

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

Item No. 5a

Date of Meeting 1/25/2011

DATE: January 18, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: James R. Schone, Director, Aviation Business Development
James Jennings, Manager, Aviation Properties

SUBJECT: Memorandum of Lease Termination for Republic Airlines dba Midwest Airlines
Signatory Lease Operating Agreement

ACTION REQUESTED:

Authorization for the Chief Executive Officer to execute a Memorandum of Lease Termination for Republic Airlines dba Midwest Airlines Signatory Lease Operating Agreement (SLOA).

SYNOPSIS:

Both Midwest Airlines and Frontier Airlines were purchased by Republic Airways Holdings in 2009. Republic subsequently eliminated the Midwest brand and is requesting to consolidate operations under the Frontier brand. This action would create administrative efficiencies related to Republic's reporting and invoicing. Due to their ownership and operating structure, Republic Airlines only flies as a contracting carrier and intends to fly as such under Frontier in Seattle. Republic Airlines therefore has requested to convert their Republic dba Midwest SLOA to an Affiliate Agreement. This requires termination of the Republic Airlines dba Midwest SLOA and the execution of a Republic Airlines Affiliate Agreement. The Port's Legal Department reviewed and agrees with Republic's request.

BACKGROUND:

Midwest Airlines became a SLOA carrier on April 27, 2007. Frontier Airlines became a SLOA carrier on April 4, 2006. During the summer of 2009, both airlines were acquired by Republic Airways Holdings. The Midwest SLOA was assigned to Republic Airlines dba Midwest Airlines on November 3, 2009.

As defined in SLOA, an Airline may operate as an Affiliate carrier as outlined below:

“Affiliate” means any Air Carrier flying in or out of the Airport solely for the benefit of a Contracting Carrier(s) and providing transportation of property or passengers for the Contracting Carrier under the name of the Contracting Carrier or, if flying under its own

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name, is not selling any seats in its own name and all seats are being sold in the name of the Contracting Carrier.

“Contracting Carrier” shall mean a Signatory Airline who contracts with another Air Carrier that is an Affiliate.

Per Resolution 3605 Section 2.3.3, a substantive change to a real property agreement, such as the termination of a SLOA agreement, requires Commission Approval. In following this policy, Port staff requests that the Commission authorize staff to execute the attached Memorandum of Lease Termination (Exhibit A).

FINANCIAL IMPLICATIONS:

There is no financial impact to the Port related to this action because all costs are redistributed to the airlines through rates and charges, but there would be a small decrease in costs to Republic in its baggage fees.

BUSINESS PLAN OBJECTIVES:

With no resulting loss of revenue to the Airport, replacing the Republic Airlines SLOA with a Republic Airlines Affiliate Agreement with Frontier does not negatively affect the Port’s strategic or business plan objectives.

ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1: Execute the Memorandum of Lease Termination, as requested by Republic Airlines, allowing them to terminate their dba Midwest SLOA and execute an Affiliate Agreement under Frontier’s SLOA. **This is the recommended alternative.**

Alternative 2: Require Republic Airlines to remain under their existing dba Midwest SLOA agreement. This action would be inconsistent with the anticipated operating practices, since Republic Airlines can no longer fly under the retired Midwest brand and would be flying on behalf of Frontier without appropriate contractual provisions. This is not the recommended alternative.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

Exhibit A: Memorandum of Lease Termination.

PREVIOUS COMMISSION ACTION:

None.