

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Tuesday, September 7, 2004 – 3:00 p.m.

Present: Tim Austin, Charles Bouilly, Bill Calloway, Ron Estes, Mitch Faroh, Charles Fletcher, Beth Garrison Dave Murfin, James Thompson

Absent: Dion Avello, Willis Heck, Dorothy McKay, Jay Swanson

Airport Staff: Bailis Bell, Tom Nolan, Valerie Wise, Jean Zoglman

City Staff: Jamsheed Mehta

Chairman Tim Austin called the meeting to order.

Approval of Minutes

Motion by Estes to approve the minutes of the August 9, 2004 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Hoover – Dugan Realignment

The Airport Authority built Pueblo Road from old Airport Road to Hoover and it was dedicated to the City of Wichita in exchange for closing Harry Street for the purpose of building taxiways and hangars. The City of Wichita now plans to realign Pueblo, Hoover and Dugan Roads. Jamsheed Mehta, Transportation Supervisor with the Metropolitan Area Planning Department, explained that the Hoover Road Improvement Project is part of Cessna's plans to get state funds to pay for improvements to Hoover Road and drainage issues. The City has made application twice to the state for this economic development related transportation project. The purpose of the realignment is to give a continuous flow from Kellogg to Dugan to Hoover, and traffic on Pueblo would have to stop. It was suggested that there might be large trucks traveling from Kellogg to Hoover to make deliveries at Cessna as a reason for this plan. If this is approved by KDOT, the project would be completed in 2008. In 2008 the projected cost is \$3 million, and the City's share would be about \$1 million.

The board commented that there is little traffic on that road to justify spending \$3 million to keep from stopping at a stop sign.

Discussion ensued regarding the abandoned railroad corridor and the Santa Fe right-of-way down K-42.

Air Cargo Briefing

Thomas Nolan, Assistant Director of Airports, gave a briefing on air cargo activity at Mid-Continent Airport.

In 2003 there were over 33,000 tons of air cargo handled at Mid-Continent Airport (ICT). This includes freight on and off. In addition to rented space or land lease income, the airport generates other revenues from these activities including cargo weight handled fees, aircraft landing and fuel flowage fees.

There are about a dozen ICT tenants whose business is directly associated with air cargo. The most noticeable firms here are those that the industry refers to as the integrated air freight carriers. ICT has Federal Express, DHL (previously Airborne), Menlo (a/k/a Emery), and United Parcel Service (UPS). This is a full-service business that essentially takes your package door-to-door using their transportation network. Operations by these tenants include flying aircraft in and out of ICT rather than trucking it to Oklahoma City or Kansas City. A second type of airfreight service provided at ICT is by passenger airlines and is referred to as over-the-counter service. This is where a customer (i.e. business owner, freight forwarder, or citizen) can ship smaller packages on the airline aircraft but must drop and/or pickup the package at the ticket counter at the terminal. All the airlines offer this at ICT during normal ticket counter hours. A third type of service is provided at ICT by just three airlines, Northwest, United, and America West. This service still utilizes the same daily scheduled aircraft as the over-the-counter, but will accommodate the larger freight shipments and the airlines actually rent a spot in the cargo building where customers can pull right up to a dock. The fourth and last form of ICT tenant is freight forwarders and there are currently three renting space in the cargo building. Air Freight Central of Kansas, Bestway International, and Evergreen Eagle are easily described as freight logistics professionals specializing in making all the freight orchestration from point A to B using any variety of transportation mode, not only air. The rented space in the cargo building is office space and allows the handling of customer freight.

The air cargo industry can be as complicated as the airlines in many respects. The 9-11 tragedy has provoked new challenges for this industry and it is expected that many new security mandates are yet to evolve. Just recently the Federal Government has announced an operational test and evaluation pilot program for acute cargo inspection at DFW, MIA, and ATL, with LAX and ORD just around the corner. It is anticipated that over the next several years, 100% of all airfreight traveling in the bellies of scheduled passenger airliners will have to undergo technologically based detection. Though good for security, and like many of the passenger mandates implemented over the last several years, this cargo inspection will undoubtedly be costly to airlines. It has the potential to make it very unappealing for airlines to invest in the personnel, time and equipment needed to meet these mandates particularly at smaller airports. If that were the trend, assuming all cargo airlines do not have as stringent of a mandate, the use of those integrated carriers like UPS, FedEx, etc., could respond to meet demand. Conversely shippers could reduce demand by relying more on the ground trucking networks. Freight forwarders would continue to thrive because they specialize in handling the logistics with all forms of transportation. More opportunities could possibly evolve for airport development. However, the local economy and demand for air freight service, coupled with the cities' proximity to other transportation alternatives, will have the largest impact on the need for air cargo related developments at airports.

Discussion ensued regarding opportunities for cargo development and a new cargo facility. Bell stated that the air cargo companies are connected to trucking systems, such as UPS and FedEx.

Trucking is the dominant mode of transporting cargo out of Mid-Continent Airport. It is the airport's goal to make sure these companies have the facilities to do business.

T-Hangar Briefing

Thomas Nolan gave a briefing on t-hangar activity at Mid-Continent and Jabara Airports. T-hangars are used for the storage of light aircraft. Next to just tying an aircraft down outside on the pavement, t-hangars are among the simplest, most inexpensive way for an aircraft owner to secure a private space that provides shelter from sunlight, wind, and weather. T-hangars have that name because the inside hangar configuration resembles the letter T. There are several of these T units, usually a minimum of ten, constructed in a row forming a rectangular building overall. This type of configuration on airports became popular because it maximizes the use of valuable airport land and capitalizes on economies of scale during construction.

Jabara Airport (AAO) has 40 units which are 95% occupied. Mid-Continent Airport (ICT) has 108 which are 90% occupied. The Wichita Airport Authority owns all units. Through agreements with tenant FBO's these hangars are either under a management arrangement or leased outright. AAO is under a management arrangement with Midwest Corporate Aviation. WAA either pays them a flat fee or percentage of the rent, i.e., the older AAO units are a percentage and the newer units a flat fee for those occupied. At ICT, both Yingling and Raytheon lease the t-hangars through a ground lease and there is no sharing of the rental income.

In both situations, these experienced FBO tenants provide the total administration and management of the t-hangars. As fixed-based operators, these tenants by nature have a vested interest to maintain occupancy in the hangars because it establishes an FBO user customer base.

The number of t-hangars at airports can vary greatly depending on the type and location of the airport, the economic health of the region, the weather, demographics and more. When dealing with these types of hangar units an airport must consider the mix of aviation it serves including scheduled airlines, air taxi, air cargo, corporate, other aviation-related business and the optimum use of limited land. The limitation of land, the layout of runways and taxiways, and the financial feasibility of constructing and maintaining t-hangars are also key factors. Within the airport industry, it is the general aviation airports that have the largest number of t-hangars. General aviation airports are usually more likely to conduct these types of developments because of the relatively low cost of construction and higher number of private indoor spaces it produces per square foot. A general aviation airport's revenue structure depends a lot on rental and fuel flowage and t-hangars complement that level of revenue strategy well.

Based on a local airport survey in March of Riverside, Augusta, and Newton Airports, there was a mixed bag of t-hangar situations. Two of the airports had customer waiting lists and the other one did not. Only one of the three had plans to build additional t-hangars to help attract a larger customer base because fueling is a primary revenue stream. The pricing of t-hangar monthly rentals at all three were in the \$140 range escalating from there depending on the size of aircraft.

The monthly rental rates of t-hangars of both WAA-owned airports vary. AAO begins with a monthly rate \$150 and increases depending with the size of the aircraft. At ICT, rates begin at \$185.

Funding for building new t-hangars in three or four years is included in the capital improvement program.

There was discussion regarding lack of available t-hangars at Jabara Airport, and the costs associated with t-hangars. It was requested that this subject be discussed at future WAAB meetings.

Master Plan/Terminal Plan Update

A master plan workshop for the public was held on August 26, 2004. The terminal plan will be presented to City Council on September 14, 2004. At that time the cargo operators will be surveyed for their future needs.

Financial Report for the Quarter Ending June 30, 2004

The Board previously asked for periodic financial reports. The City's quarterly report, which contains the Airport's financials, was presented.

July 2004 Statistical/Project Report

Total passengers in July increased 1.95% over July 2003.

Meeting adjourned at 4:45 p.m.



Valerie Wise, Clerk