Stewart International Airport

Final Application

Under the Airport Privatization Pilot Program

January 8, 1999
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Part I. Parties to the Transaction

A. Name of the airport proposed for lease:

Stewart International Airport (SWF), New Windsor, NY

B. Name and address of the public sponsor of the airport; and name, address telephone number and fax number of the person to contact about the application:

New York State Department of Transportation
1220 Washington Avenue
Albany, New York 12232-0482
Attention: Planning and Strategy Group, Room 309

Timothy J. Gilchrist, Director
Planning and Strategy Group
New York State Department of Transportation
Building 5, Room 309
1220 Washington Avenue
Albany, New York 12232-0482

Telephone: (518) 457-6700
Facsimile: (518) 485-8276
C. **Name and address of the private operator proposing to lease the airport; and name, address, telephone number and fax number of the person(s) to contact about the application:**

SWF Airport Acquisition, Inc.
Building 702
2007 D Street
Stewart International Airport
New Windsor, New York 12553

Telephone: (914) - 564-2100, Ext. 253
Facsimile: (914) - 567-4873

Contact: Clive Davies, John Williams or Mary McCullough

Note: Information in this application was provided by NYSDOT and the Private Operator. Please direct any and all inquiries concerning the content of this application to NYSDOT.

D. **If the private operator proposing to lease the airport is a partnership, joint venture, or other consortium, list the participating members**

Not applicable; the private operator, SWF Airport Acquisition, Inc., is not a partnership, joint venture or other consortium.

E. **Citizenship of the private operator**

SWF Airport Acquisition, Inc., a Delaware corporation (“Tenant” or the “Private Operator”), is a wholly-owned subsidiary of National Express Corporation, a Delaware corporation (d/b/a National Express Transportation, Inc.), which is a wholly-owned subsidiary of National Express Group PLC, a United Kingdom public limited company listed on the London Stock Exchange (“National Express Group PLC”).

F. **A statement of the public sponsor’s authority to lease the airport, with a citation to legal authorities**

The New York State Department of Transportation (“NYSDOT”, “Public Sponsor” or “Landlord”), has the authority to lease Stewart International Airport to a private operator under New York State Transportation Law Article 15, Section 400(3)(b) (Attachment 1) which provides that NYSDOT may, on such terms and conditions as the NYSDOT Commissioner determines necessary, convenient, or desirable,
establish, construct, effectuate, operate, maintain, renovate, improve, extend, or repair air transportation facilities at Stewart International Airport, or may provide therefor by contract, lease or otherwise, with any person, firm, corporation, municipality, or governmental unit, agency or instrumentality.
Part II. Airport Property

A. A description of the airport property to be transferred:

Stewart International Airport consists of approximately 2,450 acres, located within the Orange County towns of New Windsor and Newburgh in New York’s mid-Hudson Valley. It is approximately five miles west of the City of Newburgh, 60 miles north of New York City, and 90 miles south of Albany. A survey of the airport, completed on September 15, 1998, is provided as Attachment 2 of this Application. The survey is consistent with boundaries depicted on the current Airport Layout Plan (“ALP”), appended as Attachment 3. The proposed leasehold is consistent with the survey and the ALP except that the Air National Guard Base (approximately 267 acres) is not included at this time, but could be included in the leasehold at the expiration of the lease agreement between NYSDOT and the Air National Guard.

B. A history of the acquisition of existing airport property, including types of deeds, dates and means of conveyance:

Of the 2,450 acres comprising Stewart International Airport, ownership of approximately 1,598 acres of land and improvements was transferred from the United States government to the Metropolitan Transportation Authority (“MTA”) of New York State (the “State”) by Quitclaim Deed dated October 16, 1970. A copy of the Quitclaim Deed is provided as Attachment 4. The Quitclaim Deed conveyed fee title, subject to certain conditions and reservations, including without limitation the requirement that the property be used for public airport purposes. A Supplemental Instrument of Transfer and Correction Deed dated as of March 31, 1974 conveyed certain additional property (approximately 8 acres) and corrected the property description in the Quitclaim Deed, and is provided as Attachment 5 (said Quitclaim Deed and Supplemental Instrument of Transfer and Correction Deed hereinafter is referred to as the “Quitclaim Deed”). The Air National Guard Base is located on property acquired through the Quitclaim Deed.

The State obtained the remaining 854 acres of property for the expansion of Stewart International Airport on August 12, 1971, by condemnation pursuant to Section 30 of the New York State Highway Law, as made applicable by Section 267-a of the New York Public Authorities Law. Additional property which is not part of Stewart International Airport, nor subject to this Application was also acquired at that time. A description of all property acquired is shown on Acquisition Map 1000 (Sheets 1 and 2), as filed with the County Clerk in Orange County, New York, and is provided as Attachment 6.
Chapter 370 of the Laws of 1982 transferred ownership of Stewart International Airport from the MTA to NYSDOT, on behalf of the State, on June 21, 1982.

Neither Federal nor local funds (other than State funds) were used by the State to acquire any of the airport premises.
Part III. Terms of the Transfer

A. A detailed description of the terms of the transfer, other than financial, including:

The form of the transaction: Lease

Term of the lease: 99 years

Description of any rights, authority, or interests retained by the public sponsor, including reversion of title to facilities:

NYSDOT, as freehold owner, landlord and public sponsor, reserves the following rights:

1. the right of inspection and entry upon premises;

2. the right to perform the private operator’s covenants if the private operator fails to perform;

3. the right to approve assignment of the lease;

4. the right to approve airport development in accordance with applicable state and federal environmental law, including the State Environmental Quality Review Act (“SEQRA”) and the National Environmental Policy Act (“NEPA”), if applicable;

5. the right to re-enter and operate the airport if the private operator interrupts airport operations after private operator bankruptcy and other events of default;

6. the right to review, audit, inspect and copy any and all financial records maintained by the private operator.
B. Financial Terms of the Transaction:

1. Amount and timing of payments to public sponsor:

<table>
<thead>
<tr>
<th>Payment</th>
<th>Timing of Payment</th>
<th>Amount of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Payment</td>
<td>Commencement of lease</td>
<td>$35,000,000.00</td>
</tr>
<tr>
<td>Annual Payments</td>
<td>Commencing on the tenth anniversary of the lease commencement date, a quarterly payment will be made.</td>
<td>5% of gross airport income to be defined in the lease.</td>
</tr>
</tbody>
</table>

2. Amounts of payments to the public sponsor to be used, respectively, for airport purposes and other purposes:

All proceeds from the $35,000,000 Initial Payment and future lease payments will be used for airport purposes. Therefore, NYSDOT is not requesting an exemption under 49 U.S.C. 47134 (b)(1) of the Privatization Pilot Program. (See Part V.A. of this application.)

NYSDOT intends to use the proceeds from the $35,000,000 Initial Payment and annual lease payments, which will commence upon the tenth anniversary of the lease, in accordance with provisions of 49 U.S.C. 47107(l)(A) and (B) which state that payments to airport sponsors for services conducted on or off the airport or reimbursement for capital contributions or operating expenses incurred within six years do not constitute prohibited revenue diversion. Attachment 9 provides a detailed statement of payments by NYSDOT at both Stewart and Republic Airports (the two airports owned and operated by NYSDOT) for capital contributions within the last six years. The accounting sets forth more than $24,400,000 in non-airport, non-federal, non-Passenger Facility Charge (PFC) revenues expended by the State during the last six (6) years.

The balance of the initial payment (less the cost of privatization) will be used for airport purposes, as defined in Title 49 U.S.C. Section 47107, as follows:

a. approximately $2,500,000 for: (1) costs incurred by NYSDOT as a result of the privatization initiative; (2) ensuring continued operation of the airport in the event of default by the lessee; (3) general oversight costs; and (4) completion of capital projects.
b. approximately $2,150,000 for future capital projects at Stewart International Airport;

c. approximately $2,500,000 ($500,000 per year for five years) for the continued operation and development of Republic Airport (FRG) in Farmingdale, NY, which is owned and operated by NYSDOT and is part of the local airport system;

d. approximately $8,500,000 for construction of a new on-airport roadway between Drury Lane, in the Town of New Windsor, and the Stewart Airport passenger terminal. Construction will be undertaken as part of a proposed Stewart Airport Access Connector Project, which is currently under consideration by NYSDOT and the New York State Thruway Authority. The proposed project will improve access to Stewart Airport from the interstate highway system by constructing a new interchange at the intersection of Drury Lane and Interstate 84, improving the existing Drury Lane and completing the aforementioned airport access road.

Use of the Annual Lease Payments

Annual lease payments (5% of gross income) commencing on the tenth anniversary of the lease are payments that will depend upon actual gross income at the airport. The proposed use of these funds will be to provide: funding for continued operation and improvement of Republic Airport (FRG) in Farmingdale, New York; and any additional costs incurred by NYSDOT in carrying out any ongoing responsibilities in relation to Stewart International Airport operations, including but not limited to: ensuring continued operation of the airport in the event of default by the lessee, and lease oversight costs.

Financial arrangements, including source of the funds used by the private operator for purchase payment or initial and future lease payments:

National Express Group PLC will capitalize its wholly-owned U.S. subsidiary, the Private Operator, adequately for the purpose of leasing Stewart International Airport and conducting operations immediately following the turnover. The $35,000,000 initial payment to NYSDOT will originate from National Express Group PLC’s substantial committed revolving credit facilities to the extent that surplus funds of National Express Group PLC are not otherwise available at the time of turnover. See Part III.C. of this application.
Future lease payments commencing on the tenth anniversary of the lease will be made from the Private Operator’s Stewart International Airport internally generated operating revenue.

**Projected impact of the initial transaction on the fee structure for charges to the airport users:**

The initial payment to NYSDOT will not impact on the fee structure for air carriers, whose rates and charges will be held constant for a period following transfer. In respect to other airport users, including general aviation, please see Parts V.C., VII.A.5., and VII.A.6 of this application.

**Projected impact of future lease payments to the public sponsor on the fee structure for charges to airport users:**

The future annual lease payments to NYSDOT will have no impact on the fee structure for air carriers (See Parts V.C., VII.A.5., VII.A.6. of this application and Attachment 13, Proposed Form of Private Operator/Signatory Airline Memorandum of Understanding, dated July 24, 1998).

**Other relevant financial terms of the transfer:**

Five-year Capital Improvement Program as described in Part VII.A.4. of this application.

**C. Copies of all documents executed as part of transfer:**

Lease and transfer documents will be provided to the FAA when executed. (The parties expect that the FAA exemptions will be provided on or before the transfer date.)
D. **A request for confidentiality of any particular document or information submitted, with supporting information:**

Pursuant to Part III.D. of the Final Pilot Program Application Regulations, neither the Public Sponsor nor the Private Operator request confidential treatment of information submitted in this Final Application, dated January 8, 1999. In the event the FAA requests additional information, the Private Operator requests that trade secrets and commercial or financial information obtained from the Private Operator be treated as privileged and confidential under Part III.D. of the Final Pilot Program Application Regulations.

E. **Provisions in the document conferring third party beneficiary rights on behalf of the FAA to enforce key obligations, or in the alternative, tripartite agreement among the FAA, public sponsor and the private operator giving the FAA the right to enforce directly against the private operator key obligations contained in AIP grant agreements and the assurances required by Section 47134:**

NYSDOT and the Private Operator agree to confer third-party beneficiary rights on behalf of the FAA to enforce the nine specified obligations set forth in Section 47134(c), the assurances found in each AIP Grant between FAA and NYSDOT and the assurances detailed in the Master Agreement on Terms and Conditions of Accepting Airport Improvement Program Grants between the FAA and NYSDOT, dated October 1, 1998, except as such obligations are waived by the FAA (the “Master Grant Agreement” and each such assurance a “Grant Assurance”). See Part V of this application.

FAA remedies for breach regarding benefits received from NYSDOT or the FAA by the Private Operator should be commensurate with those imposed against any public airport operator regarding benefits received from the FAA. The FAA itself has noted in its introductory explanation of the final Pilot Program Application Regulations 62FR48693, 48704 (September 16, 1997) that no special enforcement rules are contemplated for private operators under this Pilot Program, that FAA has not required automatic reversion to the public sponsor in the event of default or violation of the exemption provisions, and that the FAA will be sensitive to the financial commitments and covenants associated with a privatization project.
As a first recourse to correct certain specific problems, the FAA should rely on limited, targeted correction of the deficiency under its third party beneficiary rights. The Private Operator regards the revocation of an exemption under Section 47134(b)(3) as an extreme measure that should only be implemented to promote the safety of the traveling public after notice to NYSDOT and the Private Operator and following an opportunity for discussion and correction if applicable.
Part IV. Qualifications of the Private Operator

A. Complete description of airport management and operations experience:

National Express Group PLC, through its operating subsidiaries, East Midlands International Airport Limited and Bournemouth International Airport Limited, has extensive experience in owning, managing and operating airports with annual passenger and freight throughputs higher than those currently experienced at Stewart International Airport.

East Midlands International Airport (“EMIA”) was acquired from the public sector in 1993, and Bournemouth International Airport (“BIA”) was similarly acquired in 1995. In addition, East Midlands International Airport Limited was responsible for the management of Subic Bay International Airport in the Philippines during 1997, during which time it became familiar with FAA procedures.

In 1997, the combined results for National Express Group PLC airports were as follows:

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<th>Airports (year ending December 31, 1997)</th>
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<tbody>
<tr>
<td>Revenues</td>
<td>US $48,000,000</td>
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<tr>
<td>Operating Profit</td>
<td>US $17,000,000</td>
</tr>
<tr>
<td>Annual Passengers</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Cargo</td>
<td>140,000 tons</td>
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Further details on EMIA and BIA are given below:

East Midlands International Airport

East Midlands International Airport Limited operates the fourth largest regional airport in England, handling two million annual passengers. In 1997, the airport was voted the best regional airport in England by Executive Travel Magazine. It is the home base of the United Kingdom’s second largest scheduled airline--British Midland Airlines.
EMIA is also the largest airport in the United Kingdom for all-freight aircraft (pure cargo), handling 140,000 metric tons in 1997. The airport is located in the East Midlands of England serving the cities of Nottingham, Leicester, Derby and Sheffield, together with other towns and cities in the East Midlands area. The airport is close to other airports in London, Birmingham, Manchester and Leeds Bradford, all of which compete intensively for traffic.

**Scope of Activities at EMIA**

Since 1993, East Midlands International Airport Limited has been responsible for all activities at the airport, including:

- Airport management;
- Airfield operations including aircraft marshaling, ramp safety and apron management;
- Terminal operations;
- Air traffic control including flight briefing, telecommunications and meteorological services;
- Crash, fire and rescue services;
- Perimeter and passenger security;
- On-site policing;
- Airfield and building maintenance; and
- All capital investments.

Other airport services, such as passenger, ramp and cargo handling, are provided by two handling agents on a concession basis.

The airport sets its own aeronautical charges and collects all its commercial revenues. As a business, it is regulated by the United Kingdom Civil Aviation Authority ("CAA"), which oversees all operational and safety aspects. Airport security is monitored and regulated by the United Kingdom Department of Transport.

*Previous Government Ownership*

EMIA was initially owned and operated by a local government consortium (three County Councils and one City Council). In 1993 these Councils decided to sell the airport to the private sector, and in June 1993, National Express Group PLC was successful in acquiring 100% freehold ownership of the airport for $45,000,000.
Performance Since Privatization

In 1997 the airport handled more than 1,800,000 passengers and 140,000 tons of cargo. Since privatization, EMIA’s performance has exceeded the United Kingdom average in many aspects including:

- Passenger growth of 42% in four years since acquisition;
- Largest pure cargo airport in United Kingdom, with major UPS and DHL hubs;
- Cargo growth of 500% since acquisition;
- Aircraft operations are up 35%;
- Capital investment of more than $140 million in new facilities including land purchase, a new control tower and a major terminal extension;
- The current development of a new $100 million, 500,000 square foot cargo distribution center for DHL; and
- The development of a business park.

Compliance with Regulation

In common with other United Kingdom airports, EMIA is regulated by the CAA, which covers all aspects of the airport’s operation and safety.

Consultation With Airlines and Other Users

EMIA holds regular consultations with its users. In addition, users have the right to complain to the CAA on issues concerning pricing, service and investment.

Employment Issues

EMIA is an equal opportunities employer and, as such, is committed to employing staff regardless of their ethnic, racial or religious background.

Community Issues

EMIA holds regular consultations with the local community through the airport’s Independent Consultative Group.

Environmental Issues

Although the airport operates on a 24-hour basis, voluntary constraints on operations at night by some types of aircraft have kept noisy movements to a minimum. All major new projects are assessed for environmental impact.
Bournemouth International Airport

In 1997, BIA handled more than 260,000 passengers and was the fastest growing airport in the United Kingdom, recording an annual passenger increase of 68%. The airport is located on the South Coast of England serving the counties of Hampshire and Dorset as well as being an overspill airport for London. BIA is close to other airports such as Southampton, Exeter and Bristol, all of which are competitors for some forms of traffic.

Scope of Activities at BIA

The National Express Group PLC subsidiary, Bournemouth International Airport Limited, has owned and operated BIA since 1995 when the airport was bought, on a freehold basis, following a competitive tender exercise.

Bournemouth International Airport Limited is responsible for all activities at BIA, including:

- Airport management;
- Airfield operations;
- Terminal operations;
- Air traffic control;
- Crash, fire and rescue services;
- Perimeter and passenger security;
- On-site policing;
- Airfield and building maintenance; and
- All capital investments including the development of a business park.

Other companies provide additional airport services, such as ground handling. The airport has one handling agent that is responsible for passenger and ramp handling.

In common with other United Kingdom airports, BIA is regulated by the CAA, which covers all aspects of the airport’s operation and safety.

Previous Government Ownership

BIA was previously owned and operated by two local government organizations--Bournemouth Borough Council and Dorset County Council. These organizations decided in 1995 to sell the freehold of the airport in a competitive bidding exercise.

Performance Since Privatization
The airport currently handles 268,000 passengers a year on charter flights to Europe and scheduled flights within the United Kingdom and to Ireland. Tour operators include Airtours and Thomson. BIA has been successful in recently attracting two scheduled airlines, Ryanair and Euroscot Express, which fly to Dublin, Glasgow and Edinburgh.

Since privatization in 1995:

- Passenger traffic has risen by more than 150% to 268,000 passengers per year;
- Revenues have increased from $8.4M to $12M;
- Air traffic operations have increased to more than 100,000 per year;
- Substantial investment has been made in new facilities.

In order to achieve these improvements, National Express Group PLC, through its subsidiary, has invested in a runway extension and overlay. A new terminal development capable of handling 1.5 million passengers a year is planned.

Compliance with regulation, airline consultation, employment issues, community issues and environmental issues are undertaken on a similar basis to that at EMIA.

**The identity, experience, expertise and responsibility of key personnel of the Private Operator at the airport are to be:**

At the time of this application, the Private Operator is working closely with NYSDOT on the major transition issues at the airport, and is undertaking its own due diligence prior to commencement of the lease. There are three components to the ongoing management of the airport: the transition team; the shadow management team; and the permanent management team.

*The Transition Team (Prior to Turnover)*

A Transition Plan has been established, and a number of specialists from EMIA and National Express Group PLC have visited Stewart International Airport since the award of preferred bidder status. The transition team's role is two-fold; to evaluate the systems, facilities and procedures at Stewart International Airport and to complete due diligence work at the airport.

Further details of the Transition Team are at Attachment 7.
The Shadow Management Team (Prior to Turnover)

A shadow management team has been established to work alongside the existing NYSDOT and Airport Group New York, Inc. ("AGNY") staff, to pick up the major issues in order to ensure a seamless transfer to the Private Operator. This team deals with all of the main transition issues, co-ordinates the visiting transition team and is the key point of contact for all issues regarding the turnover and on-going management of the airport. The key members of the shadow management team are John Williams and Mary McCullough. Mr. Williams was responsible for the operational management of Subic Bay International Airport in the Philippines, which operates under FAA procedures; Ms. McCullough has served as Assistant Airport Manager since 1993 at Stewart, as an employee of Airport Group New York (AGNY).

Further details of the Shadow Management Team are at Attachment 7.

The Permanent Management Team (Post Turnover)

Upon completion of the turnover, some members of the Shadow Management Team will transfer into permanent positions at the airport. These positions will be supplemented by two new positions. The planned permanent management structure of the airport (at the current time) is as follows:
A. (continued)
The Airport Managing Director will be Mary McCullough, who joined the Private Operator’s Shadow Management Team in June 1998. Ms. McCullough had served as Assistant Stewart International Airport Manager since 1993, as an employee of AGNY.

Two new positions of Finance Director and Marketing and Business Development Director will be created and it is anticipated that these positions will be filled locally.

Further details of the Permanent Management Team are at Attachment 7. As to other prospective Private Operator operating and administrative personnel, see Part VII.A.10. of this application.

B. Financial Resources for operating/capital expenses of the airport.

The Private Operator is a wholly owned subsidiary of National Express Corporation, a Delaware corporation, which is a wholly owned subsidiary of National Express Group PLC, a United Kingdom Public Limited Company which is listed on the London Stock Exchange.

The Private Operator will be capitalized adequately by its parent company in order to lease Stewart International Airport and to conduct operations immediately following the turnover.

In the longer term, based on the Private Operator’s current assessment of costs and revenues at the airport, future working capital requirements will be generated internally.

The following summary statement for National Express Group PLC is prepared in accordance with generally accepted accounting principles in the United Kingdom, and provides evidence that National Express Group PLC has adequate funds for the initial capitalization of its subsidiary, the Private Operator. Annual Reports of National Express Group PLC for 1995, 1996 and 1997 are also provided as Attachment 8.
### National Express Group PLC

**Summary Statement of Financial Position**

*(in millions of $; Exchange Rate: $1.65: £1.00, for illustrative purposes)*

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<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>$407.7</td>
<td>$351.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>3.9</td>
<td>13.0</td>
<td></td>
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<td><strong>Debt due within one year</strong></td>
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<td>Bank loans</td>
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<td><strong>Total</strong></td>
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<td>$241.0</td>
<td></td>
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</tbody>
</table>

**Notes:**

1. National Express Group PLC has zero net debt at December 31, 1997 (2% debt at December 31, 1996).
2. National Express Group PLC operates a centralized treasury function whose prime objective is to arrange sufficient low cost funding to meet its current and foreseeable needs.
3. National Express Group PLC has developed a number of key banking facilities including a $200,000,000 syndicated loan facility.
Regarding financial resources for the capital expenses of the airport, please see Part VII. A.4 of this application.

C. **Timing/details of application for Part 139 certificate.**

In December 1998, representatives of the Private Operator met with staff of the FAA Office of Regional Administration to continue discussions on the Part 139 certification. Upon approval of this Final Application and prior to turnover, the Private Operator intends to revise Stewart International Airport’s current FAA-approved Airport Certification Manual and Security Plan in order to ensure compliance with FAR Part 139 and 107, respectively. All applicable references to NYSDOT and Airport Group International (“AGI”) will be replaced with the Private Operator’s name and items such as the distribution list will be updated accordingly.

D. **Plan for compliance with Part 107.**

See Part IV.C. of this application above.

E. **A description of the private operator’s capability of complying with the public sponsor’s existing Grant Assurances, including assurance of compatible land use around the airport, protection of NAVAIDS, and continuation for aviation easements.**

NYSDOT has evaluated National Express Group PLC and the airports its subsidiaries own and operate in the United Kingdom. NYSDOT is highly confident that the Private Operator has the capability to comply with the assurances, including the assurance of compatible land use around the airport; the protection of navigational aids, approach lights, runway safety areas, and runway protection zones; and the continuation of aviation easements.

The Private Operator will comply with all the assurances set forth in the Master Grant Agreement, except as indicated below. The Private Operator seeks the waiver of Grant Assurance 25 (Airport Revenues) contemplated by the authorizing legislation and part (b) of Grant Assurance 5 (Preserving Rights and Powers) as discussed in Part V.C. of this application. NYSDOT, as the airport’s owner, will continue compliance with Grant Assurances 4 (“Good Title”), 31 (Disposal of Land), and 35 (Relocation and Real property) for the purposes of land acquisition and disposal because such compliance cannot be fully effectuated by the Private Operator as the airport lessee, however, the Private Operator, in its capacity as lessee, will also comply with these Grant Assurances.
Acquisition or disposal of interest in real property for continuation or extension of aviation easements and for noise compatibility under grant assurances shall be performed by NYSDOT to the extent it deems reasonable or desirable as fee owner of Stewart International Airport, subject to the availability of federal and/or private funds. Such property shall be added or deleted from the leasehold as appropriate. NYSDOT will, if applicable, and to the extent practicable under State law, adhere to land acquisition policies established in 49 CFR Part 24, Subparts B through E, which are described in Grant Assurance 35 (Relocation and Real Property)

The Private Operator assumes that the 99-year leasehold interest to be acquired in Stewart International Airport will qualify the Private Operator as the “private sponsor” for the purpose of Grant Assurance 2 (Responsibility and Authority of the Sponsor). Furthermore, Private Operator assumes that its long leasehold interest in Stewart will represent “good title” for the purpose of Grant Assurance 4 (Good Title) respecting grant applications filed by the Private Operator.

National Express Group PLC through its subsidiaries already owns and operates two public-use commercial airports in the United Kingdom (see Part IV. of this application). These airports provide unrestricted access to all kinds of aeronautical use, and operate under obligations similar to those required in the Master Grant Assurances. The Private Operator therefore has the available experience and capability to comply with those Grant Assurances to be transferred to the Private Operator. For example, some of the areas where EMIA and BIA have similarities to the Master Grant Assurances are as follows:

**Consistency with Local Plans**

Both EMIA and BIA operate within a local planning framework that requires approval from the local planning authority before any major development can take place. Regular consultation meetings are held with the relevant authorities in order to keep them updated on the airports’ strategic development plans and objectives.

EMIA intends to retain an aviation development consultant on its proposed Airport Strategic Development Plan early in 1999.

**Consideration of Local Interest**

Local consultative groups form an important part of the consultation procedures at both airports, principally through the forum of an “Independent Consultative Committee”, an organization similar to the Stewart Airport Commission at Stewart International Airport.
Consultation with Users

At both EMIA and BIA there is a regular consultation with users of the facilities which include airlines, cargo operators and their customers. The principal vehicle for user consultation is through the Airline Operators Committee (see Part VII.7. of this application).

Public Hearings

Public hearings are an integral part of the planning process in the United Kingdom, and public hearings are heard on the majority of large airport development proposals.

National Express Group PLC subsidiaries have been involved in a number of public hearings including one earlier this year when land needed to be purchased by EMIA for airport navigation aids.

In addition, EMIA may shortly be involved in a public hearing regarding the diversion of footpaths which cross airport development areas.

EMIA has recently filed an environmental impact assessment for the extension of its runway to 3,080 meters and will shortly be conducting a series of public presentations to consult on its development proposals.

Air & Water Quality Standards

Both EMIA and BIA operate to strict standards regarding air and water quality.

EMIA has invested heavily in new systems to protect the local environment. For example, $2,500,000 has recently been invested in a computer-controlled water treatment system, which is closely monitored by environmental agencies.

In addition, formate-based de-icers instead of urea or glycol-based products are used on pavements because they are more readily broken down. Although glycol-based products are still used for de-icing aircraft, the airport has introduced suction methods to prevent run-off.

Two large reservoirs, with a capacity of 41,000 cubic meters, have been developed to combat pollution. Known as “balancing ponds”, they are computer-controlled and help the airport to carefully treat run-off from the airport pavements before release into the local water courses. A further balancing pond with a capacity of 70,000 cubic meters will be constructed shortly in order to support future developments at the airport.
Coal-fired heating within the terminal has recently been replaced with more environmentally friendly gas systems in order to reduce air pollution.

As a good “neighbor”, EMIA takes an active interest in local environmental issues and has sponsored and participated in a number of environmental conferences.

The airport’s Strategic Development Policy sets out policies on noise, landscaping, ecology, energy use and air quality, waste management and water quality.

Compatible Land Use

It is essential that airports are integrated into the local planning framework in order to ensure that surrounding land uses are compatible with the airport’s operations.

In this regard, EMIA produces a Strategic Development Plan, which sets out the proposed land use within the airport site. This document forms the basis of consultation with the local authorities and groups with an interest in areas surrounding the airport. The latest Strategic Development Plan will be out for consultation early in 1999.

Protection of Navigational Aids

In the United Kingdom, all air traffic control and air navigation requirements are specified by National Air Traffic Services (“NATS”) and CAA. Similarly, regulations and requirements governing protected surfaces are mandatory and set down in ICAO and CAA standards.

EMIA has a department dedicated to ensuring that all operational safety standards and aerodrome licensing standards are maintained to the highest level.

EMIA provides its own air traffic control services for the area surrounding the airport up to a height of 7,500 feet and maintains strict adherence to CAA standards.

The Private Operator is therefore familiar with the need to ensure protection of navigational aids and protected surfaces both in day to day operation of the airport and in development plans for the future.
F. Affiliations with air carriers or other persons engaged in aeronautical business activity at an airport (other than airport management):

National Express Group PLC has recently formed a joint venture with British Airways to operate the high-speed “Eurostar” rail service serving London, Paris and Brussels. The joint venture is not directly affiliated with British Airways’ airline operations.

Furthermore, the Chairman of National Express Group PLC, Mr. Michael Davies, is a Board member of British Airways PLC.

G. A description of all charges of unfair or deceptive practices or unfair methods of competition brought against the private operator and private operator’s key personnel in the last 10 years. The description should include the disposition or current status of each such proceeding.

On June 19, 1998, Atlantic Express Transportation Group Inc. and Atlantic Express Transportation Corp. filed an action in the United States District Court, Eastern District of New York, against National Express Group PLC (CV 4337)(rjd)(smg). The complaint alleges, amongst other things, that National Express Group PLC interfered with Atlantic's business opportunity to purchase another transportation company, and thereby gained an unfair competitive advantage in competing with Atlantic in the school bus industry.

National Express Group PLC will vigorously contest this claim.

With the exception of the Atlantic Express Corporation filing, so far as National Express Group PLC and the Private Operator are aware, no charges of unfair or deceptive practices or unfair methods of competition have been brought against National Express Group PLC, its subsidiaries or any of its key personnel.

As in many other jurisdictions, the United Kingdom Government has the power to monitor and control competition in the private sector. This power was used by the Mergers and Monopolies Commission (“MMC”) to review the award by the United Kingdom Government in 1996 and 1997 to National Express of franchises to operate five passenger train operating companies. The review related to three of the franchises (Midland Mainline Limited, Central Trains Limited and ScotRail Railways Limited) where there was considered to be a risk that competition would be adversely affected by National Express Group PLC’s operation of coach services in the same or overlapping corridors. There was no suggestion that anti-competitive practices existed or would be introduced by National Express Group PLC. Two of the acquisitions, Midland
Mainline Limited and Central Trains Limited, were cleared by the MMC. In the case of Midland Mainline Limited, National Express Group PLC agreed to enter into undertakings designed to safeguard the public interest. In the case of Central Trains Limited, the MMC concluded that adequate safeguards already existed and so no undertakings were required. In the case of ScotRail Railways Limited, the MMC concluded that there was a risk that the ownership by National Express Group PLC of both ScotRail and its Scottish coach operation, Scottish Citylink, could operate against the public interest and National Express Group PLC has therefore been required to dispose of Scottish Citylink.
Part V. Requests for Exemption

A. Describe the specific exemption requested by the public sponsor under 49 U.S.C. 47134(b)(1), from the prohibition on use of airport revenue for general purposes, including the amounts of the funds involved. The description should include lease proceeds as well as funds in existing airport accounts that would be transferred to general accounts.

NYSDOT is not requesting an exemption under 49 U.S.C. 47134(b)(1) of the Privatization Pilot Program regarding the use of airport revenue for general purposes.

49 U.S.C. 47107(l)(A) and (B) state that payments to airport sponsors for services conducted on or off the airport, or reimbursement for capital contributions or operating expenses incurred within six years do not constitute prohibited revenue diversion. Attachment 9 provides a detailed statement of payments by NYSDOT at both Stewart International and Republic Airports (the two airports owned and operated by NYSDOT) for capital contributions within the last six years. The statement sets forth more than $24,400,000 in non-airport, non-federal, non-Passenger Facility Charge (PFC) revenues paid for capital investment by the State during the last six (6) years.

Except for the above described reimbursement to the State for capital expenditures at Stewart International and Republic Airports, NYSDOT proposes to use all proceeds, as described in Part III. B.2. of this application, for airport purposes.

Disposition of Funds in Existing Airport Accounts

The Department of Transportation has determined that funds remaining in the Special Revenue Fund Transportation Aviation Account at the time of closing will be used for airport purposes in accordance with 49 U.S.C. 47107 (b), including completion of capital projects at Stewart International Airport.

B. Describe the specific exemption requested by the public sponsor under 49 USC 47134(b)(2), from the requirement to repay Federal grant funds or return property.

NYSDOT, as public sponsor of Stewart International Airport, requests exemption from those provisions of Title 49 U.S.C. Sections 47107 and 47152 and any other law, regulation or grant assurance requiring the repayment to the Federal Government of grants received by NYSDOT on behalf of Stewart International Airport under provisions of the Airport and Airway Improvement
Act of 1982, the Military Airport Program and any other law. For a description of the Private Operator’s plan for compliance with existing Grant Assurances (other than as waived pursuant to this application), please refer to Parts IV.E. and V.C. of this application.

C. Describe the specific exemption requested by the private operator under 49 USC 47134(b)(3) from the prohibition on use of airport revenues for general purposes, the description should include the anticipated amount of airport revenue to be used for compensation of the private operator, the source of airport funds involved, and a description of the effect, if any, on air carrier or other aeronautical user fees.

Under 49 U.S.C. 47134(b)(3), the Private Operator requests an exemption from the provisions of the Quitclaim Deed and Sections 47107 and 47133 of Title 49 of the U.S. Code and any other law, regulation or grant assurance to the extent necessary to earn compensation from the operation of the airport including a reasonable rate of return on the private operator’s investment and risk undertaken in operating Stewart International Airport over the lease term.

As detailed in Part VII.A.5. of this application, the Private Operator intends to freeze the current signatory carriers tariff (see Table 2 of this application) at Stewart International Airport at 1998 levels (other than for capital expenditures) until a 5% equivalent reduction in these fees is achieved due to changes in the consumer price index.

Once this reduction is achieved, fees of the airport imposed on air carriers immediately prior to transfer will not increase faster than the rate of inflation (unless agreed to by 65% of carriers pursuant to the Pilot Program regulations), other than for the funding of new capital development after the transfer to the Private Operator (see also Part VII.A.5. of this application).

Overall, revenues generated from rates and charges at Stewart International Airport of around $6.50 per enplaned passenger (which includes aircraft landing fees, aircraft parking fees, terminal rentals and fuel flowage fees) are low in comparison to other U.S. and European airports. Locally, revenues from airline charges range from $7.50 per enplaned passenger at Albany to in excess of $16.00 per enplaned passenger at LaGuardia and $20.00 per enplaned passenger at JFK.
In the past NYSDOT, as operator of Stewart International Airport, has negotiated landing fees with a view to local competitive markets. Historic cost analysis supports landing fees at least equal to the Public Sponsor’s rate set forth in Table 2 of this application.

The tariff, as increased by assumed inflation levels and reflecting the Private Operator’s business planning assumptions and traffic increase projections, yields aggregate aircraft landing and parking fee revenue equal to the cost of the provision of airside facilities and their operation for the initial ten-year period of private operation. Similarly, under the tariff, terminal rentals covers only the cost of provision of the terminal and its related facilities. As a result, no compensation to the Private Operator would originate during this period under the current tariff (absent new capital investment) from aggregate aircraft landing, aircraft parking fees, and terminal rentals charged to the airlines under these assumptions.

However, the Private Operator, in connection with its five year Capital Improvement Plan (“CIP”) (see Part VII.A.4. of this application), expects to include a reasonable rate of return (including cost of capital and risk premium) on airside capital expenditure projects within the landing fee as adjusted. The Private Operator reserves the right to make a reasonable rate of return on aeronautical rates and charges after operating and capital cost commitments are satisfied as defined in the Final Pilot Program Application Regulations and accompanying explanatory provisions, specifically 62 FR 48701-48702.

The Private Operator’s plans for Stewart International Airport involve increasing revenue from non-aeronautical sources, including:

1. Additional commercial facilities, including the development of new retail and catering within the terminal building, car rental concessions, car parking concession improvements, improved advertising, etc. By moving to a concession business linked to turnover-based rents and price guarantees, the Private Operator anticipates that concession revenue could increase by 20% in the first year of private operation; and

2. Increases in rental income from new property leases at the airport and from new development at the airport industrial park.
The charts below indicate the current sources of revenue at the airport, together with the Private Operator’s forecast sources of revenue for 2008.

The charts illustrate that the Private Operator expects the proportion of revenue from cargo and industrial park rentals, retail and car parking will increase substantially, while that from aircraft landing fees, aircraft parking fees, and fuel flowage fees will decrease, as these charges are constrained to inflation-related increases (absent new capital investment). Terminal rentals are expected to remain fairly constant as a proportion of total revenue.

Figure 2
Current and Projected Sources of Airport Revenue

Stewart Airport Revenue 1997

Stewart Airport Revenue 2008
Growth in cargo and industrial park rentals, retail and car parking will be generated by increases in activity resulting from the aggressive marketing of the airport and its services. The Private Operator’s forecast for passenger growth activity at the airport to 2008 is illustrated below:

Figure 3

Stewart International Airport Passenger Forecast to 2008

Cargo will also be marketed aggressively.

The revenue generated from commercial activities will be used in a number of ways:

First, the costs associated with the airport’s continuing operation will need to be met. It is anticipated that these costs will increase over time as the amount of activity continues to grow, although the Private Operator expects to contain operating costs as far as possible.

Second, airport revenues will be used to fund a part of the capital development program (see Part VII.A.4. of this application). The Private Operator intends to develop appropriate facilities to meet anticipated demand and to maintain the airfield to a high standard. It is anticipated that beyond the initial five-year CIP, significant investment will be required at Stewart International Airport on a continuing basis, as with other airports within the National Express Group PLC ownership.
For example, since National Express Group PLC acquired EMIA in 1993, approximately $55,000,000 has been invested in airport-related construction projects, including passenger and cargo facilities and runway works. An additional $85,000,000 has since been committed.

Examples of specific projects completed at EMIA include:

- Cargo Apron Extension (Phase I);
- Cargo Apron Extension (Phase II) & Passenger Apron Extension;
- Category III Lighting System;
- Terminal Extension & Infrastructure Development;
- Terminal Refurbishment;
- New Air Traffic Control Tower; and
- Cargo Terminal Construction

Third, the Private Operator expects to make a reasonable rate of return on its investment and ensure that Stewart International Airport develops as a profitable business in a similar way to other airports owned by National Express Group PLC.

The amount of airport revenue to be used as compensation will vary depending upon the level of operating costs encountered and the extent of any requirements for additional capital expenditure outside the scope of the initial five-year CIP.

However, initial business plan assumptions indicate that compensation, expressed as a percentage of gross revenue, will vary between approximately 3% and 35% for any single year for the first ten years of operation by the Private Operator, depending upon the level of cost and capital expenditure that needs to be satisfied. Beginning on the tenth anniversary of lease commencement, compensation to the Private Operator will be otherwise reduced as the 5% of gross income is paid to NYSDOT as an ongoing percentage rent annual payment.

If, in the future, the airport is making considerable compensation as a result of dramatic increases in traffic, the FAA has the right, at any time, to conduct an investigation.

If traffic does not materialize as planned, the flexibility in reducing the operating cost base will be limited. Therefore, the biggest effect of slower traffic growth would be on retained earnings. This represents a level of risk to the Private Operator commensurate with the anticipated returns.

Based on the foregoing, the Private Operator requests the following relief
through exemption under 49 USC 47134(b)(3):

The Private Operator requests an exemption from the provisions of the Quitclaim Deed and Sections 47107 and 47133 of Title 49 of the U.S. Code and any other law, regulation or grant assurance to the extent necessary to earn compensation from the operation of the airport including a reasonable rate of return on the private operator’s investment and risk undertaken in operating Stewart International Airport over the lease term.

In respect of Grant Assurances, the Private Operator seeks the waiver specifically of Grant Assurance 25 (Airport Revenues) contemplated by the authorizing legislation and part (b) of Grant Assurance 5 (Preserving Rights and Powers) and modification of general conditions II.D. and Grant Assurances 18 (Planning Projects) and 26 (Reports and Inspections) as described below. NYSDOT, as the airport’s owner, will continue compliance with Grant Assurances 4 (“Good Title”), 31 (Disposal of Land), and 35 (Relocation and Real Property) for the purposes of land acquisition and disposal because such compliance cannot be fully effectuated by the Private Operator as the airport lessee, however, the Private Operator, in its capacity as lessee, will also comply with Grant Assurances 4, 31 and 35.

Under certain circumstances, particularly with regard to subleasing of airport areas and the granting of concessions and leases, part (b) of Grant Assurance 5 (Preserving Rights and Powers) could limit the Private Operator’s ability to make expeditious commercial judgments in the operation of the airport and therefore also limit its ability to earn reasonable compensation from those operations. The Private Operator will require the commercial freedom to make appropriate business decisions under the spirit of the pilot program and, therefore, a waiver is requested from compliance with part (b) of Grant Assurance 5 (Preserving Rights and Powers), except in the case of assignment of the airport lease where approval of the Secretary will be required.

The Private Operator requests that in circumstances where the FAA seeks to amend or withdraw a grant offer prior to its acceptance by the Private Operator under Master Grant Agreement general condition II.D. that the Private Operator is provided reasonable notice of any such change.

With regard to parts (d) and (e) of Grant Assurance 18 (Planning Projects) and part (b) of Grant Assurance 26 (Reports and Inspections), the Private Operator requests that all airport budgetary and other commercially sensitive information or intellectual property be treated as trade secrets and confidential commercial or financial information and be confined to the use of the Secretary and the FAA under the Pilot Program regulations, and not be made available for public
disclosure, other than as otherwise currently required by law.

From time to time during the 99-year lease, the Private Operator may request further exemption from specific grant assurances. Such requests would be subject to the approval of the Secretary.

Pursuant to Part III.D. of the Final Pilot Program Application Regulations, neither the Public Sponsor nor the Private Operator request confidential treatment of information submitted in this Final Application, dated January 8, 1999. In the event the FAA requests additional information, the Private Operator requests that trade secrets and commercial or financial information obtained from the Private Operator be treated as privileged and confidential under Part III.D. of the Final Pilot Program Application Regulations.
Part VI. Air Carrier Certification

A. Certification of air carriers’ approval of the exemption under 49 U.S.C. 47134(b)(1):

The air carriers were asked to approve the State’s request for exemption from the requirements of 49 U.S.C. 47134 (b)(1) regarding the use of airport revenue for general purposes as stated in Part III.B. of this application. The State proposed the following uses for approximately $21,500,000 of the initial payment:

a. approximately $20,000,000 would be used to establish a grant loan program for the construction, reconstruction, improvement, reconditioning and preservation of municipal airports, privately-owned airports, and aviation capital facilities, excluding airports operated by a bi-state municipal corporate instrumentality, for which sufficient federal funding is not available provided that the project is consistent with an approved airport layout plan. Such grant or loan program would enable eligible airports to reduce debt service costs, thereby lowering operating costs.

b. approximately $1,500,000 would be used for the establishment of a technical assistance program to airports eligible for funding as described in the above paragraph and/or for the provision of assistance to airports in becoming eligible for federal funding by the development of airport layout plans or otherwise.

The State proposed holding the above-described $21,500,000 in escrow, releasing $4,300,000 immediately upon the establishment of the escrow account and $4,300,000 each year thereafter until depleted. Any interest earned on the escrow funds would have been immediately available for use for capital projects at Stewart Airport.

Additionally, commencing on the tenth anniversary of the lease, the Private Operator will make payments to the State of 5% of the actual gross income at the airport. The State requested the air carriers’ approval of the following proposed uses of these funds: (1) to provide continuing assistance to airports eligible for funding under the grant or loan program and technical assistance program described above; (2) to provide funding for continued operation and improvement of Republic Airport (FRG) in Farmingdale, New York; and (3) to reimburse NYSDOT for any additional costs it incurs in carrying out any
ongoing responsibilities in relation to Stewart Airport operations, including but
not limited to: ensuring continued operation of the airport in the event of default
by the lessee, and lease oversight costs.

Disposition of Funds in Existing Airport Accounts

The Department of Transportation has determined that funds remaining in the
Special Revenue Fund Transportation Aviation Account at the time of closing
will be used for airport purposes in accordance with 49 U.S.C. 47107 (b),
including completion of capital projects at Stewart International Airport.

The requisite number of air carriers (65% by number and landed weight) have
not approved the State’s proposed use of the proceeds.

Based upon the lack of air carrier approval, the State will use the proceeds as
outlined in Part V.A., for which no exemption is required or requested.

B. 1. List of all U.S. air carriers serving Stewart International Airport
under authority of 14 CFR Part 121 that have an airline operating
agreement or conducted at least 50 flights during the preceding
calendar year (1997):

ABX Air, Inc. (Airborne)
AirTran Airways
American Airlines
Delta Air Lines, Inc.
Emery Worldwide
Federal Express
Midway Airlines Corporation
United Parcel Service
USAirways (ceased scheduled operations at Stewart
International Airport on September 4, 1997, but still
operates charter service and retains eligibility to vote).

All carriers conducting operations at Stewart International Airport as
commuter air carriers within the meaning of 14 CFR 298 that have an
airline operating agreement or that conducted at least 50 flights in 1997:
Atlantic Coast Airlines, Allegheny Airlines, Inc. (d/b/a USAirways
Express), Champlain Enterprises (d/b/a Commutair).

2. List of air carriers that have approved the exemption.

Not Applicable
3. **The total landed weight of all operations by air carriers listed under VI.B. above at the airport for the preceding year.**

The total Certified Maximum Gross Take-Off Weight ("CMGTW") of each air carrier listed above is shown on Table 1 at the end of this Part VI. In aggregate, the CMGTW is 816,520,046 lbs. Please note, the use of CMGTW in lieu of landed aircraft weight since all carriers report on the basis of CMGTW.

4. **The total landed weight of each air carrier listed above under VI.B.1. above at the airport for the preceding year.**

Please see Part VI.B.3. above and Table 1 at the end of this Part VI.

5. **A list of carriers serving the airport in the previous or current year, but excluded from the listing with the reason for exclusion:**

AirTran Airways ceased scheduled operations at the airport on September 1, 1998;
Carnival Airlines ceased operations on May 3, 1997;
*Comair commenced operations on June 1, 1998 (replacing Delta’s Cincinnati (CVG) service);
Atlantic Southeast Airlines ("ASA") commenced operations June 1, 1998 (replacing Delta’s Atlanta (ATL) service);
Mesa Airlines commenced regional jet service to Philadelphia (PHL) on January 19, 1998 as a USAirways Express carrier.

Carriers marked with an asterisk (*) have participated at meetings conducted by NYSDOT and National Express relative to the approval of the exemption needed for this Final Application.

C. **Provide a copy of each document indicating air carrier approval or objection to the exemption requested:**

Please refer to Attachment 14.

D. **Provide a description of consultation with foreign air carriers serving Stewart International Airport on proposals for air carrier approval.**

There is no foreign air carrier conducting operations at Stewart International Airport pursuant to an airline operating agreement or which conducted at least 50 flights in the preceding or current calendar year. Aer Turas conducted nine operations and Heavy Lift conducted five operations in 1997 and each carrier
has been informed of the privatization transition and provided an opportunity to comment. Neither Aer Turas nor Heavy Lift operate at the airport under an airline operating agreement.

Table 1

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<th>COMMERCIAL SERVICE TAKE-OFF WEIGHT BY AIR CARRIER (1997)</th>
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<td>Scheduled Airlines</td>
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<tr>
<td>American</td>
</tr>
<tr>
<td>Midway</td>
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<td>USAirways (A)</td>
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<td>Total - Scheduled Airlines</td>
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<td>Commuter Airlines</td>
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<tr>
<td>Commutair</td>
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<td>Allegheny</td>
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<tr>
<td>United Express</td>
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<tr>
<td>Total - Commuter Airlines</td>
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<tr>
<td>Cargo Carriers</td>
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<tr>
<td>Airborne Express</td>
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<tr>
<td>Emery Air Freight</td>
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<td>Federal Express</td>
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<tr>
<td>United Parcel Service</td>
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<tr>
<td>Total - Cargo Carriers</td>
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<tr>
<td>Total</td>
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</table>

(A) - USAirways Includes Charters = 2,923,000 lbs.
Part VII. Airport Operation and Development

A. Provide a description of how the Private Operator, the Public Sponsor, or both will address the following issues with respect to the operation, maintenance, and development of the airport after the proposed transfer.

1. Part 139 certification

National Express Group PLC’s airport subsidiary companies have developed operating and maintenance manuals for both of the airports owned and operated by the company in the United Kingdom. These conform to CAA (CAP 168) standards. East Midlands International Airport Limited also developed an operating manual for Subic Bay Airport in the Philippines, which operates under requirements similar to those detailed in FAA Part 139 certification.

The Private Operator is currently reviewing the existing Part 139 certification manual with NYSDOT and FAA officials. The Private Operator has been in contact with the regional and district offices of the FAA in order to begin the certification process with an inspection scheduled to take place during the transition period.

It is intended to adopt the current Airport Certification Manual for Stewart International Airport, which fully meets FAA standards.

2. Continuing access to the airport on fair and reasonable terms and without unjust discrimination, in accordance with section 47134(c)(1).

The Private Operator will provide fair and reasonable access to Stewart International Airport in accordance with section 47134 (c)(1). The Private Operator is obligated to comply with the FAA legal standard of fair and reasonable access, as expressed in the FAA Airport Privatization Pilot Program proposed application procedures, requires that (i) the airport be open to all members of the public for aeronautical use on reasonable terms and conditions, without unjust discrimination, (ii) the airport, subject to its physical limitations, be open to all commercial aviation service providers who meet the reasonable terms, conditions and minimum standards adopted by the airport proprietor, unless such proprietor undertakes a particular aviation service on an exclusive basis and (iii) the rates, fees and charges imposed on aeronautical users of the airport will be reasonable and not unjustly discriminatory.
In the United Kingdom, both EMIA and BIA have demonstrated their ability to operate airports on such a fair basis, providing access to airlines and other airport users on a non-discriminatory basis. In addition, EMIA and BIA have demonstrated that competition among airport service providers gives airline customers and passengers a choice of suppliers and enhanced value for money.

3. **Continued operation of the airport in event of bankruptcy or other financial or legal impairment of the private operator, in accordance with the specific terms of section 47134(c)(2).** The application should include a legal opinion and certification that the proposed plan will be effective under operation of all applicable law, including, but not limited to bankruptcy law, in assuring the continued operation of the airport.

The Public Sponsor can assure the continued operation of the airport in the event if the Private Operator encounters financial difficulty, including filing for bankruptcy protection, and as a result fails to operate the airport in accordance with all laws, regulations and other legal requirements, including without limitation, FAA Grant Assurances.

Under Section 365(d)(3) of the Federal Bankruptcy Code, if the Private Operator files a petition for bankruptcy protection, the Private Operator as debtor in possession (or a court-appointed bankruptcy trustee) is required, unless and until the lease is rejected by the Private Operator, to perform its obligations under the lease, which include an obligation to operate the airport in accordance with all laws, regulations and other legal requirements, including without limitation, FAA Grant Assurances. In the event the lease is rejected by the Private Operator, the airport reverts to the Public Sponsor.

Under Section 362(b)(4) of the Federal Bankruptcy Code, the State (which is a “governmental unit” under Section 101(27) of the Federal Bankruptcy Code) may enforce its police powers without regard to the “automatic stay” that affects commercial creditors immediately upon a debtor’s bankruptcy filing. Therefore, Section 362(b)(4) of the Federal Bankruptcy Code gives the Public Sponsor the right, in the event the Private Operator fails to operate the airport in accordance with all laws, regulations and other legal requirements, including without limitation, FAA Grant Assurances, to enter upon the airport and to operate the airport to promote order, safety, health, and the general welfare, under a claim of the proper exercise of its police power.

The legal opinion with respect to continued operation of the airport is set forth in Attachment 10.

4. **Maintenance, improvement and modernization of the airport, in accordance with section 47134(c)(3), including the public sponsor’s most recent 5-year CIP and the 5-year CIP proposed by the private operator.** Applicants should identify the sources of funds to be used for capital development, including any continuing
contributions by the public sponsor. If funds are to be borrowed, applicants should identify the expected sources, anticipated repayment terms of any borrowed funds, and the source of revenue to be used for repayment. Applicants should also include any financial security provisions, such as a letter of credit or performance bond, for the accomplishment of the maintenance, improvement, and modernization projects committed to by the Private Operator.

Attachment 11 is a copy of the proposed NYSDOT five-year CIP for Stewart International Airport which details projects to maintain and enhance airport facilities and infrastructure. The CIP includes details of proposed funds from Federal resources in order to implement these projects. The CIP also includes projections of Passenger Facility Charges ("PFCs") available to finance portions of the projects included in the plan.

Attachment 12 summarizes the Private Operator’s proposed five-year CIP for Stewart International Airport, together with the proposed source of funds. The CIP proposes capital works to the value of $48,600,000 over the initial five-year period. The Private Operator’s share of the cost of proposed projects is estimated to be $10,250,000.

All projects at the airport are subject to review and approval by NYSDOT as fee owner and landlord in accordance with all applicable environmental laws including SEQRA and NEPA, if applicable.

The Private Operator’s completion of its proposed CIP in the initial five-year period is premised, as is the existing NYSDOT five-year CIP, on the availability of federal grant funds and PFC revenues as illustrated in the table at Attachment 12. The sources of the Private Operator’s share are to be retained airport revenues and inter-company borrowings through National Express Group PLC banking facilities at commercial rates from time to time. It is understood that projects for which AIP funding has been applied for prior to the turnover will qualify for existing levels of AIP funding. Future capital projects applied for post-turnover will attract the lower levels of AIP funding.

As funding for capital projects is directly related to the viability of the business at Stewart International Airport, the Private Operator’s investment in these capital projects will be based upon one or more of the following additional factors typical of the private sector business practices:

realization of passenger and cargo throughput levels, revenues and costs and other business planning targets set forth in the Private Operator’s proposal;

the commitment of third party groups to develop related facilities (where appropriate); or
Unlike the NYSDOT CIP, the proposed Private Operator CIP does not involve use of the traditional 5% “local share” funds historically made available by the State. The major projects proposed include the following:

- expanded Northwest cargo and South cargo apron facilities;
- a new consolidated maintenance & administration building;
- repaving of the terminal area ramps;
- overlay and improvements to runway 09/27;
- widening of Taxiway “C”;
- expansion of the Northeast GA ramp facilities; and
- improving concession quality within the terminal building.

The five-year CIP proposed by the Private Operator should be regarded as an indicative level of investment. During the current transitional period it is anticipated that further capital works may be identified which will be required to maintain and develop the airport in a first class condition. Any additional capital expenditure will be funded by the direct capital expenditure by the Private Operator, from grant sources such as the FAA, the State and/or from airport tenants, as permissible under the Pilot Program and where appropriate.

Beyond the initial five-year capital planning period, investment will continue at a rate appropriate to develop the airport to the degree necessary to satisfy demand for the forecast rates of activity.

5. **Compliance with the limitations on air carrier fees, pursuant to section 47134(c)(4), not imposed for funding of new capital development undertaken after the transfer to the Private Operator.**

The Private Operator’s air carrier fee structure will meet the conditions set out in Section 47134(c)(4) that air carrier fees imposed on the transfer date will not increase faster than inflation unless a higher amount is approved by 65% of the air carriers serving the airport (based on absolute number and takeoff weight), other than for funding for new capital development undertaken after the transfer to the Private Operator.

The existing domestic air carrier tariff at Stewart International Airport.
<table>
<thead>
<tr>
<th>Operation/Facility</th>
<th>Existing Tariff</th>
</tr>
</thead>
</table>
| Aircraft Landing Fees based on CMGTW  | $0.95 per 1,000 lbs.  
                                        | $1.10 per 1,000 lbs for general aviation aircraft and non-signatory carriers over 10,000 lbs. (being adopted). |
| Aircraft Parking                      | Charged per use of stand per month, based on largest aircraft size as follows:  
                                        | • Commuters - $380 per month per position  
                                        | • Narrow body aircraft - $1,000 per month per gate, $750 per month remote  
                                        | • Wide body aircraft - $1,800 per month per gate, $1,265 per month remote |
| Airbridge Fee                         | $648 per month. |
| Fuel Flowage Fee                      | Sliding scale per million gallons starting at $0.06 per gallon for initial 1 million gallons. |
| Security Fees                         | Annual cost of provision prorated between airlines on an enplaned passenger basis.  
                                        | Current cost of provision $305,000 per annum. |
| Aircraft Rescue and Firefighting Fees | Annual cost of provision prorated between airlines according to share of total CMGTW.  
                                        | Current cost of provision $75,000 per annum (service provided by Military on barter arrangement). |
| Terminal Rentals                      | • Office and Operational Space - $40 per sq ft per annum  
                                        | • Ticket Counter Area - $56 per sq ft per annum  
                                        | • Temporary Facilities - $20 per sq ft per annum  
                                        | Note - outbound baggage sort is rented on a 20% fixed basis with the remaining 80% charged on an enplanement basis. |

Currently, there are no international services operating through Stewart International Airport. However, the Private Operator’s marketing plans call for the introduction of international charters during the first year of private
ownership. The operation of international services through the airport will entail the provision of certain additional services not currently undertaken on a regular basis at the airport, principally those by the Federal Inspection Services (“FIS”), including Agriculture, Customs and Immigration. The FIS, and other procedures associated with the processing of international passengers, will entail additional cost. The Private Operator intends to pass the additional cost on to international airlines, on a basis to be agreed, probably on a per passenger fee basis. In this way, international charges would be applied in a similar way to the current system at Stewart International Airport for the charging of security services, whereby the cost of those services is pro rated among airlines on an enplaned passenger basis. International airlines at Stewart International Airport will therefore pay a higher tariff than domestic airlines, reflecting these additional costs.

For domestic airlines, it is proposed to maintain the existing air carrier tariff at 1998 price levels (other than for new capital investment) until a 5% equivalent reduction in these fees has been achieved due to changes in the consumer price index. This measure will be undertaken despite the fact that Stewart International Airport’s charges are low in comparison to other U.S. airports (see Part V. C of this application). Once this rate reduction is achieved, fees of the airport imposed on air carriers immediately prior to transfer will not increase faster than the rate of inflation (unless agreed to by 65% of air carriers), other than for the funding of new capital development undertaken after the transfer.

The Private Operator reserves the right to make a reasonable rate of return on aeronautical rates and charges after operating and capital cost commitments are satisfied as defined in the Final Pilot Program Application Regulations and accompanying explanatory provisions, specifically 62 FR, 48701-48702.

While the existing domestic air carrier fee structure is in place, the Private Operator intends to work jointly with the airlines to look at innovative ways in which air carrier fees can more accurately reflect the use of facilities.

In Europe, for example, many areas within terminal buildings are defined as common-user areas (principally gate rooms, check-in desks and baggage sort). These areas are available for use by any airline and are not leased on an exclusive basis, as is often the case at many U.S. airports. In this way, maximum use can be made of existing facilities, before additional investment is required in expansion. Such a system also promotes accessibility by new entrant carriers (subject to overall terminal capacity constraints). The Private Operator interprets the provisions of Section 47134(c)(4), and the accompanying FAA regulations (Part VII.A.5.) requiring 65% airline approval for a new tariff structure to require only the initial approval of the revised tariff structure by 65% of the airlines then
operating at the airport pursuant to the Pilot Program regulations.

6. **Compliance with the limitation on general aviation fees described in section 47134(c)(5).**

Upon turnover of operations, the Private Operator's fee structure will meet the Section 47134(c)(5) statutory objective that percentage increase in general aviation aircraft fees will not exceed the percentage increase in air carrier fees. The general aviation aircraft fee tariff will be based upon the Public Sponsor’s tariff as set forth in Table 2 of this application.

7. **Maintenance of safety and security at the airport, in accordance with section 47134(c)(6).** The application should note the applicant’s contacts with the Airport District Office on Part 139 and the Office of Aviation Security on Part 107, but does not need to duplicate information filed in connection with those applications. The application should include planned efforts by the private operator to maintain the public sponsor’s existing mechanisms for communicating with airport tenants and the public on safety and security issues.

A number of discussions have been held with the FAA Eastern Regional Office regarding the requirements for FAR 139 and FAR 107 compliance. These meetings were as follows:

*January 7, 1998*

Introductory meeting to familiarize the FAA Eastern Regional Office with the Private Operator and its airport operations. This meeting was held during the proposal process for Stewart International Airport and the intention was to make the necessary introductions and to provide a basis for working if the Private Operator was successful in attaining preferred bidder status.

This meeting was chaired by Ms. Arlene Feldman and was attended by approximately 15 FAA representatives including Mr. Manny Weissman, Mr. Dan Vornea, and Mr. Bill Degraaff. Representatives from the Private Operator were Mr. Clive Davies, Director of Airport Development, and Mr. Michael Colella and Mr. Jack Gartner, strategic advisors to the Private Operator.
May 29, 1998

A second meeting was held to discuss the major issues regarding compliance and grant approvals, and to set a time frame for the transition from NYSDOT to private ownership. This meeting was also attended by Mr. Manny Weissman, Mr. Dan Vornea, and Mr. Bill Degraaff. The meeting was also attended by Mr. James McGuinness and Mr. Don Fegan of NYSDOT, Stewart International Airport. Representatives of the Private Operator were Mr. Clive Davies, Mr. John Williams and strategic advisor, Mr. Michael Colella.

FAA Regional Office requested that the application for Part 139 be submitted as soon as possible, to enable a seamless transfer on completion of the sale.

June 3, 1998

Following the May 29th meeting, a meeting was held on-site at Stewart International Airport between Paul Roberts, Airport Operations Manager, EMIA and Dennis O'Donnel, FAA Airport Certification Safety Inspector to discuss Part 139 certification and airport certification manual compliance.

This meeting concluded that the FAA was satisfied that the Private Operator could use the existing airport certification manual, as it is fully compliant.

June 5, 1998

A meeting was held between Paul Roberts, Airport Operations Manager, EMIA and Helene A. Herskowitz, Raymond Whalen, and Paul Crispi from the USDOT FAA Air Ground Operations Branch, Civil Aviation Security Division to discuss the FAA Civil Aviation Security Program.

During this discussion, it was emphasized that the existing security plan for the airport will remain in operation and that Mary McCullough, as Airport Director Designate, or her appointed replacement, will remain as security coordinator.

It is understood that FAA representatives were satisfied with the Private Operator’s approach on security issues.
December 3, 1998
A meeting was held between Mary McCullough, Colin Sorrell, and staff of the FAA office of the Regional Administration to continue discussion of the Part 139 certification and continue the dialogue of privatization of the airport in general.

Regular dialogue has now been established with FAA personnel at the Eastern Regional Office and at a local level. The Private Operator is working with the FAA to expedite the Part 139 certification and the FAR Part 107 compliance procedures.

Establishing a set of appropriate safety and security standards for Stewart International Airport is a priority for the Private Operator.

In terms of communication with tenants and the public, the principal mechanism currently in place in this regard is the regular meeting of the Stewart Airport Commission (“SAC”) and its Noise Subcommittee. These bodies operate in an advisory capacity to NYSDOT pursuant to Section 401 of the State Transportation Law. Both of these groups will be retained under private operation. In addition, other consultative groups will be created in order to ensure continuing communication with tenants and the public on all matters, including safety and security issues.

The approach in this regard is best illustrated by arrangements at EMIA, where a number of consultative organizations have been set up as follows:

Independent Consultative Committee

This is the primary forum for consultation with local and customer interests. The group is totally independent and is chaired by a senior elected member of one of the neighboring Local Authorities. The group includes representatives from the local district and parish councils most affected by the airport’s operations and also includes representatives of the airport’s customers.

Strategic Development Forum

At EMIA, the airport operating company is in the final stages of setting up a Strategic Development Forum (“SDF”) to discuss the broader strategy for the airport’s continuing development. This forum will include representatives from the local County Councils (former airport shareholders) and City Councils. This forum will discuss major development issues and their consequences.
Planning Liaison Committee

The formal Planning Liaison Committee (“PLC”) has been established with the local Planning Authority which grants permission for developments on and around the airport.

Airline Operators Committee

Every airline operating at EMIA is entitled to send a representative to the Airline Operators Committee (“AOC”). This committee is usually chaired by one of the major airlines operating through the airport. The AOC discusses a wide range of airport management issues with the senior managers and directors of the Airport Company. These include terminal management related issues as well as aircraft and air side related issues.

8. Mitigation of adverse impacts of noise from airport operations, in accordance with section 47134(c)(7). The applicant should specifically describe its intentions with respect to an existing or future Part 150 noise compatibility program for the airport, with respect to the public sponsor’s commitments under past records of decisions on airport development projects, and other measures the private operator intends to take in the future.

NYSDOT is currently updating its FAR Part 150 noise compatibility program for the airport. When completed, this program and any commitments it contains, will be adopted by the Private Operator. Subject to the availability of federal funds, NYSDOT and the Private Operator will cooperate to implement the program. The updated FAR Part 150 program will be submitted to the FAA upon completion.

Acquisition or disposal of interest in real property for continuation or extension of aviation easements and noise compatibility, under grant assurances, shall be performed by NYSDOT to the extent it deems reasonable or desirable as fee owner of Stewart International Airport, subject to the availability of federal and/or private funds. Such property shall be added or deleted from the leasehold as appropriate. NYSDOT will, if applicable and to the extent practicable under State law, adhere to land acquisition policies established in 49 CFR Part 24, Subparts B through E, which are described in Grant Assurance 35 (Relocation and Real Property).

In addition, the Private Operator intends to continue to work with the SAC and its Noise Subcommittee and other groups in reducing noise impacts at the airport. The National Express Group PLC airport subsidiaries at EMIA and BIA have an exemplary record on noise issues.
9. **Mitigation of adverse effects on the environment from airport operations, in accordance with section 47134(c)(8).**

The Private Operator will be subject to all applicable environmental requirements under both state and federal law. All development at the airport is subject to review and approval by NYSDOT as fee owner and landlord in accordance with all applicable environmental laws including SEQRA and NEPA, if applicable.

In conjunction with NYSDOT, and in compliance with SEQRA and NEPA, the Private Operator will be required to mitigate any adverse impacts on the environment from airport operations at least to the same extent as at a public airport.

The Private Operator intends to build on practices currently in effect at Stewart. For example, the plan to improve glycol collection facilities will correct deficiencies in the current system, develop additional de-icing areas south of the terminal ramp and increase storage capacity for used de-icing fluid. This development alone will represent a major improvement in glycol handling practices.

In common with airport operations in the United Kingdom, the Private Operator will consult with airport users, the FAA, and NYSDOT on environmental issues at Stewart International Airport.

Please refer to Part IV.E. of this application for additional discussion of EMIA's and BIA's environmental practices in the United Kingdom.

10. **Recognition that section 47134(c)(9) provides that any collective bargaining agreement that covers employees of the airport and is in effect on the date of the lease of the airport will not be abrogated by the lease.**

In common with airport operations at EMIA and BIA, the Private Operator intends to develop employment policies that will protect the rights of airport employees at Stewart International Airport. National Express Group PLC’s subsidiaries have considerable experience of transferring businesses from the public to the private sector and has an excellent record in protecting the terms of employees in this regard.

The Private Operator has held initial discussions with local union representatives, regarding the collective bargaining agreements currently in operation between the International Union of Operating Engineers (local unions 825, 825A, 825B, 825C, 825D, 825R, & 825RH) and Airport Group New York, Inc.
No major areas of disagreement have been identified, and the Private Operator continues to work closely with the unions to ensure that an updated collective bargaining agreement is in force at the time of the turnover, which does not abrogate the current agreements with the operating engineers unions.

NYSDOT has required that the Private Operator develop a plan to offer existing NYSDOT employees at the airport the option to remain in the employment of NYSDOT or to receive an offer of employment with the Private Operator.

Consequently, the Private Operator intends to offer employment to existing NYSDOT employees on private sector terms. However, it is recognized that individuals may elect to remain in NYSDOT employment under their existing arrangements.

11. The private operator's intentions regarding consultation with general aviation regarding the planned privatization of the airport, and the projected effect on general aviation of the proposed changes in the operation and management of the airport.

The Private Operator recognizes the value of general aviation activities to the local community and economy. The Private Operator wishes to see general aviation users grow their business rapidly at the airport and intends to provide an environment in which this can take place.

The Private Operator has held detailed discussions with the Fixed Base Operators (“FBOs”) at Stewart International Airport to understand their development objectives (see below). Regular meetings will continue to be held with the FBOs and other general aviation users at the airport.

12. Private operator’s plans for development of general aviation.

The Private Operator has incorporated into its initial five-year CIP a series of projects that will enhance general aviation facilities at Stewart International Airport. These include the development of an expanded general aviation (“GA”) ramp in the southwest area of the airport and repaving of existing ramps to provide higher quality operations.

The Private Operator will also develop a series of quality of service standards, which will be tailored specifically to general aviation services so that airport performance will be monitored and upgraded as needed.

Discussions have been held with both FBOs, Rifton Aviation and AMR Services, both of whom have expressed interest in expanding their businesses at the airport. It is hoped that an early agreement can be
reached to enable them to commence development of new facilities soon after the turnover.

B. The private operator’s acceptance of the Grant Assurances contained in the public sponsor’s grant agreements with the FAA. Assurance 25 need not be addressed. In addition, either (1) the applicant’s agreement that the Grant Assurances and the assurances required for granting an exemption under section 47134 create third-party beneficiary rights enforceable by the FAA in an administrative or judicial legal proceeding, or (2) a proposed tripartite agreement among the FAA, the private operator and the public sponsor granting the FAA the right to enforce directly against the private operator the Grant Assurances and the assurances required for granting an exemption under section 47134.

See Part III.E. and Part V.C. of this application.

C. Provide a description of the parties’ efforts to consult with airport users about the proposed transaction and of the parties’ community outreach efforts.

Section 401 of the State Transportation Law established SAC (the Stewart Airport Commission) for the purpose of advising the NYSDOT Commissioner on matters relating to the operation, management and financing of Stewart International Airport. SAC is comprised of local officials, members of the business community and other concerned citizens. SAC holds monthly public meetings to provide its input to NYSDOT, as well as to provide a forum for public comment on airport matters, including privatization. Privatization of the airport has been a recurring agenda item for more than two years, and will continue to be a recurring agenda item for these public meetings. SAC members and the public receive monthly updates in the status of privatization. On December 2, 1998, SAC approved the submission of the final application for the participation of the airport in the Pilot Program.

In addition to the SAC meetings, NYSDOT has met with local elected officials and civic organizations and participated in public forums with the Private Operator regarding privatization of the airport.

NYSDOT and the Private Operator have had several meetings and conferences regarding the privatization transaction with representatives of all of the air carriers serving the airport. NYSDOT and the Private Operator have also met and conferred with representatives of the airport’s FBOs and tenants regarding the privatization transaction.

The Private Operator’s approach to communication with tenants and the public on all matters, including safety and security issues, will include
the continuation of the SAC as the focal point for community outreach efforts. However, along with the SAC, other groups will be involved, including:

**Mid-Hudson Patterns for Progress**

This group includes members from most of the main governmental, business, community and academic organizations in Hudson Valley region. Its primary focus is the development of the Hudson Valley economy. In April, representatives of the Private Operator addressed this group on the company’s background, business strategies at Stewart International Airport, and opportunities for joint development.

**Airline Operators Committee (“AOC”)**

Every airline operating at Stewart International Airport will be entitled to send a representative to the AOC. The AOC will be chaired by one of the major airlines operating through the airport. The AOC will discuss a wide range of airport management issues with the senior managers of the Private Operator. These include terminal management related issues as well as aircraft and airside related issues.

Since the Private Operator was declared preferred bidder for Stewart International Airport, a number of consultations have taken place with airport users as follows:

In June and July 1998, members of the transition team met with individual aviation tenants to discuss the proposed privatization transaction, to provide a briefing on the Private Operator’s vision for the airport and to learn of future plans for tenant operations at the airport.

Key tenants visited at that time included all of the cargo carriers (Emery, Airborne, Federal Express and UPS) and the FBOs (Rifton and AMR Services). All other airlines using Stewart International Airport have now been approached by members of the transition team and a number of prospective airlines have also been approached.

In September 1998, the Private Operator participated in the airport’s quarterly Key tenants meeting and provided a presentation on the privatization process and its future plans for the airport. This meeting
included a Q&A session for feedback and comments from airport tenants.

Future plans for consultation with airport users include the following:

continuing liaison with aviation tenants throughout the transition period in order to promote and support future plans for growth;

detailed discussions with General Aviation tenants (Cessna and American Express) to discuss operational matters; and

continued participation in quarterly key tenant meetings.

In terms of Community Outreach efforts, the SAC remains the principal source of contact between the airport and the community. However, a number of other outreach consultations have taken place since declaration of the preferred bidder for Stewart International Airport as follows:

in April 1998, members of the transition team attended a Q&A session sponsored by Mid Hudson Patterns for Progress in order to answer community questions regarding the privatization process and the Private Operator’s future plans for the airport;

The Private Operator has met with various elected officials to discuss their constituent’s concerns about Stewart International Airport, the proposed operation and potential future impacts on the community;

a number of informational presentations have been made at the request of local organizations including Mid Hudson Patterns for Progress and the Orange County Chamber of Commerce;

frequent meetings have been held (and are continuing at the time of this application) with contractors and local unions regarding the use of Project Labor Agreements for future construction work at the airport;

in September 1998, a delegation of local business representatives led by Assemblywoman Nancy Calhoun visited EMIA to be briefed on operations in the United Kingdom and on National Express Group PLC’s business philosophy;
frequent meetings have been held with the West Point Academy Alumni Organization to discuss possible joint efforts for promotion; and

the Private Operator continues to work closely with local tourism groups regarding joint initiatives to promote the region.

Future plans for community outreach include the following:

continuation of close liaison with elected officials and SAC;

the development of a community relations program that addresses specific outreach initiatives;

participation in the airport’s Noise Abatement Committee to ensure that aircraft noise concerns are properly addressed;

implementation of noise abatement alternatives addressed in the FAA approved Part 150 Noise Study; and

continued community outreach briefings.
Part VIII. **Periodic Audits**

Section 47134(k) provides that the FAA may conduct periodic audits of the financial records and operations of an airport receiving an exemption under the pilot program. Applicants should indicate their express assent to this provision in the application.

The Private Operator accepts the right of the FAA to conduct periodic audits of the financial records and operations of the airport under Section 47134(k) of the pilot program.