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**Continental
Airlines**

FAA-02-13918-30



U.S. DEPARTMENT OF TRANSPORTATION

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Washington DC 20005

February 10, 2003

Docket Management System
U. S. Department of Transportation
Room – Plaza 401
400 Seventh Street, S.W.
Washington, D.C. 20590

RE: Docket No. FAA-2002-13918; Notice No. 02-19

Dear Sir or Madam:

These comments are being filed on behalf of Continental Airlines, including Continental Micronesia Airlines and Continental Express Airlines with respect to the proposed “Revisions to Passenger Facilities Charge Rule for Compensation to Air Carriers.”

Continental supports and endorses the comments submitted to the FAA by the Air Transport Association. The purpose of these comments is to supplement those comments and to present specific points of emphasis to the FAA. In addition, Continental is aware of and specifically supports and endorses the comments of United Airlines which address and analyzes the subject of reimbursement based on ‘collected’ PFCs.

Fundamentally, as you know, PFCs are intended and designed to generate revenue for airports, presumably to be used to improve and enhance airport facilities used by travelers. Passenger Facility Charges (PFCs) are not a source of revenue for Continental. To the contrary, while the PFC monies go to various airports, the collection, handling and administration of PFCs imposes a substantial administrative and financial burden on us. What the FAA refers to as “compensation” is simply the reimbursement to Continental called for by the statute to cover the “necessary and reasonable expenses ... incurred in the collection and handling” of PFC charges. [49 USC §40117(i)(2)]

In the NPRM the FAA has recognized that over the past years air carriers generally, and we would add Continental specifically, have been required to “absorb” some of the various costs associated with the collection, handling, and administration of PFCs. This has imposed a substantial additional financial burden on us, and to that extent it essentially constitutes a hidden tax. Under the FAA’s PFC program we have been and are being required by the FAA to “absorb” costs associated with this FAA program which

is intended and designed to generate revenue for airports, revenue which the airports then use for projects which they determine to pursue, projects which may or may not be of specific value to us.

In this notice the FAA, based on its own study, acknowledges that the amount provided for under section 158.53 does not provide reimbursement sufficient to cover the costs associated with the requirements imposed on us to collect, handle, and administer the PFC program. The facts are that the FAA has actual knowledge that the provisions of section 158.53 have not and do not now cover all the various costs imposed on us by the FAA's rules concerning PFCs, and therefore the reimbursement required by the statute and provided for by section 158.53 has been and is inadequate to cover the costs associated with the overall administration of this program.

We appreciate and support the FAA's action in this NPRM to increase the amount of reimbursement provided to us to \$.10 to enable us to continue to the collection, handling, and administration of the PFC program. The reimbursement provided for under section 158.53 should not require us to 'absorb' any costs associated with the collection, handling, and administration of any aspect of the PFC program, and the revision proposed by this NPRM will go a long way to achieving that objective. Continuation of a situation which requires us to continue to absorb costs related to a program developed and designed to provide revenue to airports and relieve the FAA of responsibility for providing grants for the improvement of airport facilities out of the tax funds collected for that purpose, is particularly egregious in the continuing financially devastating circumstances since the horrendous events of September 11th.

In an ideal situation, the revision of section 158.53 would enable us to recover the past amounts we have had to 'absorb' in connection with the administration of the PFC program. To that end, Continental suggests that the FAA consider returning to the level of reimbursement established nearly a decade ago in 1994 when the PFC program was initiated. At that time the reimbursement level was \$0.12. In the intervening time the FAA reduced the reimbursement level which has required us to 'absorb' various costs associated with the administration of PFCs, increasing financial burden on us in connection with the PFC program. At the same time the revenue generated for airports by PFCs has been substantially increased. The suggested increase in the reimbursement level to \$0.12, even if only for a limited time, would enable us to recoup accumulated past 'absorbed costs' out of new PFCs collected. At a minimum, the new reimbursement level of \$0.10 should be effective as of the date of the Notice – November 26th, 2002 so as to minimize the continuing negative economic impact of the existing reimbursement level which is acknowledged to be inadequate.

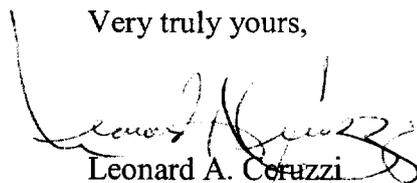
Third, with respect to the differentiation in the NPRM between reimbursement based on PFCs remitted in contrast to PFCs collected and the discussion of tickets refunded, Continental emphatically agrees with the provision in this NPRM which relates reimbursement for "necessary and reasonable expenses incurred" to PFCs collected. Indeed as the FAA itself recognizes, because there is additional handling required with respect to the PFCs related to refunded tickets that imposes additional PFC handling costs

on us. While there may be differences in the percentage of refunded tickets, the basic requirement remains the same – refunded ticket PFCs require additional handling, and that process produces higher costs.

As pointed out in the Notice, by relating the reimbursement for handling and administering the FAA's PFC program to the collection of PFCs, carriers with a high refund rate would not be penalized while those with a low refund rate would not gain any benefit. Both types of air carrier would be reimbursed for the costs related to and associated with the administration and handling of the FAA's PFC program.

We appreciate the opportunity to provide the FAA with our views on this important matter and look forward to continuing to work cooperatively with the FAA.

Very truly yours,

A handwritten signature in black ink, appearing to read "Leonard A. Coruzzi", is written over a large, light-colored scribble or mark.

Leonard A. Coruzzi
Managing Attorney – Regulatory Affairs