

Oakland International Airport Concessions Update: *Techshowcase and Auntie Anne's Pretzels* open

Two new concessions recently opened in Oakland International Airport's Terminal 2, completing the first phase of a two-part concession development plan for the airport, contracted in part to HMS Host. This gives the traveling public even more concession choices.

Auntie Anne's Pretzels is now open in the new Terminal 2 concourse, next to gate 26. Auntie Anne's is best-known for their assortment of baked pretzels and signature drinks.

Techshowcase also recently opened in the renovated portion of Terminal 2, next to gate 25. Oakland International is the first airport to offer Techshowcase, a high-tech retail store that offers travelers the latest and highest quality consumer electronic brands, complete with live technology demonstration units mounted on interactive display fixtures.

Introduction of Four Coro Fellows

I am pleased to announce that we have four Coro Fellows observing our board meeting today. They are Zach Blume, Lucas Botello, Craig Ishihara and Ariana Proehl. The Coro Fellowship is a 9-month, full-time, post-graduate experiential leadership training program where fellows are assigned projects for organizations in various sectors including Government, Business, Labor, Non-profit, Media and Politics.

The four fellows here are in the process of preparing a report and presentation about the Port's Employment Resource Development Program on Friday, February 1st. As a part of their research, they are conducting a survey of the port's tenants and are interviewing Port employees, local community based organizations as well as other Ports. A very warm welcome to our Coro Fellows.

“Change Agents” at the Port of Oakland

As you know, the Port of Oakland has been actively working to strategically align the entire organization to better position the Port for future growth. This alignment will require a comprehensive review of our internal business processes and a thorough evaluation in order to make any needed course corrections.

An important part of our strategy is to select a team of individuals to help lead and coordinate some of the activities related to our "change" efforts. This team is called the Change Agent Coalition. The coalition will be charged with assessing Port-wide paperwork, processes, procedures and systems in areas such as contract administration, budget and capital improvement programs.

I am happy to announce the official formation of this coalition and introduce you to each of the members. These change agents were selected because each of them in their own way represented “change” and a genuine passion for this organization.

The Change Agent co-chairs are IT Director Fred DePalm and Assistant Aviation Director Deborah Ale-Flint. They will be working closely with the following change agents:

- Anita Brooks (Airport Landside Operations Administrative Assistant)
- Aileen Evans (Organizational Development Manager)
- George Lythcott (Port Purchasing Manager)
- Cookie Kelly (Senior Account Clerk)
- Robert Bernardo (Media & PR Manager)
- Pam Kershaw (Commercial Real Estate Manager)
- Ted Mankowski (Harbor Facilities Maintenance Manager)

- Bill Morrison (Port Maintenance & Construction Supervisor)
- Imee Osantowski (Port Principal Engineer)
- Delphine Prevost (Port Environmental Scientist)
- Cecilia Ravare (Accounting Supervisor)
- Danny Wan (Deputy Port Attorney)
- Ben Wu (Port Systems Planning Analyst)

The change agents held their first meeting yesterday, and I'm excited to see their work in the coming months. There will also be plenty of opportunities for the rest the Port employees to participate on any number of special task forces focusing on specific areas for potential change.

Throughout the process, we will keep you apprised of our progress.

Port of Oakland Accomplishments 2007 and

What's Ahead in 2008

I want to take this opportunity to thank the Board of Port Commissioners and Port of Oakland employees for helping me create a “foundation year” in 2007.

As I said last February, we would spend the entire year building much-needed resources, establishing and strengthening customer relations, and resolving critical business issues. My original plan comprised of three components. The first component focused on working to pursue healthy and aggressive economic development of our seaport, airport, and commercial real estate properties. We accomplished this during the past year by successfully completing the sale of our recent Port bonds offering. This provides us with an infusion of capital to fund projects to better serve our customers.

By improving our facilities, we help our business partners to succeed, which in turn benefits our community with jobs and economic vitality.

In our maritime operations, major progress has been made on the -50' Channel Deepening Project and the Wharf Embankment Strengthening Project. These projects are headed for completion and will allow us to accommodate the newer, larger, container vessels. We've also just formalized our working relationship with both the Union Pacific Railroad and BNSF Railway in order to provide greater rail access to and from the Port. This week, we will jointly submit applications to the state for much-needed infrastructure bond funds for our rail access projects. Special thanks to our tenants for their on-going support in these important lobbying efforts.

At Jack London Square this past October, we witnessed the groundbreaking ceremony at the site of the former Old Spaghetti Factory parking lot for the creation of a new 170,000 sq. ft. “Jack London Market”. The “Market” will house stores specializing in fresh produce, artisan foods, a bakery, coffee, exciting new restaurants, cooking classrooms and office space. This event highlights the construction that will transform the Square into a popular destination for both residents and visitors.

At Oakland International Airport (OAK), we have nearly completed our Terminal 2 Improvement Program which features additional boarding gates, a state-of-the art baggage claim area, and new restaurants and shops for the traveling public. Additionally, our roadway and curbside improvements have helped reduce congestion for our 14.5 million annual visitors.

The second component focused on promoting a secure quality of life for Oakland residents and those in our region. We accomplished this by engaging the community on key environmental issues including air quality. Our Maritime Air Quality Improvement Plan is nearing completion. We plan to report our next steps in the coming months. In our Social Responsibility Division, we continue to support local business through our contracting policies. We want to see more minority and women-owned businesses to do business with us. Our business partners are also committed to providing the greatest job opportunities for those who do live in Oakland. Our MAPLA provisions ensure that when we're seeking qualified and skilled workers, we look locally first. Another program that positively impacts the community is our comprehensive Truck Management Program where we look at issues ranging from retrofitting trucks to parking enforcement to truck routes in order to improve overall air quality in the neighborhoods.

The third component to our foundation year plans included developing a sense of pride and passion within the Port of Oakland. To that end, I have conducted two listening tours for our employees. Since February 2007, I've held 24 sessions totaling 37 hours meeting with all of the employees at the Port of Oakland, answering nearly 300 questions that employees asked. The questions ranged from Port business to operational and process improvements to staffing and labor issues. I believe that these sessions help employees better understand my goals and at the same time, I can better understand their concerns and hear their suggestions for operational improvements. The listening sessions also allow employees to come together to brainstorm and problem-solve. Already, these sessions have yielded some ideas that have been put into action. I plan to continue the next listening session this March 2008. So, as you can see, our "foundation year" has better-positioned the Port for the coming year.

We have a lot of opportunity ahead of us and we are prepared to meet those challenges. So, what's on the horizon?

2008 will be our "implementation year."

The groundwork that we have laid in 2007 will allow us to move forward with a plan that will take place over the next five years.

The strategy will initially include further financial restructuring as well as streamlining the processes and procedures by which we make decisions and deliver infrastructure projects.

We are approaching this strategic alignment with careful thought and consideration. Several important activities have already been completed.

The refinancing of our prior bond debt was successfully accomplished in October, a measure that will save the Port more than \$17 million over several years. We also completed the review of our purchasing and contracting policies and procedures with a view to lessening the bureaucratic processes. The revenue and support divisions are commencing another review of their respective business plans with an emphasis on closer alignment with our strategy.

An integral part of our strategy is the team of "change agents" that I mentioned in my earlier report. While the outcomes of their work will better position our Port, the change agents will not address a specific financial goal or target.

This is an exciting opportunity for us at the Port. Throughout the process, we will everyone apprised of our progress.

We have already seen the Port move through the ISO 9000 process, and many of you know that we have an active “Ideas Committee.” In that tradition, we will continue to tap into the broad range of experience and talent of everyone here at the Port.

Again, special thanks to our Port Commission for their leadership, the employees for their tireless efforts, to our tenants who continue to do business with us, and our many community stakeholders who keep us engaged on important quality-of-life issues that affect us all.

Have a happy and healthy new year.