

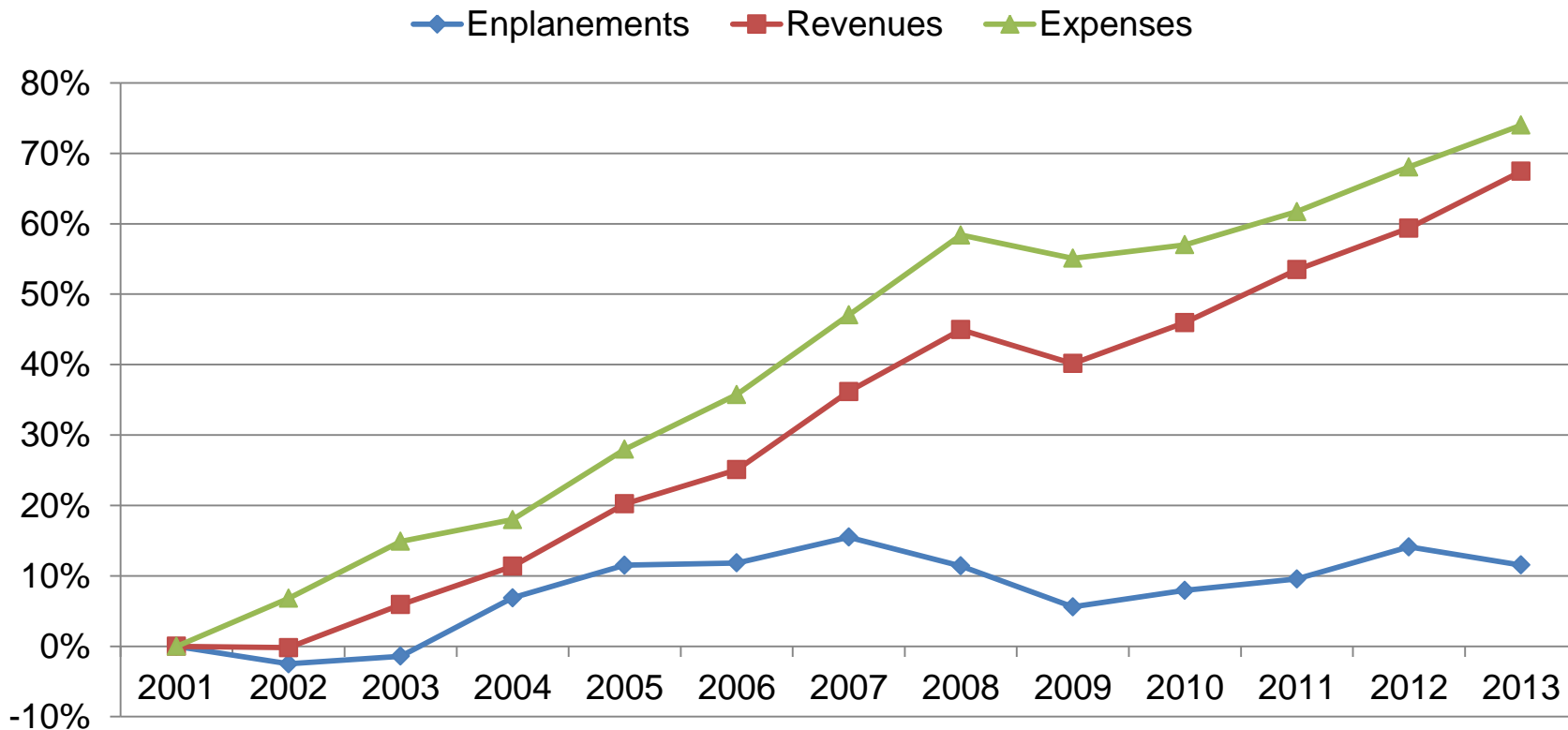
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Airport Operating Expenses

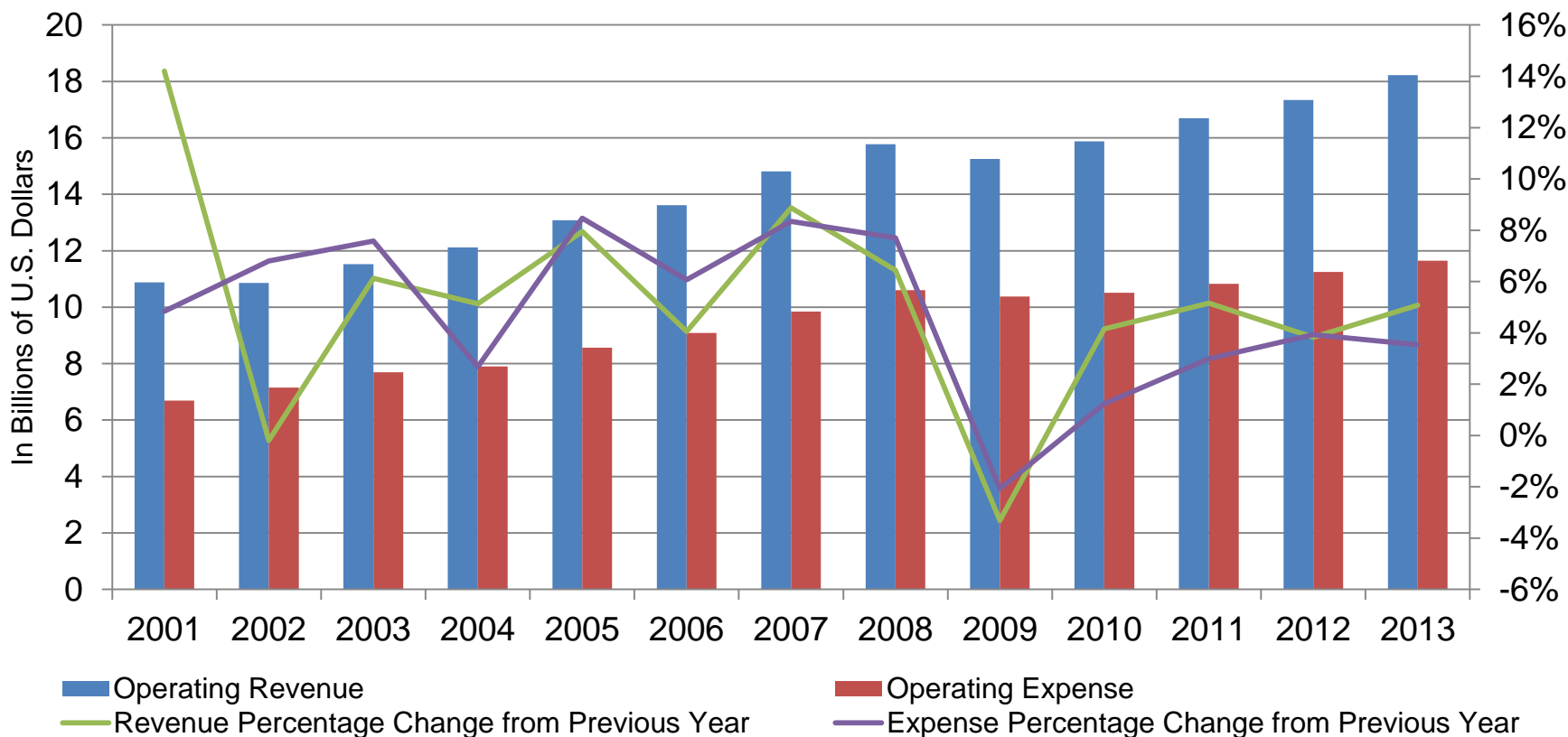
November 2014

Overview of U.S. Enplanements, Revenues and Expenses Percentage Change from Base Year 2001



Operating expenses and revenues have increased by 74% and 67.5% respectively since 2001; however, enplanements have only increased by 11.5% driven by the economic slowdown and airline capacity cuts. Operating revenue has been increasing slightly faster than expenses since 2010 as the industry recovers and airports continue to streamline their expenses.

Airports Manage Revenue and Expenses Carefully to Ensure Adequate Funding for Capital Projects due to Decreasing Federal Funding



During the period of 2001-2013, total operating revenue has been increasing primarily due to increases in non-aeronautical revenue. Airports across all hub sizes are improving how they operate their businesses to better meet passenger needs. Total airport operating expenses have been on the rise due to the regulatory burden imposed on airports to meet more stringent safety and security regulations i.e. noise abatement and safety management systems. Additionally, airports are also taking over functions that were traditionally performed by airlines.

Functional Airport Operating Expenses

Landside/Terminal

- Public Parking Operating Costs
- Commercial Terminal Operating and Maintenance Costs
- Road Maintenance
- Transportation Costs (bus and rail operations and maintenance)
- Elevator/Escalator/Moving Sidewalk System Maintenance Costs (Contractual and In-House)
- Airport Operated Fixed Guide Way Rail/Monorail System
- Airport Operated Fixed Guide Way Bus System
- Shuttle Buses for Parking Operations
- Shuttle Buses between Terminals
- Terminal Custodial
- Other(s)

Airfield

- Airfield Operations and Maintenance
- Aircraft Operations
- Snow Removal and Ice Treatments
- Mobile Lounges (e.g. Dulles)
- Other(s)

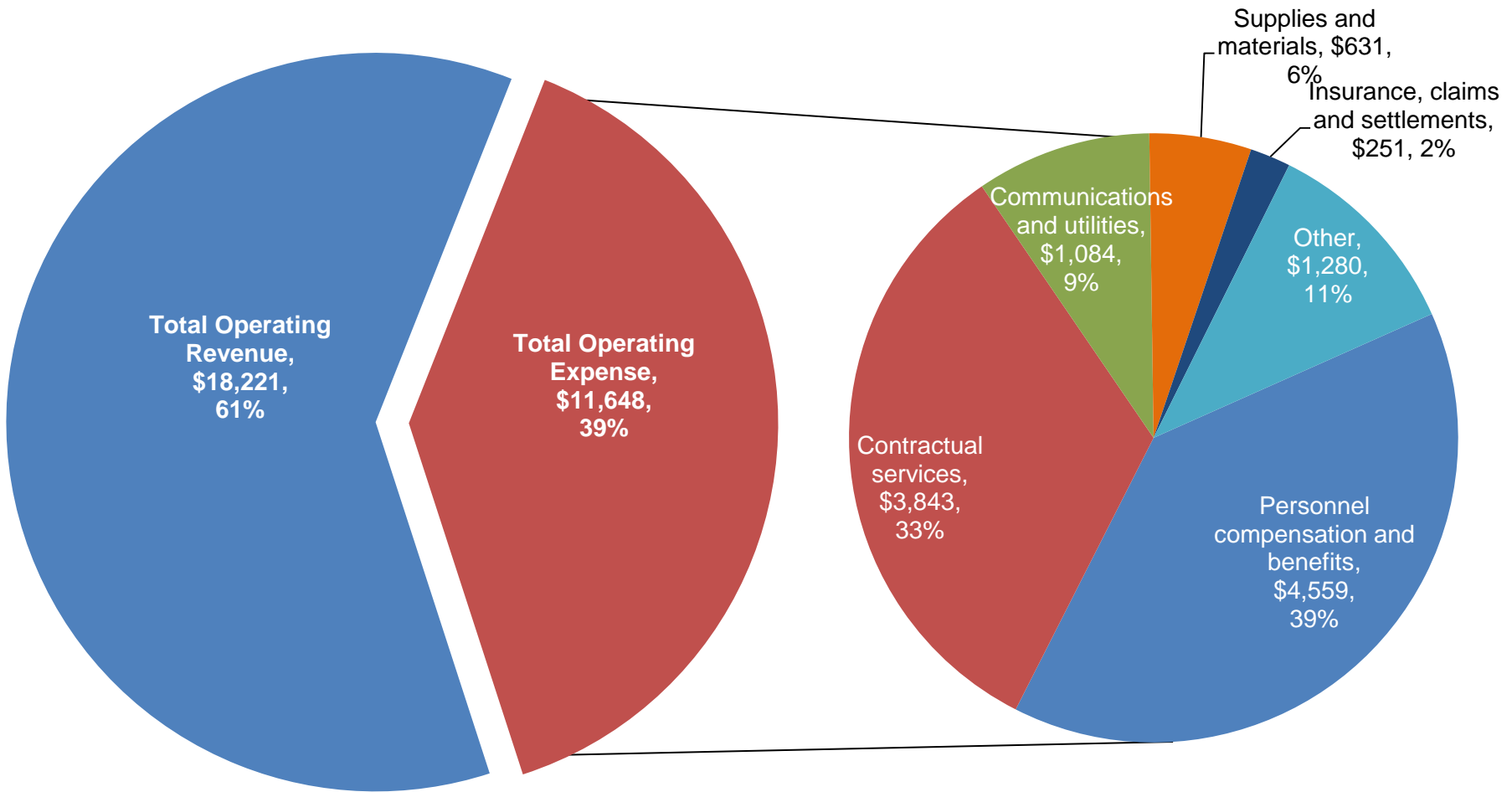
Overall Airport

- Utilities Costs
- Labor Costs
- Police, Security Guard Expenses, Firefighting Costs (Airport and Contracted)
- Environmental
- Vehicle Maintenance Costs
- Marketing, Sales and Advertising
- Grounds Maintenance
- Administrative (finance, HR, legal, executive, procurement, etc.)
- Other(s)



U.S. Airport 2013 Operating Expenses

In Millions of U.S. Dollars

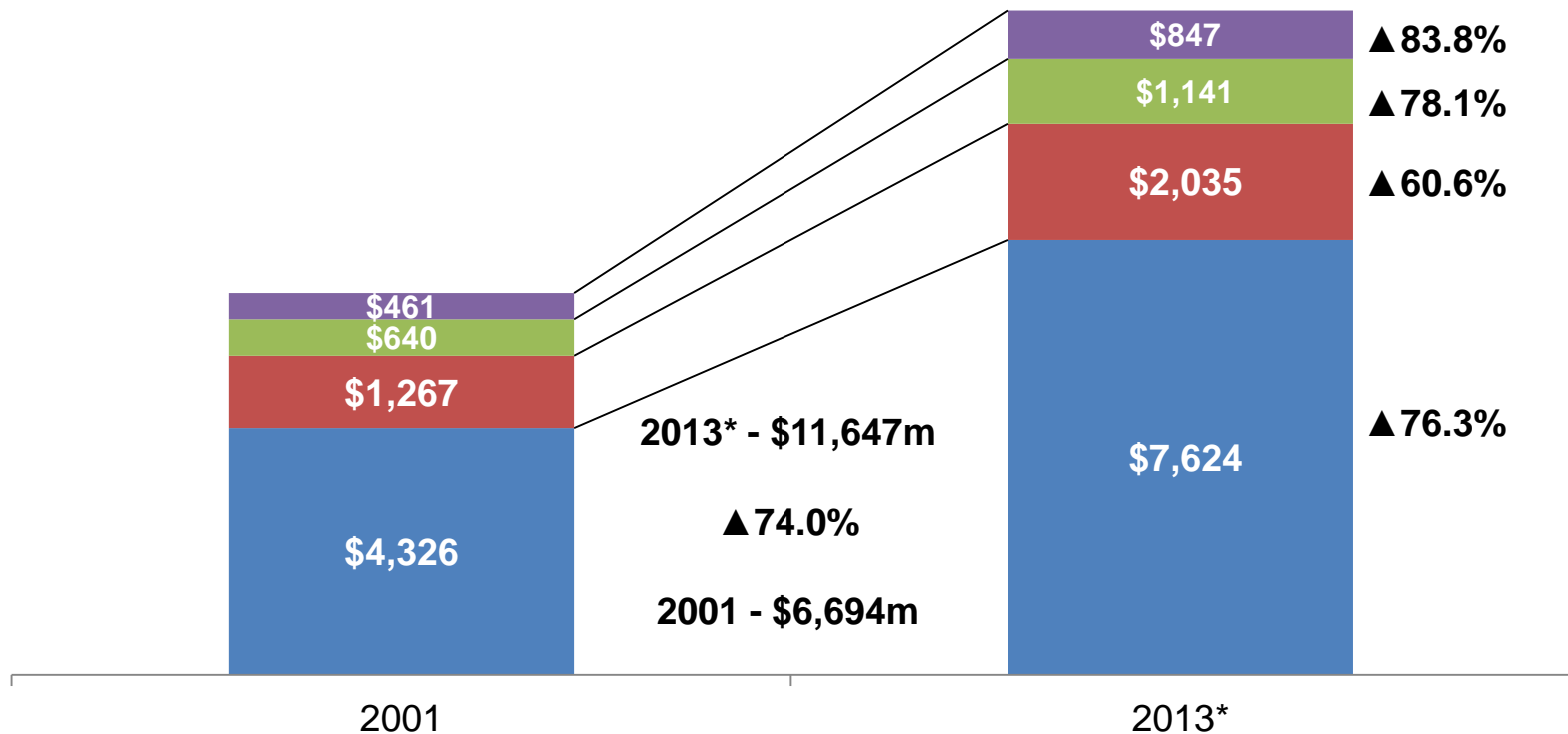


**Total Operating Expenses
\$11,648 Million**

U.S. Airport Total Operating Expenses 2001 vs. 2013

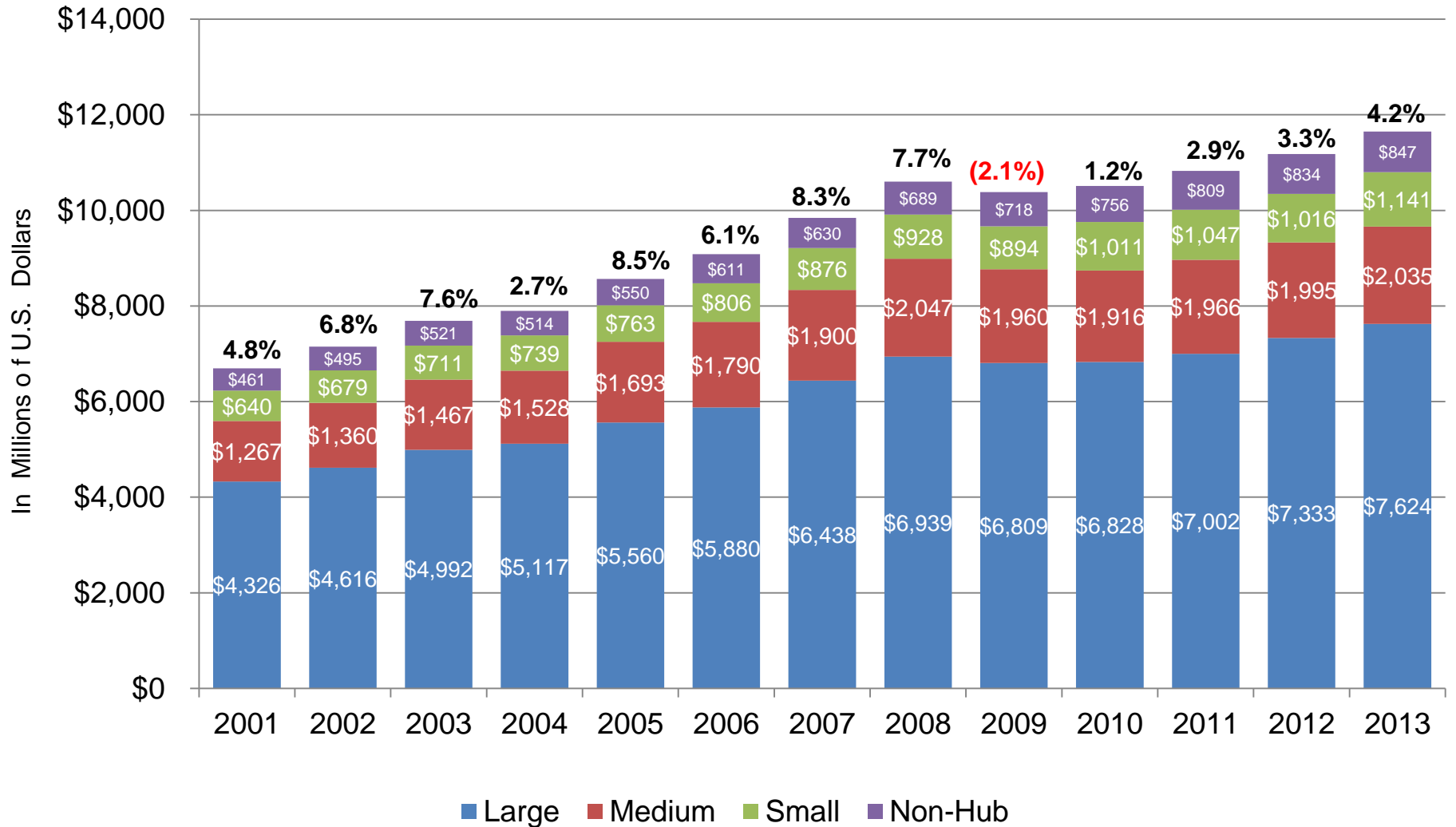
■ Large Hub ■ Medium Hub ■ Small Hub ■ Non-Hub

In Millions of U.S. Dollars



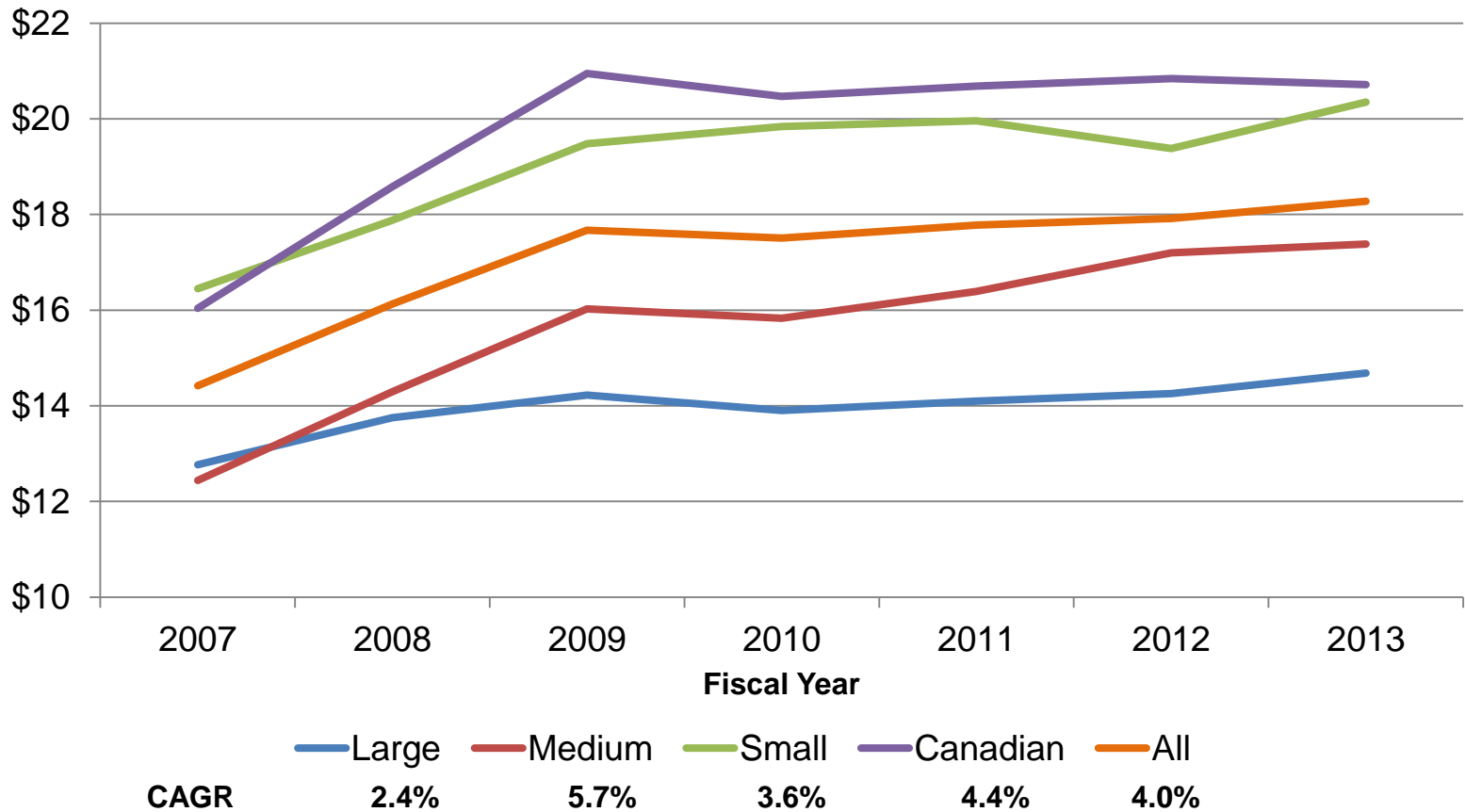
Total airport operating expenses has increased over 73 percent in the last 12 years due in large part to the excess of regulatory burdens. Operating expenses do not include capital expenditure or construction projects, or other physical assets associated with the airport.

Total U.S. Airport Operating Expenses 2001-2013



Note: Excludes depreciation.
Source: FAA, CATS: Report 127

Average Total Operating Expenses Per Enplanement



A true “apples to apples” comparison between 61 airports show that rising airport operating expenses appear to be contributing to the upward trend in CPE. Despite high fixed expenses, airports have continued to implement cost saving measures. Operating expenses per enplanement is likely to rise in future years due to the need to upgrade aging infrastructure and accommodate increasing passenger travel.

U.S. Airport Main Operating Expenses

Personnel Compensation & Benefits



Salaries and wages of personnel directly employed by the airport including benefits such as health insurance, life insurance, and employee pensions. This expense category is subject to the airport's degree of outsourcing. Airports have been successful in keeping compensation and benefits cost under control, the growth rate of which has not kept up with the increase in Consumer Price Index (CPI).

Communications & Utilities



Cost of communication services and utilities used in the course of operating the airport, including telephones, electricity, heating and air conditioning, and water. Airports have implemented energy saving initiatives to reduce utility costs.

Contractual Services



Contractual services are services performed by commercial enterprises and government agencies rather than by airport employees. Such costs include consulting, legal, accounting, auditing, security, firefighting, engineering, training, lobbying, maintenance, janitorial services, architectural fees, and financial services. Airports have found increasing the degree of outsourcing successful in keeping compensation and benefits costs under control.

U.S. Airport Main Functional Operating Expenses

Repairs and Maintenance



Cost of repairs and maintenance of airport facilities and equipment. This expense category depends on the life cycle of airport capital program. U.S. airport facilities are aging which drive the increase in repairs and maintenance cost.

Security and law enforcement costs



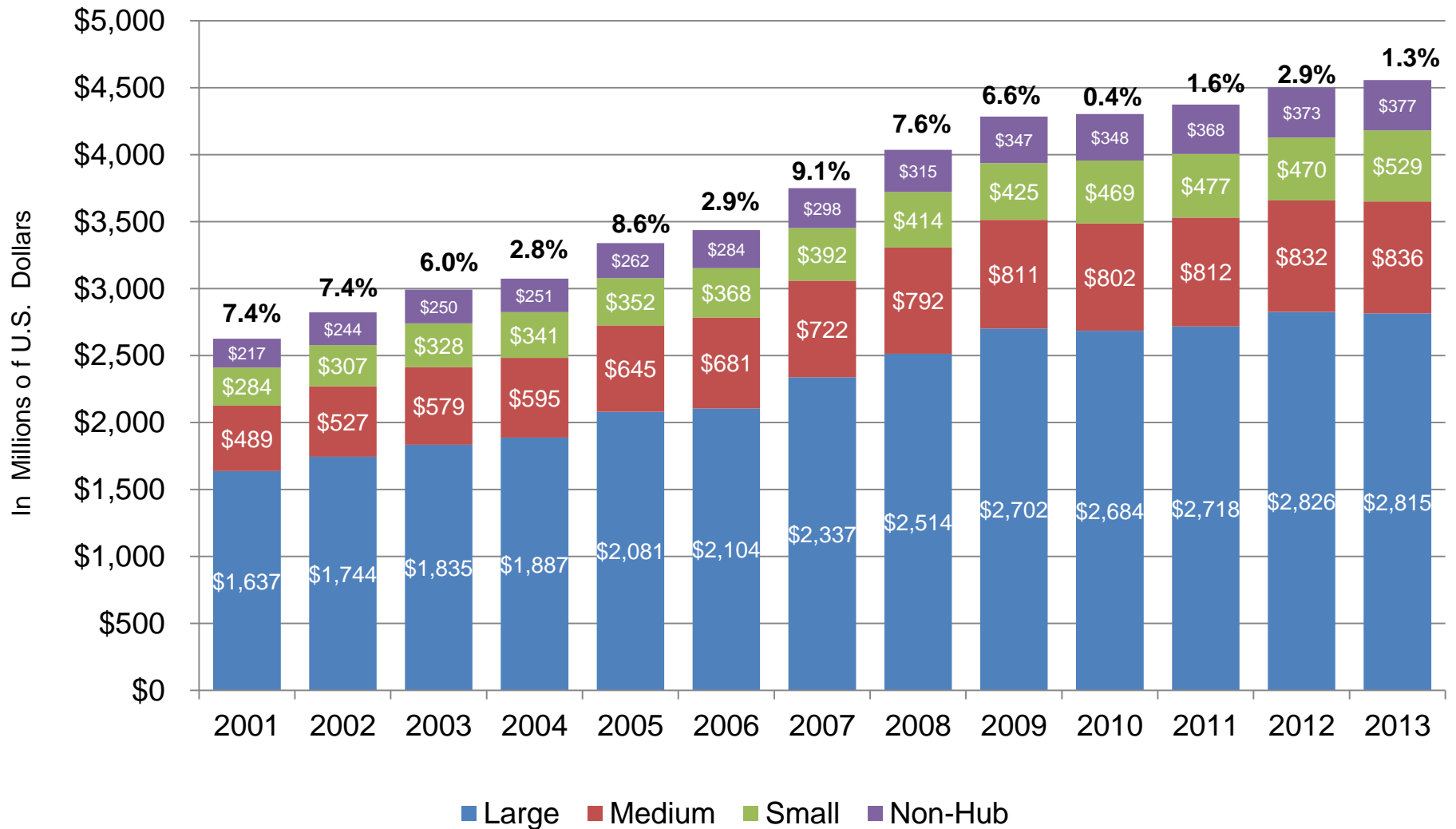
Cost of providing the airport with security and law enforcement services. Includes direct and indirect costs, including costs incurred for airport employees, sponsor employees, and contract services. This expense category is largely driven by government regulation and policy.

Marketing/Advertising/Incentives

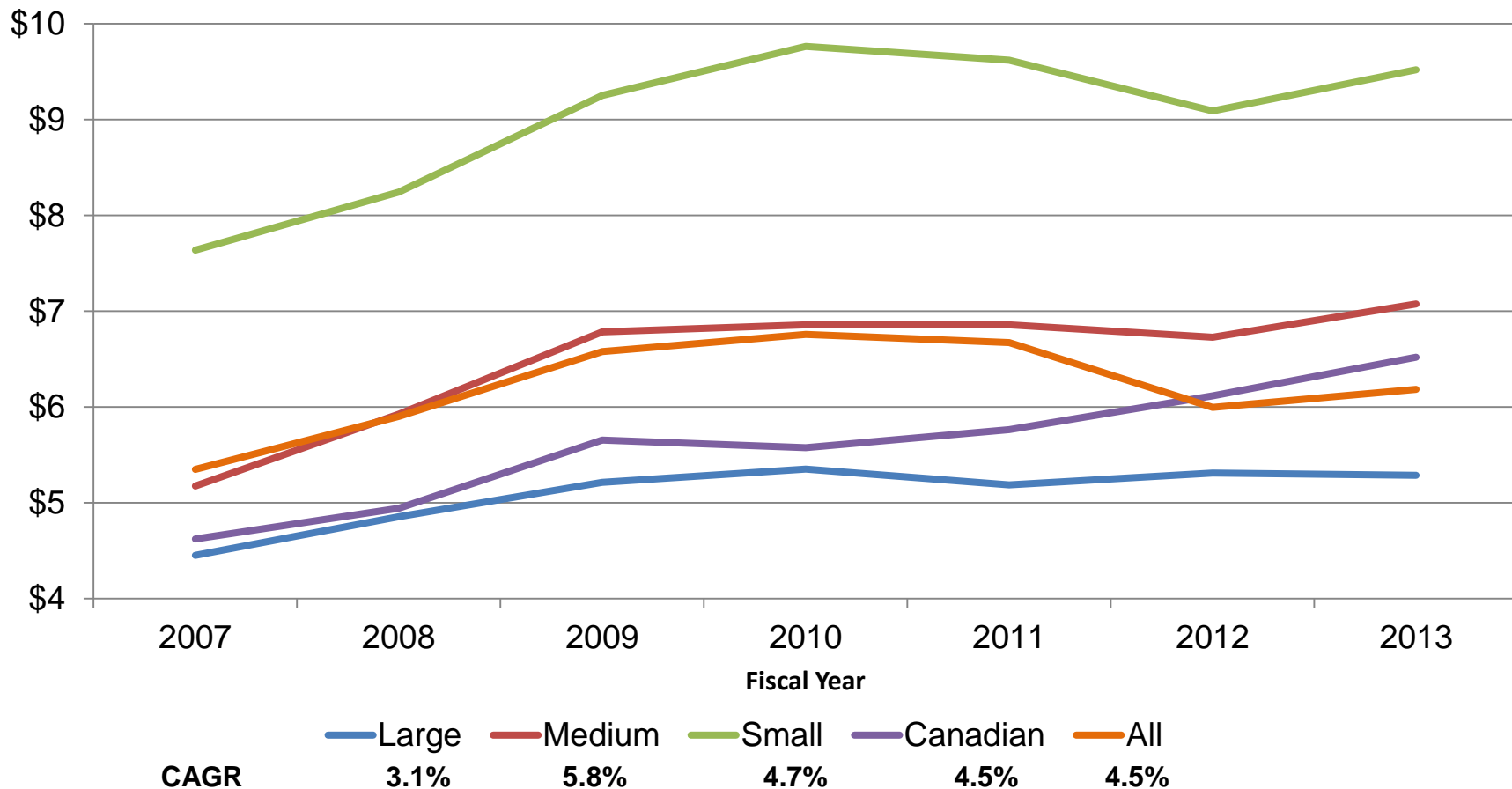


Cost of airport marketing, advertising and incentives paid to, or on behalf of, air carriers. As airlines continue capacity discipline, assistance in marketing becomes part of the airport business. These incentives are now the norm for airlines when considering new service at an airport.

U.S. Airport Personnel Compensation & Benefits 2001 – 2013



Average Personnel Compensation & Benefits Per Enplanement



Personnel expenses continue to rise due to increases in medical and pension expenses. The average personnel compensation for all hub sizes has been fairly stable since 2009, suggesting airports are steadily controlling their personnel operating expenses.

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