Behind the Boom

The hidden costs of American Airlines’ growth in Charlotte

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AT CHARLOTTE DOUGLAS INTERNATIONAL AIRPORT, American Airlines enjoys public subsidies in the form of capital projects, payments from non-airline terminal complex revenue, and tax breaks. American pays the lowest costs and enjoys the highest operating margin of any of its hub airports, contributing to its high profits of $1.7 billion last year alone. Charlotte has also held its Passenger Facility Charge low, done less than peer airports to promote competition, and is now embarking on a costly expansion that will allow American to grow – all choices that support or strengthen American’s dominance at the airport, which in 2018 the Wall Street Journal termed a monopoly.¹

But as American makes billions, Charlotte residents pay a price. Domestic airfares from Charlotte are higher than the national average and the most expensive of any American hub. Airline catering workers serving American Airlines are paid poverty wages, causing some to rely on public assistance. This creates a double subsidy for American – the airline receives public subsidies and its subcontracted catering workers rely on government assistance.

The city is preparing to spend nearly $1 billion on concourse expansion projects that will benefit American Airlines. This includes twin projects to expand Concourses B and C, currently only used by American, which are projected to cost $463 million each, and the phase VIII Concourse E expansion, also currently only used by American, which is projected to cost $47 million. Charlotte councilmembers and state lawmakers should take a closer look at the deal the airport has with American.

- Since 2015, Charlotte City Council has approved over $103 million in spending on airport projects that benefitted American Airlines more than other airlines.
- From 2016 to 2018, the City of Charlotte gave American Airlines $63.5 million of non-airline terminal complex revenue, while giving all other signatory airlines combined $9.3 million.
- Tax breaks on jet fuel that were implemented when airlines were struggling benefit American Airlines at an estimated cost of $27 million per year.
- American Airlines’ cost per enplaned passenger is only $1.26 at CLT – lower than at any of its other hubs.
- Charlotte is holding its Passenger Facility Charge at $3.00, which is $1.50 lower than all other large hub airports in the country. Other airports have used PFC money for competition-enhancing projects.
- American dominates with 91% market share at Charlotte Douglas, the highest of any of its hubs. Charlotte fliers pay 16% more for domestic flights than the national average, higher than any other American hub.
- American currently uses 82% of airport gates. Charlotte’s 2015 Airport Capacity Enhancement Plan projected that post 2025, American will use 88% of available gates at the airport.
- Airline catering workers working for a subcontractor and serving American Airlines in Charlotte will be paid as low as $11.00 per hour as of February 28, 2020 and must pay premiums over $500 per month for employer-provided family health insurance. A 2019 survey by UNITE HERE found that 40% of those surveyed were using public assistance to provide health insurance for themselves or their families.
- Airline concessions workers are paid as low as $9.85 at CLT, making it difficult to pay for family health insurance plans that cost hundreds of dollars including vision and dental. Only 35% of concessions workers have employer-provided health insurance.
Charlotte Subsidizes American with Airport Capital Projects

- Since 2015, the Charlotte City Council has approved over $103 million in spending on airport projects that benefitted American Airlines more than other airlines.

Charlotte has recently taken on major airport projects to expand and renovate CLT. Since 2015, when the American Airlines merger with US Airways was completed, Charlotte City Council has approved over $103 million in spending on projects that have benefitted American more than other airlines. In some cases, American was the only airline beneficiary.²

On repeated occasions, City Council approved additional funds on top of the original allocations in response to requests by American Airlines. For example, for Concourse E Expansion Phase VIII Design services, the City Council approved multiple contract amendments at the request of American Airlines. An initial contract value of $372,475 ballooned to a final total of $5,418,266 after changes.

Charlotte Douglas International Airport has five concourses – A, B, C, D, and E. American has gates on all concourses, using 93 out of the total 114 gates at CLT.³ Although Concourse A was historically not used by American Airlines, the airline gained access to four gates in 2019 following an expansion of the concourse.⁴ American Airlines uses all 34 gates on Concourses B and C, and enjoys exclusive use of all office space and breakrooms on both concourses as per the 2016 Airline Use Agreement between the airline and the city.⁵ On Concourse D, American Airlines uses 8 out of the total 15 gates. Lastly, American uses all gates on Concourse E, enjoying preferential use of all but three out of the total 42 gates and exclusive use of all office and breakroom space.⁶ American Airlines was the primary airline beneficiary of capital projects completed on concourses B, C, D, and E.

### CLT projects for which American Airlines was the only or primary airline beneficiary

<table>
<thead>
<tr>
<th>Project</th>
<th>Total Contract Amount</th>
<th>Benefit to American Airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport Terminal Renovation Design Services for Concourses A, B, C</td>
<td>$3,272,256</td>
<td>American uses all gates on Concourses B and C, and 4 gates on Concourse A</td>
</tr>
<tr>
<td>Airport Terminal Renovation Design Services for Atrium and Concourses D &amp; E</td>
<td>$1,100,394</td>
<td>American uses all gates on Concourse E, the majority of gates on Concourse D, and sees over 90% of total airport passenger traffic</td>
</tr>
<tr>
<td>Renovations on Concourse C</td>
<td>$825,775</td>
<td>Concourse C is used exclusively by American</td>
</tr>
<tr>
<td>Concourses B Renovations</td>
<td>$13,504,134.20</td>
<td>Concourse B is used exclusively by American</td>
</tr>
<tr>
<td>Concourse C Renovations</td>
<td>$18,986,825</td>
<td>Concourse C is used exclusively by American</td>
</tr>
<tr>
<td>Concourses B and C Ramp Trench Drains</td>
<td>$253,500</td>
<td>Concourses B and C are used exclusively by American</td>
</tr>
<tr>
<td>Concourse E Expansion Phase VIII Design Services</td>
<td>$5,418,266</td>
<td>Concourse E is used exclusively by American</td>
</tr>
</tbody>
</table>
Further Concourse E Expansion and Training Facility | $30,509,000 | Concourse E is used exclusively by American and the training facility was specifically built per American’s request
Concourse E Air Handling Unit Replacement | $782,100 | Concourse E is used exclusively by American
Concourse E Baggage Transfer Facility Design Services | $945,068 | Concourse E is used exclusively by American
Concourse E Ramp Expansion Design Services | $598,489 | Concourse E is used exclusively by American
Concourse E Baggage Transfer Facility and Ramp E Expansion Construction | $26,204,082 | Concourse E is used exclusively by American
East Terminal Baggage Carousel | $603,031.44 | American accounts for 94% of total international passengers
Ramp Sprinkler System | $120,000 | Concourse B is used exclusively by American
American Airlines Storeroom | $152,467 | Storeroom used exclusively by American

**Total Contracts Value:** $103,021,888

Charlotte Plans To Continue Subsidizing American’s Expansion

- City Council plans to spend nearly $1 billion on concourse expansion projects that will benefit American Airlines.

The City of Charlotte is now preparing to spend nearly $1 billion on capital improvement projects at the airport, and American Airlines will benefit more than other airlines. This includes twin projects to expand Concourses B and C (only used by American) which are projected to cost $463 million each, and the phase VIII Concourse E expansion (only used by American) which is projected to cost $47 million. These expansion projects are expected to add between 18 and 22 additional B and C gates as well as 10 additional E gates and increased concessions space. The increase in concessions on Concourse E may result in higher concessions revenues, a portion of which would be paid to American as revenue sharing.

A second phase of expanding Concourse A will soon be underway and is projected to cost $205 million. The project is to add ten new gates and is to be completed by 2022. In 2019, American gained access to four new gates on Concourse A following the first phase of concourse expansion. It is unclear how many, if any, gates on the expanded Concourse A, or the other concourses, will be reserved for American Airlines.
American Airlines and Charlotte’s Planned Expansions

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Year of Completion</th>
<th>Cost</th>
<th>Funding Source</th>
<th>Anticipated benefit to American Airlines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concourse B expansion</td>
<td>8-10 additional gates</td>
<td>2026</td>
<td>$463,000,000</td>
<td>Future airport financing</td>
<td>Use of new gates</td>
</tr>
<tr>
<td>Concourse C expansion</td>
<td>10-12 additional gates</td>
<td>2024</td>
<td>$463,000,000</td>
<td>Future airport financing</td>
<td>Use of new gates</td>
</tr>
<tr>
<td>Phase VIII of Concourse E expansion</td>
<td>10 additional gates and 25,000 sq ft of concessions and support space</td>
<td>2021</td>
<td>$47,000,000</td>
<td>Future general airport bonds and passenger facility charge revenue</td>
<td>Use of new gates and concessions revenue sharing</td>
</tr>
<tr>
<td>Phase II of concourse A expansion</td>
<td>10 additional gates</td>
<td>2022</td>
<td>$205,000,000</td>
<td>Future airport financing</td>
<td>Unknown</td>
</tr>
</tbody>
</table>

Source: Destination CLT, Charlotte Douglas International Airport Newsroom and Charlotte Douglas International Airport, Airport Capacity Enhancement Plan 2015

Charlotte’s Expansion Plans Anticipate American Using a Greater Share of Airport Gates

- Charlotte's 2015 Airport Capacity Enhancement Plan projected that post 2025, American will use 88% of available gates at the airport, up from 82% as of 2020.

CLT’s 2015 Airport Capacity Enhancement Plan states that the airport’s development program through 2033 includes “a new terminal for CLT’s non-hub carriers” and “the expansion of Concourses B, C, and D and redevelopment of Concourse E to accommodate the growth of AA’s hub operation at CLT.” The enhancement plan has seven phases and concludes with American Airlines using a projected 144 out of a total 164 gates. As of November 2019, American was reportedly using 93 out of 114 gates at the airport, 82% of available gates. If development proceeds according to the airport’s 2015 plan and American uses 144 out of a total future 164 gates post 2025, that would be an increase to 88% of available gates.

Charlotte Gives American Millions in Revenue from Airport Parking and Concessions

- The City of Charlotte gave American Airlines $63.5 million of non-airline terminal complex revenue from 2016 to 2018, while giving all other signatory airlines combined $9.3 million.

The City of Charlotte gives forty percent of the “excess non-airline terminal complex revenues,” including money earned from airport parking, restaurants and retail stores, to American, JetBlue, Southwest, Delta and United as per the terms of the Airline Use and Lease Agreement.
In FY2018, the amount distributed to the airlines was $28.36 million, $25.34 million of which went to American Airlines. From FY 2016 to FY 2018, a total of $63.5 million was paid to American, amounting to 87% of all revenue sharing. In contrast, only $9.3 million was paid to all of the other signatory airlines combined in the same period.

This is public money that the airport could otherwise use toward debts or airport improvements, such as increasing public transit infrastructure at the airport or projects that encourage increased competition.

<table>
<thead>
<tr>
<th>American Received 87% of All Revenue Sharing FY2016 - FY2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2016</strong></td>
</tr>
<tr>
<td>American Airlines</td>
</tr>
<tr>
<td>All Other Signatory Airlines Combined</td>
</tr>
</tbody>
</table>

Source: City of Charlotte, North Carolina, Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2016-2018 and Information obtained by public records request

**North Carolina’s jet fuel tax exemption saves American millions**

- Tax breaks on jet fuel that were implemented when airlines were struggling benefit American Airlines at an estimated cost of $27 million per year.

In North Carolina, airlines would pay 7% sales tax on all of their jet fuel purchases if they did not have any tax breaks at all. Instead, they pay no sales tax on their fuel purchases. We estimate the total tax break to be worth approximately $43 million per year to the airline industry, and over $27 million per year to American Airlines in particular.

For many years, the airlines only had to pay sales tax on the estimated amount of fuel burned within the state, rather than all fuel purchased and pumped into their planes in the state. North Carolina was one of only six states that gave this type of tax break as of 2015.

In 2005, when the airline industry was struggling and US Airways had recently gone through bankruptcy, the North Carolina General Assembly added an additional tax break by capping the sales tax on jet fuel at $2.5 million annually. From 2005 through 2015, the state General Fund rebated $76.6 million in sales taxes to US Airways/American Airlines due to the cap.

In 2015, although the airline industry had returned to record profitability, North Carolina replaced the cap with a complete exemption of all airline purchases of jet fuel from sales tax. This total exemption was set to expire in 2020 but the legislature last year approved an extension to 2024.

The state most recently estimated the full exemption to cost the state $16.2 million for Fiscal Year 2019-20. However, this estimate may obscure the true total cost of exempting jet fuel from sales tax. The estimate references a 2015 methodology which assumes an “apportionment percentage” to account for the pre-existing break that, given the total exemption, is no longer relevant.
Instead of spending millions on a tax subsidy for American Airlines, the state could require airlines to pay local jet fuel taxes and use that money to connect the proposed LYNX Silver Line to the airport. This project would benefit Charlotte fliers and American as most passengers at CLT fly American. In November 2019, Charlotte City Council approved a $50 million contract to study the proposed Silver Line project despite there being outstanding questions about whether the project, if approved, could be funded.21

**Charlotte is American’s lowest cost, highest margin hub**

- American Airlines’ cost per enplaned passenger is only $1.26 at CLT – lower than at any of its other hubs.

As of 2018, American Airlines paid only $1.26 in cost per enplaned passenger (CPE) to Charlotte Douglas International Airport. This is not only the cheapest of all American’s hubs, but the cheapest of all large hub airports in the United States. For comparison, the CPE at DFW is $12.90, making Charlotte ten times cheaper than American’s largest hub.

<table>
<thead>
<tr>
<th>American Airlines Hub</th>
<th>Cost per Enplaned Passenger</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLT</td>
<td>$1.2622</td>
</tr>
<tr>
<td>DCA</td>
<td>$11.6023</td>
</tr>
<tr>
<td>DFW</td>
<td>$12.9024</td>
</tr>
<tr>
<td>ORD</td>
<td>$16.8925</td>
</tr>
<tr>
<td>LGA</td>
<td>$19.3326</td>
</tr>
<tr>
<td>JFK</td>
<td>$25.4127</td>
</tr>
<tr>
<td>LAX</td>
<td>$18.2528</td>
</tr>
<tr>
<td>MIA</td>
<td>$8.6829</td>
</tr>
<tr>
<td>PHL</td>
<td>$15.1330</td>
</tr>
<tr>
<td>PHX</td>
<td>$6.2631</td>
</tr>
</tbody>
</table>

*Source: Airport annual financial reports, rating agency reports, and other sources as cited*

In 2018, American announced that it would focus its expansion efforts on its three most profitable hubs – Charlotte, Dallas and Washington. *Forbes* reported in 2018 that Robert Isom, President of American, announced those three hubs produced “pre-tax margins of 13.1%, ahead of the system average of 7.5%.”32 Analysts estimated in 2019 that the operating margin in Charlotte is 14.3%, Washington is 13.6%, and Dallas is 12.7%.33 American’s strong operating margin in Charlotte is contributing to its record profits of $15.8 billion over the past five years.

American’s booming profits, fueled in part by its system-leading low costs and high margin in Charlotte, should cause airport decision-makers to question if American should continue to receive the levels of public subsidies that it currently enjoys.
Charlotte is the only large hub airport with a $3 Passenger Facility Charge

- Charlotte is holding its Passenger Facility Charge at $3, which is $1.50 lower than all other large hub airports in the country.

A Passenger Facility Charge (PFC) is a fee on passenger tickets that is congressionally approved and regulated by the Federal Aviation Administration. Airports use PFC revenue to fund capital improvements, increase airport capacity and efficiency, and enhance airline competition. The current maximum rate is $4.50. Out of the 30 large hub airports in the U.S., 29 charge the full $4.50 – only Charlotte charges less. Every other large hub airport increased its PFC rate from $3.00 to $4.50 between 2001 and 2006. Charlotte has chosen to hold its PFC at only $3.00 since 2004. This means the City of Charlotte gives up $1.50 per passenger ticket and, therefore, sacrifices a reliable and sustainable source of income as well as control the city may exercise over the airport.

Not only is Charlotte the odd one out among large hubs, but it is also among all hub airports. Out of 129 total hubs in the US, only three airports collect below the maximum PFC rate. The other 126 hub airports regardless of size all charge $4.50 per ticket. Orlando Sanford is the only small hub charging $4.00 per ticket, still one dollar above Charlotte. Anchorage is the only airport charging the same PFC rate as Charlotte in the entire country, and it is a medium sized hub.

PFCs can be used on projects that increase competition which would lessen the power of dominant airlines to set prices. Limited gate availability at large hubs such as Charlotte has been estimated to raise airfares by billions each year. If Charlotte Douglas earned more in PFCs, the city could use that money to fund more expansion projects and open the airport to more carriers and competition. Increased competition could lead to lower airfares for passengers.

| Passenger Facility Charges at Large Hub Airports in the US |
|------------------|----------------|
| $3.00  | CLT |
| $4.50  | ATL, BOS, BWI, DCA, DEN, DFW, DTW, EWR, FLL, HNL, IAD, IAH, JFK, MSP, LAS, LAX, LGA, MCO, MDW, MIA, ORD, PDX, PHL, PHX, SAN, SEA, SFO, SLC, TPA |

Source: Federal Aviation Administration Airports, Key Passenger Facility Charge Statistics as of August 31, 2019

Charlotte fliers pay more because of American’s dominance

- American’s market dominance at CLT means Charlotte fliers pay 16% more for domestic flights than the national average, higher than any other American hub.

American Airlines and its affiliates represented 91.1% of the total enplaned passengers at Charlotte Douglas in 2018. Fares are higher for flights originating in Charlotte. The average cost of domestic airfare at CLT in the second quarter of 2019 was $431.99 – 16% percent higher than the national average of $364.41. Airfare at CLT is more expensive than
at all other American Airlines’ hubs. It is also higher than at other airports in the region, including Raleigh Durham International Airport and Hartsfield-Jackson Atlanta International Airport. It has been reported that Charlotte is one of the most expensive airports in the United States. In 2018, the Wall Street Journal reported that low-cost airlines have made few inroads in Charlotte due to what it termed the “American Airlines monopoly,” noting that “Charlotte has avoided actively recruiting new competition” whereas at other airports’ low-cost carriers have contributed to increased competition and thus lower fares.

<table>
<thead>
<tr>
<th>Airport</th>
<th>Average fare</th>
<th>American Airlines Market Share of Passengers at Hubs</th>
</tr>
</thead>
<tbody>
<tr>
<td>CLT</td>
<td>$431.99</td>
<td>91%</td>
</tr>
<tr>
<td>DFW</td>
<td>$411.15</td>
<td>84%</td>
</tr>
<tr>
<td>PHL</td>
<td>$402.98</td>
<td>70%</td>
</tr>
<tr>
<td>JFK</td>
<td>$402.09</td>
<td>12%</td>
</tr>
<tr>
<td>DCA</td>
<td>$385.59</td>
<td>49%</td>
</tr>
<tr>
<td>PHX</td>
<td>$365.41</td>
<td>46%</td>
</tr>
<tr>
<td>LAX</td>
<td>$365.31</td>
<td>19%</td>
</tr>
<tr>
<td>MIA</td>
<td>$353.51</td>
<td>68%</td>
</tr>
<tr>
<td>ORD</td>
<td>$352.80</td>
<td>35%</td>
</tr>
<tr>
<td>LGA</td>
<td>$337.63</td>
<td>27%</td>
</tr>
<tr>
<td>National Average</td>
<td>$364.41</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Bureau of Transportation Statistics and Charlotte Douglas International Airport Revenue Bond Series 2019

Airline catering workers in Charlotte earn less than workers at other American hubs

- Airline catering workers serving American Airlines in Charlotte will be paid as low as $11.00 per hour as of February 28, 2020. Airport concessions workers at CLT are paid as low as $9.85.

Airport workers in Charlotte are among the lowest paid in the airline industry. Airline catering workers employed by LSG Sky Chefs who prepare the food, beverages, and snacks for American Airlines and other carriers earn less in wages than airline catering workers at five other American hubs. As of February 28, 2020, 82% of airline catering workers will make less than $15 per hour, which is below the wage needed for two working adults and two children to meet the minimum standard of living for Charlotte, according to the MIT Living Wage Calculator.

Monthly employee premiums for Sky Chefs’ health insurance plan range from $109 to $506. Out of pocket deductibles cost as much as $1,300 to $4,000 per year. A 2019 survey by UNITE HERE of 40 Sky Chefs employees out of 167 at CLT found a quarter of the workers had no health insurance coverage at all and that 40% of workers relied on government subsidized healthcare for themselves or their families, putting a strain on local and state budgets. Over half of those who do not have the employer health insurance reported that it was because Sky Chefs’ health insurance plans are too expensive. Nearly half of the Sky Chefs workers surveyed have gone to work sick, the majority reporting...
they did so because they could not afford to miss work. While some choose to work six or even seven days to make ends meet, 16% refused overtime because working may put them in danger of their families or themselves losing their government subsidized healthcare.

The situation is similar for concessions workers inside the airport employed by HMSHost. The median wage of hourly non-tipped workers is $11.15 with some earning as little as $9.85 per hour. Ninety-six percent of hourly non-tipped Host workers at CLT make below the wage needed for two working adults with two children to meet the minimum standard of living for Charlotte. As of 2019, only 35% of over 1,200 Host workers had company health insurance. Less than 10% had a child or family member covered. Monthly employee premiums for employer insurance plans range from over $99 to nearly $165 for single plans. For family plans, premiums range from about $320 to nearly $630 per month. This excludes vision and dental insurance which can cost up to $169.03 for families.

Facing poverty wages and unaffordable health insurance, workers must make the impossible choice between their health and their bills. The airline catering and airport food service workers who help make Charlotte one of the most profitable airports for American Airlines have not shared in the airline’s prosperity. Over the past five years, American Airlines made $15.8 billion in profits while its subcontracted catering workers struggle to make ends meet. American Airlines also reaps the benefits of highly profitable concessions at CLT, the revenue of which American receives a portion every year. American Airlines must be held accountable for quality of jobs at Charlotte Douglas Airport.

Questions City Council should ask of American Airlines and Charlotte Douglas Airport Leadership

1. Has the City of Charlotte’s support of American Airlines led to higher ticket prices for passengers?
2. What steps will Charlotte take to increase competition at the airport to reduce high airfares for passengers?
3. How many of the ten additional gates in the Concourse A Phase II expansion will go to American? How many will go to other airlines?
4. Why hasn’t Charlotte increased its Passenger Facility Charge to $4.50 and used the extra money to promote competition, which all other large hub airports in the US have done?
5. Why does Charlotte continue to pay tens of millions of dollars in revenue-sharing from airport parking and concessions to American Airlines during a time of record profitability for American?
6. North Carolina’s jet fuel tax exemption benefits American Airlines. Why should American continue to be exempt from state and local jet fuel taxes? Will American support an amendment to jet fuel tax exemption that would require airlines to prove that subcontracted catering workers earn $15 per hour in order to be eligible for the tax break?
7. If American Airlines paid local taxes on jet fuel, that money could be used to fund the connection of the LYNX Silver Line to the airport, a project that would benefit American as the vast majority of travelers leaving from Charlotte fly American. In the absence of a local jet fuel tax, will American voluntarily contribute to fund the Silver Line connection to the airport?
8. Why are airport food service and airline catering workers paid poverty wages? What steps will American Airlines and Charlotte Douglas International Airport take to ensure that all airport workers have decent pay and benefits so that workers are not forced to rely on public assistance?
Appendix

Airport Terminal Renovations on Concourses A, B, C, D, E and the Atrium

In March 2015, the Charlotte City Council approved a contract for design services to renovate Concourses A, B, and C in the amount of $1,402,000 and a second contract for $1,100,394 for the Atrium and Concourses D and E. In June 2017, City Council approved an amendment to the former contract that brought its total value to $2,882,090 due to a request from American Airlines and the airport. The airline requested larger holdrooms to accommodate passengers for larger aircrafts, and the airport identified a need for additional renovations “including the concourse restrooms, addition of an air handler, generator replacement, and required upgrades to the existing fire sprinkler system.” The Council then approved a second contract amendment in November 2018 to include “sustainability design coordination, design services associated with passenger boarding bridge electrical upgrades, revisions related to the aircraft fuel master plan, and additional construction administration.” This change brought the contract value up to $3,272,256. In August 2017, Council approved an additional contract for Concourse C renovation design services for $825,775.

Projects on Concourses B and C

In June 2017, the council approved a contract for the renovation of Concourse B in the amount of $12,321,925.20, which included “new ceiling systems and lighting, heating ventilation and air conditioning equipment, fire sprinklers, a generator, wall and floor finishes, terrazzo in the passenger circulation areas, and renovation of all restrooms.” In January 2018, the council approved a change order to the existing contract to include a voice evacuation fire alarm system, bringing the total value of the contract up to $13,504,134.20.

In September 2018, the city council approved a construction contract for the C Concourse that included all the same upgrades in the Concourse B renovation contract, which amounted to $18,986,825.

In May 2018, the Council approved a contract costing $253,500 for the design services of a project to replace trench drains on the ramps of both Concourses B and C.

Projects on Concourse E

American has preferential use of all but three out of 42 gates on Concourse E and exclusive use of all office and breakroom space per the 2016 Airline Use Agreement.

Concourse E Expansion Phase VIII Design Services

Concourse E has been constructed in phases since 1999 and opened in 2002. In February 2015, the Council approved a contract in the amount of $372,475 for design services for Concourse E Phase VIII, a 17,000 square foot expansion for additional passenger load, including “additional passenger hold rooms, public restrooms, and passenger loading bridges.” Later that year, Council approved a contract amendment to accommodate American Airlines’ request for the addition of four more gates with holdrooms and support space, increasing the contract amount to $845,205. In 2016, Council approved a second amendment due to American Airlines’ additional requests for “electric baggage tug
chargers, larger preconditioned air conditioning units, passenger boarding bridge foundations, and communications and security enhancements, bringing the contract up to $1,042,975.” In July 2017, the Council approved a third contract amendment for “additional design services to provide sketch options for an additional 10th gate with boarding bridge locations on the north Phase 8 Concourse “E” Expansion, which brought the contract total to $1,087,125. In November 2017, the Council approved a fourth amendment for additional design services “to add approximately 8,200 square feet to Concourse E and an additional aircraft gate, making the contract cost $1,945,391.” In 2018, the Council approved a fifth amendment for “re-design services for the addition of 36,000 square feet at ticketing level, adding a second story office level of approximately 30,000 square feet, and the addition of a 30,000 square feet basement that will allow for storage space to be used by tenants.” In total, five amendments were added to the initial contract, bringing the total cost to $5,418,266.

Further Concourse Expansion and Training Facility
In September 2016, the Council approved a $30,509,000 construction project to expand Concourse E for additional passenger load and construct an Express Training Facility. The airport described the training facility as “a tenant-requested 7,000-square foot addition to Concourse E to provide American Airlines a new break room and training areas that include offices, locker rooms, and restroom facilities.”

In November 2018, the Council approved a $782,100 contract for the replacement of air handling units in Concourse E “needed to accommodate increased passenger traffic.”

Concourse E Baggage Transfer Facility and Ramp Expansion
In February 2015, Council approved a contract for design services for a baggage transfer facility in Concourse E in the amount of $630,828. In April 2015, a $598,489 design services contract was approved for Ramp E expansion and support facilities.

In July 2017, the Council approved a contract amendment costing $229,240 to accommodate American Airlines’ request to relocate maintenance operations space for its regional carriers “in order for their maintenance staff to be closer to the aircraft,” bringing the total value of the baggage transfer facility contract to $945,068.

In September 2016, the Council approved a contract for the construction of the Concourse E baggage transfer facility and the Ramp E expansion and support facilities in the amount of $24,456,007. In September 2018, after construction had begun, the Council approved American Airlines’ request that the building be expanded to include space for their line maintenance programs. This change required the base building to increase by 5,000 square feet, with interior upfit of 3,500 square feet to include work spaces, restrooms, a break room, and storage areas. This change order brought the total value of the contract to $26,204,082.

Other Projects
East Terminal Baggage Carousel
In December 2015, the council approved a $603,031.44 contract for the purchase and installation of baggage claim carousels for international arrivals. In 2018, 94% of total international passengers flew with American Airlines, accounting for approximately 1.5 million passengers as compared to the next largest international carriers Lufthansa and Air Canada which combined accounted for approximately 96,000 passengers.
**Ramp Sprinkler System**

In April 2017, Council approved an agreement for a reimbursement of $120,000 to American Airlines for the design and installation of a fire suppression sprinkler system in “American Airlines’ leased space on the ramp level of Concourse B.”

**American Airlines Storeroom**

In May 2017, Council approved a $152,467 contract for the installation of a new heating ventilation and air conditioning system for American Airlines’ storeroom.

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**Endnotes**

2. See Appendix
15. In 2018, approximately 2.68% of all domestic Available-Seat-Miles (ASMs) flown by U.S. airlines originated in North Carolina (Source: Bureau of Transportation Statistics: Air Carrier Statistics (Form 41 Traffic)- All Carriers (T-100 Segment All Carriers)). In 2018, U.S. passenger airlines spent approximately $23 billion on fuel for domestic operations (Source: Bureau of Transportation Statistics F41 Schedule P12A). We estimate that the percentage of domestic ASMs originating in North Carolina is roughly equal to the percentage of domestic fuel cost attributable to North Carolina. Seven percent sales tax on 2.68% of $23 billion is $43 million. Using the same methodology, approximately 8.6% of American Airlines’ domestic ASM’s in 2018 originated in North Carolina and American Airlines spent $4.6 billion on fuel for domestic operations in 2018, so we estimate the tax break as over $27 million to American Airlines. Fuel for international flights is not included in these estimates because that fuel is generally not taxed per international custom; if it were taxed, the breaks would be even larger.
16. UNITE HERE study; 12billion.org. Washington, Louisiana, New York, New Jersey and Hawaii were the other states at the time.
18. North Carolina Department of Revenue, Sale and Use Tax Business Incentives Refunds Claimed During Calendar Year 2006 (Revised) until Calendar Year 2009 (Revised); Economic Incentive Refunds and Certain Industrial Facilities Refunds Claimed During Calendar Year 2010 (Revised) until Calendar Year 2018, Retrieved: [www.ncdor.gov](http://www.ncdor.gov)

See reference in "Sources" on "2019 Tax Expenditure Database" item 56. See pages 8-9 of the legislative fiscal note for House Bill 117. Retrieved: https://www.ncleg.gov/Sessions/2015/FiscalNotes/House/PDF/HFN0117v5.pdf. It reads, "This estimate assumes an average price of $3 per gallon and an apportionment percentage of 25%. The apportionment percentage is based on the number of miles flown in North Carolina vs. other states and determines the percentage of fuel on which NC tax is paid."


Federal Aviation Administration Approved Locations, Collections, and Expiration Dates as of 31 October 2019.


