



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

Office of Airport Planning
and Programming

800 Independence Ave., SW.
Washington, DC 20591

APR 9 2004

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

Dear Mr. Isdell:

Thank you for submitting the City of Philadelphia's FY 2004 Competition Plan update for Philadelphia International Airport (PHL). We have reviewed your Plan update and have determined that it is in accordance with the requirements of section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR-21), Pub. L. 106-181, April 5, 2000, codified as Title 49 U.S. Code sections 40117(k) and 47106(f).

The PHL FY 2004 Update indicates the airport has implemented additional competitive actions, including the following policies and practices:

- Accommodated the expansions of AirTran and US Airways at newly constructed preferential-use gates and after having designated two previous US Airways preferential-use gates for common-use;
- Accommodated the entry of several new entrant domestic carriers (as well as international service):
 - America West on a preferential-use gate,
 - ATA on an interim domestic gate,
 - Southwest on four preferential-use gates (for May 2004 commencement of service), three of which previously were leased by American on an exclusive-use basis and relinquished by American upon its consolidation in PFC-financed Terminal A East and one of which was identified by the City through its periodic gate use monitoring program, as being underutilized and resulted in a reassignment of a Delta preferential-use gate to Southwest;
- Installed a Flight Information Display System (FIDS) in Terminal A West that provides real-time gate utilization information;
- Developed a schedule for the installation of FIDS in the remainder of the terminals and provided for an interim manual gate monitoring plan;
- Complied with PFC Assurance #7 by analyzing use by US Airways on its exclusive-use gates and determined that the carrier is fully utilizing its gates pursuant to the contractual terms;

- Developed a formal fee and use dispute resolution policy, designating the City's Deputy Director of Aviation, Property Management and Business Development, to resolve disputes within a specified timeframe, and designating the City's Director of Aviation as the official to hear an appeal from the Deputy Director's recommendation and to render a timely decision;
- Utilized PFC financing to add four domestic gates in Terminal D (three leased to AirTran on a preferential-use basis and the fourth available for common-use by AirTran and others) and 13 gates in the new international Terminal A West, capable of accommodating large aircraft in either domestic or international service (ten leased to US Airways on a preferential-use basis and three available for common-use by US Airways and other airlines);
- Incorporated "use or lose" provisions in the preferential-use agreements for gates leased to AirTran, America West, ATA, and Continental in Terminals A East and D and for the gates to be leased to Southwest, requiring an equivalent of four turns per gate per day, and a use or share provision, requiring the airline tenant to share a gate that is unused for two hours;
- Incorporated a use or share provision in the PFC-financed, US Airways preferential-use gates in Terminal A-West;
- Incorporated a right to recapture the PFC-financed, US Airways Express preferential-use gates in Terminal F that, in the City's judgment, are not required for the operation of scheduled flights; and
- Encouraged signatory airlines to notify other airlines if or when gates become available for sublease.

Additionally, we note that your Plan update states that the City intends to:

- Enlarge Terminal E to provide three preferential or common-use gates for domestic airline flights, by mid-2006;
- Incorporate use or lose provisions in future preferential-use agreements;
- Implement FIDS airport-wide to allow the continuous monitoring of all airport gates, effective mid-2006; and
- Accommodate Frontier's new service with three daily departures.

As noted above, we have determined that your update meets the requirements of section 155 of AIR-21. We are enclosing with this letter a chart, prepared in April 2003, highlighting actions taken by airports covered by the Competition Plan requirements to reduce barriers to entry and enhance competitive access (PHL is included). We have distributed this product at several airport conferences in order to demonstrate the tools airport managers are using to comply with the statutory elements of the Competition Plan requirement, the competitive benefits that may be achieved through implementation of these tools, and other ancillary advantages that may be derived from these tools. This chart may be of interest to you as you implement your Competition Plan and prepare to negotiate your use and lease agreement that will expire in 2006. We will be happy to discuss any of the items noted on this chart with you at your convenience. Further, although not shown on the chart, at 29 of the 38 airports highlighted on the chart, new or expanded entry or service by low-cost carriers has occurred, and larger carriers

have benefited through new lease arrangements and gate change accommodations.

We take this opportunity to direct your attention to those airports that have adopted practices to notify all carriers of gate availability through mail, e-mail, web pages or otherwise, to ensure fairness and transparency in the gate assignment and allocation process. In addition, some airports recently have adopted new lease provisions requiring airline tenants to employ universal notification practices of sublease gate availability.

We note that you have begun design on an expansion to Terminal E to provide three preferential or common-use gates (to be determined). However, you did not identify a funding source for this project. Please provide additional details on the funding and leasing provisions for this project in your next update.

We look forward to reviewing the future updates to your Competition Plan. Your next update will be due 18 months after the date of approval of this update. We will notify you before the end of your 18-month cycle as to whether you remain a covered airport. As you may know, the Secretary is required by section 40117(k) to review implementation of Competition Plans from time to time to verify that each covered airport implements its plan successfully. In connection with our review, we may determine that site visits to, or teleconferences with, one or more locations would be useful. We will notify you should we decide to visit PHL in connection with a review of your Competition Plan.

Finally, we recommend that you continue to post your Competition Plan updates on the PHL website.

If you have any questions regarding this letter or the FAA's review of your Plan, please contact Ms. JoAnn Horne, Manager, Airports Financial Analysis and Passenger Facility Charge Branch, at (202) 267-3831.

Sincerely,



Robert W. Yatzeck
Acting Director, Office of Airport Planning
and Programming

Enclosure