

COMPETITION PLAN

Sacramento International Airport

CONTENTS

	Page
INTRODUCTION AND SUMMARY	1
Key Elements of the County’s Competition Plan.....	1
Initiatives to Attract New Airline Service	1
Construction of Facilities to Meet Demand.....	1
Use of PFC Revenues to Fund Facilities	2
Ensuring Access to Facilities.....	2
Ensuring Fair, Reasonable, and Nondiscriminatory Charges	2
Purpose of Competition Plan.....	2
Content of Competition Plan.....	3
AIRPORT MARKET CONDITIONS.....	4
General Market Data	4
The Airport and the Airport Service Region.....	4
Historical Growth Trend	4
Airline Market Shares.....	7
Origin-Destination Markets.....	7
Patterns of Air Service	10
Airfare Data	11
FACILITIES LEASE AND USE CONDITIONS.....	14
Availability of Gates	14
Inventory of Gates.....	14
Gate Utilization	16
Plans for New Gate Construction	17
Plans for Terminal Renovation.....	17
Gate Requirements.....	17
Lease and Use of Gates and Related Facilities.....	18
Airline Use and Lease Arrangements.....	18
Gate Assignment Policy	19
Subleasing Policies	20
Policy for Accommodating New Entrants	20
Requests for Gates in the Past Year.....	20
Airline Rates and Charges Methodology	20
Funding of Airport Terminal Capacity	21
Funding of Existing Terminal Capacity	21
Use of PFC Revenue to Fund Existing Terminal Capacity.....	21
Future Funding of Terminal Projects.....	21

CONTENTS (*continued*)

SUMMARY OF ACTIONS TO ENSURE COMPETITION	23
Objectives.....	23
Initiatives to Attract New Airline Service	23
Airline Contacts and Presentations.....	23
Advertising	23
Construction of Facilities to Meet Demand	24
New Terminal A.....	24
Planned Facilities Improvements.....	24
Potential Facilities Improvements.....	24
Use of PFC Revenue to Fund Facilities.....	24
Monitoring of Facility Usage	25
Ensuring Access to Facilities.....	25
Ensuring Fair, Reasonable, and Nondiscriminatory Charges	25
Longer-Range Plans For Revised Business Arrangements	25

APPENDIX A—AIR SERVICE AND AIRFARE DATA

TABLES

	Page
1 Comparative Air Traffic Growth	6
2 1999 Airline Market Shares.....	7
3 Average Daily Nonstop Service.....	10
4 Comparative Fares and Yields	12
5 Inventory of Airport Gates	14
6 Airport Gates by Airline	15
7 Gate Utilization.....	16
8 Potential Gate Capacity—Jet Gates	18

FIGURES

	Page
1 Airport Service Region.....	5
2 Historical Enplaned Passengers.....	6
3 Drive Times To/From Sacramento International Airport	8
4 Domestic Origin-Destination Pattern.....	9

INTRODUCTION AND SUMMARY

The County of Sacramento (the County) is pleased to submit this report on the County's Competition Plan for Sacramento International Airport (the Airport). This report is prepared in accordance with Federal Aviation Administration (FAA) guidelines.

The following paragraphs summarize the County's current and planned initiatives to (1) encourage competitive air service at the Airport, (2) provide gates and other terminal facilities needed to accommodate new air service, and (3) ensure that access is provided to airlines wishing to serve the Airport on fair, reasonable, and nondiscriminatory terms. These initiatives, together with background data on the air service market, are presented in more detail in the main body of the report.

KEY ELEMENTS OF THE COUNTY'S COMPETITION PLAN

The County is required to submit this Competition Plan for the Airport because the two largest airlines at the Airport accounted for more than 50% of total enplaned passengers in 1999 (Southwest Airlines 49% and United Airlines 17%). This concentration of market share is primarily attributable to the expansion of service by Southwest Airlines, which has resulted in lower fares for all passengers, increased options for affordable air travel, and generally more competitive air market conditions. Thus, the County's primary objective related to Airport competition is to continue to encourage and accommodate the development of this type of service, by all airlines.

Initiatives to Attract New Airline Service

Since the early 1990s, there has been a substantial increase in low-fare airline service provided at the Airport, resulting in competitive airfares for passengers using the Airport and new options for direct service.

The County will continue its programs to encourage airlines to begin or increase air service to the Airport. Air service development initiatives include: (1) meetings with airline representatives (existing airlines and potential new airlines) to discuss potential new service, and (2) advertising the benefits of using the Airport.

Construction of Facilities to Meet Demand

In October 1998, the County completed construction of the new Terminal A at the Airport. Terminal A was constructed to provide additional terminal capacity to meet the demands of increased air service at the Airport, primarily by low-fare airlines such as Southwest Airlines. Terminal A provides an approximate doubling

of the number of gates available at the Airport, and is an integral part of the County's plans to provide capacity for new air service.

Terminal A is designed to be expanded to include up to 10 additional gates, providing the capability to accommodate future increases in passenger demand and air service.

The County is also currently renovating Terminal B in order to provide upgraded terminal facilities for airlines operating in this terminal. A primary objective of the Terminal B renovation program is to ensure that all airlines serving the Airport have access to high-quality terminal facilities.

Use of PFC Revenues to Fund Facilities

The County has received approval from FAA to use PFC revenue to pay the eligible portion of debt service on the bonds used to finance the construction of Terminal A. This use of PFC revenue assists in lowering average terminal building rental rates and therefore encouraging the continued development of low-fare airline service at the Airport.

Ensuring Access to Facilities

It is the policy of the County to ensure access to facilities by all airlines wishing to serve the market. With the completion of Terminal A, described above, the County has adequate terminal facilities to ensure access by all airlines for the foreseeable future.

None of the Airport gates are leased exclusively, providing flexibility to accommodate new or expanding airlines.

Ensuring Fair, Reasonable, and Nondiscriminatory Charges

Rates and charges for airlines using gates at the Airport are established pursuant to a compensatory terminal building rate-making methodology and a residual landing fee rate-making methodology, which are fair and reasonable by industry standards.

The County intends to continue to prudently manage the finances of the Airport System so that airline rates and charges are reasonable in relation to comparable airports.

PURPOSE OF COMPETITION PLAN

Among the provisions of the *Wendell H. Ford Aviation Investment and Reform Act for the 21st Century* (AIR 21), enacted on April 5, 2000, is the requirement that an airline

competition plan be filed annually with the Federal Aviation Administration (FAA) by the operators of certain airports before they can receive grants under the Airport Improvement Program (AIP) or be authorized to impose a new passenger facility charge.

The Congressional intent in requiring the competition plans is to encourage the investment of AIP and PFC funds in ways that will ensure that opportunities are available for any airline to provide service, on fair and reasonable commercial terms, at hub airports where service is dominated by one or two airlines.

The requirement for a competition plan applies to any large or medium hub airport at which one or two airlines control more than 50% of enplaned passengers. At Sacramento International Airport, the two largest airlines in 1999 accounted for 66% of enplaned passengers (Southwest Airlines 49% and United Airlines 17%). Approximately 40 other airports are also required to submit competition plans.

CONTENT OF COMPETITION PLAN

Information required to be included in the competition plan, as specified in AIR 21, is as follows:

1. Availability of gates and related facilities
2. Leasing and subleasing arrangements
3. Gate use requirements
4. Patterns of air service
5. Gate assignment policy
6. Financial constraints
7. Airport controls over airside and landside capacity
8. Airport intention to provide common-use gates
9. Airfares in comparison with other airports

In May 2000, FAA issued a Program Guideline Letter (PGL 00-3) which provides more specific suggestions for information to be considered for inclusion in the plan. This report presents the information required by AIR 21, taking into account the suggestions made in PGL 00-3.

AIRPORT MARKET CONDITIONS

This section presents information on (1) general market data, (2) patterns of air service, and (3) airfares.

GENERAL MARKET DATA

The Airport and the Airport Service Region

Sacramento International Airport (the Airport) is owned by the County of Sacramento (the County) and operated for the County by the Department of Airports. Located about 12 miles northwest of downtown Sacramento, the Airport is the principal air carrier airport serving the County of Sacramento and a wide region surrounding the County, as shown on Figure 1.

The primary Airport facilities for processing passenger traffic are:

1. Airfield—The Airport has parallel 8,600-foot-long air carrier runways.
2. Terminal—The Airport has two terminals, Terminal A with 13 gates and Terminal B with 16 gates. In addition, a commuter terminal between Terminal A and Terminal B accommodates the operations of commuter airlines. Terminal A is capable of further expansion, as described further in this report.

Sacramento is classified as a medium air traffic hub by the Federal Aviation Administration (accounting for between 0.5% and 1.0% of total U.S. passenger traffic), and in 1999 was the 43rd busiest airport in the country in terms of total passengers, according to Airports Council International.

Historical Growth Trend

In the past 10 years, passenger traffic at the Airport has increased an average of 7.3% per year, compared to an average of 3.4% per year for the nation as a whole, as shown in Table 1 on page 6.

Much of the recent growth at the Airport is attributable to new low-fare service, made possible by the County's financing of new terminal facilities and lease policies permitting the accommodation of new airlines.

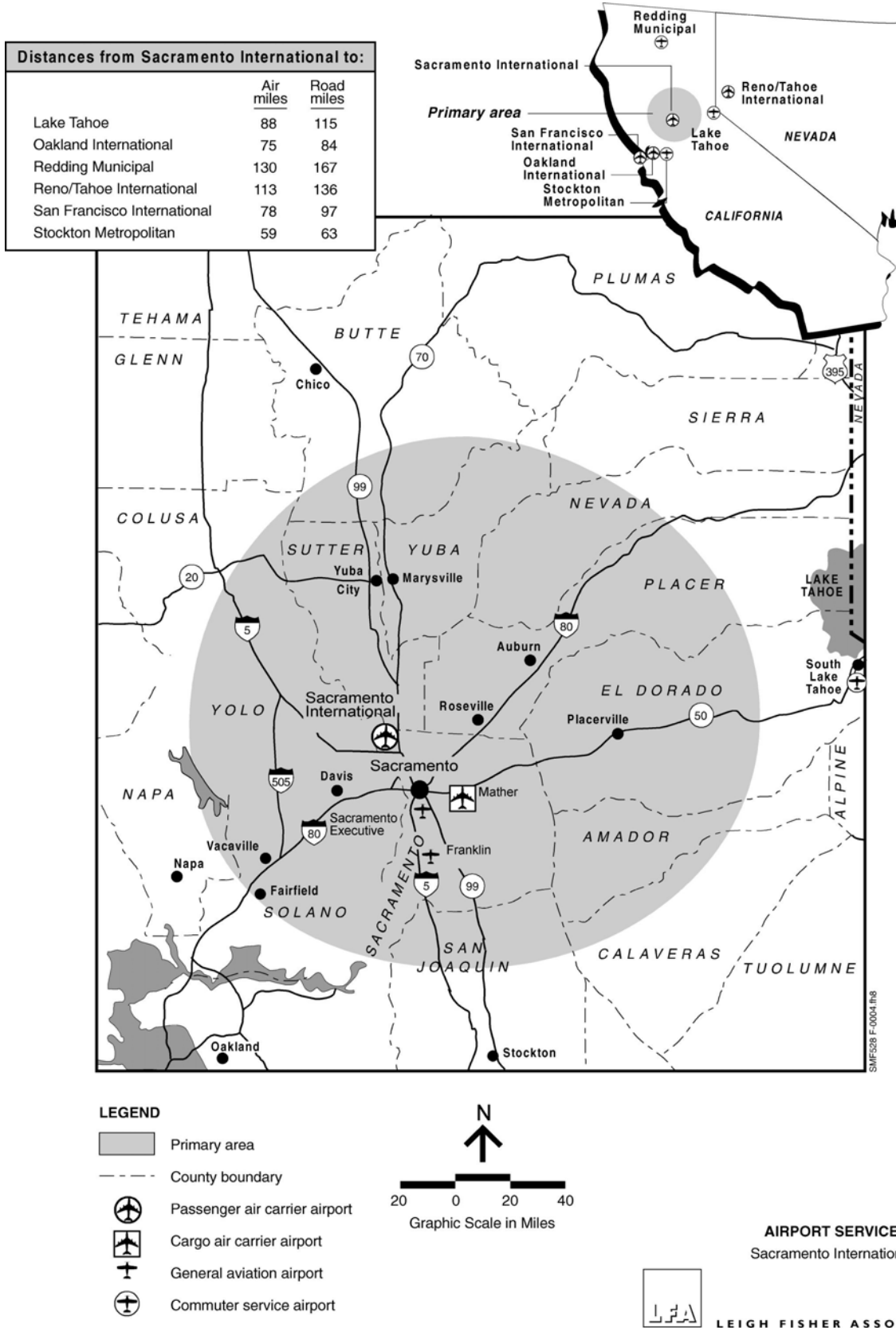


Table 1

COMPARATIVE AIR TRAFFIC GROWTH
 Sacramento International Airport and the United States
 1989 to 1999

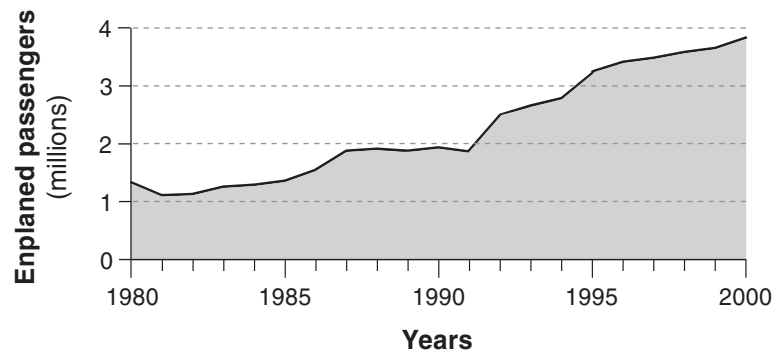
	Annual enplaned passengers	
	Sacramento	United States
1989	1,860,471	453,692,000
1999	3,764,623	635,402,000
Average annual increase	7.3%	3.4%

Sources: Sacramento: County of Sacramento, Department of Airports.
 United States: U.S. Department of Transportation.

The chart below illustrates the significant growth in airline traffic at the Airport since 1990.

Figure 2

HISTORICAL ENPLANED PASSENGERS
 Sacramento International Airport



Source: County of Sacramento, Department of Airports.

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Airline Market Shares

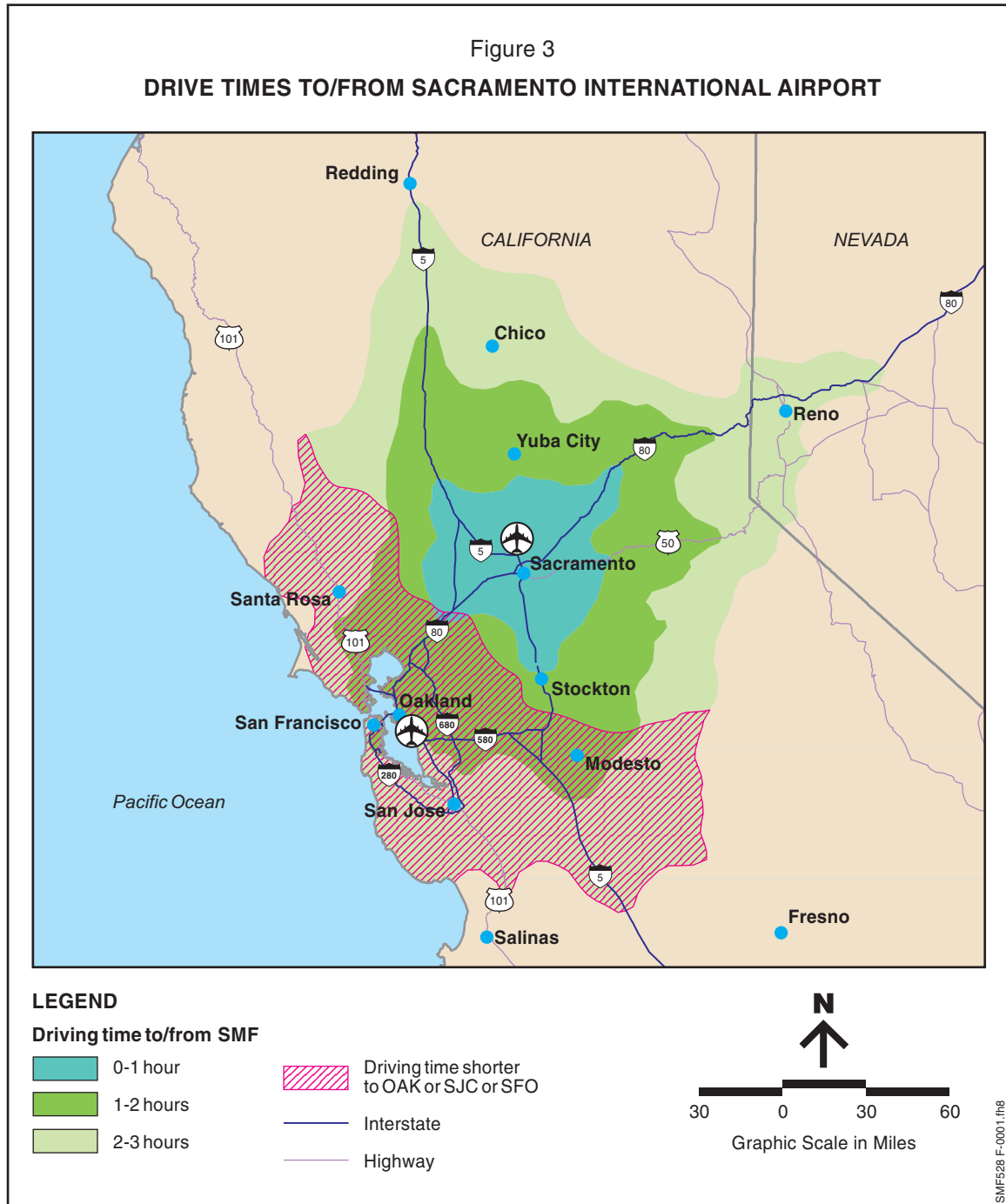
Table 2, below, presents airline market shares of enplaned passengers for 1999.

Table 2		
1999 AIRLINE MARKET SHARES		
Sacramento International Airport		
	Enplaned passengers	Percent of total
Southwest Airlines	1,829,547	49%
United Airlines	643,603	17
Delta Air Lines	254,801	7
America West Airlines	252,741	7
Alaska Airlines	183,365	5
American Airlines	160,327	4
Northwest Airlines	94,959	3
Trans World Airlines	92,790	3
Horizon Air	92,362	3
Win Air	25,136	1
Other air carriers	2,733	0
Commuter airlines	<u>132,259</u>	<u>4</u>
Total	3,764,623	100%
Source: County of Sacramento, Department of Airports.		

As shown, Southwest Airlines accounted for the largest share of Airport enplaned passengers in 1999, with 49%, followed by United Airlines with 17%. Southwest Airlines is the industry leader in providing competitive, low-fare service, and as the Airport's largest airline has helped ensure that the Sacramento region has competitive fares to major origin-destination markets.

Origin-Destination Markets

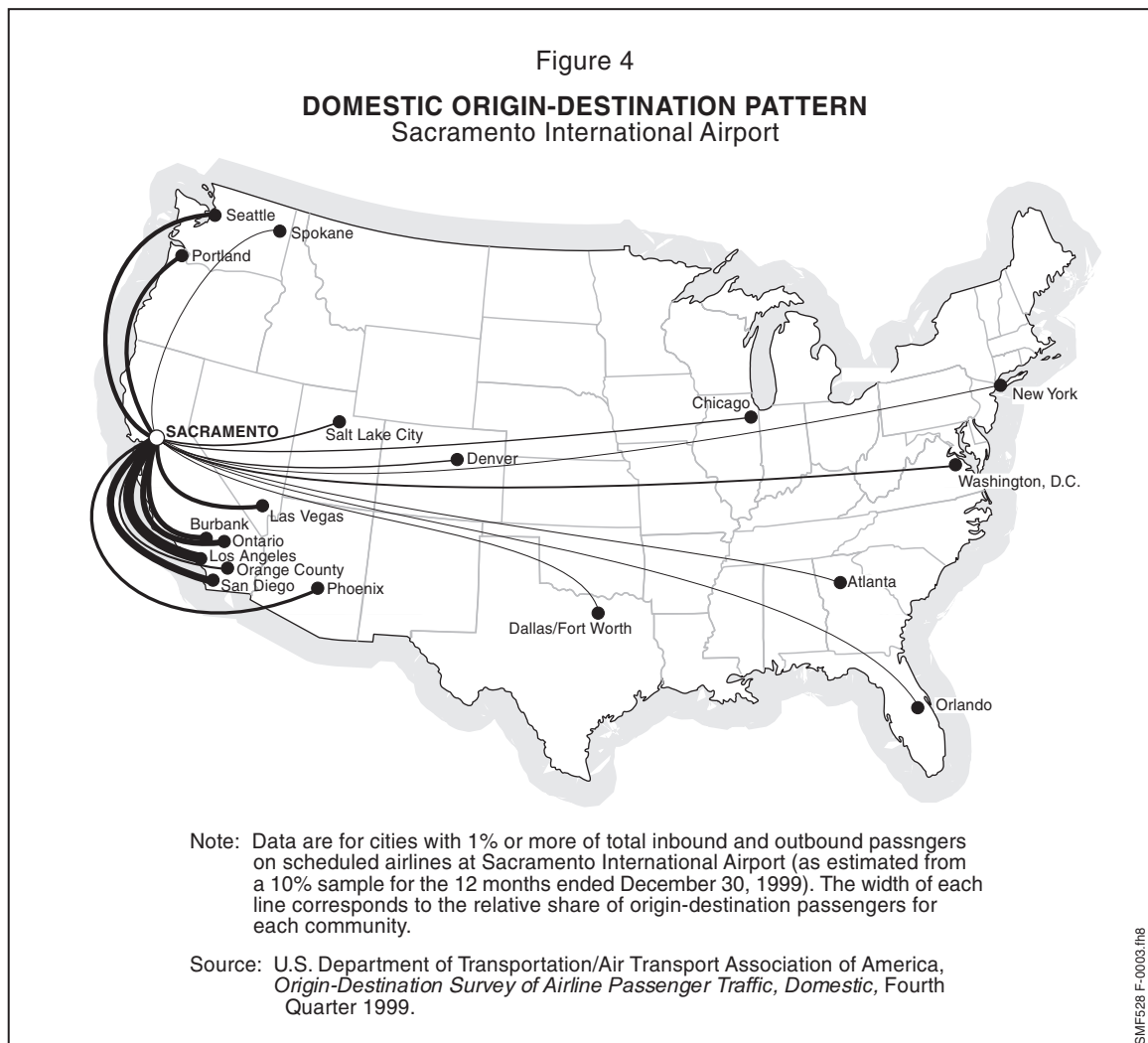
The majority of the enplaned passengers at the Airport, estimated at approximately 90% in 1999, are originating passengers beginning their journeys in the Sacramento region. Sacramento's Airport service region overlaps to some extent with the regions served by major airports in the San Francisco Bay Area (SFO, SJC, OAK). Figure 3 shows the geographical area within a 1-hour, 2-hour, and 3-hour drive of Sacramento International Airport, and the area (cross-hatched) that is more convenient (in terms of drive time) for access to the Bay Area airports.



In the early 1980s, low-fare service offered at the Airport by PSA and AirCal provided competitive fares and service with the airports in the Bay Area. In the mid-to-late 1980s, these airlines were acquired by major airlines and fares at the Airport increased relative to those offered at Bay Area airports.

Since 1991, new low-fare service at the Airport, combined with the County's financing of new terminal facilities to accommodate such service, has resulted in rapid growth in airline passenger traffic at the Airport and greater "fare parity" with the major San Francisco Bay Area airports. Data on airfares are presented in more detail in the later section "Airfare Data."

Figure 4 below illustrates the top origin-destination markets for passengers using Sacramento International Airport. As shown, many of the top origin-destination markets are on the West Coast of the United States. However, there is increasing use of the Airport for business and leisure travel to long-haul destinations in the central and eastern United States. One of the top priorities of the County is to develop additional, competitive air service to these longer-haul destinations.



PATTERNS OF AIR SERVICE

Appendix A contains detailed data on patterns of air service at the Airport. Table 3 below summarizes average daily service by airline at the Airport in 1999.

Table 3
AVERAGE DAILY NONSTOP SERVICE
 Sacramento International Airport
 1999

Airline	Average daily departures	Cities served
Major/national		
Southwest Airlines	53.9	8
United Airlines	17.0	4
America West Airlines	10.2	3
Delta Air Lines	5.6	2
Horizon Air	5.6	2
Alaska Airlines	5.3	1
American Airlines	4.0	1
Northwest Airlines	2.2	1
Trans World Airlines	2.2	1
Commuter		
United Express	17.7	2
US Airways Express	<u>5.4</u>	1
Total	129.1	19 (a)

(a) Total is not equal to the sum of the airlines shown because some cities are served by more than one airline.

Source: Official Airline Guides, Inc.; annual total divided by 365 days.

Summary comments related to air service at the Airport are provided below (supported by the additional detailed data in Appendix A).

1. Summary of 1999 Air Service

- a. As of 1999, airlines serving the Airport offered an average of 129 daily nonstop departures to 19 destinations.
- b. A significant amount of the Airport's service is provided by low-fare airlines (Southwest Airlines, America West Airlines, and Alaska Airlines).
- c. As of 1999, 13 of the 19 destinations served nonstop were served by only one carrier, but much of this service was provided by Southwest Airlines at relatively low fares.
- d. Of the 63 airports served by Southwest Airlines in 1999, Sacramento was the 11th largest in terms of nonstop aircraft departures.

2. Changes in Air Service in the Past 12 Months

- a. There has been a net increase in service provided at the Airport in the past 12 months, including service to new destinations: Houston, Kansas City, and Washington, D.C.
- b. Also in the past 12 months, the Airport has successfully attracted a new major airline—Continental Airlines.

AIRFARE DATA

Appendix A presents data on originating passengers, airfares, and airline yields (average airfare per mile) using, except as noted, the data published by DOT in connection with the Competition Plan guidelines. For purposes of this report, a "peer group" of airports was used for comparison to the Airport—this peer group is defined as the 10 airports most immediately larger and the 10 airports most immediately smaller than the Airport in terms of 1999 annual originating passengers as reported by DOT. Table 4 summarizes airfares and yields at the Airport in 1999, compared to the peer group of airports.

Table 4
COMPARATIVE FARES AND YIELDS
 Sacramento International Airport and Peer Group Airports
 1999

Airport		Total origin- destination passengers	Average fare	Yield (cents per mile)
San Jose	SJC	10,111,570	\$145	0.16
Portland	PDX	9,942,100	149	0.13
Miami	MIA	9,594,780	169	0.14
John F. Kennedy	JFK	9,334,360	222	0.13
Kansas City	MCI	9,196,100	141	0.17
Oakland	OAK	8,906,600	108	0.15
Washington Dulles	IAD	8,525,800	196	0.18
Salt Lake City	SLC	8,323,230	145	0.15
Cleveland	CLE	7,949,750	168	0.20
New Orleans	MSY	7,837,590	142	0.16
Sacramento	SMF	7,070,350	126	0.15
John Wayne (Orange County)	SNA	7,060,950	167	0.17
Raleigh-Durham	RDU	6,501,150	165	0.20
Nashville	BNA	6,472,950	149	0.19
William P. Hobby (Houston)	HOU	6,407,830	113	0.18
Indianapolis	IND	6,353,000	157	0.18
Pittsburgh	PIT	6,229,750	201	0.25
Ontario	ONT	5,916,820	122	0.14
San Antonio	SAT	5,868,650	148	0.17
Austin-Bergstrom	AUS	5,856,030	162	0.19
Bradley (Hartford)	BDL	5,688,570	181	0.16
Weighted average		8,244,970	154	0.19

Source: FAA Table 2, Table 1 and Table 3.

Summary comments related to airfares and yields are provided below (supported by the additional detailed data in Appendix A).

1. Summary Data for the Airport

- a. Since 1990, average airfares at the Airport decreased 3.4% per year, and average yields decreased 1.7% per year due primarily to the significant increase in new low-fare service.

- b. The Airport's largest airline, Southwest, offers low fares and yields, particularly considering the relatively short average stage length. Other airlines at the Airport also offer competitive average fares and yields.

2. Comparison to Similar Airports

- a. In general, the Airport has lower average fares and yields than the "peer group" of similarly sized airports.

3. Data by City-Pair Type—Comparison to Peer Group Airports

- a. The Airport has a relatively high share of service by low-fare airlines, and service provided by non-low-fare airlines is also offered at low yields due to the competition from low-fare airlines.
- b. Average yields at the Airport are at the low end of the range for peer group airports for both short-haul and long-haul markets.

4. Data by City-Pair for the Airport

- a. Analysis of data for individual Airport origin-destination city-pairs provides useful information regarding targets for competitive service, as described in more detail in Appendix A.

5. Comparison to Other Regional Airports

- a. For the Airport's top 10 origin-destination markets, average airfares are competitive with those offered at alternative airports in Oakland, San Francisco, and San Jose.
- b. Airfares at the Airport in these top markets have become more competitive in recent years due to the Airport's ability to accommodate new low-fare service.

FACILITIES LEASE AND USE CONDITIONS

This section presents information on (1) availability of gates, (2) lease and use of gates and related facilities, (3) airline rates and charges methodology, and (4) funding of Airport terminal capacity.

AVAILABILITY OF GATES

Inventory of Gates

The table below summarizes the inventory of gates available at the Airport as of July 2000.

<p>Table 5</p> <p>INVENTORY OF AIRPORT GATES</p> <p>Sacramento International Airport</p> <p>July 2000</p>			
	<u>Terminal A</u>	<u>Terminal B</u>	<u>Total</u>
Widebody	0	0	0
Narrowbody	<u>13</u>	<u>16</u>	<u>29</u>
Total	13	16	29
Exclusive	0	0	0
Preferential	12	9	21
Common	<u>1</u>	<u>7</u>	<u>8</u>
Total	13	16	29
<p>Source: County of Sacramento, Department of Airports.</p>			

The table on the following page summarizes the number of gates by airline.

Table 6
AIRPORT GATES BY AIRLINE
 Sacramento International Airport
 July 2000

	<u>Exclusive</u>	<u>Preferential</u>	<u>Common</u>	<u>Total</u>
Terminal A				
Southwest Airlines	0	8	0	8
Delta Air Lines	0	2	0	2
America West Airlines	0	2	0	2
Continental Airlines (a)	0	0	0	0
County	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Subtotal	0	12	1	13
Terminal B				
American Airlines	0	2	0	2
Northwest Airlines	0	1	0	1
Alaska Airlines/Horizon Air	0	2	0	2
United Airlines	0	4	0	4
Trans World Airlines (b)	0	0	0	0
United Express	0	0	1	1
County	<u>0</u>	<u>0</u>	<u>6</u>	<u>6</u>
Subtotal	<u>0</u>	<u>9</u>	<u>7</u>	<u>16</u>
Total	0	21	8	29

(a) Continental Airlines is currently sharing gates assigned to America West.

(b) TWA is currently sharing gates assigned to American.

Source: County of Sacramento, Department of Airports.

The lease arrangements referred to in Tables 5 and 6 are generally defined as follows:

1. There are no gates leased exclusively.
2. Preferential use gates are available for reassignment, at the County's option, for use by other airlines.
3. County-controlled common-use gates are available for use by any airline.

As shown in Table 6, the County controls six gates that are not assigned to any airline; these gates are available for use by new or expanding airlines. It is the

County's policy that these gates will not be leased on a long-term, exclusive basis, thereby maintaining their availability for new, competitive air service.

Gate Utilization

The table below summarizes average daily gate utilization (departures per gate) for 1999.

<p>Table 7</p> <p>GATE UTILIZATION</p> <p>Sacramento International Airport</p> <p>1999</p>			
	Average daily departures	Gates	Daily departures per gate
Terminal A			
Southwest Airlines	53.9	8	6.7
America West Airlines	10.2	2	5.1
Delta Air Lines	5.6	2	2.8
County	<u>0.0</u>	<u>1</u>	0.0
Subtotal	69.7	13	5.4
Terminal B			
United/United Express	34.7	5	6.9
Alaska Airlines/Horizon Air	10.9	2	5.5
American Airlines (a)	6.2	2	3.1
Northwest Airlines	2.2	1	2.2
County	<u>0.0</u>	<u>6</u>	n.a.
Subtotal	54.0	16	3.4
Commuters	<u>5.4</u>	<u>0 (b)</u>	n.a.
Total	129.1	29	4.5
<p>n.a. = not applicable</p> <p>(a) Includes the activity of TWA.</p> <p>(b) Commuter flights are accommodated at the gates of major airline partners.</p> <p>Sources: Average daily departures—Official Airline Guides, Inc. Gates—County of Sacramento, Department of Airports.</p>			

As shown in Table 7, the two top airlines at the Airport—Southwest Airlines and United Airlines—have above-average gate utilization, indicating that these airlines

are not “locking up” gates in excess of their operational requirements. Further, the relatively low utilization at Terminal B is a result of the new terminal capacity at Terminal A (before October 1998, all airline activity was accommodated at Terminal B), and indicates the capacity to accommodate future increases in airline service at the Airport.

Plans for New Gate Construction

As noted above, the County recently completed construction of the new Terminal A, providing 13 new gates to accommodate growing passenger demand and increased airline service.

With the completion of the new Terminal A, the County estimates that there is sufficient capacity to accommodate immediate-term growth in demand. However, the County is currently preparing a Master Plan Update for Sacramento International Airport, and one objective of the Master Plan Update is to identify preferred options for future development of terminal capacity at the Airport. The County is committed to maintaining plans to develop Airport capacity when needed to accommodate growth in the market.

Plans for Terminal Renovation

In the near term, the County plans to undertake renovation of the existing Terminal B to provide airlines in Terminal B with upgraded facilities more comparable to those in new Terminal A. As part of this renovation, the number of gates at Terminal B will be reduced from 16 to 14, providing more appropriate holdroom and support space for each gate (the 2 gates to be eliminated were temporary gates to accommodate demand while Terminal A was being constructed).

Given the substantial increase in capacity provided by the new Terminal A, elimination of two gates at Terminal B is not expected to affect the County’s ability to accommodate new airline service, as explained below.

Gate Requirements

Before the completion of Terminal A, when all air carrier activity was accommodated at Terminal B, the average gate utilization at Terminal B exceeded 7 daily departures per gate.

If, hypothetically, average utilization of Terminal B were to increase to 4.5 departures per gate, and Terminal A utilization remained unchanged, the capacity for increased service would be as shown in Table 8.

Table 8
POTENTIAL GATE CAPACITY—JET GATES
 Sacramento International Airport

	<u>Terminal A</u>	<u>Terminal B</u>	<u>Total</u>
As of 1999			
Available gates	13	16	29
Daily departures	70	36	106
Departures per gate	5.4	2.3	3.7
Hypothetical Future			
Available gates	13	16	29
Daily departures	70	60	130
Departures per gate	5.4	3.8	4.5

The hypothetical future capacity for daily flights shown in Table 8 is a 23% increase over the actual number in 1999. Combined with the ability to expand Terminal A, this indicates the County's ability to respond to future increases in air service and passenger demand.

LEASE AND USE OF GATES AND RELATED FACILITIES

Airline Use and Lease Arrangements

The County does not currently have formal lease agreements with the airlines serving the Airport. Gates and other related space are assigned to airlines in accordance with County Ordinance 11.32, "Rents, Fees, and Other Charges for Use of Facilities and Services within Sacramento County Airport System by Persons in the Air Transportation Business." The key provisions of this Ordinance relating to gate assignment are summarized in the following section.

The County has determined that it would be desirable to execute formal lease and operating agreements with the key airlines serving the Airport, for various reasons, including: (1) more formal memorialization of the terms for use of Airport facilities, and (2) a stronger partnership with the major airlines serving the Airport in order to enhance service development. The proposed new lease agreement has been coordinated with the airlines serving the Airport, and has been determined to be mutually acceptable to the County and the airlines. The County's intent is to execute the new lease agreements by November 2000.

The County has determined that the new lease agreements will provide the benefits described above while preserving the flexibility to respond to changing market conditions and accommodate new airline service for the following reasons: (1) the leases will be for a relatively short term, 3 years, (2) the leases will provide the County with the ability to reassign space as needed, and (3) with the completion of Terminal A, and the further expansion capability of Terminal A, the County now has sufficient terminal capacity to meet demand in the foreseeable future.

Gate Assignment Policy

Under the Ordinance referenced above, “the Director shall assign and reassign space in and about the Terminal Building [including gates]...as the Director in his or her discretion determines is necessary for each Airline’s operations at Sac International and in accordance with each Airline’s needs, after considering relative space needs of the traveling public and all Airlines operating at Sac International.” The Department’s policy in implementing this provision is to make every effort to accommodate the needs of all airlines serving the Sacramento market, while retaining the flexibility to accommodate changing needs. Since the completion of Terminal A in 1998, the Department has been successful in accommodating all airline requests for gates.

The Ordinance provides for flexibility in accommodating changes in airline service needs as follows: “the Director may, in his or her discretion, assign and reassign aircraft parking and loading positions, including Preferential Aircraft Parking Position(s), and County Managed Space on a nonexclusive basis as the Director determines is necessary for each Airline’s operations and the overall operation of Sac International.” Further, the Ordinance provides that “In no event shall the Director assign space and positions under the provisions of this Chapter for terms exceeding a month to month periodic tenancy. The Director is authorized to terminate an Airline’s use or tenancy in any particular space. The Director is further authorized to approve subleases between Airlines for such Airline space.”

With regard to the use of assigned space, the Ordinance provides that “The Director may authorize other Airlines to use an Airline’s Preferential Aircraft Parking Positions, Loading Bridges, and Preferential Use Space when such facilities are determined by the Director to not be required for the Airline’s scheduled flight activities.”

In summary, the Department has the flexibility to accommodate increases in airline service, and plans to continue to retain such flexibility in the future. In particular, the proposed new airline leases contain substantially similar provisions for the reassignment of gates.

Subleasing Policies

The County currently has a policy allowing subleasing of assigned space for use by other airlines. The County does not dictate the terms on which such subleasing occurs. However, because the County has six unassigned gates available in Terminal B, airlines are not “forced” to accept sublease terms in order to expand or initiate service at the Airport. Certain new airlines have entered into sublease arrangements with existing airlines, and there is no indication that the terms of such subleases are unacceptable or non-competitive.

The proposed new airline leases contain substantially similar flexibility for subleasing of space.

Policy for Accommodating New Entrants

The County has significant flexibility in accommodating the needs of new entrant airlines, including:

1. Assignment to one or more of the six County-controlled gates in Terminal B.
2. Entering into a sub-lease arrangement with an airline currently assigned to a gate in Terminal A or Terminal B.
3. In the event that the above options are not available, requesting that the County make available one or more of the gates assigned to airlines on a preferential use basis.

Requests for Gates in the Past Year

In the past 12 months, one new airline—Continental Airlines—has requested gate space at the Airport in order to initiate new service. Continental Airlines was successful in arranging for the shared use of gates currently leased to America West. In the event that Continental was not able to reach such an agreement, the County would have been able to accommodate the new service at one of its six gates in Terminal B.

AIRLINE RATES AND CHARGES METHODOLOGY

Under the County Ordinance currently governing the use of Airport facilities, airline rates and charges are established according to an airport residual rate-making methodology.

The County's residual rate-making methodology is consistent with similar methodologies used at other airports. In summary, the nonairline revenues generated at the Airport are credited against the Airport's capital and operating expenses to determine the required airline payments, by cost center. If requested, the County can provide additional detail on the rate-making methodology.

The combination of the Airport's rate-making methodology, efforts to control Airport costs, and the growing base of activity have resulted in reasonable average costs for airlines serving the Airport. As of 1999, the Airport's average cost per enplaned passenger was well within the range of medium hub airports according to data published by AAAE. This is important in supporting the further development of low-fare airline service at the Airport.

FUNDING OF AIRPORT TERMINAL CAPACITY

The following sections describe the funding of existing terminal capacity and plans for funding future terminal improvements at the Airport.

Funding of Existing Terminal Capacity

Terminal B was originally constructed in 1967, and was financed with County funds and federal grants. Terminal A was completed in October 1998, and was financed with Airport revenue bonds. Since the completion of these terminal projects, the County has received approval to use PFC revenue to fund a portion of the terminal cost, as described in the next section.

Use of PFC Revenue to Fund Existing Terminal Capacity

The County has received approval to use PFC revenue to finance the acquisition of loading bridges for Terminal B to pay a portion of the annual debt service on the bonds issued to finance Terminal A. As a result of this approved use of PFC revenue, the County is able to provide terminal facilities at reasonable cost to airlines serving the Airport, thereby enhancing the development of additional low-fare airline service.

Future Funding of Terminal Projects

In the immediate term, the County plans to invest in the renovation of Terminal B. The primary sources of funds for Terminal B renovation are expected to be County funds and Airport revenue bonds (confirm).

In the longer term (beyond the scope of this Competition Plan), the County expects to finance expansion of Terminal A. The specific funding plan for Terminal A

expansion has not yet been finalized, but the County is committed to funding such an expansion in a way that will continue to produce reasonable use charges for the airlines serving the Airport. In 1999, the County had a financial analysis prepared that indicated the ability to finance Terminal A expansion in a manner which, combined with continued passenger growth at the Airport, would not result in a material increase in average airline cost per enplaned passenger.

SUMMARY OF ACTIONS TO ENSURE COMPETITION

OBJECTIVES

As stated in the introduction to this report, the objectives of the County's Competition Plan are to (1) encourage competitive air service at the Airport, (2) provide gates and other terminal facilities needed to accommodate new air service, and (3) ensure that access is provided to airlines wishing to serve the Airport on fair, reasonable, and nondiscriminatory terms. These objectives are consistent with the County's overall objectives to make the Airport the "airport of choice" for the greater Sacramento region.

Specific initiatives to be undertaken, or continued, during the next 12 months to further the objectives of the Competition Plan are described in the following sections.

INITIATIVES TO ATTRACT NEW AIRLINE SERVICE

Air service development is a top priority for the County. The County's budget for air service development in FY 2001 (the year ending June 30, 2001), is \$810,000.

Airline Contacts and Presentations

Building on the recent successes in attracting new airline service, the County intends to continue to develop analyses and meet with airlines to encourage additional competitive air service at the Airport. In August 2000, the County issued a Request for Proposals for assistance in marketing new air service.

Specific targets of air service development for the next 12 months include:

1. Additional low-fare service to top origin-destination markets in the western United States
2. New major airline service to key business markets in the eastern United States
3. Nonstop international service to Mexico

Advertising

The majority of the advertising undertaken by the County for the Airport is for television advertisements emphasizing the relative ease and convenience of the Airport for regional air travelers. The County also places newspaper ads in

surrounding communities. The County intends to continue this type of advertising during the next 12 months to help increase demand for new, competitive air service.

CONSTRUCTION OF FACILITIES TO MEET DEMAND

The County has a successful record of constructing facilities to meet demand, and plans to continue to do so.

New Terminal A

In October 1998, the new Terminal A at the Airport was completed and placed in service. Terminal A has 276,457 square feet and 13 gates, and was constructed to accommodate increased passenger demand and airline service.

Planned Facilities Improvements

The County's 5-year capital improvement program for the Airport includes significant improvements to terminal facilities for airlines serving the Airport, including:

1. Rehabilitation of Terminal B
2. Parking garage for Terminal A

Potential Facilities Improvements

The County is currently preparing a master plan for the Airport, which is expected to identify future improvements required to meet forecast demand.

USE OF PFC REVENUE TO FUND FACILITIES

In 2000, the County received approval to use PFC revenue to pay a significant portion of the debt service on the bonds issued to construct Terminal A. The result of this use of PFC revenue is to reduce the average costs for the airlines using the Airport.

Besides the use of PFC revenue to fund Terminal A debt service, the County does not have any plans to use PFC revenue for terminal facilities in the next 12 months.

In the longer term, the County expects that PFC revenues could be used to help finance any further additions to terminal capacity, when demand warrants. For example, a portion of the annual PFC revenue collected by the County could be used to help fund the full build-out of Terminal A.

MONITORING OF FACILITY USAGE

As noted earlier, the jet gates leased at the Airport are all leased on a preferential use basis, providing the County with the flexibility to accommodate new entrant service.

In the next 12 months, the County plans to undertake increased monitoring of the utilization of leased gates to determine which gates would be the first available for new entrants. The gate use monitoring will also be used to determine the appropriate timing of investment in new gate capacity.

ENSURING ACCESS TO FACILITIES

The County is committed to continuing to ensure access to facilities required by airlines initiating or expanding service at the Airport. The proposed new airline agreements referenced earlier would contain provisions allowing the County to reassign space as necessary to ensure access. In addition, as described above, the County has the ability to expand existing terminal facilities to ensure access.

In the next 12 months, in connection with the ongoing Airport master plan, the County plans to assess requirements and options for providing additional terminal capacity at the Airport.

ENSURING FAIR, REASONABLE, AND NONDISCRIMINATORY CHARGES

Rates and charges for airlines using the Airport are established pursuant to a rate-making methodology that is fair and reasonable by industry standards. The average airline cost per enplaned passenger at the Airport was \$5.00 in the fiscal year ended June 30, 1999, which is well within the range for medium hub airports.

In the next 12 months, the County intends to execute a new airline lease, with a rates and charges methodology substantially similar to that currently in place. The County is committed to maintaining reasonable and competitive airline use fees.

LONGER-RANGE PLANS FOR REVISED BUSINESS ARRANGEMENTS

As described above, the County plans to enter into short-term leases with the airlines serving the Airport, with substantially similar terms to those under which the airlines operate today. In the longer term, the County intends to explore alternative business arrangements in order to provide increased flexibility for accommodating new entrant airlines. The timing of potential new business arrangements will correspond with the completion of the Master Plan Update defining the future development of the Airport. In the near term, there is sufficient capacity to accommodate airline service needs without changes to airline lease conditions.

Examples of more flexible airline business arrangements that the County intends to explore include:

1. All terminal facilities leased on a preferential use basis, including minimum utilization criteria for airline retention of gate and related space use preference.
2. Elimination of majority-in-interest (MII) requirements for investments in new terminal capacity.
3. County ownership of terminal equipment such as loading bridges, baggage systems, and related equipment.
4. Ongoing monitoring of facility utilization, including development of procedures for the use of terminal facilities leased by airlines but available at certain times for use by other airlines.
5. Ensuring fair and reasonable subleasing charges.
6. Ensuring a full range of ground handling arrangements for airlines subleasing space.
7. Consideration of common use terminal equipment to maximize potential for common use.
8. County construction of gates to be used by new entrants to the extent that such construction is financially feasible and prudent in the context of terminal development viability.
9. Construction and operation of common international arrival gates consistent with the priority principles of IATA's gate scheduling practices.

Appendix A

AIR SERVICE AND AIRFARE DATA

This appendix presents detailed data on air service and origin-destination markets at the Airport, and in comparison to other airports. The air service data are for nonstop scheduled airline flights at the Airport, as reported by Official Airline Guides, Inc. The data on origin-destination markets include originating passengers, average airfares, and average yields (airfare per mile). Except as noted, these data are the data published by DOT in connection with the Competition Plan guidelines.

For purposes of comparison to other airports, a “peer group” of airports was defined as the 10 airports most immediately larger and the 10 airports most immediately smaller in terms of annual originating passengers as reported by DOT.

All of the data tables referred to below appear at the end of the appendix.

PATTERNS OF AIR SERVICE

Summary of 1999 Air Service

Table A-1 shows the air service available at the Airport as of 1999, by airline and city. The number of average daily departures shown are for nonstop flights to the cities listed, and represent annual averages (that is, the total number of 1999 nonstop departures divided by 365 days).

Table A-2 summarizes 1999 air service at the Airport by type of market. The categories shown are as defined by DOT in the Competition Plan guidelines.

Of the airlines serving the Airport, only Southwest Airlines is defined by DOT (in connection with the Competition Plan guidelines) as a “low-fare” airline. This results in classification of 54 of the 129 nonstop departures shown in Table A-2 as “low-fare.” However, America West and Alaska Airlines are also typically considered low-fare airlines. If these two airlines are included, the amount of service provided by low-fare airlines increases to 69 nonstop departures out of the total of 129.

As shown, the majority of the air service is provided by low-fare airlines.

Recent Examples of New Air Service

Since July 1999, the Airport has experienced a net increase in air service, as shown in Table A-3.

The Airport has had service initiated to new destinations in Houston, Washington, D.C., and Kansas City, as well as expanded service to existing destinations. No destinations have been eliminated in the past 12 months, and there has been only limited reduction in service to existing destinations. The County's air service development program is designed to continue to produce net increases in air service at the Airport.

AIRFARE DATA

Summary Data for the Airport

Table A-4 shows the historical trend in average airfares and yields at the Airport, from 1990 to 1999. As shown, average airfares decreased at an annual rate of 3.4% from 1990 to 1999, and average yields decreased at an annual rate of 1.7% from 1990 to 1999. These timeseries data were compiled from data provided by DataBase Products, using the DOT's origin-destination survey. The data for 1999 differ somewhat from the data published by DOT in connection with the Competition Plan guidelines, primarily attributable to the fact that the timeseries data do not include ticket taxes, and the DOT Competition Plan data do include ticket taxes.

Table A-5 shows average fares and yields by airline for the Airport as of 1999, using the Table 1 data provided by FAA.

The Airport's largest airline, Southwest, offers low fares and yields, particularly considering the relatively short average stage length. Other airlines at the Airport also offer competitive average fares and yields.

Comparison to Similar Airports

Table A-6 shows the average fares and yields at the Airport compared to the peer group airports.

In general, the Airport has lower average fares and yields than this "peer group" of similarly-sized airports.

Data by City-Pair Type

Table A-7 summarizes origin-destination data for the Airport by city-pair type for 1999. As shown, 25 of the 122 origin-destination city-pairs reported by DOT are short-haul (less than __ miles). The average yields for long-haul city-pairs are lower than the average yields for short-haul city-pairs, consistent with industry norms. Also as shown, 40 of the 122 origin-destination city-pairs reported by DOT are classified as "low-fare" (although this number would increase if America West and Alaska Airlines were classified by DOT as "low-fare").

Table A-8 shows yield per mile for the Airport and similarly-sized airports, for city pairs grouped by (1) stage length and (2) type of service, using the Table 2 data provided by FAA.

The Airport has a relatively high share of service by low-fare airlines, and service provided by non-low-fare airlines is offered at competitive yields due to the significant presence of low-fare service.

Data for Specific City Pairs

Table A-9 shows detailed data on individual origin-destination city-pairs to and from Sacramento, organized by route length. The data in Table A-9 can be used to identify targets of opportunity for new, competitive air service. These are the type of data that the County intends to use to analyze market conditions and develop strategies for improved air service.

Table A-10 shows the average fares for top origin-destination markets at the Airport, compared to the same markets served from competing airports in Oakland, San Francisco, and San Jose. These data indicate the “fare parity” that the Airport has realized through the development of new low-fare service.

Airline Competition in Top Markets

Table A-11 shows airline competition for each of the origin-destination markets accounting for 1.0% or more of the total at the Airport in 1999. For purposes of Table A-11, two concepts of airline competition are shown:

1. Number of airlines providing nonstop service, as reported by Official Airline Guides, Inc.
2. Number of airlines: (a) providing nonstop or connecting service, and (b) carrying at least 10 passengers per day, as reported by DOT.

As shown in Table A-11, all but three of the top origin-destination markets at the Airport had nonstop service in 1999. Of the top 18 markets shown, 4 had nonstop service from 2 airlines, 12 had nonstop or connecting service (as defined by DOT) by 2 or more airlines, and 13 had nonstop or connecting service by low-fare airlines (as defined by DOT).

Table A-1

AVERAGE DAILY NONSTOP DEPARTURES BY AIRLINE AND CITY

Sacramento International Airport
1999

		Air Carrier												# of Carriers
Ave daily Operations DESTINATION	OPERATORS		AA	AS	DL	HP	NW	QX	TW	UA	WN	Grand Total	Total	
	US Air Express A108	United Exp/Skywest A296	American Airlines	Alaska Airlines	Delta Airlines	America West Airlines	Northwest Airlines	Horizon Airlines	Trans World Airlines	United Airlines	Southwest Airlines			
ACV	-	1.7	-	-	-	-	-	-	-	-	-	1.7	1	
ATL	-	-	-	-	1.6	-	-	-	-	-	-	1.6	1	
BUR	-	-	-	-	-	-	-	-	-	-	9.3	9.3	1	
DEN	-	-	-	-	-	-	-	-	-	5.4	-	5.4	1	
DFW	-	-	4.0	-	-	-	-	-	-	-	-	4.0	1	
IAD	-	-	-	-	-	-	-	-	-	0.3	-	0.3	1	
LAS	-	-	-	-	-	1.0	-	-	-	-	-	6.7	2	
LAX	-	-	-	-	-	-	-	2.2	-	7.8	5.7	14.9	2	
MSP	-	-	-	-	-	-	-	-	-	-	-	2.2	1	
ONT	-	-	-	-	-	-	-	-	-	-	9.3	9.3	1	
ORD	-	-	-	-	-	-	-	-	-	3.5	-	3.5	1	
PDX	-	-	-	-	-	-	-	5.6	-	-	4.9	10.4	2	
PHX	-	-	-	-	-	5.0	-	-	-	-	3.0	8.0	2	
SAN	-	-	-	-	-	-	-	-	-	-	10.8	10.8	1	
SEA	-	-	-	5.3	-	-	-	-	-	-	3.9	9.2	2	
SFO	5.4	16.0	-	-	-	-	-	-	-	-	-	21.4	2	
SLC	-	-	-	-	4.0	-	-	-	-	-	-	4.0	1	
SNA	-	-	-	-	-	4.3	-	-	-	-	-	4.3	1	
STL	-	-	-	-	-	-	-	-	2.2	-	-	2.2	1	
Grand Total	5.4	17.7	4.0	5.3	5.6	10.2	2.2	5.6	2.2	17.0	53.9	129.1		
Cities Served	1	2	1	1	2	3	1	1	1	4	8	19		

Source: Official Airline Guides, Inc.

Table A-2

1999 MARKETS SERVED BY TYPE

Sacramento International Airport

		Cities Served	Annual Nonstop Departures	Average Daily Nonstop Departures
Size	Small	1	619	2
	Other	18	46,510	127
	Total	19	47,129	129
Carrier	Low-fare	8	19,660	54
	Other	11	27,469	75
	Total	19	47,129	129
Competition	1 carrier	13	21,343	58
	2 carrier	6	25,786	71
	More than 2 carriers	-	-	-
	Total	19	47,129	129

Source: Official Airline Guides, Inc.

Low-fare = Southwest Airlines
as designated by FAA

Table A-3

CHANGES IN AIR SERVICE IN PAST 12 MONTHS

Sacramento International Airport

<u>Increased Service</u>	<u>Airport code</u>	<u>Monthly scheduled nonstop seats</u>
New destinations		
Houston	IAH	7,048
Dulles (Washington, D.C.)	IAD	3,906
Kansas City	MCI	4,247
Subtotal		15,201
Existing Service		17,608
Total		32,809
<u>Reduced Service</u>		
Continuing destinations		11,793
Total		11,793
Net increase		21,016

Source: Official Airline Guides

Table A-4

HISTORICAL TRENDS IN AIRFARES AND YIELDS

Sacramento International Airport

Year	Average Fare	Average Yield
1990	154.83	13.79
1991	124.08	12.10
1992	112.12	10.88
1993	114.4	11.69
1994	106.21	11.19
1995	98.92	10.89
1996	101.89	11.16
1997	105.53	11.35
1998	107.46	11.45
1999	113.13	11.86
Average Annual Percentage Change	-3.4%	-1.7%

Source: U.S. Department of Transportation/Origin-Destination Survey

Table A-5

1999 SUMMARY OF ORIGIN - DESTINATION PASSENGERS, FARES AND YIELDS
 Sacramento International Airport

<u>Carrier</u>		<u>Average trip length</u>	<u>Total passengers</u>	<u>Average fare</u>	<u>Yield</u>
Southwest Airlines	WN	513	3,632,150	\$81	0.16
United	UA	1,208	1,240,290	\$184	0.15
America West	HP	962	551,920	\$143	0.15
Alaska	AS	634	452,130	\$105	0.17
Delta	DL	1,415	425,980	\$186	0.17
American	AA	1,942	264,670	\$233	0.13
	99	1,383	159,080	\$187	0.14
Northwest	NW	1,919	148,790	\$207	0.11
Trans World	TW	1,887	172,340	\$187	0.10
Total		862	7,047,350	\$126	0.15

Source: FAA Table 1

Table A-6

COMPARATIVE FARES AND YIELDS -- AIRPORT TOTALS

Sacramento International and Peer Group Airports

<u>Airport</u>		<u>Cities</u>	<u>Average trip length</u>	<u>Total passengers</u>	<u>Average fare</u>	<u>Yield</u>
San Jose	SJC	120	897	10,111,570	\$145	0.16
Portland	PDX	160	1,137	9,942,100	\$149	0.13
Miami	MIA	151	1,170	9,594,780	\$169	0.14
John F. Kennedy	JFK	97	1,771	9,334,360	\$222	0.13
Kansas City	MCI	163	822	9,196,100	\$141	0.17
Oakland	OAK	88	702	8,906,600	\$108	0.15
Washington Dulles	IAD	138	1,094	8,525,800	\$196	0.18
Salt Lake City	SLC	138	964	8,323,230	\$145	0.15
Cleveland	CLE	145	839	7,949,750	\$168	0.20
New Orleans	MSY	143	881	7,837,590	\$142	0.16
Sacramento	SMF	122	862	7,070,350	\$126	0.15
John Wayne (Oragne County)	SNA	121	993	7,060,950	\$167	0.17
Raleigh-Durham	RDU	137	805	6,501,150	\$165	0.20
Nashville	BNA	151	803	6,472,950	\$149	0.19
William P. Hobby (Houston)	HOU	98	628	6,407,830	\$113	0.18
Indianapolis	IND	141	899	6,353,000	\$157	0.18
Pittsburg	PIT	141	791	6,229,750	\$201	0.25
Ontario	ONT	107	861	5,916,820	\$122	0.14
San Antonio	SAT	135	891	5,868,650	\$148	0.17
Austin-Bergstorm	AUS	126	871	5,856,030	\$162	0.19
Hartford (Bradley)	BDL	131	1,116	5,688,570	\$181	0.16
Wiegthed Average		131	960	7,578,473	\$156	0.17

Source: FAA Table 2, Table 1 & Table 3

Table A-7

1999 DATA BY CITY-PAIR TYPE

	<u>Cities</u>	<u>Miles</u>	<u>Passengers</u>	<u>Yield</u>
Short-haul	25	448	4,836,510	0.18
Long-haul	97	1,853	2,233,840	0.12
Overall Average	122	892	7,070,350	0.14
Low-fare	40	649	5,420,870	0.14
Other	82	1,690	1,679,480	0.14
Overall average	122	892	7,070,350	0.14

Definitions:

Short-haul=750 Nonstop Miles or Less

Long-haul=Over 750 Nonstop Miles

Low-fare= Southwest Airlines as designated by FAA

Source: FAA Table 2

Table A-8

1999 DATA BY CITY-PAIR TYPE-COMPARISON AIRPORTS BY TOTAL PASSENGERS

1999 DATA BY CITY PART 1 THE COMM. & TR. BUREAU

Airport	Code	Short-haul			Long-haul			Overall					
		Cities	Average trip length	Passengers	Yield	Cities	Average trip length	Passengers	Yield	Cities	Average trip length	Passengers	Yield
San Jose	SJC	23	426	6,673,560	0.18	97	1919	3,438,010	0.14	120	934	10,111,570	0.15
Portland	PDX	36	457	3,468,910	0.19	124	1554	6,473,190	0.12	160	1171	9,942,100	0.13
Miami	MIA	33	509	1,503,670	0.25	118	1320	8,091,110	0.13	151	1193	9,594,780	0.14
John F. Kennedy (New York)	JFK	30	402	945,830	0.30	67	1969	8,388,530	0.12	97	1811	9,334,360	0.12
Kansas	MCI	72	486	4,699,480	0.24	91	1186	4,496,620	0.14	163	828	9,196,100	0.17
Metropolitan Oakland	OAK	21	432	7,043,060	0.18	67	1812	1,863,540	0.12	88	721	8,906,600	0.15
Washington Dulles	IAD	54	456	3,549,130	0.26	84	1636	4,976,670	0.15	138	1145	8,525,800	0.17
Salt Lake City	SLC	36	538	4,669,220	0.19	102	1576	3,654,010	0.13	138	994	8,323,230	0.15
Cleveland Hopkins	CLE	78	409	4,550,330	0.37	67	1464	3,399,420	0.13	145	860	7,949,750	0.19
New Orleans	MSY	53	465	3,647,540	0.24	90	1263	4,190,050	0.13	143	892	7,837,590	0.16
Sacramento	SMF	25	448	4,836,510	0.18	97	1853	2,233,840	0.12	122	882	7,070,350	0.14
John Wayne (Orange County)	SNA	17	370	3,376,110	0.24	104	1661	3,684,840	0.14	121	1044	7,060,950	0.16
Raleigh/Durham	RDU	83	475	4,534,660	0.30	54	1647	1,966,490	0.13	137	829	6,501,150	0.20
Nashville	BNA	96	509	4,156,230	0.27	55	1362	2,316,720	0.12	151	815	6,472,950	0.18
William P. Hobby (Houston)	HOU	26	350	4,215,740	0.26	72	1201	2,192,090	0.13	98	641	6,407,830	0.18
Indianapolis	IND	81	444	2,837,060	0.37	60	1281	2,515,940	0.12	141	907	6,353,000	0.17
Pittsburg	PIT	81	387	3,695,040	0.51	60	1427	2,594,710	0.14	141	820	6,229,750	0.25
Ontario	ONT	16	362	3,329,840	0.21	91	1554	2,586,980	0.12	107	883	5,916,820	0.14
San Antonio	SAT	36	349	2,144,980	0.27	99	1222	3,723,670	0.15	135	903	5,868,650	0.16
Austin-Bergstrom	AUS	32	309	2,142,890	0.32	94	1221	3,713,140	0.16	126	888	5,856,030	0.18
Hartford (Bradley)	BDL	43	452	1,485,420	0.41	88	1401	4,203,150	0.13	131	1153	5,688,570	0.16

Source

Low Fare					Other			
Cities	Average trip length	Passengers	Yield		Cities	Average trip length	Passengers	Yield
40	558	7,380,920	0.16		80	1950	2,730,650	0.15
29	800	5,219,490	0.13		131	1581	4,722,610	0.13
13	922	2,001,070	0.15		138	1264	7,593,710	0.14
12	1987	6,414,900	0.12		85	1423	2,919,460	0.13
54	764	6,291,740	0.16		109	967	2,904,360	0.18
49	635	8,182,520	0.14		39	1689	724,080	0.18
13	628	1,531,510	0.19		125	1258	6,994,290	0.17
38	6454	4,756,390	0.16		100	1460	3,566,840	0.14
36	763	2,884,160	0.15		109	916	5,065,590	0.21
51	767	4,209,360	0.16		92	1036	3,628,230	0.16
40	649	5,420,870	0.14		82	1690	1,649,480	0.14
11	451	3,285,330	0.20		110	1559	3,775,620	0.15
21	564	1,599,720	0.22		116	915	4,911,430	0.19
48	885	4,012,680	0.13		103	700	2,460,270	0.28
70	635	6,070,970	0.17		28	746	336,860	0.23
35	965	2,886,220	0.13		106	859	3,466,780	0.22
4	609	333,750	0.23		137	832	5,896,000	0.25
39	670	4,441,470	0.14		68	1526	1,475,350	0.13
45	811	3,603,970	0.15		90	1049	2,264,980	0.18
45	742	3,531,540	0.17		81	1108	2324,490	0.2
45	792	549,770	0.17		124	1192	5138800	0.16

Source: FAA Table 2

Table A-9

FARE DATA CITY-PAIR DETAIL

All city-pairs involving a medium or large hub airport with an average of 10 or more passengers/day.
Please see accompanying documentation for definitions and assumptions.

SMF

OorD	DisBlock	Density	Competitors	Low Fare or Not	TotalPax	Revenue	Revenue per pax	Nonstop Miles	Yield (Revenue/ Pax/Miles)	rack Mile
OXR	500	20	1	NLF	4,400	370,600	84	337	0.25	420
RDM	500	20	1	NLF	3,810	519,400	136	384	0.36	610
EUG	500	50	2	NLF	9,720	1,302,750	134	384	0.35	578
PSP	500	50	1	NLF	10,930	1,459,050	133	440	0.30	483
BOI	500	100	4	LF	32,730	4,113,810	126	437	0.29	729
BUR	500	501	1	LF	592,690	43,070,220	73	358	0.20	358
LAS	500	501	1	LF	398,150	32,965,550	83	397	0.21	412
LAX	500	501	2	LF	848,940	59,928,480	71	373	0.19	373
ONT	500	501	1	LF	665,960	48,541,040	73	389	0.19	389
PDX	500	501	2	LF	380,040	28,072,500	74	479	0.15	483
	500 mi		1.45		2,947,370	220,343,400	75	391	0.19	398
BLI	750	20	1	NLF	5,700	730,600	128	699	0.18	701
BZN	750	20	2	NLF	5,340	880,320	165	724	0.23	967
GJT	750	20	3	NLF	4,520	770,400	170	705	0.24	1,007
MSO	750	20	2	NLF	7,250	1,151,820	159	683	0.23	974
PSC	750	20	2	NLF	6,660	999,750	150	537	0.28	801
PHX	750	501	2	LF	302,860	31,317,830	103	647	0.16	656
	750 mi		2.00		332,330	35,850,720	108	648	0.17	676
FCA	1000	20	2	NLF	4,850	753,660	155	759	0.20	1,008
GTF	1000	20	2	NLF	3,920	630,800	161	796	0.20	1,039
BIL	1000	50	3	NLF	8,040	1,424,160	177	828	0.21	1,008
COS	1000	50	3	NLF	17,720	3,919,960	221	911	0.24	1,026
ELP	1000	100	2	LF	21,700	3,070,380	141	981	0.14	1,024
ABQ	1000	200	3	LF	52,220	7,183,300	138	866	0.16	984
DEN	1000	500	2	NLF	131,550	31,043,100	236	910	0.26	947
	1000 mi		2.32		240,000	48,025,360	200	899	0.22	973
AMA	1500	20	3	LF	5,480	915,240	167	1,123	0.15	1,311
DAL	1500	20	1	LF	4,720	895,680	190	1,442	0.13	1,538
FAR	1500	20	2	NLF	3,710	777,000	209	1,373	0.15	1,710
LBB	1500	20	2	LF	4,600	761,200	165	1,155	0.14	1,363
LNK	1500	20	1	NLF	5,950	861,800	145	1,326	0.11	1,435
MAF	1500	20	3	LF	5,160	819,840	159	1,187	0.13	1,361
RAP	1500	20	3	NLF	4,390	852,720	194	1,029	0.19	1,205
DSM	1500	50	4	NLF	8,790	2,321,420	264	1,486	0.18	1,669
OKC	1500	100	3	LF	31,690	4,969,800	157	1,342	0.12	1,464
AUS	1500	200	4	LF	38,560	6,364,750	165	1,475	0.11	1,576
MCI	1500	200	3	LF	59,680	9,916,260	166	1,442	0.12	1,576
OMA	1500	200	3	LF	39,210	5,657,440	144	1,370	0.11	1,522
DFW	1500	500	3	NLF	87,720	26,922,240	307	1,431	0.21	1,525
	1500 mi		3.06		299,660	62,035,390	207	1400	0.15	1526
CID	2000	20	3	NLF	4,760	1,176,700	247	1,586	0.16	1,812
GRR	2000	20	2	NLF	7,350	2,020,480	275	1,899	0.14	1,965
HSV	2000	20	2	NLF	4,060	1,027,580	253	1,942	0.13	2,087
JAN	2000	20	4	LF	6,710	1,128,600	168	1,821	0.09	1,942
MSN	2000	20	2	NLF	6,210	1,412,100	227	1,705	0.13	1,834
XNA	2000	20	2	NLF	4,130	937,490	227	1,503	0.15	1,771
BHM	2000	50	4	LF	12,920	2,385,900	185	1,968	0.09	2,166
CVG	2000	50	3	NLF	14,970	4,205,250	281	1,977	0.14	2,060
DAY	2000	50	3	NLF	8,240	1,910,650	232	1,990	0.12	2,074
LIT	2000	50	3	LF	18,430	3,131,130	170	1,646	0.10	1,798
MDW	2000	50	1	LF	18,370	3,024,840	165	1,790	0.09	1,995

Table A-9

FARE DATA CITY-PAIR DETAIL

All city-pairs involving a medium or large hub airport with an average of 10 or more passengers/day.
Please see accompanying documentation for definitions and assumptions.

SMF

MEM	2000	50	3	NLF	10,960	3,082,560	281	1,760	0.16	2,025
MKE	2000	50	4	NLF	14,990	3,639,600	243	1,778	0.14	1,904
SDF	2000	50	4	LF	16,000	2,702,900	169	1,933	0.09	2,084
ANC	2000	100	1	NLF	20,500	4,639,040	226	1,973	0.11	2,060
HOU	2000	100	2	LF	26,000	4,347,500	167	1,624	0.10	1,671
IND	2000	100	3	NLF	27,670	5,035,140	182	1,884	0.10	1,989
BNA	2000	200	3	LF	38,570	6,506,500	169	1,917	0.09	2,060
IAH	2000	200	3	NLF	38,510	8,020,740	208	1,609	0.13	1,707
MSP	2000	200	2	NLF	57,380	14,234,220	248	1,518	0.16	1,602
MSY	2000	200	4	LF	40,380	6,883,470	170	1,879	0.09	2,003
ORD	2000	500	1	NLF	107,450	30,273,510	282	1,781	0.16	1,874
2000 mi			2.39		504,560	111,725,900	221	1,774	0.12	1889
ALB	2001	20	1	NLF	6,160	1,854,560	301	2,491	0.12	2,581
BUF	2001	20	2	NLF	6,800	1,782,000	262	2,241	0.12	2,306
CAE	2001	20	1	NLF	3,610	1,365,520	378	2,263	0.17	2,366
CHS	2001	20	2	NLF	3,890	1,235,460	318	2,347	0.14	2,414
FAI	2001	20	1	NLF	4,920	1,264,360	257	2,095	0.12	2,122
GSO	2001	20	3	NLF	5,290	1,656,720	313	2,279	0.14	2,409
GSP	2001	20	1	NLF	3,480	1,023,000	294	2,182	0.13	2,315
ISP	2001	20	1	LF	3,470	449,880	130	2,553	0.05	2,840
KOA	2001	20	1	NLF	4,060	1,063,920	262	2,437	0.11	2,599
LIH	2001	20	1	NLF	3,600	896,800	249	2,509	0.10	2,773
MDT	2001	20	1	NLF	6,560	1,770,000	270	2,374	0.11	2,417
PNS	2001	20	1	NLF	3,650	830,060	227	2,028	0.11	2,352
PWM	2001	20	2	NLF	4,210	924,490	220	2,653	0.08	2,751
ROC	2001	20	1	NLF	4,830	1,394,900	289	2,293	0.13	2,373
RSW	2001	20	3	NLF	5,860	1,302,210	222	2,447	0.09	2,690
TYS	2001	20	4	NLF	5,720	1,433,550	251	2,068	0.12	2,211
BDL	2001	50	4	NLF	16,590	4,504,910	272	2,558	0.11	2,658
CLT	2001	50	4	NLF	14,810	4,998,720	338	2,244	0.15	2,360
JAX	2001	50	3	NLF	10,900	2,557,250	235	2,325	0.10	2,443
MHT	2001	50	2	LF	14,590	2,881,080	197	2,606	0.08	2,717
OGG	2001	50	1	NLF	8,240	2,081,610	253	2,404	0.11	2,599
ORF	2001	50	4	NLF	11,950	2,976,930	249	2,462	0.10	2,536
PIT	2001	50	3	NLF	13,720	3,919,200	286	2,190	0.13	2,288
RIC	2001	50	3	NLF	7,640	2,177,680	285	2,390	0.12	2,489
CLE	2001	100	4	LF	29,310	6,372,040	217	2,097	0.10	2,197
FLL	2001	100	4	NLF	21,750	4,323,970	199	2,549	0.08	2,663
HNL	2001	100	1	NLF	19,780	4,906,700	248	2,462	0.10	2,661
JFK	2001	100	3	NLF	20,670	5,676,720	275	2,521	0.11	2,699
LGA	2001	100	3	NLF	31,960	9,207,360	288	2,514	0.11	2,602
MIA	2001	100	3	NLF	26,890	5,533,950	206	2,552	0.08	2,686
PVD	2001	100	3	LF	23,880	4,272,670	179	2,624	0.07	2,765
RDU	2001	100	4	NLF	21,850	5,875,980	269	2,345	0.11	2,449
BOS	2001	200	4	NLF	49,200	14,797,100	301	2,636	0.11	2,764
CMH	2001	200	4	NLF	37,500	6,436,360	172	2,059	0.08	2,177
DTW	2001	200	4	LF	41,220	9,383,400	228	2,013	0.11	2,151
EWR	2001	200	3	NLF	39,230	11,989,890	306	2,500	0.12	2,626
PHL	2001	200	3	NLF	42,140	12,549,780	298	2,458	0.12	2,562
ATL	2001	500	3	NLF	91,080	23,172,040	254	2,092	0.12	2,163
BWI	2001	500	4	LF	95,760	16,873,010	176	2,395	0.07	2,522
MCO	2001	500	4	NLF	74,540	12,659,480	170	2,407	0.07	2,501
2001 mi			3.29		841,310	200,375,260	238	2,359	0.10	2475

Source: FAA Table 3

COMPARISON OF AVERAGE ONE-WAY AIRLINE FARES

Top 10 Sacramento markets	Sacramento International	San Francisco International	Oakland International	San Jose International
Los Angeles	62.37	73.32	60.49	58.92
San Diego	62.32	64.31	65.23	63.92
Burbank	62.08	82.14	64.17	63.16
Ontario	62.83	76.65	60.77	61.9
Seattle	78.02	87.79	72.64	72.39
Orange County	112.32	83.43	70.36	63.67
Las Vegas	71.48	74.28	73.84	68.29
Portland	64.02	84.64	68.87	70.19
Phoenix	90.43	85.43	84.48	90.15
Salt Lake City	95.05	104.42	77.94	104.01
Average for top 10 markets	69.73	78.56	67.44	67.57

Source: U.S. Department of Transportation/ Air Transport Association of America, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, for the 12 months ended December 31, 1999.

Table A-11

AIRLINE COMPETITION IN TOP ORIGIN - DESTINATION MARKETS

Sacramento International Airport
1999

Market	Percent of O-D passengers (b)	Cumulative percent of O-D passengers (b)	Number of airlines providing nonstop service (c)	Number of competing airlines per DOT (d)
Los Angeles	11.6%	11.6%	2	2 (LF)
San Diego	9.5%	21.1%	1	1 (LF)
Ontario	8.8%	29.9%	1	1 (LF)
Hollywood-Burbank	8.1%	37.9%	1	1 (LF)
Seattle	5.6%	43.5%	2	2 (LF)
Las Vegas	5.4%	48.9%	1	1 (LF)
Portland	5.3%	54.2%	2	2 (LF)
Phoenix	4.1%	58.3%	2	2 (LF)
Orange County	2.7%	61.0%	1	1
Washington, D.C. (a)	2.4%	63.4%	1 IAD	4 (LF) BWI, 1 IAD
Salt Lake City	2.2%	65.5%	1	2 (LF)
Denver	1.8%	67.4%	1	2
Chicago (a)	1.7%	69.1%	1 ORD	1 (LF) MDW, 1 ORD
Dallas/Fort Worth (a)	1.3%	70.4%	1 DFW	1 (LF) DAL, 3 DFW
Atlanta	1.3%	71.6%	1	ATL
New York (a)	1.2%	72.9%	-	3 EWR, 3 JFK, 3 LGA
Orlando	1.0%	73.9%	-	4
Spokane	1.0%	74.9%	-	2 (LF)
Total, listed destinations	74.8%	74.9%		

(a) Markets served by two or more airports

(b) Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Traffic, Domestic*.

(c) Source: Official Airline Guides. An airline is counted if it provided any scheduled service during the year.

(d) Source: DOT Competition Plan Data. A competing carrier is one carrying 10% or more of passengers (on nonstop or connecting flights). LF = Low-fare carrier as designated by DOT.