REJECT THE PFC INCREASE

PFC: The Facts behind the Proposed Increase

MYTH VS FACT

Most airports across the country are urging Congress to increase the current Passenger Facility Charge (PFC) of $4.50 by nearly 90 percent – to $8.50. This tax increase would mean real dollars for real families at a time when air travelers are already burdened by numerous government-imposed taxes and fees, and could prevent some from visiting relatives and taking vacations.

In fact, nearly two-thirds of voters view the PFC as a tax and prefer that the government put a greater priority on improving roads and bridges, infrastructure that is more in need of additional funding.

The simple truth is that there isn't a crisis in airport funding – U.S. airports are well-positioned to address capital needs with existing revenue streams.

MYTH
Local communities need a modernized PFC to meet their infrastructure needs.

FACT
The current PFC is generating record revenue for airports – there is no need to "modernize" it on the backs of passengers.

2014 PFC revenue remained strong at $2.8 billion, showing that the PFC at it's current level is already a strong revenue generator for Airports. Consequently, over the past six years, there has been an increase in airport improvement projects, and the airlines have worked collaboratively with airports to fund these necessary projects.

Since 2008, more than $70 billion in capital improvement projects have been completed, are underway or have been approved by U.S. airlines and their airport partners at the country's largest 30 airports, including new runways at Fort Lauderdale, Chicago (O'Hare), Washington (Dulles), Seattle and Charlotte, new international facilities at Atlanta and Los Angeles and several new renovated terminals, including Miami, Las Vegas, Houston and San Francisco.

Development is also occurring at smaller airports, including runway projects at Erie, Dayton and Sioux Falls and terminal projects at Greenville-Spartanburg, Portland (Maine), Wichita and Reno-Tahoe. In addition, airlines themselves have invested in the overall customer experience – in the air, on the ground and online – at a rate of more than $1 billion per month, the highest level in 13 years.

MYTH
Passengers can easily afford a PFC increase.

FACT
If the airports get their tax increase, a family of four taking one round trip could pay up to $136 ***just in airport taxes***. This $64 increase is equal to dinner at a restaurant, a tank of gas or a pair of new shoes.

American consumers are overburdened with federal taxes and fees. Today, the U.S. aviation industry and its customers are subject to 17 unique taxes and fees imposed by the federal government, which totaled a record high of $20.5 billion in 2014. Specifically, federal taxes and fees constitute nearly $63 on a typical $300 domestic one-stop, round-trip ticket – approximately 21 percent of the total cost.

> Even the smallest increase in airline ticket costs has a negative effect on an individual's travel decisions. Every $1 increase in the PFC cap would cost airline passengers an additional $700 million annually.

MYTH

Airports lack the resources they need for necessary improvement projects.

FACT

There simply isn't a crisis in airport funding. Airports are flush with cash and already receive billions of dollars from both passengers and the government.

Airports enjoy a variety of funding sources for improvement projects. Airports have investment-grade credit, are financially sound and have ample access to the bond market to raise money.

Airports are well-positioned to address capital needs with existing revenue streams. In fact, U.S. airports collected $24.5 billion in revenue in 2013 – a 64 percent increase from 2000 – from airline rents and fees, non-airline revenues (terminal food and beverage locations, retail stores, rental car companies, parking and ground transportation and hotels), the Airport Improvement Program (AIP) and the PFC.

Revenue sources are plentiful with 2014 PFC revenues remaining strong at $2.8 billion. Additionally, there is an uncommitted balance of $6 billion in the Airport and Airway Trust Fund (AATF) – the highest level since 2001.

Aside from revenues generated from federal taxes and fees, U.S. airports have more than $11.4 billion of unrestricted cash and investments on hand, according to their own financial reports filed with the FAA.

In short, funding for airport projects is secure today, and well into the future.

MYTH

Consumers believe that an increase in the PFC is worth it because of the need for infrastructure like highways, roads, bridges and airports.

FACT

Travelers understand the distinction between airport funding and highway/bridge funding.

Given a choice, 89 percent of the public would rather the government prioritize improving roads and bridges than improving airports, and the majority (88 percent) thinks roads and bridges are most in need of federal funding.

The Highway Trust Fund, unlike the AATF, is facing an emergent shortfall, which the public recognizes.

Airports collect billions from airlines, retail tenants, the government and passengers. In 2013, alone, U.S. airports generated $24.5 billion in revenue – a 64 percent increase from 2000 – from a number of sources, including:

- $10 billion in airline rents and fees.
- $8.2 billion in non-airline revenues (restaurants, retail stores, rental car companies, etc.).
- $3.4 billion from the AIP.
- $2.8 billion-plus from PFCs.

Airports can also turn to bonds to raise revenue. All U.S. airports rated by Standard & Poor's enjoy investment-grade credit ratings, which ensure ample access to the bond market.

MYTH

Without an increase in the PFC, the AATF will dry up.

FACT

AATF revenues have been growing and will continue to grow. Also, airports are extremely well-financed, have healthy balance sheets and maintain large reserves.

With an uncommitted balance of $6 billion in the AATF - the highest level since 2001 - funding for the AIP is secure and will continue to provide funding for airport projects. According to their own financial reports filed with the FAA, U.S. airports have more than $11.4 billion of unrestricted cash and investments on hand, or approximately 357 days of liquidity.

In December 2014, the U.S. Government Accountability Office found that increasing the PFC cap would slow passenger growth and reduce revenues in the AATF. This implies that further increases in government-imposed taxes and fees would lower airline revenue, dampen demand for air travel and reduce U.S. economic activity.

Airports already receive billions of dollars from passengers and the government alike, and are expected to collect billions more in the future. 2014 PFC revenue remained strong at $2.8 billion, making it a strong source of revenue for U.S. airports.