November 27, 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Patrick Leahy
Vice Chairman
Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Susan Collins
Chairman
Subcommittee on Transportation-HUD
HUD Committee on Appropriations
United States Senate
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation-
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Chairmen Cochran and Collins, Vice Chairman Leahy, and Ranking Member Reed:

In a recent misleading and inaccurate letter, Airlines for America (A4A) criticized a modest, long overdue, bipartisan proposal that would allow airports to finance critical infrastructure projects, enhance safety, promote airline competition, and accommodate rising demand – all things that benefit the traveling public. On behalf of airports and travel-related companies around the country, we are writing to set the record straight and respectfully renew our request that you adopt a fiscally-responsible proposal that empowers local authorities to adjust an airport fee known as the Passenger Facility Charge (PFC).

The Senate version of the Fiscal Year 2018 Transportation, Housing and Urban Development, and Related Agencies appropriations bill (S. 1655) includes a proposal that would raise the outdated federal cap on local PFCs form $4.50 to $8.50 for originating passengers. The modest plan put forward by Chairman Susan Collins (R-ME) and Ranking Member Jack Reed (D-RI) would keep the current cap in place for connecting passengers, who often originate in smaller communities.

First and foremost, <u>PFCs are not taxes</u> no matter how many times the airlines claim that they are. PFCs are local user fees that airports rely on to help defray the costs of building airport infrastructure that benefit the airlines and our passengers. Moreover, PFCs are imposed by states or units of local government. PFCs are not collected by the federal government, not spent by the federal government, and not deposited into the U.S. Treasury.

We have a great deal of respect for our airline partners. We also understand their strong desire to retain the status quo, which would prevent airports from building facilities that increase competition and help drive down prices for our passengers. Despite the airlines' misleading claims and accusations of being treated unfairly, the modest PFC proposal in the Senate bill is both necessary and supportable.

Last adjusted 17 years ago, an increase in the federal PFC cap is long overdue. Allowing airports the option to pursue a slightly higher local fee for some passengers would reduce the strain on limited federal resources at a time when airports need additional revenue to pay for a growing list of critical infrastructure projects. Airports have $100 billion in capital needs over the next five years – or approximately $20 billion annually. That is three times the $6.4 billion that airports received in PFC revenue and federal Airport Improvement Program (AIP) funds last year.

The airlines seem to suggest that airports should simply take on more debt and issue more low-interest bonds to meet their growing infrastructure development needs. Airports are already highly leveraged with debt, and it is possible that airport bond financing costs may rise dramatically soon. The House-passed version of the Tax Cuts and Jobs Act calls for completely eliminating Private Activity Bonds and advance refunding for governmental bonds.

The Senate version of the tax reform bill also proposes to repeal advance refundings, which allow airports to take advantage of lower interest rates and refinance their debt. The very real possibility that one or both of these proposals could be enacted into law underscores the need for Congress to adjust the PFC cap and allow airports to generate more revenue from local fees.

Our airline partners are also trying to make the case that giving local airport authorities additional PFC flexibility would have an adverse impact on the economy, passengers, and small communities. But building more facilities and modernizing current infrastructure would increase capacity, reduce delays, support more jobs, and help our economy – not hurt it. The American economy simply cannot afford more delays and increased costs in making these much-needed infrastructure improvements at our airports.

The Senate proposal would also mitigate the impact on small communities by allowing airports to collect additional fees on originating passengers only. So, it would not penalize travelers from smaller and less populated communities who are often forced to change planes at connecting airports because of the carriers' hub and spoke system. Additionally, the Senate bill would recalibrate the federal AIP funding so that large airports that choose to increase their PFC would forgo some AIP funding to the direct benefit of smaller airports. That's why we believe this is fair and balanced approach that would benefit large and small airports alike if they so choose.

The airlines try to argue that a $4 PFC increase would lead to sky-is-falling consequences. But the claim is undercut by the fact they charge passengers $25 or more to check their bags and $200 to change their reservations. The Government Accountability Office reported that airlines collected about $7.1 billion from bag fees and reservation change fees in 2016. That is more than twice as much as airports collected from local PFCs in the same year and more than airports collected from PFCs and received in AIP funding.

A4A is again suggesting that airports should collect PFCs themselves – something they routinely trot out. Unless and until the airlines are willing to grant airports access to their vaunted computer reservation systems, this "suggestion" of self-collection is simply a head fake designed to change the subject. For now, the existing system in which PFCs are collected by the airlines and remitted directly to the airports on a monthly basis minus a handling fee of $0.11 is the most efficient way of administering this highly effective program. The airlines actually make well over $80 million per year in PFC handling fees.

Large and small airports as well as the broader travel and tourism community strongly support the modest PFC plan in the Senate bill. We urge you to include the Collins-Reed proposal in the final FY18 appropriations bill. If enacted into law, this bipartisan plan would provide airports with additional, optional flexibility and help them meet their critical infrastructure needs. For more facts to dispel the myths being spread by the airline, please see the attached document.

Thanks for your consideration.

Sincerely,

Todd Hauptli	Kevin Burke	Roger J. Dow
President and CEO	President and CEO	President and CEO
AAAE	ACI-NA	U.S. Travel Association

CC: Majority Leader Mitch McConnell
Democratic Leader Charles Schumer