

FAA News

Federal Aviation Administration, Washington, DC 20591

FOR IMMEDIATE RELEASE

September 2009

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FACT SHEET

FAA Accepts Preliminary Application for Louis Armstrong New Orleans International Airport (MSY)

The Federal Aviation Administration (FAA) has accepted the preliminary application for the Louis Armstrong New Orleans International Airport (MSY) to participate in the airport privatization program. The city of New Orleans submitted its preliminary application to participate in the FAA's airport privatization program on August 5, 2009, and the FAA completed its 30-day review of the preliminary application on September 8, 2009.

MSY is a medium hub commercial service airport owned and operated by the city of New Orleans. In 2008, the airport had 3.9 million passenger boardings (an increase of about six percent from 2007) and 131,197 aircraft operations. Nine airlines provide scheduled passenger service to the airport — Southwest, Continental, American, Delta, United, US Airways, AirTran, JetBlue, and Northwest.

AIRPORT PRIVATIZATION FACTS

What is airport privatization? The 1996 Reauthorization Act established a demonstration program under Title 49 United States Code §47134 authorizing the FAA to permit up to five public airport sponsors to sell or lease an airport, and to exempt the sponsor from certain federal requirements that could otherwise make privatization impractical. Congress established the airport privatization program to explore privatization as a means of generating access to sources of private capital for airport improvement and development. For the most part, commercial airports in the United States are owned and operated by local or state governments. Public-use general aviation airports are both publicly and privately owned.

What does FAA's acceptance of the preliminary application mean? An airport sponsor who wants to participate in the airport privatization pilot program first must seek preliminary FAA approval, through an application process, to reserve one of the five slots available under the program. Once the preliminary application has been approved by the FAA, the sponsor can select a private operator to manage the airport, negotiate an agreement with the private operator, and prepare a final application for submittal to the FAA.

Application process. A public airport sponsor and the private operator selected to purchase or lease an airport may request participation in the pilot program by filing an application for exemption under Title 49 United States Code §47134(a).

- Public sponsor may submit a preliminary application for FAA review and approval. It must contain summary narratives identifying the objectives of the privatization initiative, a description of the process and timetables for selecting a private operator, current airport financial statements, and a copy of the request for proposal. The FAA has 30 days to review the preliminary application.
- When the FAA approves the preliminary application, the applicant is guaranteed one of the five slots in the program, subject to FAA approval of the final application.
- The airport sponsor may select a private operator, negotiate an agreement, and submit a final application to the FAA. There is no timeline for the FAA to complete its review of the final application.
- After the FAA reviews and approves the final application and lease, it publishes a notice in the *Federal Register* for a 60-day public review and comment period.
- The FAA completes its review, prepares its Findings and Record of Decision (ROD), and addresses the public comments in the ROD.
- The FAA publishes its ROD and, if approved, observes the legal settlement and transfer of the airport from public owner and sponsor to the new private operator and sponsor.

Number and category of airports. The legislation authorized five airports to participate in the program. At least one must be a general aviation airport and no more than one large hub air carrier airport may participate. Under the pilot program, general aviation airports may be leased or sold, while the air carrier airport may only be leased.

Exemption from federal requirement. The Federal Aviation Authorization Act of 1996 authorizes the FAA to exempt an airport sponsor from certain requirements that could otherwise make privatization unattractive. First, the public airport sponsor may receive an exemption to use the lease or sale proceeds for non-airport purposes. Generally, all proceeds from the lease or sale of airport land must be used for the capital or operating costs of the airport. This exemption requires the approval of 65 percent of the air carriers at the airport (by number of carriers and by landed weight). The public sponsor also can be exempted from an obligation to repay federal grants and return property acquired with federal assistance upon the lease or sale of the airport.

Conditions for granting exemptions. The FAA approval is based upon a number of conditions listed in Title 49 United States Code § 47134. These include the private operator's ability to prove it will comply with the public operator's grant obligations, including the obligation to ensure continued access to the airport on reasonable terms. The private operator also must provide assurance that it will operate the airport safely, continue maintenance and improvement of the airport, provide security, mitigate noise and environmental impacts, and abide by any collective bargaining agreements already in place at the airport. The public operator also must provide a plan for continued operation of the airport in case of bankruptcy or other defaults of the private operator.

Federal assistance. Under the pilot program, the private operator of an air carrier airport may receive Airport Improvement Program (AIP) entitlement and discretionary grants, collect

Passenger Facility Charges, and charge reasonable fees. However, unless approved by 65 percent of air carriers at the airport, the private operator may not increase air carrier rates and charges at a rate that exceeds the consumer price index. Private operators of general aviation airports can receive AIP discretionary grants.

Federal oversight. Airports participating in the pilot program are subject to the same federal oversight as other public-use airports. In particular, air carrier airports must comply with the requirements of FAA airport safety regulations, 14 Code of Federal Regulations Part 139, and with Transportation Security Administration requirements for airport security.

Other program participants. The city of Chicago is in the process of selecting a private operator for Midway Airport, a large hub commercial service airport.

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