



34th Annual Basics of Airport Law Workshop and 2018 Legal Update

Session #9

NEW DEVELOPMENTS & POLICIES AFFECTING AIRPORT FINANCE

Bonnie Ossege
Ricondo & Associates

Eric T. Smith, Esq.
Kaplan Kirsch & Rockwell

INTRODUCTION – WHAT'S NEW

Emplanement
Trends

Airport
Revenue
Trends

Rates and
Charges
Policy

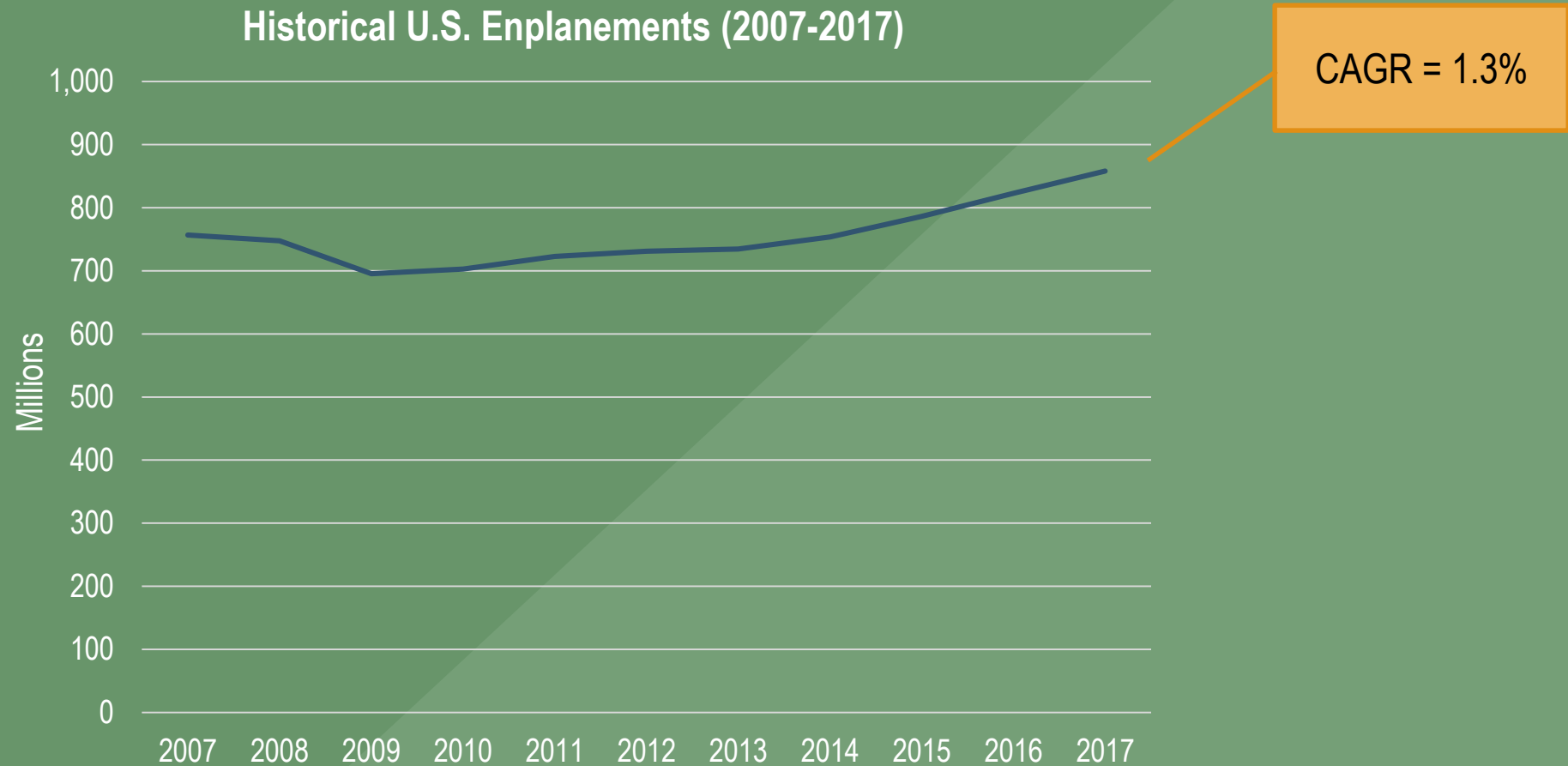
Airport –
Airline
Climate

Aging
Facilities

New
Airline
Business
Models

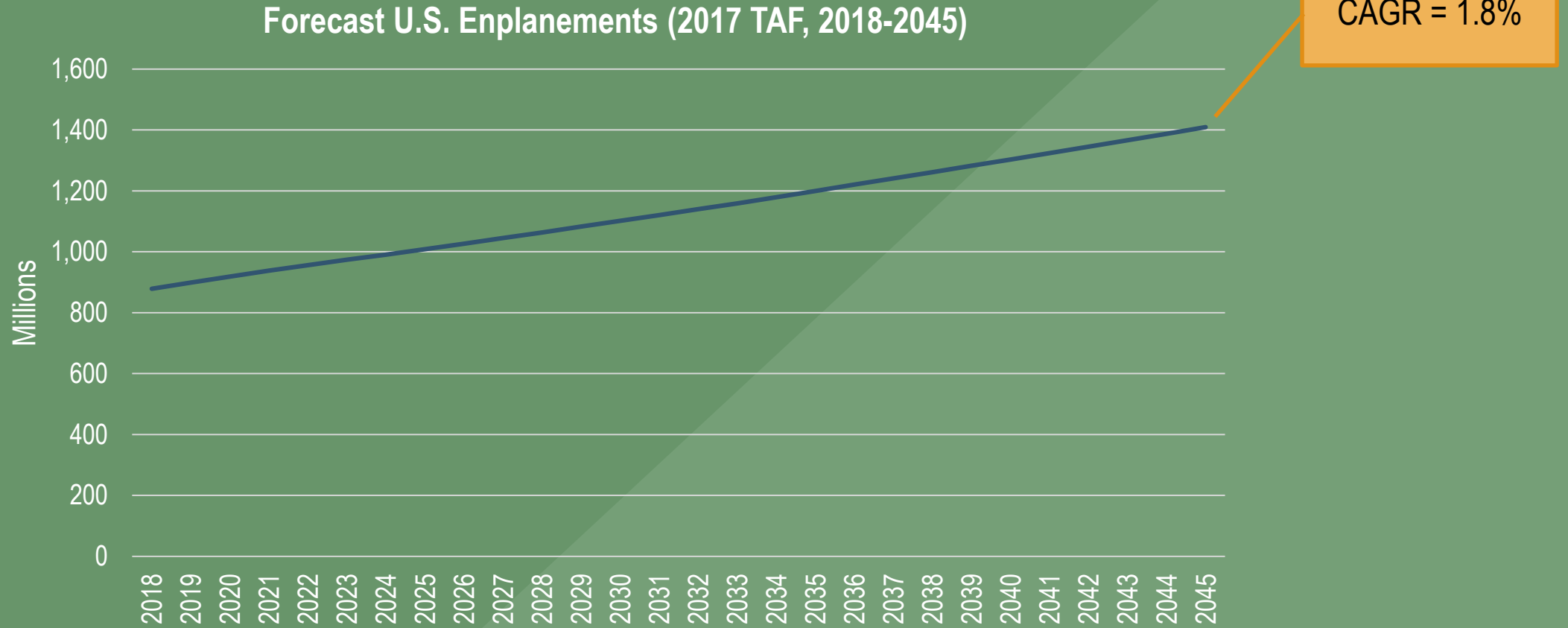
Limited
AIP-PFC
Funding

ENPLANEMENT TRENDS



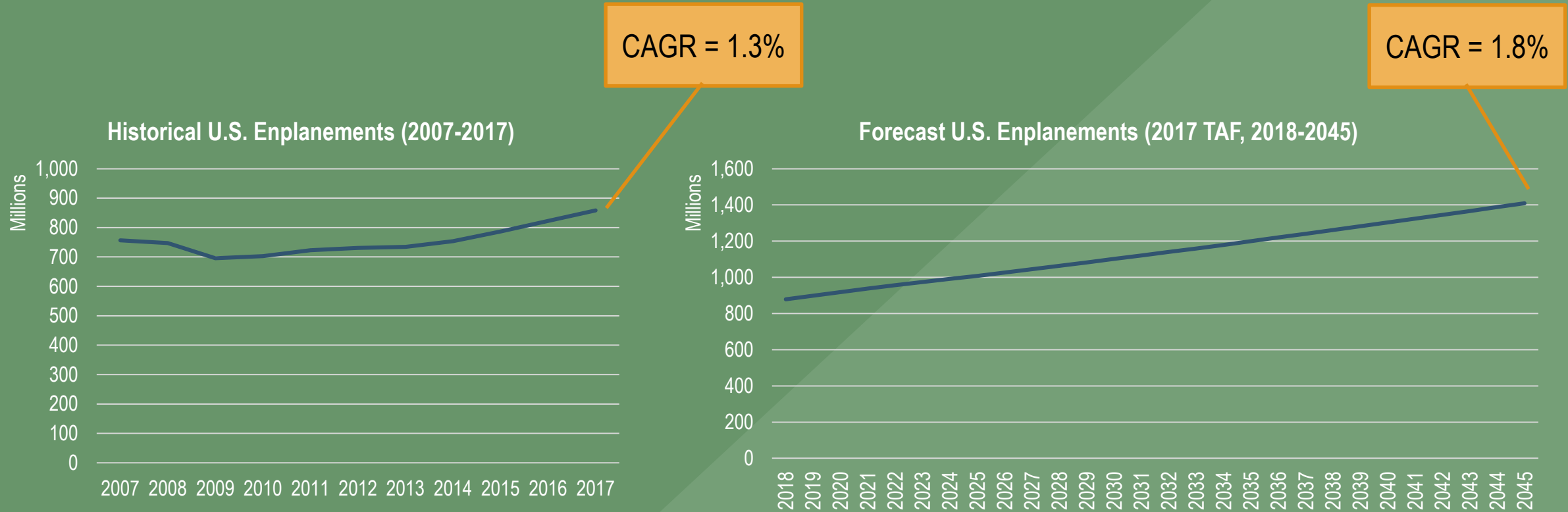
Source: FAA, Terminal Area Forecast, January 2017.

ENPLANEMENT TRENDS



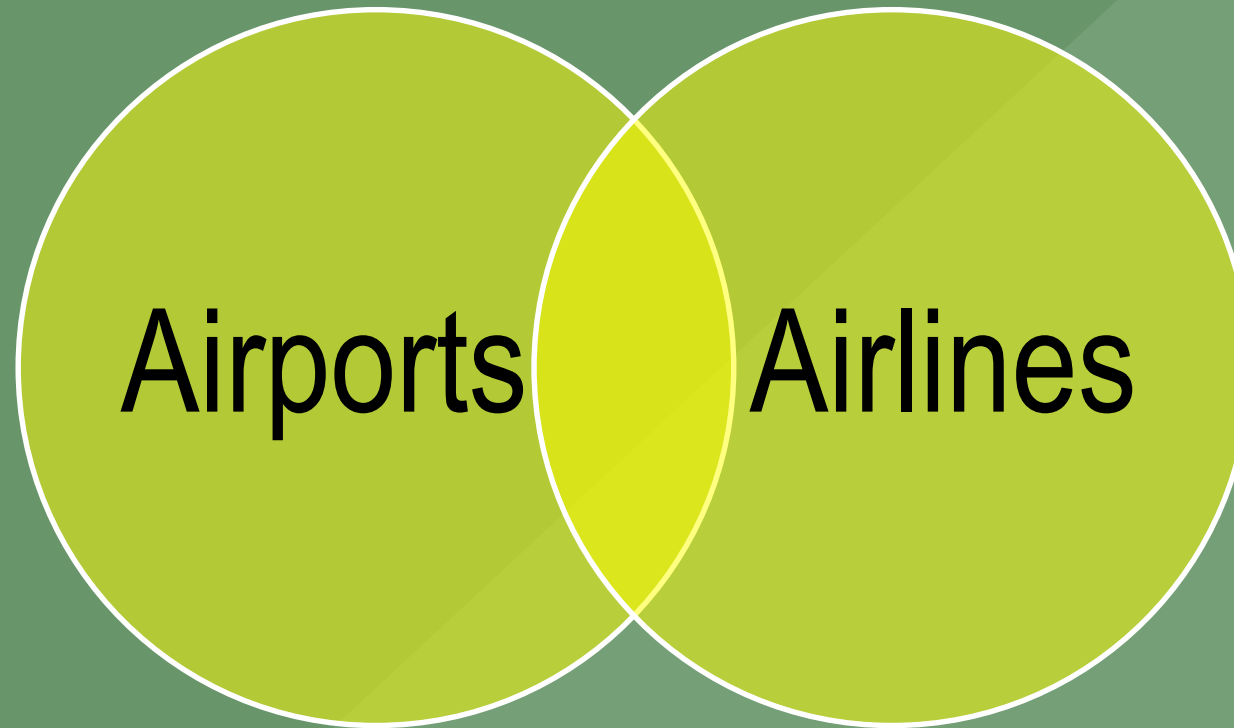
Source: FAA, Terminal Area Forecast, January 2017.

ENPLANEMENT TRENDS



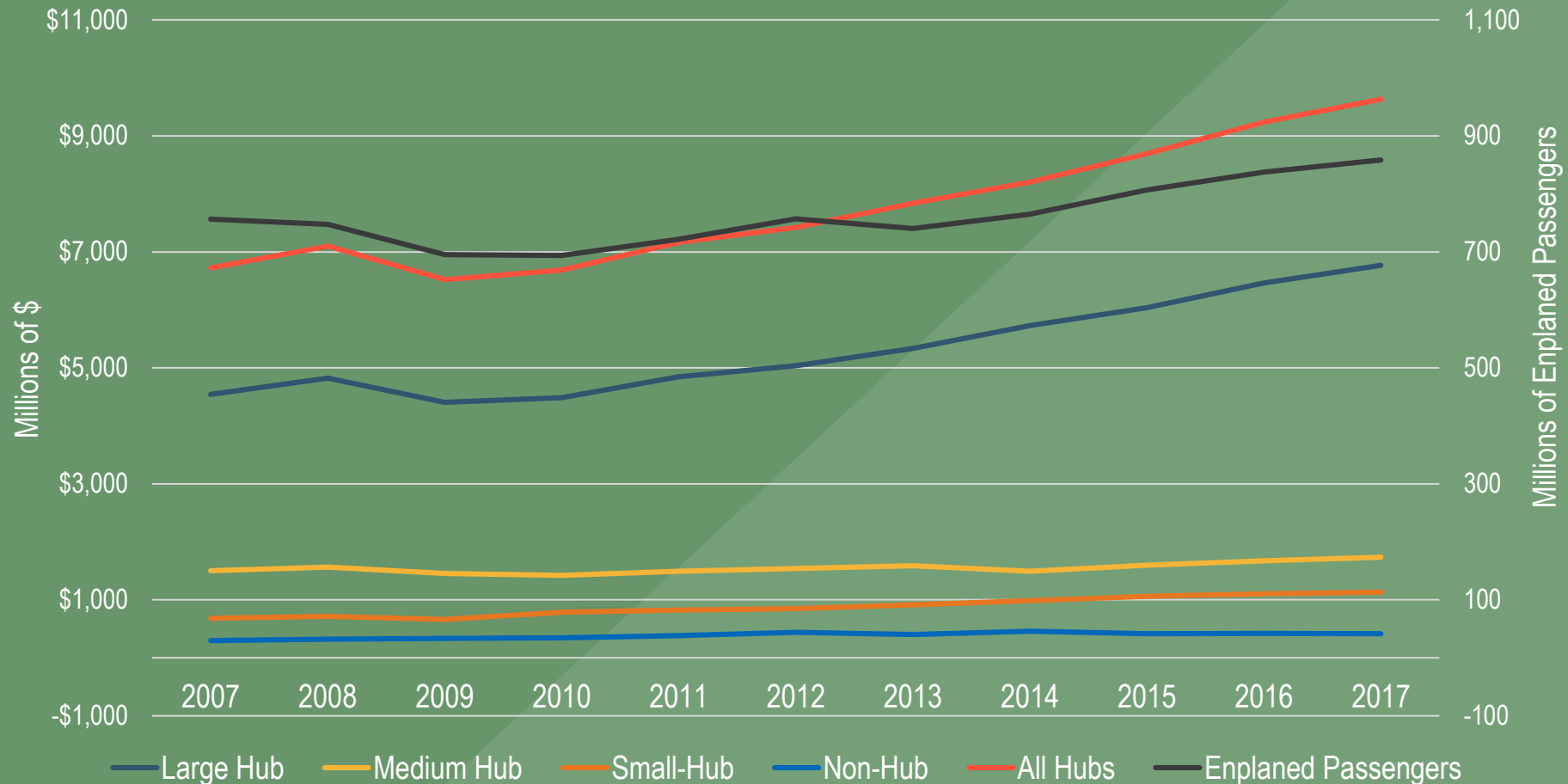
Source: FAA, Terminal Area Forecast, January 2017.

CURRENT CLIMATE



AIRPORT REVENUE TRENDS – BY AIRPORT SIZE

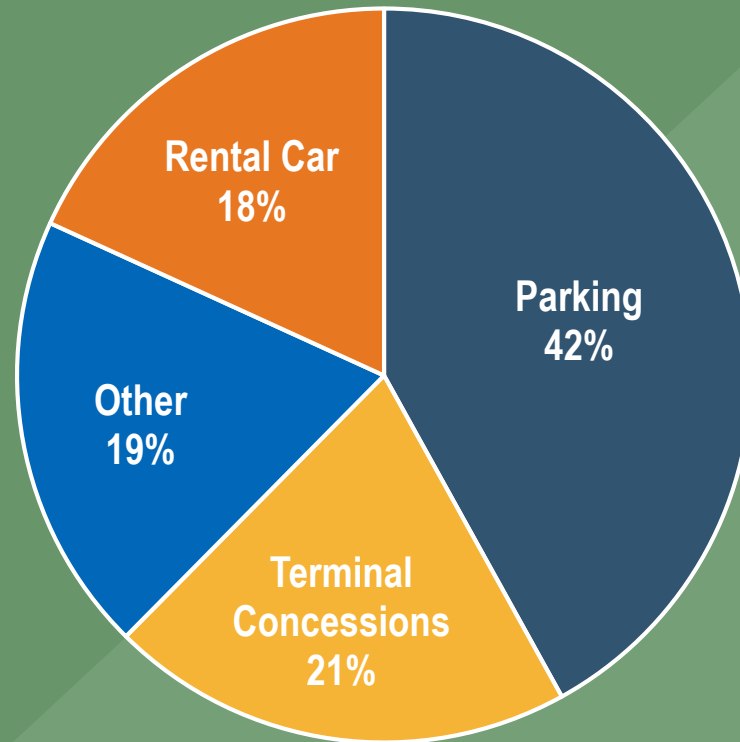
Total Non-Aeronautical Revenue by Hub Size FY 2007-2017



Source: FAA, Form 5100-127.

AIRPORT REVENUE TRENDS – BY TYPE

Breakdown of Non-Aeronautical Revenue - Airport Fiscal Year 2017

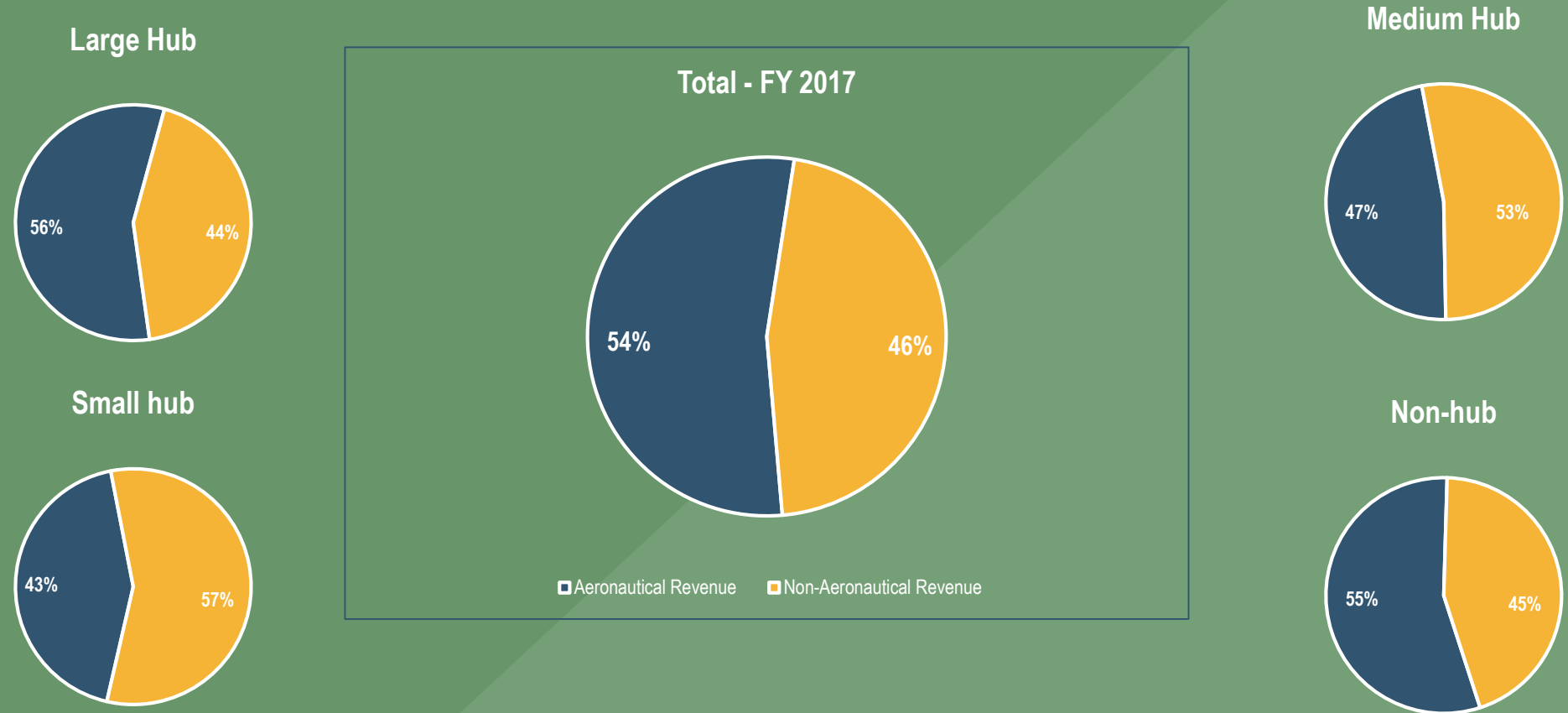


Other non-aeronautical revenue includes hotels, ground rents, facility leases, and other ancillary revenue.

NEW AND CREATIVE NONAIRLINE REVENUE SOURCES

- Non-airline tenants
- Non-aeronautical land uses
- TNCs (impacts on parking / rental car / taxi)
- Creative parking options
- Customer Facility Charges (CFC)
- Other

AIRPORT REVENUE TRENDS – AERONAUTICAL VS. NON-AERONAUTICAL



Source: FAA, Form 5100-127.

EMOTIONAL SUPPORT ISSUES

Not quite a finance issue



AIRLINE AGREEMENT TRENDING TOPICS

ULCC

Sig vs
Nonsig

Rate
Calculations

Airline
Consortiums

Other Issues

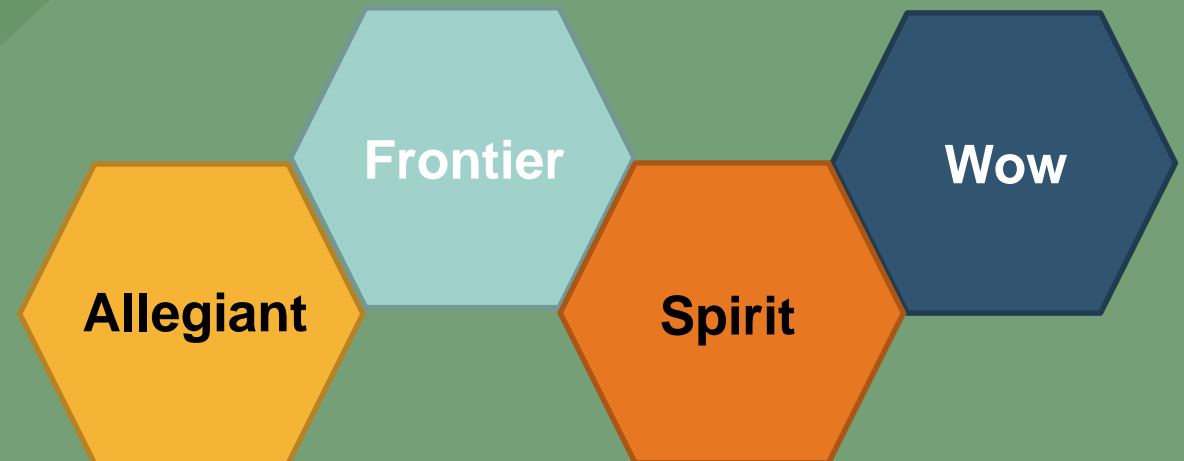
ULTRA LOW COST CARRIERS (ULCC)

Issues

- Financially successful and growing
- React more quickly (flexibility)
- Different business model = different (but not unjustly discriminatory) rate making methodology
- Legacy Carriers: “ULCCs Must Pay Their Fair Share”

Benefits to Airport

- Often source of new service
- Often also low frequency
- Don't always use all facilities



SIGNATORY VS NONSIGNATORY

Signatory

- Commitment
- CIP Input
- Facility Rentals

Nonsignatory

- Less Frequent Service
- Seasonal
- New Entrant
- Rate Premiums

NON-SIGNATORY PREMIUM – REASSESSMENT OF RATIONALE

- Historic perspective
- FAA's input *way back when*
- Applicability today
 - Just because it has always been so
 - Shorter term agreements
 - Relevancy to Capital Improvement Programs

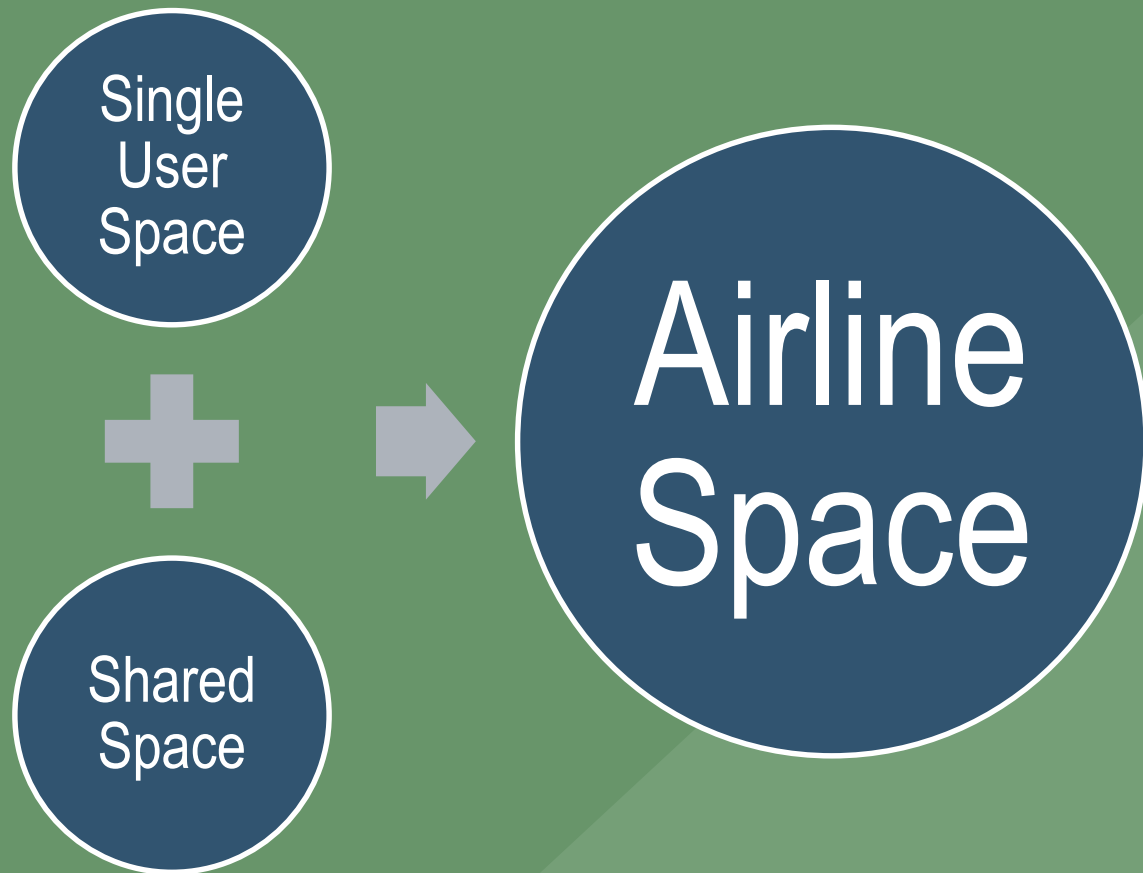
RATE CALCULATIONS - PER USE FEES

- When is a per use fee appropriate?
 - Various users share facilities
 - Occasional users of facilities
- Need for per use fees:
 - Recovery of costs
 - Administrative ease
 - Efficient use of facilities
 - Accommodate growth

Types of Space:

- Ticket Counters / Kiosks / Queuing
- Holdrooms / Gates / Loading Bridges
- Baggage Makeup
- Baggage Claim
- International Processing (FIS)
- Apron (RON & Parking Fees)

RATE CALCULATIONS – COMMON / JOINT USE FACILITIES



- Airport design
- CUTE
- Fixed / Variable
- Airline Mix / Number
- Allocation options

RATE CALCULATIONS - COST CENTERS

Cost Centers: Functional areas or activities of an airport or airport system used for the purposes of accounting for revenues, operating expenses, amortization, and debt service.

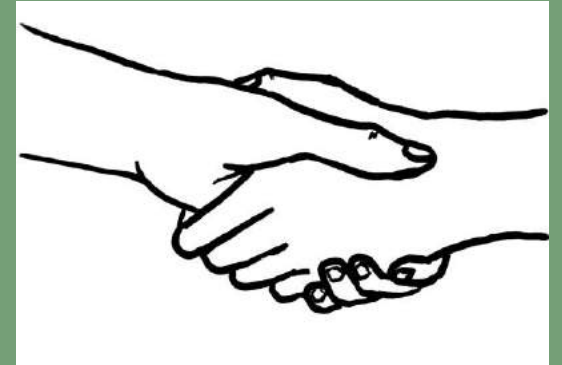


RATE CALCULATIONS - REVENUE SHARING

“It’s MY
revenue”



or



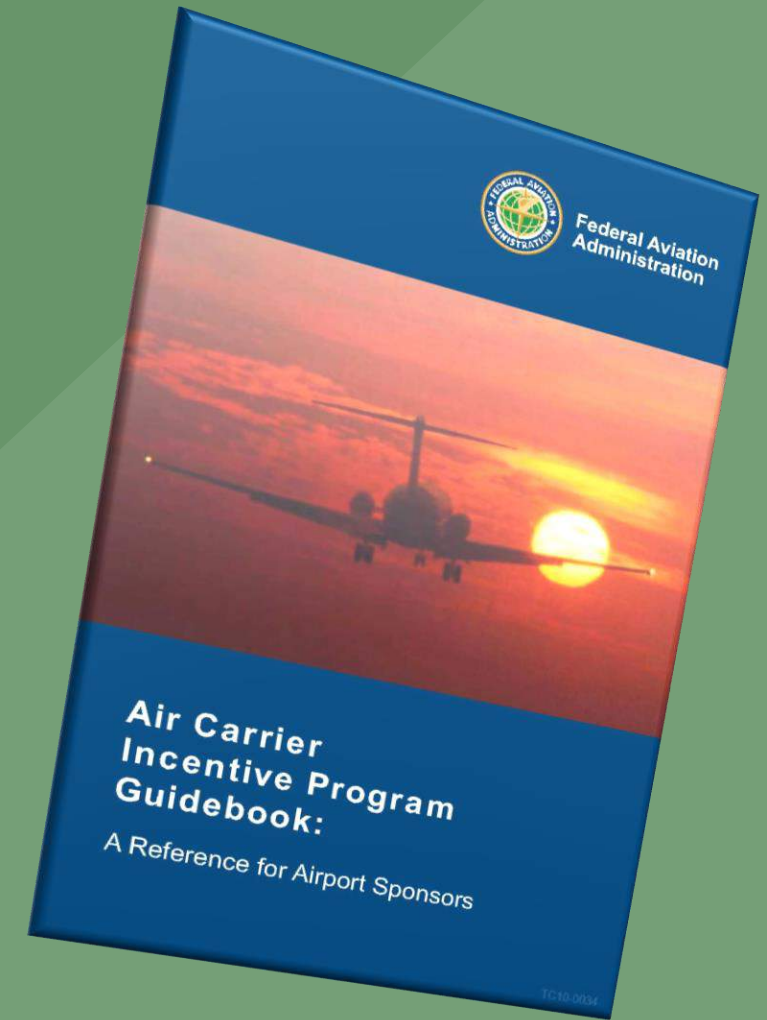
AIRLINE CONSORTIUMS

- Form of P3
- Airlines responsible for certain services
- Airlines: “this helps control cost.”
- Airport: balance cost with quality control and management

Baggage claim
Jet bridges
Blue water
Fuel farm
Fuel delivery
Janitorial
Escalators/Elevators

AIR SERVICE INCENTIVES

- Legally very complex
- Important distinctions:
 - Incumbent vs new entrant
 - Airport revenue vs outside revenue
 - New vs better service
- Minimize airport involvement in program design
- Limit airport revenue participation
- Understand long-term service and revenue plan
- Precise cost accounting



OTHER ISSUES - MAJORITY IN INTEREST (MII)




OTHER ISSUES - TERM

- Duration
- FAA outlook
- Term extensions
- Amendments



PUBLIC-PRIVATE PARTNERSHIP (P3)

- What is “Privatization”?
- Privatization occurs when a public utility or asset is transferred to private ownership or management.
- P3 ≠ privatization



“Assets can be managed more efficiently if they are run like a business.”

WRAP-UP / Q & A



Thank you!

Bonnie A. Ossege

bossege@ricondo.com

Eric T. Smith

esmith@kaplankirsch.com