

ACI-NA 20th Annual Conference & Exhibition

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General Session 1

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We meet here in this beautiful city at a defining moment. A defining moment for our countries and their economies. And a defining moment for our industry.

These are the kinds of moments that have defined the history and the success of ACI-North America. It was at such a moment that we conceived and made sure Congress passed the passenger facility charge to better enable airports to take advantage of opportunities created by the new, post-deregulation, paradigm. And at the same time saw enacted into law an effective national aircraft noise policy.

It was at such a moment, amid much skepticism, that the airport community came together to provide crucial backing for the U.S. government's efforts to liberalize international air service – and make no mistake, those more than 100 open skies agreements owe much to the efforts of airports and of ACI-North America. And we provided critical support to our Canadian members when they were working to better influence their own government to expand international air service.

It was at such a moment that we moved quickly to enact the AMT waiver for airport bonds in 2009, which – and many people forget this, re-opened the market for airport bonds which had been frozen shut by the financial crisis.

ACI-North America has made its reputation by doing such big things and by shaping history. Sometimes, that means we, to quote William F. Buckley, stand astride history and yell “STOP,” as when we fought efforts to impose 100 percent employee screening or more recently, efforts to rush ill-considered federal rules

on safety management systems, deicing and stormwater runoff and financial reporting for airport board members.

And, sometimes, we give history a good kick in the pants, as we did on the PFC, Open Skies and AMT.

This defining moment is different though. And, if we seize it, we can change history and one day look back and say, that out of the wreckage caused by economic crisis and government dysfunction, we turned this time into our finest hour.

One of the great untold stories in human economic history is the role airports have played in generating economic growth and opportunity. Airports have led the way in creating the infrastructure to bring low fare service to more and more regions, not just in the United States but around the world. Airports have led the way to open domestic and international markets to more competitive choice, often in the face of opposition from airlines and governments.

As I travel and see what is being done across the globe I am struck and heartened by the extent to which the imperative of taking full advantage of the airport economic engine is accepted wisdom in so many places.

Governments all over the world are working to create conditions for meaningful investment in infrastructure.

Airlines in many parts of the world engage in this process as partners, working with airport officials because they know investment in airport infrastructure is critical to their being able to profitably perform their function in this global economic puzzle.

Air transportation in such regions as Latin America, Asia and the Pacific and the Middle East is growing rapidly as governments, airports and airlines come together around a common understanding that investment in air transportation infrastructure is critical to the growth of their regions and the prosperity of their people.

What is happening around the world is astounding. But there is a big glaring exception, right here in the United States.

Rather than understand the need to invest in infrastructure, the U.S. government actually stands in the way of airports and local communities who want and need to finance infrastructure. And, in this, they are aided and abetted by many in the aviation industry, sometimes directly as in the case of airlines, and sometimes indirectly as in the case of many other interests, including some in general aviation.

Here is what is so amazing about this dynamic. In the past month, I have heard speeches by such people as President Obama, the president of an airline association and the president of a general aviation association. All decry the current state of aviation infrastructure in America. The leader of the airline association calls for a National Airline Policy, the leader of the general aviation group calls for a National Aviation Policy. President Obama and my colleagues from these organizations all talk about how we are being left behind while places like China, Dubai and Abu Dhabi build and expand and modernize airports.

They are all right, we are falling behind. In a global industry, with global supply chains and global patterns of travel, it does matter that we are being left behind. And then they say nothing more. As if we can catch up by some magic formula.

Here is what is missing: In all the places those leaders point to, what they have in common is that they rely on a modern system of passenger user fees, what we in

the United States call passenger facility charges (and what those of you in more liberal Canada – where the government is addicted to the money you pay in rent -- call Airport Improvement Fees). Hmmm. That part gets left out.

Now, I am assuming that the President of the United States, the President of the airline association and the President of the general aviation association are not calling for Chinese style, or Emirati style government interference in the building of airports. And I am assuming that these individuals understand that airports don't just build and modernize themselves. But they remain silent once the admittedly effective talking point of comparing the U.S. to those other places has been made.

Let me speak plainly: The airports of this country are held back because the U.S. government regulates the financial lives of U.S. airports through a Nixon-era regulatory framework that pre-dates airline deregulation and has long since lost its relevance. And we are going to lose the international race until that changes.

The airlines have long fought any meaningful change to this out of date regime because they want airports regulated like utilities to help keep out competition and retain control.

And general aviation is satisfied to benefit from facilities built with PFCs and to benefit from facilities built with money sent back to the trust fund by larger airports through the PFC turnback; but they are unwilling to join the chorus of voices calling for us to bring our airport financial framework into the 21st century.

Earlier this year, I gave a speech at the Airport Cities conference in Memphis calling the US government and the airlines out on this, and have repeated that message in several forums since. And it is time to admit that others in the aviation community share in this, including general aviation, aerospace manufacturers and others. It is unacceptable for them to go around and give

speeches about how we are falling behind the rest of the world in some attempt to attract attention or government dollars, and then retreat when it comes time to confront the fact that we are using out of date, Nixon-era methods – generated at a time when 8 Track tapes were the newest rage – to tackle problems that require 21st century, iPad type strategies. And I am no longer willing to give them a pass, and neither should you.

It is self-evident that the ability of the US government to fund airport infrastructure going forward is going to be severely limited. The deficit is out of control and the idea of “investing” government dollars in infrastructure has become dis-credited by many who view it as back door “spending.” Fine. We need to understand there may be no hope or help from Washington. But they ought to also take a look at some of the regulations we live under – withdrawing many of those that provide little or no benefit can save them plenty of staff time and effort and money.

So, let’s stop going, hat in hand, begging their indulgence. Let’s just tell them to get out of the way and free airports to generate their own resources, in their own communities, to build and modernize their own facilities with money that stays at the airport and is not sent to Washington. This is the way to build infrastructure, this is the way to create jobs, these are the tools those places around the world are using to beat our brains in. Want to create jobs? Want to build 21st century infrastructure? Want to reduce the deficit and debt? Check, check and check!

Set airports free, give us the tools in use all over the world, remove the Nixon-era, job killing, shackles and watch what we can do.

It is plain as the ample nose on my face that this is the direction we need to move. But we have much work to do to plow the ground, develop the specific policies to get us there, and, most importantly build the case and a cadre of supporters to help us get there.

We will not shy from this effort, we will LEAD it.

We have embarked on a multi-year campaign, approved by the ACI-NA board. We will be working to develop a new policy approach since it is plain that the policies and arguments we have been using for four years, good ones for the times, are now inadequate. We are engaging airport official representatives as we develop a new approach, and will be working with our colleagues from AAAE next year to blend the results of our work with theirs so that the industry is speaking to a single overriding message.

We have undertaken a program of research and message development, to put together arguments that can gain traction in the current political environment – an environment, by the way that can be very receptive to our message. We are not asking for a bailout or any special favors. We are simply asking for Nixon-era, job killing shackles to be removed and for local communities to be given greater say over their own future.

We are undertaking a comprehensive public relations campaign, and have hired one of the nation's premier public relations firms, Fleishman Hillard to work with us. Airports are 60 years behind the times in getting our message out. Until 1978, we were just facilities, places where people caught flights that were approved by the government and paid a fare set by the government. Now, airports are businesses, and airlines, through their rents and landing fees, pay less than a quarter, on average, of the cost of running an airport. Before 1978, airports didn't have a role in attracting air service competition, now that role is indispensable. That is one of the reasons airlines like the current set up, those Nixon-era shackles hamper the ability of airports to build and attract service.

Fleishman Hillard has done some polling for us that shows we have room to make our arguments, but it also shows we have ground to make up. There are

hundreds of you in this room and I bet I have had a conversation with most of you that goes something like this: “people just don’t understand what airports do.” We are going to change that!

Finally, we are going to build, with Fleishman’s help, a nationwide coalition of supporters – people who care about and need the air transportation system but who are not normally involved in our issues. Leaders in local business, labor, civic groups, educational institutions and others. People who can help us get our message across. People who go to Tea Party meetings, and people who contribute to MoveOn.org. We want and need them all.

Our issues are not partisan. Our desire to build infrastructure and create jobs appeals across the spectrum. Our desire to do so in a way that can reduce the deficit is right for the times. The fact that airports are powerful economic engines is clear.

We don’t have very many ideological enemies – our main challenges are inertia on the part of the government and many aviation interests, and a theological belief on the part of airlines that airport economic freedom will somehow harm them. I happen to believe it will have the opposite effect, by the way. And I want to assure everyone in this room that the idea is not to start a war with the airlines – though fight back against their misleading and misguided arguments we must. As are many of you, I am reaching out to the airlines because I truly believe that they will benefit from a financial regime that works best to facilitate the movement of passengers and goods to destinations and markets, as it has in much of the rest of the world.

The problem is that we all, in this room, understand these things. We know we are right and rational and logical. We are passionate about these things and can’t understand why anyone would disagree. It is not that people disagree as much as it is that they don’t understand. And we must change that.

That is why it is so important to develop a clear, NEW, policy goal. That is why we are doing the important research, so that our facts and messages are in order. That is why it is absolutely critical to begin, NOW, the public relations campaign to get the message out that your local airport is a major driver of your local economy. That is why it is so critical to develop a nationwide network of supporters, beyond the airport community, to help us get this message across – and to do it across the political spectrum and in every corner of this country.

The basic fact is this: while governments, airports and airlines around the world are making prudent, forward looking, decisions, we in the United States are looking backward. We are mired in a mindset that forgets the lessons of five millennia of human history, a lesson that teaches that those who invest in and develop their transportation infrastructure will prosper and grow, and those who do not will fall behind.

If we do not change, we are destined to watch the rest of the world leave us in the dust while they develop the global transportation links critical to growth in the 21st century.

This is a defining moment. The reality we have lived with for decades is broken – and is not fixable. American politics have changed. Our messages are out of date. Those we seek to persuade in the press, in the public, and among the political decision makers have been bombarded for decades by messages from others and do not adequately understand what the modern airport is and what it contributes to economic growth. We have never been in this game; it is past time we suit up.

If we do not do these things, we will bounce from FAA extension to FAA extension, and perhaps shutdown to shutdown. We will see government grants dwindle, while government regulation increases. We will see the value of the PFC

erode, and we could even see our access to tax exempt financing hampered. It is not a pretty picture. And efforts to re-arrange the furniture will be inadequate. Yes, there will always be a role for government, after all access to the global aviation system is critical for communities of all sizes and there is a role for government in ensuring that.

But we need to come to grips with the fact that a Nixon-era, job-killing, financial regime is strangling aviation infrastructure. We need to scrap it and build a new system that will enable us to compete in the 21st century economy. ACI-NA is committed, totally, to this effort. We are “All in” as they say. But, we need the involvement of all of you.

Change is difficult and I know many people want things to stay the same, only maybe a little better. That option is no longer available. Things will be different, for sure. The only question is who shapes the outcome. If we ask for the same things, the same way, we could be facing a very difficult outcome indeed. There are no guarantees.

But if we suit up and get out there and develop the policies and the facts and the message, and spread it to every corner of the country and the political spectrum, and recruit thousands of new people to help us do it, we have a great chance to build a 21st century, job creating, financial regime that allows us to compete globally, permits our communities – and our airlines – to grow and thrive, and that fulfills the ultimate purpose of air transportation, the safe and efficient movement of people and products to destinations and markets wherever they may be.