

FAA News

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FACT SHEET

PARTICIPATION OF CHICAGO MIDWAY (MDW) AIRPORT IN FAA AIRPORT PRIVATIZATION PILOT PROGRAM

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 annually. Five airlines provide scheduled passenger service – Delta, Frontier, Northwest, AirTran, and Southwest. The City also owns and operates Chicago O’Hare International Airport.

TIMELINE

- September 16, 2006** City of Chicago submitted its preliminary application for program participation to FAA.
- October 3, 2006** FAA accepted MDW’s preliminary application.
- February 13, 2008** City solicited request for qualifications (RFQ) from interested firms or investment groups. The interested parties provided documentation that described their qualifications to serve as the airport sponsor.
- March 31, 2008** City received six responses to the RFQs.
- September 30, 2008** City selected Midway Investment and Development Corporation to operate the airport under a 99-year lease. The corporation consists of a team that includes Vancouver Airport Services Ltd., Citigroup, and John Hancock Insurance Company. City will receive an initial payment of \$2.5 billion for the right to lease the airport.
- October 8, 2008** Chicago City Council agreed to the \$2.5 billion deal to lease Midway Airport to a private operator.
- October 14, 2008** FAA received Midway’s final application for review and approval.

- October 21, 2008** 60-Day public comment and review period begins.
- November 8, 2008** FAA will hold a public meeting in Chicago to receive public comments.
- December 22, 2008** Public comment period closes.

The FAA plans to complete its review of the application by the end of this year.

PRIVATIZATION FACTS

What is airport privatization? Commercial airports in the United States are, for the most part, owned and operated by local or state governments. Public-use general aviation airports are both publicly and privately owned. The 1996 Reauthorization Act established the FAA's airport privatization pilot program to allow private companies to own, manage, lease, or develop up to five public airports.

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. Midway is the first large hub airport to submit an application.

Exemption from federal requirement. The statute 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. FAA approval is based upon a number of conditions listed in 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.

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 U.S.C. §47134(a).

- Public sponsors 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.
- 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. (*For MDW, See FAA Docket Number 2006-25867 at www.regulations.gov*).
- 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.

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