



Passenger Facility Charges

Passenger Facility Charges (PFCs) were first authorized by Congress in 1990 and are tied directly to local airport-related projects that 1) preserve or enhance safety, security and capacity of the national air transportation system, 2) reduce noise from an airport that is part of the system or 3) provide opportunities for enhanced competition between or among air carriers. Today, airports are using these funds for projects that benefit passengers, communities and airlines through renovating and expanding infrastructure to prevent delays and congestion, as well as projects that enhance the travel experience such as baggage systems, expansion of security check-points and international arrival facilities.

\$Millions	2009	2010	2011	2012	2013	TOTAL	%
Large	\$11,099	\$11,951	\$11,052	\$10,193	\$10,977	\$55,273	58.6%
Medium	3,523	2,869	2,859	1,821	2,201	13,273	14.1
Small	1,384	1,509	1,233	918	754	5,800	6.1
Non-hub*	1,036	1,051	1,067	1,083	1,099	5,335	5.6
Commercial Service*	201	204	207	210	213	1,035	1.1
Reliever*	706	716	727	738	749	3,636	3.9
GA*	1,932	1,961	1,990	2,020	2,050	9,953	10.6
Total	\$19,880	\$20,262	\$19,136	\$16,983	\$18,045	\$94,305	100%

approximately 3,400 airports, ranging from the largest commercial service airports to general aviation airports, which comprise the national airport system. ACI-NA found that airports' capital development needs for 2009 through 2013, adjusted for inflation, total \$94.3 billion. This is an 8.0 percent increase over the 2007 estimate of \$87.4 billion.

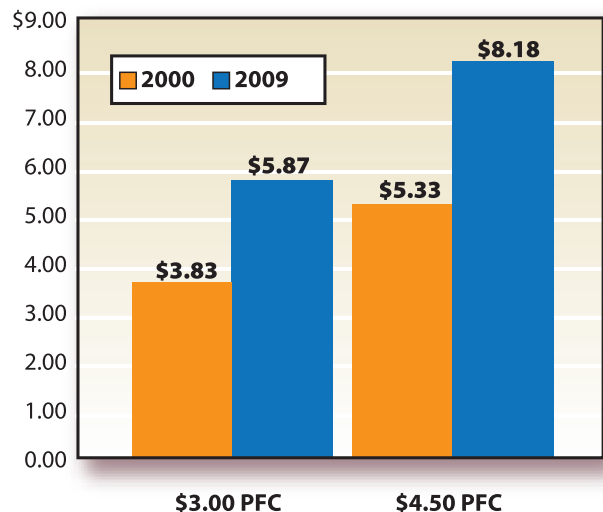
The PFC Has Lost Value: The purchasing power of the PFC has greatly diminished since it is not indexed to inflation. In recent years, construction costs have sky rocketed, far surpassing consumer inflation. The current maximum PFC of \$4.50 is worth only \$2.51 today when construction cost inflation is applied. Fully adjusting the PFC to account for construction cost inflation would place the fee at \$8.18. If no action is taken by 2011, the \$3.00 PFC will have lost over half its value and the \$4.50 PFC will have lost 48 percent of its value.

PFC Applications Are Well Vetted: When an airport proposes to impose a PFC, it must follow a rigorous application process to ensure transparency and need. PFC projects are extensively reviewed by the FAA and the process includes mandatory consultation with the airlines and public comment. In the application the airport must demonstrate that the project is needed and complete a thorough cost-benefit analysis. In addition, PFCs cannot be used for revenue producing projects such as parking garages, terminal areas used for concessions or leased exclusively by a specific airline for more than five years, and projects that are incompatible with airport sponsor assurances agreed to with the receipt of federal grants. Ninety-five percent of all PFC applications are submitted to the FAA without opposition.

Today, airports are using these funds for projects that benefit passengers, communities and airlines through renovating and expanding infrastructure to prevent delays and congestion, as well as projects that enhance the travel experience such as baggage systems, expansion of security check-points and international arrival facilities.

ACI-NA recently updated its comprehensive Capital Needs Survey, providing important data on capital development costs for the

PFC adjusted for construction cost inflation

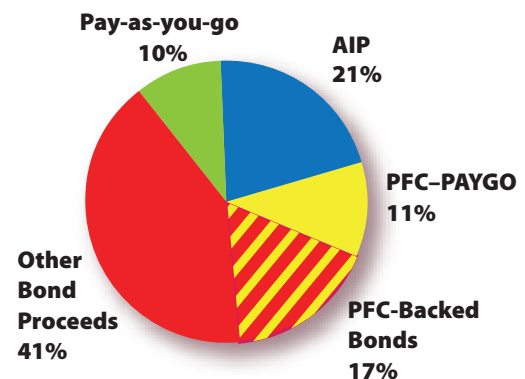
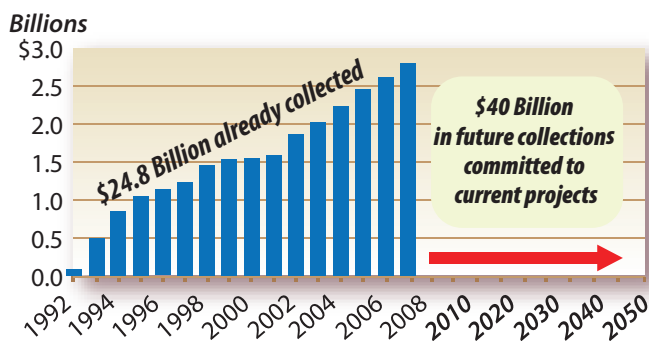
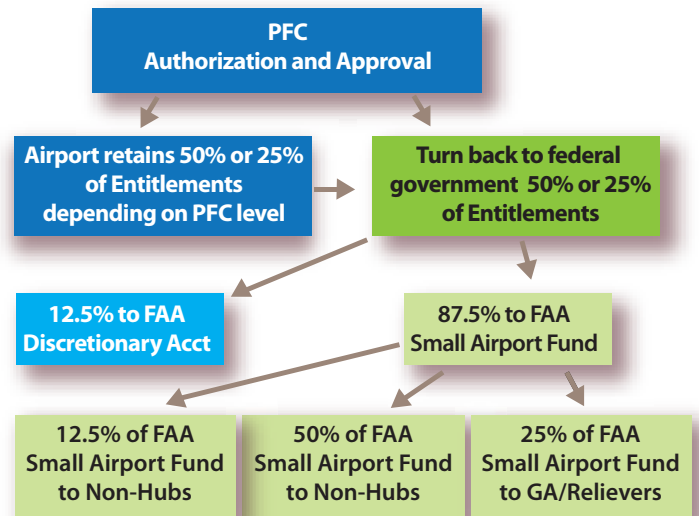


(continued)

Passenger Facility Charges *(continued)*

The PFC helps airports of all sizes: When a large or medium hub airport implements a PFC, they must forgo either 50 or 75 percent of their AIP entitlements to the FAA (depending on the level of PFC). The “Small Airport Fund” is the recipient of 87.5 percent of these forgone entitlements with the remaining 12.5 percent going into the AIP discretionary program. In FY 2007, the PFC turnback resulted in almost \$467 million additional dollars for small airports.

AIP and Airport Bonds Are Not Enough: While AIP also plays a crucial role in financing airport construction, for many airports it is not a sufficient source of funding to accommodate growth and future capacity demands. For many airports, the revenue from existing PFCs is dedicated to projects either completed or currently underway. Bonds account for 58% of capital funding sources for airports, approximately 30% of airport bonds are backed by PFC revenues. In order to continue to improve existing infrastructure as well as to expand capacity to meet expected passenger and cargo demand, an increase in the PFC is required.



PFCs enhance airline competition: In an environment of airline consolidation, the PFC is necessary to enhance price and service competition. Many airport-airline agreements contain provisions which give incumbent airlines the ability to delay or veto airport expansion projects. Airlines often exercise this provision when an airport seeks to create new space for a potential competitor. The PFC was specifically developed to address this threat to competition.

PFCs keep airline costs low: It is no secret that airline finances are struggling during this tough economy. In this environment, it is important to keep airport costs low. Projects which are funded with a PFC do not increase the airlines cost of operating at that airport since the costs are not included in the airline rate-base. Airlines collect the PFC on behalf of the airport and keep a portion of each PFC they collect to compensate them for their trouble. The airlines received over \$80 million last year for PFC collections.

A modest increase in the PFC user fee from \$4.50 to at least \$7.50 and indexed to inflation will reduce delays, increase capacity, enhance security, promote new competition and generate economic development and jobs in your district.



Airports Council International–North America

1775 K Street, NW, Suite 500
 Washington, DC 20006
 PHONE (202) 293-8500
 FAX (202) 331-1362
www.aci-na.org