




MODERNIZING THE PASSENGER FACILITY CHARGE: THE KEY TO TRANSFORMING AMERICA'S AIRPORTS FOR A COMPETITIVE 21ST CENTURY



March 2015



Transforming
America's
Airports

ABOUT AIRPORTSUNITED

AirportsUnited is a collaborative effort between Airports Council International – North America (ACI-NA) and the American Association of Airport Executives (AAAE) advocating for federal policies that strengthen our nation's aviation infrastructure to meet the needs of today and the challenges of tomorrow. Together with our growing coalition of industry partners, AirportsUnited showcases the unity and resolve of airports across the country to enact our core policy goals, especially as we prepare for the upcoming FAA reauthorization debate in Congress. It also provides a platform for partners in our coalition to contact members of Congress and collectively lend their voices to our effort. Airports, contractors, vendors, retail establishments, restaurants, businesses, tourism groups, municipalities, and states all have a vested interest in ensuring that airports remain strong economic engines and job centers for their local communities. We have a great story to tell, and united we can share it. >>



INTRODUCTION

Airports are more than gateways to travel. Airports are gateways to economic opportunity. Just last year, America's airports generated more than \$1.1 trillion dollars in economic activity – 6.5 percent of the country's GDP – and supported more than 9.6 million jobs. As demand for travel continues to climb, the sky is the limit.

But our nation's airports – and our leadership position in the global aviation system – are at risk of falling behind. U.S. airports need new infrastructure investments to modernize for 21st century air travel demands.

This overview survey will help highlight the need for a wide variety of airport improvement projects, using examples gathered from airports across the United States that show how currently limited financing options are preventing airports of all sizes from moving forward with much-needed projects. >>

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“TODAY, WE HAVE THE BUSIEST AVIATION SYSTEM IN THE WORLD. FIFTY MILLION FLIGHTS AND 800 MILLION PASSENGERS TRAVERSE OUR SKIES EVERY YEAR. IN THE NEXT DECADE OR SO, OUR SYSTEM IS EXPECTED TO BE MOVING ONE BILLION PASSENGERS ANNUALLY... AS THE NUMBER OF PASSENGERS GROWS OVER THE COMING YEARS, AMERICANS STAND TO LOSE MORE TIME AND MONEY TO DELAYS.”

Rep. Bill Shuster (R-Pa.)

Chairman

House Transportation and Infrastructure Committee

February 24, 2015

UNDERSTANDING THE SCOPE OF AIRPORT CAPITAL IMPROVEMENT PROJECTS

Airport capital improvement projects are complex undertakings that involve airport, airline, aviation, and non-aviation stakeholders. At their core, airport capital improvement projects are designed to add capacity for growing passenger and cargo demand, rehabilitate aging infrastructure, comply with federal and local design standards, enhance the safety and security of the traveling public, provide opportunities for new and competitive air service, protect the environment, and accommodate aircraft innovation.

The successful completion of these airport improvement projects will help increase airport operational efficiency. Such efficiencies benefit all airport stakeholders,

including our airline partners, by reducing operating expenses. Safety and security enhancements are paramount. Additionally, airport improvement projects provide opportunities for airports to enhance competition, which can lead to additional service options and lower airfares.

Airports' vision is to connect local communities with global destinations, enabling travelers to spend time with their families and grow their businesses. The key to our success is investing in airport infrastructure. Without the completion of needed airport improvement projects, U.S. aviation leadership will be diminished and we will lose our status as a business and tourism destination. >>

UNDERSTANDING THE FINANCING CHALLENGE

Although the need for airport improvement projects is clear, airports are not able to fulfill needed capital improvements without modernizing the way we finance such projects.

According to the latest 2015 ACI-NA Capital Needs Study, airport capital requirements for the next five years total more than \$75.7 billion. That is more than \$15 billion a year in needed projects.

Currently, there are several mechanisms that fund airport capital improvement projects, including Airport Improvement Program (AIP) grants and locally set Passenger Facility Charge (PFC) user fees.

Airports also utilize bonds – often repaid with PFC revenue – as a financing mechanism to facilitate airport improvement projects.

It is important to note, however, that bonds are not a revenue source, and instead are simply a financing mechanism that must be repaid. As a result, many airports – even those with strong credit ratings – have reached their debt capacity and either cannot finance new projects or have had to phase in their projects over a longer timeframe, increasing the costs and delaying the benefits for passengers.

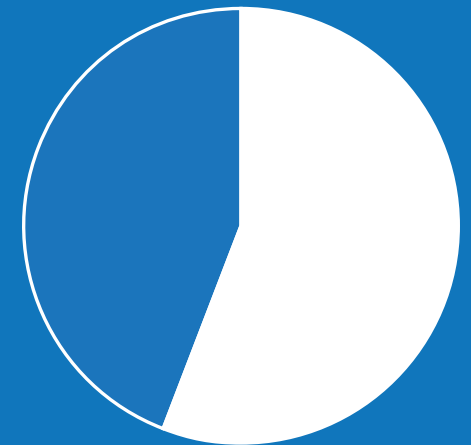
UNDERSTANDING THE FINANCING CHALLENGE

In 2013, airports collected \$2.8 billion in PFC revenue. With more than \$15 billion in annual capital needs, current PFC revenue only scratches the surface of airport funding requirements. On top of that, the purchasing power of the PFC has declined by nearly half because it does not keep pace with inflation. This has exacerbated the airport funding challenge.

When airports are not able to keep up with passenger demands, they fall behind. The following examples highlight just some of the capital needs at airports across the country, the challenges airports face, and how modernizing the PFC cap would help them finance crucial safety, security, and capacity projects. >>

MEETING CAPACITY DEMANDS

In 2014, more than 750 million passengers traveled through U.S. airports. Over the next 20 years, the Federal Aviation Administration (FAA) estimates enplanements will grow to more than 1.14 billion. At the same time, the FAA anticipates cargo traffic will double to more than 80 million revenue ton miles. To accommodate increased passenger and cargo demand, airports must keep a constant eye on the future and ensure their facilities are able to accommodate increased growth. >>



**MORE THAN 56 PERCENT OF CAPITAL
IMPROVEMENT NEEDS IDENTIFIED
IN THE 2015 ACI-NA CAPITAL NEEDS
STUDY ARE TO MEET CAPACITY
GROWTH AND ACCOMMODATE
AIRCRAFT INNOVATION.**

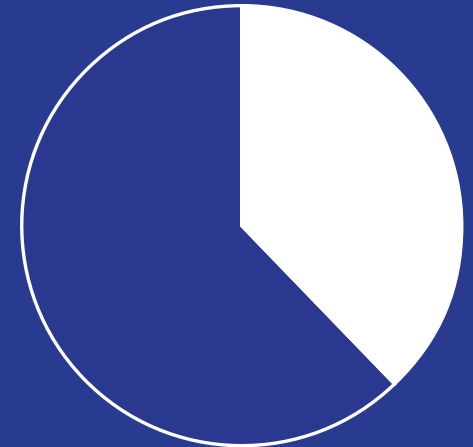
EXAMPLES OF CAPACITY PROJECTS IMPACTED BECAUSE OF AN OUTDATED PFC CAP

						
Airport	Los Angeles International Airport	John F. Kennedy International Airport	San Francisco International Airport	Seattle-Tacoma International Airport	Des Moines International Airport	Charles M. Schultz Sonoma County Airport
IATA Code	LAX	JFK	SFO	SEA	DSM	STS
State	California	New York	California	Washington	Iowa	California
Hub Size	Large	Large	Large	Large	Small	Non-Hub
'13 Enplanements	32,425,892	25,036,358	21,704,626	16,690,295	1,078,496	112,779
Need	Improve terminal connections to move passengers through the airport complex more efficiently	Construct new gates to meet growing demand and increase competition; Upgrade central power plant to meet capacity needs	\$44 billion, 10-year capital plan to increase capacity and enhance safety and security	Draft master plan points to a 35-gate expansion to meet the increasing demand at one of the fastest growing airports in the country	Replace existing terminal and expand runway to meet growing demand	Just completed a runway safety project that leaves them unable to expand their terminal to accommodate more competition
PFC Constrained Until*	10/1/2019	1/1/2019	10/1/2024	11/1/2028	4/1/2022	4/1/2026

*According to Federal Aviation Administration PFC Approved Locations list expected expiration date found at http://www.faa.gov/airports/pfc/monthly_reports/media/airports.pdf.

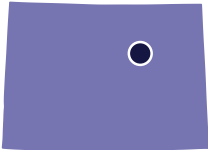

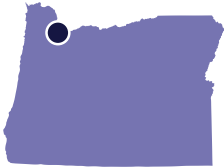



RECONSTRUCTING AGING INFRASTRUCTURE

While airports keep a watchful eye on passenger growth, they must also ensure existing runways and terminal buildings are in good repair to prevent safety problems and service disruptions. The average airport facility in the United States is more than 40 years old, and our newest major airport is 20 years old, so many of its major facilities are coming to the end of their useful lives or need to be rehabilitated. As airport infrastructure continues to age, more and more resources are being focused on reconstruction over new improvements. >>



**MORE THAN 38 PERCENT OF CAPITAL
IMPROVEMENT NEEDS IDENTIFIED
IN THE 2015 ACI-NA CAPITAL NEEDS
STUDY ARE INTENDED TO MAINTAIN
OR REHABILITATE EXISTING AIRPORT
FACILITIES TO ENSURE GOOD
WORKING ORDER.**

EXAMPLES OF REHABILITATION PROJECTS IMPACTED BECAUSE OF AN OUTDATED PFC CAP

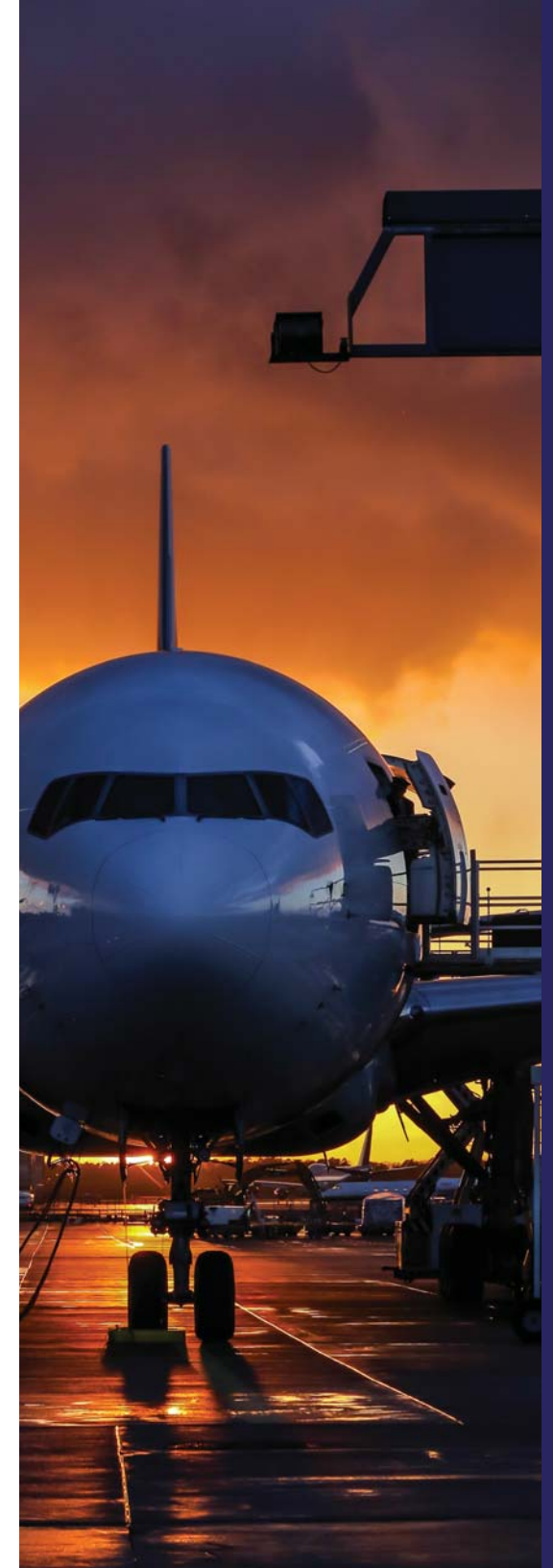
						
Airport	Denver International Airport	Minneapolis-St. Paul International Airport	Portland International Airport	San Antonio International Airport	Lexington Blue Grass Airport	Lubbock Preston Smith International Airport
IATA Code	DEN	MSP	PDX	SAT	LEX	LBB
State	Colorado	Minnesota	Oregon	Texas	Kentucky	Texas
Hub Size	Large	Large	Large	Medium	Small	Small
'13 Enplanements	25,496,885	16,280,835	7,452,603	4,005,874	539,238	454,408
Need	Renovate terminals, improve baggage system, rehabilitate airfield pavement, and upgrade airfield lighting system	Replace jet bridges and undertake reliever projects for greater efficiency	Terminal improvements to maintain efficiency	Major runway rehabilitation	Perimeter road repair	Terminal building improvements to 40-year-old facility
PFC Constrained Until*	2/1/2029	10/2/2018	11/1/2034	7/1/2025	2/1/2038	3/1/2020

*According to Federal Aviation Administration PFC Approved Locations list expected expiration date found at http://www.faa.gov/airports/pfc/monthly_reports/media/airports.pdf.

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ENSURING COMPLIANCE WITH DESIGN MANDATES

As highly regulated facilities, airports are required to comply with myriad federal, state, and local regulations, including regulations stemming from the Federal Aviation Administration (FAA) rules, American Disabilities Act (ADA) compliance, and much more. As such, airports are continually reviewing airport design standards to ensure compliance and improve airport safety and efficiency. >>



EXAMPLES OF COMPLIANCE PROJECTS IMPACTED BECAUSE OF AN OUTDATED PFC CAP

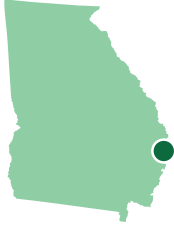
						
Airport	Oakland International Airport	Dayton International Airport	Jackson Municipal Airport Authority	Asheville Regional Airport	Stockton Metropolitan Airport	Sioux Gateway Airport
IATA Code	OAK	DAY	JAN	AVL	SCK	SUX
State	California	Ohio	Mississippi	North Carolina	California	Iowa
Hub Size	Medium	Small	Small	Non-Hub	Non-Hub	Non-Hub
'13 Enplanements	4,770,716	1,244,841	595,951	342,400	71,757	25,313
Need	Perimeter-dike repair to meet FEMA's current flood-control standards	Rehabilitate airport terminal, which dates back to 1958, to bring it up to modern code requirements	Complete a runway and taxiway improvement project to meet FAA standards	Airfield redevelopment project	Install an ADA-compliant elevator	Runway safety project and airfield lighting enhancements
PFC Constrained Until*	2/1/2030	4/1/2019	2/1/2031	4/1/2024	6/1/2016	7/1/2021

*According to Federal Aviation Administration PFC Approved Locations list expected expiration date found at http://www.faa.gov/airports/pfc/monthly_reports/media/airports.pdf.

ENHANCING SAFETY AND SECURITY AND PROMOTING ENVIRONMENTAL PROTECTION

Just as aircraft technology evolves, safety and security challenges are constantly changing, especially as threats become more complex and passenger demand increases. Airports must continually work to ensure the safety and security of the traveling public. Airports are also responsible stewards of the environment, including noise concerns and deicing processes during winter operations. An airport's ability to maintain safety, security, and environmental challenges promotes efficient airport operations and reduced flight delays. >>

EXAMPLES OF SAFETY, SECURITY AND ENVIRONMENTAL PROJECTS IMPACTED BECAUSE OF AN OUTDATED PFC CAP

						
Airport	Norman Y. Mineta San Jose International Airport	Pittsburgh International Airport	Indianapolis International Airport	Reno-Tahoe International Airport	Gerald R. Ford International Airport	Savannah/Hilton Head International Airport
IATA Code	SJC	PIT	IND	RNO	GRR	SAV
State	California	Pennsylvania	Indiana	Nevada	Michigan	Georgia
Hub Size	Medium	Medium	Medium	Small	Small	Small
'13 Enplanements	4,315,839	3,812,460	3,535,015	1,671,926	1,123,257	798,376
Need	Needs higher fencing and additional intrusion detection technology for enhanced perimeter security	Deferred environmental improvement projects, including a deicing storm water treatment plant	Improve deicing facilities to protect the environment and improve winter operations	Expand Customs and Border Protection facilities to accommodate increased demand	\$26 million consolidated checkpoint project	Expand TSA security checkpoint and CBP arrivals hall to meet growing demand
PFC Constrained Until*	5/1/2029	12/1/2024	10/1/2022	7/1/2018	6/1/2023	10/1/2017

*According to Federal Aviation Administration PFC Approved Locations list expected expiration date found at http://www.faa.gov/airports/pfc/monthly_reports/media/airports.pdf.

ACCOMMODATING AIRCRAFT INNOVATION






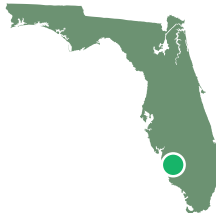
Airplane manufacturers play an important role in helping airlines meet global route planning and capacity goals through cutting-edge aircraft design and innovation. Airport infrastructure decisions are based partly on forecasts prepared by the major airplane manufacturing companies. One major aircraft manufacturer expects the world fleet of aircraft to more than double by 2033. When global route networks grow, especially routes connecting the United States to emerging travel markets like the Middle East, U.S. airports must ensure they are able to accommodate airplanes of all sizes and weights. >>



“TO MEET THE EXTRA DEMAND, AIRLINES ARE ADDING SEATS TO THE MARKETPLACE, IN PART BY DEPLOYING NEW AND LARGER AIRCRAFT ON MANY ROUTES.”

*John Heimlich
Vice President and Chief Economist
Airlines for America
March 11, 2015*

EXAMPLES OF ACCOMODATION PROJECTS IMPACTED BECAUSE OF AN OUTDATED PFC CAP

						
Airport	Dallas/Ft. Worth International Airport	Newark Liberty International Airport	La Guardia Airport	San Diego International Airport	Kansas City International Airport	Southwest Florida International Airport
IATA Code	DFW	EWR	LGA	SAN	MCI	RSW
State	Texas	New Jersey	New York	California	Missouri	Florida
Hub Size	Large	Large	Large	Large	Medium	Medium
'13 Enplanements	29,038,128	17,546,506	13,372,269	8,878,772	4,836,221	3,788,870
Need	Reconstruct taxiways to accommodate larger aircraft	Airfield improvements to reduce traffic delays	Airfield improvements to reduce traffic delays	Rehabilitate a runway and relocate a taxiway	Deferred a major runway replacement and taxiway reconstruction	Construct a parallel runway and rehabilitate reliever runways
PFC Constrained Until*	9/1/2034	7/1/2018	1/1/2019	11/1/2037	4/1/2021	1/1/2020

*According to Federal Aviation Administration PFC Approved Locations list expected expiration date found at http://www.faa.gov/airports/pfc/monthly_reports/media/airports.pdf.

CONCLUSION

The nation's airport system is aging and at risk of falling behind. Many airports have exhausted the financial resources available to them. As a result, some airports have delayed projects or undertaken projects using longer timeframes which only drives up the cost.

A modernized PFC and a strong AIP will allow airports to do what they do best: serve their passengers with safe, secure, and efficient facilities, as well as effectively planning for the future. Ultimately, the airport is in the best position to determine of what its future will hold in terms of competition, traffic, and capacity. Modernizing the PFC and maintaining AIP will give airports and their communities control how to best address their individual needs. >>





Learn more about airport priorities at www.airportsunited.com >>