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Nicholas E. Calio
President and CEO

November 16, 2017

The Honorable Thad Cochran
Chairman
Committee on Appropriations
113 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Patrick Leahy
Vice Chairman
Committee on Appropriations
437 Russel Senate Building
Washington, DC 20510

The Honorable Susan Collins
Chairwoman
Subcommittee on Transportation, Housing
Housing and Urban Development
413 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jack Reed
Ranking Member
Subcommittee on Transportation,
Housing and Urban Development
728 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Cochran, Chairwoman Collins, Vice Chairman Leahy and Ranking Member Reed:

On July 27, 2017, you voted to increase taxes on airline passengers in S. 1655, the Transportation, Housing and Urban Development, and Related Agencies Appropriations Act of 2018. Your vote nearly doubles the Passenger Facility Charge (PFC) tax, from $4.50 to $8.50. That tax increase will cost airline travelers another $2.6 billion per year. It will hurt passengers, the economy and airlines, as well as small community air service by making travel more expensive.

This vote is especially confounding because it was made in the face of a multitude of facts that demonstrate that the increase is both unnecessary and insupportable. Both the facts and the impact of such an increase might have been apparent had there been a fair hearing that included consumers and airlines instead of just airports in the Appropriations Committee.

The Commerce, Science, and Transportation Committee, which actually has jurisdiction over this issue, did have a balanced hearing and as a result did not even consider a PFC increase when the FAA Reauthorization bill was considered in Executive Session just one month prior to your vote.

First, some factual context and second, two potential courses of action that would either provide transparency to this decision or spare the flying public further taxes.

The facts against a PFC increase are compelling: airport revenues are at an all-time high.

The Federal Aviation Administration (FAA) recently revealed that taxes collected from airline passengers hit a record high in FY2017 – exceeding $14 billion. This means there has never in history been more money available for Congress to spend on airport infrastructure.

In fact, this overabundance of tax revenue is exactly why the Airport and Airway Trust Fund (AATF) has an unobligated and unspent balance of almost $6 billion in FY2017.

Airports in this country have also never been in a stronger financial position. In 2016, U.S. airports collected a record $28.8 billion in revenue including $11.4 billion in airline rents and fees, $3.2 billion in existing PFCs, $9.7 billion in non-airline revenues (restaurants and other concessions) and $3.4 billion from the FAA's Airport Improvement Program (AIP).

This abundance of cash has resulted in airports having a record high amount of cash reserves, reaching $14.2 billion in FY2017, up from $12.7 billion the year before. Congress should not be raising taxes on passengers when there are record amounts of tax revenue sitting idle in the bank. This financial strength, combined with low-interest bonding capabilities is exactly why the airport community has been unable to name a single project that has not been funded due to a lack of available financing.

As a result of these record revenue and tax increases, the **amount of revenue raised per passenger has increased 49% from 2000 to 2016**, far surpassing the rate of inflation. In fact, airport revenues are growing faster than passenger volumes, which is why over $100 billion in airport projects are underway or have been completed since 2008 at the top 30 airports alone.

Moreover, the same Senate Transportation Appropriations bill encourages the FAA to allow airports to divert other aviation dedicated tax revenue off airport which is contrary to its own agency guidance. In 2015, airports diverted nearly $1 billion to projects away from the airport.

If there were a real need for airport funding, Congress should instead put an end to revenue diversion before raising additional taxes on an already overtaxed traveling public.

One of the reasons it has been so easy for airports to advocate for an increase in the PFC airport tax is that the increase gets hidden within advertised airfares, leading passengers to believe it is a fare increase when, in actuality, it is a tax increase. **Hence, a suggestion: if the airport community truly needs this money at a time of record-high airport revenues and financing availability, they should be willing and required to collect the tax themselves.**

In other words, they should own it. It is time the airports were transparent and held accountable for what they are charging passengers.

Similarly, Members of Congress who support this tax increase on passengers should be willing to take responsibility and allow airlines to make clear to the traveling public that this is not a fare increase. In the last Congress, the House voted to repeal DOT’s Full Fare Advertising Rule, which requires airlines to include all federal taxes and fees on air travel (21% of the cost of a typical ticket) as if it were part of the base fare. The rule allows Congress to hide the ball on tax increases.

Perhaps an easier solution – and one that would allow Congress to more fully explore the justification – or lack thereof – for a PFC increase, would be to permit airports to spend down the almost $6 billion AATF balance. Passengers have already paid that money into the Trust Fund. The balance is roughly equivalent to more than two years of the increase that you supported. Congress should immediately pass legislation directing the FAA to spend down the excessive unobligated trust fund balance rather than further taxing passengers.

On behalf of the 2.2 million passengers that travel every day, I urge you to reconsider your vote for increasing PFC airport taxes and, instead, stop the existing practice of diverting $1 billion annually, require the FAA to enforce its own tax guidance, and spend the almost $6 billion sitting idle in the AATF. In the alternative, make airports and/or the Congress directly accountable to the traveling public.

Sincerely,

Nicholas E. Calio

Nicholas E. Calio

cc: United States Senate Committee on Appropriations

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