

**The Port Authority of New York and New Jersey  
Committee on Operations Meeting Transcripts  
May 31, 2012**

[Chairman D. Samson] The first portion of today's meeting of the Committee on Operations is being held in public session after which the Committee will meet in executive session to discuss matters related to personnel and personnel procedures. In addition, the public portion of this meeting is being broadcast live on the Port Authority's website for those interested in viewing today's proceedings via the Internet. Our first discussion item is being presented by our Director of Aviation, Sue Baer, concerning an agreement with El Al Israel Airlines for the lease of space in terminal B for use as an airport lounge at Newark Liberty International Airport. Sue, good morning.

[Dir Sue Baer] Good morning. Commissioners, today I'm here to seek your approval for a lease agreement with El AL Israel Airlines for operation of a first-class lounge at Newark Airport. The lounge will provide first-class amenities to its VIP business, frequent-flyer patrons, while creating incremental revenue to the Port Authority. Lounge space has been made available by the Terminal B Modernization Program. As you may recall, staff have been working on programs authorized by the Board in August 2010. One of the objectives was to provide lounge space post security. As part of the program, three additional lounge spaces have been constructed that are accessed via exclusive lounge elevators on the second level of Terminal B beyond security. British Airways and Virgin America have already leased two of the newly created areas, and we are negotiating with perspective tenants for the third lounge space. El Al will be leasing the lounge areas soon to be vacated by one of them. El Al's lounge needs are currently being accommodated by an agreement with Jet Airways. Now that Virgin Atlantic's has committed to building a lounge in the newly created Terminal B2 bump out, El Al has requested Virgin Atlantic's existing Terminal B lounge to rebuild the lounge for itself and for other airlines. The proposed lounge will be located on the Terminal B departures level pre security. El Al has been a tenant and Newark since 1990, providing flight service to Tel Aviv, Israel. It's daily wide-body nonstop flight makes it the seventh largest foreign flight carrier in Newark with over 150,000 passengers in 2011. El Al currently has over 55 employees, including a large security staff, for its Newark operations. El Al plans to hire additional employees or Port Authority contractors to operate the lounge. Commissioners, here are the terms of the proposed lease. El Al will lease 3,880 square feet for 10 years and six months. El Al plans to invest approximately \$1 million to renovate and upgrade the lounge space. The proposed agreement will generate aggregate fixed rentals of \$3.9 million. We expect that the lounge will open at the end of the next year. Commissioners, I request that you advance these items before the full Board for approval. Thank you.

[Chairman D. Samson] Thanks, Sue. Do any of the Commissioners have any questions or comments concerning the issue?

[Vice Chairman S. Rechler] Just out of curiosity, how does this relate to what Virgin was paying for the lounge?

[Dir S. Baer] Approximately the same, but--I'm sorry. It's not going to be recorded anywhere. It's approximately the same but their making a million-dollar investment in the space.

[Chairman D. Samson] El Al is? >>El Al is making a million-dollar investment in the space.

[Vice Chairman S. Rechler] What is the square footage rate? Ninety to start and then it escalates annually.

[Vice Chairman S. Rechler] And just Virgin--where they're going, are they taking a similar amount of square footage? They're taking a slightly larger amount of square footage, and it's post-screening, which is what they wanted. In this economic climate we've had lots of puts and takes about airlines wanting lounge space and not being sure they should commit, etc, but they have committed. We brought the lease to the Board. So they're committed to this space, and it's on a second level. It's where we expanded the screening points of Terminal B. We made a second level for lounge space, so it's very nice lounge space with views of the airfield.

[Vice Chairman S. Rechler] Great. >>

[Comm. V. Bauer] That's all post-screening? That's post screening--the El Al lounge is the pre-screening lounge, which allows access to either of the international concourses.

[Chairman D. Samson] I think it's a great step forward. Any other questions or comments? I'll move it for approval at the public board meeting. Can I have a second? >>Second. All in favor? >>Aye. >>So moved. The next topic for discussion, also going to be presented by Sue, concerns of a lease supplemented with JetBlue Airways Corporation for the expansion of Terminal 5 and other airside improvements at JFK. Sue?

[Dir S. Baer] Excellent. Commissioners, I am equally pleased to be able to present an item that provides for a supplemental lease agreement with JetBlue Airways Corporation for the construction and operation of a new international arrivals facility and an expanded Terminal 5 at JFK. The lease will also provide for the development of aircraft parking positions at Terminal 5. JetBlue's international service has grown significantly, and this lease supplement will allow them to better meet the needs of their international customers within their own terminal while providing flexibility for further expansion to accommodate future growth. This supplement will provide for over \$200 million in private investment at JFK and is expected to result in 1,090 job years, \$74 million in wages, and \$325 million in economic activity. JetBlue is the single largest airline operating nonstop between New York and Florida and between New York and the Caribbean. It is the sixth largest passenger carrier in the United States, servicing 71 destinations in 22 states, Puerto Rico, and the US Virgin Islands, and 12 countries in the Caribbean and Latin America. In 2011, JetBlue handled nearly 10.5 million passengers at Terminal 5, representing nearly a quarter of the airport's total traffic, making Terminal 5 the busiest terminal in the airport. JetBlue began its international service handling arriving passengers in Terminal 4 in June of 2004 and has since grown significantly. It opened Terminal 5 in October 2008. In order to consolidate and grow its international service, JetBlue now requires additional property to expand Terminal 5 and construct an international arrivals hall with a Federal Inspection Service faculty. As a first step, in April 2010, the Board authorized JetBlue to undertake the demolition

of Terminal 6 and commence planning for the expanded Terminal 5. Before you in a site plan of the proposed improvements. The existing Terminal 5 is shown in light blue. The new international arrivals facility, shown in dark blue, will consist of approximately 145,000 square feet on three levels. The project will initially convert three existing domestic gates to international gates, shown in green, and add three new international gates, which are shown in red. This will accommodate additional international arrivals. It will also be done--the hardstand where they park plans on the ramp and bus operations, which is shown in orange. The project will also include construction of a Federal Inspection Service facility within the expanded terminal to accommodate up to 1,200 international arriving customers per hour, the Associated Customs and Border Protection Support Services, and two new international baggage claim devices. JetBlue will invest a minimum of \$170 million to design and construct this new international arrivals facility and another \$35 million to improve the ramp area between Terminal 5 and 7 on its new leasehold-- the subject ramp areas indicated in the dotted line around the upper part of that photo. Before you is a rendering of the proposed expansion. JetBlue will construct the 145,000 square foot expansion, which will be included in the Terminal 5 lease. JetBlue's lease will include the additional space in Terminal 5 and 19.3 acres of land in the ramp that once housed Terminal 6. JetBlue will pay ground rental for the expansion at a rate of \$112,698 per acre, which is what the ground rent is at JFK at this time, which will increase annually by the greater of 4% or half of the CPI. JetBlue already pays an enlargement and ground rental for the existing Terminal 5, but this supplement will extend the term of this existing agreement generating additional revenue. The proposed lease supplement with JetBlue will generate aggregate rentals of \$447 million over the 28-year term of the lease through rent. Construction would commence in July and is expected to be completed by the end of 2014. In addition to benefits to the Port Authority, the construction of the terminal expansion and ramp improvements will have significant economic benefits for the region. The total regional impact over the life of the project is currently estimated to result in 1,090 job years, \$74 million in wages, \$325 million in economic activity. Also, JetBlue currently employs over 4,200 crew members at JFK and expects to increase the number of jobs by 150 with this expansion. The project is expected to be completed by the end of 2014. Advancing this item will facilitate international growth, further improving the airports benefit to the region's economy and ensure that our customers have the international services required to improve their experience at Terminal 5. I ask that you recommended this item for approval by the full Board. Thank you.

[Chairman D. Samson] Thanks, Sue. Do any of the Commissioners have any questions or comments?

[Dir S. Baer] Thank you.

[Vice Chairman S. Rechler ] I think the whole JetBlue Terminal 5 has been a great success. We think so too. >>

[Vice Chairman S. Rechler] It's terrific. It's been a great partnership. I have two folks from JetBlue here today if you haven't met them.

[Chairman D. Samson] I wanted to recognize them. Could you introduce them, Sue? Sure. Jack Rossi, JetBlue, and I don't know what you do exactly, Jack. [laughs]

[J. Rossi] I'm an in-house counsel at JetBlue.

[Chairman D. Samson] Uh-huh. More lawyers.

[R. Smyth] We keep an eye on him.

[Dir. S. Baer] [laughs] This is Richard Smyth who was the person working with us and responsible for the actual delivery of the existing Terminal 5 and is now the person who will be responsible for the delivery of the expanded terminal.

[Chairman D. Samson] Great. Richard, I just want to--on behalf of the Board--compliment you on this proposal and thank you for being such a good partner with the Port Authority over the years. This project and your further commitment to JFK and the Port Authority in general-- it really reinforces the longstanding relationship and I think is a symbol of what the optimistic view of the future will be as we go forward together. We're very, very pleased with the partnership we have with JetBlue. Congratulations on your success.

[R. Smyth] Well, thank you very much, and we sincerely appreciate our relationship with the Port Authority. That's what helped us become so successful in our hometown here in New York.

[Chairman D. Samson] Yeah, it's a great success story, and I hope we continue to build on it. Thank you very much.

[Dir S. Baer] I would add that JetBlue is one of the very few carriers that serves all four of our passenger server airports, because they're up at Stewart as well.

[Executive Director P. Foye] It's also the only passenger airliner that is headquartered at the port district. Yeah. They just built a lovely--we should invite all of you to come see it-- headquarters in Long Island City, renovated an old building and have real state-of-the-art operations control centers.

[Chairman D Samson] When should we expect the invitation, Sue? We'll do it. >>

[Chairman D Samson] And what's going to be served for lunch? Blue potatoes chips. [laughter]

[Chairman D Samson] Okay.

[Dir S. Baer] And I would point out that this was anticipated. We already have environmental approval for this. It was anticipated when we did the original building that JetBlue would want to add international processing. It's come sooner than a lot of us anticipated, because the international service has been so successful and to have their international arriving passengers clear in another terminal isn't the level of service they would like to achieve and we would like to achieve. And this is only phase 1-1/2, but there are additional phases that can happen over time. We're very concerned that we use all of the available space to good end for our customers. So we have provisions in our lease that make sure that we will achieve the next phases at some point in the future.

[Chairman D Samson] Great. Continued success, Richard. I'd like to move this for consideration.  
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[Comm V Bauer] So moved.

[Chairman D Samson] All in favor? >>Aye. >>

[Chairman D Samson] So moved. This concludes the public portion of today's meeting. The Committee will now adjourn to executive session to discuss matters related to--