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BTC BUSINESS TRAVEL COALITION

March 6, 2017

The Honorable Peter DeFazio
2134 Rayburn Office Building
Washington, DC 20515

The Honorable Thomas Massie
2453 Rayburn HOB
Washington, DC 20515

Dear Representatives DeFazio and Massie,

I write to applaud your bill, H.R. 1265, to lift the cap on the Passenger Facility Charge (PFC) to help fund airport upgrades and capacity expansion. PFCs are critical to increasing airline industry competition, which is especially important now given the massive industry consolidation the legacy airlines drove.

There is always more than meets the eye when it comes to interpreting airlines' arguments in Washington debates. But, self-interest, not the best interest of travelers, generally emerges as the core motivation. Airlines argue that increasing the $4.50 PFC by a few dollars - the first increase since 2000 - would materially dampen demand for travel. However, when airlines state: "saddling passengers with more taxes is not the solution" that's when one really needs to pay attention.

Indeed, airlines are not concerned about an impact of PFCs on demand or their customers. If they were then they would have endeavored to stimulate demand in 2011 when the federal ticket tax lapsed and turn it into a teachable moment for lawmakers. Instead, they raised base fares and pocketed a $28.5 million dollar windfall per day.

Likewise, notwithstanding the extraordinary increases in ancillary fees - up to $200.00 - passenger demand remains at record levels and airlines keep expanding and increasing those charges. A small increase in the PFC pails in comparison to the average $16.00 in fees that airlines charge per passenger.

The PFC was created to be an independent source of capital that could enhance airline competition. PFC-funded investments in airports can add capacity and first-rate facilities attracting new domestic and foreign airlines. This, in turn, increases both competition and consumer choice while lowering airfares.

Without the PFC, however, large hub airports have to rely on funds from the dominant carrier to pay for infrastructure projects. But because of Majority in Interest agreements between most airports and incumbent hub carriers, the airline gets to choose which projects are funded and how revenue is spent.

Problematically, at many medium, small or non-hub airports the airlines want to exercise control to defer capital projects, which can result in a sub-standard passenger experience for that community and an effective subsidy of the larger airports where the airlines are willing to spend money to build fortresses against competition.

Airlines would never agree to fund projects that enhance competition or benefit other airlines. These airlines want none of this and will fight hammer and tongs to stop it. Their goal is maximum control over domestic and foreign competition.

Thank you for your support of airline competition.

Sincerely,

Kevin Mitchell

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