

Comments on Notice of Proposed Amendment to Policy Statement
U.S. Department of Transportation, Federal Aviation Administration

POLICY REGARDING AIRPORT RATES AND CHARGES

Docket No. FAA-2008-0036, January 17, 2008

Comments submitted by:

City of Philadelphia, Division of Aviation

operator of

Philadelphia International Airport (PHL)

and

Northeast Philadelphia Airport (PNE)

Comments submitted electronically via: <http://www.regulations.gov>

General

The City of Philadelphia supports the general intent of the proposed amendment to provide the operators of congested airports, such as the City, with the flexibility to price the use of airport facilities to decrease congestion and enhance operational efficiencies. Our specific comments and suggestions follow.

Definition of Congested Airport

As illustrated on the attached exhibits, PHL consistently accommodates large numbers of aircraft arrivals and departures between 6 a.m. and 11 p.m. (In addition, not shown on the exhibits, the airfield accommodates aircraft operations by UPS, other all-cargo airlines, and general aviation.) By any common-sense definition, the PHL airfield is routinely congested for much of the day.

We understand that PHL would be classified as a congested airport under the definition in the proposed amendment by virtue of PHL being included in the FAA's report *Capacity Needs in the National Airspace System 2007-2025* (FACT2) as an airport needing additional capacity by 2015. However, the City is concerned that PHL would not necessarily be defined as congested in the future and so would not be able to take advantage of the provisions of the proposed amendment. Also, as written, the definition in the proposed amendment could apparently give rise to a counterproductive situation in which the City imposes an airline charge permitted

by the proposed amendment, achieves a reduction in delays as a result of the charge (or as a result of making other airfield improvements), finds itself no longer congested under the definition, and is then required to rescind the charge.

The proposed definition of congested airport refers to an airport accounting for “at least 1% of all delayed aircraft operations.” We understand that the FAA maintains various databases that could be used to list airports by their percentage of nationwide delayed aircraft operations, but we are not aware that such a list has been compiled. It would be helpful if FAA could make public its list of delayed airports according to the 1% rule so that the airport industry can understand which airports would qualify.

However, the definition would still seem to be problematic. What if a relatively small airport experiences severe congestion but does not have enough operations to allow it to exceed the 1% threshold? We suggest that the FAA adopt a simpler definition of congested airport, perhaps any airport at which aircraft delays exceed x minutes annually. If an aircraft delay metric is to be used as the basis for the definition, we suggest that an airport’s average aircraft delay, as measured by the FAA’s Airspace System Performance Metrics (ASPM) system would be a simple and easily understood metric.

Even better, we suggest that any airport operator, regardless of whether its airport is deemed to be congested by the FAA, should be eligible to implement any permitted charge if, by so doing, the airport operator could reduce delays or otherwise enhance operational efficiency.

We also suggest that if, by whatever definition, an airport is deemed to be eligible to impose charges under the proposed amendment, it should not subsequently lose that eligibility because congestion or delays are reduced.

Two-Part Landing Fee

The City supports the proposal that airport operators should be able to impose a two-part landing fee with a per operations fee component (i.e., a minimum fee per landing) and a weight-based component. We believe that the proposal could be helpful at PHL by encouraging the use of higher-seat-capacity aircraft.

However, we and other airport operators need guidance from the FAA as to the “settled” principles of cost allocation referred to in the proposed amendment. The City is not aware of established methodologies prevalent in the airport industry for allocating airfield costs between fixed (per operation) and variable (per unit of landed weight) components.

Inclusion of Costs of Secondary Airport

The City supports the proposal that the costs of other airport(s) in an airport system (e.g., Northeast Philadelphia Airport, PNE, in the case of PHL) should be includable in the calculation of landing fees at the primary airport. Under the proposed amendment, such costs would be includable without further justification if the secondary airport is designated by the FAA as a reliever (which is the case with PNE). The City suggests that the FAA go further and allow such secondary airport costs to be included, without additional justification, whether or not such secondary airport is an FAA-designated reliever.

Inclusion of Only Historical Costs in Calculations

The big question regarding the changes contemplated by the proposed amendment is whether implementation of any of the proposals would have any meaningful effects on airline operating practices. Under any of the proposals, landing fees would have to be calculated using a historical cost accounting methodology, i.e., would have to be “revenue neutral” and not generate airfield revenues in excess of allowable airfield costs.

At PHL, as at most busy airports, this historical cost constraint would, as a practical matter, limit the differential between peak and off-peak landing fees with the result that there would be little incentive for airlines to change their schedules. At PHL, even if the off-peak fee were to be set at zero, the peak fee would only be increased by perhaps 15%, and it is questionable whether such an increase would result in any meaningful change in scheduling practices. An airline that operates throughout the day would have little incentive to change its overall scheduling practices because any increase in its peak fees would be offset by a decrease in its off-peak fees.

The City recommends that airport operators not be constrained by the historical airfield cost requirement. Instead, airport operators should be provided the discretion to set peak and off-peak landing fees at whatever levels would have a meaningful effect on airline scheduling practices. This discretion would be in the context of an airport operator’s already established obligation not routinely to generate overall airport revenues in excess of reasonable needs.

Inclusion of Costs during Construction

The City strongly supports the proposed provision that would permit the inclusion of the costs of airfield projects under construction in the landing fee rate base. This provision would allow the City to avoid the costs of capitalizing revenue bond interest during construction and could allow us to achieve considerable savings in capitalized interest for PHL’s airfield capacity enhancement plan.

Imposition at All Times or Only During Congested Periods

Two options are proposed for comment regarding landing fees permitted under the proposed amendment: the higher landing fee resulting from the inclusion of costs during construction would apply (1) only during times when the airport experiences congestion or (2) at all times. The City believes that the former approach would not be workable as a practical matter and supports the second option, i.e., that the higher landing fees resulting from the inclusion of costs during construction should be imposed at any time of day when the airport operator believes operational benefits would result.

Effect of Proposed Amendments on Existing Airport-Airline Agreements

The proposed amendment is silent on the question of whether the proposals would supersede the provisions of any extant use or lease agreements between an airport operator and the airlines serving the airport. The City's Airline-Airport Use Agreement runs through June 2011. Other airports have longer-term agreements. The City suggests that the proposed amendments be enacted so as to allow the FAA's airport rates and charges policy to supersede the provisions of airport-airline agreements.

Respectfully submitted
for the City of Philadelphia
by:

Rina Cutler
Deputy Mayor for Transportation and Utilities

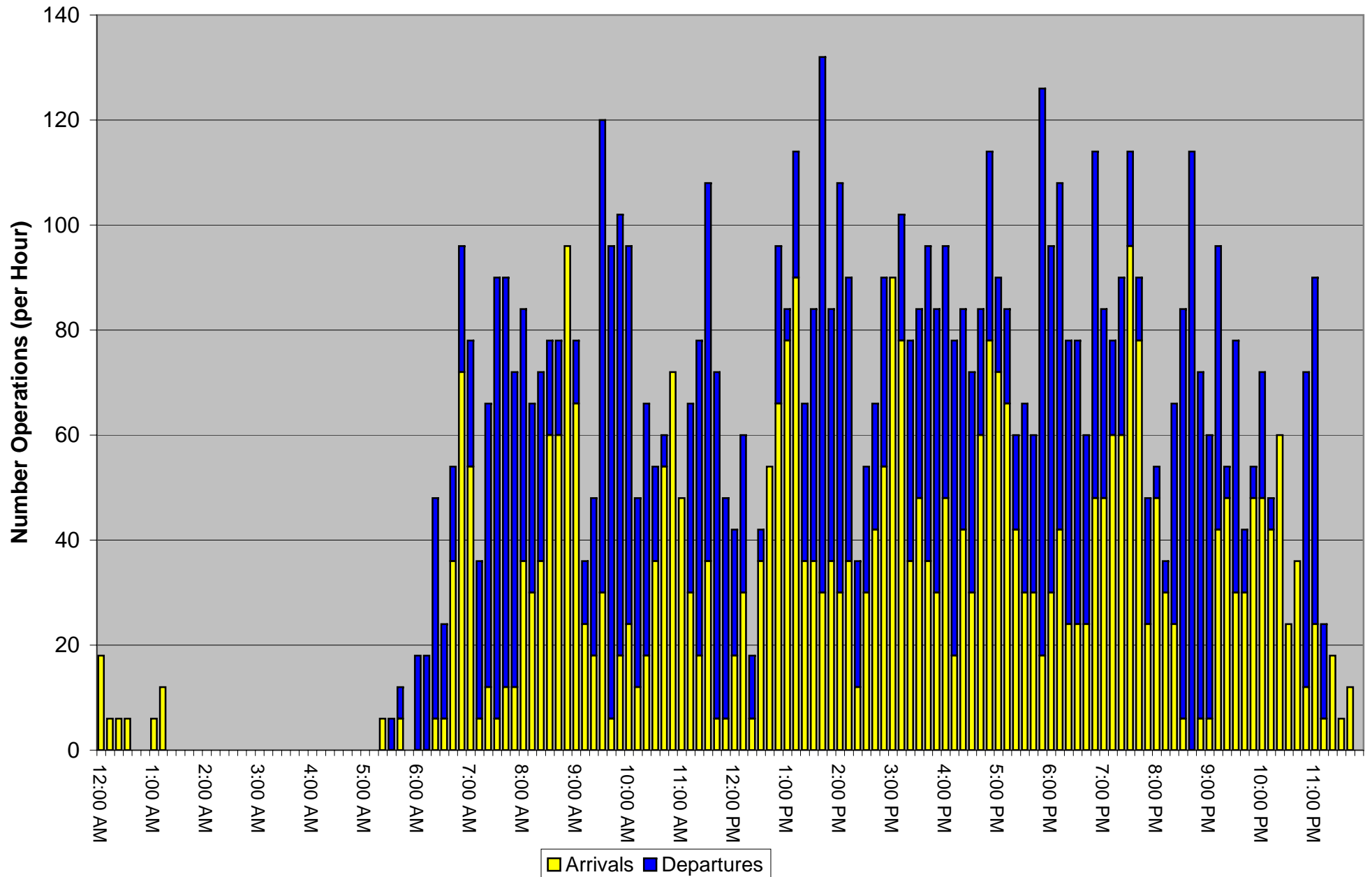
Charles J. Isdell
Director of Aviation

Shelley R. Smith
City Solicitor

SCHEDULED PASSENGER AIRCRAFT ARRIVALS PLUS DEPARTURES

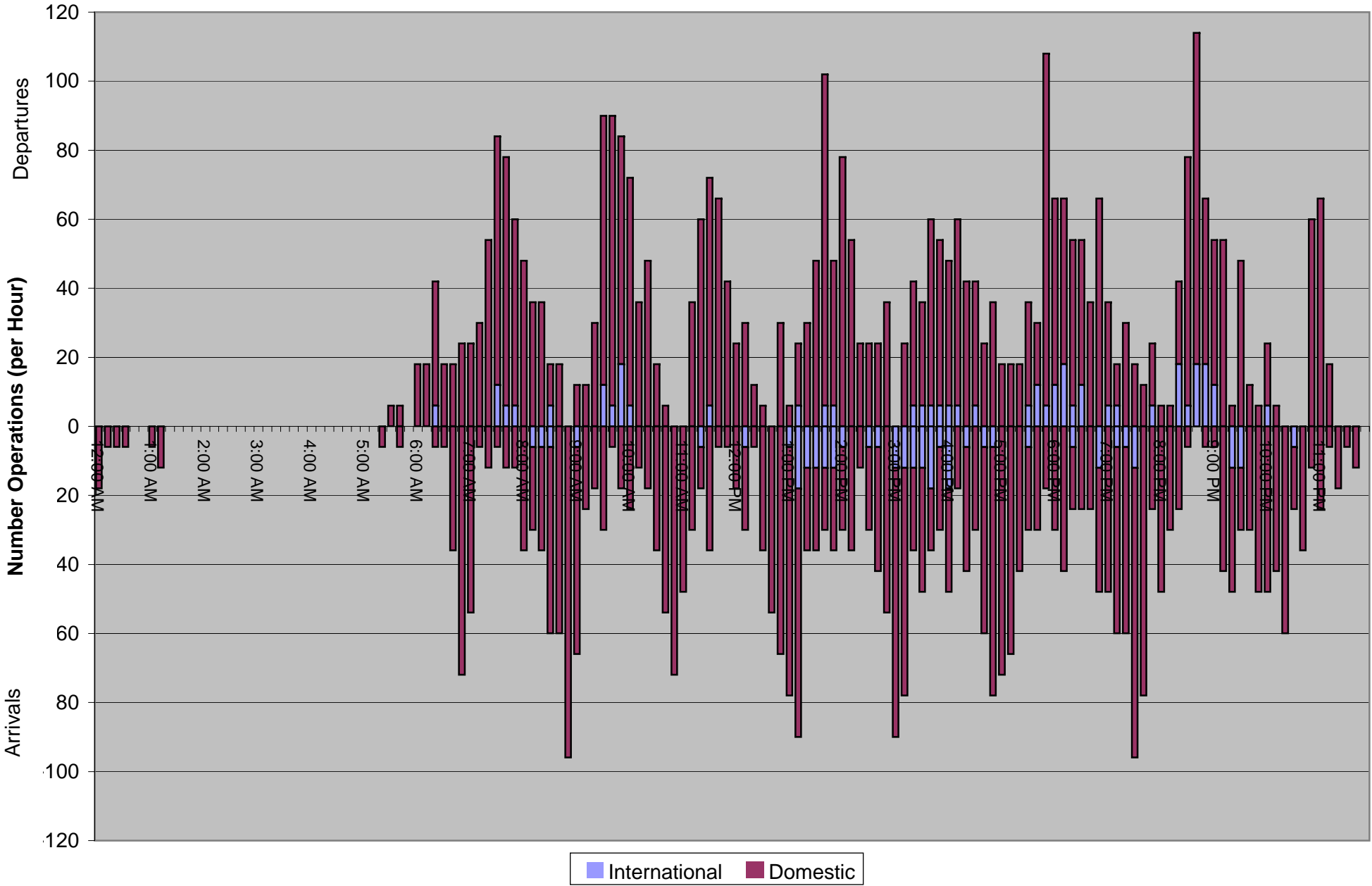
Philadelphia International Airport

Scheduled for August 17, 2007



Source: Official Airline Guides (OAG) Online Database, pulled 3/28/2008.

SCHEDULED PASSENGER AIRCRAFT ARRIVALS VERSUS DEPARTURES
 Philadelphia International Airport
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