

Chicago Midway International Airport

Chicago, Illinois

2013 Competition Plan Update

Rosemarie S. Andolino
Commissioner
City of Chicago
Department of Aviation
O'Hare International Airport
Terminal 2 – Mezzanine Level
P.O. Box 66142
Chicago, IL 60666

Forest Lombaer
Chief Assistant Corporation Counsel
City of Chicago
Department of Law
30 N. LaSalle Street, Suite 1400
Chicago, IL 60602

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The City of Chicago (the "City") has negotiated and approved a new form of Airport Use Agreement and Facilities Lease for Chicago Midway International Airport ("Midway") to take effect on January 1, 2013 (the "2013 Use Agreement"), upon expiration of the existing agreements, and remain in effect for a term of 15 years. This submittal is an update to the competition plan for Midway, which was last updated in 2004, in accordance with the requirements of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century and guidance from the Federal Aviation Administration (the "FAA") with respect to the execution of new master use agreements for Midway.

1. AVAILABILITY OF GATES AND RELATED FACILITIES

With the 2013 Use Agreement, the City has further sought to maximize the utilization of Midway's gates and other facilities and to accommodate possible new entrant air carriers.

A. Gate Allocation

The City has a comprehensive and proactive gate monitoring and management program in place at Midway. Since the mid-1990s, the City has compiled air carrier schedules and formulated monthly gate allocation charts to ensure the highest utilization of the airport's gates and other facilities. These charts have been shared monthly with the airlines and have also been used to accommodate new entrants and schedule expansion of incumbent air carriers. Given the City's ability to accommodate significant growth at Midway, the City has created an exemplary model for gate allocation and monitoring.

The City has promulgated procedures for gate allocation on the City-controlled gates. The City, with the cooperation of and input from interested air carriers, developed Gate Access and Assignment Procedures for the International Gates (the "International Gate Procedures"). The City, again with coordination and input from the air carriers, also developed and promulgated Gate Access and Assignment Procedures for City Controlled Domestic Gates and North Ramp Triangle Pad (the "Domestic Gate Procedures"). Copies of these procedures have been distributed to air carriers' corporate offices and local station managers, as well as to potential new entrant carriers.

One important component of the International and Domestic Gate Procedures is the formation of the Gate Planning and Review Committee ("GPRC"). The GPRC is comprised of all users of the City-controlled gates and is primarily responsible for monitoring the administration of the International and Domestic Gate Procedures as well as recommending to the City resolutions to disputes and conflicts.

B. City-Controlled Gates

The 2013 Use Agreement provides for more City-controlled common use gates. The City will retain control of 10 to 12 of Midway's 43 gates, including the international gates. At the time of the 2004 Competition Plan Update, the City had control of only five gates. The City has used, and will continue to use, the City-controlled gates to accommodate new entrant carriers and carriers desiring to expand their service at Midway. With these additional common use gates, the City is well positioned to accommodate future airline schedule growth at Midway.

C. Gate Utilization and Recapture Policy

The 2013 Use Agreement further improves upon the City's gate utilization requirements for leased gates and the ability of the City to recapture under-utilized gates. The 2013 Use Agreement eliminates any remaining leased gates grandfathered from the 1997 Airport Use Agreement and Facilities Lease, for which there are lesser utilization requirements. Under the 2013 Use Agreement, all leased gates are required to meet the daily average utilization standard of 1,000 departing seats (per leased gate, per day).

If an air carrier does not meet that requirement, the City may terminate the carrier's lease of one or more gates, as may be necessary to cause the carrier to meet the utilization requirement. On previous occasions, the City has invoked this right to recapture under-utilized gates to ensure the best and most efficient utilization of the gates at Midway.

D. Gate Utilization Monitoring System

The City has been very proactive in its gate allocation and monitoring practices. Since the mid-1990s, the City has compiled air carrier schedules and formulated monthly gate allocation charts to ensure the highest utilization of Midway's gates and other facilities. The charts are shared on a monthly basis with the carriers, are available upon request to potential new entrants, and are used to accommodate new entrants and schedule expansion of incumbent air carriers. The charts also play a critical role in the City's oversight of gate utilization and enforcement of gate utilization requirements.

The City has also implemented a system to monitor the actual utilization of its gates at Midway. The system captures the real-time arrival and departure information from a multi-user flight information display system installed at Midway. The flight information, which is stored in a relational database, is then collated and analyzed. Ramp charts depicting actual daily activity, gate utilization reports by airline, terminal, concourse and gate, on time performance statistics, and other operational information are produced from the gate monitoring and utilization analysis.

This information allows the City to compare the scheduled activity of the carriers against the actual activity. The system provides the City with more complete and verifiable information when making decisions regarding the recapturing of gates and, if circumstances warrant, directing expanding incumbents or new entrants to carriers that may have the ability to accommodate them.

E. Accommodation of New Entrants and Incumbent Carriers Seeking to Expand at the Airport

The City has been able to accommodate all requests for new or expanded service at Midway. Since the 2004 Competition Plan Update, Frontier Airlines, Porter Airlines, and Volaris Airlines have each begun service and continue to operate at Midway. Porter Airlines has executed the 2013 Use Agreement, and Frontier Airlines and Volaris Airlines have indicated their intent to do so. The City is also working actively to recruit new entrants and to encourage incumbent carriers to expand their service at Midway.

The following table summarizes new entrant requests for access to Midway during the prior three years and the outcome of those requests:

AIRLINE	REQUEST	OUTCOME
Branson Air Express	Four weekly flights to Branson, MO (BKG)	Began service September 2010; Discontinued service December 2010
Air Partners	Twice daily flights to St. Cloud, MN (STC)	Never started
Community Air, Inc.	Twenty-five flights a week to St. Cloud, MN (STC)	Never started
Republic Airlines	Monthly flights to Atlantic City, NJ, Tunica, MS (UTM), Laughlin AZ	Not yet started
Volaris Airlines	One daily flight to Guadalajara, Mexico (GDL)	Began service December 2010; Expanded markets to include MEX, ZCL, MLM and BJX
VivaAerobus	Two weekly flights to Monterrey, Mexico (MTY)	Began service October 2011; Discontinued service April 2012
Public Charters	Ten weekly flights to Manistee, MI (MBL)	Began service May 2012; Suspended service October 2012
Inter Jet	Flights to Toluca, MX (TLC)	Not yet started; Awaiting route approval from DOT
Viza Xtra Airways	Flights to Memphis, TN (MEM) Branson, MO (BKG) Tunica, MS (UTM)	Never started
Intrepid International	Flights to Grand Rapids, MI (GRR)	Never started; lost EAS bid
Gulfstream International Airlines	Flights to Marion, IL (MWA), Quincy, IL (UIN), Decatur IL (DEC)	Never started; lost EAS bid
Loc Air, Inc.	Flights to Quincy, IL (UIN), Terre Haute, IN (HUF), Columbia, MO (COU)	Never started; lost EAS bid

2. LEASING AND SUBLEASING ARRANGEMENTS

As noted above, the 2013 Use Agreement reduces the number of leased gates, increases the number of City-controlled common use gates, eliminates the "grandfathered" leased gates, and imposes a uniform gate utilization requirement on all leased gates. These improvements, coupled with the City's proactive utilization monitoring, are intended to ensure that Midway gates are efficiently utilized.

There are currently no subleases at Midway. Subleases are not necessary for carriers to obtain access to Midway. In addition to common use gates, the City also has terminal operations office space available for an air carrier's use and lease. The City's utilization requirements and active utilization monitoring enable the City to identify and recapture under-utilized gates, thus making those gates available to new entrants and reducing the potential need for a subleasing arrangement with an incumbent carrier. The City also increased the number of City-controlled gates, which are made available to new entrants in accordance with the airport use agreement and the International and Domestic Gate Procedures.

If nonetheless a sublease is desired, the City provides monthly gate utilization charts to all incumbent air carriers at Midway and to potential new entrants. These charts show where there is gate availability and assist a new entrant in determining which incumbent air carrier to contact regarding a potential sublease. The City also remains available to

assist carriers in obtaining subleases. The 2013 Use Agreement also caps the amount an incumbent carrier may charge a sublessee.

If, despite its reasonable efforts, a potential new entrant is unable to obtain a sublease, and there are not sufficient City-controlled common use gates, the City retains authority under the 2013 Use Agreement to require incumbent air carriers to share their leased gates. The 2013 Use Agreement also sets forth the criteria by which the City will determine which leased gates should be shared, with a goal of maximizing gate utilization and minimizing interference to incumbent carriers' existing operations.

3. PATTERNS OF AIR SERVICE

A. Markets Served

As of December 2012, 72 domestic destinations and 8 international markets were served from Midway with non-stop or direct service. For purposes of this section, direct service is defined as same plane, same flight number, scheduled service.

NUMBER OF AIRPORTS SERVED FROM MIDWAY	
as of December 2012	
Airlines (excluding affiliates)	6
Domestic Air Service	
Nonstop	60
Direct	12
Total Domestic	72
International Air Service	
Nonstop	8
Direct	0
Total International	8
Total	
Nonstop	68
Direct	12
Total	80
Source: Official Airline Guide (December 2012)	

B. New and Discontinued Markets

Between January 2010 and December 2012, 17 non-stop markets were added at Midway (including 11 domestic and six international markets). One non-stop international market and two non-stop domestic markets were discontinued. One market has seasonal service, and one market has intermittent service (meaning there is no regular pattern for when service is started or stopped).

**NEW OR DISCONTINUED NONSTOP MARKETS
BETWEEN JANUARY 2010 and DECEMBER 2012**

New Markets

1.	BJX	Leon/Guanajuato Mexico
2.	CAK	Akron/Canton OH
3.	CHS	Charleston SC
4.	CUN	Cancun Mexico
5.	DSM	Des Moines IA
6.	EWR	Newark/New York (Liberty) NJ
7.	GDL	Guadalajara Mexico
8.	GSP	Greenville/Spartanburg SC
9.	LUK	Cincinnati (Lunken) OH
10.	MBL	Manistee MI
11.	MEX	Mexico City (Benito Juarez)
12.	MLM	Morelia Mexico
13.	MTY	Monterrey Mexico
14.	OKC	Oklahoma City (Rogers) OK
15.	ONT	Ontario (Intl) CA
16.	SNA	Santa Ana (J.Wayne) CA
17.	ZCL	Zacatecas Mexico

Discontinued Markets

1.	ISP	Long Island MacArthur NY
2.	MTY	Monterrey Mexico
3.	SRQ	Sarasota/Bradenton FL

Intermittent Markets

1.	TLC	Mexico City (Toluca) Mexico
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Seasonal Markets

1.	BKG	Branson MO
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Source: Official Airline Guide (December 2012)

C. Non-stop Markets and Average Weekday Flights

As of December 2012, Midway served 60 non-stop domestic destinations with an average of 243 commercial passenger flights departing each weekday, an increase of 14 average daily departures since 2010.

D. Number of EAS and Small Community Airports Served

One Essential Air Service ("EAS") airport was being served from Midway as of December 2012. In addition, 11 small community airports were served from Midway, 7 with non-stop service.

EAS AIRPORTS AND SMALL COMMUNITIES SERVED December 2012				
Code	Destination	EAS¹	Small Community²	NS/Direct
ALB	Albany NY	No	Yes	Non-Stop
AMA	Amarillo TX	No	Yes	Direct
AUS	Austin(Bergstrom Intl) TX	No	Yes	Non-Stop
BOI	Boise ID	No	Yes	Direct
BKG	Branson MO	No	Yes	Non-Stop
CHS	Charleston SC	No	Yes	Non-Stop
GSP	Greenville/Spartanburg SC	No	Yes	Non-Stop
JAN	Jackson-Evers(Intl) MS	No	Yes	Non-Stop
MBL	Manistee MI	Yes	Yes	Non-Stop
ECP	Panama City (NW FL Beaches) FL	No	Yes	Direct
GEG	Spokane(Intl) WA	No	Yes	Direct

1. Essential Air Service Determinations, DOT, <http://www.dot.gov/office-policy/aviation-policy/essential-air-service-determination>

2. Population of MSA less than 500,000 based on Woods & Poole Data, 2012

E. Markets Served By Low-Fare Carriers

As of December 2012, low fare carriers served a total of 81 destinations from Midway. Of those low-fare destinations, 70 were non-stop destinations. The remaining 11 were all direct-service destinations.

MARKETS SERVED BY LOW-FARE CARRIERS December 2012							
Code	Destination	Carrier	NS/Direct	Code	Destination	Carrier	NS/Direct
ABQ	Albuquerque NM	WN	Non-Stop	LUK	Cincinnati (Lunken) OH	P1	Non-Stop
ALB	Albany NY	WN	Non-Stop	MBL	Manistee MI	P1	Non-Stop
AMA	Amarillo TX	WN	Direct	MCI	Kansas City(Intl) MO	WN	Non-Stop
ATL	Atlanta(Intl) GA	FL	Non-Stop	MCO	Orlando(Intl) FL	FL	Non-Stop
AUS	Austin(Bergstrom Intl) TX	WN	Non-Stop	MCO	Orlando(Intl) FL	WN	Non-Stop
BDL	Hartford(Bradley Intl) CT	WN	Non-Stop	MEX	Mexico City (Benito Juarez)	Y4	Non-Stop
BHM	Birmingham AL	WN	Non-Stop	MHT	Manchester (Boston Reg.) NH	WN	Non-Stop
BJX	Leon/Guanajuato Mexico	Y4	Non-Stop	MLM	Morelia Mexico	Y4	Non-Stop
BKG	Branson MO	FL	Non-Stop	MSP	Minneapolis/St. Paul(Intl) MN	WN	Non-Stop
BNA	Nashville(Intl) TN	WN	Non-Stop	MSY	New Orleans(Intl) LA	WN	Non-Stop
BOI	Boise ID	WN	Direct	OAK	Oakland CA	WN	Non-Stop

BOS	Boston(Intl) MA	WN	Non-Stop	OKC	Oklahoma City (Rogers) OK	WN	Non-Stop
BUF	Buffalo(Intl) NY	WN	Non-Stop	OMA	Omaha NE	WN	Non-Stop
BUR	Burbank CA	WN	Direct	ONT	Ontario (Intl) CA	WN	Non-Stop
BWI	Baltimore(Intl) MD	WN	Non-Stop	ORF	Norfolk/Va.Bch/Wmbg VA	WN	Non-Stop
CAK	Akron/Canton OH	WN	Non-Stop	PBI	West Palm Beach(Intl) FL	WN	Direct
CHS	Charleston SC	WN	Non-Stop	PDX	Portland OR	WN	Non-Stop
CLE	Cleveland(Intl) OH	WN	Non-Stop	PHL	Philadelphia(Intl) PA	WN	Non-Stop
CMH	Columbus(Intl) OH	WN	Non-Stop	PHX	Phoenix(Intl) AZ	WN	Non-Stop
CUN	Cancun Mexico	FL	Non-Stop	PIT	Pittsburgh(Intl) PA	WN	Non-Stop
DAL	Dallas/Ft. Worth(Love Fld) TX	WN	Direct	PVD	Providence RI	WN	Non-Stop
DEN	Denver(Intl) CO	WN	Non-Stop	RDU	Raleigh/Durham NC	WN	Non-Stop
DEN	Denver(Intl) CO	F9	Non-Stop	RNO	Reno NV	WN	Non-Stop
DSM	Des Moines IA	WN	Non-Stop	RSW	Ft. Myers(Southwest FL Intl)	FL	Non-Stop
DTW	Detroit(Metro Wayne) MI	WN	Non-Stop	RSW	Ft. Myers(Southwest FL Intl)	WN	Non-Stop
ECP	Panama Cty (NW FL Beaches)	WN	Direct	SAN	San Diego(Intl) CA	WN	Non-Stop
ELP	El Paso TX	WN	Direct	SAT	San Antonio TX	WN	Non-Stop
EWR	Newark/New York(Liberty) NJ	WN	Non-Stop	SDF	Louisville KY	WN	Non-Stop
FLL	Ft. Lauderdale(Intl) FL	WN	Non-Stop	SEA	Seattle/Tacoma(Intl) WA	WN	Non-Stop
GDL	Guadalajara Mexico	Y4	Non-Stop	SFO	San Francisco(Intl) CA	WN	Non-Stop
GEG	Spokane(Intl) WA	WN	Direct	SJC	San Jose(Mineta Intl) CA	WN	Non-Stop
GSP	Greenville/Spartanburg SC	WN	Non-Stop	SLC	Salt Lake City UT	WN	Non-Stop
HOU	Houston(Hobby) TX	WN	Non-Stop	SMF	Sacramento (Intl) CA	WN	Non-Stop
IAD	Washington(Dulles Intl) DC	WN	Non-Stop	SNA	Santa Ana(J.Wayne) CA	WN	Non-Stop
ISP	Long Is. MacArthur NY	WN	Direct	STL	St. Louis(Intl) MO	WN	Non-Stop
JAN	Jackson-Evers(Intl) MS	WN	Non-Stop	TLC	Mexico City (Toluca) Mexico	Y4	Non-Stop
JAX	Jacksonville(Intl) FL	WN	Direct	TPA	Tampa(Intl) FL	WN	Non-Stop
LAS	Las Vegas(Intl) NV	WN	Non-Stop	TUL	Tulsa OK	WN	Direct
LAX	Los Angeles(Intl) CA	WN	Non-Stop	TUS	Tucson AZ	WN	Non-Stop
LGA	New York(Laguardia) NY	WN	Non-Stop	ZCL	Zacatecas Mexico	Y4	Non-Stop
LIT	Little Rock AR	WN	Non-Stop				

Source: Official Airline Guide December 2012

F. Single-Carrier Markets

As of December 2012, Midway has non-stop service to 68 destinations, including 60 domestic and 8 international destinations. Of these non-stop markets from Midway, 6 were multiple-carrier markets and 62 were single-carrier markets. The 54 domestic and 8 international single carrier markets and the serving carrier are presented in the following tables.

SINGLE CARRIER MARKETS (DOMESTIC) December 2012

Code	Domestic Destination	Carrier	Code	Domestic Destination	Carrier
ABQ	Albuquerque NM	WN	OAK	Oakland CA	WN
ALB	Albany NY	WN	OKC	Oklahoma City (Rogers) OK	WN
AUS	Austin(Bergstrom Intl) TX	WN	OMA	Omaha NE	WN
BDL	Hartford(Bradley Intl) CT	WN	ONT	Ontario (Intl) CA	WN
BHM	Birmingham AL	WN	ORF	Norfolk/Va.Bch/Wmbg VA	WN

BKG	Branson MO	FL	PDX	Portland OR	WN
BNA	Nashville(Intl) TN	WN	PHL	Philadelphia(Intl) PA	WN
BOS	Boston(Intl) MA	WN	PHX	Phoenix(Intl) AZ	WN
BUF	Buffalo(Intl) NY	WN	PIT	Pittsburgh(Intl) PA	WN
BWI	Baltimore(Intl) MD	WN	PVD	Providence RI	WN
CAK	Akron/Canton OH	WN	RDU	Raleigh/Durham NC	WN
CHS	Charleston SC	WN	RNO	Reno NV	WN
CLE	Cleveland(Intl) OH	WN	SAN	San Diego(Intl) CA	WN
CMH	Columbus(Intl) OH	WN	SAT	San Antonio TX	WN
DSM	Des Moines IA	WN	SDF	Louisville KY	WN
EWR	Newark/New York(Liberty) NJ	WN	SEA	Seattle/Tacoma(Intl) WA	WN
FLL	Ft. Lauderdale(Intl) FL	WN	SFO	San Francisco(Intl) CA	WN
GSP	Greenville/Spartanburg SC	WN	SJC	San Jose Norman Y. Mineta Intl CA	WN
HOU	Houston(Hobby) TX	WN	SLC	Salt Lake City UT	WN
IAD	Washington(Dulles Intl) DC	WN	SMF	Sacramento (Intl) CA	WN
JAN	Jackson-Evers(Intl) MS	WN	SNA	Santa Ana(J.Wayne) CA	WN
LAS	Las Vegas(Intl) NV	WN	STL	St. Louis(Intl) MO	WN
LAX	Los Angeles(Intl) CA	WN	TPA	Tampa(Intl) FL	WN
LGA	New York(Laguardia) NY	WN	TUS	Tucson AZ	WN
LIT	Little Rock AR	WN			
LUK	Cincinnati(Lunken) OH	P1			
MBL	Manistee MI	P1			
MCI	Kansas City(Intl) MO	WN			
MHT	Manchester (Boston Regional) NH	WN			
MSY	New Orleans(Intl) LA	WN			

Source: Official Airline Guide December 2012

SINGLE CARRIER MARKETS (INTERNATIONAL) December 2012

Code	International Destination	Carrier
BJX	Leon/Guanajuato Mexico	Y4
CUN	Cancun Mexico	FL
GDL	Guadalajara Mexico	Y4
MEX	Mexico City (Benito Juarez) Mexico	Y4
MLM	Morelia Mexico	Y4
TLC	Mexico City (Toluca) Mexico	Y4
YTZ	Toronto(City Centre) ON Canada	PD
ZCL	Zacatecas Mexico	Y4

Source: Official Airline Guide December 2012

4. GATE ASSIGNMENT POLICY

The City regularly consults the air carriers serving Midway on the administration of its gate assignment policies. The City and air carriers meet monthly. The City's aviation consultant, Landrum & Brown, also communicates weekly with the carriers on a variety of topics, including gate assignment.

As noted above, the City has adopted International and Domestic Gate Procedures that govern the assignment of non-leased gates. The City has worked with the air carriers to review and update those procedures, most recently as of September 2011. The City expects to publish further revisions on January 1, 2013.

5. GATE USE REQUIREMENTS

As noted above, the 2013 Use Agreement imposes an average daily gate utilization requirement of 1,000 departing seats (per leased gate, per day) with respect to all leased gates. The "grandfathered" leased gates with lesser utilization requirements have been eliminated under the 2013 Use Agreement. The City actively monitors utilization of all gates to ensure that Midway is efficiently utilized and, if necessary, to recapture under-utilized gates.

The 2013 Use Agreement employs a rate structure to ensure that there is no cost difference between operating from a leased gate versus a City-controlled gate, so as not to impose any premium on air carriers using common use gates. A new or expanding air carrier may operate from Midway using a City-controlled gate without financial disadvantage relative to air carriers with leased gates.

There have been no other changes to requirements for signatory status or leased gates, or to the calculation of rental rates and common use fees, since the 2004 Competition Plan Update.

6. FINANCIAL CONSTRAINTS

There have been no changes to the financial arrangements between the City and the signatory carriers since the 2004 Competition Plan Update. The City regularly re-examines its rate structure to ensure there is no cost difference between operating out of a leased gate versus a City-controlled gate, so as not to penalize carriers using common use gates.

7. AIRPORT CONTROLS OVER AIRSIDE AND GROUNDSIDE CAPACITY

Under the 2013 Use Agreement, the City and air carriers agreed upon certain major projects, including the reconstruction of Runway 31C/13C, continuation of the residential sound insulation program, and expansion of the passenger security checkpoint. In addition, the 2013 Use Agreement provides for an annual capital and maintenance program of \$40 million per year, escalating over the term of the agreement. Thus, the City retains the ability to maintain and enhance Midway over the term of the agreement.

8. CONSTRUCTION OR ACQUISITION OF GATES FOR USE AS COMMON FACILITIES

There are no active plans for the construction or acquisition of additional gates as common use facilities. As noted above, the City has increased the number of City-controlled gates, thus ensuring a sufficient stock of common use gates to accommodate new and expanding carriers at Midway during the term of the 2013 Use Agreement.