

CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, March 3, 2003 - 3:00 p.m.

Present: Tim Austin, Dion Avello, Charles Bouilly, Mitch Faroh, Beth Garrison, Michael Ledy, Dorothy McKay, Dave Murfin, Don Slawson

Absent: Bill Calloway and Jay Swanson

City Staff: Doug Moshier

Airport Staff: Bailis Bell, Thomas Nolan, John Oswald, Valerie Wise and Jean Zoglman

Chairman Avello called the meeting to order.

Approval of Minutes

Motion by Austin to approve the minutes of the February 3, 2003 Wichita Advisory Board meeting. Motion carried unanimously.

A Proposal for Thrifty and Enterprise Rental Car Companies to Operate as On-field Operators

This issue concerns finding a location in the terminal building for Enterprise and Thrifty to do business as on-field operators as opposed to off-field operators. Points to consider include whether or not it is desired for Enterprise and Thrifty customers to have easy access to the terminal building; where to locate Enterprise and Thrifty in the terminal building and parking area; and monetary considerations which are relatively insignificant.

The leases for the current rental car counters, which are on the east end of the terminal building, are firm leases that expire the end of 2004. The two locations under consideration are five-foot wide single spaces and are situated just before arriving at the baggage claim area.

Parking spaces for the additional rental car operators also need to be considered. One approach is to reallocate the stalls within the parking lot and assign ten of the 193 stalls to both Thrifty and Enterprise, using the formula in the current on-field operators' contract. The other approach is to take 20 stalls from the short-term parking lot for the rental cars. This would leave 369 stalls in the short-term parking lot. The cost of doing this option is minimal. The short-term parking lot rarely fills up. There was discussion regarding the possibility of adding rental car parking in the employees' parking lot. However, the traditional flow of rental car operations is from the baggage claim to the rental car counter and out the door to the rental car. The location of the employees' parking lot is not conducive to this operation. Slawson pointed out that the addition of 20 stalls on the east side of the short-term parking lot would cause arriving passengers to be pushed further west from the baggage claim area. From a revenue control standpoint, the rental

cars pay a monthly rate to park cars in the short-term parking lot. The proposed 20 stalls would be in an area that is blocked off and not in a revenue area.

The possibility of building new counter space was discussed. The cost would be expensive, plus there is not a convenient location available. The rental car industry is fragile and many changes could take place before the end of 2004.

Dave Johnson with Dollar Rent A Car addressed the Board. Dollar is the only locally owned rental car company in Wichita. Dollar entered into a contract with the Airport in December 1986. Johnson stated that deplanements have been up and down since that time. Even though deplanements are currently higher, per car revenue is down. Johnson felt that the cost to renovate the terminal to accommodate the two agencies was not worth it. As far as parking stall allocation, Johnson stated that as of February 1 of this year the airport reallocated the stalls according to the formula and that number of stalls was to remain for one year. If security requirements once again restrict parking within 300 feet of the terminal building, some parking stalls would be removed. This would increase manpower costs in moving cars around. Bell stated that since cars are being inspected prior to parking in front of the terminal building, this should not be a factor.

Bruce Werschem with Midwest Car Corporation, a franchise licensee of National Car Rental and Alamo, addressed the Board. Werschem commented that at the February WAAB meeting, Thrifty stated their rates were about \$15/day less than the other rates at the airport. If Thrifty were to come on the airport, all the other rental car agencies would match those rates. According to Werschem, the additional revenue from two more rental car agencies on the airport would be minimal. As rates drop, it would cause a decrease in revenue from National and the other rental car agencies, and would result in a decrease in commissions to the airport of about \$100,000 per year. Regarding the counter location, it was Werschem's opinion that the lease contains language that the airport will not enter into another agreement that has more favorable conditions. Werschem feels the proposed location of the counters is more favorable than the existing rental car counters. Although deplanements are currently up, rental car revenue is down due to competition. The addition of two more on-airport operators would hurt their revenue. Walk-up reservations account for 10.47% of National's business.

Tim Connor with Thrifty Car Rental addressed the Board. Connor agrees with Hertz and Avis in that they have fewer stalls than their market share. Dollar, Budget and National have more stalls than their market share. Connor stated that the formula used to allocate stalls is out of date. The current formula would allow Thrifty to have 16 stalls with 2% of the market. Connor stated he does not need 16 stalls, but proposed 10 stalls instead. Regarding the counter position, Connor offered to trade that space with any other company that wants to trade. Connor stated it is not a favorable location because there is no place for signage. Also, the space is limited to only one person. If a walk-up customer sees two people in line, he will go to a counter where there is no waiting. Connor is concerned about a potential bid process. A bid would limit the number of players on the airport to the five largest companies and would keep smaller companies like Thrifty out. Connor stated that Thrifty is a leisure-based rental car company. Avis, National and Hertz are not direct competitors to Thrifty. Corporate travelers have corporate accounts and rent from those companies. However, Connor is concerned that Alamo, which is a direct competitor

with Thrifty, is now going to operate on the airport. Connor would like to compete on a level playing field.

Angela Lee with Avis stated that Avis is not against any company trying to expand. Lee stated that trying to move 100 cars in three hours with 40 ready car spaces is out of line. It was Lee's desire to wait until 2004 and use a bid process. Lee also felt that the proposed counter location would be a disadvantage to Avis' business since it is the first counter a customer would see. Lee stated that Avis offers preferred service where customers' cars are prepared an hour in advance and it is difficult to maintain this service with the number of stalls they have. Walk-up business accounts for 15% of Avis' business. Lee would prefer all the rental car companies be located along the same counter, and does not mind Thrifty and Enterprise coming on airport. The proposed counter location is not desirable to Avis because the line of customers at their counter would block people going to baggage claim.

Mindy Dodd with Enterprise Rent A Car pointed out that this is a non-exclusive agreement, and that what is being proposed is legal. No one in the past has bid on this agreement and, therefore, Enterprise should not be held to an unfair standard. Dodd stated that this is an opportunity for the airport to increase its revenue. Also, there would be no cost to the airport to allow Enterprise on the airport. Regarding the issue of Enterprise and Thrifty pulling the other operators' revenues down, Enterprise and Thrifty have a different niche than their competitors. According to national numbers, Enterprise is typically 34% less than Avis and Hertz, 22% less than Budget and National, and 8% less than Alamo and Dollar. It was Dodd's opinion that all seven rental car companies operate on-field thereby competing on the same playing field. Dodd stated that with the addition of AirTran and Frontier to Mid-Continent Airport, there are new people flying from Wichita that formerly drove to Kansas City to fly. With Enterprise and Thrifty being a value-based customer, there are customers that will rent today from a car rental company that in the past may have caught a ride or took a cab. Dodd commented that competition is good; it forces fair pricing and better service.

Dave Denver with Budget Rent A Car voiced concern over the timing of the addition of two more rental car companies on the airport because of an impending war with Iraq. Denver stated Budget has just come out of bankruptcy and asked the Board to consider any responsibility it may have for the existing operators who have been on the airport since 1986. Enterprise and Thrifty operating on-airport will take away from Budget's market share. Denver requested that the Board give Budget a chance to get back on its feet. Budget's rates are generally 10-12% less than Hertz, Avis and National. Thrifty and Enterprise currently rent cars for substantially less than Budget. Denver feels that Budget's rates are a good value over Enterprise and Thrifty because the service level is higher when renting cars in the terminal. If that advantage goes away, then Budget has lost its competitive edge. Budget's walk-up business accounts for about 14% of total revenue.

Discussion ensued regarding the competitiveness of rental car rates and the variety of rate structures.

Bell stated that the formula used to allocate stalls was devised after the Federal Trade Commission came down on airports all across the country for allowing only Hertz, Avis and National on airports.

Johnson with Dollar Rent A Car stated that Dollar and Thrifty are in the process of becoming Dollar Thrifty Auto Group and there could be some dual branding.

Garrison suggested the possibility of locating kiosks near the rental car counters to take away the proximity problem.

Motion by Murfin to allow Thrifty and Enterprise rental car companies to operate on the airport and to lease the counter space that was proposed. Motion carried 8-1. (Yes: Avello, Bouilly, Faroh, Garrison, Ledy, McKay, Murfin, Slawson; No: Austin).

Discussion ensued regarding the allocation of rental car stalls. Bell proposed taking a total of 20 stalls from the existing 193 stalls and reallocate the stalls for the five existing companies that would reduce their number of stalls slightly. The contract allows the airport to do that. The allocation takes place at the beginning of each year and is based upon the market share of the previous year. Bell recommended using a straight formula for 2004 that allows for a certain number of stalls to be divided equally and the remainder based upon market share.

Motion by Bouilly to leave the current stall allocation as it is and add 20 more spaces in the short-term parking lot for Thrifty and Enterprise. Motion carried 7-2. (Yes: Avello, Bouilly, Faroh, Garrison, Ledy, McKay, Slawson; No: Austin and Murfin).

Presentation of Near-Term Parking Improvements

Objective of this project is to accommodate overflow parking that exists now and during peak periods. It is hoped that construction could begin this summer at an estimated cost of \$1,250,000.

Gary Logston with HNTB stated that the enplanement level is increasing to the 1996 highs. The customers parking in the parking lot are staying longer, adding to the need for more parking spaces. If passenger growth this year is commensurate with last year and 2004 growth increases as well, it is anticipated that 400 spaces are needed on an interim basis.

Logston pointed out the outlying lots adjacent to the terminal area parking and some remote areas that would require some type of shuttle or bus service to the terminal. All the areas that HNTB looked at had to meet the criteria of reuse. Bus operations such as trips, driving time to the terminal, number of buses, and costs need to be considered. Capital costs for the three outlying areas would be approximately the same as constructing one of the remote lots. HNTB recommends the Air Cargo Road site because it is the closest to the terminal and the terminal can be seen. Also, this site could be expanded in the future for air cargo operations.

It was pointed out that these parking options do not lend themselves to positive revenue control. The remote lots would have to be full. A subsidy would be necessary, at least in the beginning, and enplanements at 850,000 – 900,000 would be necessary before making any real revenue. It was suggested that there would not be a parking charge for remote lots; however, there could be parking charges for the lot along Air Cargo Road. Different parking lot revenue scenarios were discussed.

The Board requested to be provided with an idea of future building projects to help with making informed decisions on parking lot expansion and other construction.

It was suggested that the parking garage project be accelerated and designed so that it can be tied into a future terminal building.

This discussion will be continued at the April WAAB meeting.

Master Plan/Terminal Area Planning Project – Status Report

The contract for the terminal area study is in the office of the City Manager. A Federal grant will be awarded for the entire amount of the contract, which is about \$800,000.

January 2003 Statistical/Project Report

Total passengers increased 40.39% over January 2002.

Other Business

Mesa Airlines d/b/a Frontier Jet Express began serving Wichita in September 2002. The agreement included a revenue guarantee for service from Wichita to Denver. Mesa Airlines also operated as Frontier Jet Express in several other cities. Mesa recently approached Frontier and explained that this business arrangement was not profitable. Frontier needed the regional jets to replace the 737s in six markets where the loads were too light. Frontier agreed to hire Mesa to fly to these six cities and Frontier would control the marketing, schedule and pricing. This arrangement would have removed the Frontier Jet Express service between Wichita and Denver. An arrangement with Frontier Airlines and the City of Wichita was agreed upon which includes a \$900,000 revenue guarantee for one year. Mesa wishes to cancel their one-year contract with the City of Wichita. The City has been paying an average of \$75,000 per month under the current contract with Mesa. The \$900,000 figure was arrived at by multiplying \$75,000 by 12. The agreement would take effect March 1, 2003. Bell stated that it is a very positive development for the City of Wichita to have an agreement directly with Frontier. If Frontier's load factor is 62%, the City would not have to pay Frontier anything. Current load factor is 54%. United Airlines is competing with Frontier by adding a fourth daily flight to Denver and matching fares. Fare savings are estimated at \$1 million per month, with the bulk of the savings to Denver, Los Angeles and Seattle.

Motion by Murfin to pass a resolution in support of the arrangement between the City of Wichita and Frontier Airlines. Motion carried unanimously.

Meeting adjourned at 5:30 p.m.

Valerie Wise, Clerk