Departures Per Airline, Year 1999

Airline	August	December	Averages		Market Share
			Monthly	Daily	
Continental	8,043.0	7,923.0	7,983.0	257.5	46.9%
Continental Express	3,195.0	2,864.0	3,029.5	97.7	17.8%
United Airlines	2,423.0	2,200.0	2,311.5	74.6	13.6%
American	1,091.0	1,100.0	1,095.5	35.3	6.4%
Delta	831.0	892.0	861.5	27.8	5.1%
Northwest	478.0	550.0	514.0	16.6	3.0%
US Airways	425.0	413.0	419.0	13.5	2.5%
Trans World Airlines	182.0	174.0	178.0	5.7	1.0%
International	658.0	579.0	618.5	20.0	3.6%
Total	17,326.0	16,695.0	17,010.5	548.7	100.00%



* Includes the following sub-lessee and handled airlines excluding seasonal / charter operators:

Continental - Includes Kiwi in Terminal A, America West, Air France, Air Nova & Air Alliance in Terminal C.

United - Includes United Express, Air Canada, Pro Air, Trans Meridian, Sunjet International, Spirit, Sun Pacific and the various US Air Express operators.

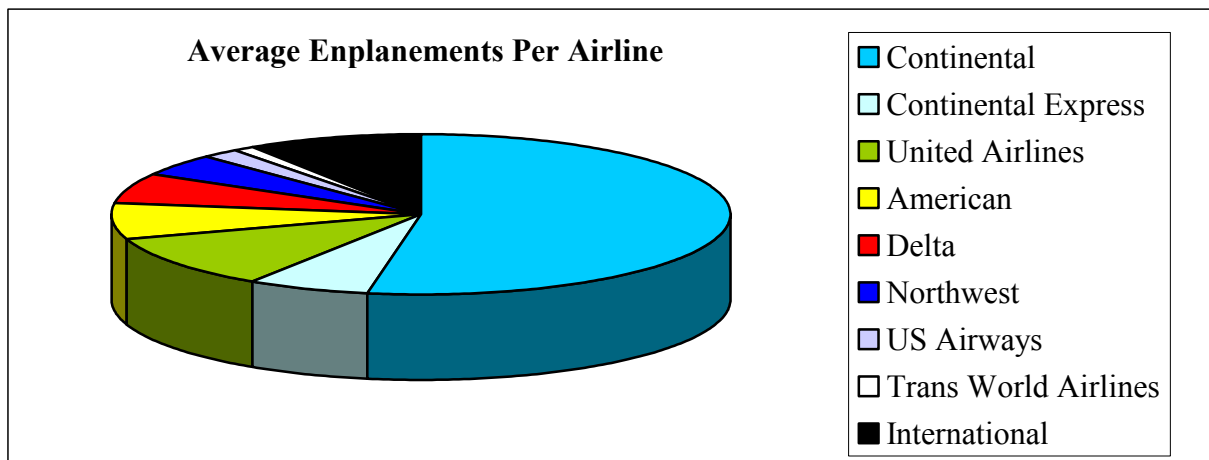
US Airways - Includes only US Airways' flights. Express operations are from United gate 24.

American - Includes Midway Airlines

Delta - Includes Midwest Express, Sabena and Swiss Air

EWR--Analysis of Average Enplanements Per Airline

Airline*	August	December	Averages		Market Share
			Monthly	Daily	
Continental	826,640.0	728,800.0	777,720.0	25,087.7	52.9%
Continental Express	104,078.0	80,214.0	92,146.0	2,972.5	6.3%
United Airlines	177,994.0	144,851.0	161,422.5	5,207.2	11.0%
American	110,204.0	100,300.0	105,252.0	3,395.2	7.2%
Delta	95,954.0	83,696.0	89,825.0	2,897.6	6.1%
Northwest	61,890.0	64,224.0	63,057.0	2,034.1	4.3%
US Airways	36,728.0	26,807.0	31,767.5	1,024.8	2.2%
Trans World Airlines	17,994.0	14,500.0	16,247.0	524.1	1.1%
International	152,921.0	113,763.0	133,342.0	4,301.4	9.1%
Total	1,584,403.0	1,357,155.0	1,470,779.0	47,444.5	100%



* Includes the following sub-lessee and handled airlines excluding seasonal / charter operators:

Continental - Includes Kiwi in Terminal A, America West, Air France, Air Nova & Air Alliance in Terminal C.

United - Includes United Express, Air Canada, Pro Air, Trans Meridian, Sunjet International, Spirit, Sun Pacific and the various US Air Express operators.

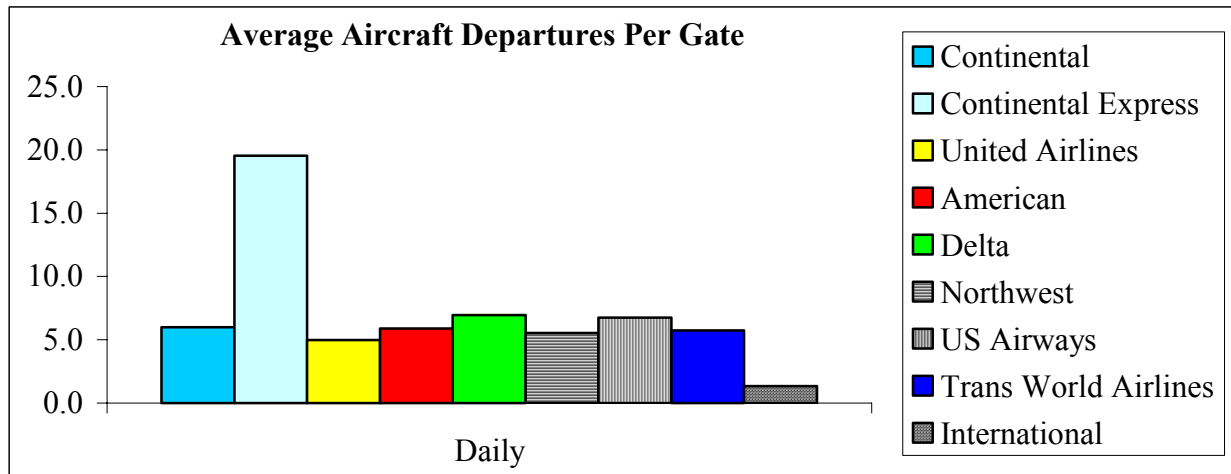
US Airways - Includes only US Airways' flights. Express operations are from United gate 24.

American - Includes Midway Airlines

Delta - Includes Midwest Express, Sabena and Swiss Air

EWR--Analysis of Average Aircraft Departures Per Gate

Airline	August	December	Airline Averages		Gates	Gate Averages	
			Monthly	Daily		Monthly	Daily
Continental	8,043.0	7,923.0	7,983.0	257.5	43.0	185.7	6.0
Continental Express	3,195.0	2,864.0	3,029.5	97.7	5.0	605.9	19.5
United Airlines	2,423.0	2,200.0	2,311.5	74.6	15.0	154.1	5.0
American	1,091.0	1,100.0	1,095.5	35.3	6.0	182.6	5.9
Delta	831.0	892.0	861.5	27.8	4.0	215.4	6.9
Northwest	478.0	550.0	514.0	16.6	3.0	171.3	5.5
US Airways	425.0	413.0	419.0	13.5	2.0	209.5	6.8
Trans World Airlines	182.0	174.0	178.0	5.7	1.0	178.0	5.7
International	658.0	579.0	618.5	20.0	15.0	41.2	1.3
Total	17,326.0	16,695.0	17,010.5	548.7	94.0	181.0	5.8



* Includes the following sub-lessee and handled airlines excluding seasonal/charter operators:

Continental - Includes Kiwi in Terminal A, America West, Air France, Air Nova & Air Alliance in Terminal C.

United - Includes United Express, Air Canada, Pro Air, Trans Meridian, Sunjet International, Spirit, Sun Pacific and the various US Air Express operators.

US Airways - Includes only US Airways' flights. Express operations are from United gate 24.

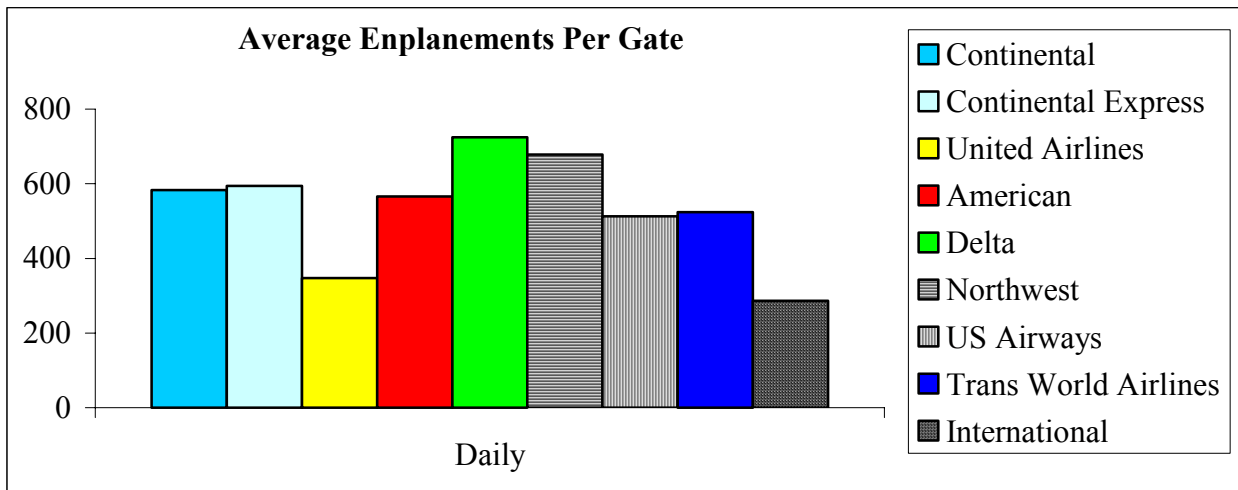
American - Includes Midway Airlines

Delta - Includes Midwest Express, Sabena and Swiss Air

Continental Express - Gates represent 5 doorways to 22 parking positions where passengers board (12 parking positions are dedicated to the scheduled operations of Continental Express)

EWB--Analysis of Average Enplanements Per Gate

Airline	August	December	Airline Averages		Gates	Gate Averages	
			Monthly	Daily		Monthly	Daily
Continental	826,640.0	728,800.0	777,720.0	25,087.7	43.0	18,086.5	583.4
Continental Express	104,078.0	80,214.0	92,146.0	2,972.5	5.0	18,429.2	594.5
United Airlines	177,994.0	144,851.0	161,422.5	5,207.2	15.0	10,761.5	347.1
American	110,204.0	100,300.0	105,252.0	3,395.2	6.0	17,542.0	565.9
Delta	95,954.0	83,696.0	89,825.0	2,897.6	4.0	22,456.3	724.4
Northwest	61,890.0	64,224.0	63,057.0	2,034.1	3.0	21,019.0	678.0
US Airways	36,728.0	26,807.0	31,767.5	1,024.8	2.0	15,883.8	512.4
Trans World Airlines	17,994.0	14,500.0	16,247.0	524.1	1.0	16,247.0	524.1
International	152,921.0	113,763.0	133,342.0	4,301.4	15.0	8,889.5	286.8
Total	1,584,403.0	1,357,155.0	1,470,779.0	47,444.5	94.0	N/A	504.7



* Includes the following sub-lessee and handled airlines excluding seasonal / charter operators:

Continental - Includes Kiwi in Terminal A, America West, Air France, Air Nova & Air Alliance in Terminal C.

United - Includes United Express, Air Canada, Pro Air, Trans Meridian, Sunjet International, Spirit, Sun Pacific and the various US Air Express operators.

US Airways - Includes only US Airways' flights. Express operations are from United gate 24.

American - Includes Midway Airlines

Delta - Includes Midwest Express, Sabena and Swiss Air

Continental Express - Gates represent 5 doorways to 22 parking positions where passengers board (12 parking positions are dedicated to the scheduled operations of Continental Express)

5.5 New Entrant/Gate Assignment Policy and Information

The allocation of gate and counter facilities at Newark International Airport reflects an historical evolution of facility construction, occupancy and improvement from Terminals A and B and the old North Terminal, to construction of Terminal C, demolition of the North Terminal, assignment of the Peoples Express lease to Continental Airlines, and the on-going renovation of Terminal A and associated reassignment of space and negotiation of leases supplements. Facility financing, historic relationships with the major US domestic air carriers, code sharing arrangements, strategic alliances and forced accommodation have all played a part in the existing allocation of gates and counters.

5.5.1 Policy regarding “recapturing” gates that are not being fully used.

Please refer to Section 5.1.6.

5.5.2 Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport; methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates); and length of time between when an air carrier initially contacts the airport and could begin serving it.

The Port Authority has recently “recaptured” gates at Newark International Airport and provided them to Air Canada on a short-term lease pending the completion of planning and construction of additional gate capacity. Please refer to Section 4.1.8 for further discussion.

5.5.3 How are complaints of denial of reasonable access by a new entrant or an air carrier that wants to expand services resolved?

Please refer to Section 5.1.9.

5.5.4 Number of carriers in the past year that have requested access or sought to expand, how were they accommodated, and the length of time between any requests and access. Whether a subleasing arrangement with an incumbent carrier is necessary to obtain access.

Please refer to Section 5.1.10.

5.5.5 How the airport assists requesting airlines obtain a sublease.

The negotiations between a requesting airline and an incumbent carrier do not involve Port Authority involvement unless requested so by the airlines. The operator does not take a lead role in these discussions because of the privatized nature of most EWR terminal facilities. For further discussion please refer to Section 5.2.2.

5.5.6 Airport oversight policies for sublease fees and ground-handling arrangements.

Please refer to Section 5.2.3.

5.5.7 Airport policies regarding sublease fees (e.g., no more than 15 percent above the standard airport-determined fee).

Consistent with the privatized nature of the terminals the Port Authority does not regulate sublease fees. The Port Authority requires that it receive 10 percent of the sublease fees.

5.5.8 How complaints by subtenants about excessive sublease fees or unneeded bundling of services are resolved.

Please refer to Section 5.2.5.

5.5.9 How independent contractors who want to provide ground handling, maintenance, fueling, catering or other support services but have been unable to establish a presence at the airport are accommodated.

Please refer to Section 5.2.6.

5.5.10 Are formal arrangements in place to resolve disputes among air carriers regarding the use of airport facilities?

The airport can and does resolve disputes between airlines on a case-by-case basis. The nature of complaints can vary widely; there are no set procedures in place on the method to resolve each type of complaint.

5.5.11 Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements.

The Port Authority maintains a new entrant airline information manual that is provided to new entrants. The manual describes all of the steps and information needed to serve the Airport. Additional information, standards and guidelines are included in the master lease agreements as previously discussed.

5.5.12 How announcements are made to tenant air carriers when gates become available. Do all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time?

Please refer to Section 5.3.2.

5.5.13 New policies that have been adopted or actions that have been taken to ensure that new entrant carriers have reasonable access to the airport and that incumbent carriers can expand their operations.

Please refer to Section 5.3.3.

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

The Port Authority has not financed terminal or gate facilities with Passenger Facility Charges at Newark International Airport.

5.5.15 Has 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 other users?

The Port Authority has not financed terminal or gate facilities with Passenger Facility Charges at Newark International Airport.

6.0 Financial constraints (identify or describe)

6.1 The major source of revenue (capital) at the airport for terminal projects

In contrast with many airports in the nation EWR terminals are primarily privatized and operated by the airlines with the exception of the international gates in Terminal B (B2 and B3). Capital improvement projects are funded by either the airlines or the Port Authority or a combination of both. No PFC funding has been used for terminal improvement projects.

- ❑ Terminal A was funded by the Port Authority and is operated by the airlines.
- ❑ Terminal B, with the exception of the FIS facility, was constructed by the airlines and funded by the Port Authority. The FIS Facility in Terminal B was funded and is operated by the Port Authority. The Port Authority also operates the gates in B2 and B3 concourses.
- ❑ Terminal C was funded by the Port Authority and operated by the airlines.

On-Going EWR Airport Development

Continental Airlines is using New Jersey Economic Development Authority bond financing for its “Global Gateway” expansion project including improvements to Terminal C and Terminal A, rehabilitating Hangar 55 complex, constructing a new Hangar 56, and refurbishing the old cargo building to a ground service equipment maintenance facility. United is using its own financing for the construction of a new cargo building, ARIS Development Corporation is using GE Capital Corporation financing for a two-building cargo complex. Federal Express is using its own financing for interior improvements to cargo Building 156.

Modifications are also being made to Terminal A and are being paid for with funding provided by the Port Authority that is repaid by the tenant through additional terminal rental.

6.2 Rates and charges methodology (residual, compensatory, or hybrid)

EWR’s schedule of rates and charges employs the compensatory, residual, and hybrid approaches. Cost centers have been established for direct recovery of airfield, access and fueling facilities. Both the airlines and the Port Authority share in the concession revenue. The share received by each party varies depending on the type of concession,

food or retail, and also varies depending on the terminal. Other charges are established by agreement or regulation.

6.3 Past use, if any, of PFC's for gates and related terminal projects.

The PFC's collected at EWR are allocated for the following uses:

<u>Project</u>	<u>Amount (millions)</u>
EWB Monorail	\$100
Landside Roadway Improvements	\$50
Initial Planning for NEC*	\$7
<u>NEC*</u>	<u>\$250</u>
Total	\$407

Note: NEC is the monorail connection to the New Jersey Transit/Amtrak Northeast Corridor Rail Line.*

No PFC funds have been used for the construction of gates or terminal projects.

7.0 Air Service Issues

7.1 Patterns of air service

The three Port Authority commercial service airports are served by 109 airlines most of which (93) are identified below.

Airlines Operating at EWR, JFK, & LGA					
No.	Airline	No.	Airline	No.	Airline
1	Aer Lingus	32	China Airlines	63	Midwest Express
2	Aeroflot	33	Colgan	64	National
3	Aerolineas Argentinas	34	Comair	65	North American
4	Air Afrique	35	Continental	66	Northwest
5	Air Aruba	36	Corsair	67	Olympic
6	Air Canada	37	Czech	68	Pakistan
7	Air China	38	Delta	69	Pro Air
8	Air Europa	39	Ecuatoriana	70	Qantas
9	Air France	40	Egyptair	71	Royal Air Maroc
10	Air India	41	El Al	72	Royal Jordanian
11	Air Jamaica	42	Ethiopian	73	Sabena
12	Air Malta	43	EVA Airways	74	SAS
13	Air Plus Comet	44	Finnair	75	Saudi Arabian
14	AirTran	45	Frontier	76	Serviensia/Avensa
15	Alitalia	46	Ghana	77	Singapore
16	All Nippon	47	Guyana	78	South African
17	Allegro	48	Iberia	79	Spirit
18	America West	49	Icelandair	80	Sun Country
19	American	50	Japan	81	Swissair
20	AreoMexico	51	jetBlue	82	TACA International
21	Asiana	52	KLM	83	TAM
22	ATA	53	Korean	84	TAP Air Portugal
23	Austrian	54	Kuwait	85	Tarom-Romanian
24	Avianca	55	Lacsa	86	Tie Aviation
25	Biman Bangladesh	56	Lan Chile	87	Turkish
26	British Airways	57	LOT Polish	88	TWA
27	BWIA	58	Lufthansa	89	United
28	Canada 3000	59	Malaysia	90	US Airways
29	Canadian Airlines Int'l.	60	Malev	91	Uzbekistan
30	Cathay Pacific	61	Mexicana	92	Varig
31	Chautauqua	62	Midway	93	Virgin Atlantic

7.1.1 Number of markets served

As an airport system the three New York/New Jersey airports serve more markets on a non-stop basis than anywhere else in the world. At EWR 125 markets are served of which 79 are domestic and 57 international.

7.1.2 Number of markets served on a non-stop basis. Average number of flights per day

There are 136 markets served on a non-stop basis. The average number of flights per day is 591 flights with 83 percent domestic (490 flights) and 17 percent international (101 flights).

7.1.3 Number of small communities served

The definition of small communities used in this Competition Plan are domestic communities served by airports at which 1999 enplanements are less than .25 percent of total national domestic enplanements. Based on that definition almost one-half (47 percent) of EWR's domestic market is comprised of small community destinations (37 small communities). The 37 communities are shown in the following table.

Small Communities Served			
No.	Small Community	No.	Small Community
1	Aguadilla, Puerto Rico (US)	19	Hyannis, Massachusetts
2	Albany, New York	20	Ithaca, New York
3	Atlantic City, NJ	21	Keene, New Hampshire
4	Bangor, Maine	22	Knoxville, Tennessee
5	Binghamton/Endt/Jn Cy, NY	23	Manchester, New Hampshire
6	Burlington, Vermont	24	Marthas Vineyard, MA
7	Charleston, South Carolina	25	Melbourne, Florida
8	Charlotte Amalie, VI (US)	26	Myrtle Beach, SC
9	Charlottesville, Virginia	27	Nantucket, Massachusetts
10	Columbia, South Carolina	28	New Haven, Connecticut
11	Dayton, Ohio	29	Ponce, Puerto Rico (US)
12	Daytona Beach, Florida	30	Portland, Maine
13	Detroit, Michigan	31	Richmond Intl, Richmnd, VA
14	Elmira/Corning, New York	32	Rochester, New York
15	Grand Rapids, Michigan	33	Sarasota/Bradenton, FL
16	Greensboro/High Point, NC	34	Savannah, Georgia
17	Greenville/Sprtnbg, SC	35	Syracuse, New York
18	Harrisburg/York, PA	36	Utica/Rome, New York
		37	Worcester, Massachusetts

7.1.4 Number of markets served by low-fare carriers

Low-fare carriers serve ten domestic markets with six of those markets in the southeast portion of the country.

No.	City Name	Low-Fare Carrier
1	Omaha, Nebraska	Midwest Exp.
2	Las Vegas, Nevada	National Airlines
3	Milwaukee, Wisconsin	Midwest Exp.
4	Atlanta, Georgia	Airtran Airlines
5	Fort Lauderdale, FL	Delta Express and Spirit Air
6	Myrtle Beach, SC	Spirit Air
7	Orlando, Florida	Spirit Air
8	Raleigh/Durham, NC	Midway
9	Tampa, Florida	Delta Express
10	West Palm Beach/Palm B, FL	Spirit Air

7.1.5 Number of markets served by one carrier

With 136 different domestic and international markets being served, and as previously mentioned many to small communities, it is inevitable that many will be served by only one carrier. Of the 79 domestic non-stop markets 57 percent (45 flights) are served by one carrier. Sixty-eight percent of the 57 international destinations are served by one carrier.

Total Markets Served		Markets Served by One Carrier	
		Number	Percent
Domestic	79	45	57 %
Int'l	57	39	68 %
Total	136	84	62 %

Domestic Markets Served by Only One Carrier			
No.	City Name	No.	City Name
1	Kansas City, Missouri	23	Charlotte Amalie, VI (US)
2	Omaha, Nebraska	24	Charlottesville, Virginia
3	Albuquerque, NM	25	Columbia, South Carolina
4	Tucson, Arizona	26	Daytona Beach, Florida
5	Chicago, Illinois	27	Fort Myers, Florida
6	Cleveland, Ohio	28	Greensboro/High Point, NC
7	Dayton, Ohio	29	Greenville/Sprtnbg, SC
8	Indianapolis, Indiana	30	Jacksonville, Florida
9	Boston, Massachusetts	31	Norfolk/Va B/Pt/Ch, VA
10	Buffalo, New York	32	Richmond Intl, Richmnd, VA
11	Burlington, Vermont	33	Sarasota/Bradenton, FL
12	Elmira/Corning, New York	34	Savannah, Georgia
13	Hartford, Connecticut	35	Washington, DC
14	Manchester, New Hampshire	36	Austin, Texas
15	Phila, PA/Camden, NJ	37	Houston, Texas
16	Portland, Maine	38	New Orleans, Louisiana
17	Birmingham, Alabama	39	San Antonio, Texas
18	Knoxville, Tennessee	40	Honolulu, Oahu, Hawaii
19	Louisville, Kentucky	41	Portland, Oregon
20	Nashville, Tennessee	42	San Diego, California
21	Aguadilla, Puerto Rico (US)	43	San Jose, California
22	Charleston, South Carolina	44	Santa Ana, California
		45	Seattle/Tacoma, WA

International Markets Served by Only One Carrier			
No.	City Name	No.	City Name
46	Calgary, Canada	66	Oslo, Norway
47	Quebec, Canada	67	Porto, Portugal
48	Vancouver, Canada	68	Prague, Czechoslovakia
49	Antigua, Antigua & Barbuda	69	Stockholm, Sweden
50	Aruba, Aruba	70	Warsaw, Poland
51	Bermuda, Bermuda (UK)	71	Seoul, South Korea Direct Service
52	Montego Bay, Jamaica	72	Taipei, Taiwan Direct Service
53	Nassau, Bahamas	73	Tokyo, Japan
54	Puerto Plata, Dominican Rep	74	Cozumel, Mexico
55	Punta Cana, Dominican Republic	75	Guatemala City, Guatemala
56	Santo Domingo, DO	76	Panama City, Panama
57	St Martin, Neth Antil (NL)	77	San Jose, Costa Rica
58	Birmingham, England, UK	78	San Salvador, El Salvador
59	Copenhagen, Denmark	79	Dubai, United Arab Em
60	Dublin, Ireland	80	Bogota, Colombia
61	Glasgow/Prestwick, Sct, UK	81	Caracas, Venezuela
62	Krakow, Poland	82	Lima, Peru
63	Madrid, Spain	83	Rio De Janeiro, RJ, Brazil
64	Manchester, England, UK	84	Sao Paulo, SP, Brazil
65	Munich, Germany		

7.1.6 Number of new markets added or previously served markets dropped in the past year.

Slightly more markets were added than dropped at EWR. Eleven new markets were added within the last year to EWR with seven of those being domestic and the other four international. Ten markets are no longer being served with three of those domestic and the remaining six international.

Markets Added or Dropped Within the Last Year			
No.	Added	No.	Dropped
1	Albuquerque, NM	1	Detroit, Michigan
2	Tucson, Arizona	2	Bangor, Maine
3	Elmira/Corning, New York	3	Harrisburg/York, PA
4	Knoxville, Tennessee	4	Kingston, Jamaica Direct Service
5	Aguadilla, Puerto Rico (US)	5	St Lucia, St Lucia
6	Charlotte Amalie, VI (US)	6	Basle, Switzerland
7	Charlottesville, Virginia	7	Luxembourg, Luxembourg
8	Puerto Plata, Dominican Rep	8	Barranquilla, Colombia
9	Punta Cana, Dominican Republic	9	Cartagena, Colombia
10	Porto, Portugal	10	Santiago, Chile
11	Cozumel, Mexico		

7.2 Airport Controls Over Airside and Groundside Capacity

7.2.1 Majority-in-Interest (MII) or “no further rates and charges” clauses covering groundside and airside projects.

Not applicable as there are no MII clauses.

7.2.2 List any capital construction projects that have been delayed or prevented because an MII was invoked.

Not applicable as there are no MII clauses.

7.2.3 Plans, if any, to modify existing MII agreements?

Not applicable as there are no MII clauses.

7.3 Construction or Acquisition of Common Use Gates

7.3.1 The number of common-use gates available at the airport

Fifteen common-use gates are available at EWR with 7 gates located in satellite B2 and 8 gates located in satellite B3. Satellites B2 and B3 are commonly referred to as the International Facility at Terminal B with the Customs/FIS hall located between the two.

7.3.2 The number of common-use gates the airport intends to build or acquire (specify) and timeline. Intended financing arrangements for these common-use gates

The Port Authority has allocated funds to investigate the feasibility of additional capital investments at EWR beyond the current “Global Gateway Project” that includes two parking garages, roadway improvements, new Control Tower, expansion of Terminal C and extension of the on-airport monorail to the Northeast Corridor Train Line. The study will include determining the need for additional gates in Terminal A, possible reallocation of space in Terminal B, and other alternatives that involve both Terminals A and B. Funds allocated for planning purposes do not guarantee that any future development will take place. At the conclusion of the study staff has the option of recommending to the Port Authority’s Board of Commissioner’s that certain capital improvements be made. The Board has the authority to authorize capital improvement expenditures at Port Authority facilities.

7.3.3 Are there any air carriers that have been serving the airport for more than three years relying exclusively on common-use gates

The following international airlines have utilized the common gates of satellite B2 and B3 for at least three years:

No.	Airline	No.	Airline
1	Virgin Atlantic	9	El Al
2	British Air	10	EVA Air
3	Lufthansa	11	Korean
4	SAS	12	LOT Polish
5	Air Aruba	13	Malaysia
6	Aer Lingus	14	Mexicana
7	Air Jamaica	15	Singapore
8	Czech Air	16	TAP Air Portugal
		17	<i>Ethiopian Airlines – two years.</i>

These airlines depart from Terminal A, Terminal C, or the B1 satellite in Terminal B, but use the B2 & B3 common use gates for international arrival purposes. Alitalia and Air France arrive at Terminal B common use gates, but depart from Terminal C. Continental also uses common gates in B2 & B3 for international arrival purposes and departures to London via a Virgin Atlantic code share.

7.3.4 Whether common-use gates will be constructed in conjunction with gates leased through exclusive- or preferential-use arrangements

The additional gates Continental is constructing in Terminal C will be exclusive use gates. The Port Authority is planning a possible expansion of Terminal A. Additional information related to the construction of additional gates is discussed in Section 7.3.2.

7.3.5 Whether gates being used for international service are available for domestic service

The common use gates in the International Facility (concourses B2 & B3) are made available to domestic airlines when available and this is currently prior to noon.

7.3.6 Do air carriers that only serve domestic markets now operate from international gates?

No domestic carriers are currently using the international gates, but they have in the past. International carriers are given the priority at Terminal B-2 and B-3 gates.

7.4 Airfare levels compared to other large airports

7.4.1 Data showing each carrier's local passengers, average fares, market share, and average passenger trip length.

The weighted average fare at EWR is approximately 26 percent higher than the national average. When comparing fares between airports it must be remembered that the characteristics of an airport will influence the fares. For example the New York/New Jersey region has a higher number of business travelers who are less price sensitive and typically pay a higher fare for unrestricted tickets than leisure travelers. Additionally, a higher number of international travelers will also serve to increase fares.

When the distance is considered and the average fare per mile is used EWR ranks around the median (six other airports have the same average fare per mile as EWR) for the 68 airports. The table below shows all of the airports and the average fare per mile as obtained through the FAA Origin and Destination data.

National Comparison		
	Weighted Avg. Fare	Difference from Nat'l Average
National	\$ 153.22	-----
EWB	\$ 193.60	26%
JFK	\$ 197.70	29%
LGA	\$ 176.02	15%
Logan	\$ 180.08	18%
Seattle	\$ 149.84	-2%
Philadelphia	\$ 191.35	25%
Source: USDOT, Origin and Destination Survey		
Note: 99*--designates passengers that travel on an interlines itinerary (itinerary reflected two or more ticket-issuing carriers.)		

Avg. Fare Per Mile By Airport					
Rank	Avg. Fare Per Mile	Airport	Rank	Avg. Fare Per Mile	Airport
1	\$ 0.29	CLT	11	\$ 0.17	SNA
2	\$ 0.27	CVG	11	\$ 0.17	OMA
3	\$ 0.26	MEM	11	\$ 0.17	SAT
3	\$ 0.26	DAL	12	\$ 0.16	BDL
4	\$ 0.25	PIT	12	\$ 0.16	SJC
5	\$ 0.24	DCA	12	\$ 0.16	MSY
6	\$ 0.22	DFW	13	\$ 0.15	OAK
6	\$ 0.22	LGA	13	\$ 0.15	ABQ
6	\$ 0.22	ORD	13	\$ 0.15	SLC
6	\$ 0.22	MSP	13	\$ 0.15	TUS
7	\$ 0.21	ATL	13	\$ 0.15	SMF
7	\$ 0.21	STL	14	\$ 0.14	MDW
8	\$ 0.20	RDU	14	\$ 0.14	MIA
8	\$ 0.20	PHL	14	\$ 0.14	ONT
8	\$ 0.20	CLE	14	\$ 0.14	TPA
8	\$ 0.20	IAH	14	\$ 0.14	PBI
8	\$ 0.20	DEN	14	\$ 0.14	SFO
8	\$ 0.20	TUL	15	\$ 0.13	BWI
9	\$ 0.19	SDF	15	\$ 0.13	PHX
9	\$ 0.19	BUR	15	\$ 0.13	RSW
9	\$ 0.19	MKE	15	\$ 0.13	PDX
9	\$ 0.19	AUS	15	\$ 0.13	SAN
9	\$ 0.19	BNA	15	\$ 0.13	PVD
10	\$ 0.18	OKC	15	\$ 0.13	RNO
10	\$ 0.18	DTW	15	\$ 0.13	FLL
10	\$ 0.18	HOU	15	\$ 0.13	SEA
10	\$ 0.18	IAD	15	\$ 0.13	MCO
10	\$ 0.18	BOS	15	\$ 0.13	JFK
10	\$ 0.18	JAX	16	\$ 0.12	LAX
10	\$ 0.18	IND	16	\$ 0.12	SJU
11	\$ 0.17	EWR	16	\$ 0.12	ANC
11	\$ 0.17	MCI	17	\$ 0.11	LAS
11	\$ 0.17	CMH	17	\$ 0.11	OGG

7.4.2 Data showing local passengers, average passenger trip length, average passenger yield, and number of city-pair markets served disaggregated by distance and depending on whether or not a low-fare competitor is present.

Most of this information was previously shown and discussed in previous sections. However, the following table identifies information from the FAA O&D database. The average trip length is 1,187, the average revenue per passenger is \$206 and there are 136 markets served.

Summary Data	
Average Trip Length	1,187
Revenue Per Passenger	\$ 206
Markets	136

Using data provided by the FAA airline revenues were compared by block distances to determine if there was a relationship between the carrier that had the most flights from EWR, Continental, and the per passenger revenue when block distances were considered. Of the eight block distances two of the eight categories had just one or two airlines for those markets and were not considered. For the other block groupings Continental Airlines was towards the low end to mid-range of the per passenger revenues. United, Northwest and TWA were typically among the highest for per passenger revenue. The table below identifies the carriers and categorizes the airline revenue by block distance for 1999.

Comparison of Airline Revenue*					
EWR--1999					
Competitor	Per Pass. Revenue	*Distance Block	Competitor	Per Pass. Revenue	*Distance Block
US Airways	\$ 169.66	250	Spirit	\$ 106.43	1500
Continental	\$ 170.01	250	Delta	\$ 149.87	1500
			AirTran	\$ 178.35	1500
Continental	\$ 195.88	500	Continental	\$ 204.09	1500
			American	\$ 252.86	1500
Pro Air	\$ 91.34	500	Midwest Express	\$ 256.66	1500
Northwest	\$ 117.87	500	United	\$ 277.97	1500
Midway	\$ 146.81	500	US Airways	\$ 278.49	1500
US Airways	\$ 149.86	500	TWA	\$ 301.45	1500
America West	\$ 213.27	500	Northwest	\$ 310.43	1500
Spirit	\$ 85.69	750	American	\$ 198.02	2000
Northwest	\$ 137.69	750	Continental	\$ 226.50	2000
Delta	\$ 176.12	750	Delta	\$ 270.64	2000
Continental	\$ 187.75	750	KP	\$ 160.06	2000
US Airways	\$ 200.71	750	Northwest	\$ 260.79	2000
Midwest Express	\$ 211.47	750	TWA	\$ 173.23	2000
TWA	\$ 215.53	750	United	\$ 280.05	2000
American	\$ 221.88	750			
United	\$ 234.63	750	American	\$ 219.41	2001
			Delta	\$ 246.36	2001
Delta	\$ 131.52	1000	America West	\$ 249.26	2001
Continental	\$ 153.20	1000	Continental	\$ 282.84	2001
US Airways	\$ 184.64	1000	Northwest	\$ 292.10	2001
American	\$ 208.38	1000	United	\$ 318.83	2001
United	\$ 211.58	1000			
Midwest Express	\$ 214.14	1000			
Northwest	\$ 257.37	1000			
TWA	\$ 280.73	1000			
<p>*Note: Airline revenue includes PFC's, taxes and airfares.</p> <p>Additional Notes:</p> <p>*Distance Blocks</p> <p>250: 0 to 250 miles</p> <p>500: 251 to 500 miles</p> <p>750: 501 to 750 miles</p> <p>1000: 751 to 1,000 miles</p> <p>1500: 1,001 to 1,500 miles</p> <p>2000: 1,500 to 2,000 miles</p> <p>2001: greater than 2,000 miles</p> <p>Source: USDOT/FAA, 1999</p>					

7.4.3 Additional information that is pertinent to EWR.

EWR is very space constrained with little land available for terminal expansion. It needs to be recognized that because of the airport's geographic constraints no land is available for new runway construction and minimal space available for facility expansion.

As previously mentioned one of the most significant constraints on competition at EWR is the impact of the outdated airspace system. Delays at EWR have been consistently the worst in the nation for past decade primarily due to airspace constraints.

8.0 Conclusion

Operating one of the largest airport systems in the world with the most non-stop destinations on the globe and the greatest variety of carriers, the Port Authority takes the issue of competition very seriously. The Port Authority has and will continue to encourage competition while maintaining its airports as one of the most successful airport systems of its type offering the New York/New Jersey metropolitan region unparalleled access while striving to provide the best airport experience by completely rebuilding facilities such as terminals, roadways and parking. Private initiative and investment have been and, without a source of replacement funding, are keys to this modernization strategy.

Utilizing public funds for airport operations and expansion carries responsibilities including making certain that public access is provided. While it is obvious from the sheer number of carriers at our airports, 34 domestic and 75 international⁸, that entrance into the New York/New Jersey market and competition is not an issue, our monitoring process can be strengthened and become more formalized and uniform across the facilities. Further, the Port Authority has an obligation to continue to monitor closely the utilization of the airport gates and strengthen the Port Authority's ability to recapture gates or require higher utilization of the facilities when necessary.

Influences outside of the Port Authority's control also serve to severely limit efficient airport operations and can be argued pose a far more significant constraint for new entrants than any gate use policies could. The most significant influence is airspace congestion that is meant to be resolved through its redesign. It is of the utmost importance to the Port Authority to have sufficient resources devoted to the airspace redesign effort aimed at providing relief to EWR and LGA whose travelers have suffered consistently as the most delayed airports in the Nation. We applaud the DOT and FAA for their interest in maintaining competition at the nation's airports and would hope that it would consider all of the factors that influence access including airspace limitations.

As previously stated, the Strategic Vision for the Aviation Department is to provide the New York/New Jersey region with unsurpassed global access, restoring the region to its renowned, preeminent, dominant status as the Nation's state of the art gateway for passengers and cargo. Airline competition and diversity is an important part of that strategy and one that the Port Authority will strive to maintain and improve.

⁸ Some carriers serve all three airports and therefore summing the number of airlines at each facility will not provide the overall total. The number of airlines by facility are as follows: JFK—23 domestic and 62 international; LGA—16 domestic and 2 international; and EWR—21 domestic and 22 international.
