

Pre-Conference Seminar 2

Economic Regulation of Airports

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The U.S. system of airports

as of September 30, 2012

- **19,786** airports overall
- **14,615** airports designated as private-use
- **5,171** airports open to the public
- **3,330** existing airports in the National Plan of Integrated Airport Systems (“NPIAS”)
- **545** airports certificated under Part 139 (commercial service by aircraft with 9 or more seats)
- **378** primary airports (scheduled commercial service with at least 10,000 annual enplanements)



U.S. Airport Ownership Model

- **Ownership and control**
 - States
 - Counties
 - City departments
 - Independent government authorities
- **Operation and management**
 - Direct employment of management and staff
 - Contract services (extensive)
 - Management services (less frequent)
- **Major influences**
 - Federal influence on safety and environmental sustainability (as well as significant capacity and efficiency projects)
 - Airline influence on investment and capacity
 - Financial market influence on availability of capital funds

U.S. economic and regulatory model

- **Airport rates and charges**
 - Broad statutory framework with governing principles
 - Fair and reasonable
 - Non-discriminatory
 - Public access
 - Economic self-sustainability
 - Cannot remove net revenue from airport (for non-airport purposes)
- **Beyond that... the sky's the limit as long as it isn't illegal.**
- **Federal expectations of airports and airlines**
 - Work collaboratively at the local level
 - Preserve flexibility to accommodate evolving needs
 - Promote competitive access
 - Avoid long-term, exclusive-use provisions
- **Formal and informal processes for dealing with disputes**

Benefits of the U.S. approach

- Broad geographic distribution of safe, efficient airport facilities
- Stability during difficult economic cycles
- Financial viability and broad diversity of funding sources
- Financial discipline from multiple stakeholders
 - Airlines
 - Rating agencies
 - Bond underwriters
 - Institutional investors
 - Bond insurers
- Room for innovative approaches to economic and financial issues
- Federal involvement provides opportunities to influence and enhance safety

National Plan of Integrated Airport Systems



Challenges

- Changes in policy require substantial effort
- Privatization of ownership has not progressed significantly
- Congestion management
- Preserving competitive access in spite of airline industry consolidation
- Tensions between commercial interests of airlines and the interests of the traveling public
- Overcoming inertia as new technologies offer new opportunities

Recent changes in U.S. rates and charges policy

- Airports may impose a two-part landing fee consisting of a combination (per operation charge and weight-based charge).
- Congested Airports may charge users a portion of the cost of airfield projects under construction.
- Multi-Airport Systems may charge users of the congested airport the airfield costs of underutilized airports in the system.
- Air Carrier Incentive Program redefines FAA's definition of "new air service" to include "increases in landed weight" – permits a temporary waiver of standard airport fees to induce carriers to expand service using larger aircraft ("up-gauging")

Status of U.S. Pilot Privatization Program

- San Juan (Puerto Rico)
 - Aerostar Airport Holdings, LLC
 - 40-year lease term
 - \$615 million upfront payment
 - \$2.5 million (years 1-5), 5% gross (years 6-25), 10% (years 26-40)
- Chicago Midway (Chicago, Illinois)
 - 40-year lease term or less
 - Preliminary Application accepted January 18, 2013
 - City's RFQ Process identified 7 firms
 - City will select a winning bidder 3rd Quarter
- Hendry County Airglades Airport (Hendry County, Florida)
 - Airglades International Airport, LLC – private operator
 - Purchase Agreement
 - Airfield improvements and a facility for perishable air cargo
 - Environmental review process

Thank you!

Questions?

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