Airlines for America®

We Connect the World

Testimony

**The Cost of Doing Nothing: Why Investment in our Nation's Airports Matters**

Statement of Airlines for America (A4A)
For the Hearing Record
U.S. House of Representatives
Committee on Transportation & Infrastructure

**March 26, 2019**

On behalf of Airlines for America (A4A) and the passengers and customers we serve, thank you for the opportunity to submit written testimony to a hearing that is specifically designed to drive an agenda favorable to raising taxes unnecessarily on American families and the traveling public. The witness panel – which overwhelmingly consists of well-funded airports and their advocates – will attempt to make the case for a tax increase in the Passenger Facility Charge (also called the Airport Tax); it is important for the actual facts surrounding airport investment to be part of the record.

If you take one thing away from this testimony, it's that airlines strongly support necessary investments in airports across the country. Airline collaboration has paved the way for widespread airport investment without unnecessarily increasing taxes on passengers.

Airlines believe airport investments are critical in ensuring that our aviation system is developed in a way that supports the incredible economic benefits the aviation industry delivers. The facts clearly show airport development is blossoming – and it is doing so within a multi-tool financing system that easily allows for investment without taxing passengers. If you strip away the airport rhetoric, you will find that there is an overwhelming abundance of available capital at U.S. airports. In reality, airports are collecting record levels of revenue and are well positioned to fund necessary projects. For example:

- Airport revenues are soaring. U.S. airports collected nearly $30 billion in 2017 including:
    - Record high $11.8 billion in airline rents and fees.
    - Record high $10.1 billion in non-airline revenues (e.g., terminal food and beverage, retail and duty free; rental cars; parking and ground transportation; and hotels).
    - Nearly $3.4 billion from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP).
    - Interest/other income of $1.4 billion.

- These numbers should be staggering to the Committee, and they do not even take into account that PFC collections also set a new record in 2017 at $3.3 billion, the highest level in the history of the program. As travel grows, PFC revenue continues to expand and reach new levels. The FAA estimates that PFC collections in 2018 will set a new record of $3.427 billion and another record high in 2019 of $3.6 billion.

- The Airport and Airway Trust Fund (AATF) has an uncommitted balance over $6 billion which is expected to grow year-over-year reaching $9.9 billion in FY2020 alone. It is important to note, and the point can be lost when discussing budget nuances, that the uncommitted balance refers to the balance of funds *in excess* of what has been appropriated by Congress in a given year. Airlines support spending those excess funds in lieu of increasing taxes.

- The AIP program was given an additional $1 billion from the General Fund as part of the FY2018 Omnibus and another $500 million in the most recent THUD bill. The FAA is swimming in federal cash for airport investment, yet we are discussing increasing taxes on the traveling public.

- The story does not end there. U.S. airports are flourishing; airport revenues far outpace inflation. From 2000 to 2017, U.S. airport revenues per passenger grew 47 percent, exceeding inflation. (The U.S. Consumer Price Index rose 42 percent.)

- Airports are also in strong financial positions, according to their own financial reports filed with the FAA, U.S. airports ended 2017 with a record $14.5 billion of unrestricted cash and investments on hand or 381 days of liquidity.

- Airports have asserted that they want a PFC increase to secure long-term funding. PFCs are not, and were never intended to be, the primary funding source for airport projects versus bonds and, to our knowledge, no U.S. airport has been unable to secure bond financing for necessary projects. In fact, the private sector capital markets are quite viable, and all U.S. airports rated by Standard & Poor's and Moody's enjoy investment-grade credit ratings, which ensure ample access to the bond market at preferred rates.

- U.S. airport development is astounding with nearly $165 billion of capital investment at the nation's thirty largest airports, the majority currently underway or yet to begin. These include, for example: new, expanded or modernized terminal facilities at Atlanta, Boston, Chicago (ORD), Dallas (DFW), Denver, Las Vegas, Miami, Honolulu, Houston (IAH), Los Angeles, Newark, New York (JFK and LGA), Orlando, Phoenix, Portland, Salt Lake City, San Diego, San Francisco, Seattle and Washington (DCA). Along with 27 airfield capacity projects at 23 major airports including new runways at Fort Lauderdale, Chicago (ORD), Charlotte, Seattle and Washington (IAD).

- The rate of development is also robust at smaller airports, including, for example, airfield projects at Anchorage, Columbus, Des Moines, El Paso, Manchester, Providence and Sioux Falls and terminal projects at Bangor, Dallas (DAL), Eugene, Grand Rapids, Greenville-Spartanburg, Kansas City, Nashville, New Orleans, Oakland, Pasco, Reno-Tahoe, San Antonio, San Luis Obispo and Wichita.

- Airport investment is similarly strong at cargo facilities including projects in Louisville, Lafayette (Louisiana), Indianapolis, Miami, Newark, Ontario, Rockford and Memphis.

The truth of the matter is that aviation is already overburdened with 17 unique taxes and fees imposed by the federal government. In FY2018 alone, U.S. commercial aviation taxes and fees exceeded $25 billion. Federal taxes and fees account for approximately 21 percent ($64) of the total cost of a $300 domestic one-stop round-trip ticket, putting air travel in the same tax bracket as so-called “sin products” which are taxed to discourage use.

The inconvenient truth for the airport community is that aviation infrastructure funding is solvent, and aviation infrastructure funding is burgeoning. There is absolutely no need to raise passenger taxes by any amount. With record-high revenues, unfettered access to bond markets, a robust AATF and plenty of cash, airports have more than ample funding to address capital needs without an increase in the PFC or any other tax for that matter.

Further to this point, the practice of revenue diversion should be abolished. The fact that over $5 billion has been diverted from airports in the past decade is an indication that localities have other priorities. Before increasing passenger taxes, Congress should spend down the trust fund and put an end to revenue diversion.

Make no mistake; a PFC increase would be a system-wide and permanent tax increase with real repercussions:

- The Government Accountability Office (GAO) has previously pointed to the fact that “Economic principles and past experience dictate that any increase in the price of a ticket—even if very small—will have an effect on some consumers’ decisions on whether to take a trip or not. For example, an increase in the price by a few dollars may not affect the decision of a business flyer going for an important business meeting but could affect the decision of a family of four going on vacation.”

- Not to be outdone, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) determined that an increase in the PFC will, if enacted, reduce federal tax receipts, putting such a proposal in violation of budget rules, both internal to Congress and external via the statutory "PAYGO" process.

Finally, the proverbial ink is barely dry on what was a historic five-year FAA reauthorization bill that provided significant, consistent and stable funding for airports. Just months into that five-year FAA bill, airports are demanding more money under that auspices of “infrastructure reform” – hinged on the concept that they share the same infrastructure challenges as surface transportation on other modes.

Nothing could be further from the truth, per the Congressional Research Service (CRS). Based on current law, a future five-year highway bill would need to cover a projected $68 billion shortfall, and a six-year bill would need to cover and $89 billion shortfall. In an era of multi-billion-dollar highway shortfalls, the stark contrast between yearly highway deficits versus robust and annual multi-billion-dollar unobligated AATF balances should be eye-opening to the member of this Committee and Congress as a whole.

We will conclude like we began, airlines strongly support necessary investments in airports across the country. We are committed to airport infrastructure projects and believe they can easily be done without increasing taxes. Despite the hyperbole, the facts clearly show there is not a funding crisis at our nation's airports, and the "Cost of Doing Nothing" will be stable and robust airport investment without increasing taxes on the traveling public.