May 15, 2015

Mr. Randall Fiertz
Director, Airport Compliance and Management Analysis
Federal Aviation Administration
55 M Street, S.E.
Washington, DC 20591
(Via Email)

Dear Mr. Fiertz,

The Airports Council International-North America (ACI-NA) and the American Association of Airport Executives (AAAE) appreciate this opportunity to submit comments on behalf of their member airports and executives in response to the letter sent to the Federal Aviation Administration (FAA) on December 17, 2014 by Airlines for America (A4A) regarding alleged violations of the U.S. DOT Policy Concerning Airport Rates and Charges (78 Fed. Reg. 55330 (September 10, 2013)) (Rates and Charges Policy) by certain "smaller" airports in their efforts to retain and attract new air service (A4A Letter).

It is important to note that the A4A Letter is skewed to a particular viewpoint, and the questions A4A asks are loaded with assumptions (e.g., that certain practices are discriminatory) without any consideration of the factual contexts that would allow FAA to determine whether, in fact, a particular approach would be unjustly discriminatory under the grant assurances. DOT and FAA have been very careful in the past to ground their decisions on rates and charges matters on the particular facts relating to the fees in question.

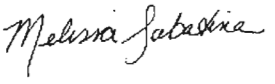
We believe that FAA and DOT should continue to be exceptionally cautious and avoid adopting any per se rules about rates and charges, beyond those contained in the Rates and Charges Policy (which has gone through a full rulemaking process plus judicial review). This is especially true here, where A4A has posed questions that are devoid of any facts or circumstances that would allow the agency to base its response on the particular factual context that gives rise to the controversy. Thus, we urge you not to issue any response that could be considered to set forth FAA's position on particular practices without having the benefit of reviewing the factual background and the totality of the circumstances at the airports where these alleged problems supposedly occurred.

Advisory opinions in the abstract will not provide meaningful guidance to airports and air carriers, and will, instead, muddy the waters with respect to the requirements of the Rates and Charges Policy.

The attached document sets forth in more detail the concerns that ACI-NA and AAAE have with the issues raised by A4A. If you would find it to be helpful, we would be happy to meet with you to discuss those concerns in more detail.

Thank you very much for your consideration of the views of airports as you decide how to respond to the A4A letter.

Sincerely,



Thomas R. Devine
General Counsel
ACI-NA

Melissa Sabatine
Senior Vice President, Regulatory Affairs
AAAE

Attachment

May 15, 2015

Concerns of ACI-NA and AAAE with December 17, 2014 A4A Letter Questioning Airport Rate-Setting Practices

Fundamental Concern

As stated in our cover letter, the Airports Council International – North America (ACI-NA) and the American Association of Airport Executives (AAAE) believe that FAA should resist the attempt by Airlines for America (A4A) to induce the agency into responding substantively to questions that are loaded with assumptions (e.g., that certain practices are discriminatory) but devoid of the factual contexts that would allow FAA to determine whether the cited practices would actually be unjustly discriminatory under the grant assurances.

We believe that FAA and DOT should continue to follow your established practice of (1) grounding your decisions on rates and charges matters in the particular facts relating to the fees in question, and (2) being exceptionally cautious, so as to avoid adopting any per se rules about rates and charges, beyond those contained in the Rates and Charges Policy (which has undergone a full rulemaking process with subsequent judicial review). This is especially true here, where A4A has posed questions without any facts or circumstances that would allow the agency to base its response on the particular factual context that gives rise to the controversy.

Before providing any response that could be considered to set forth FAA's position on particular practices, we urge you to review the factual background and the totality of the circumstances with the sponsors of the airports at which these alleged problems supposedly occurred.

The Rates and Charges Policy Clearly Authorizes Airports to Impose Fees by Ordinance in the Absence of Agreement with Airlines

One of A4A's questions, although still loaded with assumptions, can be disposed of readily, because it is clearly answered by the Rates and Charges Policy itself. A4A's last question asks "Is imposing or threatening to impose Ordinance Rates if carriers refuse to sign a lease agreement they believe discriminatory considered good faith negotiations under the Policy?"

This is definitively resolved by the Rates and Charges Policy, in Section 2.1, which states that:

> *Airport proprietors may set fees for aeronautical use of airport facilities by ordinance, statute or resolution, regulation*, or agreement. *Id.* at 55333 (emphasis added).

See also Section 1.1.4, which states that:

> Airport proprietors and aeronautical users *should* consult and make a good-faith effort to reach agreement. *Absent agreement, airport proprietors are free to act in*

> *accordance with their proposals*, subject to review by the Secretary or the Administrator on complaint by the user . . . . *Id.* at 55332 (emphasis added).

Thus, while DOT and FAA have expressed a preference for airports and air carriers to consult and negotiate in good faith to establish rates and charges, airports have an absolute right to impose fees by ordinance. If the carriers believe the imposed fees are unreasonable, their remedy is to seek review by the FAA or DOT.[1]

Given airports' absolute right to impose fees by ordinance, the act of informing carriers that the result of a failure to reach agreement through negotiations could be imposition of rates by ordinance cannot be considered to be a failure to negotiate in good faith.

Airports Have Engaged in Extensive Consultations with Airlines Before Imposing New Rate-Setting Methodologies

We are not aware of any airports that have failed to consult with airline users before adopting new ratemaking procedures. Airports typically have had extensive discussions with carriers and have provided extensive amounts of information to carriers (a practice that has not always been reciprocated by the carriers).

In some cases, airports have attempted to negotiate an agreement with carriers for two years or more, and the network airlines have asked some airports to put their negotiations on hold pending the resolution of similar issues at other airports.

Moreover, with respect to the general issue of the adequacy of airport-airline consultations on setting fees for air carriers, we note that DOT/FAA policy is that *airlines*, as well as airports, should consider the *public interest* in consulting with airports.[2] This is something for FAA to keep in mind as the agency considers A4A's questions on airport charging methodologies that remove barriers to entry and facilitate competition by low frequency carriers.

Contextual Background for Consideration of Issues Raised by A4A

At the outset, it should be noted that airports -- whether small, medium, or large -- are entitled to adopt different ratemaking methodologies as long as the fees imposed on airlines are reasonable and not unjustly discriminatory. The fact that one particular methodology may be more appealing to certain types of carriers due to the nature of their operations does not mean that an airport must exclusively use that methodology. This principle has been recognized in the context of the Rates and Charges Policy by both by DOT and the D.C. Circuit:

> As the DOT argues, the relevant statutes require only reasonable and non-discriminatory fees, not fees based upon a particular form of cost recovery. *Air*

---

[1] We also note that the authority of airports to impose fees by ordinance is implicitly recognized by the statute requiring DOT to establish policies and procedures concerning fees imposed on airlines:

> "Applicability.-This section does not apply to-
>
> (1) a fee imposed pursuant to a written agreement with air carriers or foreign air carriers using the facilities of an airport;" (49 U.S.C. 47129(e))

Congress thus established the DOT review process for fees not set by agreement, i.e., fees imposed by ordinance.

[2] See Rates and Charges Policy §1.1.3: "Airport proprietors should consider the public interest in establishing airport fees, and aeronautical users should consider the public interest in consulting with airports on setting such fees."

Transport Association of America v. United States Department of Transportation, 613 F.3d 206, 214 (D.C. Cir. 2010)

Similarly, the fact that a methodology may "more adversely affect" airlines with a particular business model does not render the methodology unreasonable or unjustly discriminatory. *Id.* at 215. Unless all airlines adopt a uniform business model, any given methodology will advantage or disadvantage some airlines over others, and airports are not required -- nor can they be expected – to consistently benefit only one group of carriers to the detriment of others. This is true whether the carriers are incumbents or new entrants.

Simply put, an airport cannot be expected to embrace the business model of one airline (or category of airlines) and tailor its rate-setting structure to the benefit of the carrier(s) that have adopted that business model. Moreover, under applicable federal requirements, an airport sponsor need not perpetuate its previous rate-setting methodology. It is especially important to keep this principle to keep in mind as airport sponsors deal with fundamental changes in the airline industry or changed circumstances at their airports.

The Air Carrier Industry is Dynamic and Ever-Changing

It must be understood that the aviation industry has changed significantly in the last five or ten years. Airline mergers and consolidations have resulted in an industry where over 80% of the traffic is carried by only 4 major carriers. New, or reconstituted ultra-low cost carriers have emerged. Airports must continue to be allowed considerable flexibility in the rate-setting methodologies they adopt so that they can accommodate a wide range of carrier types, to promote air service and competition at their facilities, for the benefit of the travelling public.

Several of the assertions in the A4A letter have misrepresented the facts surrounding specific airport charging methodologies, and we believe it is important for FAA to understand the facts and the context out of which the facts arise, so the agency can approach the issues with a balanced perspective. Before rendering any sort of opinion on a specific issue, the FAA should engage directly with the specific airport sponsor involved, to understand the factual context at that airport. In addition, some general factual background can be helpful as well (although not a substitute for airport-specific context).

In this regard, it is important to understand that while national passenger activity has rebounded to close to 2007 levels, the distribution of that recovery has been uneven. As reported in an April 2015 GAO study, "medium- and small-hub airports had proportionally lost more service than large-hub or non-hub airports, *as major airlines merged and consolidated their flight schedules at the largest airports*."[3] These capacity reductions have been compounded by fare increases in the smaller and mid-sized markets, making it more attractive for travelers to spend extra time driving to a larger airport with more flight choices and lower fares.

Many, if not most, of these "have-not" airports are struggling to reverse service cutbacks or retain the service they have and try to maintain what little competition remains in the domestic industry. One tool airports used to preserve existing service and attract new service – marketing and incentive programs – is acknowledged by A4A's letter, but current FAA policies limit incentive programs to a maximum two-year term, and therefore such programs, while helpful, are not always a long-term solution to restore the lost service.

[3] http://www.gao.gov/products/GAO-15-498T

This is why the "have-not" airports have been creative in designing lease rates which recognize the financial reality of airline service in small markets. In particular, charging for airport facilities on a per use basis -- rather than a typical exclusive/preferential lease basis -- can be a particularly appropriate means of rate-setting for low frequency service by carriers, including ultra-low cost carriers. Charging on a per-use basis provides a financially practical means for entry by airlines that want to serve a market that cannot support high frequency service or that want to test service in that market before making the longer-term commitment or meeting minimum space requirements that are generally contemplated in lease agreements. This is consistent with airport obligations to consider the public interest and to provide reasonable access to air carriers seeking to serve the airport.

There is little discussion in the Rates and Charges Policy about specific rate structures. We strongly agree with the DOT/FAA approach that the Policy not prescribe the means by which airports set rates, because each airport has unique circumstances; a "one-size-fits-all" approach is inappropriate for addressing decisions that hinge on the circumstances at the particular airport. DOT/FAA's approach to reviewing airport rate-setting practices similarly has left -- and should continue to leave -- room for airports to accommodate a variety of carriers with different business models.

A4A's members apparently do not support the rate structures that readily accommodate infrequent service, particularly by ultra-low cost carriers. Individually and collectively, network carriers are making a concerted effort to pressure smaller airports into adopting rate-setting regimes that favor the larger airlines and could erect barriers to entry that price the low frequency airlines out of smaller markets. At many airports, network carriers also insist that the airport impose a premium on non-signatory carriers, which often conduct operations less frequently. Typically they request -- and often insist upon -- including the specific differential in their use and lease agreements. Thus, the network carriers support differential treatment for low frequency carriers—but only when it benefits the network carriers themselves.

Some airlines have threatened litigation against smaller airports that are considering per turn charges for low frequency carriers. This behavior by some airlines and by A4A is contrary to the public interest, notwithstanding the Rates and Charges Policy's exhortation that airlines -- as well as airports -- consider the public interest in negotiating airline rates and charges. In reviewing these issues, ACI-NA and AAAE urge DOT/FAA to be mindful of their statutory responsibility to ensure the benefits of a deregulated, competitive domestic airline industry.

It should be noted that while A4A's letter states that "the FAA Air Carrier Incentive Program is the appropriate mechanism for airports to incentivize airlines to add or increase service," in fact, A4A member airlines at many airports urge airport sponsors to adopt a residual rate-setting methodology or some other mechanism for sharing non-aeronautical revenues with signatory airlines, which, of course, provides incentives for such airlines to maintain or increase service at those airports. Such incentives last well beyond the limited two-year period for air service incentives permitted under the FAA guidance. Thus, the network carriers support longer term incentives, but only when they benefit the network carriers themselves.

A4A now seems to object to any methodology that may be attractive to airlines that have different business models than their members do, such as new entrant, low frequency carriers. Requiring a single, traditional rate methodology is not required by federal law, nor does it seem rational, especially when most of the low frequency airline service in the smaller markets does not go head-to-head with the network airlines. In addition, the increases in passengers brought by the new entrants benefit **all** of the airlines operating at that airport, as they (1) generate incremental PFC and rental revenues that can be used to offset debt service, (2) generate

additional nonairline revenues that can be shared with the airlines, and (3) help lower landing fee rates due to increased levels of landed weight.

In light of those benefits, the only rational explanation for the A4A carriers' opposition seems to be a desire to reduce economic competition generally from these low frequency carriers. Indeed, in one recent lease negotiation the network carriers said they did not care if the departure of low frequency airlines meant that their airport costs would increase. The inability of low frequency airlines to access various markets would reduce fare competition in general, which may generate a revenue windfall that exceeds the increase in airport fees and charges at the specific airports in question. We urge FAA to consult with DOT and the Department of Justice to investigate whether such seemingly irrational behavior is indicative of anti-competitive activity on the part of the major carriers that violates federal law.

Federal Guidance

As you know, DOT's statutory responsibilities under 49 U.S.C. 40101 to ensure the benefits of a deregulated, competitive domestic airline industry include considering the following as being in the public interest:

> Ensuring "the availability of a variety of adequate, economic, efficient and low-priced services without unreasonable discrimination or unfair or deceptive practices" (Paragraph (a)(4));
>
> "[P]reventing unfair, deceptive, predatory, or anticompetitive practices in air transportation" (Paragraph (a)(9));
>
> [A]voiding unreasonable industry concentration, excessive market domination, monopoly powers, and other conditions that would tend to allow at least one air carrier or foreign air carrier unreasonably to increase prices, reduce services, or exclude competition in air transportation. (Paragraph (a)(10));
>
> [E]ncouraging, developing, and maintaining an air transportation system relying on actual and potential competition. (Paragraph(a)(12));
>
> > (A) to provide efficiency, innovation, and low prices; and
> >
> > (B) to decide on the variety and quality of, and determine prices for, air transportation services.
>
> "[E]ncouraging entry into air transportation markets by new and existing air carriers and the continued strengthening of small air carriers to ensure a more effective and competitive airline industry" (Paragraph(a)(13)); and
>
> [E]nsuring that consumers in all regions of the United States, including those in small communities and rural and remote areas, have access to affordable, regularly scheduled air service. (Paragraph(a)(16)).

Congress made these policy considerations applicable to DOT/FAA's administration of the AIP grant assurances through the following provision:

> Consistency With Air Commerce and Safety Policies.-Each airport and airway program should be carried out consistently with *section 40101(a),* (b), (d), and (f) of this title to foster competition, prevent unfair methods of competition in air transportation, maintain essential air transportation, and prevent unjust and

> discriminatory practices, including as the practices may be applied between categories and classes of aircraft. (49 U.S.C. 47101(d) (emphasis added)).

Interestingly, airport competition plans were mandated in the late 1990s because of DOT and Congressional concerns that competition in certain markets was not as vigorous as it could be. At that time, substantial airfare premiums were imposed by network carriers primarily at their concentrated hub airports, where new entrant and low-fare airlines had problems gaining access to gates and other facilities to establish a strong market presence. The U.S. General Accounting Office (now the Government Accountability Office) (GAO) identified barriers to entry that included long-term, exclusive-use gate lease agreements with established airlines and majority-in-interest (MII) clauses that provided special rights to approve airport capital improvements by the signatory airlines.

FAA/DOT have favorably cited airport actions to provide airport-controlled gates on a per turn basis to accommodate new entrants as being among the "pro-competitive tools" that airports "have developed to accommodate requesting carriers in conformity with the competition plan requirements."[4] FAA/DOT specifically lauded several airports for "assigning common use gates on a per use basis"... and "maintaining 23 common-use gates to accommodate new entrants, [which] accommodated access requests of several new entrant and expanding carriers."[5] Another DOT/FAA report cited the competitive benefits of airport controlled gates that can be assigned on a per-turn basis to new airlines initiating service or expanding incumbents, both generally[6] and with respect to specific airports' practices.[7]

Thus, the practice that A4A carriers have questioned (providing gates on a per turn, rather than a lease basis) has been recognized by DOT/FAA as encouraging new entry and promoting airline competition, which are fundamental principles that Congress has charged DOT/FAA to adhere to in carrying out their responsibilities to administer the grant assurances.

Airline Industry Concentration has Heightened Airport Concerns Regarding Air Service and Competition

The challenges faced by smaller airports today have been exacerbated by the fact that many of them are carrying debt and paying operating expenses for terminals sized for a different era and have been left with excess ticketing and gate space due to industry consolidation and service contraction in their market – actions that have been unilaterally taken by network carriers. These airports suffer a serious shortage of service.

It appears that the larger airlines may be once again trying to stifle competition. This is not surprising. Limiting competition is one more means to increase profitability, especially in a highly concentrated industry. With respect to smaller airports, the larger airlines appear to seek to preclude airport sponsors from implementing pricing mechanisms that may facilitate low frequency service by other airlines. The network airlines have now started to demand that per-turn calculations and methodologies be included in airline use and lease agreements, even though they generally would apply not to signatories to the agreement, but rather, to their non-signatory competitors.

---

[4] December 17, 2014 Letter of Kathryn B. Thompson, DOT General Counsel, to Warren M.S. Ernst, enclosing November 2010 FAA/DOT report "Airport Competition Plans; Highlights of Reported Actions to Reduce Barriers to Entry and Enhance Competitive Access" ("Competition Plan Report"). *See* Report at p. 1-4.

[5] Competition Plan Report at 1-4.

[6] Airport Business Practices and Their Impact on Airline Competition. FAA/OST Task Force. October 1999 ("FAA/OST Task Force Report"), at pp. 41-42. http://ntl.bts.gov/lib/17000/17100/17129/PB2000108301.pdf

[7] *Id.* at pp.69-84.

It should be noted that per turn charges themselves are not new.[8] Airports have been using per-turn methodologies for years, especially for charters operations and at airports with significant levels of seasonal service (e.g., Florida), as well as for common use facilities used by scheduled air carriers. As noted above, FAA and DOT have highlighted the benefits, for competition and new entry, of airports allowing access to new entrants via airport-controlled gates on a per turn basis.

As stated in the FAA/OST Task Force Report:

> "Stated simply, airport managers cannot allow dominant airlines to become *de facto* airport managers. The Department, meanwhile, must be vigilant in assuring that all airports meet their legal obligations to accommodate all qualified airlines."[9]

Network Carrier Attempts to Skew or Avoid Joint Use Charges

Airports today have the flexibility to set rates that are both reasonable and promote competition. Every lawful structure creates incentives and many of these structures work to the benefit of the largest carriers.

For example, A4A has advocated for a requirement that airports charge a fixed fee portion for joint use space. The classic "80/20" formula[10] for allocating joint use costs (e.g., baggage claim space), which is embraced by the network airlines, places a larger burden on airlines with small market shares. While the 80/20 common use formula has been the standard for many years, with the consolidation in the number of airlines, the 20% per-carrier allocation has become unduly burdensome for the smaller airlines. Tacitly recognizing this, the network airlines often demand special treatment for their affiliate airlines so as to avoid having them be subject to the 20% per airline portion of this fee.

In recognition of the changing nature of the aviation industry, airports have begun to employ variations on the 80/20 formula for allocating joint use facilities. These include varying the percentages (e.g. 90/10) to reduce the fixed amount per carrier; a 10/45/45 formula, allocating 10% of costs equally among airlines, 45% based on the number of flights, and another 45% based on number of passenger enplanements; and a 50/50 formula, allocating 50% of the fees based on the number of aircraft departures and 50% on the number of enplaned passengers. Airports, which are at the mercy of air carrier decisions to establish or withdraw service, must be given flexibility to try new formulas in order to adapt to rapidly changing air service patterns at their facilities.

The network airlines also advocate for, and use, per-turn fees at many airports for their own operations that cannot be accommodated at their leased gates, and they demand discounts for their affiliates. They want these per-turn fees to be modest for their operations, but want to deny this type of pricing to the low volume airlines.

Illustrative Examples of the Importance of FAA Ascertaining and Understanding the Specific Facts and Circumstances at the Particular Airports Involved, and Declining A4A's Invitation to Answer Abstract Questions in a Vacuum

While it is difficult to discern with any degree of confidence which airports A4A is alluding to in its various questions, we are aware of some specific airports where A4A carriers have raised

---

[8] Activity based charges may also take other forms, e.g. seats flown to or from a gate, rather than just charges per aircraft turn. Such charges are also reasonable.
[9] FAA/OST Task Force Report at p. iv.
[10] This formula allocates 80% of the costs of the facilities and space based on passengers and 20% equally to each airline using the space.

these issues. We provide some background information, *for illustrative purposes only*, of the types of factors that could be in play in the scenarios posed by A4A, in order to underscore the need for FAA to seek out and understand the particular facts and circumstances at any airport at which the agency may review an alleged issue.

- A4A implies that one airport discriminated in its differential terminal rates by "arbitrarily" applying a discount factor unrelated to costs for concourse rental rates. At one airport where some carriers have made this allegation, the airport sponsor proposed differential rates for different concourses based on the actual costs of the facilities after taking into account the quality of the respective spaces. The airport sponsor used AIP grants and nonairline revenues to pay for a significant portion of the capital costs of a new concourse for the network carriers that provided benefits with no capital charges in the A4A airlines' rate base for these improvements.

  The airport also offered to apply a discretionary credit across all terminal space to reduce the rates for all carriers. This airport has two very distinct concourses that are significantly different in terms of the age, condition, and facilities offered. The newer, more modern facility offers second level boarding with loading bridges and more passenger amenities (concessions, lighting, furniture, fixtures, business center, family restrooms, etc.). The other concourse has not been reconstructed or refurbished since its initial bare-bones construction in 1998. By comparison, it (1) has old seating fixtures, one restroom, and no restaurants, (2) is accessed from the main terminal via a warehouse-like tunnel, and (3) requires outdoor boarding of aircraft via air stairs instead of loading bridges. The airport applied a 20% reduction from the average terminal space charge in recognition of the bare bones accommodations in this concourse.

- Regarding the metric for establishing per-turn fees, A4A claims some airports employ a utilization rate that is significantly higher than the airport average. In analyzing such a claim, it is appropriate to consider that when setting the number of turns per gate to assume in establishing airline charges, it may be appropriate to set this metric based on the turns on leased gates rather than total gates when there is an oversupply of gates and ticket counters at the airport as a result of airline consolidation or other airline decisions to withdraw from the market. Airports must not be required to charge airlines on a per-turn basis to subsidize the cost of vacant gates and counters. Indeed, airports are not entitled to unilaterally charge airlines for vacant terminal space.

- Several airports have proposed a two-tier agreement approach whereby airlines would have the option to choose between per-turn fees or traditional exclusive, preferential, and common use space rentals. In fact, at several airports, the airlines have already completed negotiations and signed agreements that allow the airport to implement a two-tier rate setting option without imposing ordinance rates. At one of these airports the "per-turn fee only" option is limited to airlines operating 14 or fewer flights per week, i.e., an average of 2 per day, to avoid imposing a minimum rental requirement on low frequency airlines. Signatory airlines can also use the airport's common use gates on a per-turn basis if needed.

- A4A asks if airports can charge for common use space based on use without a fixed fee component. There is certainly nothing in the rates and charges policy that would require an airport to include a fixed fee component in its rate-setting methodology. In the specific context of low frequency carrier operations, requiring that they be charged the same fixed component for facilities they use infrequently as network carriers are charged for their extensive use of the facilities could lead to anomalies. For example, at one airport the network airlines operate 13 turns per day (91 flights per week) while the low

frequency airlines have less than 0.5 flights per day (3 flights per week). The network airlines clearly require airport facilities and services for many more hours per day and a fixed fee component could be appropriate for them but not for the low frequency airlines. At another airport, the airport needs to remain open for 19.5 hours per day (136.5 hours/week) to accommodate the network airlines' schedules, while one low frequency airline only uses the airport less than 2 hours per day (12 hours per week) during times the airport is already open to serve the network airlines' schedules. These disparities in use are common at smaller airports, and airport proprietors must be allowed the flexibility to accommodate such disparate operations and to charge appropriate amounts based on the nature of the different airlines' use of the facilities.

National Transportation System Implications

A4A would have smaller airports establish and maintain barriers to entry for low frequency airlines. The result would be loss of service by low frequency carriers at some of these airports. There are significant national transportation policy implications resulting from that loss of service. First, as a consolidated airline industry concentrates its capacity in a shrinking number of airlines, the opportunities for competition become ever more precious. Moreover, airline concentration practices tend to force passengers into cars for longer drives – whether driving in lieu of flying or driving further distances to access flights at acceptable fare levels.

Second, small and medium-sized airports play an important role in the national transportation network and national economy, and reasonable air service is crucial to the economy of the communities they serve. This is why the FAA has invested billions of dollars in AIP grants for smaller airports. Depriving these airports of the authority to set rates that encourage and promote competition will stifle their ability to operate these assets for the public benefit.

Thus, it is crucial to continue to allow all airports -- and smaller airports in particular -- to adopt rate-setting regimes that are tailored to their specific circumstances, while allowing their facilities to be available for public use on reasonable terms and without unjust discrimination to small and large air carriers alike.

ACI-NA and AAAE appreciate the opportunity to provide our views on this important industry issue. Airports share the desire and obligation of DOT/FAA to act in the public's interest.