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April 30, 2003

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

RE: Docket No. FAA-2002-13918
Proposed Revisions to Passenger Facility Charge Rule

Dear Sirs/Madams:

We have received a copy of a letter filed April 9, 2003, in the docket by the Air Transport Association of America, Inc. ("ATA") responding to a statement contained in the February 12, 2003 Comments of the Airports Council International - North America and the American Association of Airport Executives ("ACI-NA/AAAE) relating to the calculation of passenger facility charge ("PFC") handling fees. This letter is to confirm that United concurs fully with the points ATA's letter raises.

As the ATA explains, ACI-NA/AAAE oppose the FAA's determination that carriers should be reimbursed for their costs associated with collecting and handling PFCs on the basis of PFCs *collected* (as opposed to PFCs *remitted*). In challenging the FAA's decision, ACI-NA/AAAE concede that "the credit card fees charged to air carriers . . . should be reimbursable as direct handling costs" but argue that "air carriers do not incur any credit card charges for refunded tickets." ACI-NA/AAAE Comments at 4. From the fact that carriers do not incur credit card charges for refunded tickets, ACI-NA/AAAE jumps to the conclusion that it would be inappropriate to use collected PFCs as the basis for calculating the handling fee due carriers.

As the ATA correctly points out, however, the fact that carriers do not incur credit card charges for refunded PFCs was already factored into the PFC collection cost information provided by the airlines through the ATA to the FAA. Carriers did not, therefore, overstate their PFC handling costs as the ACI-NA Comments claim. Moreover, the issue of credit card charges for refunded tickets has nothing whatsoever to do with the issue of whether the FAA should calculate the PFC handling fee due carriers on a *collected* or on a *remitted* basis. Regardless of the unit of collection, the total amount of compensation ultimately to be received by carriers remains the same.

The level of the handling fee comes down to a simple math exercise -- dividing the total industry pool of costs associated with PFC collection, handling and remittance (minus interest *float*) by the estimated number of PFCs to be collected or remitted. A handling fee established on the basis of each PFC *collected* would be lower than a fee based on remitted PFCs because the denominator in the equation -- collected PFCs -- would be higher than if the denominator were the estimated number of PFCs to be remitted. Conversely, a handling fee set on the basis of each PFC *remitted* would be higher, but would be collected only for each PFC remitted.[1] As an illustration, if total PFC collection, handling and remittance costs were $100, the number of PFCs collected were 220 and the number of PFCs remitted were 200, the reimbursement per PFC on a collected basis would be $0.45 ($100/220) while the reimbursement for remitted PFC would be $0.50 ($100/200). The total reimbursement amount would remain the same $100 regardless of the unit of reimbursement.

Finally, although the FAA has the discretion to set the handling fee on either a *collected* or *remitted* basis (provided the same unit of collection was used in the mathematical calculation establishing the fee level), as the FAA notes in the NPRM, setting the fee on the basis of *collected* PFCs is more equitable because carriers' refund rates vary. If the handling fee was set on a *remitted* basis, carriers with higher refund rates would be under-compensated relative to the industry. Such an outcome would be inconsistent with the underlying objective of the statute to compensate all carriers for their necessary and reasonable expenses incurred in collecting and handling PFCs.

Sincerely,

Bruce H. Rabinovitz /CFP

Bruce H. Rabinovitz

BHR/kdn

cc: David A. Berg (via e-mail)
Thomas E. Zoeller (via e-mail)
Leonard Ginn (via e-mail)
Joseph Hebert (via facsimile)

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[1] As United pointed out in its February 12, 2003 Comments, although the FAA may set the fee either on a *remitted* or a *collected* basis, the FAA may not calculate the compensation fee rate based on the total volume of PFCs to be *collected* and then limit carriers to retaining the fee only on PFCs that are *remitted after refunds*. As the NPRM illustrates, there must be symmetry on both ends of the process. Otherwise, the rule would deny carriers the opportunity to recover their "necessary and reasonable expenses" -- a result clearly at odds with the governing statute.