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May 7, 2019

Honorable Peter DeFazio
Chairman
House Committee on Transportation and Infrastructure
Washington, DC 20515-6256

Honorable Sam Graves
Ranking Member
House Committee on Transportation and Infrastructure
Washington, DC 20515-6256

Re: Passenger Facility Charges

Dear Chairmen DeFazio and Ranking Member Graves:

National Air Carrier Association (NACA) and its member passenger airlines[1] wish to express our concerns about recent efforts in the House of Representatives to increase the Passenger Facility Charges (PFCs) on airlines.

NACA represents the four largest Ultra Low-Cost Carriers (ULCCs) in the United States, which include Allegiant, Frontier, Spirit, and Sun Country. These carriers stand to be the most impacted by an increase in the PFC, as their customers are extremely price-sensitive leisure travelers spending their own money on airfare. The PFC is the most regressive type of tax, and disproportionately affects these customers – lower and middle-income families – for whom air travel is mostly a discretionary activity.

The House Transportation and Infrastructure Committee held a hearing on March 26th to discuss PFCs and airport infrastructure needs. One of the primary points made by airports that testified was that an increase in PFCs is needed to add gate capacity so that ULCCs can have room to operate, which would enhance the competitive landscape and lower airfares. From the ULCC perspective, this is a straw man argument. Increasing PFCs does not necessarily translate into more gates or greater access for new entrants or limited incumbents. PFCs may be used for a wide variety of purposes, in many cases having little to do with airside capacity expansion. Rest assured, if increasing the PFC would help ULCCs grow in congested airports, the ULCC carriers would be the first to let you know.

Increasing the PFC will not enable more airline competition. To the contrary, it will erode the airfare savings ULCCs are able to offer over legacy carriers, as a $4 increase to the PFC is much more easily absorbed by the business traveler traveling on an expense account than a budget-conscious family of four paying with their own money to fly on vacation.

The traveling public has embraced the ULCC airlines and the added freedom they provide to travel. Increasing travel costs by raising the PFC is much more of a threat to passengers' access to air travel than gate availability at airports across the country. Raising the PFC will drive highly price-sensitive customers away, which is the ULCCs primary market. With fewer ULCCs in a market, ticket prices inevitably will rise, which should not be the goal of the parties interested in protecting this class of passengers.

[1] NACA Member Scheduled Passenger Airlines: Allegiant Air, Frontier Airlines, Spirit Airlines, and Sun Country Airlines

Airports also argue the PFCs have not been increased since 2001 and have lost ground to inflation. The argument is highly flawed, as airport revenues have outpaced inflation. Not only are more people flying, which boosts PFC revenues, but other sources of funding for airports – rentals paid by restaurants, retailers, and hotels, in addition to other taxes – are growing as well. Total airport revenues have grown nearly 50% since 2000, and PFC collections alone increased more than 50% during that same period. At the end of 2017 airports had over $14 billion in unrestricted cash and investments on their balance sheets. In short, there is no airport funding crisis. Airports are flush with cash, enjoying record revenues, and investment-grade bond ratings.

Moreover, airlines, and by extension air travel consumers, are already subject to some of the highest taxation rates of any industry. The U.S. aviation industry and its customers already pay $20 billion through 17 unique taxes and fees imposed by the federal government. Ever increasing labor and fuel costs and the worsening pilot shortage continue to pressure airlines, which has resulted in more mergers and less service in many areas of the country. Our members believe that the government should focus its efforts toward holding the line on, or even reducing, the punishing tax burden that is borne by air travel consumers today.

It should be noted that not one of the airport representatives testifying at the hearing could name a project that has not been funded through the currently available funding mechanisms. All efforts to raise revenue for airport projects should be exhausted before any consideration is given to increasing the PFC. We are not even close to that point.

All of our member airlines support modernizing airports to ensure they meet the needs of airlines and the traveling public. However, we urge you to recognize the regressive impact of the PFC on our customer base. The government has promised to protect the interests of middle-class America. Increasing PFCs would be a breach of that promise.

NACA and its member carriers look forward to working with each of you to help develop the best way to address airport infrastructure needs and we are happy to answer any questions you may have.

Respectfully submitted,

George Novak
President
National Air Carrier Association