

STATEMENT OF THE HONORABLE SAMUEL K. SKINNER
SECRETARY OF TRANSPORTATION

before the
COMMITTEE ON PUBLIC WORKS AND TRANSPORTATION, SUBCOMMITTEE
ON AVIATION

concerning
PASSENGER FACILITY CHARGES

June 19, 1990

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE THE COMMITTEE TODAY TO ADDRESS CREATIVE RESPONSES TO ONE OF THE BIGGEST PROBLEMS WE FACE IN COMMERCIAL AVIATION TODAY. THERE IS GROWING CONGESTION AT MAJOR AIRPORTS THROUGHOUT OUR NATIONAL AVIATION SYSTEM, AND WE NEED TO FIND FINANCING TO UNDERTAKE PLANNED FACILITIES NOW AND BE READY FOR THOSE ON THE HORIZON.

PERHAPS THE SINGLE MOST IMPORTANT THING WE CAN DO TO ENHANCE AIRLINE COMPETITION IS TO DEVELOP CAPACITY TO ENCOURAGE NEW ENTRANTS. A PASSENGER FACILITY CHARGE MAY WELL BE THE CRITICAL COMPONENT IN ACHIEVING SUCH CAPACITY GROWTH. SOME IN THE INDUSTRY HAVE SUGGESTED THAT EXISTING SOURCES OF REVENUES ARE ADEQUATE TO FINANCE FUTURE AIRPORT DEVELOPMENT NEEDS. IF THAT IS SO AT A SPECIFIC AIRPORT, THEN IT WOULD ELECT NOT TO IMPOSE A FEE. BUT FOR THE MANY AIRPORTS THAT WILL BE ACCOMMODATING THE 65% INCREASE IN ENPLANEMENTS BY THE TURN OF THE CENTURY AND THOSE ALREADY AFFECTED ACROSS THE COUNTRY, A PFC WOULD PROVIDE ANOTHER NEEDED OPTION TO FINANCE DEVELOPMENT.

THIS SUBCOMMITTEE HAS JUST PRODUCED ITS BILL TO RENEW THE FEDERAL AIRPORT AND AIRWAY FUNDING MECHANISMS, WE ARE VERY PLEASED TO SEE A GREATER COMMITMENT TO FUNDING AIR TRAFFIC CONTROLLERS AND OTHER CRITICAL ASPECTS OF FAA OPERATIONS FROM THE TRUST FUND ALONG WITH CAPITAL PROJECTS. THE OVERALL APPROACH OF THE BILL IS THE MOST CONSTRUCTIVE PROPOSAL TO ADDRESS TRUST FUND BALANCES THAT HAS BEEN MADE SINCE THE PROBLEM DEVELOPED IN THE EARLY 80'S. THE QUESTION NOW IS WHETHER WE CAN REACH BEYOND THE FEDERAL PROGRAMS FINANCED BY FEDERAL USER FEES AND OBTAIN ADDED FINANCING THAT IS OUTSIDE THE ANNUAL BUDGET STRUGGLE.

THE NEEDS FOR AIRPORT CAPACITY GROWTH ARE CLEAR AND SUBSTANTIAL. THE PROCESS OF DEVELOPING THE NATIONAL TRANSPORTATION POLICY DEMONSTRATED THAT THIS IS THE MAJOR ISSUE FOR AVIATION. I AM FIRMLY CONVINCED THAT REMOVING THE FEDERAL PROHIBITION ON PFC'S WILL DO MUCH TO HELP SOLVE OUR CAPACITY PROBLEMS THROUGHOUT THE ENTIRE SYSTEM.

SINCE DEREGULATION, ENPLANEMENTS ARE UP 65 PERCENT, SAVING THE AMERICAN ECONOMY -- AND CONSUMERS -- \$100 BILLION SINCE 1978. BUT THIS GROWTH HAS HAD ITS COST IN STRAIN ON THE SYSTEM. THE COUNTRY NOW HAS 21 PRIMARY AIRPORTS THAT EACH EXPERIENCE MORE THAN 20,000 HOURS IN ANNUAL FLIGHT DELAYS. UNLESS CAPACITY IS EXPANDED, THE NUMBER MAY GROW TO 39 AIRPORTS BY 1997.

IN DEVELOPING OUR PROPOSAL LAST SUMMER FOR RENEWING THE "AIRPORT AND AIRWAY IMPROVEMENT ACT", WE AIMED TO FIND A MEANS TO EXPAND

CAPACITY THAT IS NOT SUBJECT TO THE FEDERAL BUDGET. AFTER CAREFULLY ANALYZING A HOST OF OPTIONS, WE CONCLUDED THAT A CAREFULLY BALANCED PASSENGER FACILITY CHARGE COULD BE OF IMMEDIATE AND SUBSTANTIAL HELP TO LOCALITIES WITH CONCRETE PLANS TO EXPAND. CONGRESS HAD ACTED TO BAN SUCH CHARGES IN THE EARLY 70'S BECAUSE OF PERCEIVED ABUSES, BUT WE CONCLUDED THAT BOTH THE NATIONAL INTEREST AND THE LOCAL INTEREST COULD BE SATISFIED WITH A PFC THAT HAD A MINIMUM OF LEGISLATIVE STRICTURES, IN PLACE OF THE OUTRIGHT BAN.

WE ALSO HAD THE BENEFIT OF ONGOING WORK BY THE AIRPORT CAPACITY FUNDING ADVISORY COMMITTEE CONVENED AT CONGRESS' DIRECTION LAST WINTER, AND HEADED BY FORMER DEPUTY TRANSPORTATION SECRETARY MIMI DAWSON. HER TASK FORCE'S INITIAL WORK CONTRIBUTED TO FLESHING OUT USEFUL PARAMETERS OF A FEE MECHANISM TO SATISFY THE MANY CONCERNED PARTIES, AND TO TRANSFORM IDEAS TO CONCRETE PROPOSALS.

I APPLAUD THE MEMBERS OF THE COMMITTEE FOR THEIR WORK, AND THE FULL PARTICIPATION OF THE AIRLINE REPRESENTATIVES NOTWITHSTANDING THEIR RESERVATIONS ABOUT THE WISDOM OF THIS MECHANISM. OUR PROPOSAL CONTAINS MANY OF THE RECOMMENDATIONS SUBSEQUENTLY MADE BY THE COMMITTEE, AND WE AGREE WITH MANY OF THE OTHER SPECIFICS THAT IT RECOMMENDS. IN A NUMBER OF CASES THE COMMITTEE SUGGESTED SPECIFICS THAT GO BEYOND WHAT WE CONSIDERED BUT WHICH COULD BE ACCOMMODATED IN THE RULEMAKING PROCESS.

THERE ARE SEVERAL FACTORS WHICH WILL BE FUNDAMENTAL TO THE SUCCESS OF THE PFC MECHANISM. FOREMOST, THIS IS NOT A TAX BUT MUST BE A VOLUNTARY CHARGE, WITH EACH LOCALITY IN A POSITION TO DECIDE WHETHER OR NOT TO LEVY A PFC AND WHAT PROJECTS TO PURSUE. THE POWER TO USE PFC FINANCING MUST RESIDE WITH THOSE AT THE AFFECTED FACILITY, BECAUSE THEY WILL BE ACCOUNTABLE TO THEIR CUSTOMERS FOR IMPOSING THE CHARGE. CONGRESS WILL NOT.

IN THIS REGARD, I EMPHASIZE THAT WE SIMPLY PROPOSE TO REMOVE THE FEDERAL BARRIER TO PFC'S -- NOT DICTATE THAT AN AIRPORT USE THE AUTHORITY UNLESS AND UNTIL IT UNDERTAKES PROJECTS THAT WILL IMPROVE SERVICE FOR ITS TRAVELERS. THIS IS A PRO-CONSUMER PROPOSAL. THE DOLLARS THAT RESULT WILL GO DIRECTLY TO REDUCING DELAYS AT THE FACILITY WHERE CHARGED, AND TO OPENING COMPETITIVE OPPORTUNITIES THAT WILL HOLD FARES DOWN.

AT THE SAME TIME, WE MUST GUARD AGAINST WHAT WERE PERCEIVED TO BE THE DEFICIENCIES OR ABUSES OF PFC'S IN THE PAST. I THINK A LOT OF PEOPLE BELIEVED THAT LOCALITIES WERE ATTEMPTING TO SOLVE THEIR LOCAL, NON-AVIATION FISCAL PROBLEMS BY EXTRACTING A FEE FROM AIRLINE PASSENGERS AS THEY PASSED THROUGH THE AIRPORT. THIS IS UNFAIR, AND ALLOWING IT WOULD MEAN THAT THE PROBLEM WE SEEK TO SOLVE -- AIRPORT CONGESTION -- WOULD NOT BE ADDRESSED.

I COMPLIMENT THE VARIOUS MEMBERS WHO HAVE BEEN WORKING ON A PFC PROPOSAL FOR THEIR EFFORTS IN DRAWING UP A MINIMUM NUMBER OF FEDERAL LIMITATIONS AND PROCEDURES THAT SHOULD ACCOMPANY THIS NEW

LOCAL AUTHORITY. THE LIPINSKI BILL APPEARS TO STRIKE A BALANCE BETWEEN THE LOCALITY'S INTERESTS AND THOSE OF THE OTHER INVOLVED PARTIES, ALTHOUGH WE STILL HAVE SEVERAL CONCERNS.

A BROAD CONSENSUS ON THE STATUTORY BOUNDARIES WITHIN WHICH PFC DECISIONS ARE MADE WILL BE CRITICAL, BECAUSE THIS CAN'T BE VIEWED AS SIMPLY A SHORT-TERM EXPERIMENT. THE BOND MARKETS MUST HAVE CONFIDENCE THAT THE EXISTING BAN ON FEES WILL NOT BE REIMPOSED AND STIFLE A REVENUE STREAM THAT IS INTENDED TO REPAY OVER YEARS THE MULTI-MILLION DOLLAR COMMITMENTS THAT WILL BE MADE TO ENHANCE CAPACITY UP FRONT.

WITH RESPECT TO DETAILED ASPECTS OF THE FEE AND ITS CONTROL, OUR ORIGINAL PROPOSAL CONTEMPLATED THE BAREST MINIMUM OF FEDERAL STRINGS ON THE LOCALITIES' OPTIONS. WHILE WE WOULD STILL PREFER THAT APPROACH, WE REALIZE THAT OTHER APPROACHES CONTEMPLATE SUBSTANTIALLY MORE FAA INVOLVEMENT.

IN THIS REGARD, YOU ASKED WHETHER PROJECTS BEYOND THOSE CURRENTLY ELIGIBLE UNDER THE AIRPORT GRANT PROGRAM SHOULD BE PERMITTED. I CERTAINLY THINK SO. AS LONG AS THE PROJECT IS IN FURTHERANCE OF THE AIR TRANSPORTATION SYSTEM, I BELIEVE THE LOCALITIES SHOULD BE ABLE TO SPEND PFC FUNDS ON THEM. A LOCALITY SHOULD HAVE THE FREEDOM AND AUTHORITY TO IMPOSE A MODEST FEE FOR PROJECTS OTHER THAN AIP PROJECTS AS LONG AS THEY SUBSTANTIALLY BENEFIT MOVEMENT OF PASSENGERS. OUR PRIMARY MOTIVATION IN PROPOSING THE PFC IS CAPACITY ENHANCEMENT; WE WANT TO ENSURE THAT, AT CAPACITY

CONSTRAINED AIRPORTS, EVERY EFFORT IS MADE TO REDUCE DELAY. IN 1978, WE DEREGULATED THE INDUSTRY. THE REMOVAL OF THE BAN ON PFC'S IS, IN A SENSE, ANOTHER FORM OF DEREGULATION THAT WILL HELP ADDRESS THE GROWTH FROM THE FIRST.

I WOULD LIKE TO COMMENT ON TWO QUESTIONS RAISED IN THE COMMITTEE NOTICE. SHOULD AN AIRPORT IMPOSING A PFC BE REQUIRED TO FOREGO SOME OR ALL ENTITLEMENT FUNDS AS A RESULT? YES, I THINK SO, AND FOR A CRITICAL REASON. AS A PRACTICAL MATTER, PFC'S ARE PROBABLY MOST VIABLE AT THE LARGE- AND MEDIUM-SIZED AIRPORTS. THE SMALLER AIRPORTS IN YOUR STATES MAY NOT WANT TO IMPOSE A FEE, BECAUSE OF LIGHT TRAFFIC, WITH RESULTING REVENUES BEING TOO SMALL. HOW THEN DO WE FINANCE WORTHY PROJECTS AT THIS CATEGORY OF AIRPORT? THE ANSWER IS WITH MORE DISCRETIONARY AWARDS FROM THE FAA, AND WE PROPOSE THAT FOREGONE ENTITLEMENTS AT THE LARGER AIRPORTS BE FUNNELED INTO THE DISCRETIONARY ACCOUNT FOR THESE PURPOSES.

YOU ALSO SOUGHT COMMENT ON WHETHER THE PFC AUTHORITY SHOULD ACTIVATE ONLY IF THE TRUST FUND BALANCE IS REDUCED BELOW A SPECIFIED LEVEL. I WOULD BE CONCERNED THAT ANY KIND OF "TRIGGERING" MECHANISM THAT IS TIED TO FEDERAL BUDGET ACCOUNTING WILL SEND THE WRONG KIND OF SIGNAL TO THE FINANCIAL COMMUNITIES -- THAT WE ARE TREATING THIS AS SOME KIND OF GIMMICK OR "CARROT" IN A LARGER AGENDA. WE MUST ACT NOW TO CREATE A MECHANISM WHOSE BENEFITS WILL TAKE YEARS TO MATERIALIZE. WITH RESPECT TO THE TRUST FUND BALANCE, I BELIEVE THE SUBCOMMITTEE'S REPORTED BILL

ALREADY DOES THE JOB OF ADDRESSING THE ISSUE, AND THAT THE TWO SUBJECTS SHOULD NOT BE TIED TOGETHER.

IN CLOSING, MR CHAIRMAN, I WOULD LIKE TO COMPLIMENT YOU FOR HOLDING THIS HEARING AND ADDRESSING AN IDEA THAT CAN BE FASHIONED INTO AN EXTREMELY USEFUL TOOL TO MEET THE NATION'S NEED FOR INCREASED AIRPORT CAPACITY. AS IS OFTEN THE CASE, WE FACE A BALANCING HERE BETWEEN LOCAL AND NATIONAL INTERESTS. WE SHOULD NOT INTRUDE UNNECESSARILY INTO DECISIONMAKING BY THE AIRPORT OPERATOR, THE COMMUNITY AT LARGE, THE AIR CARRIERS AT THE FACILITY, AND OTHERS. AT THE SAME TIME, THE PFC MECHANISM MUST LEAD TO AN INCREASE IN WORTHWHILE CAPACITY-ENHANCING PROJECTS OR WE HAVE MISSED THE MARK. FINALLY, A PFC CHARGE MUST NOT BE BURDENSOME -- IN AMOUNT OR IN COLLECTION -- OR ITS UTILITY WILL BE LOST. IF THESE OBJECTIVES ARE MET, I AM CONVINCED THAT WE WILL HAVE THE SUPPORT OF THE FULL SPECTRUM OF AVIATION INTERESTS. I ENCOURAGE QUICK ACTION.

MR. CHAIRMAN, I WOULD BE PLEASED TO RESPOND TO ANY QUESTIONS YOU OR OTHER COMMITTEE MEMBERS MAY HAVE.