SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION: QUESTIONS FOR THE RECORD

HEARING ON
FAA REAUTHORIZATION: PERSPECTIVES ON IMPROVING AIRPORT INFRASTRUCTURE AND AVIATION MANUFACTURING
MARCH 23, 2017

Written Questions Submitted to Mr. Bob Montgomery, Vice President, Airport Affairs, Southwest Airlines

Submitted by Senator Fischer

Question. How would you address the very serious concern that a PFC increase places a higher burden on passengers from rural and smaller communities in our country, who often have to fly multiple-leg journeys to get to their destination? Ultimately, rural Americans would pay higher PFC's than Americans living near large-city airports with many direct flights.

Answer. We could not agree more. In my testimony, I included ten reasons for why Southwest Airlines opposes an increase in the federal PFC cap. In short, there's simply no good reason to raise our Customers' tax and free burden considering commercial airports have sufficient financial resources to meet their capital needs.

Regarding small and midsized communities, the empirical evidence is clear – higher fares destroys air service in those communities. A PFC increase would represent a fare increase because, per DOT rules, we have to embed the PFC increase in our advertised fares.

Because there tends to be fewer nonstop flight options for consumers at small and midsized airports, our Customers in those communities often are required to connect through a larger station to get where they want to go. So those Customers are often paying the PFC four times based on typical roundtrip itinerary.

Moreover, at Southwest, we fly exclusively Boeing 737s. To be successful, at a minimum, we need to fill a 737 with paying Customers a few times a day at any airport we serve. This can be challenging in smaller markets. So, for example, say St. Louis doubles its PFC. Then that's a fare increase in Wichita, Kansas, or in Panama City, Florida, or in Omaha, Nebraska – all cities with nonstop flights to St. Louis. We do not want to raise ticket prices, especially in those smaller markets where large-plane service is harder to sustain.

Submitted by Senator Young

Question. I had the distinct pleasure to meet with four of Indiana's airport authorities from Indianapolis, Fort Wayne, South Bend, and Evansville this week. The availability of revenues from the Airport Improvement Program and Passenger Facility Charges ensure Hoosier airports are able to invest in needed infrastructure, maintain competitiveness, and ensure passenger safety. In fact, these two programs are part of the reason why Indianapolis International was awarded the Best Airport in North America six of the last seven years. Mr. Montgomery, we all recognize these PFC fees result in higher ticket costs, especially for passenger with multiple flight legs. Could you speak to any scenarios in which you could potentially support minor increases in the PFC? Are there proposals where airport users, including passengers and airlines, could have more of a seat at the table concerning how PFC revenues are spent? Are there ways in which we can better notify passengers of PFC fees and the direct investment they have for airport infrastructure?

Answer. Thank you for your question. It is a good one. In my testimony, I included ten reasons for why Southwest Airlines opposes an increase in the federal PFC cap. Those reasons include the fact that airline tenants at an airport literally have no seat at the table when an airport decides to increase the PFC or use scarce PFC revenues for a project. Today, we only comment as to whether a project is PFC-eligible. And, the federal eligibility criteria are quite broad.

Second, in 2012, DOT began requiring airlines to hide all government-imposed taxes and fees into the price of an airline ticket. Overnight, advertised ticket prices increased somewhere in the range of 15 to 30 percent. This DOT regulation – called the Full Fare Advertising Rule -- has clearly resulted in the airlines "digging in their heels" to oppose any proposed tax or fee increase on our Customers.

Finally, towards the end of the hearing, there was a discussion about the 1982 grandfather clause to the FAA's anti-revenue diversion rule. Today, because of this 25-year old grandfathering provision, over a dozen commercial airports divert nearly $1 billion in airport funds collectively to finance non-aviation programs. Until this loophole is closed, airlines will be hard pressed to support any new government-imposed tax or fee on our Customers.