Midway Airport Terminal Consortium

MATCO

Established July 1998
MATCO - Background

- Established in July 1998 by original Member Airlines (Southwest, Northwest, ATA and Continental Airlines) during lease negotiations for New Terminal Development Program

- Purpose: To design, install and operate the consolidated equipment, systems and services critical to the operational needs of the airlines

- Approved by Chicago City Council, with all RFPs publicly bid including 25% MBE/5% WBE goals
MATCO - Organizational Structure

- Not-for Profit Corporation

- Current Members: AirTran Airways, Continental Airlines, Delta Air Lines, Frontier Airlines, and Southwest Airlines

- Each airline assigns one representative to Board of Directors with equal votes; Southwest serves as Chair; no City representation on Board

- MATCO management team includes Executive Director, Director of Operations, Finance Manager, Executive Assistant, Inline EDS Manager, and 4 Duty Managers
MATCO - Scope of Services

- Airline Equipment Maintenance
  - Baggage Handling System
  - Passenger Loading Bridges
  - Fuel Storage & Distribution System
- Federal Inspection Facility Maintenance
- Common Use Gate Management
- Wheelchair Services
- Passenger Assistance Agents
- Oversized Baggage Transport
- Custodial (primarily non-public space)
MATCO - Cost Allocation

- Annual Budget
  - $9.4 million

- Member’s Equipment Formula:
  - 80% landed weight and 20% fixed per capita fees with Non-Members paying 150% premium

- Member’s Fuel Formula:
  - 90% fuel gallonage and 10% fixed per capita fees with Non-Members paying 125% premium

- MATCO pre-funded monthly by City of Chicago through rates & charges and reconciled

- Equipment, Fueling, FIS and Cost Per Departure fees invoiced directly by City of Chicago to airlines
MATCO – Pros & Cons

○ Pros
  ● Allows airports & airlines to focus on core business activities
  ● Provides additional layer of liability protection
  ● Reduces operational expenses with efficient use of resources
  ● Ability to extend useful life of important assets

○ Cons
  ● Under capitalization
  ● Financial performance shortfall
  ● Operating performance deficiencies
  ● Ineffective management team
MATCO - Performance Measurements

- Budget Management
- Customer Service
  - Reliability/Response Time
  - Constant Communication
    - Monthly Station Manager meetings
    - Board Member meetings- formal and ad hoc.
  - No formal surveys
Detroit Airlines North Terminal Consortium

DANTeC

Incorporated 2007
DANTeC – Background

- Consortium discussed during new North Terminal construction negotiations
  - Airlines operating from the North Concourse wanted cost parity with the South Terminal Airlines

- DTW already has an operating consortium in the South Terminal Complex (NW/DL managed)

- Wayne County Airport Authority (WCAA) decision to enter into a consortium for the North Terminal Complex, a “no-brainer”

- WCAA leadership was more willing to enter into consortium due to past experiences
  - WCAA “focus on costs”; wants cost competitive terminal
  - WCAA on the consortium board
DANTeC – Organizational Structure

- Not-for-Profit Corporation; Incorporated 10/19/2007
- Participating Airlines include: Southwest, United, Spirit, US Airways, American & AirTran
- Consortium Agreement expires 9/17/2013 and has a 5-year extension provision
- Consortium managed by AvAirPros on behalf of the Airlines and WCAA
- Board of Directors was established, including a seat for the WCAA
- Agreement contains Minimum Service Level Agreement, specifying operating standards
  - All parties want a clean and friendly terminal
  - Airlines have a vested interest in keeping the facility functioning
DANTeC – Scope of Services

- Airline Equipment maintenance
- Wheelchairs
- Oversized bag services
- Janitorial services in exclusive areas
- Fuel rack management and maintenance
- Gate scheduling and ramp control
DANTeC – Cost Allocation

- Annual budget: approximately $8-$10 million
  - compared to an estimated $15 million budget for a WCAA managed and maintained operation

- WCAA retains skilled trade staff

- Costs allocated to users through the rates & charges methodology – cost per enplanement charge
DANTeC – Pros & Cons

- **Airline**
  - **Pros**
    - Drives economy of scale; total terminal solution
    - Provided cost advantages on par with South Terminal
    - Consortium costs mostly airline controlled
  - **Cons**
    - Constant oversight and management; “nothing good is ever free”

- **WCAA**
  - **Pros**
    - With clear operating standards in place, allows WCAA to focus on other priorities (Runways)
    - Allows DTW to be cost competitive with competing regional airports
    - Makes rates & charges discussion a lot easier
  - **Cons**
    - Constant oversight and management; “nothing good is ever free”
DANTeC – Performance Measurements

- WCAA Board position allows WCAA to weigh in on operational and financial decisions
  - WCAA can bring operational concerns to Board attention immediately
  - WCAA does not have veto power in decisions

- Consortium constantly reviews performance
  - to make certain operating and maintenance activities are operating at close to peak efficiency
  - to monitor expenses (at or below budgeted levels)

- Customer service profile is created using service call logs and work order summaries.

- Actual passenger surveys are not accomplished by DANTec.
Los Angeles International Airport
Tom Bradley International Terminal

LAXTEC

Formed in 1982
LAXTEC - Background

- Formed in 1982 by 20 major airlines who would occupy the new Tom Bradley International Terminal

- Original mission: to design, finance, install, operate and maintain passenger and aircraft support equipment

- In 1996, significantly expanded mission by assuming the responsibilities of the Foreign Airline Operators Committee

- Today, owned by 41 shareholder airlines
LAXTEC – Organizational Structure

- Not-for-Profit Corporation
- Bylaws
- LAXTEC Agreement with shareholder airlines
  - Initial Ownership/Shareholder Requirements
    - LAWA approval to operate
    - 12 month usage
    - LAXTEC Agreement
    - Membership fee
    - Creditworthiness
  - Non shareholders may use facilities at higher rates
- License Agreement between LAWA and LAXTEC
  - 5 year increments, next renewal in 2011
  - LAXTEC and LAWA establish standards and fees
- LAXTEC staff of 5
LAXTEC – Structure continued

- **Board of Directors**
  - Shareholder regional or corporate representatives
  - Establishes strategic and fiscal direction of corporation; meets 3 times/yr.
  - Capital expenditures greater than $150K

- **Management Committee**
  - One member per airline
  - Establishes policy related to current operations, makes decisions, enforces agreements and obligations; meets monthly.
  - Capital expenditures up to $150K

- **Executive Committee**
  - Nine member subcommittee with Chair and Vice-Chair
  - Day-to-day management
  - $25K single project, total not to exceed $150K annually
LAXTEC – Scope of Services

- **Scope**
  - Maintenance: PLBs, bag system, ground power, FIDs
  - Services: Skycap/porters, wheelchair and security

- **LAXTEC contracts with vendors**
  - No prevailing wage
  - No DBE requirement
LAXTEC – Cost and Performance

- Annual budget $12M
- Operating Expenses allocated 10%/45%/45%
- Services Contracts allocated 10%/90%
- Non shareholder airline rates at 2x
- Airlines directly invoiced

- Performance measures:
  - Reasonable fees
  - In Service %
  - Response time
  - Recovery time
  - PM compliance
  - Subject to fiscal and quality assurance audits
LAXTEC – Pros & Cons

- **Pros**
  - Cost savings
  - Procurement efficiencies
  - Enhanced performance
  - Expenses off airport balance sheet
  - Protection from operational liabilities
  - Single point of contact for LAWA and Airlines
  - Airline participation
  - LAWA delegates responsibility, not accountability

- **Cons**
  - Airline cost of ownership
  - Start up complexities
  - Airline shared liability in the event of bankruptcies
LAXTEC versus ONT

Challenge:
- Domestic consortium
- No existing entity or framework
- Resource funding:
  - Man-hours
  - Dollars
- Oversight structure

Response:
- Airline AAAC Subcommittee and ONT will define initial scope and business plan
- LAWA will draft structural documents, Airlines to provide feedback
- Airline investment to be cost justified
- Airline and Airport approvals obtained
- Transition and Implementation Plans developed
### Airline Consortium - Summary

<table>
<thead>
<tr>
<th>Airport Location</th>
<th>Airlines Participating</th>
<th>Name of Consortium</th>
<th>Commencement Date/FY</th>
<th>Structure</th>
<th>Term of Agreement</th>
<th>Scope of Services</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATL</td>
<td>DL, AA, CO, NW, FL, YX, UA, US, ASA</td>
<td>Atlanta Airport Terminal Corporation (AATC)</td>
<td>AATC is an ongoing legal entity; ATL Lease Agreement executed 3/22/1977</td>
<td>Corporation</td>
<td>ATL Lease Agreement established the right of the airlines to create a third party, if desired, to fulfill their obligations to maintain the facility. Agreement expires 9/20/2010</td>
<td>all terminal building operating expenses, excluding people mover system; includes janitorial, utilities, building maintenance, etc.</td>
<td>Spend @$45 million/year in contracted services; directly billed to carriers and DOA (for their share of space)</td>
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<tr>
<td>BOS</td>
<td>US/AA</td>
<td>South Terminal Corporation (STC)</td>
<td>Ongoing</td>
<td>Corporation</td>
<td>MTM</td>
<td>terminal building maintenance to include structural repairs, janitorial, ramp sweeping/scrubbing, waste removal, triturator service</td>
<td></td>
</tr>
<tr>
<td>DTW</td>
<td>Southwest, United, Spirit, US Airways, American, AirTran</td>
<td>Detroit Airlines North Terminal Consortium (DANTeC)</td>
<td>Incorporated on 10/19/2007</td>
<td>Not-For-Profit Corporation</td>
<td>Agmt Expires 9/17/2013 and has a 5-year extension provision</td>
<td>Airline equipment mx, wheelchairs, oversized bag service, janitorial services in exclusive space, fuel rack mgmt and mx, gate scheduling and ramp control</td>
<td>Annual budget is $8.1 million; directly billed to carriers and WCAA (recovered through rates and charges)</td>
</tr>
</tbody>
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Airline Consortium - Summary

<table>
<thead>
<tr>
<th>Location</th>
<th>Airlines</th>
<th>Managerial Custodian</th>
<th>Agreement Dates</th>
<th>Lease Options</th>
<th>Operating Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>EWR</td>
<td>AA, AC, CO, FL, UA, US, Port</td>
<td>Managerial Custodian Agreement</td>
<td>6/28/77; assigned to AvPORTS effective 1/1/09</td>
<td>Per Port Lease</td>
<td>Two (2) year agreement through 12/31/11, with two (2) six(6)-month options.</td>
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<td>Terminal A common area operating exp</td>
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<td>Responsibility for operating and maintaining the HNL Inline EDS Phase I, OGG Inline EDS Phase I, and OGG CUPPS</td>
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<td>Approximately $2.25 million/year in contracted services; directly billed to carriers based upon prescribed formula</td>
</tr>
<tr>
<td>HNL/OGG</td>
<td>AC, NZ, FJ, AS, NH, AA, CO, CS, CM, DL, FX, YV, HA, JL, JO, KE, NW, PR, QF, UA, US, 5X, WS</td>
<td>ACH (Airlines Committee of Hawaii)</td>
<td>ACH was established in the 1960s.</td>
<td>Corporation</td>
<td>No written agreements executed</td>
</tr>
<tr>
<td>LAX</td>
<td>AA, AC, AF, AI, AM, AS, BA, BR, CI, CO, CX, CZ, DL, EK, FJ, JL, KE, KL, LA, LH, LR, LT, LX, LY, MH, MU, MX, NH, NZ, OZ, PR, QF, SQ, SU, TA, TG, TN, UA, VA, VS, WO</td>
<td>LAXTEC Corp.</td>
<td>May-82</td>
<td>Corporation</td>
<td>LAXTEC runs indefinitely with the member airlines option to liquidate the corporation upon a MII vote of 75% License with LAWA for facility maintenance is in 5 year increments with the next renewal due in 2011</td>
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<td>Performs maintenance on PLBs, Ground Power, PCA, Baggage system, and Bag Claim Carousels</td>
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<td>Annual budget of $12M.</td>
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<thead>
<tr>
<th>Location</th>
<th>Airlines</th>
<th>Consortium Name</th>
<th>Agreement Date</th>
<th>Corporation Type</th>
<th>Equipment &amp; Services</th>
<th>Agreement Duration</th>
<th>2008 Expenses</th>
<th>2009 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDW</td>
<td>Southwest, Delta, Northwest, AirTran, Frontier</td>
<td>Midway Airlines Terminal Consortium (MATCO)</td>
<td>1/1/1998</td>
<td>Not-For-Profit Corporation</td>
<td>Agmt Expires in 2034</td>
<td>Airline equipment mx, fuel farm, FIS, gate scheduling, wheelchairs, janitorial in non-public areas</td>
<td></td>
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</tr>
<tr>
<td>ORD</td>
<td>All International Terminal Carriers</td>
<td>Chicago International Carriers Assoc. Terminal Equipment Corp (CICA TEC)</td>
<td>CICA TEC incorporation date - 1/1/90</td>
<td>Not-for Profit Corporation</td>
<td>Consortium Agreement with the City of Chicago effective 5/21/90 through 5/11/2018</td>
<td>Operates, manages and maintains all common use equipment, including baggage systems, loading bridges, PCAir, 400 HZ, potable water cabinets, CUTE equipment, and MUFID/BIDS. T5 gate coordination and skycap/wheelchair assistance.</td>
<td>$23.2 M</td>
<td>$24.9M</td>
</tr>
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## Airline Consortium - Summary

<table>
<thead>
<tr>
<th>Location</th>
<th>Airlines</th>
<th>Governing Body</th>
<th>Age (years)</th>
<th>Relationship with Authority</th>
<th>Services</th>
<th>Financial Details</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAN</td>
<td>All Airlines</td>
<td>None</td>
<td>About 10</td>
<td>Informal, the consortium has no legal standing</td>
<td>No formal agreement in place between Airlines and Authority.</td>
<td>Janitorial Services: $459,062 w/Authority Areas Inbnd Bag Sys Maint T1 &amp; T2: $14,120/month OutBnd Bg Sys Maint T1 &amp; T2: $51,346/month Bag Sys Commuter Terminal: $5,135/month PLB Maint - All Terminals: $57,763/month + Parts &amp; Materials</td>
<td>SFOTEC Intl Terminal Equipment Maintenance and Operating Agmt establishes the right of the airline consortium to manage and maintain airline related equipment up through 6/30/2011 with an extension option to 6/30/2012. Ramp Tower Operations (2) and assignment of equipment/facilities; operations mgmt coverage; airport liaison; proration and disbursement of charges to airlines; maintenance of airline related eqpt and systems.</td>
</tr>
<tr>
<td>SFO</td>
<td>EI, AM, NZ, CA, AF, AS, NH, OZ, BA, CX, CI, EK, BR, JL, KL, KE, LH, MX, NW, PR, QF, SQ, TA, UA, VS</td>
<td>SFOTEC</td>
<td>20-Jan-99</td>
<td>LLC</td>
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</tbody>
</table>
THANK YOU FOR YOUR TIME!