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COMPETITIVE ENTERPRISE INSTITUTE
Advancing Liberty from the Economy to Ecology

November 30, 2017

The Honorable Rodney Frelinghuysen
Chairman
Committee on Appropriations
United States House of Representatives
2306 Rayburn House Office Building
Washington, DC 20515

The Honorable Thad Cochran
Chairman
Committee on Appropriations
United States Senate
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Nita Lowey
Ranking Member
Committee on Appropriations
United States House of Representatives
2365 Rayburn House Office Building
Washington, DC 20515

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

Dear Chairmen Frelinghuysen and Cochran, Ranking Member Lowey, Vice Chairman Leahy, and members of the House and Senate Committees on Appropriations:

We the undersigned write to you today to dispel myths surrounding a proposal to increase the current airport passenger facility charge (PFC) cap from $4.50 to $8.50.

Airlines and their allied organizations have claimed that raising the PFC cap amounts to a tax increase. The PFC is a user fee. Passengers who pay the fee directly benefit from infrastructure improvements made possible by the fee revenue. And, unlike federal taxes, PFC revenue is collected at the local airports, never touching the federal treasury, and is only available for narrow, statutorily-defined airport facility improvements.

But even if the PFC was incorrectly considered to be a tax, simply increasing the statutory cap on allowable PFCs would still not constitute a tax increase. If locally controlled airports wish to increase the PFC, they must seek Federal Aviation Administration approval, and potential PFC-eligible projects are very limited by statute.

We must find a better way to ensure adequate airport investments in this country, and it’s up to Congress to make that possible. Under current law, the PFC is the only viable alternative to taxpayer-funded Airport Improvement Program grants, which also have the unfortunate effect of increasing federal meddling in local airport investment decision-making. In short, the PFC is most accurately viewed as both an airport self-help measure and a fairer policy for U.S. taxpayers.

The underlying problem with the PFC is that Congress failed to allow the cap to increase with inflation over the years. Last raised in the year 2000, inflation has eroded the PFC's buying power by nearly half. Airlines and their allies have argued that airports are sitting on large cash reserves and have sterling credit ratings, so increasing PFCs is unnecessary. But cash reserves—rainy day funds—are required by credit rating agencies. As anyone who has run a business knows, it is unwise to raid rainy day funds to pay for normal and predictable business activities. Airports are increasingly reaching their debt limits and an increase in the PFC, which can be used to back revenue bonds, can allow airports to re-enter the credit markets to finance airport improvements.

Allowing airports greater freedom to determine their local revenue streams would also enhance competition. When airports are constrained in raising their own revenue, they must often turn to their airline customers to finance needed airport facility enhancements. In exchange, airlines often demand long-term, exclusive-use gate leases, which are then used to deny access to competing carriers. The Reagan administration, which first developed the PFC concept, touted the pro-competitive benefits of PFCs over status quo funding mechanisms. As a result of limited gate access, American travelers needlessly pay billions of dollars in higher airfares every year.

Ultimately, Congress should consider eliminating the PFC cap entirely or, ideally, repealing the Anti-Head Tax Act of 1973 that led to the PFC's development in the Reagan and Bush administrations. But there appears to be little appetite in Washington to undertake ambitious airport financing reform. For now, the modest PFC cap increase in the Senate's Transportation, Housing and Urban Development appropriations bill is a positive step in the right direction and one badly needed to ensure America's airports are modernized for the 21st century.

We urge members of the House and Senate Committees on Appropriations to reject the claims that falsely equate the PFC user fee as a tax and to support any effort to increase local airport self-help and true relief to federal taxpayers.

Sincerely,

Marc Scribner
Senior Fellow
Competitive Enterprise Institute

Thomas A. Schatz
President
Council for Citizens Against Government Waste

Jason Pye
Vice President for Legislative Affairs
FreedomWorks

David Williams
President
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