

Testimony of the City of Philadelphia on House Bill #1182
Presented to the House Transportation Committee
By Charles Isdell, AAE, Director of Aviation
July 23, 2007

Good afternoon, Chairman Markosek and members of the Transportation Committee. My name is Charles Isdell and I am the Director of Aviation for the City of Philadelphia. I am pleased to present you with the City's response to House Bill #1182. In short, the City is opposed to the Bill. Our most cogent argument against the Bill is our belief that it will not accomplish its stated objective, that being the improved distribution of air service in our region. We certainly agree that there is a need to increase the utilization of our neighboring airports, particularly the Lehigh Valley Airport. However, the creation of an authority to manage the two airports will not move us toward that goal. In fact, such a change could do irreparable harm to our regional economy by creating a lengthy period of uncertainty and instability for both airports during a time of unprecedented volatility in the aviation industry.

Philadelphia is now the only Pennsylvania airport designated a "large hub" by the FAA, meaning that it handles more than 1% of the entire nation's passengers. As of today, almost 700 flights a day depart from Philadelphia carrying a total of about 61,000 seats, while about 35 flights a day depart from Lehigh Valley carrying a total of about 1,800 seats. Changing the form of governance at the airports will have absolutely no effect on this imbalance. Since deregulation took effect in the 1970's, the provision of air service to any community in the United States has been a free-market, airline decision. Under Federal Aviation Regulations, Philadelphia has no authority to limit the number of flights that an airline can bring into its airport, nor has Lehigh Valley the right to mandate an airline to add flights. These facts will not change as a result of the passage of Bill #1182. In our opinion, the Commonwealth would be better served to focus its energy and resources on the continued development and promotion of the wonderful asset it has in Allentown. To succeed, you must convince airline planners that an under-served market exists there and that flights to and from that airport will be economically viable. Perhaps air service incentives such as those offered by other communities could be subsidized by the Commonwealth to attract new entrants. Pennsylvania travelers that are leaking to out-of-state airports, like Newark, should be your primary marketing targets.

Philadelphia is both respectful and supportive of our neighbor 54 miles to the North. We believe LVI is a well-managed and well-positioned facility that has been disproportionately impacted in the post-9/11 era, first by US Airways' retrenchment as they restructured through two bankruptcies and, more recently, by the continuing escalation of fuel costs. However, an attempt to artificially accomplish a migration of air traffic from Philadelphia to Allentown by harnessing the two airports together could have a detrimental impact on both airports and their surrounding communities. Let me provide you with a brief description of our Airport, its financial infrastructure and its role in the metropolitan Philadelphia community, all of which could be jeopardized by the passage of Bill #1182:

According to a 2005 study commissioned by PADOT, Philadelphia International Airport generates over \$14 billion a year for this region's economy. Each day, 34,000 employees report to work for more than 200 employers at the Airport. 29 airlines operate 700 daily departures to 120 cities. We serve a natural catchment area of about 6 million people, who live in the 11-county metro area. About 65% of our passengers live in this area. Our 2006 all-time record of 31.8 million passengers ranks us 15th in the U.S. and 27th in the world. Our 517,000 take-offs and landings rank us 9th in the U.S. and 10th in the world.

The Airport is totally self-sustaining. Our Fiscal 2007 Operating Revenues amounted to \$230 million, half of which came from the airlines. The other half came from non-airline sources like parking (\$28 million), car rentals (\$19 million), and retail concessions (\$12.5 million). Fiscal 2007 Operating Expenses totaled \$220 million, including \$38 million for payroll, \$55 million for contractual services, \$51 million for debt service, and \$25 million for Police and Fire Department services. For the past 33 years, we have ended our fiscal years with budget surpluses achieved through careful cost containment and revenue growth.

The Airport's five-member executive staff has a combined total of 110 years of airport management experience. The Director and Chief Operating Officer are accredited by the American Association of Airport Executives (AAAE). The Deputy for Planning and Environmental Stewardship is a Registered Professional Engineer. This management team has been praised repeatedly by all three bond-rating agencies, Fitch, Moody's and Standard & Poor's. In 2005, all three affirmed their "A" ratings for the Airport prior to our issuance of \$355 million in revenue bonds.

Prudent fiscal management makes our Airport especially attractive to low cost airlines. Our \$7.50 cost per enplaned passenger and our \$77 rate of debt per enplaned passenger are low in comparison with other major U.S. airports, particularly those in the Northeast. Since the seventies, the Airport has issued approximately \$1.7 billion in bonded debt, of which \$1.2 billion is currently outstanding and we have met our annual debt service coverage tests for 30 consecutive years.

2006 retail concessions grossed \$126.5 million, generating \$9 million in State Sales Taxes. Rental Car gross revenues reached \$188 million, generating \$4 million for the Stadium Tax that supports the Phillies and Eagles venues. Gross parking receipts totaled \$70 million, generating \$10 million in Parking Taxes. Payments in lieu of taxes to Tincum Township, the Interboro School District and Delaware County average over \$1 million a year.

On the air service front, US Airways has started new non-stop flights to Athens, Brussels and Zurich this summer, bringing to 19 the number of non-stop European destinations we serve. They have also applied for authorization to fly non-stop from Philadelphia to Beijing China beginning in 2009. Southwest Airlines, our number two carrier, continues to expand its low fare domestic service, which saves local travelers about \$600 million a year.

With more than 2 billion dollars in improvements planned over the next 6 years, our passengers will benefit from terminal expansion, additional security checkpoints, shorter lines, more efficient runways and fewer delays. The \$250 million expansion of Terminals D and E, including the construction of a combined 14-lane security checkpoint and 3 new gates, is about 25% complete. Since 2001, 55 new gates have been added and the overall size of the terminal complex has increased from 1.6 to 2.6 million square feet.

The \$60 million, extension of Runway 17/35 is also about 25% complete. By 2008, this project will achieve an 8% reduction in airfield delays by making the runway more accessible to larger aircraft. Meanwhile, the FAA is evaluating 3 long-term airfield alternatives and will issue a Draft Environmental Impact Statement, including a preferred alternative, in 2008.

In terms of accessibility, we are directly linked to ramps from two Interstate Highways (95 and 76). Onsite parking for over 18,000 cars is available. Over 1,700 cabs and 800 limos are dispatched from our Bag Claim Area every day. We are only 7 miles from Center City and a 7-minute drive to the South Philadelphia Sports/Entertainment Complex. We partner with

SEPTA to provide discounted R-1 Regional Rail Line Transpasses to nearly 2,500 airport employees as an incentive to use public transportation.

The Airport's website, www.phl.org, attracts more than 100 million visitors a month. It was the first website in the nation to offer real-time flight information and live streaming video and we were one of the first airports in the U.S. to offer facility-wide, high-speed wireless Internet access (Wi-Fi).

Our Food, Beverage and Retail Program has received over a dozen awards in the past five years. Our rotating Exhibitions Program features work by regional artists. The Please Touch Museum operates an Aviation Play Station in Terminal D and a second is planned for later this year in Terminal A-East. We also offer a year-round performing arts program featuring talent from the area's schools and community organizations as well as local professional entertainers.

More than 50,000 military personnel and their families visit the Airport's Liberty USO each year. We have installed 110 Automated External Defibrillators throughout the Airport. To date, they have saved 11 lives. We partnered with the Red Cross last July in welcoming over 4,000 Lebanese-American evacuees with food, medical and other assistance. Red Cross blood drives have collected over 700 pints of blood in the past 3 years. The Airport has been Smoke-Free since April 1, 2004.

We recently completed a pilot project wherein 25 homes in Tinicum were noise-proofed. Another 150 will be treated over the next year and over 600 will be insulated over the next four years. The Airport has restored local wetlands, through projects at the Heinz National Wildlife Refuge and along the Pennypack Creek. The PECO Wind program will supply the Airport with 13,000 mega-watt hours of energy per year for the next five years. This is the largest wind energy purchase made by any airport in the United States. 60 local gardeners cultivate a seven-acre Eastwick community garden on airport property.

We provide internships and other educational opportunities to students at Drexel University, Temple University, Washington, Franklin and Mastbaum High Schools, the Saul Agricultural School and the J.W. Catherine Elementary School. Educational tours are given to over 2,000 local students each year.

A 32-year-old airline lease agreement expired in 2006. We have negotiated a new four-year agreement that gives us more control over our facilities and budget. An Airport Authority would have to assume this new lease, which runs through 2011, and abide by all of its terms.

The proposed authority would need to sell new bonds to pay off the existing \$1.2 billion airport debt, and would likely incur additional debt to satisfy a two-year, IRS "rehabilitation requirement." This would result in higher rather than lower debt service costs and a less competitive airline rate structure. U.S. DOT approval of the transfer to an Authority would be required and the IRS would insist upon a thorough pre-review of the transaction. Philadelphia Parking Authority bondholder approval or bond payoff might also be needed, depending on existing covenants. Even with total consensus, all of these approvals and reviews would consume extensive time and resources. Transitional years could produce staff uncertainty, planning inertia and loss of momentum.

Unlike the City, a regional authority could condemn property in neighboring counties for airport use. While facilitating expansion, this could damage the Airport's relationships with Tinicum Township and Delaware County. A change in airport governance could also

jeopardize the annual payments to the Township, the County and the Interboro School District. The Airport maintains a regular dialogue with the Township Commissioners and the County Council on matters involving public safety, construction and future planning. The County and Township participate in our annual emergency preparedness drills and periodic mass casualty exercises. In 2005, the Airport successfully negotiated a lease with the Township to permit the construction of a runway safety area, enabling us to comply with FAA safety standards.

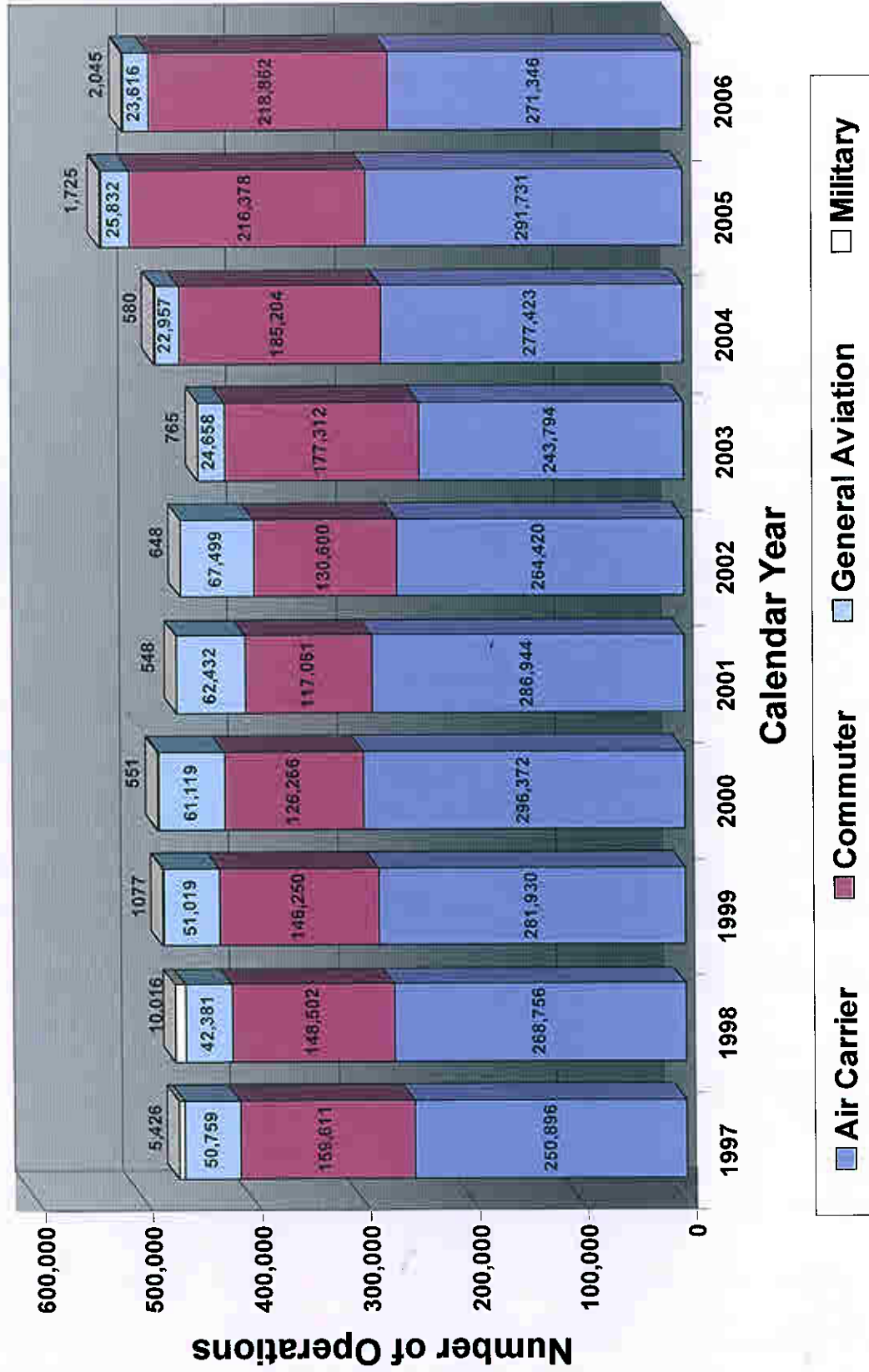
Bill #1182 makes no reference to Philadelphia's Northeast Airport, which was named the best general service airport in Pennsylvania by PADOT in 2003. Northeast handles over 100,000 take-offs and landings each year. Because it is virtually surrounded by residential housing, we have conscientiously worked with the community to foster the development of compatible businesses that create permanent local jobs. Recent construction will total over \$100 million and support over 2,000 permanent jobs. If Philadelphia International Airport is subsumed under a new Authority, Northeast Airport might have to close, increasing congestion throughout the region.

In summary, under City ownership, Philadelphia International Airport has done extraordinarily well in the aftermath of 9/11/01, with two new terminals, 55 new gates, national and international recognition, record-breaking passenger levels and competitive airfares. Today, we are working diligently to keep costs down in support of our tenants. In our view, the creation of a regional authority and transfer of the airport's assets to it would be costly, at a time when higher costs are simply not an option. It would divert the attention of our staff at a time when concentration on safety and security should be their number one priority. It would create an unneeded distraction for Airport management, when our focus should be on planning for the ongoing evolution of the aviation industry which, in recent years, has witnessed the bankruptcy reorganizations of four major airlines and the merger of US Airways, our hub carrier, with America West Airlines.

For all of these reasons, we oppose the passage of Bill #1182. Thank you for the opportunity to comment. I will be happy to answer any questions you may have.

PHL Operations (1997-2006)

Busiest Tower in FAA's Eastern Region



PHL Noise Complaint Count by Town (1 Year)

Starting Date/Time : Sat, 07/01/2006 00:00:00
Ending Date/Time : Sat, 06/30/2007 23:59:59

City	# of Callers	# of Complaints
Ardencroft	1	1
Ardmore	1	2
ASTON	2	32
Audubon	1	1
Blackwood	1	1
Boothwyn	3	6
Brookhaven	1	2
Chadds Ford	1	2
Cherry Hill	1	1
Claymont	1	1
COLLINGSWOOD	2	11
Elkins Park	1	1
Essington	2	7
FOLSOM	3	4
GIBBSTOWN	1	2
Glassboro	1	1
Glenolden	1	3
Glenside	1	1
Gloucester City	2	2
Greenville	2	4
Haddon Heights	1	1
Haddonfield	3	6
Havertown	2	4
Hockessin	1	2
Huntington Valley	1	1
KENNETT SQUARE	2	2
Landenberg	1	1
Landenburg	1	4
Landsdown	1	3
Mantua	2	5
Media	4	12



City	# of Callers	# of Complaints
MORTON	1	1
Mount Holly	1	13
Mount Laurel	4	4
Newark	1	1
Newtown Square	1	1
Oaklyn	3	3
Philadelphia	12	14
PINE HILL	1	1
Prospect Park	1	2
Ridley Park	15	20
RIVERTON	1	1
Rockland	1	18
Sewell	1	1
Sharon Hill	1	1
Springfield	1	5
SWARTHMORE	6	11
Thorofare	1	1
Wallingford	3	3
West Chester	1	1
West Deptford	1	1
WILMINGTON	19	54
WOODBURY	1	4
Woodlin	1	1
Totals:	126	288