

# Aviation Trends Impacting U.S. Airports

“Whirlwind” of Trends  
Present Challenges for  
Airports

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By: Joe Hebert, Manager Financial Analysis and  
PFC Branch, FAA Airports

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Federal Aviation  
Administration



# Overview

- **Discuss things that are driving the “whirlwind”**
- **Show the effects and how airports are responding**
- **Provide a short overview of Federal Airport funding in the context of current events**



# Whirlwind of Recent Trends

- **Fuel Price Spike**
- **Recession**
- **Airline Bankruptcies/Mergers**
- **Credit Crisis**
- **Congestion Pricing**
- **Environmental Pressures**



# These trends can be grouped

- **Airline industry issues affecting airports**
  - Fuel Price Spike
  - Recession
  - Airline Bankruptcies/Mergers
- **“Outside” issues affecting airports**
  - Credit Crisis
  - Congestion Pricing
  - Environmental Issues



# Airline Industry Issues

- **Fuel Price Spike effects**
  - Reduced schedule – less ops and passengers
  - Sudden and somewhat unexpected
  - Effects varied greatly by airport type and traffic
- **Recession effects**
  - Further schedule reductions
  - Effects much more uniform by airport
- **Airline Bankruptcies/Mergers**
  - Many of the same effects
  - Much more localized, but more dramatic



# Outside Issues

- **Credit Crisis**
  - Inhibits airports' ability to start or continue development projects
  - Some of these projects well along in planning or development
- **Congestion Pricing**
  - To date, NYC airports issue
  - Currently on hold
  - Could have profound effects



# Outside Issues (continued)

- **Environmental Issues**

- Uptick in interest for airport access limitations (curfews)
- Renewed discussions of “cap and trade” carbon offsets
- Both issues may ultimately be widespread in effect



# Realized and Potential Consequences

- **Fuel Price Spike**

- Some drastic decreases in traffic and operations
- Funding reduced as a result
- Airport engage in self-help
  - Use of reserves
  - Layoffs/hiring freezes
  - Deferred maintenance
  - Curb/rollback capital development
- Although widespread, severity varied greatly
- While fuel prices snapped back, recession hit



# Realized and Potential Consequences

- **Recession**

- Further decreases in traffic and operations (more uniform)
- Additional reductions in funding
- More self-help
- Uniformity & severity lead to lowered forecasts (December 2008 Terminal Area Forecast – TAF)
- Lower forecasts have begun to impact planning, environmental assessments, and financial analyses



# Realized and Potential Consequences

- **Credit Crisis**

- Consequence of limited investment field contracted further by “unattractiveness” of AMT debt
- Airports suddenly without market for issuing debt under existing rules
- Push for relaxation of AMT rules successful with the Economic Recovery Act (ARRA) – AMT lifted until December 31, 2010
- ARRA also allowed for current refundings back five years (From January 1, 2004)
- Yet to see impacts (45 -60 days expected)



# Federal Airports Programs - Status

- **Economic Recovery bill (ARRA)**
- **FAA reauthorization and ongoing short term funding and authorization legislation**
- **Focusing on a balanced view**
- **Planning and environmental efforts require substantial lead time**
- **Funding has become more complicated**



# Economic Recovery

- **\$1.1 Billion “supplement” to AIP funding**
- **Construction – ready projects**
- **First ½ to be obligated in 120 days (June 17, 2009)**
- **Second ½ to be obligated by September 30, 2009**
- **Money must be completely spent by September 30, 2010**
- **Generally to follow AIP rules, processes, and procedures**
- **Some additional requirements, including more rigorous reporting**



# Economic Recovery (continued)

- **Grants obligated to date**
- **Grants issued to date**
- **Maximum grant amount has been limited in order to reach more airports and projects**
- **Projects are geared toward job creation (no land acquisition, etc.)**
- **Airports (and FAA) to report on job creation**



# FAA Reauthorization

- **The combined effects of the Omnibus funding bill and program authority extensions is that the remaining AIP funding for FY 2009 can proceed (AIP part 2)**
- **This means that FAA may now proceed to program and obligate the remainder of the \$3.5 billion authorized for AIP in FY 2009**



# Current Reauthorization Efforts

- **Federal Aviation Administration Reauthorization Act of 2009 introduced in House on February 9, 2009**
- **Would authorize nearly \$70 billion for FAA for Fiscal Years 2009 through 2012 (four years)**
- **Bill is nearly identical to H.R. 2881 passed by the House in FY 2007 but not the Senate – expired at the end of 2008**



# Reauthorization Efforts - Highlights

- **Four year life**
- **Improves FAA funding flexibility**
- **Expands options for noise land disposal**
- **Smaller airport match returns to 10%**
- **Environmental research funding**
- **Pilot program for promising environmental concepts**
- **PFC increase to \$7.00 with 100% entitlement turnback for Large Hub airports**



# Summary

- **Discussed current influences on airports**
- **Discussed effects and responses by airports**
- **Overview of Federal funding**
  - Economic Recovery
  - Temporary AIP extension
  - Reauthorization Efforts

