

MINUTES OF THE CITY OF WICHITA
WICHITA AIRPORT ADVISORY BOARD

Monday, September 8, 2008

Present: Robert Beattie, Ron Estes, Willis Heck, John Hennessy, Charles Fletcher, U.L. Gooch, Kevin Myles, Tom Pryor and Jay Russell

Absent: Dwight Greenlee, David Murfin, Dr. Thom Rosenberg and Bill Ward

Airport Staff: Victor White, Brad Christopher, Kelly Fabrizius, John Oswald, Valerie Wise, Jean Zoglman

Others: Mike Carter, DMJM Aviation
Beth Anderson, Sabre Airline Solutions
Bruce Tarletsky, Sabre Airline Solutions
Bryan Orr, Signature Flight Support

Chairman Fletcher called the meeting to order at 2:30 p.m.

Approval of Minutes

Motion by Heck to approve the minutes of the August 4, 2008 Wichita Airport Advisory Board meeting. Motion carried unanimously.

Director's Report

Mr. White advised the Board that the Waste Water Treatment Plant is in the early stages of development, the contractors have been hired by the City and are ready to get going. The Airport Authority has entered into a letter of agreement with the City of Wichita's Water Utilities Department to allow the contractors to start setting up on the site prior to having the lease agreement signed by all parties. The agreement is almost complete, it is down to the final negotiations.

There are two proposals before the Metropolitan Area Planning Department that may potentially involve the Airport. One is to build a construction and demolition landfill south of the airport near 55th and Ridge. It theoretically should not be a problem for the airport because construction landfills do not normally contain the kind of materials that would be an attractant for birds. It should go to the County Commissioners for a full vote in November. The second proposal is for a soil extraction adjacent to Airport property near Ridge and McArthur. The idea is to extract the soil and use it for fill at various projects around town. This could potentially become a problem for the Airport because quarries tend to fill up with water which could be a potential attractant for birds and it is positioned right at the end of the runway. Brad Christopher has sent a letter of opposition to the City putting them on notice that the Airport is against it. The Airport's Wildlife Contractor from the USDA is also going to send a letter opposing the project. That project is going to the Planning and Zoning Commission on October 11th.

Today until 6:00 p.m. at Eaglejet, Embraer is going to have on display a mock-up of the Phenom 300 jet. Executive Airshares is buying a quantity of these airplanes and is bringing a mock-up of the plane to town.

The National Center for Aviation Training construction is moving forward at Jabara. There are some water and sewer line issues that have been developing between the City and the County that are currently being addressed. A settlement is also being negotiated with Kansas Gas to relocate a gas line that cuts across the property.

John Oswald reported that the Ramp Construction project at Mid-Continent is a 120 day project that has had a small extension because of unforeseen weather conditions. The contractor is estimating the project should be completed by Thanksgiving of this year.

Mr. Oswald also provided an update on construction at Jabara. There was a suspension of a contract on the electrical replacement project. The runway reseal project was finished. Taxiway G was built last fall and is now open. The project at the south end next to the DeBoer Hangar has been completed and is ready for tenants to move in.

Chairman Fletcher asked if there have been any inquiries from people wanting to build at Jabara Airport. Mr. White said yes, the taxiway has opened up a large area and staff has been working with a couple of groups that have expressed interest in the property.

Mr. Oswald mentioned that with respect to tenant development at Jabara Airport, the City is not allowing any more development unless there is a drainage study and storm water detention facility. A consultant has been hired for the drainage study and it is approximately 90% complete. As a courtesy, the FAA has been asked to review the study to make sure something is not being missed, which the FAA has agreed to do.

The United States Department of Agriculture's annual contract is on the September 23rd City Council agenda for approval. This year Cessna has expressed interest in using the same USDA wildlife biologist that the Airport uses so there will be a coordinated wildlife expert on the airport.

The Airport has also been working with communications providers, specifically, the companies that run cable for phone and internet service. The Airport is trying to find the best ways to do business with the providers on this airport to improve the quality of the phone service and provide cable television and better internet on certain parts of the airport for customers and tenants.

Valerie Wise advised the Board of various promotions the Airport is doing with Kansas State University and the University of Kansas' Athletic Departments. The Airport is also working on the details of a marketing program with Wichita State's as well. There will be radio promotions aired during all K-State and KU games. Also, at KU the Airport has a promotion called Kansas Teacher of the Week where listeners can nominate their favorite Kansas Teacher to win tickets to

the next game. This is part of Mid-Continent's college affinity program that is tapping into the success of college sports teams. The idea is to get people to think of Wichita as their airport.

The agreement with the KU athletic department precludes any other airport from advertising on their station. This idea came from Bruce Tarletsky who is here today from Sabre Airline Solutions. Mrs. Wise reported that both K-State and KU have radio networks throughout the State of Kansas so the ads are reaching all of Kansas. One thing that was done with K-State is to put rack cards in their hospitality suites which is something that has never been done before. It is also a coupon for one day of free parking in short-term or long-term lots. Mrs. Wise showed the Board an example of the rack card. The Airport is also launching new television commercials that will begin airing September 15th.

Chairman Fletcher said he was speaking with Mr. White earlier regarding finding a way for corporate flight departments to help Mid-Continent out. Although one airline cannot be pushed over another, it is important to stress the impact of using the low cost airlines and to fly out of Wichita more. Mrs. Wise said she has been talking to several corporations and the feedback is that some companies are doing all they can, however have policies that require them to choose the lowest fare, which is not always going to be the low fare airlines. Schedule is also a main factor, the companies want to get their employees there and back with the most convenient schedule and sometimes that hurts the low cost carriers as well. Mrs. Wise said she is trying to show the companies the impact of fares before AirTran and Frontier and what the fares could be without them. Some progress is being made, however the corporate travel managers have established relationships with the airlines and it is difficult to get them to change. Mr. White suggested if Mrs. Wise provided the statistics and background information, maybe Board Members could be enlisted to provide individual support if the Board knows people at some of the major corporations in town.

Sabre – Market Assessment

Mr. White introduced Bruce Tarletsky and Beth Anderson from Sabre Consulting who prepared the market assessment for Mid-Continent Airport. The study assessed what is going on in the catchment area in and around Wichita. It analyzed people's buying habits to find out where the opportunities are. Ms. Anderson explained what the market assessment actually is. The last study was done in 2005 and this is an update. Two different data sets will be analyzed. There will also be comparisons to other competing airports in the region. The statistics are put out by the Department of Transportation and are what most airline decisions are based on. To augment that information, this study also used booking data from the Sabre GDS which is all of the bookings that are done by airline tickets that are purchased. That provides the opportunity to drill down into it and look at the zip code from which a particular flight was booked. From there we can determine the area to be surveyed. The catchment area defines a particular geographic area where bookings are being made. From there we can determine the people using Kansas City and other airports, find out to what degree other airports are being used and how many passengers Mid-Continent is losing in the process.

Mr. Tarletsky stated that this report really is good news for Wichita. Usually you will see leakage rates that are really high and retention that is really low. Residents of Kansas are using this airport and are using it consistently, which is great news. At times when things are difficult

and the airlines are dropping capacity, people are still using Mid-Continent Airport and that is something to be proud of. One of the reasons the programs with Kansas State University, the University of Kansas and Wichita State were implemented is that this is not just Wichita's airport, it is Central and Western Kansas' airport and it is important for people to feel that they can relate to it.

The assessment study covered a 12 month period from April 2007 to March 2008. During the period from May 2001 to present, Wichita has seen its greatest increase in passenger retention from passengers that had been using Kansas City at a greater rate in the past, but lesser now. Wichita overall retained 65.6% of the traffic in the catchment area which is an increase from 63% when the last study was done in 2005. Wichita has also seen a 19% increase in capacity over the last 2 years. Its leakage rate is now only 24.3% to Kansas City, where in 2001 it was 10% higher. Wichita growth market opportunities were shown which included service to St. Louis, Los Angeles, Seattle, Washington DC, more service to Dallas, San Francisco, Boston, Philadelphia, etc. The next slide showed the breakdown of the markets in the catchment area by airline. In the catchment area, American Airlines remains the dominant carrier. Overall load factors in Wichita remain relatively constant as well.

The next item looked at was the trends and how Wichita is performing from the Department of Transportation's perspective. This is what airlines will traditionally take their first look at. For example, when looking at capacity in and out of the airport on an annualized basis, up until June of 2008, Wichita has seen a 19% increase in capacity since July of 2006. It was also broken down by individual airline and a one-month snapshot was given. A slide was shown illustrating the enplanements in Wichita. With the introduction of AirTran's service, the enplanements skyrocketed. There was a dip in the third quarter of 2006 and then things took off again and Mid-Continent had an outstanding 2007. The new service that Wichita procured from Delta, United, Frontier, Northwest, Allegiant, there are not too many communities that have experienced that much air service in a short period of time.

A chart was shown illustrating the load factors in Wichita from the end of 2004 to 2007 and the load factors were very consistent. The one-way fare trends for Wichita are still a little high, however it is getting closer to the national average. You can see where it was prior to AirTran coming in, then fares were starting to creep back up and now with the addition of Frontier and Allegiant the fares are starting to go back down. When this study was done, Frontier had only been in the market for 6 months so it will be important to go back again about this time next year and see if there has been a bigger impact with Frontier being in the market.

Almost 9% of the traffic out of Wichita is international. The interesting thing about it is how much of the international travel Wichita is retaining without non-stop service to some of the destinations. Ms. Anderson showed a chart illustrating how many passengers are in-bound and how many started out in Wichita. Most markets have a 50/50 mix of in-bound and out-bound traffic. Wichita is close to that 50/50 mix; 56% of the traffic initiated from Wichita and 44% is in-bound.

Ms. Anderson described the catchment area that the study was based upon. Once you get in a certain area people have to start making decisions of which airport to drive to. There are fringe areas that are closer to other airports and those are the passengers that you have a harder chance of bringing to Wichita. A slide was shown illustrating what the share of passengers going to each of the competing airports in the region are and as mentioned Wichita has a full 10% higher retention rate as it did in 2001. The biggest portion of that is coming from the passengers that are no longer driving to Kansas City. There are slight increases in other markets, however there will always be passengers lost to competing airports for various reasons. Overall, the retention is quite high, what is being seen is that the Emporia area is where the fence is. The passengers that live in the towns east of Emporia are probably going to Kansas City.

This next table showed the number of initiated passengers out of the catchment area, Wichita has 2,300 daily. That is about two thirds of the total passenger base which is approximately 3,500 per day. Of those, approximately 880 passengers a day are still going to Kansas City, which is a fairly significant number. However, overall passenger traffic is up in Wichita, retention is up and when a catchment area of this size is being considered, there will always be some passengers lost for whatever reason. Considering that Southwest is in so many of the surrounding airports and the high number of non-stop destinations out of Kansas City, these are really good numbers.

Mrs. Wise added that one thing to remember is that this update was for a 12 month period and Frontier had only been in this market for six of those months so it is safe to assume that the leakage is less now than what the study is showing. Ms. Anderson said that any mix of new service, either a new carrier or a new market served by an existing carrier, will stimulate traffic and typically boost retention rates as long as other service levels do not decrease significantly.

Next, international flights were looked at. Wichita is generating nearly 230 passengers a day to international markets, with a potential of nearly 310 passengers. Currently there are approximately 80 passengers a day driving to other airports for an international flight. These retention rates are right up there with the domestic ones. Of the international traffic coming in to Wichita, Canada is the biggest in-bound country. Overall, 8% of Wichita's in-bound traffic is international, mainly coming from Canada, but also from other places all over the world. Mr. White said this illustrates the need to make it easier for people in other countries to know Wichita is here and make it easier for them to find information about the airport which makes flywichita.com become very important. Mrs. Wise said she has also begun discussions with the Kansas Department of Tourism & Commerce to see how Wichita can get its air service out to those international destinations, to get the focus beyond Kansas. Mrs. Wise is also working with the Kansas World Trade Center and those efforts are still ongoing.

Chairman Fletcher stated what he has been hearing today is that Wichita is doing good on air service and retention and getting the people in Wichita's catchment area to stay here. Chairman Fletcher asked if Sabre would be providing ideas now on how to retain more passengers. Mr. Tarletsky said they would, however what is happening now, especially with the cost of oil rising, is that where it used to be the fight was to obtain new service, now the concentrated effort really needs to be on maintaining the service that you have. The only thing that marketing efforts can do is get people in the catchment area to support their hometown so they think of it as their

airport. People want to support their hometown airport and that is the strategy to use, is to build that affinity.

Chairman Fletcher asked when this study would be updated again. Mrs. Wise said it will more than likely be done in a year in order to determine how this market is being affected by the higher gas prices, it will also be important to look at how reductions in capacity at neighboring airports impacts Wichita, as well as the need to capture a full year of Frontier being in the market.

Terminal Area Redevelopment Program Update

Mike Carter, DMJM Aviation, presented to the Board a PowerPoint presentation providing an update on the current schedule and upcoming meetings. The public art schedule was shown. Tara Donovan will be in Wichita for a workshop in October and then the design refinement and submittal will be completed in spring of 2009. Mr. Carter showed slides portraying examples of Mrs. Donovan's work, the historical displays, and the position for the Magic Flight statue.

The contract packages remain generally the same. One paving package is currently underway now and one has been bid, but will not start until next year. There are some phasing changes to minimize the impact on the existing terminal. The intent is to take away the impact in front of the terminal during the peak holiday time. Mr. Carter showed slides illustrating the breakdown of the packages.

Mr. Carter showed slides depicting the site plan and the terminal area with the garage in place, as well as the area set aside for potential renewable energy sources. A study will be completed to determine what the available options are and how long it will take to return an investment. Chairman Fletcher said he understands that payback times may be long, however using renewable energy is something that really needs to be done. Mr. Carter said the payback times can be cut in half depending on what happens in the energy industry.

Mr. Carter next showed slides depicting funding eligibility and provided an analysis of what areas have the various funding capabilities. Mr. Carter closed by showing various updated slides depicting the different areas of the new terminal building. There was discussion on the boarding bridges and the canopy in front of the building.

Other Business

The next WAAB meeting will be Monday, October 6, 2008 at 2:30 p.m.

Meeting adjourned at 4:52 p.m.

Kelly Fabrizius, Clerk