

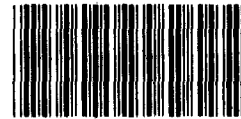
GAO

Report to the Chairman, Subcommittee
on Aviation, Committee on Public
Works and Transportation, House of
Representatives

December 1990

AIRLINE COMPETITION

Passenger Facility Charges Represent a New Funding Source for Airports



142804

Resources, Community, and
Economic Development Division

B-240359.2

December 13, 1990

The Honorable James L. Oberstar
Chairman, Subcommittee on Aviation
Committee on Public Works and
Transportation
House of Representatives

Dear Mr. Chairman:

In response to your request, this report addresses ways to ensure that regulations covering passenger facility charges (PFC) will further the Congress' goals of enhancing airport capacity, safety, and security and reducing noise. PFCs, which give airports a way to raise funds for capital projects that is not dependent on airline approval, were recently authorized in Section 9110 of the Aviation Safety and Capacity Expansion Act of 1990.¹ As we stated in our June testimony discussing the desirability of direct charges, the additional capacity financed by such charges should help enhance competition by allowing for additional airline service.²

Our analysis is based on a series of GAO reviews on competition in the airline industry that have examined how changes in the industry since deregulation have affected airline fares, the ability of new firms to enter the industry, and the ability of existing airlines to enter new markets. As part of this work, we surveyed 183 airports in the continental United States, including the 66 largest airports.³ Our survey included questions about the types of capital projects airports need to finance. (See app. II for more details on our methodology and the results of the survey.)

¹The Aviation Safety and Capacity Expansion Act of 1990 is part of the Omnibus Budget Reconciliation Act of 1990, which was signed by the President on November 5, 1990. Before any airports can impose a PFC, the Secretary of Transportation must establish a program to review airport noise and access restrictions and issue a notice of proposed rulemaking to consider more efficient allocation of capacity at the four high-density airports where airlines are required to have reservations (called slots) in order to offer service.

²See Airline Competition: Passenger Facility Charges Can Provide an Independent Source of Funding for Airport Expansion and Improvement Projects (GAO/T-RCED-90-99, June 19, 1990).

³Our survey included all 27 large airports in the continental United States, all 39 medium-sized airports, and 117 of the 163 small/nonhub airports. This report focuses on the census of large and medium-sized airports.

Results in Brief

While PFCs are not a panacea for all of the problems faced by airports trying to expand capacity or promote competition, they will help airports fund projects to expand capacity; reduce noise; or enhance safety, security, and competitive access. The PFC gives airports more control over expansion decisions by reducing the airports' need for incumbent airline approval of capital projects. Thus, a PFC will be especially useful at airports where one or two airlines control most of the traffic or most of the gates and other essential facilities through restrictive leases. However, problems such as the impact of expansion on surrounding communities may involve decisions between competing economic and environmental goals that cannot be solved by increased funding alone.

If the PFC is to be effective in achieving the goals set out in the Aviation Safety and Capacity Expansion Act of 1990, three points remain to be addressed during implementation. First, criteria for the types of projects that can be built with PFC funds need to encompass the wide variety of projects that enhance airport capacity, safety, security, and competition or reduce noise. Second, additional safeguards on the leasing of PFC-funded facilities may be needed to ensure that potential entrant airlines have competitive access to those facilities and that funds collected from the traveling public are not used in ways that ultimately reinforce incumbent airline dominance of airport facilities. Finally, as airports begin to implement PFCs, consumers will need information on where PFCs are charged and their amounts.

PFCs Can Help Airports Fund Needed Projects and Reduce Airline Control of Development Decisions

In our September 1989 testimony, we offered a number of options for increasing competition in the airline industry, including permitting PFCs.⁴ We also supported authorization of PFCs in our June 1990 testimony before this Subcommittee (cited earlier) and in our August 1990 testimony before the California State Commission on Aviation.⁵ A PFC gives airports a source of revenue for financing airport expansion projects independent of airline control and reduces airports' need to rely on airlines to pay for or guarantee capital projects. Airports that are less reliant on airline financing and guarantees should be better able to resist pressure to enter into long-term contracts containing restrictive provisions. Fewer restrictive contracts, in turn, should give airports more

⁴Barriers to Competition in the Airline Industry (GAO/T-RCED-89-85, Sept. 20, 1989, and GAO/T-RCED-89-66, Sept. 21, 1989).

⁵Airline Competition: Impact of FAA Reauthorization Legislation on Passenger Facilities Charges and Trust Fund Spending (GAO/T-RCED-90-104, Aug. 15, 1990).

flexibility both in stimulating competition and in reducing congestion and delay.

Relations between airports and their tenant airlines are governed by contracts called use agreements. These agreements often contain clauses giving incumbent airlines some control over airport decisions in return for a commitment by the airlines to pay sufficient fees to cover designated airport costs. Many of these agreements predate deregulation and run for the same time period as bonds issued to pay for capital projects. (App. I contains a more detailed discussion of airport-airline financing arrangements.)

While restrictive clauses in airport-airline agreements are not the only impediments to airport expansion, their prevalence suggests that airports will benefit from having an independent source of funding. For instance, we found that 36 of the nation's 66 largest airports have majority-in-interest agreements (MII) that can force airports either to delay capital projects or forgo them entirely. Officials at eight airports told us that MIIs greatly impede projects and thus have the effect of discouraging expansion and reducing competitive access. (See app. II, tables II.1 and II.2.) The PFC gives such airports an alternative source of funding for capital projects.

Under the Aviation Safety and Capacity Expansion Act of 1990, MIIs and other restrictive clauses in existing airport use agreements will not prevent the effective use of PFC funds. While PFC funds must be used for specific projects approved by the Secretary of Transportation, incumbent airline approval of those projects will not be required, even if the PFC funds are used to support a bond issue or combined with funds from other sources, such as federal grants. At airports where airline fees are set to meet only those airport expenses not covered by revenues from nonairline sources, such as parking fees, any increase in nonairline revenues is normally used to reduce airline fees. However, the act specifically exempts funds collected from a PFC from inclusion in airport revenues. Therefore, airports levying a PFC will not have to reduce airline fees and will have additional revenue that can be used without airline approval.

Three Issues Need Careful Consideration During Implementation of PFCs

Our work shows that a wide range of factors affect airport capacity, safety, security, and competition. Specific criteria for airport projects should be developed so they will not exclude projects that would enhance airport capacity, safety, security, or competition, even indirectly. Second, competitive access to PFC-funded facilities should not be restricted by exclusive leasing of facilities. Third, consumers should have adequate information on the number and cost of PFCs. The act gives the Secretary authority to address each of these concerns.

Criteria for Projects to Be Built Using PFC Funds Need Not Unduly Restrict Airports' Choice of Projects

Our work suggests that each airport faces a unique combination of needs and constraints. While it is apparent how some projects, such as building a new runway or adding gates, would increase an airport's capacity, the need for other projects is not as obvious. For example, airports must also provide facilities such as airplane sewage treatment plants and noise barriers around areas used to test airplane engines. Without these facilities, an airport's growth is limited just as surely as it is by a lack of runways or gates.

The airports responding to our survey cited a range of problems, including state and federal requirements for environmental studies, the need for noise mitigation, a lack of highway access roads, and airline opposition to expansion. More than half of the nation's 66 largest airports reported at least one factor that could greatly limit or delay expansion.⁶ In addition, nearly one-third of the airports identifying additional factors reported that the unavailability of funding could greatly impede expansion. (See app. II, tables II.3 and II.4.) While PFC funding will not eliminate the problems airports face because of noise and other environmental impacts of expansion, the funds can help pay for required studies and mitigation measures.

The act provides broad criteria for the types of projects that airports could finance with PFC funds: capacity, safety, and security projects eligible for funding under the Airport Improvement Program; projects for airport planning and noise reduction; and projects for construction of gates and related facilities. The Secretary has some discretion in determining which proposed projects meet these criteria before an airport can implement a PFC. On the basis of our work and the wide range

⁶The survey question asked airports to describe the extent to which community opposition to increased noise, community opposition to other consequences of expansion, and limitations in the capacity of the air traffic control system would delay expansion in the next 5 years. Respondents were also asked to write in any additional factors that pose problems for their airport.

of needs airports reported, we believe that the Secretary should give airports a great deal of discretion in choosing capital projects to fund with PFCs.

Competitive Access to PFC-Funded Facilities Can Be Ensured

If PFCs are to stimulate competition, potential competitor airlines need access to the new or expanded facilities paid for with PFC funds. Our work indicates that simply prohibiting the long-term exclusive-use leasing of PFC-funded facilities, as the act does, might not, by itself, ensure competitive access. Further definition of appropriate lease terms, delegated to the Secretary, needs to be carefully formulated to prevent abuses that could allow facilities built with PFC funds collected from the traveling public to ultimately benefit incumbent airlines, without improving access for potential competitors.

For instance, it is standard industry practice to allow expired leases to continue on their old terms under “carryover” provisions while new leases are being negotiated. While airport officials told us these provisions provide continuity of service, we found that leases sometimes remain in force under such provisions for years while negotiations continue. Renewal options can also add many years to the original term of the lease. At one large airport, an airline leasing facilities has renewal options giving the airline control over some facilities for up to 20 years after the original lease term expires. Without some limitation on the use of standard automatic carryover and renewal options in the new leases on PFC-funded facilities, short-term leases could be extended until they operate, in effect, as long-term leases.

The new act attempts to ensure competitive access to PFC-funded facilities by requiring that the facilities not be leased for long-term exclusive use. Airports can lease PFC-funded facilities to airlines using preferential leases, which protect the tenant airline by giving it the first right to use the leased facilities, but also allow the airport operator to assign secondary use to other airlines when the tenant airline does not have operations scheduled. However, we believe that leases on PFC-funded facilities should also contain a clause providing that the tenant airline agree to accommodate a secondary user at some of the facilities the airline leases if its use of its total leased facilities—including those on pre-existing exclusive leases—permits. Without such a clause, an airline could lease PFC-funded facilities on a preferential basis, use the new facilities intensively, and leave exclusive-use facilities of the same type unused for extended periods, thus negating the enhancement of capacity and competition the new facilities could provide.

Consumers Will Need Information About the Number and Cost of PFCs

At least 16 million passengers (representing about 38 percent of the trips taken) had either connecting flights or stopovers in more than one city, based on fourth quarter 1989 data. If the passenger must pay a PFC at each airport on the route, the total PFCs on a trip could add substantially to its cost. Congress has limited the size of PFCs and the number of charges that can be assessed on one-way and round-trip tickets. However, specific criteria for determining which airports could charge PFCs, especially on "open-jaw" trips (i.e., trips in which the traveler does not return to the starting point) and trips with stopovers in numerous cities, are still needed. For example, the act limits to two the number of PFCs that can be collected on a one-way trip. However, it is not clear which two airports could collect a PFC on a one-way trip requiring stops in three or more cities, if more than two of the airports levy a PFC.

The act also requires that the amount of fees collected be noted on the airline ticket. However, a traveler must choose a flight before the ticket can be written and, therefore, before the traveler is informed about the presence and amount of PFCs on alternative routes. The Secretary, under his general authority to regulate unfair and deceptive airline trade practices, could require other methods of informing air travelers about PFCs. One approach would be to require that PFCs be included in advertised airline fares. Another approach would make information on PFCs available in the computerized reservation systems used by airlines and travel agents. Thus, the information would be available if the traveler asks for it, in the same way that on-time performance data are available. Finally, airlines and travel agents could be required to inform the consumer of PFCs when the consumer books a flight, in the same way the consumer is now informed about a code-shared flight.⁷ If informed about the presence of PFCs, especially those levied at connecting hub airports, the consumer will have better information to use in deciding between competing airlines and routes.

Conclusions

PFCs give airports an important alternative to reliance on airline funding or guarantees in building facilities and expanding capacity. The availability of such an alternative is particularly important for those airports having restrictive MIIs or having most or all of their present facilities leased on long-term exclusive-use contracts. Consumers should benefit from increased competition and greater capacity through lower fares

⁷In a code-sharing agreement, a commuter airline enters into a partnership with a larger airline to transport connecting passengers to the larger airline's flights. The passenger's ticket shows the two-letter airline code of the larger airline for all segments of the trip, even though part of the trip is actually flown on the smaller airline.

and better service. The legislation allowing airports to levy a PFC has been structured to protect the interests of the consumers paying the PFC, while still affording each airport a great deal of flexibility in meeting its particular needs.

The Congress has included safeguards in the act that prevent pre-existing airport-airline agreements from limiting airports' ability to levy a PFC and to use the proceeds for eligible projects. In addition, the Secretary needs to take certain actions to ensure that a variety of facilities can be built with PFC funds, airlines have competitive access to those facilities, and consumers are informed of PFCs.

Recommendations

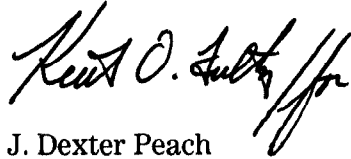
The legislation authorizing PFCs provides that the Secretary of Transportation issue regulations implementing or clarifying some important aspects of PFCs. The Secretary is charged with defining lease terms applicable to PFC-funded facilities. To ensure that PFC-funded facilities increase competitive access, we recommend that the Secretary require tenant airlines wanting to lease such new facilities to agree to accommodate other airlines at the unused or underused facilities the tenant airlines already lease, when their operations permit. Thus, an airline leasing new PFC-funded facilities would not be able to leave older exclusively leased facilities idle while other airlines are unable to gain access to similar facilities. We further recommend that the Secretary (1) consider additional methods of informing consumers about PFCs and (2) establish criteria to clarify which airports will collect a PFC on trips that do not easily fit into the legislation's one-way and round-trip limitations, such as open-jaw trips or trips with stopovers in numerous cities.

We did not obtain official agency comments on a draft of this report. However, we have discussed the facts contained in this report with Department of Transportation officials. They generally agreed with our results; our analysis takes their comments into account. Our work was performed between June and October 1990, in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Secretary of Transportation and other interested parties and will make copies available to others upon request. This work was performed under the direction of

Kenneth M. Mead, Director, Transportation Issues, (202) 275-1000.
Major contributors to this report are listed in appendix III.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "J. Dexter Peach".

J. Dexter Peach
Assistant Comptroller General

Contents

Letter		1
<hr/>		
Appendix I		12
Airport-Airline	Airport Use Agreements and the Financing of Airport	12
Agreements and the	Development	
Funding of Airports	Airport Operations Are Supported by Two Types of	13
	Funding Mechanisms	
	Majority-In-Interest and Other Restrictive Clauses in	14
	Airport Use Agreements	
<hr/>		
Appendix II		15
Selected Results of the	Airports Responding to Our Survey	15
GAO Airport Survey	Majority-In-Interest Agreements	15
	Factors That Could Greatly Limit or Delay Expansion	16
	During the Next 5 Years	
<hr/>		
Appendix III		19
Major Contributors to		
This Report		
<hr/>		
Related GAO Products		20
<hr/>		
Tables		
	Table II.1: Number and Percentage of Airports With a	16
	Majority-In-Interest Agreement, and the Ability of	
	One Airline to Block Expansion	
	Table II.2: Number of Airports Where a Majority-In-	16
	Interest Agreement Limits or Delays Expansion	
	Table II.3: Percentage of Airports Where One or More	17
	Factors Could Greatly Limit or Delay Expansion in	
	the Next 5 Years	
	Table II.4: Factors That Could Affect Airport Expansion	18
	in the Next 5 Years	

Abbreviations

CBO	Congressional Budget Office
DOT	Department of Transportation
FAA	Federal Aviation Administration
GAO	General Accounting Office
MII	majority-in-interest agreement
PFC	passenger facility charge

Airport-Airline Agreements and the Funding of Airports

Some airport-airline agreements give the airlines serving an airport the right to approve or disapprove airport decisions that would change fees the airlines pay. Many of these agreements were first signed before airline deregulation. Before deregulation, the Civil Aeronautics Board determined which airlines flew routes to and from which cities, and the airport's primary concern was securing a long-term commitment from the tenant airlines to finance the capacity needed to provide air service to the local community. Since deregulation has allowed airlines to change routes and fares at their discretion, airports now have the additional need to provide facilities to potential entrants in order to foster competition.

Airport Use Agreements and the Financing of Airport Development

Relations between airports and the airlines serving a community are governed by contracts called airport use agreements. These contracts contain provisions detailing the rights and responsibilities of each party, the terms and conditions of leases of airport facilities, and the method for determining fees to be paid by the airline. Many of these contracts cover very long periods, such as 20, 30, or 40 years. According to a 1984 report by the Congressional Budget Office (CBO), more than two-thirds of the nation's largest airports had use agreements running for more than 20 years, and many of these agreements were signed before airline deregulation in 1978.¹ Our recent survey of gate leases shows that 37 percent of the gates leased at large and medium-sized airports are still leased on agreements beginning in 1978 or earlier, and 60 percent of the leased gates are on leases that have at least 10 years left until expiration.²

Most projects to improve or expand airport facilities are financed, at least in part, by the issuance of general obligation or revenue bonds. Most airports are owned by public entities (cities, counties, or airport authorities), and their bonds are repaid with local funds. While some bonds used for airport development are general obligation bonds backed by the full faith and credit of a state or local government, most are revenue bonds that are repaid with an airport's revenues and often backed

¹Financing U.S. Airports in the 1980s, CBO (April 1984), p. 26. The CBO report was based on a survey done in 1983 of all 24 large airports and 36 of the 47 medium-sized airports (airport size designations were based on 1982 enplanements).

²Our survey included all 27 of the airports meeting the Federal Aviation Administration's (FAA) large hub criterion and all 39 of the airports meeting the medium hub criterion, on the basis of 1988 enplanements. FAA categorizes airports as large, medium, and small/nonhub on the basis of the percentage of total passengers enplaned in a city and the surrounding standard metropolitan statistical area. We applied FAA's criteria to individual airports (such as LaGuardia) rather than to all of the airports in a community (such as New York City).

by the incumbent airlines' guarantees. Airports get lower interest rates on their bonds when they have guarantees from the incumbent airlines ensuring the bonds' repayment. In return for the financial guarantees, airlines usually get the right to approve proposed projects. The long time periods over which airport use agreements generally run coincide with the terms of bonds issued to finance airport capital projects.

Airports rely heavily on bond issues to finance capital projects. In its 1984 report, CBO reported that large airports used bond issues for about 82 percent of their capital needs from 1978 to 1982, while medium-sized airports used bond issues for 73 percent of theirs. Our recent survey confirms this heavy reliance on bonds. We asked airports how they had funded major expansion and improvement projects undertaken since 1980 and found that over 60 percent of the 53 large and medium-sized airports responding to that question have relied on airport revenue bonds requiring airline approval to fund capital projects.³ Over that same period, only about one-third of the responding airports have used revenue bonds that do not require airline approval of projects. On the other hand, only 16 percent of the responding airports used state or local general obligation bonds to pay for capital projects.

Airport Operations Are Supported by Two Types of Funding Mechanisms

Airports generally use one of two basic approaches for meeting operating costs: compensatory funding or residual funding.⁴ Under a compensatory funding approach, the airport operator assumes the financial risk that the airport will not raise enough revenue to meet all of its operating costs. The airport sets fees and lease rates paid by the airlines to recover only the actual cost of the facilities and services the airlines use. Under a residual funding approach, airlines serving the airport collectively agree to pay all airport costs not covered by other sources of revenue, such as restaurants, newsstands, and parking garages. Airline fees, such as landing fees and lease payments, make up the difference between the airport's total expenses and revenues from nonairline sources. As nonairline revenues increase, then, airline fees are reduced. However, because tenant airlines assume significant financial risk under a residual funding approach, they often receive the right to review or approve the airport's budget, including the right to approve or disapprove capital improvement projects.

³This represents 33 airports or one half of the total population of 66 large and medium-sized airports. Table II.2 in appendix II shows actual responses by airport size category.

⁴A few airports set charges for tenant airlines by local ordinance rather than through negotiation with the airlines.

Majority-In-Interest and Other Restrictive Clauses in Airport Use Agreements

Majority-in-interest agreements (MII) give the airlines performing the majority of operations at an airport a voice in airport decisions that could change the fees the airlines pay. MIIs are more common at airports that use a residual funding approach, but they are also found at a few airports that use a compensatory funding approach. Most MIIs give airlines having a larger share of the operations at an airport a greater voice in decisions than airlines having a smaller presence. Like the general use agreements that encompass the MII, the MII clause generally runs for the term of the bond issue. We found that 36 of the 66 largest airports have an MII, and most of those airports report that the MII limits or delays capital projects.

Other provisions in airport use agreements can also limit airports' ability to make capital investment decisions without the approval of incumbent airlines. These provisions require approval of projects above a certain cost or of bond sales to fund capital projects. They also require that the airlines approve (1) changes in the fees they pay or (2) the addition of any "rates, fees, and charges" not detailed in the use agreement. Some agreements specifically prohibit an airport from assessing any charges on airline passengers.

Twenty-five of 30 major airports surveyed by the Airport Operators Council International have one or more restrictive provisions in their use agreements that limit the airports' ability to make capital investment decisions without the approval of incumbent airlines. In addition to the 16 airports in this group that have an MII, 3 airports need airline approval for large capital projects, and 3 need approval for bond sales. Fifteen of these airports need airline approval to change landing fees, terminal rental fees, or use fees. Fifteen of the airports cannot assess any additional "rates, fees, or charges" without airline approval. The Secretary of Transportation's Task Force on Competition in the U.S. Domestic Airline Industry, in its February 1990 report, found that restrictive agreements between airports and airlines constitute a barrier to entry:

The ability of airports to construct new facilities to expand capacity and enhance competition is often severely restricted by airline-airport contractual agreements, many of which were signed prior to deregulation. . . . [R]estrictive clauses, such as [those specifying] "no additional rates, fees and charges," may operate independently or in conjunction with MII clauses to stifle airport efforts to finance, build, and assign new capacity.⁶

⁶Secretary's Task Force on Competition in the U.S. Domestic Airline Industry: Airports, Air Traffic Control, and Related Concerns (Impact on Entry) (Feb. 1990), p. 3-14.

Selected Results of the GAO Airport Survey

Airports Responding to Our Survey

We surveyed 183 large, medium-sized, and small airports in the continental United States. Using the Federal Aviation Administration's (FAA) size categories for the communities that airports serve, we included in our sample all 27 large airports and all 39 medium-sized airports.¹ We also included 117 of the 163 small airports that are end points on routes traveled by at least 20 passengers per day. We chose a stratified sample of those routes and surveyed the small airports that are end points on the routes. Thus, the small airports we surveyed did not comprise a random sample of small airports, since airports with more qualifying routes had a greater chance of being selected than airports with fewer qualifying routes. Therefore, the data we received from the large and medium-sized airports represent a census of conditions at those airports, while the data from the 117 small airports in our survey represent only conditions at those particular airports and are not generalizable to all small airports. Nevertheless, our survey included 72 percent of the small airports that are end points on routes traveled by at least 20 passengers per day.

Majority-In-Interest Agreements

Some airports have an MII with their tenant airlines, which gives the airlines some control over airport expansion. (See table II.1.) Under an MII, an airport may be required to get the airlines' approval of the proposed project itself, or the airlines may have some control over the airport's ability to issue additional bonds or raise fees to pay for improvements. For example, an agreement might require approval by airlines enplaning 51 percent of the passengers in the previous year for any project costing over \$50,000 whose costs would be recovered from fees charged to the airlines.

¹According to the FAA's definition, a large hub enplanes at least 1 percent of the total passengers enplaned in a city and its surrounding standard metropolitan statistical area, a medium hub enplanes 0.25 to 0.99 percent of the passengers, and a small/nonhub enplanes less than 0.25 percent.

Table II.1: Number and Percentage of Airports With a Majority-In-Interest Agreement, and the Ability of One Airline to Block Expansion

Size of airport	Number of airports surveyed	Airports with an MII		Number of airports, by the ability of one airline to block expansion		
		Number	Percent ^a	One can ^b	One cannot ^c	Unknown ^d
Large	27	15	56%	6	7	2
Medium	39	21	54%	3	9	9
Small	117	18	15%	4	3	11
Total	183					

^aThis column shows the percentage of airports in each size category that have an MII.

^bThis column shows the number of airports where one airline has a sufficiently large share of operations to block approval of airport expansion projects under the terms of the MII.

^cThis column shows the number of airports where no single airline has a large enough share to block approval of projects under the terms of the MII.

^dFor airports in this column, we did not have enough information to determine whether a single airline could block projects.

We also asked airports with an MII whether the agreement limits or delays their expansion efforts. (See table II.2.)

Table II.2: Number of Airports Where a Majority-In-Interest Agreement Limits or Delays Expansion

Size of airport	Number of airports, by the effect of the MII on expansion				Total airports with an MII
	Greatly limits or delays	Moderately limits or delays	Somewhat limits or delays	Does not limit or delay	
Large ^a	2	3	3	6	14
Medium	4	5	9	3	21
Small	1	2	12	3	18

^aOne large airport with an MII did not respond to this question. That airport is not included in this table.

Factors That Could Greatly Limit or Delay Expansion During the Next 5 Years

We combined the airports' answers to questions concerning the availability of land for expansion, the extent the airports' MII limits or delays expansion, the effects of community opposition to increased noise and to other effects of airport expansion, the ability of the air traffic control system to handle expansion, and other concerns listed by the airports in order to determine the number of airports where one or more of these factors could greatly limit or delay expansion in the next 5 years. (See table II.3.) While a PFC would not eliminate all of these problems, it could help pay for required environmental studies and impact mitigation programs.

Table II.3: Percentage of Airports Where One or More Factors Could Greatly Limit or Delay Expansion in the Next 5 Years

Size of airport	Number of airports	Percentage of airports, by number of factors limiting or delaying expansion				
		One	Two	Three	Four or more	At least one
Large	27	33%	15%	15%	11%	74%
Medium	39	31%	10%	5%	0%	46%
Small	117	21%	6%	5%	2%	34%
Total	183					

Airport representatives checked boxes to indicate the extent to which community opposition to increased noise, community opposition to other consequences of airport expansion, and the ability of the air traffic control system to handle expansion could limit or delay expansion in the next 5 years at their airport. They were also given an opportunity to write in additional factors of particular concern for their airport, which are tabulated in table II.4 in the column headed "other factors."

Appendix II
Selected Results of the GAO Airport Survey

Table II.4: Factors That Could Affect Airport Expansion in the Next 5 Years

Size of airport and effect on expansion	Number of airports citing each factor			
	Community opposition			
	To increased noise	To other aspects of expansion	Air traffic control capacity	Other factors ^a
Large airports				
Greatly limit	18	6	6	7
Somewhat limit	4	9	9	4
Would not limit	4	11	10	^b
No response	1	1	2	18
Medium-sized airports				
Greatly limit	6	3	4	6
Somewhat limit	23	9	8	3
Would not limit	9	26	25	^b
No response	1	1	2	31
Small airports				
Greatly limit	13	10	7	25 ^c
Somewhat limit	32	15	14	6
Would not limit	69	89	91	^b
No response	3	3	5	88

^aData in this column reflect the number of additional constraints on expansion written in by airports. Some airports cited more than one such factor; other airports did not respond. Factors cited include a lack of funding, airline opposition to expansion, and concern over the impact of expansion on wetlands.

^bThe "would not limit" category is not applicable for these factors that airport representatives wrote in.

^cA lack of funding was the leading "other factor" cited by small airports. Eleven said a lack of funding would greatly limit expansion, while three said it would somewhat limit expansion.

Major Contributors to This Report

**Resources,
Community, and
Economic
Development Division,
Washington, D.C.**

**Francis P. Mulvey, Assistant Director
John V. Wells, Assignment Manager
Delores Parrett, Evaluator-in-Charge
Fran Featherston, Senior Social Science Analyst**

Related GAO Products

Airline Competition: Industry Operating and Marketing Practices Limit Market Entry (GAO/RCED-90-147, Aug. 29, 1990).

Air Travel: Effectiveness of State Consumer Protection Efforts Varies (GAO/RCED-90-136, Aug. 29, 1990).

Airline Competition: Higher Fares and Reduced Competition at Concentrated Airports (GAO/RCED-90-102, July 11, 1990).

Effects of Airline Entry Barriers (GAO/T-RCED-90-62, Apr. 5, 1990).

Barriers to Competition in the Airline Industry (GAO/T-RCED-89-65, Sept. 20, 1989, and GAO/T-RCED-89-66, Sept. 21, 1989).

Airline Competition: DOT's Implementation of Airline Regulatory Authority (GAO/RCED-89-93, June 28, 1989).

Air Fares and Service at Concentrated Airports (GAO/T-RCED-89-37, June 7, 1989).

Airline Service: Changes at Major Montana Airports Since Deregulation (GAO/RCED-89-141FS, May 24, 1989).

Airline Competition: Fare and Service Changes at St. Louis Since the TWA-Ozark Merger (GAO/RCED-88-217BR, Sept. 21, 1988).

Competition in the Airline Computerized Reservation System Industry (GAO/T-RCED-88-62, Sept. 14, 1988).

Airline Competition: Impact of Computerized Reservation Systems (GAO/RCED-86-74, May 9, 1986).

Airline Takeoff and Landing Slots: Department of Transportation's Slot Allocation Rule (GAO/RCED-86-92, Jan. 31, 1986).

Deregulation: Increased Competition Is Making Airlines More Efficient and Responsive to Consumers (GAO/RCED-86-26, Nov. 6, 1985).

Ordering Information

The first five copies of each GAO report are free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**
