October 16, 2019

Dear Members of Congress:

We write today in support of the bipartisan effort to modernize the Passenger Facility Charge (PFC). The PFC is a local airport user fee that serves as an important revenue tool that offers greater flexibility over the PFC's primary alternative, Airport Improvement Program (AIP) grants.

When Congress established the PFC in 1990 and imposed a maximum cap of $3, it required large airports to forgo 50 percent of their AIP entitlement grants if they charged the maximum PFC. When Congress raised the PFC cap to $4.50 in 2000, it increased that AIP entitlement grant turn-back to 75 percent.

Although Congress has allowed the PFC cap to languish under steady inflation for two decades that has now significantly eroded the PFC's purchasing power, it has provided academic researchers with a trove of data to analyze the impacts of more flexible PFC use vis-à-vis less flexible AIP use. Empirical studies have found that PFC use is positively associated with greater airport productive efficiency, while the opposite is true of AIP grant use. The upshot is that not only does the PFC provide airports a badly needed local revenue source, it also offers far more bang for the buck when compared to conventional federal aid under AIP.

In addition to supporting local airport self-help, the PFC was designed to promote airline competition and reduced airfares for consumers. Beginning in the 1950s, airports without sufficient means to expand or modernize their facilities on their own would turn to their airline customers for financial support. The airlines obviously wanted something in return and what resulted was a proliferation of long-term exclusive- and preferential-use gate leases, which incumbent carriers would then use to deny airport access to competing low-cost carriers.

Limited gate access at hub airports has been estimated to raise consumer airfares by $5.72 billion in 2018 dollars each year, dwarfing total annual PFC collections of $3.51 billion in 2018. As the Congressional Research Service has noted, the PFC's added flexibility has led to it being used largely for landside airport projects such as adding gates and modernizing passenger terminals. AIP by law cannot be used for gate expansions or most passenger terminal projects at large airports, so those grant funds mostly end up supporting airside projects such as runways and taxiways that do little to improve airline competition and promote lower airfares for consumers.

The benefits of the PFC compared to federal AIP grants and the tens of billions of dollars in unmet airport infrastructure needs has led to many of America's largest airports to offer to give up all AIP grant support in exchange for eliminating the federal price control on PFCs. Legislation first introduced by Reps. Peter DeFazio (D-OR) and Thomas Massie (R-KY) in 2017 would have done just that.

This bill was recently reintroduced by Reps. Massie and Earl Blumenauer (D-OR) as H.R. 3791, the *Investing in America: Rebuilding America's Airport Infrastructure Act*. H.R. 3791 would eliminate the cap on the PFC, but require large airports charging more than $4.50 to forgo 100 percent of their AIP entitlement grants. It would also proportionately reduce AIP's total authorization by $400 million per year, simultaneously promoting more badly needed airport investment while reducing federal spending.

We strongly urge you and your colleagues in Congress to seriously examine this sensible bipartisan legislation and undertake the necessary reforms to finally bring America's aviation system into the 21st century.

Sincerely,

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