May 8, 2019

Dear Members of Congress,

We write to you today to dispel myths surrounding the airport passenger facility charge (PFC).

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

But even if the PFC was incorrectly considered to be a tax, simply increasing or eliminating 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 (AIP) grants, which also have the unfortunate effect of increasing federal meddling in local airport investment decision-making. The resulting lack of flexibility needlessly raises costs.

Empirical research has found that PFC use is associated with increased airport productive efficiency while AIP use has a negative correlation. An airline proposal to direct some share of the unobligated balance of the Airport and Airway Trust Fund into AIP would merely compound the existing problems of AIP funding. In short, the PFC is most accurately viewed as both an effective 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 to maintain those sterling credit ratings.

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, could allow airports to re-enter the credit market 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, lower-cost 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 pay billions of dollars in higher airfares every year—fare hikes that dwarf total annual nationwide PFC collections.

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. We urge members of Congress 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,

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