AIAI
Association for the Improvement of American Infrastructure

Statement of the Association for the Improvement of American Infrastructure (AIAI)
Hearing on "The Cost of Doing Nothing: Why Investment in Our Nation's Airports Matters"
Before the House Committee on Transportation and Infrastructure
March 26, 2019

On behalf of AIAI and our member organizations that work to introduce and execute strategic public-private partnerships to invest in our nation's infrastructure, we would like to thank Chairman DeFazio, Ranking Member Graves, and the members of the Transportation and Infrastructure Committee for holding this important hearing today.

Airports are in need of increased financial investment and stability. Our nation's airport infrastructure is straining under increased passenger numbers and revolutions in how cargo travels across our country. In Airports Council International – North America's most recent infrastructure needs survey, it is estimated that America's airports will require over $128 billion in infrastructure improvements over the next five years. Our nation's airports handle over 1.8 billion passengers and more than 31 million metric tons of cargo every year, making these infrastructure improvements, and the subject of today's hearing, a matter of utmost national interest.

With these numbers in mind, it is incredibly important to look at how we can fund these critical infrastructure improvements. One of these methods is the Passenger Facility Charge, or PFC, a small local user fee applied to the ticket which is tied to an FAA-approved project at the airport that the passenger is flying out of. The PFC has been capped at $4.50 since 2000, effectively hamstringing airports as the strength of that $4.50 has gone down over the years.

The role of the PFC extends far beyond that actual $4.50 itself. As a funding source and recurring revenue stream at publicly-owned airports, PFC's allow public owners to leverage other sources of public and private financing in the context of alternative procurement methods, such as public-private partnerships (P3s), for major airport projects. It is important to recognize that P3s are not a funding instrument; rather, they are a procurement and project delivery model that publicly-owned airports can use to advance complex, much-needed improvement projects and leverage additional sources of capital.

For example, in the United States the Port Authority of New York and New Jersey is currently undertaking one of the largest P3s in the nation: a major overhaul of Terminal B at LaGuardia Airport in New York City. This terminal serves approximately 50 percent of the passengers at LaGuardia Airport. When complete, the project will have replaced an outdated and dilapidated facility with a state-of-the-art terminal, featuring 35 gates, modern airline lounges and attractive retail and food and beverage options. The project has already created 374 local jobs, and over the life of the project is anticipated to create a combined $10 billion in direct economic activity and $2.5 billion in wages. The $3.6 billion terminal project is being designed, built, financed, operated and maintained by the Port Authority's private partner LaGuardia Gateway Partners, with the private sector contributing more than $2 billion and the Port Authority contributing more than $1 billion – funded through PFCs – to construct the new terminal and supporting infrastructure.

It is critical to note that under P3 procurements, airports remain in public ownership and are not privatized. Further, while the vast majority of U.S. airports are publicly owned, and would likely remain publicly owned under a P3 procurement, nearly all airports already contract with private firms to provide many of their services. Simply transferring more or even complete control of airports to the private sector would have very little, if any, impact on the ability of the airport or its private partners to make the level of capital investment required to modernize outdated and obsolete facilities.

While public-private partnership procurements at publicly-owned airports allow officials to move forward with critical infrastructure improvements, like any project that is financed either through municipal debt or private sources of capital, the financing must be repaid over time. Therefore, any increase in the cap on the PFC would allow for publicly-owned airports not only to finance more traditional projects, but also to better leverage P3s and other alternative procurement methods to meet their growing needs.

We hope that today’s hearing is just the first step in finally addressing the needs of airport infrastructure projects and we call on the committee to consider additional funding mechanisms to meet these growing needs.