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Public Finance Report Card: Top 15 U.S. Connecting Hub Airports

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Commentary/Key Trends

An improving economy, seasonal demand, and newer entrants into the airline industry are factors leading to an increase in travel and seat capacity at many U.S. airports, which, in turn, contribute to their overall financial performance and credit quality. However, the fragile financial condition of most of the large legacy carriers with expansive route networks and the rising prominence and market share of low-cost carriers offering more point-to-point service have drawn attention to the role and future of U.S. connecting hubs. Most of these airports have built infrastructure and related facilities to accommodate the service levels and, ultimately, the business model of the hubbing carrier in addition to the requirements of local origination and destination markets.

The focus of this report card is the top 15 U.S. connecting hub airports, as measured by the percentage of the airports' traffic that connect from one flight to another as estimated from a variety of data sources. An upcoming report will detail how these top 15 hub airports have performed and what the future may hold.

In 2003, the 15 top connecting hub airports combined handled 257 million enplaned passengers (domestic and international) or approximately 38% of the North American system-wide total as reported by Airports Council International. The degree of connecting traffic of those hubs listed in this report ranges from the highest at 78% at Cincinnati/Northern Kentucky International (A/Stable) to the lowest at 39% at Philadelphia International (A/Stable). The hubs in this report reflect the primary and secondary hubs of the six major legacy carriers: American Airlines, Delta Air Lines, United Air Lines, Continental Airlines, Northwest Airlines, and US Airways.

The primary conclusion is that connecting hubs have, thus far, fared well both operationally and from a credit perspective. With some notable exceptions and despite the woes of the primary hub carriers reflected in reductions in their system-wide capacity, most U.S. connecting hub airports--especially those that have access to broad and large service areas--experienced traffic recovery better than the system as a whole, as the legacy carriers focused recovery efforts at their main hubs and reduced operations at their secondary hubs and elsewhere. In fact, 10 of the 15 hub airports recorded passenger increases in 2003 (only two were down significantly) and most all the airports have nearly recovered to 2000 activity levels as measured by 2003 passenger data. The credit ratings and outlooks of the 15 have held relatively constant over the past 2-1/2 years due to prudent financial management, increased fees from airline rates and charges, reduced capital spending, refinancing of existing debt, as well as a more rapid recovery in demand levels. The exceptions have been at Lambert-St. Louis International (BBB+/Stable) and Pittsburgh International (BBB/Watch Negative) where traffic levels have declined dramatically, financial cushions have eroded, and the ratings have been downgraded. Charlotte (A/Negative)--like Pittsburgh, a hub for US Airways--is also exposed while Philadelphia International with more origination and destination passengers is better positioned should US Airways scale back service levels.

While the current outlook of most airports in this report is stable, it is clear that the airline industry is undergoing structural change and evolution. As providers of aviation infrastructure, airport operators--especially at U.S. connecting hubs--will be required to adjust to these changes. The strength of the market and the degree of competition are important, as well as how quickly changes occur and how quickly management reacts to them. If the recent past is any indication, then most of the hubs should be able to adapt overtime and take the affirmative management steps to revamp financial operations. However, the economics and airline business model that supported the traditional hub-and-spoke with its higher cost structure have changed with new low-cost carriers--now 30% of the market and growing--eroding the yields in many markets and, thus, the revenues earned by those legacy carriers used to support the hub structures. Operationally, for airlines that want market penetration, hubs are the most effective means of providing service to many markets. One likely outcome is that airlines will look to lower costs and implement other efficiencies rather than abandon the hub-and-spoke model that can produce higher yields in good times, especially at their key primary hubs. Likewise, second-tier hubs will remain more exposed over the intermediate-to-longer term to passenger reductions and, without further efforts to balance financial operations or other forms of credit assistance, rating downgrades.

Issuer Review

Table 1 Top 15 U.S. Connecting Hub Airports	
Cincinnati/Northern Kentucky International Airport	
Rank (based on % of Connecting Passengers)*	1 (78.1%)
Issuer	Kenton County Airport Board, Ohio
Senior-Lien Rating/Outlook	A/Stable
Analyst	Matt Hobby
Comment¶	Delta Airlines (B-/Negative ICR); Market share: 95% (2003 data). Traffic levels in calendar year 2003 were up 1.8% over 2002 to 10.6 million enplanements, or 97.4% of 2000 enplanements. Capacity by Delta at the airport is down 4.6% in 1Q and 2Q of 2004 compared to the same period in 2000. As Delta's second-largest hub, Cincinnati faces limited risk of rationalization by Delta. Delta's share of the airport's enplaned passengers increased from 90% in calendar year 2002 to 95% in 2003. Although total enplanements at the airport increased only 1.8% from 2002 to 2003, enplanements by Delta increased 6.6%, replacing service reductions by other airlines. The airport's originating passengers decreased 26% from 2002 to 2003, comprising 30% of enplanements in 2002 and 22% in 2003. As a fully residual airport, Cincinnati historically generates stable 1.25x debt service coverage, as it did in calendar year 2003, and expects to do in 2004. The airport's adequate and stable coverage results from historically low and stable costs per enplaned passenger, at $3.64 average for all airlines in 2003. The airport's liquidity is weak, but has also remained historically stable, at 77 days' unrestricted cash on hand in 2003. The airport's financial position is expected to remain stable, with the expectation that Delta will maintain service at the airport.
Charlotte/Douglas International Airport	
Rank (based on % of Connecting Passengers)*	2 (75.8%)
Issuer	Charlotte Aviation Department, N.C.
Senior-Lien Rating/Outlook	A/Negative
Analyst	Reid Tomlin
Comment¶	Leading carrier: US Airways (CCC+/Negative ICR); Market share: 90% (2003 data); Traffic levels in calendar year 2003 at 11.5 million were down 2.3% from the airport's peak level of 11.8 passengers in 2002, but flat compared to 2000 traffic levels. Capacity by US Airways at the airport is down 1.1% in 1Q and 2Q of 2004 compared to the same period in 2000, while the airport's total capacity increased 1.1% during the period. Despite the concentration of US Airways (which generated 38% of 2003 airport revenues) and the near-term debt issuance plans (to be paid for with PFCs), the airport has a very low cost structure ($1.61 per enplaned passenger), good coverage levels (1.6x in 2003, based on the bond indenture calculation), a vibrant O&D market, and a strong liquidity position ($95 million or 945 days cash). While the airport is US Airways' largest hub and is an important component of US Airways' national route network, particularly in the Southeast where there are limited competing hubs, the airport remains vulnerable to US Airways' routing decisions with 73% of the traffic base consisting of connecting traffic. Standard & Poor's negative outlook reflects this risk that is exacerbated by US Airways' difficult and uncertain long-term prospects. To the extent that US Airways discontinues its hubbing operation, the airport would be insulated by its low-cost structure (cost per enplanement would be moderate under a 'non-hub' scenario at approximately $5.83) and by its strong cash position, which would provide a cushion during any short-term disruptions of service. Standard & Poor's would expect management to defer its expansion plans in the event that US Airways implemented material service reductions at the airport.
Memphis International Airport	
Rank (based on % of Connecting Passengers)*	3 (67.2%)
Issuer	Memphis-Shelby County Airport Authority, Tenn.
Senior-Lien Rating/Outlook	A-/Stable
Analyst	Joe Pezzimenti
	Leading carrier: Northwest Airlines (B+/Negative ICR); Market share: 82% (fiscal 2003 data). Memphis International Airport enplaned about 5.7 million passengers in calendar year 2003, which was up 1.5% over 2002 levels and about 92% of 2000 levels. Capacity by Northwest at the airport was down 5.7% in 1Q and 2Q of 2004 compared to the same period in 2000. Financially, despite the concentration of Northwest (which generated 28% of operating revenues), reductions in airline capacity, and weak liquidity position (100 days cash based on $12 million in unrestricted cash and investments as of May 31, 2004, and 2004 budgeted operating and maintenance expenses), the authority has

Comment¶	adequate coverage levels (1.45x in 2003 and 1.27x budgeted for 2004), moderate debt burden ($108 per enplaned passenger based on $600 million in airport debt and $20 million in GO debt), and moderate cost structure at $7 per enplaned passenger (approximate). The airport benefits from being the main sorting hub for Federal Express, which has provided some stability to the airport's financial condition. Nonetheless, the airport is exposed to reductions by Northwest, given Memphis is the airline's third largest connecting hub. Maintaining sound financial operations, despite potential service reductions by Northwest, will be an important factor going forward.
Hartsfield-Jackson Atlanta International Airport	
Rank (based on % of Connecting Passengers)*	4 (66%)
Issuer	Atlanta Department of Aviation, Ga.
Senior-Lien Rating/Outlook	A+/Stable
Analyst	Reid Tomlin
Comment¶	Leading carrier: Delta Airlines (B-/Negative ICR); Market share: 78% (2003 data). Traffic levels in calendar year 2003 were up 2.7% from 2002 to 39.7 million, 99% of 2000 levels. Capacity by Delta at the airport was down 0.9% in 1Q and 2Q of 2004 compared to the same period in 2000, while AirTran (12.7% of traffic) increased its capacity by 46.3% during the period. Despite the concentration of Delta (which generated 21% of 2003 airport revenues) and the large, operationally challenging capital improvement plan, the airport has good coverage levels (1.54x in 2004, 1.89x average after through 2012), moderate cost levels (peaking at $5.27 per enplaned passenger during the forecast period), and a strong liquidity position ($398 million or 1,519 days cash). While the airport is a critical component of Delta's national route network, the airport remains vulnerable to Delta's routing decisions with 66% of the traffic base consisting of connecting traffic. If Delta changed its operational strategy by offering more point-to-point service, then passenger volumes at the airport would likely be negatively affected. Nevertheless, to date, connecting traffic has led the traffic recovery at the airport (connecting traffic has increased by 9.4% since 2000). In addition, the airport is one of Delta's lowest-cost hubs, and serves one the highest yielding markets in the country. Over 50% of Delta's total scheduled seats originate out of Hartsfield–Jackson, which is 37% more than Delta's hubs in Cincinnati, Salt Lake City, and Dallas/Fort Worth combined. Delta also houses its corporate headquarters in Atlanta. The rating assumes that there are no changes to the moderate cost structure and capital spending assumptions of the capital improvement plan, nor any material adverse changes in Delta's activity levels at the airport.
Dallas-Fort Worth International Airport	
Rank (based on % of Connecting Passengers)*	5 (61%)
Issuer	Dallas-Fort Worth Airport Board, Texas
Senior-Lien Rating/Outlook	A+/Stable
Analyst	Laura Macdonald
Comment¶	Leading carrier: American Airlines (B-/Stable ICR); Market share: 70% (2003 data). Traffic levels in calendar year 2003 were up 0.8% from 2002 to 26.6 million, 88% of 2000 levels. Capacity by American at the airport was down only 0.20% in 1Q and 2Q of 2004 compared to the same period in 2000 as a result of the non-binding memorandum of understanding that American signed with the airport in connection with the leasing of gates (on a preferential basis) at DFW's new terminal D. American has agreed to significant growth in departures and seats in return for the airport using its PFC to pay eligible debt service on the new terminal D, granting American some rate relief in return for higher activity levels. DFW operates as a fully residual airport and as such, debt service coverage of 1.25x, as calculated per the indenture, has always been attained. The airport benefits from a low-cost structure of $3.35 per enplaned passenger in fiscal 2003 and a diversified revenue base with only 28% of revenues derived from airlines. However, costs are forecasted to rise to $8.30 by 2009 with the completion of the $2.7 billion capital development program. Management is anticipating that PFC revenues will help fund close to 40% of debt service costs during the 2004-2009 timeframe. Debt per enplanement is moderately high at $139 while liquidity was below average for the rating at only 169 days of unrestricted cash on hand in fiscal 2003. Liquidity remains comparable, though, to other fully residual airports. The airport is by far the largest hub in American's system. DFW is 30% larger than American's second largest hub (Chicago) and retains a cost advantage over American's other hubs (Chicago, Miami, and San Juan), which, combined with its relatively high yields, should help it retain its dominant position within American's route system. However, given DFW's reliance on American, any further deterioration in the airline's credit that would result in a material change in traffic volume and impact the cost structure could have a negative impact on the airport's rating.
Bush Intercontinental Airport	
Rank (based on % of Connecting Passengers)*	6 (58.2%)
Issuer	Houston Department of Aviation, Texas
Senior-Lien Rating/Outlook	A/Stable§
Analyst	Laura Macdonald
	Leading carrier: Continental Airlines (B/Negative ICR); Market share: 84% (2003 data). Traffic levels in calendar year 2003 were up 0.63% from 2002 to 17.0 million, 97% of 2000 levels. Capacity by Continental at the airport was up 4%

Comment¶	in 1Q and 2Q of 2004 compared to the same period in 2000. It is important to note that the rating in this report card is based on the Houston Airport System, which operates both George Bush Intercontinental Airport, William P. Hobby Airport, and Ellington Field. In addition, the rating is based on a subordinate pledge of system net revenues. While there is no senior-lien debt outstanding, the open nature of the senior lien is a weakness that could in the future dilute the coverage of the subordinate bonds. Despite the fact that the indenture allows for grant revenues to offset debt service requirements, debt service coverage on a cash flow basis (excluding any offsets) has been strong at 1.82x in fiscal 2003. Coverage on an indenture basis was 2.89x in 2003. The airport system's cost structure is moderate with a $6.92 airline cost per enplaned passenger and $104 debt per enplanement. However, liquidity is a weakness with $14.8 million in unrestricted cash and investments in fiscal 2003, which is equivalent to only 35 days of operating cash on hand. The airport system, however, is one of the few in the U.S. that does not levy a PFC. While not a weakness, PFC revenues, which could be levied and applied to existing eligible debt, would provide an additional funding source for the capital program should additional liquidity needs arise.
Minneapolis-St. Paul International Airport	
Rank (based on % of Connecting Passengers)*	7 (55.9%)
Issuer	Minneapolis-St. Paul Metro Airports Commission, Minn.
Senior-Lien Rating/Outlook	AA-/Stable
Analyst	Mary Ellen Wriedt
Comment¶	Leading carrier: Northwest Airlines (B+/Negative ICR); Market share 80.3% (2003 data); Traffic levels in calendar year 2003 were up 1.5% from 2002 to 16.6 million, 90.2% of 2000 levels. Capacity measured in seats by Northwest at the airport was up 4.4% in 1Q and 2Q of 2004 compared to the same period in 2000; the strong growth is also mirrored in total seat capacity for the airport, which is up 1.8% for the first two quarters in 2004 compared to the same period in 2000. Debt service coverage in 2003 calculated according to the indenture was 1.52x for the senior lien and 1.29x for the senior and subordinate liens; cash flow coverage, which includes committed PFCs as revenues (rather than an offset to debt service) and excluding rolling coverage, was adequate at 1.32x for the senior lien and 1.14x for total debt. The liquidity position is adequate with 232 days unrestricted cash on hand. Total debt per enplanement in 2003 was moderate at $114; however, with MSP as the largest hub for Northwest, total debt per O&D enplanement was high at $249. The cost per enplanement, at $4.16 in 2003, is low for a large hub with a significant capital improvement program. Given the size and scope of the $3.0 billion program, continued enplanement growth will be important to maintain moderate airline costs on a per-passenger basis.
Detroit Metro Wayne County Airport	
Rank (based on % of Connecting Passengers)*	8 (55.2%)
Issuer	Wayne County Airport Authority, Mich.
Senior-Lien Rating/Outlook	A-/Stable
Analyst	Laura Macdonald
Comment¶	Leading carrier: Northwest Airlines (B+/Negative ICR); Market share: 77% (2003 data); Traffic levels in calendar year 2003 were up 0.86% from 2002 to 16.4 million, 92% of 2000 levels. Capacity by Northwest at the airport was down 2% in 1Q and 2Q of 2004 compared to the same period in 2000. Northwest uses both Detroit and Minneapolis as its main hubs, and overall Northwest enplaned about 22% of its passengers at Detroit and 24% at Minneapolis. The Detroit hub, however, handles about 40% of Northwest's international traffic, whereas Minneapolis' hubbing activities are more domestically oriented. Northwest's commitment to Wayne County Airport Authority is evidenced by its long-term airline use and lease agreement that expires in 2032. WCAA allows the use of PFCs, federal grants, fund balance, and other available monies to be used along with net revenues in calculating the rates and charges. As a result, debt service coverage on a cash flow basis has been historically weak (below 1x for the past two fiscal years) while indenture coverage is much stronger (1.34x in fiscal 2003). This use of carryover coverage, however, has allowed the airport to maintain a lower cost structure, and costs in fiscal 2003 were $7.12 per enplaned passenger and are forecasted to rise to a high of $8.12 over the next five years. WCAA also benefits from a moderate debt structure with only $114 in debt per enplaned passenger in fiscal 2003. Liquidity remains a weakness at only 82 days of unrestricted cash on hand in fiscal 2003. Maintaining and even improving the current liquidity levels will be an important factor going forward.
Chicago-O'Hare International Airport	
Rank (based on % of Connecting Passengers)*	9 (54.4%)
Issuer	Chicago Department of Aviation, Ill.
Senior-Lien Rating/Outlook	A+/Stable
Analyst	Joe Pezzimenti
	Leading carriers: United Air Lines (D), Market share: 50% (fiscal 2003 data); American Airlines (B-), Market share: 34%. Chicago O'Hare International Airport enplaned about 34.5 million passengers for fiscal year ending Dec. 31, 2003, which was 105% of 2002 levels and about 97% of 2000 levels. Capacity by United and American for 1Q and 2Q

Comment¶	of 2004 compared to the same period in 2000 was down 5.0% and 0.8%, respectively, while capacity by the remaining airlines at the airport was down 14.7%. Financially, despite the concentration of United (which generated 25% of operating revenues) and American (which generated 18% of operating revenues), reductions in airline capacity, high cost levels at $9 per enplaned passenger (approximate), and weak liquidity position (120 days cash based on $109.6 million in unrestricted cash and investments as of May 31, 2004 and 2004 budgeted operating and maintenance expenses), the airport has strong cash flow coverage of senior-lien general airport revenue bond debt service (10.75x in 2003 and 11.50x budgeted for 2004) and a moderate debt burden ($120 per enplaned passenger based on $3.2 billion in airport debt and $900 million in PFC debt). Cash flow coverage (as calculated by Standard & Poor's) for the airport's first-, second-, and third-lien general airport revenue bond debt service combined, however, is low (1.15x in 2003 and 1.10x budgeted for 2004), resulting from the airport's residual airline use and lease agreements. Coverage for the airport's first- and second-lien stand-alone PFC debt service combined is good (1.77x for fiscal 2003). The airport's large O&D market and its natural geographic advantage as a major connecting hub for United and American are significant competitive advantages. Nonetheless, the airport is exposed to reductions by United and American despite the airport ranking high among each airline's group of major hub airports. Additionally, the airport's rising cost structure and debt burden from its significant additional debt needs are also concerns. The city's ability to contain project costs and the extent to which it can provide further details regarding its additional debt needs will be important credit factors going forward.
Salt Lake City International Airport	
Rank (based on % of Connecting Passengers)*	10 (54.3%)
Issuer	City of Salt Lake, Utah
Senior-Lien Rating/Outlook	N.R.
Analyst	
Comment¶	Lead carrier: Delta Airlines (B-/Negative ICR); Market share: 72% (2003 data). Traffic levels in calendar year 2003 were down 1% from 2002 to 9.2 million, 93% of 2000 levels. Capacity by Delta at the airport was down 14% in 1Q and 2Q of 2004 compared to the same period in 2000. Financially, despite the concentration of Delta (which generated 27% of operating revenues) and decline in some revenue sources (primarily concessions due to the spike in 2002 associated with the Winter Olympic Games), the authority has strong coverage levels (2.92x in 2003 excluding PFCs, 2.7x budgeted for 2004), low debt ($106 million or $12 per enplaned passenger), moderate cost level of $5.27 per enplaned passenger (approximate), and a good liquidity position ($148 million excluding PFCs or 957 days cash). Nonetheless, the airport is exposed to reductions by Delta given its relative rank in Delta's system--third largest hub behind Atlanta and Cincinnati--and its compensatory agreement, which is currently renegotiated annually.
Pittsburgh International Airport	
Rank (based on % of Connecting Passengers)*	11 (54.2%)
Issuer	Allegheny County Airport Authority, Pa.
Senior-Lien Rating/Outlook	BBB/Watch Neg
Analyst	Joe Pezzimenti
Comment¶	Lead carrier: US Airways (CCC+/Negative ICR); Market share: 81% (fiscal 2003 data). Pittsburgh International Airport enplaned about 7.1 million passengers for calendar year 2003, which was about 79% of 2002 levels and about 72% of 2000 levels. Capacity by US Airways at the airport was down 38% in 1Q and 2Q of 2004 compared to the same period in 2000. Ongoing decline in traffic levels has led to deterioration in Pittsburgh International's financial condition. As a result of the residual nature of the airport's airline use and lease agreement, cash flow coverage (excluding PFCs) is low (1.15x for fiscal 2003, 1.12x based on 2004 budgeted figures). Ongoing decline in traffic levels has increased the airport's debt burden and cost structure. Budgeted figures for fiscal 2004 show $100 per enplaned passenger based on 6.35 million enplanements and $639 million in total general airport revenue bond debt. The budgeted cost per enplaned passenger is $14.71 based on $93 million in total passenger airline payments budgeted for 2004. As of May 31, 2004, the airport had approximately $15.5 million in unrestricted cash and investments, equating to only 79 days cash on hand based on operating and maintenance expenses budgeted for 2004. Further reductions by US Airways are certain as the airline transitions from treating the airport as a hub to a focus-city airport. Currently, the airport ranks third in US Airways' system behind Charlotte and Philadelphia. Although airport management has contingency plans in place to mitigate the impact of further service reductions, the authority's continued exposure to US Airways and the speed in which activity levels recover and stabilize following US Airways' service reductions will be key rating factors moving forward. The authority's rating was lowered to 'BBB' from 'BBB+' in May 2004, when it was placed on CreditWatch with negative implications.
Lambert-St. Louis International Airport	
Rank (based on % of Connecting Passengers)*	12 (53.8%)
Issuer	City of St. Louis, Mo.
Senior-Lien Rating/Outlook	BBB+/Stable
Analyst	Mary Ellen Wriedt

Comment¶	Leading carrier: American Airlines (B-/Stable ICR); Market share: 72% (2003 data). Traffic levels in calendar year 2003 were down 20.0% from 2002 to 10.3 million, 67.2% of 2000 levels, as a result of major service reductions by American to what was the third largest hub in its system. Capacity measured in seats by American, including TWA Airlines, whose assets were acquired by American in 2001, at the airport was down 75.2% in 1Q and 2Q of 2004 compared to the same period in 2000. Financially, with the contraction of American's operations in 2003, debt service coverage at STL has declined to 1.3x in fiscal 2003 from 1.5x in fiscal 1999. Cost levels at STL are moderately high, with cost per enplanement at $7.53 in fiscal 2004, growing to $9.71 in fiscal 2005. The debt burden is moderate with debt per enplanement at $100 for fiscal 2004. The liquidity position is adequate at 230 days' cash on hand. Although STL has been challenged by service reductions by and continuing concentration in American, management has been working to control the budget, attract new air service, and complete the new parallel runway. During the intermediate term, maintenance of debt service coverage levels and controlling costs will be important rating factors. The airport rating was lowered to 'BBB+' from 'A-' in July 2003.
Denver International Airport	
Rank (based on % of Connecting Passengers)*	13 (48.2%)
Issuer	Denver Department of Aviation, Colo.
Senior-Lien Rating/Outlook	A/Stable
Analyst	Mary Ellen Wriedt
Comment¶	Leading carrier: United Airlines (D); Market share: 60.0% (2003 data). Traffic levels in calendar year 2003 were up 5.2% from 2002 to 18.8 million, 96.7% of 2000 levels. Capacity measured in seats by United at the airport was down 19.0% in 1Q and 2Q of 2004 compared to the same period in 2000; however, capacity for the same periods for Frontier Airlines, with the second largest market share at 15.8%, is up 110.0%. Financially, with recovery in enplanement levels, DEN had good coverage levels (1.63x in 2003 calculated according to the indenture netting out PFC revenues from debt service, or 1.51x including pledged PFCs in revenues rather than a debt service offset) and strong liquidity position ($330.0 million unrestricted cash and investments or 595 days cash), but high debt (approximately $200 per enplaned passenger) and cost levels at $14.52 per enplaned passenger. However, the importance of DEN to United's system as its second-largest hub was evident by United's stipulated order (approved by a bankruptcy judge on Nov. 21, 2003) with DEN regarding leasehold and financial issues signed prior to concluding agreements with other hubs. Continued strong traffic recovery and financial performance will be important as DEN implements its capital plans totaling $335 million through 2008, as well as another $1.06 billion in demand-responsive projects.
Phoenix Sky Harbor International Airport	
Rank (based on % of Connecting Passengers)*	14 (43.1%)
Issuer	Phoenix Aviation Department, Ariz.
Senior-Lien Rating/Outlook	AA-/Stable
Analyst	Matt Stebnicki
Comment¶	Leading carrier: America West Airlines (B-/Stable ICR); Market share: 47.5% (2003 data). Traffic levels in calendar year 2003 were up 5.5% from 2002 to 18.6 million, 106% of 2000 levels. Capacity by America West at the airport was down 3.4% in 1Q and 2Q of 2004 compared to the same period in 2000. Financially, the airport has strong coverage levels (2.49x in 2003), low debt ($414 million senior-lien revenue bonds or $23.22 per enplaned passenger), low cost levels currently at $4.42 per enplaned passenger, and adequate liquidity position (currently estimated at $85 million unrestricted cash or 233 days cash based on 2003 operating expenses). The airport maintains a strong O&D base with O&D traffic accounting for 60% of total enplanements in fiscal 2003. Nonetheless, the airport is exposed to reductions by America West given that it is the primary hub for America West that operates under a compensatory agreement with the city-operated airport, which is currently renegotiated monthly. Keeping strong liquidity and coverage levels will be important rating factors going forward.
Philadelphia International Airport	
Rank (based on % of Connecting Passengers)*	15 (38.6%)
Issuer	Philadelphia Department of Aviation, Pa.
Senior-Lien Rating/Outlook	A/Stable
Analyst	Joe Pezzimenti
	Leading carrier: US Airways (CCC+/Negative ICR); Market share: 68% (fiscal 2003 data). Philadelphia International Airport enplaned about 12.4 million passengers for calendar year 2003, which was 99.5% of 2002 levels and about 97.5% of 2000 levels. Capacity by US Airways at the airport was down only 0.7% in 1Q and 2Q of 2004 compared to the same period in 2000. Financially, despite the concentration of US Airways (which generated 43% of operating revenues for 10 months ended April 30, 2004), high cost structure (at about $9 per enplaned passenger), and below-average liquidity position (165 days cash based on $67 million in unrestricted cash and investments as of June 2004 and estimated fiscal 2004 operating and maintenance expenses), the airport's financial operations are adequate and

Comment¶	debt burden is moderate ($84 per enplaned passenger based on $1 billion in airport debt and $2.4 million in GO debt). General airport revenue bond debt service coverage (as calculated by Standard & Poor's that includes pledged PFCs and interdepartmental charges, but excludes carryover of revenue from prior year) is weak (about 1x for fiscal 2003, 0.90x based on 2004 estimated results) as a result of the airport's residual airline use and lease agreement, while indenture coverage is much stronger (1.59x for fiscal 2003 and an estimated 1.58x for fiscal 2004). The strong O&D nature of the airport and the economically strong Philadelphia service area are key credit strengths. Although Philadelphia ranks as US Airways' second largest hub behind Charlotte/Douglas International Airport and will benefit from enhanced traffic levels from the recent entry of Southwest Airlines, it is still exposed somewhat to reductions by US Airways that could occur as the airline attempts to restructure itself to compete better against low-cost carriers. Maintaining stable financial operations, despite potential service reductions by US Airways, will be a critical rating factor.
*Sources: U.S. D.O.T., Origin and Destination Survey of Airline Passenger Traffic, U.S. D.O.T., 298(c) Commuter Enplanement Database, U.S. D.O.T., T-100 Onboard Passenger Database. Note that due to the nature of the data reported to the U.S. Department of Transportation, the originating passenger percentages may be overstated at those airports with a significant amount of foreign flag carrier traffic. ¶Airline market share data inclusive of code-sharing affiliate carriers. Capacity data measured in scheduled departing seats by published carrier based on source data by Back Aviation Solutions and OAG. §Indicates subordinate-lien rating. PFC--Passenger facility charge. O&D--Origination and destination. ICR--Issuer credit rating.	

CreditWatch/Rating Changes

Table 2 CreditWatch/Rating Changes

Airport	To	From	Date	Reason
Pittsburgh International Airport	BBB/Watch Negative	BBB+/Negative	May 5, 2004	Ongoing deterioration in US Airways' (rated 'CCC+'/Negative) credit quality and the airport's heavy reliance on US Airways, along with the airport's weaker market position compared to US Airways' other major connecting hub, Charlotte-Douglas International Airport.

Outlook Changes

Table 3 Outlook Changes

Airport	To	From	Date	Reason
Denver International Airport	Stable	Negative	Jan. 30, 2004	Continuing recovery in passenger traffic, improved financial performance, positive steps in settling financial issues with United Air Lines, and strong likelihood that United will continue to operate at the airport.

Contact Information

Table 4 Contact Information

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Statistical support provided by Michael Kashani

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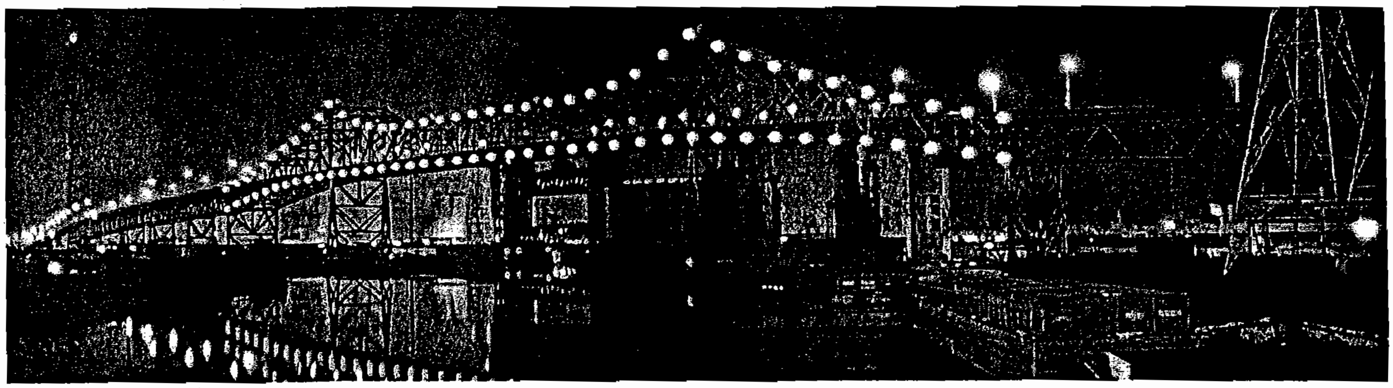
Skyway Rehabilitation Project

Skyway Reconstruction Complete
Three Lanes of Traffic Open in Each Direction

City of Chicago
Richard M. Daley, Mayor
Department of Transportation
Miguel d'Escoto, Commissioner



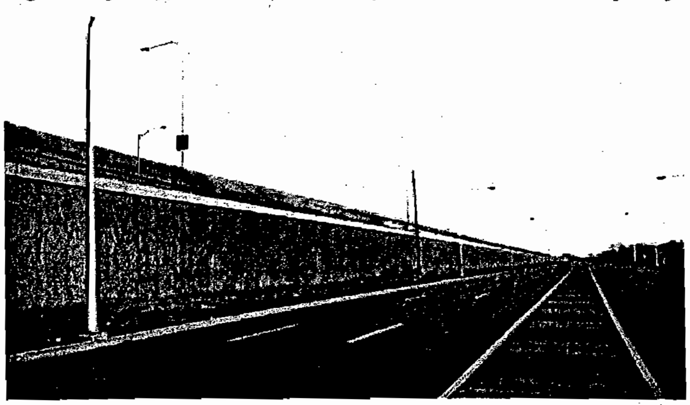
Beginning Wednesday afternoon, November 24 three lanes of traffic will be open in each direction along the entire length of the Chicago Skyway, with the completion of the Skyway reconstruction project.

The project was successfully completed on time and within budget while the roadway remained open to motorists. "By maintaining an aggressive schedule, we were able to complete the project in time for the busy holiday season," said Chicago Department of Transportation (CDOT) Commissioner Miguel d'Escoto. "And everyone who uses the Skyway will see many improvements, from a smoother roadway to new ramps and improved lighting."

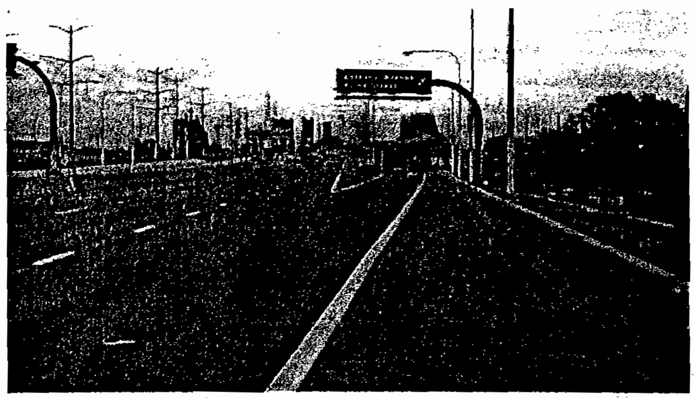
The Chicago Skyway was originally constructed in 1958. The 7.8-mile roadway connects the Dan Ryan Expressway (I-90) to the Indiana Toll Road.

The $250 million project included reconstruction of various Skyway overpasses and viaducts, modifications to toll plaza canopies, reconstruction of the southern end of the roadway, new ramps at 84th Street, 92nd Street, 104th Street and 105th Street, landscaping and new, large message signs for motorists. The project also included Indianapolis Boulevard improvements between 100th Street and 106th Street and the installation of new traffic signals on Indianapolis at 104th and 105th streets.

"Everyone affected by this project; residents, motorists and businesses, has been extremely cooperative and patient throughout this project," said Thomas Powers, CDOT Chief Bridge Engineer and Deputy Commissioner. "With their help, we have worked very hard to make the project go as smoothly as possible."



Indianapolis Boulevard



92nd Street exit ramp

CDOT
CHICAGO DEPARTMENT OF TRANSPORTATION

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