AirTAP Briefings

A publication of the Airport Technical Assistance Program of the Center for Transportation Studies at the University of Minnesota **Winter 2007**

Surveys offer insight, ideas on generating airport revenue

With construction costs increasing, available funding decreasing, and periodic economic downturns affecting the industry, airport operators find themselves continually looking for additional revenue sources to fund projects and sustain operations. Fuel sales, hangar leases, agricultural leases, and grants are typically thought to be the primary sources of revenue, but there are other ways to bring money into an airport.

The Airport Cooperative Research Program (ACRP) is developing a guidebook for managing small airports. (Many members of the research team are from Minnesota and work on AirTAP as well.) In preparation of the guidebook, the project's research team surveyed airport managers across the nation to assess their concerns and solutions regarding revenue generation. Respondents could list more than one type of revenue generation method, and from the 211 responses, the primary sources of revenue for general aviation airports are listed in Table 1.

According to survey results, fuel sales account for most revenue generation, followed closely by land leases, T-hangar leases, and rent. Other sources mentioned by 34 percent of those surveyed include industrial park revenues, advertising, parking fees, and residential or office rent on airport property. It appears that agricultural leases, often in place at Minnesota airports, are a common revenue generator across the United States as well.

In addition to the survey, much of the information for this *Briefings* article was obtained from a newly published ACRP synthesis, *Innovative Finance and Alternative Sources of Revenue for Airports*. The complete report is available online at http://onlinepubs.trb.org/onlinepubs/acrp/acrp_syn_001.pdf.

The objective of the report is to inform airport operators and policymakers about alternative financing options and revenue sources that are currently available or that may be available in the future. The report provides a brief overview of common capital funding sources used by airport operators, a review of capital financing mechanisms used by airports, descriptions of revenue sources, and a review of privatization options.

Nationally, the principal sources of funds for airport capital projects include the following, listed from greatest to least in terms of amount of revenue generated:

- Proceeds of bonds and other forms of debt
- Passenger Facility Charge (PFC) revenues
- Airport Improvement Program (AIP) grants from the Airport and Airways Trust Fund, administered by the Federal Aviation Administration
- Internally generated capital resulting from retained airport revenues
- Security grants from the general fund administered by the Transportation Security Administration
- State grants and local financial support

Some airport operators (typically at large- or medium-hub airports) regularly use municipal bonds. Many airports have maintained investment-grade ratings from credit rating agencies. In addition to bonds, the ACRP study found that, to finance capital projects, some airport operators use bond and grant anticipation notes, pooled credit programs, and capital leases. They have also reduced interest rates on outstanding bonds and manage interest rate risk by entering into interest rate swaps with investment banks.

Table 1. Primary sources of revenue for general aviation airports

Method of revenue generation	Percent of respondents indicating they use this method of revenue generation
Fuel sales	63%
Commercial land leases and rent	60%
T-hangar leases	59%
Other methods	34%
Private hangar land leases	32%
Agricultural leases	32%
Landing or ramp fees	20%
Tax subsidies	19%
Terminal concession rents	17%

Pilots may stop at a general aviation airport for fuel to avoid the congestion of larger airports.

Most airports in Minnesota do not have bonding authority. Although the methods outlined above have been used chiefly by large- or medium-hub airports, other options exist for small general aviation airports. Like the survey, the ACRP study found that airports nationwide have developed many programs to maximize revenue sources. These include:

- **Fuel sales**. As noted in Table 1, 63 percent of airport managers responding to the general aviation survey reported using fuel sales and flowage as a means to generate revenue at their airports. Pilots may stop at a general aviation airport simply because it has fuel and to avoid the congestion and traffic at a larger airport. Among the many considerations when initiating fuel service are storage, staffing, insurance, and environmental issues.
- **Airport parking revenues**. Parking continues to be a reliable funding source for airport operators. Additional opportunities for increasing parking revenues include premium parking services, parking lot enhancements, parking for non-airport use, and off-airport privilege fees.
- **Rental car revenues**. In addition to privilege fees and rentals, rental car concessionaires at some airports collect a customer facility charge, or CFC, from customers. These funds are used to pay the operating and capital costs of a consolidated rental car area or a structured facility and may also include the cost of transportation to the terminals.
- **Terminal concessions**. Depending on the size of the airport and terminal facility, retail or concession sales at

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airports may be another way to bring in revenue. At commercial service airports, concession sales have increased dramatically as airlines discontinue meal service and passengers arrive earlier to get through security. Airport operators have been able to maximize revenues through reinventing their terminal concessions programs by recognizing the customer and creating an inviting shopping or dining experience.

- **Advertising programs**. Several airports are cashing in on advertising revenue. Modern airport advertising programs specialize in the sales and maintenance of advertising sites at airports by using technology, sponsorship opportunities, and nontraditional advertising locations.
- **Commercial development and land use**. Airport operators generate revenue from a variety of revenue-producing leases from non-airline operations including manufacturing, warehousing, freight forwarding, and farming on airport land. Commercial development and land use have been implemented through coordinated planning efforts and consideration of FAA restrictions on land development. Airports needing additional information on leases can refer to several resources produced by AirTAP on leases, rates and charges, and insurance requirements.

In addition to the more typical revenue generators, the ACRP survey uncovered some innovative methods airports are using as well. These examples include:

- **Late fees on leases:** Several airports reported that they charge late fees on leases, and one airport noted that it received more than $15,000 one year on late fees alone.
- **Innovative pavement use:** Airports are charging for the use of closed runway and other pavement for driver training and motorcycle safety courses. Several airports rent out their facilities for use in filming commercials.
- **Golf course land lease:** Airports are leasing land adjacent to the airfield, but owned by the airport, for golf course development.
- **Industrial park land leases:** Many airports reported building industrial parks and warehouse space on airport land adjacent to the airfield.
- **User fees for crop sprayers:** One airport charges an annual fee to all business aircraft based at the airport.
- **Donations and fundraisers:** Several airports hold fundraisers and solicit large donations from airport supporters.
- **Leasing other spaces:** One airport indicated that it leases space on the beacon tower for a cell phone antenna.

The *ACRP Guidebook for Managing Small Airports* will be published in 2008. A full chapter will be devoted to describing recommended practices for revenue generation and highlighting some of the innovative practices in use at airports across the United States.

Hangar leases are a popular method of generating airport revenue.

AirTAP Fall Forum coverage coming in 2008

Thank you to all who attended the 2007 Fall Forum! This year's event, held in October at Breezy Point Resort, was a huge success, with more than 70 attendees from airports across the state discussing airport promotion, planning, lighting, policy issues, and similar topics. Thanks also to those who helped plan and carry out the work to make it happen. Look for coverage of the event in a special issue of *Briefings,* to be published in early 2008.

AirTAP was developed through the joint efforts of the Minnesota Department of Transportation (Mn/DOT), the Minnesota Council of Airports (MCOA), and the Center for Transportation Studies (CTS).

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