

**BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL AVIATION ADMINISTRATION
WASHINGTON, D.C.**

In the matter of)

Policy Regarding Airport Rates and Charges)

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) FAA-2008-0036
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**COMMENTS OF CITY OF CHICAGO
ON POLICY REGARDING AIRPORT RATES AND CHARGES**

Communications with respect to this document should be sent to:

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OMP is a program that mitigates existing delays and proactively provides the capacity necessary to meet forecast demand.

Additional runway capacity would better serve the traveling public allowing for more frequent and competitive air service. This is particularly important to airports like O'Hare that serve as access points to the national aviation system for many small and medium sized communities.

In the absence of necessary capacity, airports need to have the ability to set rates appropriate to their unique circumstances with sufficient flexibility to generate funding for projects that would enhance airport capacity. As long as the rates and charges set by an airport are reasonable and not unjustly discriminatory, the airport should have broad flexibility to set its rates.

However, having the ability to charge differential prices should not be viewed as a mandatory obligation. In fact, rates should be set based on the specific needs of the airport. For the most part, an airport financial model is designed to hold the cost-per-enplaned passenger within a competitive range of its peers. An obligation to increase rates could significantly disturb a well-crafted competitive market position for the airport. Airports are best suited to determine if, when, and what kind of additional rates should be implemented.

The City is pleased that the USDOT has proposed to clarify and enhance the ability of airports to use landing fees to implement capacity projects. This action would provide economic incentives to the carriers to better utilize the airport during times of congestion.

The City of Chicago offers the following more specific comments on USDOT's Notice of Proposed Rulemaking.

Two-part landing fees

The proposed flexibility to adjust cost during peak travel periods is very similar the airlines current pricing scheme of charging higher ticket prices during peak times of the day. However, the consequence of this initiative may very well be that airline customers in small markets who wish to travel during the high demand periods may find themselves without a carrier that can get them to their destination. For example, a large market like Boston will always be able to out-compete small markets like Rapid City during peak hours. This represents a real policy issue for airports, particularly if capacity enhancement is not an option.

On the other hand, at airports like O'Hare, where expansion is possible, funds generated by the additional fees could be used to develop long-term solutions that would better serve customers traveling from small communities to a vital hub airport.

To achieve this outcome, USDOT would need to further clarify that the two-part fee:

- 1) Does not require revenue neutrality, and
- 2) Can be implemented outside of an airports' existing use-and-lease agreement.

A two-part fee should not be limited by revenue neutrality. A fee to implement capacity enhancing projects ultimately benefits the traveling public. If this limitation were lifted, a two-part fee could incentivize air carriers to make better use of scarce runway capacity

and provide the funding necessary for airports to implement capacity enhancing projects. This approach would impose a real cost on passengers and airlines for congestion.

The value of air travelers' time lost to delay is measured in the billions of dollars. A per operation fee that funds capacity enhancing projects provides a mechanism to convert the billions lost by travelers into action that solves the problem. Allowing for a separate per operation fee properly aligns public policy with a funding mechanism. An additional charge added to the traditional landing fee that is passed on to the traveler can be used to reduce the delay expenses currently being incurred and to proactively avoid future delay expenses.

Time Period of Fee Imposition

The USDOT has requested input on when airports should be allowed to impose additional fees related to congestion. The City of Chicago prefers the alternative that would allow the charge of congestion related fees throughout the entire day, in lieu of just during periods of congestion. For the most part, delays caused by congestion usually affect flights throughout the day, including those scheduled during non-peak hours. It is in the interest of all carriers to provide funding for capacity enhancing projects that have a beneficial impact to both peak and non-peak hour operations. Additionally, imposing a fee throughout the day may have a diminimus effect on small community airports, particularly when compared to a fee that would only be implemented during peak periods.

Fee Imposition during Construction

The City supports the ability to institute project costs into the rate base to fund the construction of capacity enhancing projects. This option would give airports the ability

to proactively plan for the implementation of capacity projects, while reducing project financing costs.

Respectfully submitted this 3rd Day of April 2008.

A handwritten signature in cursive script, reading "Nuria I. Fernandez". The signature is written in black ink and is positioned above a horizontal line.

Nuria I. Fernandez
Commissioner of Aviation