



U.S. Department  
of Transportation  
Federal Aviation  
Administration

Office of Airport Planning  
and Programming

800 Independence Ave., SW.  
Washington, DC 20591

JUL 13 2002

← 30 DAY RESPONSE

Mr. Charles J. Isdell  
Director of Aviation  
Philadelphia International Airport  
Terminal E  
Philadelphia, PA 19153

Dear Mr. Isdell:

Thank you for your submittal of the City of Philadelphia's annual update of the Competition Plan for Philadelphia International Airport (PHL) dated February 28, 2002. We have reviewed your updated Competition Plan for the Airport and have determined that more information is necessary before we can make a final determination as to whether your Plan update is in accordance with the requirements of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (AIR-21), Pub. L. 106-181, April 5, 2000. We request that you provide this information within 30 days. We also have identified some areas where submission of additional information with your next update to the plan would help us better understand your current business practices and policies.

As we indicated in our letters of December 15, 2000 and February 23, 2001, annual Competition updates are required for a covered airport applying for a new passenger facility charge (PFC) or a grant to be issued under the Airport Improvement Program (AIP) in FY 2002. In Program Guidance Letter (PGL) 00-3 (May 8, 2001), the FAA addressed the information required in upcoming Competition Plan updates on each of the eight areas specified in section 155. On August 16, 2001, we issued guidance reminding covered airports of the requirement to have a Competition Plan update accepted by the FAA before new AIP grants or PFC approvals could be issued in fiscal year 2002. We also reminded covered airports of the need to address the issues raised in our review letters for their FY 2001 submittals.

The September 11 terrorist attacks necessitated an immediate response to security requirements. Therefore, on October 1, 2001, we modified the August 16, 2001, guidance to indicate that we would make AIP and PFC funding decisions before May 1, 2002, regardless of the status of the Competition Plan update. Additionally, we requested that Competition Plans be

filed by March 1, 2002, in order to meet the statutory requirement and to provide sufficient time for our review. The Aviation and Transportation Security Act, Pub. L. 107-71 (November 16, 2001) exempted a covered airport from filing a Competition Plan or update for a PFC approved or grant made in FY 2002 if the fee or grant is to be used to improve security at a covered airport. We interpret this provision to apply only in cases where a PFC approval or AIP grant issued in FY 2002 will be used exclusively for improved security. Since PHL has not indicated that PFC and AIP requests in FY 2002 will be limited exclusively to security projects, it is necessary to review your update for compliance with section 155 of AIR-21.

Your Plan update indicates the Airport is implementing the following competitive actions:

- Providing 38 new preferential-use gates, including two for a low-cost carrier that had been operating under a sublease in Terminal F, which opened in June 2001;
- Adding four preferential-use gates to Terminal D;
- Adopting a policy of converting the existing exclusive-use gates to preferential-use or common-use gates with the expiration of the current leases in 2006 or at the earliest opportunity; and
- Adopting timelines and procedures that permit accommodation of a new entrant or incumbent airline within 75 days of a request.

Your Plan update also indicates the City plans to implement the following actions in support of airline competition:

- Utilizing the flight information display system (FIDS) to provide gate monitoring in the new International terminal later in 2002 and install the second phase of the FIDS in the remaining terminals by mid-2003;
- Constructing four additional preferential-use gates in Terminal E; and
- Freeing up 3 former TWA gates in Terminal E for reassignment as preferential-use gates.

We commend the City for pursuing a policy of converting exclusive-use leases to preferential and common-use leases and constructing a FIDS with a software gate-use monitoring capability to be in place by mid-2003. In addition, we acknowledge that the extensive terminal development and renovation effort at PHL will relieve the constraints on the Airport's capacity and enable it to effectively accommodate existing air carrier operations, future growth of incumbent air carriers, and the potential initiation of service by new air carriers.

However, some of the concerns or suggestions were not fully addressed in PHL's Plan update. In addition, the update has raised additional questions regarding the airport's practices. We request that you address these issues in the next 30 days. For your convenience, we have categorized these issues according to the applicable features specified in PGL 00-3.

#### **Gate availability**

Your plan update indicated that AirTran will lease 2 gates in Terminal F and will likely lease 4 gates in Terminal D. We understand that several other carriers (American Trans Air, America West, Midwest Express, National, and Northwest) have requested their own gates or additional facilities. Please clarify whether AirTran is seeking a total of four or six gates. In light of these outstanding requests, please explain, within 30 days, the City's application of the gate assignment protocol for these gates and for the TWA gates in Terminal E. Additionally, please provide a timeline for the TWA Terminal E gate reassignment.

Please also confirm that information on availability of all of these gates is conveyed on your web page and otherwise distributed in a fair and transparent manner to all carriers operating at PHL and to those carriers that have expressed interest in operating there.

Your Plan update indicated that, pending installation of the FIDS, the City is periodically analyzing aggregate numbers of daily flight departures per gate by airline. Please provide a more detailed description of this process. Is the analysis based on scheduled flights or actual flight activity? Also please specify the frequency of the analysis. In addition, please explain how the City monitors departures on the preferential-use gates for purposes of overseeing the minimum usage requirements.

In your next update, provide a report on the status of the FIDS installation. The 1999 FAA/OST Task Force Study, Airport Business Practices and Their Impact on Airline Competition (Airport Practices report) found that airports that routinely monitor actual gate use are in a better position to accommodate new entrants.

#### **Gate assignment policy**

In the February 23, 2001, letter, the FAA encouraged the City to include as an additional factor in gate assignment considerations, the need for new competitive service. Your update did not include a discussion of gate assignment priorities. Once again, we ask the City to consider establishing and publicizing a priority system for gate assignment that provides appropriate

priority for accommodating new entrants and new competitive service and to report on the status of your consideration.

#### **Leasing and subleasing arrangements**

Our December 15, 2000, letter had encouraged the City to develop formal arrangements for fee and use dispute resolution. The City responded by indicating that it intends to continue its current policy of reviewing and approving subleasing and ground-handling agreements to ensure that terms and conditions are reasonable and will require that preferential lease users reasonably accommodate other carriers. However, an airport that has adopted fair and transparent procedures for resolving such disputes would be in a better position to facilitate entry and promote competition at its airport than one that relies on an ad hoc approach. Therefore, we request that the City consider developing formal procedures for resolution of disputes regarding subleasing and ground-handling. We further recommend that the complaint process include: (1) specific procedures for filing written complaints, including designation of a specific contact name and address for the filing of disputes; (2) designation an airport official who would have the authority to mediate disputes; (3) establishment of a specific time-frame for completion of initial action on complaints; and (4) establishment of process to appeal initial determinations to either senior airport management or the airport governing body. Please address this issue in your next Plan update.

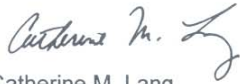
In the interest of assuring competitive access to airport facilities, we suggest that the City consider developing a policy under which signatory carriers must follow a notification procedure when gates become available for sublease and a fair and transparent gate assignment protocol. Adoption of these procedures would prevent secret subleasing transactions that could entrench the dominant carrier to the detriment of potential competitors. Moreover, these policies may be necessary to comply with Assurance #7 in the PFC program, requiring a carrier signatory to an exclusive-use lease to make underutilized facilities available to potential competitors or risk termination of its lease on a PFC-financed facility. Please provide a status report on your consideration of this suggestion in your next update.

Finally, we commend you for placing the PHL FY 2001 Competition Plan and supplemental information, along with the FAA's responses on the airport's web-site. Because of the interest that members of the traveling public may have in airline competitive issues at your airport, including your policy of ensuring reasonable access for new entrant airlines, we encourage you to put a copy of your Competition Plan update, including the FAA's response, on your web page, as well.

As you may know, the Secretary is required to review the implementation of the Competition Plans from time-to-time to make sure each covered airport successfully implements its plan. In connection with our review, we may determine that site visits to one or more locations would be useful. We will notify you should we decide to visit PHL in connection with its Competition Plan. We look forward to receiving your response to this letter within 30 days.

If you have any questions regarding this letter or the FAA's review of your plan, please contact Mr. Barry Molar, Manager, Airports Financial Assistance Division at (202) 267-3831.

Sincerely,



Catherine M. Lang  
Director, Office of Airport  
Planning and Programming



## CITY OF PHILADELPHIA

Philadelphia International Airport  
Terminal E  
Philadelphia, Pennsylvania 19153

(215) 937-6760  
FAX (215) 937-6759

CHARLES J. ISDELL  
Director of Aviation

August 13, 2002

Ms. Catherine M. Lang  
Director, Office of Airport Planning and Programming  
Federal Aviation Administration  
800 Independence Avenue, S.W.  
Washington, D.C. 20591

Re: Update to Airline Competition Plan  
Philadelphia International Airport

Dear Ms. Lang:

This letter provides responses to the questions and requests for information contained in your letter dated July 13, 2002, regarding the update to the City of Philadelphia's Competition Plan for Philadelphia International Airport (PHL) dated February 28, 2002.

Restatements of your questions and requests for information and our responses follow.

### **Gate Availability**

1. *Clarify the number of gates being requested by AirTran Airways.*

AirTran currently operates from 2 preferentially leased gates in Terminal F and, upon its move to Terminal D, has requested 2 preferentially leased gates plus the occasional use of 1 additional common-use gate. AirTran will relinquish its gates in Terminal F when it moves to Terminal D.

As AirTran increases its PHL service, the City expects that the airline will require 4 or more gates and intends to be in a position to make such gates available as they are required.

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2. *Explain the City's intended application of its gate assignment protocol for the additional gates in Terminal D.*

The enlarged Terminal D and associated passenger and baggage check-in facilities will provide 4 additional gates and be fully operational by late 2002. As noted in response #1, the City expects to lease 2 gates to AirTran on a preferential-use basis and to make 1 gate available to AirTran and other airlines on a common-use basis. The fourth gate, not yet assigned, will be made available on a preferential-use or common-use basis.

The City intends to make decisions on the assignment of the Terminal D gates (and other gates as they become available) with the overall objective of encouraging and accommodating competitive airline service to and from PHL. In assessing the relative advantages of the service to be provided by airlines expressing interest, the City will consider:

- Whether the airline is a "low-fare" airline as defined by the US DOT.
  - Whether the destination market(s) are currently served nonstop.
  - The current extent of competitive airline service in the destination market(s) proposed to be served as indicated by the number of airlines providing nonstop and convenient connecting service and the average airline airfares and yields in each market.
  - The number of seats, type of aircraft equipment, and frequency of service proposed in each destination market in relation to current and estimated potential origin-destination passenger numbers.
  - Any indication or commitment on the part of the airline regarding airfares in each destination market.
  - The financial status and stability of the airlines and the City's assessment of their ability to sustain and increase service.
3. *Explain the City's intended application of its gate assignment protocol for the ex-TWA gates in Terminal E. Provide a timeline for the reassignment of the gates.*

The City is in discussion with American Airlines regarding the conditions under which American would relinquish its three ex-TWA gates in

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Terminal E. Once the gates are returned to the City and refurbished, they would be reassigned to other airlines in accordance with the protocol outlined in response #2. The City would in addition take into account the need for an airline providing increased competitive service to have access to a sufficient number of contiguous gates to allow for efficient operations.

The City expects that the ex-TWA gates will be returned to the City late in 2002, at about the time the Terminal E enlargement program begins. This construction program is expected to take approximately 2 years. The ex-TWA gates would be used as necessary to accommodate existing Terminal E airlines temporarily during construction as well as to accommodate new competitive airline service.

4. *Confirm that information on the availability of Terminal D and Terminal E gates will be conveyed on the City's website and otherwise to all airlines operating at PHL and to airlines that have expressed an interest in such gates.*

The City confirms that its Competition Plan, incorporating updates, FAA's supplementary questions and request for information, and the City's responses to such questions and requests for information, is and will be available on the City's website for the Airport, phl.org. The Competition Plan provides general information on the expected availability of gates and other facilities.

The City has provided and will provide more specific information on the availability of gates and other facilities to any airline expressing an interest in facilities. In addition, such information is disseminated to all airlines serving PHL at regularly scheduled monthly meetings of the PHL Airline Managers Council.

5. *Provide a more detailed description of the City's periodic analysis of the aggregate numbers of daily flight departures per gate by airline.*

The City normally analyzes the number of departures per gate by airline Airport-wide (including exclusively leased gates) approximately once every 12 months using scheduled flight data from the OAG database. The most recent analysis of scheduled flights, for April 2002, is summarized in the February 28, 2002, update to the Competition Plan. More frequent analyses are performed as required.



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For preferential-use gates, the City normally analyzes the number of departures per gate every 6 months using scheduled flight data provided by the airlines. These analyses have demonstrated that all airlines leasing preferential-use gates have exceeded the minimum gate use requirements specified in their use and lease agreements.

#### **Gate Assignment Policy**

6. *Provide additional discussion of the City's system for gate assignment that provides appropriate priority for accommodating new entrants and new competitive service.*

As demonstrated in our response #2, the City is committed to implementing a gate assignment policy that encourages and accommodates new entrant airlines and new competitive service.

\* \* \* \* \*

We hope these responses fully address your questions and concerns and we look forward to your determination that our competition plan is in accordance with the requirements of AIR-21.

We also note your additional requests, to be addressed in our next annual update to the Competition Plan, as follows:

1. Provide a status report on the installation of the Airport's new multi-use flight information display system (FIDS).
2. Address the City's development of formal arrangements for the resolution of any airline complaints and disputes regarding subleasing and ground-handling.
3. Provide a status report on the City's development of a policy requiring signatory airlines to follow a formal notification procedure when gates become available for sublease.

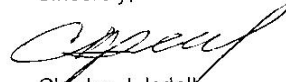
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As we discussed in the Competition Plan and affirmed in our February 28, 2002, update, the City is actively encouraging new entrant and low-fare airlines to begin and expand service to and from PHL. During the past 12 months, we have made presentations to three low-fare airlines and continue to maintain communications with these airlines. We plan to approach a fourth low-fare airline in the near future.

These initiatives are in addition to our successes in encouraging AirTran to expand its PHL operation. We recently engaged new air service marketing consultants and have tasked them with directing their efforts towards attracting competitive low-fare airline service.

Please let me know if you have any further questions or information needs.

Sincerely,



Charles J. Isdell  
Director of Aviation

CJI/dh  
PHL580

cc: Mr. James J. Cuorato, Director of Commerce, City of Philadelphia



U.S. Department  
of Transportation  
**Federal Aviation  
Administration**

Office of Airport Planning  
and Programming

800 Independence Ave., SW.  
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SEP 11 2002

*ED + DEBORAH : THANKS FOR ALL YOUR  
EFFORTS ON THIS  
9-19-02  
C'YU. BRW TO OCT. 1ST. STAFF MTO.*

Mr. Charles J. Isdell  
Director of Aviation  
Philadelphia International Airport  
Terminal E  
Philadelphia, PA 19153

Dear Mr. Isdell:

Thank you for your August 14, 2002 supplemental response to our July 13, 2002 review of the City of Philadelphia's (City) FY 2002 update of the Competition Plan for Philadelphia International Airport (PHL), requesting additional information and clarification.

The information you provided was responsive to our request. In light of these responses, we have determined that your Plan update is in accordance with the requirements of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (AIR-21), Pub. L. 106-181, April 5, 2000. In accepting your Plan, we note that the Airport has implemented a variety of competitive actions as outlined in our July 13 review letter and that the Airport has taken or is taking the following competitive actions:

- Adopting a set of gate assignment criteria that include competitive considerations; and
- Negotiating for the recovery of three TWA gates that would be allocated in accordance with those criteria.

While your Plan update is acceptable, we have identified some issues that should be addressed in your next Plan update. These issues are in addition to those identified in the July 13, review letter and fall under the category of gate availability.

First, please report on the status of the FIDS system. In addition, please discuss whether the City has considered any other methods or procedures for the monitoring actual gate use if the FIDS is not implemented on schedule. We encourage the City to consider alternate monitoring procedures should deployment of the FIDS system and software suffers further delay.

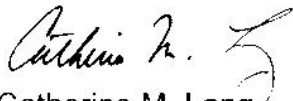
In addition, we acknowledge that the City provides specific gate availability information upon carrier request. Nevertheless, the FAA would like to suggest the City develop a process for the routine dissemination of gate availability information to all carriers interested in serving the airport, including non-tenant carriers and new entrant carriers who have expressed an interest in serving the airport.

We look forward to reviewing your next Plan update. We have revised the schedule for submittal of future updates, effective for FY 2003. Under this new schedule, your next Plan update shall be due 18 months after the date of approval of your FY 2002 update, i.e., the date of this letter.

As you may know, the Secretary is required to review the implementation of the Competition Plans from time-to-time to make sure each covered airport successfully implements its Plan. In connection with our review, we may determine that contacts with, or site visits to one or more locations, would be useful. We will notify you should we decide to visit PHL in connection with its competition plan.

If you have any questions regarding this letter or the FAA's review of your Plan, please contact Mr. Barry Molar, Manager, Airports Financial Assistance Division at (202) 267-3831.

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