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Testimony

FAA REAUTHORIZATION: AIRPORT ISSUES AND INFRASTRUCTURE FINANCING

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BEFORE THE
UNITED STATES SENATE COMMERCE COMMITTEE**

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Thank you for the opportunity to participate in the Committee's examination of airport financing as part of your deliberations on the next Federal Aviation Administration (FAA) reauthorization. I'm not sure if it was planned this way, but it is very apropos we are having this discussion one week after tax day.

If you take one thing away from this hearing, we want you to know that airlines strongly support necessary investments in airports across the country. These investments are critical in ensuring that our aviation system is developed in a way that supports the incredible economic benefits the aviation industry delivers.

In fact, airlines and airports have a history of partnering on significant improvements. Since 2008, over \$70 billion of capital projects have been completed, are underway, or have been approved at the nation's 30 largest airports alone, and development is robust at smaller airports across the country as well. This funding enabled new runways and terminals, better facilities and more amenities for passengers. All of this investment has occurred without any new taxes.

Given the current abundance of resources in the aviation system, it takes a bit of chutzpah for our airport partners to advocate for a historic tax hike on the traveling public through a nearly 90 percent increase in the PFC airport tax. It simply is not necessary since significant airline investments combined with the existing streams of resources and funding provide airports with the funds for improvement projects needed today and in the future.

The fact is that airports across our country are in a very strong financial position and already receive billions of dollars from passengers and the government alike. In 2013, U.S. airports collected a record \$24.5 billion in revenue – a 52 percent increase on a per passenger basis from 2000 – including \$10 billion in airline rents and fees, \$2.8 billion from existing PFCs, \$8.2 billion in non-airline revenues and \$3.4 billion from the FAA's Airport Improvement Program (AIP). The data clearly shows that projects can easily be done without raising taxes on passengers.

According to their own financial reports filed with the FAA, U.S. airports have more than \$11.4 billion of unrestricted cash and investments on hand, or approximately 357 days of liquidity. I am not aware of many businesses, much less families that have the luxury of having a year's worth of operating expenses saved up. If airports need more money, they can easily utilize the bond market to raise revenue. With investment-grade credit ratings, airports can obtain



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inexpensive financing, which is a much better alternative than Congress increasing taxes on passengers.

There's another aspect of the aviation system's resources that's notable. While the Highway Trust Fund is bankrupt and needs to be replenished, the Aviation Trust Fund is at its highest level since 2001, with an uncommitted balance of \$6 billion, leaving the AIP program stable and secure to provide ample funding for airport projects. In 2014 PFC revenue reached \$2.8 billion, which is close to the all-time high set in 2006. This is at a time when the current activity levels at U.S. airports still remain below the peak set in 2007 – airline operations and passengers for the most recent 12 months are down 16 percent and 2 percent respectively as compared to 2007 levels. Again, projects can easily be done without raising taxes on passengers.

We would also like the Committee to step back and take a look at the big picture. Too often, the airport community focuses the discussion on their sole aspiration of increasing PFCs without looking at the overall taxation level of U.S. airlines and their passengers. While it is easy to get caught in that vacuum, it is our hope that you recognize air travelers are already overburdened with government-imposed taxes and fees. In fact, the U.S. aviation industry and its customers already pay \$20 billion in 17 unique taxes and fees imposed by the federal government. Federal taxes and fees account for \$63 on a typical domestic round-trip ticket of \$300 – approximately 21 percent of the total cost going to taxes and fees – putting air travel in the same tax bracket as “so-called” sin products, which are taxed to discourage use.

Make no mistake; a PFC increase would be a system-wide and permanent tax increase with real repercussions. Even a \$1 increase in the PFC would cost passengers an additional \$700 million annually; increasing the PFC to \$8 or higher would cost in excess of \$2.5 billion annually. With airport funding at historic levels, we simply should not be increasing this already large tax burden.

With that said, we do not want you to get the impression that we do not support our airport friends in other ways. While airlines are sensitive about the implications of bond funding because we pay the rents and fees airports use to back the bonds, we intentionally prefer this payment mechanism because, while an expense, it avoids the harmful effect on demand that additional passenger taxes produce.

Additionally, utilizing the bond market brings discipline to airport development scoping and encourages the pursuit of projects that are economically sustainable, thereby discouraging unnecessary and inefficient projects. To that end, we also encourage Congress make permanent the tax-exempt status of airport bonds. This is something I think both airlines and airports could agree on and the outcome is clearly in the public interest, while another airline passenger tax increase is not.

Thank you for allowing us to testify on behalf of our member companies and our customers. I will conclude like I 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.