

## UPDATE TO AIRLINE COMPETITION PLAN

### Philadelphia International Airport

Prepared for  
Federal Aviation Administration  
in compliance with requirements of AIR21

Prepared by  
City of Philadelphia  
Division of Aviation  
Philadelphia, Pennsylvania

October 2024



## Table of Contents

Executive Summary.....	2
a. The availability of airport gates and related facilities. ....	4
b. Leasing and subleasing arrangements. ....	11
c. Gate use requirement. ....	13
d. Gate-assignment policy.....	14
e. Financial constraints.....	15
f. Airport controls over air and ground-side capacity.....	17
g. Whether the airport intends to build or acquire gates that would be used as common facilities.....	18
h. Per 49 USC § 47107(a)(15), the method for making the Competition Plan available to the public. ..	19
Attachment A Airline Agreement.....	20
Attachment B FAA Approval Letter of 2016 Update.....	131

## Executive Summary

City of Philadelphia (City), owner and operator of Philadelphia International Airport (Airport) is required to prepare and periodically update an Airline Competition Plan describing City's programs and initiatives to enable and encourage competition among airlines at the Airport. Airline Competition Plans are required under Section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR 21) and are submitted to the Federal Aviation Administration (FAA). FAA approval is required as a condition for City to receive federal grants-in-aid or have additional passenger facility charge (PFC) applications or amendments approved. City has received FAA approval of its original Airline Competition Plan submitted in August 2000 and of updates submitted in February 2002, March 2004, April 2008, and November 2015. The most recent Airline Competition Plan Update was approved by the FAA on June 27, 2016 (2016 Update).

Under guidelines set forth in *Appendix W Competition Plans* of FAA Order 5100.38D, this 2024 Competition Plan Update (2024 Update) is required to describe the provisions of a new Airport-Airline Use and Lease Agreement (Airline Agreement) that became effective on July 1, 2023. The Airline Agreement is included as Attachment A to this 2024 Update. As this is an update to a prior competition plan, the 2024 Update provides only the information outlined in *Table W-4 Required Competition Plan Update Content* of FAA Order 5100.38D, provided below:

- a. **Changes from Last FAA Approval.** Information regarding new relevant changes in competitive circumstances at the airport since the previous FAA approval. If there have been no changes in competitive filing information, the airport must state that there has been no change since the previous plan approval. For new master lease agreements or significantly amended lease agreements, this includes a copy of the agreement, a written description of the changes in lease terms, and leasing practices or policies included in the lease document.*

Since the 2016 Update, the new Airline Agreement was executed and became effective on July 1, 2023. The Airline Agreement has a three-year term and includes options for two one-year extensions. This 2024 Update provides each section of *Table W-3 Required Initial Competition Plan Content* and indicates if any changes have been made.

A number of sections in this 2024 Update indicate that there has been no change since the 2016 Update, as the provisions of the prior Airline Agreement were transferred to the new Airline Agreement. The 2024 Update provides FAA information regarding those provisions that have changed between the prior and new Airline Agreements. The 2024 Update also provides information on the policies, capital programs, and other initiatives demonstrating City's commitment to providing an operating environment that promotes competitive airline service to the Philadelphia region.

When *Table W-3 Required Initial Competition Plan Content* asks if an event has occurred without specifying a time period, the 2024 Update provides the information since the approved 2016 Update.

The following changes between the prior and new Airline Agreements are noted in the 2024 Update:

- **Simplified Minimum Use Requirements.** The new Minimum Use Requirements are an average of 5 daily turns or 625 daily seats per preferential use gate. In the prior Airline Agreement, the prior minimum use requirement varied based on the number of gates occupied by an airline from 4.25 to 5 daily turns and discounted certain regional aircraft turns by 50%. The new Airline Agreement changes from the prior complicated formula to a simplified Minimum Use Requirement. All airlines now have the same Minimum Use Requirement. The daily seat

Minimum Use Requirement replaced the discounting of regional aircraft.

- ***Simplified Net Revenue Sharing.*** In the prior Airline Agreement, rental car revenues were split by brand between the Outside Terminal Area cost center and the Terminal Cost Center. In the new Airline Agreement, all rental car revenues are included in the Outside Terminal Area Cost Center. In the prior Airline Agreement, the first \$7 million in Outside Terminal Area net revenues is shared with the airlines and, in the new Airline Agreement, first \$30 million is shared with the airlines. In both the prior and new Airline Agreements, net revenues are split 50% to the airlines and 50% to City thereafter. This change simplified the rate calculations and is expected to be largely revenue neutral to both the airlines and City.
  - ***Pre-Approved \$1.8 Billion Capital Improvement Program.*** The new Airline Agreement included a pre-approved \$1.8 billion Capital Improvement Program shown on Exhibit E of the Airline Agreement.
  - ***Increased Threshold for Projects Subject to Majority-in-Interest (MII) Review.*** The threshold for Capital Expenditures not included in the pre-approved Capital Improvement Program and subject to MII from \$1.25 million in capital cost in the prior Airline Agreement to \$10.0 million in capital cost with a total not to exceed \$25.0 million.
- b. ***Reasons for Not Instituting FAA Recommendations.*** *In instances in which the FAA has recommended that an airport adopt a particular management or operating practice and the airport has declined the recommendation, per FAA policy, the airport must explain the activities and/or procedures it is performing that would achieve the same result as the FAA's recommended practice.*
- The letter approving the 2016 Update is included as Attachment B to this 2024 Update. FAA did not make any recommendations in that letter to change practices at the Airport.
- c. ***Responses to FAA Questions.*** *Responses to questions raised or recommendations included in previous FAA approvals.*
- FAA raised no questions and made no recommendations in the previous approval to the 2016 Update.
- d. ***Public Availability.*** *49 USC § 47107(a)(15) requires sponsors to make special airport financial reports available to the public. Therefore, the Competition Plan update must include the covered airport's method of satisfying this requirement. If web posting is employed, the filing must identify the precise web address where the Competition Plan update material may be found. If a web posting is not employed, the reasons for this decision must be discussed in the submission.*

A copy of this 2024 Update, all prior updates, and the initial August 2000 Competition Plan are posted on the Airport's website at <https://www.phl.org/business/reports/competition-plan> . The 2024 Update will be posted in the same location.

## a. The availability of airport gates and related facilities.

- (1) Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common-use, and current allocation of gates.

The Airport provides 126 gates; 88 gates can accommodate large jet airline aircraft at Terminals A-West through E and 38 gates are designed for use by regional airline aircraft at Terminal F. All gates are being leased on a preferential use basis (102 gates) or assigned on a common use basis (24 gates). A gate leased to an airline on a preferential use basis may be made available to other airlines at the direction of the City if the gate is not being used by the leasing airline. A common use gate may be assigned by the City for use by any airline. The inventory of gates by airline and terminal is provided in Table 1 below.

Table 1

### AIRLINES AND GATES BY LEASE ARRANGEMENT

Philadelphia International Airport

July 1, 2024

	A-West	A-East	B	C	D	E	F	Total
Preferential use gates								
American	-	7	15	15	-	-	38	75
Southwest	-	-	-	-	-	5	-	5
Frontier	-	-	-	-	-	6	-	6
Delta	-	-	-	-	5	-	-	5
United	-	-	-	-	5	-	-	5
Spirit	-	-	-	-	-	4	-	4
JetBlue	-	-	-	-	1	-	-	1
Air Canada	-	-	-	-	<u>1</u>	-	-	<u>1</u>
Subtotal	-	7	15	15	12	15	38	102
Domestic common use gates	-	-	-	-	4	2	-	6
International common use gates	<u>13</u>	<u>5</u>	-	-	-	-	-	<u>18</u>
Subtotal, common use gates	<u>13</u>	<u>5</u>	-	-	<u>4</u>	<u>2</u>	-	<u>24</u>
Airport total	13	12	15	15	16	17	38	126

- (2) Whether any air carriers that have been serving the airport for more than three years are relying exclusively on common-use gates.

Aer Lingus, British Airways, and Discover Airlines operate on international common use gates. Each of these airlines operates daily or less-than-daily service and are fully accommodated on the international common-use gates.

Alaska and Sun Country operate entirely on domestic common use gates. Alaska operates twice daily service and Sun Country operates seasonal less-than-daily service.

The frequency of service by these airlines does not meet the five turn or 625 seat daily Minimum Use Requirement to lease a preferential use gate and operating on common use gates is more cost-efficient than leasing a gate on a preferential use basis.

(3) Diagram of the airport's concourses.



Figure 1

PHILADELPHIA INTERNATIONAL AIRPORT CONCOUSES

- (4) Description of gate use monitoring policies, including any differences in policy at gates subject to Passenger Facility Charge Program Assurance # 7 (Competitive Access) and samples of gate use monitoring charts, along with a description of how the charts are derived and how they are used by the airport.

There were no changes in the City's gate use monitoring policies since the 2016 Update.

- (5) Description of the process for accommodating new service and for service by a new entrant.

To facilitate the entry of new, and the expansion of existing, airlines at the Airport, specific accommodation procedures are outlined in detail in Article 4 of the Airline Agreement. There were no changes in the City's process for accommodating new service since the 2016 Update in the new Airline Agreement.

- (6) Description of any instances in which the Passenger Facility Charge Program Assurance #7 (Competitive Access) operated to convert previously exclusive-use gates to preferential-use gates or it caused such gates to become available to other users.

Under the Airline Agreement, all gates at the Airport are preferential or common use. Since the 2016 Update, no exclusive use facilities were converted to preferential use facilities under PFC assurance #7.

- (7) Gate utilization (departures/gate) per week and month reported for each gate.

Table 2 on the following page provides gate utilization information for the City's Fiscal Year ending June 30, 2024 (FY 2024.)

- (8) The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including the length of time between initial carrier contact of airport and start of service, the identity of the carriers and how they were accommodated.

During the 12 months preceding filing, no accommodation of new entrants or expansion has occurred. Lufthansa converted its operations from the Lufthansa brand to the Discover brand in October 2022 and remained accommodated on the international common use gates.

- (9) Resolution of any access complaints by a new entrant or an air carrier seeking to expand service during the 12 months preceding the filing, including a description of the process used to resolve the complaint.

Since the 2016 Update, there have been no instances of access complaints by a new entrant or existing airline seeking to expand service at the Airport.

Table 2

**DAILY DEPARTURES PER GATE**  
Philadelphia International Airport

		Daily departures per gate for 12 months ending <u>December 31, 2023</u>	Daily departures per gate for 12 months ending <u>June 30, 2024</u>
	<u>Gates</u>		
Preferential use gates*			
American	75	3.0	3.2
Southwest	5	2.4	2.7
Frontier	6	5.1	5.7
Delta	5	3.7	3.9
United	5	2.6	2.6
Spirit	4	4.5	4.2
JetBlue	1	2.8	2.5
Air Canada	<u>1</u>	<u>3.8</u>	<u>4.2</u>
Subtotal	102	3.2	3.4
Domestic common use gates	6	0.7	0.5
International common use gates	<u>18</u>	<u>0.4</u>	<u>0.4</u>
Subtotal, common use gates	<u>24</u>	<u>0.5</u>	<u>0.5</u>
Airport total	126	2.7	2.8

\* Assumes all flights by airlines with preferential use gates are operated on the preferential use gates.

(10) Use/lose, or use/share policies and recapture policies for gates and other facilities. If no such policies exist, an explanation of the role, if any under-utilized gates play in accommodating carrier requests for gates must be provided.

The new Airline Agreement updated the recapture policies compared to the prior Airline Agreement.

The new Minimum Use Requirements are set forth in Exhibit G of the Airline Agreement and are an average of 5 daily turns or 625 daily seats per preferential use gate. Either scheduled daily activity for the twelve (12) full calendar months immediately available prior to notice, or, in the alternative, the scheduled activity for the three (3) months subsequent to the notice plus nine (9) months immediately available prior to City's notice are used to calculate compliance with the Minimum Use Requirement.

In the prior Airline Agreement, the prior minimum use requirement varied based on the number of gates occupied by an airline:

- First Gate: 4.25 Departures per Day
- Second Gate: 4.75 Departures per Day
- Third Gate: 5.25 Departures per Day
- Gates In Excess Three Gates: 5.75 Departures per Day

The prior minimum use requirement was capped at an average of 5 Departures/Gate Position per day for the aggregate number of Airline's Gate Positions. In addition to the different requirements by gate, if more than fifty percent (50%) of the departures from an airline's gates were by regional aircraft, then

departures by all regional aircraft from an airline's gates at Terminals A, B, C, D and E were discounted by fifty percent (50%). Departures from Terminal F were not discounted.

The new Airline Agreement changes from the prior complicated formula to a simplified Minimum Use Requirement of 5 daily turns or 625 daily seats per preferential use gate. All airlines now have the same Minimum Use Requirement. The daily seat Minimum Use Requirement replaced the discounting of regional aircraft.

If City determines that any airline, after the applicable cure period, does not meet the Minimum Use Requirement, City may remove preferential use gates from that airline's Leased Premises such that that airline will meet the Minimum Use Requirement.

Passenger activity at the Airport has not recovered from the pandemic. Departing seats and enplanements in FY 2024 were approximately 10% below 2019 levels. As was shown in Table 2, certain airlines are operating at less than the Minimum Use Requirement. The Airport has sufficient gate capacity to accommodate all existing, new entrant, and expanding airlines, so no gates have been recaptured.

- (11) Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport and methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates).

As was shown in Table 2, gates at the Airport were utilized an average of 2.8 turns per day in FY 2024. There are currently no issues with capacity or gate allocation at the Airport. As discussed in Section A.8. of this 2024 Update, all requesting airlines have been accommodated on preferential use, domestic common use, or international common use gates since the 2016 Update.

No additional gates or related facilities are planned in the Airport's five-year capital improvement program.

- (12) Availability of an airport competitive access liaison to assist requesting carriers, including new entrants.

City has designated the Chief Revenue Officer as the Airport's competitive access liaison.

- (13) Number of aircraft remain overnight (RON) positions available at the airport by lease arrangement, i.e., exclusive, preferential, common-use or unassigned, and distribution by carrier. This must include a description of the procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.

City designates and controls the number and location of approved aircraft parking positions for RON aircraft. The Airline Agreement defines "Aircraft Parking and Storage Areas" as those portions of the Airfield Area that are designated by the Chief Executive Officer for the parking and storage of aircraft and aircraft support vehicles, and, if necessary, the loading and unloading of aircraft.

A diagram of the aircraft parking apron areas adjacent to the terminal building and remote aircraft parking areas generally assigned for RON use is provided in Figure 2. As shown, approximately 126 aircraft parking positions are available on the apron adjacent to preferential and common-use gates and approximately 25 to 30 parking positions (depending on aircraft size) are available at remote aircraft

parking areas for RON activity. These remote aircraft parking positions are leased on a month-to-month basis at the discretion of City and are subject to the Rules and Regulations of the Airport.

City maintains a policy of providing open access to overnight parking for aircraft for both incumbent and new entrant airlines. On a monthly basis, City hosts a meeting with the airlines serving the Airport to allocate RON positions. RON positions are assigned in the following manner:

- Airlines leasing Preferential Use Gates are first required to use the apron adjacent to those gates.
- Airlines with more RON activity than Preferential Use Gates and/or no Preferential Use Gates are assigned to the positions adjacent to the common-use gates with a priority given to last-in and first-out flights.
- Any airline not accommodated in gate-adjacent positions are accommodated in the 25 to 30 remote positions with airlines in Terminals A, B, and C using the west, cargo, and deicing aprons and airlines in Terminals D, E, and F using the north and south aprons. The monthly coordination meetings determine the general apron area for each remote position and exact location is determined by Airport operations on a daily basis.
- Parking for irregular operations is determined by Airport operations on a day-to-day basis.

Since the 2016 Update, all aircraft requiring RON positions have been accommodated.



Figure 2

# PHILADELPHIA INTERNATIONAL AIRPORT AIRCRAFT REMAINING OVERNIGHT POSITIONS

## b. Leasing and subleasing arrangements.

- (1) Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access.

A subleasing or handling arrangement with an incumbent carrier is not necessary to obtain access at the Airport. Contour Airlines is the only airline operating at the Airport on a subleasing/handling arrangement with American Airlines. Contour Airlines directly negotiated the subleasing/handling arrangement with American Airlines and did not reach out to City to be accommodated. The subleasing/handling agreement meets all City policies and was approved by City.

There were no changes in the City's policies governing subleasing or handling agreements since the 2016 Update in the new Airline Agreement.

- (2) How the airport assists requesting airlines to obtain a sublease or handling arrangement.

There were no changes in the City's policies governing subleasing or handling agreements since the 2016 Update.

- (3) Airport policies for sublease fees levels (e.g., maximum 15% above lease rates), and for oversight of fees, ground/handling arrangements and incumbent schedule adjustments that could affect access to subtenants.

There were no changes in the City's policies governing subleasing or handling agreements since the 2016 Update in the new Airline Agreement. The City limits subleasing fee levels to a maximum of 15% above lease rates in its approval process for subleasing agreements.

- (4) Process by which availability of facilities for sublease or sharing is communicated to other interested carriers and procedures by which sublease or sharing arrangements are processed.

A subleasing or handling arrangement with an incumbent carrier is not necessary to obtain access at the Airport. Article 4 of the Airline Agreement sets forth the specific processes for accommodation of requesting airlines. There were no changes in the City's policies governing subleasing or handling agreements since the 2016 Update.

- (5) Procedures for resolving disputes or complaints among carriers regarding use of airport facilities, including complaints by subtenants about excessive sublease fees or unnecessary bundling of services.

There were no changes in the City's policies for resolving disputes or complaints since the 2016 Update.

- (6) Resolution of any disputes over subleasing arrangements in the 12 months preceding filing.

There have been no disputes over subleasing arrangements since the 2016 Update.

- (7) Accommodation of independent ground service support contractors, including ground handling, maintenance, fueling, catering or other support services.

There were no changes in the City's policies for accommodating ground service support contractors since the 2016 Update. Accommodation of independent ground service contractors is typically initiated by the air carrier wishing to utilize such services. The air carrier reaches out to the Chief Revenue Officer or their designee to identify needed and available facilities and space. All such requests have been accommodated since the 2016 Update.

Prior to the Airline Agreement, Air Canada was ground handled by United Airlines. As of July 1, 2023, Air Canada is now providing its own services. Air Canada reached out to the Chief Revenue Officer to lease a gate and corresponding operations space in Terminal D.

- (8) Copies of lease and use agreements in effect at the airport.

See Appendix A.

### c. Gate use requirement.

- (1) Gate use monitoring policy, including schedules for monitoring, basis for monitoring activity (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers.

There were no changes in the City's gate use monitoring policy since the 2016 Update.

- (2) Requirements for signatory status and identity of signatory carriers.

There were no changes in the requirements for signatory status since the 2016 Update in the new Airline Agreement. Passenger airlines signatory to the Airline Agreement are Aer Lingus, Air Canada, Alaska Airlines, American Airlines, British Airways, Delta Air Lines, Lufthansa, Qatar Airways, and United Airlines. Cargo airlines signatory to the Airline Agreement are AmeriJet International, FedEx, and UPS Air Cargo.

- (3) Where applicable, minimum use requirements for leases (i.e., frequency of operations, number of seats, etc.).

The minimum use requirement to enter into an Airline Agreement is weekly service for at least eight weeks at the Airport. There were no changes to the minimum use requirements for leases in the new Airline Agreement.

- (4) The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or sub-leasing arrangements. This must include a description of how these priorities are communicated to interested carriers.

There were no changes to the priorities for accommodation since the 2016 Update.

- (5) Justifications for any differences in gate use requirements among tenants.

There are no longer any differences in gate use requirements among tenants. This was changed between the prior and new Airline Agreement and described in Section A(10) of this 2024 Update.

- (6) Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates. This must include an explanation of how these priorities are communicated to interested carriers.

There were no changes to the policies for common-use gates since the 2016 Update in the new Airline Agreement.

- (7) Methods for calculating rental rates or fees for leased and common-use space. This must include an explanation of the basis for disparities in rental fees for common use versus leased gates.

There were no changes to the method for calculating common use rates since the 2016 Update in the new Airline Agreement.

#### d. Gate-assignment policy.

- (1) Gate assignment policy and method of informing existing carriers and new entrants of this policy. This must include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements.

There were no changes to the gate assignment policy since the 2016 Update in the new Airline Agreement.

- (2) Methods for announcing to tenant carriers when gates become available. The description must discuss whether all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time.

There were no changes to the methods for announcing when gates become available since the 2016 Update in the new Airline Agreement.

- (3) Methods for announcing to non-tenant carriers, including both those operating at the airport and those that have expressed an interest in initiating service, when gates become available, and policies on assigning remain overnight (RON) positions and how RON position availability announcements are made.

There were no changes to the methods for announcing when gates become available since the 2016 Update in the new Airline Agreement.

## e. Financial constraints.

### (1) The major source of revenue at the airport for terminal projects.

The major sources of revenue for terminal projects at the Airport are bond funds, PFC revenues, and City Discretionary Account funds.

### (2) Rates and charges methodology (residual, compensatory, or hybrid).

There were no major changes to the rates and charge methodology since the 2016 Update in the new Airline Agreement.

The Airport utilizes a hybrid-residual methodology to set rates and charges. Terminal rentals and ramp area rentals are residual for the Terminal and Ramp cost centers, respectively. The landing fee is residual for the Airfield, Other Buildings and Areas, and Northeast Philadelphia Airport cost centers.

Airline rates, fees, and charges are reduced by a portion of Outside Terminal Area cost center net revenues. The Outside Terminal Area is largely comprised of parking and rental car facilities. The only change in the rates and charges methodology between the prior and new Airline Agreements is the calculation of these net revenues. In the prior Airline Agreement, rental car revenues were split by brand between the Outside Terminal Area cost center and the Terminal Cost Center. In the new Airline Agreement, all rental car revenues are included in the Outside Terminal Area Cost Center.

In the prior Airline Agreement, the first \$7 million in Outside Terminal Area net revenues is shared with the airlines and, in the new Airline Agreement, first \$30 million is shared with the airlines. In both the prior and new Airline Agreements, net revenues are split 50% to the airlines and 50% to City thereafter. Amounts allocated to the airlines are split 90% to the terminal rentals and 10% to the landing fee. This change simplified the rate calculations and is expected to be largely neutral to both the airlines and City.

### (3) Past use, if any, of Passenger Facility Charges for gates and related terminal projects.

Gates and other terminal facilities at the Airport have historically been financed through a combination of proceeds of Airport revenue bonds, PFC revenues, and City Discretionary Account funds. City has authority from the FAA to impose a PFC per eligible enplaned passenger and has imposed the PFC since September 1992 (initially \$3 per passenger and \$4.50 per passenger effective April 2001).

In July 1998, City issued \$444 million of Airport revenue bonds (1998B bonds) to fund the initial costs of Terminal A-West, Terminal F, and associated projects. In July 2001, City issued \$188 million of revenue bonds (2001A bonds) to pay the completion costs of the projects. Under various records of decision, the FAA has authorized City to impose and use PFC revenues totaling \$999 million for the terminal projects, including \$865 million for a portion of the debt service requirements of the 1998B and 2001A bonds.

Under a record of decision dated February 2001, the FAA authorized City to use \$17 million of PFC revenues to pay a portion of the \$20 million cost of the Terminals D-E enlargement. In March 2015, City received approval from FAA to use PFC revenues for a variety of terminal projects, including restroom renovations, roof rehabilitation, and the expansion of Terminal F. In 2023, that PFC application was amended to a total of \$220 million.

The use of PFC revenues to fund Terminal A-West, Terminal F, and the Terminals D-E enlargement is an essential component of the City's commitment to increased competition at the Airport. The terminal projects have increased the number of common use and preferential use gates, thereby increasing

opportunities for competitive airline access to the Airport and have reduced the amount required to be collected from airline rentals, fees, and charges.

PFC Assurance 7, which City agreed to as a condition of imposing the PFC, in effect requires an airline leasing PFC-funded facilities to make its other exclusive use facilities available to other airlines if the leasing airline is not fully using those exclusive use facilities. Under the Airline Agreement, there are no gates that are leased on an exclusive basis, and there are no PFC-funded airline areas that are allowed to be leased on an exclusive basis. Therefore, City has not needed to invoke this provision to make gates available to other airlines.

#### [\(4\) Availability of discretionary income for airport capital improvement projects.](#)

City retains a portion of Outside Terminal Area cost center net revenues as discretionary income for capital projects. The Outside Terminal Area is largely comprised of parking and rental car facilities. In the prior Airline Agreement, rental car revenues were split by brand between the Outside Terminal Area cost center and the Terminal Cost Center. In the new Airline Agreement, all rental car revenues are included in the Outside Terminal Area Cost Center.

The first \$30 million in Outside Terminal Area net revenues is shared with the airlines and split 50% to the airlines and 50% to City thereafter. As of the end of City's fiscal year ending June 30, 2023, a balance of \$159.1 million was available of discretionary income for Airport projects.

## f. Airport controls over air and ground-side capacity.

- (1) Majority-in-interest (MII) or no further rates and charges clauses covering groundside and airside projects.

Article 8 of the Airline Agreement provides for MII covering certain groundside and airside projects. There were no major changes to MII process since the 2016 Update in the new Airline Agreement. The new Airline Agreement did (1) incorporate new pre-approved Capital Improvement Program shown on Exhibit E of the Airline Agreement and (2) increase the threshold for Capital Expenditures subject to MII from \$1.25 million in capital cost in the prior Airline Agreement to \$10.0 million in capital cost with a total not to exceed \$25.0 million.

Capital Expenditure is defined as the cost of a Capital Improvement Project net of PFC, CFC, Federal, State, or City's Discretionary Account funds. For projects fully funded with PFCs and projects with less than \$10 million in non-PFC funding, no MII applies. For projects partially funded with PFCs and more than \$10 million in non-PFC funding, MII only applies to the non-PFC funded portion.

The MII is a disapproval process under the Airline Agreement. For disapproval, the MII requires (i) no less than 50% plus one of the number of Eligible Signatory Passengers Airlines submit a ballot, and also (ii) represent more than 50% of the Signatory Passenger Airline Enplaned Passengers, including passengers from Affiliates. Based on the current market share of enplaned passengers by Signatory Passenger Airlines, American Airlines' support of a project ensures that the project will proceed. If American Airlines disapproves of a project, four other airlines need to submit disapprovals to reach 50% of the nine Signatory Passenger Airlines.

- (2) Any capital construction projects that have been delayed or prevented because an MII was invoked.

No capital construction projects have been delayed or prevented because an MII was invoked since the 2016 Update.

- (3) Plans, if any, to modify existing MII agreements.

There are no plans to modify existing MII arrangements.

**g. Whether the airport intends to build or acquire gates that would be used as common facilities.**

- (1) The number of common-use gates that the airport intends to build or acquire and the timeline for completing the process of acquisition or construction. This must include a description of the intended financing arrangements for these common-use gates, and whether the gates will be constructed in conjunction with preferential or exclusive-use gates.

There are currently no issues with capacity or gate allocation at the Airport. There are currently 24 common use gates at the Airport. As discussed in Section A.8. of this 2024 Update, all requesting airlines have been accommodated on preferential use, domestic common use, or international common use gates since the 2016 Update.

No additional gates or related facilities are planned in the Airport's five-year capital improvement program.

- (2) Whether common-use gates will be constructed in conjunction with gates leased through exclusive or preferential-use arrangements.

No additional gates or related facilities are planned in the Airport's five-year capital improvement program.

- (3) Whether gates being used for international service are available for domestic service.

All gates being used for international service are available for domestic service.

- (4) Whether air carriers that only serve domestic markets now operate from international gates. This must include a description and explanation of any disparity in their terminal rentals versus domestic terminal rentals.

No air carriers that only serve domestic markets operate from international gates. Domestic common use operations pay the same rentals and fees at both domestic and international gates.

h. Per 49 USC § 47107(a)(15), the method for making the Competition Plan available to the public.

- (1) 49 USC § 47107(a)(15) requires sponsors to make special airport financial reports available to the public. Therefore, the Competition Plan must include the covered airport's method of satisfying this requirement. If web posting is employed, the filing must identify the precise web address where the Competition Plan material may be found. Per FAA policy, if a web posting is not employed, the reasons for this decision must be discussed in the submission.

A copy of this 2024 Update, all prior updates, and the initial August 2000 Competition Plan are posted on the Airport's website at <https://www.phl.org/business/reports/competition-plan> .