



U.S. Department
of Transportation
**Federal Aviation
Administration**

Office of Airport Planning
and Programming

800 Independence Ave., SW.
Washington, DC 20591

JAN 18 2017

Mrs. Rhonda Hamm-Niebruegge
Director, Lambert-St. Louis International Airport
City of St. Louis Airport Authority
P.O. Box 10212
St. Louis, MO 63145

**Subject: Lambert-St. Louis International Airport (STL)
FAA Review of 2016 Competition Plan Update**

Dear Mrs. Hamm-Niebruegge:

Thank you for submitting the above-referenced Competition Plan Update. The Federal Aviation Administration (FAA) has reviewed your Plan Update and finds it to be in accordance with the applicable statutory requirements¹. This letter does, however, request that you follow up on some specific actions.

This update was required because STL is a covered airport² and the City has entered into a new five-year Airport Use and Lease Agreement (Agreement) with signatory airlines at STL effective July 1, 2016.

Our review found that the City has included the following pro-competitive policies and practices in the 2016 STL Plan Update and Agreement:

- Reduced hurdles for new entrants by lowering common use charges for airlines enplaning less than three percent of aggregate enplanements;
- Reduced liability insurance minimums for Essential Air Service providers using aircraft capable of carrying 10 passengers or fewer;
- Retained three City-controlled common use gates available on a per-use basis to any airline, including new entrants desiring to test the market and charter service;

¹ Section 155 of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (AIR 21), Pub. L. No. 106 181, (April 5, 2000), 49 U.S.C. §§ 40117(k) and 47106(f)

² As defined in FAA Order 5100.38D ("Airport Improvement Program Handbook," Appendix X), Covered Airports are those where one or two air carriers control more than 50 percent of the passenger boardings. Based on calendar year 2014 data, two air carriers accounted for over 50 percent of enplanements at STL.

- Continued to designate all other gates as preferential use space rather than exclusive use;
- Retained the option to withdraw a signatory airline's preferential gate rights should the airline fail to average at least four flight departures each day from that gate during any six-month period;
- Continued to require each airline to report (on a monthly basis) the total number of flight departures for the month at each assigned gate;
- Retained the right to accommodate requesting airlines (either new entrants or incumbents in need of more gate space) in an airline's preferential use gates if similar space cannot be found elsewhere in one of the terminal buildings;
- Retained the right to consolidate and/or relocate airline leased space, both preferential use and exclusive space (such as office and other airline support space);
- Continued to provide flexibility for new entrants and charter airlines by offering month-to-month Airline Operating Agreements as an alternative to signing a 5-year lease;
- Broadened the City's ability to spend on capital projects and equipment without seeking majority-in-interest (MII) approval, including a pre-approved five-year Capital Improvement Program; and
- Continued to require pre-approval of all sublease agreements to ensure charges are reasonable, do not exceed actual costs, and do not exceed 115 percent of the airline's rent fees and charges allocable to such subleased space.

We recognize that the Agreement improves STL's competitive access provisions by taking the measures described above. However, we are concerned that Article VII, Section 705(A)(ix) of the Agreement may be construed by signatory airlines to imply that MII provisions apply to projects partially funded with PFC revenue. Please be aware that PFC Assurance #5 exempts a project financed in whole with PFCs from a MII disapproval/approval process. In the case of partial PFC funding, any MII provision would apply only to that portion of funding that comes from the airline rate base. We ask that you consider revising the MII clause in your next Agreement to specify that the MII review is not applicable to any PFC-funded project (or for any portion thereof of a project funded with PFCs).

Additionally, in reviewing your Plan Update, we found two items identified as future actions in your 2004 competition plan update (appointment of an airport liaison for competitive access and adoption of dispute resolution procedures) that were not discussed in the update.

We ask that you respond to us within 30 days of the receipt of this letter to address the status of these two items from your 2004 update. We also ask that you consider revising your next Agreement to address these issues.

We also ask that you post the 2016 STL Competition Plan Update (along with this approval letter) on the Lambert-St. Louis International Airport website, as FAA

recommended in its January 26, 2004 letter in response to the City's 2004 Competition Plan Update.

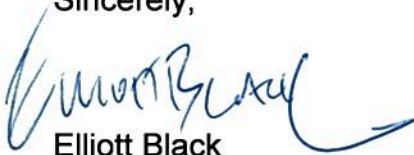
As you are aware, the City has now filed (and the FAA has approved) an initial Competition Plan and three Plan Updates. Accordingly, no further Competition Plan updates will be required unless certain circumstances arise³. The most common of these circumstances would be if the airport executes a new or significantly amended Airport Use and Lease Agreement, including an amendment due to use of PFC financing for gates.

This letter does not constitute the FAA's approval of the Airport Use and Lease Agreement or any specific provisions thereof, which remain subject to all applicable Federal law and regulations.

As you may know, the Secretary of Transportation is required by law⁴ to review implementation of Competition Plans from time to time, to verify each covered airport implements its Plan successfully. In connection with our review, we may determine that it would be useful to visit your airport or hold a teleconference with airport officials. We will contact you if we decide to visit STL in connection with its Competition Plan.

If you have any questions regarding this letter or the FAA's review of your Plan, please contact Mr. Joe Hebert, Manager, Financial Analysis and Passenger Facility Charge Branch, at (202) 267-8375.

Sincerely,



Elliott Black
Director, Office of Airport Planning
and Programming

Enclosure

cc: Jim Johnson, Manager, Airports Division, Central Region
Rodney Joel, Deputy Manager, Airports Division, Central Region
Sheila Bridges, Airports Program Specialist, Airports Division, Central Region

³ See FAA Order 5100.38D, "Airport Improvement Program Handbook," Appendix X.

⁴ 49 U.S.C. § 40117(k)