

**SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION:
QUESTIONS FOR THE RECORD**

**HEARING ON
FAA REAUTHORIZATION: PERSPECTIVES ON IMPROVING AIRPORT
INFRASTRUCTURE AND AVIATION MANUFACTURING
MARCH 23, 2017**

**Written Questions Submitted to Ms. Rhonda Hamm-Niebruegge, Executive Director,
St. Louis Lambert International Airport**

Submitted by Senator Fischer

Question 1. How would you address the very serious concern that a PFC increase places a higher burden on passengers from rural and smaller communities in our country, who often have to fly multiple-leg journeys to get to their destination? Ultimately, rural Americans would pay higher PFC's than Americans living near large-city airports with many direct flights.

Answer. Increasing or eliminating the PFC statutory cap to fund much needed airport safety, security, and capacity infrastructure projects does not necessarily mean that rural Americans would pay higher PFCs than those living near large-city airports. First, just because the PFC statutory cap is increased or eliminated does not mean that airports, particularly large and medium hub airports that serve connecting passenger, will increase the PFCs they charge. Hub airports compete with each other for passengers and service. If St. Louis were to raise its PFCs too high, it would lose connecting passengers to perhaps Chicago Midway or DFW. Eventually, once enough connecting passengers begin to avoid St. Louis, airlines will reduce or eliminate service through St. Louis and use other less expensive hubs. And for hub airports, losing a passenger is more than just losing the PFC income from that passenger; it also means losing concession revenue and, ultimately, risking the reduction or loss of airline service.

Second, while PFCs are included in the ticket prices, it does not mean that higher PFCs result in higher ticket prices. Airlines compete with each other, and price their tickets pragmatically, based on what the market will bear. A higher or lower PFC at any particular airport does not mean a correspondingly higher or lower ticket price. This was most vividly demonstrated in 2011 when the Federal Aviation Administration budget authority expired and with it, also the authority for airlines to collect excise taxes on tickets. From July 22 until August 7 of that year, the airlines did not collect excise taxes. But, for the most part, ticket prices did not change. Instead, as it was widely reported at the time,¹ most airlines simply raised the "air fare" component of the ticket price by roughly the same amount that they would have remitted to the federal government had the excise taxes not expired. In other words, the market price of tickets did not change; the airlines continued charging what the market would bear and pocketed the tax savings. As airlines compete with each other,

¹ See e.g., Jane Engle, *Airline ticket tax holiday is windfall – for airlines*, L.A. Times, July 23, 2011; and Joe Sharkey, *A Bonanza for Airlines as Taxes End*, N.Y. Times, July 25, 2011.

through different hubs, the prices they charge for tickets are a function of the other choices passengers have, not the level of PFCs at different airports.

Lastly, increasing or eliminating the PFC cap would directly benefit passengers at smaller, rural airports in Nebraska and elsewhere. Providing new funding resources would allow hub airports that are currently space constrained to build new essential facilities, including new gates, which, in turn, should lead to more air service options to a wider variety of destinations.

All of these factors suggest that higher PFCs would not necessarily impose an undue burden on travelers from rural America. On the contrary, having a mechanism to fund much needed airport infrastructure projects should benefit the entire Nation and all passengers alike – both rural and urban.

Question 2. Ms. Hamm-Niebruegge, last year in the Senate FAA bill, I advocated for expanding the critical resources provided by the Airport Improvement Program. Although the extension bill did not include these provisions, I was pleased that it included provisions to protect the AIP funding for small airports like Scottsbluff, Nebraska. Fortunately, our Airport and Airways Trust Fund faces a surplus, something not many areas of our government can say. Can you please tell us how important it is that Congress continue to support a robust AIP program for all airports across our country?

Answer. As you know, the Airport Improvement Program provides federal grants to airports for projects that enhance safety, capacity, security, and address environmental concerns. The program has a proven, decades-long record of success. It is funded entirely by users of the aviation system through various taxes that are deposited into the Airport and Airway Trust Fund. No general fund revenues are appropriated to fund the program.

AIP grants are of critical importance to airports of all sizes, but play a crucial role in funding infrastructure upgrades at smaller airports that often are limited in their ability to raise revenue and access capital markets to finance necessary improvements.

The distribution of AIP funds among national system airports is based on a combination of formula apportionments (often referred to as “entitlements”) that take into account the number of passengers and amount of cargo at each airport, and discretionary grants that FAA awards for selected eligible projects. Under current law, whenever the program’s total annual appropriation is \$3.2 billion or more, the amount of entitlement grant funding distributed to all primary airports is doubled, and non-primary airport entitlements are created from state apportionments. Also, since 2000, large and medium hub airports that collect PFCs have had their AIP entitlement funding reduced – if collecting a PFC of \$3 or less, by 50%; if collecting a PFC of \$4 or \$4.50, by 75%. Most of these reductions are then redistributed to smaller airports.

I am a strong advocate for reauthorizing a robust AIP program that will benefit all airports. The airport I manage in St. Louis, Missouri, relies on the great network of airports served by our airlines, including small Essential Air Service airports in Arkansas, Illinois, Kentucky, Missouri, and Tennessee. Without spoke airports like the Western Nebraska Regional Airport in Scottsbluff, Nebraska, hub airports like St. Louis would not exist as they are today.