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April 8, 2003

Federal Aviation Administration
c/o DOT Docket Management System
400 Seventh Street, S.W.
Washington, DC 20590

Re: FAA Docket FAA-2003-14246
Airport Privatization Pilot Program
Summary of Position

The Board of Commissioners of the Orleans Levee District ("OLD") and American Airports Lakefront, LLC ("AAL") are pleased that the FAA has established a public meeting date of May 10, 2003 to discuss the merits of the Lakefront Airport privatization program. The Joint Applicants look forward to presenting the project and the important benefits it will produce for the Airport, aviation users, and Airport businesses.

In the meantime, the Joint Applicants believe it is important, for the sake of constructive public dialogue, to set the record straight as to the purpose of the project and to correct some of the misinformed comments and unfounded speculation that have propagated in the docket.

1. Privatization is an important means to modernize and improve the Airport. The Orleans Levee District exists, first and foremost, to maintain the City's critical infrastructure of levees that guard New Orleans against flood waters. OLD has acted as a steward for Lakefront Airport, but this is a role inherited largely by historical accident and default. OLD is expert at maintaining levees and the extensive flood protection system of the City of New Orleans. The OLD Board is very familiar with the economic and business issues posed by levy operations and flood protection. However,

the growth and promotion of Lakefront Airport is not, and never has been, a primary charge of the OLD.

The Board recognized these limitations and the need for expert management whose primary focus will be the Airport. The privatization plan will rejuvenate Lakefront Airport by installing new private management with the appropriate market-based incentives to develop and promote the Airport and make it a commercial success. As discussed below, the Private Operator will achieve these results through the development of new business consistent with the Airport's role as a general aviation airport. In countless industries, the marketplace has proven that the private sector can provide many public functions at less cost and with better service. Privatization has been employed with success at airports world-wide, and, it was for this reason that Congress established a program for private investment and management at select U.S. airports.

During the 50-year term of the lease, Lakefront Airport will take on an increasingly important role as an integral part of the regional aviation system for New Orleans. Under private management, Lakefront will grow and complement Louis Armstrong International Airport (MSY), New Orleans' primary scheduled service airport.

AAL plans to upgrade and modernize facilities at NOLA in order to realize the Airport's full potential and turn the Airport into an attractive, world-class facility. For example, the current terminal building has become old and inefficient. While the current facility could operate for some time, AAL will make the addition of a new terminal a priority. Without a private operator to modernize and improve the Airport, it is likely that Lakefront would continue to slowly deteriorate and decline.

It is important to underscore that *maintaining and enhancing NOLA's existing business as the City's primary General Aviation airport is a central feature of AAL's plan*. A well-run, well-maintained airport is critical to attracting top quality aviation tenants and specialty service providers. There is ample space on the Airport to develop property and expand services such as maintenance and avionics repair, paint shops, interior refurbishment, and aviation vocational technical training programs. That is a model that AAC implemented at other airports, and the successful promotion of General Aviation operations is what AAC does best.

Lakefront Airport was built in the 1930s, and there have been no major development initiatives at the Airport in decades. With shrinking federal budgets, attracting private development is the only realistic alternative to upgrade Lakefront to a

first-class facility that will attract new business and compatible air traffic. Lakefront Airport has tremendous potential that can be realized by a private operator with the financial resources and marketing savvy to develop it. AAL will be able to utilize its inherent advantages as an industrious, well-financed and agile private entity to capitalize on these opportunities.

2. Fears that privatization might lead to the closure of Lakefront are unfounded. One of the most commonly expressed concerns in the docketed comments was that the proposed privatization could somehow lead to the closure of Lakefront Airport or conversion to another purpose. This is simply untrue. Continued operation of Lakefront as an airport is a requirement of the OLD/Private Operator Lease, and a requirement of the federal privatization statute. The OLD is obligated to re-enter and take over the Airport if its continued operation is threatened.

As mandated by federal statute, the FAA can only approve the privatization application if "***the airport will continue to be available for public use***" AND "***the operation of the airport will not be interrupted in the event the [private operator] becomes insolvent or [bankrupt] . . .***" 49 U.S.C. 47134(c). The application materials on file and available in this docket clearly demonstrate that both of these conditions are satisfied. In short, there is no risk that continued operation of the Airport would, in any way, be jeopardized.

3. Fears about escalation of airport fees are unfounded. Another expressed concern was that privatization would lead to increased fees to Airport users. This also is untrue. The privatization statute prohibits raising fees at the Airport at a rate greater than the rate of inflation, unless otherwise agreed by Airport users. These protections extend to air carriers and general aviation users. 49 U.S.C. 47134(c).

The Joint Applicants foresee no privatization impact on existing Airport rents or costs. No change to the fuel flowage fee structure is planned, and existing leases will be assumed as is. Since current Airport rents and fees are established in relation to fair market value, no major adjustment is necessary or anticipated. The Private Operator's projected revenues are based on development of new business as a result of investments to be made or acquired by Private Operator. As Private Operator enhances, modernizes and upgrades the Airport, the value of the total enterprise will increase.

4. The Application has nothing to do with residential real estate development. It has everything to do with Airport development. The value of this property derives first and foremost from the fact that it is and will continue to be operated as an airport. No development activities are contemplated that would conflict

with the Airport's continued operation, and, indeed, such development would be prohibited by law. Speculation that the privatization lease is a "land grab" to obtain space for residential condominium development is untrue. No such activities are planned, and, moreover, would likely be impossible, since the FAA has already ruled that marina space in the vicinity of the Airport cannot be used for residential occupancy, due to the need to safeguard the Runway Protection Zone ("RPZ").

5. AAC is a highly qualified airport manager. The OLD selected AAC/AAL as the Private Operator after a careful, deliberate, and public process. The OLD Board and Special Airport Committee held ten (10) public meetings between February, 2000 and March, 2002 dealing with aspects of the privatization of the Airport and selection of a Private Operator. Further, all bidders for the privatization contract were presented with the same terms and conditions and, contrary to certain statements appearing in the docketed comments, that the successful bidder was not offered any preferential terms and conditions. AAC's proposal represented the best value for the Orleans Levee District and the greatest potential for development of the New Orleans Lakefront Airport.

A few of AAC's accomplishment in modernizing and improving airports include:

- *Altoona-Blair County Airport, Pennsylvania.* Altoona is an important regional airport, with both General Aviation and commercial airline service. Under AAC's management, the Airport achieved the first-ever profit in its entire history. Moreover, AAC has completed, or been instrumental in, a number of significant improvement projects at the Airport. New T-Hangars have been completed, a new FBO is being constructed to serve General Aviation, bids are under way for new firefighting rescue and chemical storage buildings, enhanced TSA security requirements have been complied with, and numerous infrastructure improvements such as drainage and water lines have been done.

- *Winder-Barrow County Airport, Georgia.* AAC worked aggressively to upgrade and improve the Winder Airport, which, prior to AAC's involvement, had been in decline. Under AAC's management, 20 new T-hangars will be completed in 2003. And, as a result of AAC's efforts, funding was secured and work begun on the purchase and installation of an Instrument Landing System (ILS), new runway lighting, an automated weather reporting station, and repair of the Airport's aging taxiways.

- *Los Angeles County Airports*. AAC manages five general aviation airports in the L.A. basin for the County of Los Angeles. This is a busy airport system with 1,800 operations per day and 2,000 based aircraft. By contrast, Lakefront has approximately 330 operations per day and 250 based aircraft. The $2.8 million in rents and fuel flowage fees AAC generates for the County are reinvested in the airports under the coordinated direction and supervision of AAC and the County. Under AAC management, a new terminal has been completed, runways resurfaced, hangars constructed, new lighting installed, and airport roads improved. AAC notes that some commenters have raised certain criticisms about those airports. However, it is important to remember that constraints like ramp crowding and over-tasked facilities are problems that AAC inherited – and did not create. Consistent with its business model and philosophy, AAC will improve these airports and the services offered at each. In the meantime, AAC is maintaining a successful and profitable operation at these airports.

Conclusion

Lakefront Airport is an important public asset with enormous additional unrealized potential. Rather than preserving the status quo, which means continued under-utilization and possible decline of the Airport, the time has come to modernize and improve this facility. The proposed privatization program provides the opportunity to achieve this goal.

Sincerely,

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James P. Huey
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