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**Ad Hoc Committee on Airport Competitiveness**  
Meeting Report  
February 24, 2011

PRESENT: Mayor Reed, Councilmembers Liccardo, Pyle and Herrera

ABSENT: NA

STAFF: City Manager Debra Figone, City Attorney Rick Doyle, Airport Director Bill Sherry, Director of Economic Development Walesh, Sr. Deputy Attorney Kevin Fisher, Airport Director of Governmental Relations Jim Webb, Economic Development Policy Advisor, Ru Weerakoon and City Clerk Staff Technician Tamara Davis.

**A. Police Outsourcing/Fire Outsourcing**

Documents Filed: Memorandum from William Sherry, Director of Aviation to Mayor Reed and Council dated February 1, 2011 regarding Airport Public Safety Outsourcing Preliminary Business Cases.

In January, the Airport presented a Competitiveness Strategy Plan to Council. The Airport's Cost Per Enplanement (CPE) is currently \$25 and the plan aims to reduce it to \$17. However, to be competitive with SFO, the CPE needs to be reduced to \$12. Currently, Airport staff is looking to reduce the CPE expenditures by outsourcing Police and Fire Services. Currently, the Police cost in the CPE at San Jose International Airport (SJC) is \$1.41. It is \$.66 at Reagan National Airport (D.C.), \$ 0.14 in Atlanta, and \$ 0.89 in San Francisco. Only one airport, Orange County, had a cost higher than SJC at \$1.61. It is estimated that outsourcing the Airport public safety function could save the City \$10-12 million a year, which can be as much as \$2.50 off the CPE. However, while this reduction is significant for the Airport's CPE, it is still not yet in the competitive range. The Airport has issued an RFP for interested public safety vendors. The timeline for the RFP is as followed:

- 2/01/11 – Present Preliminary Business Case to Council
- 2/02/11 – Fire RFP posted
- 2/04/11 – PD RFP posted
- 3/02/11 – Stakeholder outreach meeting on policy 41 Business Case
- 3/11/11 – Deadline for RFP submittals
- 4/26/11 – Staff presentation and recommendations to Council.

Director of Aviation Bill Sherry mentioned that outsourcing Police and Fire at an airport is not a common practice. Only two airports, Burbank and Roanoke, VA, outsource Fire services, and Honolulu airport has a hybrid approach by outsourcing a portion of the police functions. He also stated that Fire operations at the airport are heavily regulated

by the FAA and some PD protocols are regulated by the TSA, which RFP applicants will have to demonstrate they can maintain.

Action: The Committee did not take any action.

**B. Business Engagement Strategy**

City staff provided an update regarding the business engagement strategy. The key to success is to involve large businesses with large travel volume. On February 4, 2011, the Mayor and delegation traveled to Japan to meet with the CEO of ANA (Tokyo-based airline) to discuss a travel route between the two cities. Carl Gardino, President and CEO of the Silicon Valley Leadership Group, which represents 325 Silicon Valley employers, played a critical role in the meeting and assured ANA that Silicon Valley companies want to fly to Asia. Envision 2040 is using a network of Silicon Valley CEOs and senior business staff to bring business to San Jose. The Mayor also presented ANA with a two-page letter of support from 30 Silicon Valley CEOs affirming support for flights between San Jose and Tokyo. Staff is looking at network opportunities with the Silicon Valley Chamber of Commerce, ethnic chambers and technology and other industry partners.

Action: The Committee did not take any action.

**C. Air Service Update**

Documents Filed: Memorandum from William Sherry, Director of Aviation to Mayor Reed and Council dated February 8, 2011 regarding Operation of Terminal A+ at Mineta San Jose International Airport.

Airport staff reported increased traffic growth between September and December. The airport is maintaining 90%+ passenger load, partly due to the fact that the carriers at SJC do not have direct competition. Director of Aviation Bill Sherry stated that SJC is in the top 5% of airports when comparing load factors. Currently Airport staff is reaching out to domestic and international carriers to increase routes and services for passengers. In March, Airport staff will be travelling to Austin to meet with four international carriers and three domestic carriers in an effort to increase services. Additionally, Airport staff will be travelling to Berlin in October to meet with 10 international carriers.

Action: The Committee did not take any action.

**D. SJC Name Change**

Documents Filed: Issue Document: Airport Name Change Issue Paper

Director of Aviation Bill Sherry stated that travelers do not know where SJC is located, unlike the San Francisco Airport (SFO). Staff reported that name recognition for the Norman Y. Mineta San José International Airport (SJC) is not widely known. Travelers do not know where San Jose is located, but they do recognize Silicon Valley and some airline carriers have asked the City if they would consider a name change. A name change would have to be done in accordance with Council Policy 7-5 and does not

require approval from the FAA, but they do need to be notified of the change. Staff did inquire about changing the airport identifier for San José – SJC – but was informed by the FAA that airport identifiers are permanent unless a very strong argument on public safety grounds can be made in favor of the change.

Staff has not explored the cost associated with a formal name change. However, it is estimated that a name change could cost upwards of \$125,000, using the costs of the 2001 name change as a reference, and take up to a minimum of nine months to complete. The benefits would be stronger association with Silicon Valley, create a separation from SFO, improve international recognition, and potentially make it easier to get corporate support. The downside to a name change is the name recognition of SJC has been in the airline industry for 50 years and Mineta name has been in the industry for the last 10 years.

The Committee asked whether the Airport's target audience was leisure, business, or international travelers. Additionally, the Mayor wanted to know if a name change would solicit increased traffic on Internet search engines.

Action: Director of Aviation Bill Sherry will research the questions asked by the Committee and provide an update at the next Committee meeting.

**E. Response to Committee Member Question (asked by Liccardo)**

Documents Filed: Cost Per Enplanement

Deputy Director of Aviation Terri Gomes provided the Committee with a response to Councilmember Liccardo's question at the January 6 Ad Hoc Committee meeting: "What's not covered in the CPE?" Ms. Gomes provided the Committee with a CPE handout that summarized what costs factor into the CPE.

Director of Aviation Bill Sherry informed the Committee that the CPE is a recognizable industry comparison among airports.

Action: The Committee did not take any action.

**F. Response to Committee Member Question (asked by Herrera)**

Airport Communications Director, David Vossbrink, provided the Committee with a response to Councilmember Herrera's question at the January 6 Ad Hoc Committee meeting: "Can we create a San Jose Index?" Mr. Vossbrink stated that the CPE is a common industry index. Airport staff continues to remind airline carriers of the benefits of flying into/out of San Jose: weather, amenities, and fewer delays. He mentioned that in 2008, US News conducted an Airport Misery Index, and the San Jose airport rated #1 as being the best airport out of the 47 that were surveyed. San Francisco rated as the 3<sup>rd</sup> worst airport and Chicago O'Hare was rated as the worst airport in the survey.

Councilmember Herrera mentioned that it might be helpful to create a ratio that would be helpful in comparing SJC to other airports. It might be helpful to target the Silicon Valley work industry to show them that over time SJC is the better airport.

Action: The Committee did not take any action.

**G. Topics for Discussion for the March Meeting**

1. Police Outsourcing/Fire Outsourcing
2. Business Engagement Strategy
3. Air Service Updates
4. West Side Development
5. Airport Bond Issue
6. Implementation of SB 1192 for Daily CFC Rental Car Fee
7. Establishing Airport-Specific Classifications

**H. Open Forum**

Ian Kluff mentioned that staff might present ANA airlines with connections to other domestic carriers and highlight the benefits of a co-share or alliances that may help with route sustainability and help keep planes full.

David Wall suggested that the Committee look at creating a maintenance hub for high-end corporate planes and that outsourcing of police and fire functions at the Airport is not a wise decision. Furthermore, the City should re-invent itself and distance itself from the Silicon Valley name.

**I. Adjournment**

The meeting was adjourned at 2:22 p.m.



Mayor Chuck Reed

Ad Hoc Committee on Airport Competitiveness