

# FAA News

Federal Aviation Administration, Washington, DC 20591

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## **FOR IMMEDIATE RELEASE**

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## **FACT SHEET**

### **CHICAGO MIDWAY (MDW) AIRPORT PRIVATIZATION PILOT PROGRAM**

**What is airport privatization?** The 1996 Reauthorization Act established the FAA's airport privatization demonstration program.

Congress established the program to explore privatization as a means to generate access to various sources of private capital for airport improvement and development. Private companies may own, manage, lease and develop public airports. The Act authorized 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. The airport owner or lease holder would be exempt from repayment of federal grants, return of property acquired with federal assistance, and the use of proceeds from the airport's sale or lease to be used exclusively for airport purposes.

**Airport ownership today.** Commercial airports in the United States are virtually all owned and operated by local or state governments. Public-use general aviation airports are both publicly and privately owned.

**Number and category of airports.** Five airports may be authorized 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.

**Program status.** On September 14, 2006, the city of Chicago submitted a preliminary application for Chicago Midway International Airport's (MDW) participation in the Pilot Program. Midway is the first large hub airport to submit an application; Section 47134 permits only one large hub airport to participate in the program, and requires that at least one of the five be a general aviation airport. If MDW is approved, there will be four remaining slots in the program. Only non-large air carrier hub and general aviation airports may apply, and one of the remaining slots must be reserved for a general aviation airport.

**Exemption from federal requirement.** The statute authorizes 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. The general rule requires all proceeds from the lease or sale of airport land to be used for the capital or operating costs of the airport. This exemption requires the approval of 65% of the air carriers at the airport. Second, the public sponsor 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. Finally, the private operator may be exempted from the requirement to use all airport revenues for airport purposes, to earn a return on investment from operation of the airport.

**Conditions for granting exemptions.** FAA approval will be based upon a number of conditions listed in 49 U.S.C. § 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 airports on reasonable terms. The private operator must also 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 airports. The public operator must also provide a plan for continued operation of the airport in case of the bankruptcy or other default of the private operator.

**Air carrier approval.** At least 65 percent of the airport's air carriers (by number of carriers and by landed weight) must approve the airport sponsor's use of airport revenue for non-airport purposes. Also, unless approved by 65% 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.

**Federal assistance.** Under the pilot program, the private operator of an air carrier airport may receive Airport Improvement Program entitlement and discretionary grants, collect Passenger Facility Charges, and charge reasonable fees. Private operators of general aviation airports can receive Airport Improvement Program 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 C.F.R. Part 139, Certification of Airports, and with Transportation Security Administration requirements for airport security.

**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 49 United States Code §47134(a).

- As a first step, public sponsors may submit a preliminary application for FAA review and approval. It must consist of summary narratives identifying the objectives of the privatization initiative, description of the process and timetables employed for selecting a private operator, current airport financial statements and a copy of the request for proposal.
- 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, a notice is published in the *Federal Register* for a 60-day public review and comment period.
- The FAA completes its review, prepares its Findings, Record of Decision and addresses the public comments in the ROD.
- The FAA publishes its Record of Decision, if approved, observes the legal settlement and transfer of the airport from public owner and sponsor to the new private operator and sponsor.

**Midway Airport.** Chicago Midway Airport, a large air carrier hub airport, owned and operated by the city of Chicago, handles more than 18 million passengers and 285, 000 aircraft operations. Seven airlines provide scheduled passenger service – Continental, Frontier, Delta, Northwest, AirTran, ATA, and Southwest. The City also owns and operates Chicago O’Hare International Airport.

**Midway Timeline:**

- September 16, 2006** - the city of Chicago submits its preliminary application to FAA  
**October 3, 2006** - the FAA accepts MDW’s preliminary application  
**February 13, 2008** - the City solicits request for qualifications (RFQ) from interested firms or investment groups. The interested parties provide documentation that shows why they are qualified to serve as the airport sponsor.  
**March 31, 2008** - the deadline for RFQs to the City  
**April 1, 2008** - City announces receipt of qualification statements from six teams

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