Chair Sinema, Ranking Member Cruz, and members of the subcommittee, thank you for holding this important hearing to examine America's aviation infrastructure needs. I am Danette Bewley, President and CEO of the Tucson Airport Authority. The TAA operates Tucson International Airport (TUS), the region's major commercial airport, and Ryan Airfield (RYN), a general aviation airport west of Tucson. Our authority is a unique nonprofit created and developed by community business leaders and established by Arizona state charter in 1948.

Airports Can Build the Runway to Economic Recovery and Growth

As we have demonstrated in Tucson, America's airports are a fundamental component of our nation's transportation infrastructure and are essential to our nation's economic success. We have a footprint in every community, annually supporting $1.4 trillion in economic output and 11.5 million jobs. To meet the capacity demands of the future with safe, efficient, and modern facilities that passengers and cargo shippers expect, airports need to make new investments to maintain and upgrade their infrastructure.

Airport infrastructure suffered from chronic underfunding even before the steep decline in air travelers and airport revenue during the COVID-19 pandemic forced the delay or postponement of many planned projects. For too long instead of investing in larger, higher-impact projects that would improve facilities and increase capacity, airports have been forced to prioritize smaller, immediate needs like maintenance of aging structures and systems.

Inadequate airport infrastructure that fails to meet the growing needs of local businesses and tourists puts in jeopardy economic recovery in American cities, states, and regions. In addition to creating jobs, new investments in airports can be valuable tools in helping local communities attract air service, which increases competition and leads to lower airfares for passengers. Airports need additional resources to build the terminals, gates, runways, and ramps necessary to attract new air carriers and entice existing ones to expand service. The traveling public gets more choices and lower airfares when airports can build the facilities that provide more airline options and more service alternatives.

Airports Continue to Face Substantial Infrastructure Needs

As travelers begin to return to America's airports, one thing has not changed: our airports continue to face substantial infrastructure needs. In March, Airports Council International – North America (ACI-NA), the trade association representing airports throughout the country, release an updated infrastructure needs report detailing the more than $115 billion in infrastructure needs over the next five-year across the national airport system. Since this survey was conducted in the middle of the pandemic last summer, it does not fully account for all the new public-health infrastructure upgrades airports need to make, such as HVAC improvements, physical distancing space near gates, and touchless technology to assist passengers through the airport. Coupled with a current debt burden of nearly $90 billion from past projects, the report shows that our airports are falling further behind in their efforts to upgrade their facilities and improve the overall experience for their customers.

Tucson International Airport (TUS) Infrastructure Projects

Tucson International Airport (TUS) supports a complex mix of aircraft: commercial air carrier, commuter, general aviation, and military. TUS is the home of the Arizona Air National Guard 162nd Wing. In addition to providing national security, the Wing trains our allied nations in the F-16 aircraft.

Airfield Safety Enhancement Project

To safely support the needs of our many operators and meet current FAA safety and standards, the TAA broke ground on the largest project in its history last fall. That groundbreaking, however, was a product of years of planning and preparation, and only a small step forward in the overall project. The Airport Safety Enhancement Project, an approximate $330M project (in todays' dollars), took nearly a decade to clear federal hurdles, including a Planning Study, Environmental Impact Statement (EIS) and Record of Decision (ROD), and multi-party negotiations with a myriad of stakeholders.

The project was born out of the exceptionally high number of runway incursions, wrong surface landings and pilot deviations due to confusion in various areas, referred to as "hot spots," which compromise the safety of all operators and users, and have the potential to cause loss of life. To mitigate these issues, the project includes bringing portions of the airfield up to current FAA safety standards. In essence, the project will demolish and relocate a parallel runway (to ensure adequate safety separation between the two parallel runways), add a center taxiway between the parallel runways for added safety, and adds new taxiways to support the new airfield layout and infrastructure. Successful completion of this project is contingent on a committed source and steady stream of federal funding that will allow the project to proceed efficiently and minimizes excessive project costs that come with a longer, multi-year process. As you know, time is money. Optimally, our plan is to complete this essential safety and infrastructure project within 4 - 6 years. That timing is <u>entirely</u> dependent on federal funding. This is an aggressive schedule; however, safety is paramount.

Terminal Infrastructure

<u>Integrated In-Line Explosive Detection System</u>

The Tucson Airport Authority is engaged in a Terminal Study to outline a phased approach to improve the terminal to meet the long-term needs at TUS. The first phase of work includes the construction of an Integrated In-Line Explosive Detection System (security screening for passenger checked baggage) to replace five (5) outdated, disconnected and undersized pods that the TSA utilize. The existing stand-alone system is outdated, and because of its' age has multiple points of failure that require regular heavy maintenance. In addition, the system forces the TSA to staff these individual areas, which is an inefficient use of labor resources. The new Integrated In-Line Explosive Detection System will provide an updated and efficient approach to checked baggage security screening and decrease TSA labor costs. The cost for this project will not be determined until the study is complete. However, without available infrastructure funding it could be years before the TAA can invest in this essential security project.

Concourse Expansion

To meet passenger growth and demand, future phases of terminal improvements require concourse expansions to both Concourse A and Concourse B at TUS. This includes, and is not limited to, gate additions with appropriate hold room space to meet capacity demand and airline fleet requirements (aircraft size), concessions space to provide passengers with expected amenities and allow the airport with a source of revenue generation, airline support space, etc. The cost for expansion will not be determined until the study is complete. However, without available infrastructure funding it could be years before the TAA can invest in this essential capacity project.

Landside

The TAA is a stakeholder in a Transit Study underway by the City of Tucson. The project will evaluate ways to improve multi-modal access between downtown Tucson and TUS through Bus Rapid Transit or Light Rail. The TAA will need to plan and construct a transit center close to the terminal. Cost estimates are not yet available. However, without available infrastructure funding it could be years before the TAA can invest in this multi-modal project.

Cargo Infrastructure

A result of the COVID-19 pandemic is a significant increase in air cargo traffic at TUS (and nationwide). TUS is in the planning stage for additional Cargo Apron space (construction) to meet the demand. While the air cargo operators have traditionally paid for their building and sortation facilities, airports must pay for the basic infrastructure costs (concrete, utilities, etc.) through Airport Improvement Program (AIP) funds, other grant sources or other funding sources. Preliminary estimates for the first phase of cargo apron expansion range between approximately $15 – $20M dollars (in todays' dollars), depending on capacity.

Roadway Infrastructure

To meet both the anticipated growth in multi-modal cargo needs and improve passenger access to the TUS terminal, TAA is in the process of preliminary design to extend Country Club Road, a main access road, to the south. This $15 - $20M project (in todays' dollars) will also provide access to airside and landside parcels which will increase economic development opportunities. Related to this project is the current ADOT Tier 1 study to construction the Sonoran Corridor. The Corridor will provide a connection between I-19 and I-10 south of TUS and will relieve congestion at the current interchange, improve access to TUS for passengers traveling from south side of the region, and enhance the cargo and logistic flow coming from Mexico to the entire county.

Other Airports

In addition to being economic engines for their respective communities, small- and medium-hub airports feed the national aviation system and serve the needs of millions of travelers each year. Yet many small- and medium-hub airports have infrastructure that has long outlived their useful lifespans and are now operating in a "run to fail" mode because they lack reliable sources and streams of funding. These airports are forced to deal with infrastructure issues related to facility age, exceeded design capacities, outdated technology, congestion, environmental issues, etc., which causes inefficiencies, higher costs, lower levels of service, and loss of business through missed opportunities. The delivery of

sound and reliable airport infrastructure is an essential factor for economic growth and for the health of the national aviation system.

Terminal improvements at large-hub airports, through which many of our passengers connect, also help smaller airports because greater capacity at those hubs allows for greater service to smaller communities. If the hubs are constrained, incumbent carriers will maximize profit on routes between large cities and new entrants will not be able to access the market. These market distortions drive up airfares and reduce flight choices for consumers.

I also want to highlight a few of the airport infrastructure projects slated to be underway over the next few years at airports across the country. The needs are great at all airport hub sizes and collectively as an industry the needs are greatest for terminal construction. The ACI-NA infrastructure study shows $40 billion in terminal projects alone.

Salt Lake City International Airport (SLC)

The Salt Lake City International Airport has a $768 million new terminal project that will allow for more efficient and sustainable state-of-the art facility with the ability to meet changing passenger needs for decades to come. It consolidates all air-carrier passenger-processing operations into a single, multi-level terminal building, replacing three older unit terminals. Accommodating both domestic and international flights, the terminal includes areas for all essential spaces needed for passenger and airline operations.

The terminal building also includes a new baggage system that will cost $199 million and consists of both inbound and outbound baggage-handling equipment. The new consolidated outbound system has baggage entry points at the ticketing level of the terminal, the terminal curb, and remote check-in counters. The outbound baggage system includes a fully integrated centralized in-line baggage screening matrix including six explosive detection system machines. The second phase of construction will extend the outbound sortation system to remote Concourse B via high-speed conveyors.

Kansas City International Airport (MCI)

My colleagues in Kansas City are also working on a new $1.5 billion terminal. The new terminal is over one-million square feet, making it the largest single infrastructure project in the city's history. It will have a lasting economic impact on the region in the form of supporting new jobs and opportunities for local and small businesses, as well as creating a first-class traveler experience for airport users. The terminal will open with 39 gates, with the ability to expand to 50 gates in the future. When complete, the facility will replace the airport's dated and aging terminals, which opened in 1972.

The shift in consumer buying to e-commerce has presented a unique opportunity for airports to expand cargo capacity and operations. Airports of all sizes need the necessary infrastructure in place to capitalize on these opportunities.

Savannah-Hilton Head International Airport (SAV)

Savannah Hilton Head Airport has a $60 million project that will offer growth opportunities for the airport's current air cargo providers, as well as provide additional space for new tenants. It will allow expanded ramp parking to handle up to five Boeing 767 aircraft with room for ground

service equipment storage, in addition to the 60,000 square feet of cargo tenant space. With close access to local highways, businesses could expect to have shipments sorted and on the road within two hours of a flight landing. Additionally, the facility will be situated close to the local Customs and Border Protection office, allowing for quick access to shipment clearance.

Other projects detailed in the ACI-NA infrastructure report include COVID-related HVAC and smart-restroom upgrades at Dallas-Fort Worth, a new international arrivals facility in Seattle, and a terminal expansion in Atlanta.

Airport Priorities for Infrastructure Legislation

Given these significant needs across the country, it is time to find the means to rebuild our nation's aviation infrastructure and improve the passenger experience for millions of travelers. The cost of doing nothing is further paralysis of the aviation system as we seek to rebuild our economy from the devastating impacts of the COVID-19 pandemic. Implementing the following policy recommendations for infrastructure legislation would go a long way towards helping airports pay for their growing list of capital projects, as well as support good-paying jobs, stimulate local economies, and prepare for rising passenger levels in the recovery ahead.

Provide Direct Federal Funding for Airport Infrastructure Projects: As airport capital needs and the list of necessary repairs for aging facilities continue to mount, Congress can help by providing direct federal funding for new airport capital projects in the infrastructure package. Specifically, we urge you to provide at least $50 billion in new funding over the next five years for all-sized airports that includes broad flexibility to allow for a variety of needed projects, such as runways, taxiways, terminal upgrade/expansions, public health improvements, security enhancements, and roadway/transit access improvements. Direct federal investment in this period of economic recovery would go a long way toward helping airports pay for their growing list of capital projects while other funding sources remain constrained. We appreciate that crucial funding for airport infrastructure projects has been included in proposals put forward by President Biden and Senators from both sides of the aisle who are seeking a final agreement on a comprehensive infrastructure package.

Modernize the Outdated Federal Cap on Airport Local User Fees: To ensure continuity in funding airport infrastructure projects once the additional federal funding is exhausted, airports urge Congress to adjust the outdated federal cap on local Passenger Facility Charges (PFCs). Since PFCs are local user fees (not taxes) imposed by states or units of local government, they are not collected by the federal government, not spent by the federal government, and not deposited into the U.S. Treasury. Instead, PFCs go directly to fund local airport projects approved by the FAA – with input from airlines and local communities – at no cost to the federal government.

Last changed more than 20 years ago, the PFC cap has not kept pace with rising construction costs and inflation since it was last adjusted to $4.50 in 2000, and its purchasing power has eroded by 40 percent. Modernizing the outdated federal cap on the PFC in this time of scare federal resources would give airports the self-help they need to invest in the terminals, gates, and ramps necessary to attract new air carriers and entice existing ones to expand – thereby promoting competition and lowering airfares for their communities.

TAA's PFC authorization, used for a $33M terminal infrastructure project in 2015, and other purposes, is currently burdened for approximately 2.5 or more years of collection, assuming a steady return of passengers. You understand how that limits TAA's ability to utilize this more flexible local funding mechanism to address TAA's ongoing infrastructure needs.

Considering the pandemic, Congress must consider a gradual, phased-in approach that would restore the original purchasing power of the $4.50 PFC. To that end, bipartisan legislation has been introduced in the House that starting in 2023 would allow airports to increase their PFC by $1.00 annually for four years and then index it annually for inflation. This would provide America's airports a long-term, locally controlled, and reliable funding source to maintain and upgrade their aging facilities, plan for the future, and remain competitive in an increasingly interconnected world.

Help Airports Finance Critical Infrastructure Projects: With limited federal funds available and an outdated federal cap on local user fees, airports often turn to the bond market to help finance their infrastructure projects. To help lower airport borrowing costs, Congress should ensure that airports can continue to finance critical infrastructure projects with tax-exempt municipal bonds and private activity bonds and eliminate the alternative minimum tax penalty on airport private activity bonds. While not a substitute for new, direct investment in airports, we suggest the following modifications to tax and lending law to help facilitate greater airport infrastructure upgrades nationwide

- Expand the Transportation Infrastructure Finance and Innovation Act (TIFIA) to airport development projects.
- Exclude airport private activity bonds completely from the alternative minimum tax.
- Reinstate advance refundings on all municipal bonds, including private activity bonds.
- Restore the interest exemption for banks investing in airports.

Airports often use bonds to construct and renovate terminals, maintenance facilities, parking garages, and other facilities. Over the past decade, about 60 percent of bonds issued to finance airport capital projects were issued as private activity bonds, a special type of municipal bond that is issued to finance a facility that serves a public purpose for the benefit of a private user like an airline. Without access to cost-efficient financing many airports will be unable to undertake many needed infrastructure-improvement projects—and as a result, the anticipated job creation and economic activity from these activities will not be realized.

PFC Is the Long-Term Solution to Address Airports' Infrastructure Funding Shortfalls

With America's airports facing over $115 billion in infrastructure needs across the system, it is time to find the means to rebuild our nation's aviation infrastructure and improve the passenger experience for millions of air travelers.

It is a common misconception that airports are funded with taxpayer dollars or a general tax on all citizens. Though, infrastructure projects at U.S. airports are funded primarily with federal grants through the FAA's AIP, the PFC, and airport-generated revenue from tenant rents, non-aeronautical development, and fees on other commercial activity at airport. Airports often turn to private-capital markets to debt-finance projects, using both PFC-revenue and airport-generated revenue to repay the bonds.

Traditionally AIP grants – which prioritize safety improvements – have been used on airfield projects, while PFC user fees – with greater funding flexibility – have gone towards terminal, ground-access, and major-runway projects. Both are essentially reimbursement programs used to pay for past or existing projects. In the case of PFCs, airports often have committed this revenue-stream for years or decades into the future to repay past projects, meaning they have no new money coming into the system to fund future projects. Federal law requires airports to be self-sustaining, yet it also artificially distorts and constrains the very funding mechanisms designed to ensure market competition and airport-infrastructure growth, as the federal cap on the PFC has been in place since 2000, and federal entitlement grants through the AIP have remained stagnant for over a decade.

Thus, under the industry's current financing-funding model airports lack stable, predictable funding sources that keep pace with travel growth, rising construction costs, and inflation for these intensive capital projects. The PFC cap – last adjusted twenty years ago – has seen its purchasing power eroded by 40 percent in the past two decades. And federal airport grants through the AIP remain stagnant each year under the most recently enacted FAA reauthorization legislation. Moreover, many airports – even those with sterling credit ratings – have reached their debt capacity and either cannot finance new projects or have had to phase in their projects over a longer timeframe, increasing the costs and delaying the benefits for passengers

Fortunately, we can rebuild America's airports without raising taxes or adding to deficit spending by modernizing the federal cap on the PFC. Modestly adjusting the anti-competitive federal cap on local PFCs would allow airports to take control of their own investment decisions and become more financially self-sufficient. Airports could build the appropriate facilities – terminals, gates, baggage systems, security checkpoints, roadways, and runways – to meet the travel demands and customer expectations of their community.

It is important to remember PFCs are not taxes (the Tucson Airport Authority has no taxing authority and cannot impose a tax as airport sponsor on passengers) – they are local user fees determined locally and used locally to help defray the costs of building airport infrastructure that benefits customers by improving the passenger experience and spurring airline competition. PFCs are imposed by states or units of local government; so, they are not collected by the federal government, not spent by the federal government, and not deposited into the U.S. Treasury. Instead, PFCs go directly to fund local airport projects approved by the FAA, with input from airlines and local communities.

At a time of mounting pressure on our federal budget, modernizing the federal government's cap on the PFC is the simplest and most free-market option for providing airports with the locally controlled self-help they need to fund vital infrastructure projects. It would give airports more flexibility to self-finance and leverage private investment without the need for additional taxpayer dollars, thereby allowing airports of all sizes to generate more local revenue for terminals, gates, runways, and taxiways that would increase capacity, stimulate competition, enhance safety and security, and improve the overall passenger experience. Ultimately, modernizing the PFC is the best way to meet the travel challenges of today and build for a strong economy in the 21st century.

Separating Fact from Fiction on the PFC

Finally, I would like to correct the record on numerous misstatements being made about the current state of U.S. airports. The truth is that modernizing airport facilities, growing air service options, cultivating new economic prospects, and improving the passenger experience is the best interest of every local community.

CLAIM: *We should not be raising taxes during a pandemic.*

FACT: First, the PFC is a user fee, not a tax. The fee is collected by the airline and then sent right back to the airport that the passenger utilized. The money never goes to the federal treasury or the FAA trust fund in Washington. It is collected locally and spent locally.

Second, airports are leading the COVID-19 recovery, investing in a range of projects to move swiftly to respond to and mitigate the spread of COVID-19. For the long haul, airports must continue to be leaders in health infrastructure, and they will need adequate funding to ensure they are well-equipped to handle similar crises in the future. COVID-19 may have caused a temporary drop-off in passenger levels, but we must prepare for their return. With the current trajectory of cases and vaccinations, we expect passenger levels to increase in the months and years ahead. Airports must be ready to support the increased movement of people and goods to enable a stronger economy. Without these much-needed investments, limited capacity and outdated facilities will hold back airports and our economic recovery.

CLAIM: *It is unfair to price-sensitive passengers to raise the cap on the PFC.*

FACT: Despite the pandemic, airports need to repair aging facilities, invest in critical infrastructure, and prepare for the recovery ahead. To help with those ongoing efforts, airports are continuing to urge Congress to raise or eliminate the outdated PFC cap. Because of the challenges presented by the pandemic Congress could also consider a gradual, phased-in approach to adjusting the federal cap on the PFC. Under either scenario, adjusting the local user fee will lead to improved airports by:

- Allowing airports to improve their facilities and expand their capacity, providing disproportionate benefits to low-income travelers and travelers in rural communities.
- Supporting regional economic growth, including job creation, through infrastructure projects at the local airport.
- Creating competition among airlines, potentially driving down ticket prices with added capacity.

Plus, there is no cap on what the airlines can charge for bags and other ancillary fees. Bag fees alone have increased nearly 27-fold since 2000, with little to no benefit to the passengers. PFCs, on the other hand, go directly towards infrastructure projects that benefit the passengers using that airport.

CLAIM: *We do not need to raise the cap on the PFC because airports have either halted many construction projects, or there is not the need for these projects post-pandemic.*

FACT: Many airports have deferred projects due to the pandemic, but once travel resumes many of these projects will need to be completed. Airports need a long-term source of revenue to make necessary improvements to the health, safety, security, and physical infrastructure of our facilities. These projects are not about fancy terminals, but about making necessary upgrades to decades-old terminals, increasing capacity for the rapid rise in passenger travel, and contributing much-needed growth to local and regional economies. Airports can be either an accelerator to growth or a bottleneck to it. We need to ensure that airports can withstand similar emergencies in the future by investing in important technologies and expanding capacity at our airports to safely accommodate many passengers. Better airport infrastructure can not only help us recover more quickly but can also make that recovery stronger and more sustainable.

CLAIM: *Airports are flush with cash.*

FACT: Airports are projected to experience at least $40 billion in lost revenue and increased costs from March 2020 – March 2022 because of the pandemic, and airports hold about $87 million in old debt. Prior to the pandemic airports did maintain cash reserves to comply with bond covenants and save in rainy-day accounts. With that rainy day here, airports have had to tap into these cash reserves to make debt payments and maintain operations. Additionally, airports have reduced costs to airlines and provided millions in relief to renters and concessionaires to help them stay afloat during the pandemic. As a result, airports have had spent down their reserves and seek emergency relief funds from Congress just to stay open, maintain operations, and keep their staff.

CLAIM: *If there are infrastructure needs at airports, airlines will pay for them.*

FACT: While most airport infrastructure projects were not financed by airlines before the pandemic, they certainly are in no financial position to improve airport infrastructure now. In fact, nearly 90 percent of all airport funding comes from airport-generated income, federal grants, and PFC collections. Even in previous cases when airlines did "fund" airport infrastructure projects it was rarely direct money, rather payments that came from their regular landing fees and use-and-lease agreements at airports. Moreover, the airlines tend to focus their investments on their hubs while providing little to no infrastructure investment at smaller commercial service airports around country.