U.S. Department
of Transportation
**Federal Aviation
Administration**

Office of Airport Planning
and Programming

800 Independence Ave., SW.
Washington, DC 20591

Ms. Krys T. Bart
Executive Director
Airport Authority of Washoe County
Reno/Tahoe International Airport
P.O. Box 12490
Reno, NV 89510-2490

Dear Ms. Bart:

Within the past year, your airport submitted a competition plan that was reviewed by the FAA and determined to be in accordance with the requirements of sections 40117(k) and 47106(f) of title 49, United States Code. Those sections require a periodic review to assure that they are being successfully implemented. We have interpreted that requirement to be accomplished on an annual basis for any airport that would be required to submit a competition plan.

We have determined that your airport would need to submit an update to your plan in fiscal year 2002. I am enclosing Program Guidance Letter 00-03 that contained the information suggested to be submitted in the initial plan as well as any updates to the plan. You should also address any issues that were suggested for the update in the letter that informed you of the results of the review of your original plan, as well as any FAA correspondence discussing supplemental information you may have filed.

In order to be assured that neither grants under the Airport Improvement Program (AIP) nor new approvals under the Passenger Facility Charge Program (PFC) are affected in fiscal year 2002, you should submit the update to your plan as far in advance of anniversary date of our determination letter as possible. Again, we expect reviews may take up to 60 days.

Sincerely,

Barry L. Molar
Manager, Airports Financial Assistance
Division

Airport Authority of Washoe County
2000-01 Competition Plan

December 7, 2000

Airport Authority of Washoe County
2000–2001 Competition Plan

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AAWC of Washoe County
2000–2001 Competition Plan

December 7, 2000

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Executive Summary

The AAWC of Washoe County (AAWC) operates the Reno/Tahoe International Airport, a medium hub airport enplaning 0.48 percent of the 1998 passengers of the 418 primary airports in the United States. Southwest Airlines and American Airlines (including Reno Air acquired by American Airlines) 1999 passenger enplanements were 62 percent of the airport's 3.0 million scheduled airlines' enplanements. These two statistics exceed the percentages set by the Federal Aviation Administration, 0.25 percent and 50 percent respectively. As a result, the AAWC must submit a Competition Plan before any Passenger Facility Charge (PFC) submitted after April 5, 2000, or discretionary Airport Improvement Program (AIP) grants will be issued after October 1, 2000.

The following competition plan demonstrates the Reno/Tahoe International Airport's ability to accommodate new airlines or additional service from existing airlines. With recent flight reductions by American Airlines due to its acquisition of Reno Air, the terminal building is operating below capacity. The AAWC is also actively soliciting the airlines for additional service. Existing as well as new entrant airlines to the Reno/Tahoe air service market have been, and will continue to be, approached with studies demonstrating how a Reno/Tahoe location would fit into their route system.

The AAWC has used its PFC and AIP funding sources to increase the capacity of the Reno/Tahoe International Airport. An expanded baggage claim area, passenger loading bridges for the terminal building gates and a new runway system are the most obvious examples. The airline operating agreement at Reno/Tahoe International Airport provides for preferential airline leaseholds. This gives the AAWC flexibility in accommodating a new entrant carrier or the increasing space requirements of an existing airline tenant.

This Competition Plan was prepared for Reno/Tahoe International Airport (Airport) in a format recommended by the FAA in their Program Guidance Letter 00-3 dated May 8, 2000. The major issues in the Program Guidance Letter are the numbered, bold headings of each section. The bullet points that follow describe the operation and agreements of the AAWC that pertain to each major issue.

1. Availability of Gates

- There are twenty-three (23) passenger airline gates available at the Airport. Twenty-two (22) are leased on a preferential basis to the signatory airlines and one is currently designated for common use. Maps of the terminal building concourse gates are included at the end of this report.

- Gate-use monitoring is a function of the Operations Department of the AAWC in cooperation with the airlines. The Operations Department receives and responds to requests for common-use gate and remote aircraft parking gate assignments from non-signatory airlines when the signatory airlines are unable to accommodate them. Gates are assigned on a first come, first served basis. The Operations Department maintains a gate-use log, recording times, applicable fees, etc., and monitors conflicting flight schedules and the need for reassignment as required.

- There are no differences in gate-use monitoring policies for PFC-financed facilities, facilities subject to PFC assurance #7, and other gates. All of the terminal building gates are subject to Section 16.03 of the Airline-Airport Use and Lease Agreement (Airline Agreement) which is attached as an Exhibit to this document.

- Effective July 1, 1996, all exclusive-use gates were converted to preferential use under Section 4.01.A of the new Airline Agreement. Since then, a common-use gate was created when an additional gate was constructed on the south concourse.

- With a 1999 average of 109 daily scheduled departures out of 23 gates, at 5 daily departures per gate, there were 35 weekly and 152 monthly scheduled air carrier departures per gate. Itinerant flights, seasonal, scheduled and adhoc charter departures are not included in these averages.

- Pursuant to Section 16.02 of the Airline Agreement, the AAWC reserves the right to reassign a preferential gate to another signatory airline if the tenant airline's scheduled average utilization falls below three flights per weekday for that gate (including commuter or other flights handled by the tenant airline), or if the AAWC determines there is a reasonable need for the preferential use of such gate(s) by another signatory airline. In such event, the tenant airline has 90 days from the AAWC's reassignment notice to adjust its schedule to three or more flights per weekday.

- The reassignment provision under Section 16.02 of the Airline Agreement allows the AAWC to maximize gate use ("use/lose") depending upon demand. Section 16.03 of the Airline Agreement also specifically provides for accommodation of the needs of requesting airlines by existing signatory airlines working cooperatively with the AAWC ("use/share"). The AAWC will not require a signatory airline to accommodate a requesting airline if there are unassigned gates that will reasonably accommodate the needs of the requesting airline. If the AAWC has no available gates or other Terminal facilities to accommodate the needs of a requesting airline, the requesting airline is required to coordinate directly with a signatory airline for joint use of preferential leased premises at times when the use of such facilities does not interfere with the operations of the signatory airline or any existing sublessees of the signatory airline. The signatory airline has at least 30 days to respond to a requesting airline. Accommodation is subject to written agreement and the signatory airline will compute charges payable by the requesting airline in accordance with a formula set forth in Section 15.01 of the Airline Agreement.

- The AAWC works with the airlines on an ongoing basis to determine future requirements for gates and related facilities, closely monitoring flight schedules. The AAWC uses its best efforts to provide at least one preferential gate to each signatory airline with at least three flights per weekday pursuant to Section 16.02 of the Airline Agreement. With the exception of one common-use gate, all gates are currently leased for preferential use. The signatory airlines are required to maintain premises under preferential lease for the full term of the Airline Agreement, unless and until another existing or new entrant signatory airline agrees to lease such premises from the AAWC. The AAWC coordinates with the signatory airlines as to any such potentially available gates and related facilities, and provides for concurrent relinquishment and re-lease.

- The AAWC has not received any complaints of denial of reasonable access by a new entrant or an existing air carrier seeking expansion.

- The AAWC did not receive any requests for access or expansion by existing carriers in 1999.

2. Leasing and Subleasing Arrangements

- A sublease arrangement with an incumbent signatory airline is not required for a carrier to gain access to serve the Airport.

- If the AAWC does not have adequate space available for lease to a requesting airline, the AAWC assists the requesting airline to obtain a sublease by referral to those incumbent signatory airlines having available preferential-use leased premises. Section 15.01 of the Airline Agreement requires the AAWC's prior written consent to sublease.

- The Article 15 of the Airline Agreement upholds AAWC policies for fees charged by signatory airlines for subleased premises, gate use, services and equipment charges, as applicable, to accommodate requesting airlines. To ensure that all users of Airport facilities are treated equally and that the accommodating signatory airline is properly reimbursed for the use of preferential-use premises and related facilities, the charges payable by a requesting airline are computed according to a formula established in Exhibit F of the Airline Agreement. Under Section 15.01 of the Airline Agreement, the signatory airline is required to pay to the AAWC any excess of rentals, fees and charges received from a sublessee over rentals, fees and charges paid by the signatory airline for the same premises; however, the signatory airline may charge a reasonable fee for administrative costs, not to exceed 25 percent of the established rental, and such a fee shall not be considered part of the excess charges due the AAWC. Ground handling by one signatory airline of another air carrier is subject to advance written notice to the AAWC, and subject to the carriers holding operating agreements with the Authority and a handling agreement between the airlines.

- The AAWC has not received any complaints from subtenants about excessive sublease fees or unnecessary bundling of services. Since there are several signatory airlines competing to accommodate requesting airlines, seasonal charters, commuters and itinerant carriers, services offered and charges made are similarly competitive.

- Independent ground handlers and other support service providers under contract to the airlines are required to enter into and abide by the terms of an operating agreement with the AAWC for the conduct of such commercial business at the Airport. Existing tenants of the AAWC, including the signatory airlines in some cases, sublease Airport premises approved for the particular activities of the commercial operator. The in-flight caterer contracted to the majority of the airlines currently maintains off-Airport facilities. A consortium of the airlines leases land and facilities from the AAWC accommodating the fueling requirements of the airlines.

- There are no formal arrangements in place to resolve disputes among air carriers regarding the use of Airport facilities. The AAWC has not been made aware of any such dispute. The provisions in Article 16 of the Airline Agreement regarding the availability of adequate facilities, preferential gate assignment, accommodation of requesting airlines, and indemnification between airlines, offer a climate of cooperation in the use of preferentially leased facilities. The gate recapture provision of Section 16.02 of the Airline Agreement would allow the AAWC to exercise its right to reassign underutilized gates in the event of a shortage of available gate space - although this provision should not be considered a means of dispute resolution and it has not been exercised by the AAWC to date.

3. Patterns of Air Service

- A total of 35 nonstop and one-stop markets were served from the Airport in June 2000. Of these, 19 markets were served on a nonstop basis with a total of 202 daily flights.[1] A map of the Reno/Tahoe International Airport's air service market is included at the end of this report.

- In June 2000, two small communities were served on a non-stop basis including Boise and Elko.[2]

- In 1999, 18 nonstop markets were served by low-fare carriers and 11 one-stop markets were served by low-fare carriers.[3]

- Of the 32 nonstop and one-stop markets served from the Airport in June 2000, all markets were served by more than one carrier except for Boise (nonstop service by Delta Air Lines/Skywest Airlines).[4]

- An analysis of nonstop and one-stop markets served from the Airport in June 1999 versus June 2000 provided the following comparisons:[5]

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[1] Source - AAWC June 2000 Consolidated Flight Schedule
[2] Source - AAWC June 2000 Consolidated Flight Schedule
[3] Source - OD1A Database – 1999 Top Domestic Markets by Carrier
[4] Source - OD1A Database – 1999 Top Domestic Markets by Carrier
[5] Source - AAWC June 1999 & June 2000 Consolidated Flight Schedule

a. The same nonstop markets were served with differing frequencies for both periods except for the discontinuation of St. Louis in June 2000 compared to June 1999.

Nonstop Market	Frequency	
	June 1999	June 2000
Las Vegas	14	14
Seattle	11	9
San Jose	9	7
Los Angeles	8	11
Oakland	7	7
Orange County	7	3
Phoenix	7	7
Portland	7	6
Dallas	6	6
Salt Lake City	6	7
Elko	5	5
San Francisco	5	4
Boise	3	3
Chicago	3	3
Denver	3	2
San Diego	3	3
Detroit	2	1
Minneapolis	2	2
St. Louis	2	Discontinued
Houston	1	1

- The following one-stop markets were served from the Airport with differing frequencies from June 1999 to June 2000:

One-Stop Market	Frequency	
	June 1999	June 2000
Spokane	9	4
Burbank	8	8
Ontario	7	8
Colorado Springs	6	0
Albuquerque	5	6
Hartford	3	0
Austin	2	0
New York – LGA	2	0
Oklahoma City	2	0
Omaha	2	0
Washington National	2	2
Atlanta	1	0
Cincinnati	1	1
Cleveland	1	0

One-Stop Market	Frequency	
	June 1999	June 2000
Columbus	1	0
Dayton	1	0
El Paso	1	1
Indianapolis	1	1
Jacksonville	1	0
Lansing	1	0
Mexico City	1	0
Miami	1	1
New York – JFK	1	1

- The following one-stop markets were provided service from the Airport in June 2000 compared to June 1999:

  St. Louis (three flights)
  Baltimore (two flights)
  Boston (two flights)
  Tucson (two flights)
  West Palm Beach (two flights)
  Grand Rapids (one flight)

- The net result of these changes was 20 less nonstop flights from the Airport in June 2000 versus June 1999 (a total of 202 and 222 daily nonstop flights, respectively.)

4. Gate Assignment Policy

- Under the Section 16.02 of the Airline Agreement, the AAWC uses its best efforts to assign one preferential-use gate to each signatory carrier having at least three flights per weekday, and may reassign an underutilized preferential gate to another signatory airline. Existing carriers are given written notice by the AAWC of any change in policy. Minimum requirements are issued to potential new entrant airlines. Operating requirements are the same for signatory (tenant) and nonsignatory airlines. All carriers are required to provide monthly schedules to the Operations Department for coordination of gate use and to accommodate requesting airlines.

- Written notices are given by the AAWC to all tenant air carriers at the same time concerning gate availability, terms and conditions for use.

- The change from exclusive to preferential use leased premises with the current Airline Agreement, took effect July 1, 1996. This added gates and created common-use gates to ensure reasonable Airport access and allow existing carriers expansion capability.

5. Financial Constraints

- The Exhibit G.08 of the Airline Agreement divides the Airport into five cost centers for rate setting purposes. One of these cost centers is the Terminal Building. Revenues from the Terminal Building cost center are used to pay for Terminal Building projects or the debt service for such projects. The sources of Terminal Building Revenues are listed below:

Description	2000-01 Budgeted Amount
Gaming Concession	$2,772,000
Food and Beverage Concession	720,000
Merchandise Concession	1,116,700
Advertising Concession	810,000
Other Miscellaneous Concessions	617,300
Terminal Building Rents - Airline	5,602,099
Terminal Building Rents - Other	320,123
Reimbursed Services – Utilities/ Security	356,000
Allocation of Investment Interest Earnings	350,797
Total	$12,665,019

- The airline rate setting methodology for the Airport is defined in Exhibit G of the Airline Agreement. The methodology is a hybrid compensatory method that includes revenue sharing. The Terminal Building cost center operating expenses and debt service are divided by the useable square feet in the terminal building to determine an average rental rate for the airline leasehold areas. The Airfield Cost Center operating expenses and debt service are divided by the airline estimated landed weight to determine the non signatory landing fee rate. Half of the net revenues from all cost centers from the prior year is shared with the signatory airlines and used to reduce the Airfield Cost Center operating expenses. This reduced amount is divided by the signatory airlines' landed weight to determine the signatory landing fee rate.

- The AAWC of Washoe County has used PFC revenues for eligible Terminal Building projects in the past. The Terminal Building PFC projects are listed below:

Description	PFC Amount
1994 PFC	
Baggage Claim Expansion	$6,059,214
Terminal Building ADA Compliance	409,500
Concourse Gate Maximization	1,900,000
1998 PFC	
Passenger Loading Bridges	7,898,413
Terminal Complex Schematic Design	1,500,000
Reconstruct Terminal Building Doors	900,000
Terminal Building Fire Sprinkler System	69,000
Total	$18,736,127

The baggage claim area PFC project added additional baggage belts and floor space to increase the capacity of the baggage claim area. The passenger loading bridges project improved passenger safety by eliminating the ground loading of passengers. The loading bridges are moveable to allow flexibility in the type aircraft each aircraft gate can accommodate.

6. Airport Controls Over Airside and Groundside Capacity

- The Airline Agreement has a Majority In Interest (MII) provision (Sections 9.02 and 9.03) and a "no further charges" provision (Section 7.10) covering Airfield and Terminal Building cost center projects.

  The MII provision pertains only to the Airline and Terminal Building Cost Centers. The first $1.0 million of Airfield and Terminal Building Cost Center projects are exempt from the MII process. The MII provision requires denial of projects. MII project approval is **not** required.

  Under the current Airline Agreement, MII constitutes: (a) for the **Airfield** cost center, that number of signatory airlines representing at least 60 percent of the signatory airlines which together have landed at least 50 percent of the total landed weight by all signatory airlines during the preceding fiscal year, or at least 50 percent of the signatory airlines which together have landed at least 60 percent of the total landed weight by all signatory airlines during the preceding fiscal year; and (b) for the **Terminal** cost center, that number of signatory airlines representing at least 60 percent of the signatory airlines which together have paid at least 50 percent of the total terminal rentals paid by all signatory airlines during the preceding fiscal year, or at least 50 percent of the signatory airlines which together have paid at least 60 percent of the total terminal rentals paid by all signatory airlines during the preceding fiscal year.

  The "no further charges" clause of the Airline Agreement does not provide any material control over groundside and airside capacity projects. It merely limits rentals, fees and charges to those provided in the Airline Agreement or as may be permitted under any enabling legislation.

- The AAWC has experienced very few MII denials of capital projects. Several small projects, less than $100,000, were denied but funded by the AAWC with sources that did not affect airline landing fees or rents. The MII provision in the Airline Agreement has not been a major obstacle for the AAWC in completing capital projects.

- The current airline Agreement expires on June 30, 2001. During previous airline and AAWC meetings, the topic of extending the Airline Agreement (with the MII provision remaining as written) was briefly discussed. Neither the AAWC nor the airlines are unhappy with the current MII provision. Therefore, at this time, there are no plans to modify the wording of the MII provision.

7. Airport Intention to Build or Acquire Gates for Use as Common Facilities

- One gate, B-4 on the south or B concourse, is the common-use gate available at the Airport today.

- At the present time, the AAWC does not intend to build or acquire additional common-use gates; however, upon expiration of the current Airline Agreement, depending upon the requirements of incumbent carriers, the AAWC may establish for common-use any gates relinquished but not reassigned under an extended agreement.

- There are no carriers serving the Airport for more than three years relying exclusively on common-use gates.

- Existing concourses are fully built and there is no space to accommodate construction of any additional terminal gates.

- Terminal gates are used for both domestic and international flights. Any international arrivals requiring post-clearance use Federal Inspection Service facilities.

- Terminal gates are not designated for domestic or international service.

8. Airfare Levels Compared to Other Large Airports

- Summarized data for the Airport showing:[6]

Carrier	Local Passengers	Avg. Fares	Market Share	Avg. Passenger Trip Length
Alaska	274,400	$72.07	6%	594
America West	307,490	$113.04	6%	1,145
American	498,620	$116.42	10%	958
Continental	46,330	$173.34	1%	1,870
Delta	351,400	$161.72	7%	1,437
Northwest	193,630	$189.97	4%	1,908
Reno Air	787,530	$75.50	16%	552
Southwest	1,796,860	$74.26	36%	462
TWA	122,760	$167.52	2%	1,965
United/Shuttle by United	462,920	$143.93	9%	1,000
Other			3%	
TOTAL	4,841,940	$128.78	100%	1,189

[6] Source – DOT 1999 Airport Competition Plan Data Table 1

- Short-Haul Markets (750 miles or less):[7]

	Local Passengers	Avg. Passenger Trip Length	Avg. Passenger Yield	Number of City-Pair Markets Served
Non-Low-Fare Competitor Present	176,950	264	$0.32	9
Low-Fare Competitor Present	3,168,890	409	$0.17	17

- Long-Haul Markets (over 750 miles):[8]

	Local Passengers	Avg. Passenger Trip Length	Avg. Passenger Yield	Number of City-Pair Markets Served
Non-Low-Fare Competitor Present	926,630	1,903	$0.10	48
Low-Fare Competitor Present	657,280	1,590	$0.09	24

- Compare to other airports that have similar average passenger trip lengths, for short distance markets, long distance markets, or total:[9]

Short Haul Markets

Low-Fare Competitor Present			Non Low-Fare Competitor Present		
Airport	Passenger Trip Length	Yield	Airport	Passenger Trip Length	Yield
RNO	**409**	**$0.17**	**RNO**	**264**	**$0.32**
MDW	408	$0.21	AUS	283	$0.41
CLE	410	$0.23			
JAX	410	$0.23			

Long Haul Markets

Low-Fare Competitor Present			Non Low-Fare Competitor Present		
Airport	Passenger Trip Length	Yield	Airport	Passenger Trip Length	Yield
RNO	**1,590**	**$0.09**	**RNO**	**1,903**	**$0.10**
PVD	1,588	$0.09	PDX	1,919	$0.12
BWI	1,589	$0.10	LAS	1,920	$0.09
			SJC	1,921	$0.15

[7] Source – DOT 1999 Airport Competition Plan Data Table 2
[8] Source – DOT 1999 Airport Competition Plan Data Table 2
[9] Source – DOT 1999 Airport Competition Plan Data Table 2

All Stage Lengths

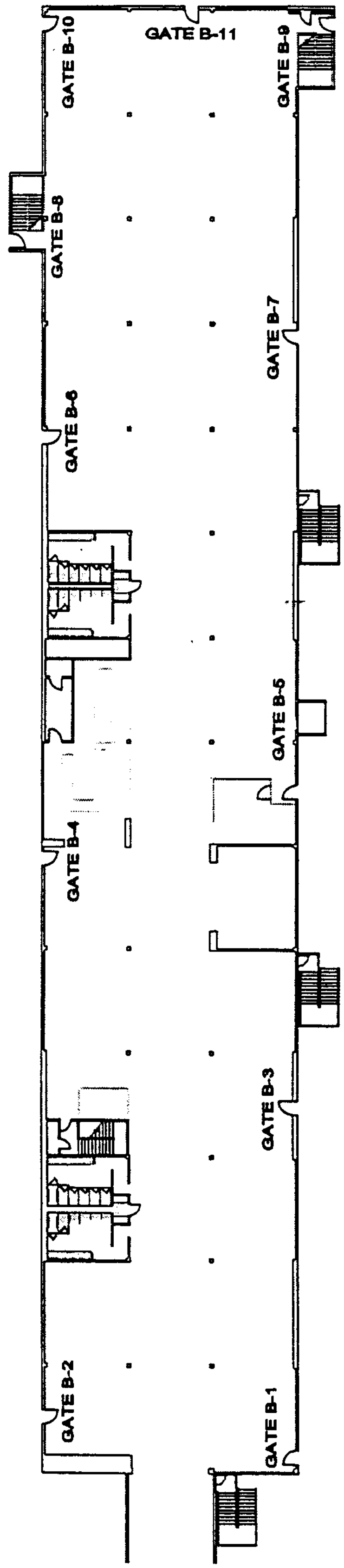
Low-Fare Competitor Present			Non Low-Fare Competitor Present		
Airport	Passenger Trip Length	Yield	Airport	Passenger Trip Length	Yield
RNO	**612**	**$0.13**	**RNO**	**1,640**	**$0.11**
PIT	609	$0.23	OAK	1,689	$0.18
			SEA	1,692	$0.12

- Additional information that is pertinent to particular circumstances at individual airports, and may not be apparent in the summarized information:

    1) Average passenger trip length has increased due to the addition of Continental Airlines service to Houston Intercontinental in December 1998.

    2) Number of low-fare carriers has decreased with the acquisition of Reno Air by American Airlines in August 1999.

    3) Average fare has increased over the last nine quarters due to an increase in business travel with the relocation of high-tech and e-commerce companies to the northern Nevada area.



Reno/Tahoe International Airport

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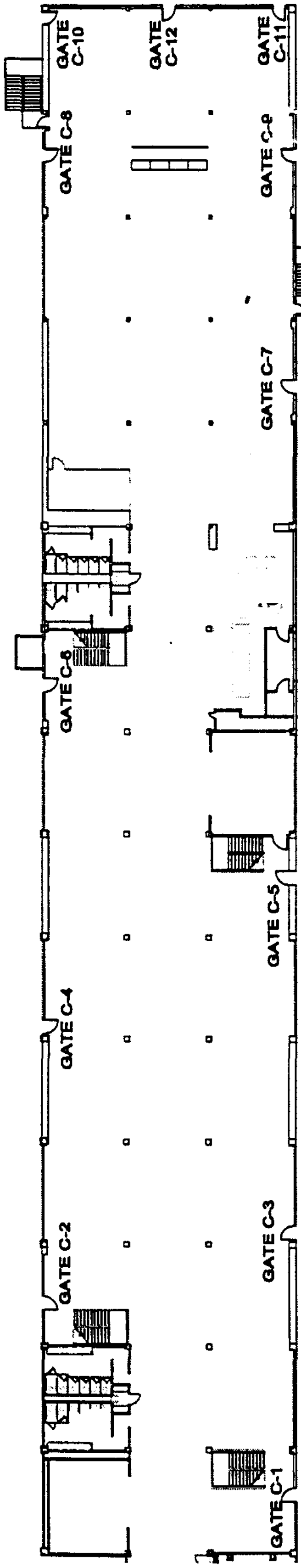
CONCOURSE B - GATE LOCATIONS

10/03/00



Reno/Tahoe International Airport

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CONCOURSE C - GATE LOCATIONS

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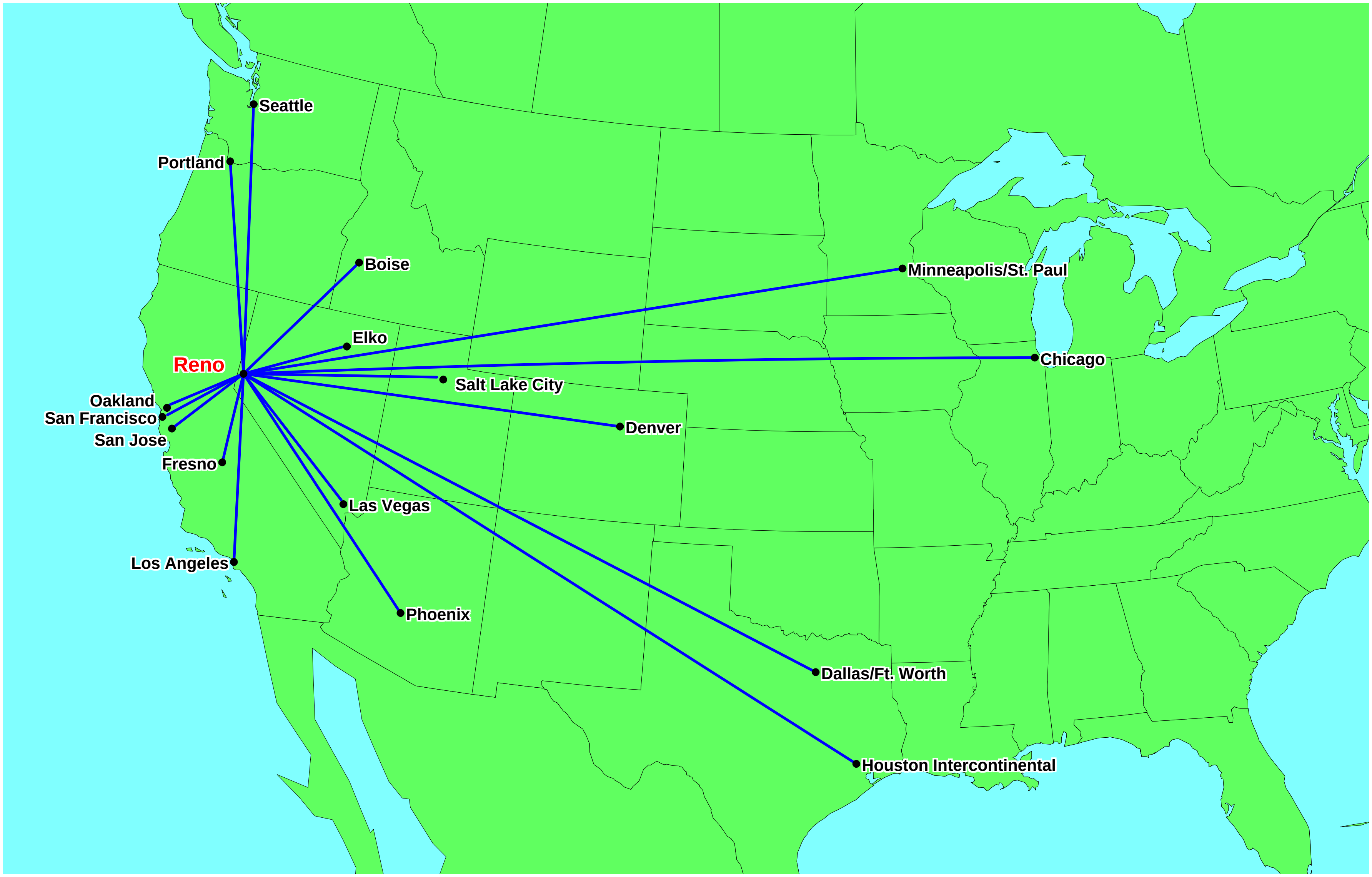
Reno/Tahoe International Airport Scheduled Airline Service Route Map
87 Non Stop Departures to 17 Cities



Source: Official Airline Guide, schedules for the week of September 25 – October 1, 2000.