



DRIVING A STRONG ECONOMY COMMITTEE
Report
April 26, 2004

Members Present: Chair Forrest Williams, Councilmember Chuck Reed, Councilmember Judy Chirco

Members Absent: Vice-Chair Terry Gregory

Staff Present: Mark Linder, Paul Krutko, Ed Moran, Jim Peterson

The meeting was convened at 1:35 p.m.

1. Report on Air Service (Airport)

Jim Peterson, Deputy Director of Business Development presented this staff report. Mineta San Jose International Airport (SJC) serves twelve passenger airlines, with international flights to Mexico and Japan, as well as cargo. Since 9/11 and the slowdown in the regional economy, particularly the technology sector, a steep decline in both passenger and cargo activity has occurred, resulting in significant reductions in both flights and available seats. International service was cancelled to Paris, France; Taipei, Taiwan; Ottawa, Calgary and Toronto, Canada. At present the air service development strategy is to retain current air service levels, pursue reinstatement of those lost flights, and pursue new carriers/additional flights.

Some highlights of activity discussed were the recent addition of domestic air service by JetBlue Airways. Non-stop service between San Jose and New York's JFK will commence June 10, 2004. This culminates in a two-year effort of providing market research and analysis to support JetBlue's decision. ATA Airlines is consolidating their Bay Area service into San Francisco Airport (SFO) and eliminating service to SJC. ATA was operating a twice a day, non-stop service to Chicago's Midway airport. American Airlines will add a second daily flight to Boston. Airport and Office of Economic Development (OED) staff met with American Airlines senior route management in January 2004 to provide economic and air service updates and to solicit new air service. Adding additional international air service is a primary goal for Airport staff. Meetings with Aer Lingus, British Airways, American Airlines, (Japan/Taiwan/Hong Kong) have taken place, providing senior management with market data to promote the value and need to serve San Jose and Silicon Valley.

Chair Williams commented that at one time there were new flights and carriers interested in serving SJC, and asked for an overview from that point in time to the present. Staff responded that at the peak of our economic success, SJC was unable to accommodate a large number of carriers or increased flights. The airport lacked the capacity of expansion, but has actively planned for expansion with the present construction underway. After the downturn in our local economy, followed with the 9/11 terrorist attacks, carriers began to reduce the number of flights or pulled out altogether.

Paul Krutko, Director of the Office of Economic Development (OED), stated that airline carriers have eliminated analyst positions that used to do the data analysis for air service routes for both passengers and cargo, and that this is something OED is working to provide. Paul also highlighted how the new international facility at SJC was marketed to British Airways. International travelers arriving or departing from the SJC terminal are in the heart of Silicon Valley within minutes. Another marketing point is that passengers and customers for most international flights originate from the Silicon Valley region. A challenge facing staff is name recognition of San Jose for both domestic and international clients and the need to educate clients where San Jose is, and why business should be focused here.

Councilmember Reed asked how the present airport expansion fits into the present carrier expectations. Staff responded that carriers are pleased with the improvements, and are interested in investing in the new facility, though they are also concerned with any increased costs in operations. Councilmember Reed asked if the concept of the bullet train to transport air passengers had been discussed. Staff responded no, at this time focus is only on projects one- to two-years out.

Councilmember Chirco asked which markets have local businesses indicated they need access to. Paul Krutko mentioned several domestic locations, known for their high technology businesses: Raleigh-Durham, Austin, Phoenix, Tucson, Boston, Denver and Boise. Local businesses will want to routes to China as well.

Chair Williams asked why San Jose is not recognizable after being the leader in so many technologies and companies. Staff responded that SJC is in a unique situation, competing with two other international airports in close proximity, and San Francisco is a city recognized worldwide. San Jose is not seen as a 'leisure destination'. Chair Williams asked the ratio was for business verses leisure travel out of SJC. Staff responded 48% of passengers are traveling on business. During the peak end of our economy, 53% of passengers were business travelers. The team's focus is to serve this sector because of the economic benefits. Chair Williams asked what goals did staff have to increase Airport profitability. Staff responded that they have no control over the decision making process of carriers. Anticipating the demand and growth by providing data and research supporting SJC as the best location for carriers to serve has and will be the approach. Educating airline officials and decision makers of the value and need to serve San Jose and Silicon Valley is a continuous process. Cisco

Systems has partnered with city staff in the One Voice Initiative to help identify where San Jose is, and let their customers know that they are in San Jose. Connecting with other local companies and their business traveler needs and sharing that story with the carriers, further helps to identify SJC as the preferred choice over SFO.

Councilmember Reed asked staff if we effectively market to a carrier to relocate here, how do we ensure that if we are successful at getting a new service, it will remain. Staff works with the carriers closely monitoring passenger and cargo loads and links sales staff to business customers. Identifying travel trends, Silicon Valley investments overseas, and the financial performance of our local companies are indicators that help carriers succeed here.

Chair Williams agreed that new and creative ways to market San Jose is a priority and how will that be accomplished. Staff responded that this is an initiative in the Economic Development Strategy. San Jose should be recognized as a leisure destination on a national as well as an international level. Examples of marketing strategies staff is pursuing include highlighting the following:

- The International Art Symposium occurs every two years and will be here in 2006. This year it is in Stockholm and there is potential to permanently host this event in San Jose.
- New Civic Center architecture by world renowned architect
- New Airport/ International Terminal
- San Jose Jazz Festival is one of the largest, free outdoor concerts
- National Hockey League Sharks are based here

Upon motion of Councilmember Reed, seconded by Councilmember Chirco, the Committee accepted staff's report on, "Report on Air Service".

2. **Report on attracting amateur and professional sports to San Jose (Office of Economic Development, City Manager, Sports Authority)**

Upon motion of Councilmember Reed, seconded by Councilmember Chirco, the Committee accepted staff's request for deferral for, "Report on attracting amateur and professional sports to San Jose".

3. **Report on the results of development process improvements (Housing, Planning, Building & Code Enforcement)**

Upon motion of Councilmember Chirco, seconded by Councilmember Reed, the Committee accepted staff's request for deferral for, "Report on the results of development process improvements".

4. **Oral Petitions**
None

5. **Adjournment**
The meeting was adjourned at 2:43 p.m.

Forrest Williams, Chair
Driving a Strong Economy Committee