Tampa International Airport
Peter O. Knight Airport
Plant City Airport
Tampa Executive Airport

Hillsborough County
Aviation Authority
P.O. Box 22287
Tampa, Florida 33622
phone/ 813-870-8700
fax/ 813-875-6670
TampaAirport.com

Testimony of Joseph W. Lopano
CEO of Tampa International Airport
Before the House Transportation and Infrastructure Committee
on
"The Cost of Doing Nothing: Why Investment in Our Nation's Airports Matters"

March 26, 2019
Washington, DC

Chairman DeFazio, Ranking Member Graves and distinguished members of the Transportation and Infrastructure Committee:

Thank you for the opportunity to address you on the important role the Passenger Facility Charge plays in making affordable investments in airports to spur the economic vitality of our communities and provide choices to the flying public.

Tampa International Airport is a prime example of how this valuable funding tool, a user fee that can only be spent on Federally-approved capital projects in the airport where it is collected, offers airports the flexibility to increase capacity, promote competition and ensure a safe flying experience for our passengers. It is thanks to expansion using the PFC that our airport was able to attract new airlines and routes to the Tampa Bay region, resulting in a significant economic impact for our community.

When I became Chief Executive Officer of Tampa's airport in 2011, the directive from my board was to recruit international flights to our market. New carriers were expressing interest in our woefully underserved region. However, our existing international facilities had reached capacity. It was time to expand. The project cost came in at $25.8 million. Our airline agreement, similar to many other agreements in the country, requires our signatory airlines to approve any capital project funded with more than $10 million in airport revenues. Our incumbent airlines made it explicitly clear that they did not intend to support our expansion to bring in competing carriers. Fortunately, we had access to $8.6 million in PFC funds, an additional $3.4 million in PFC-backed bonds, and a generous contribution of $10.2 million from the Florida Department of Transportation to reduce the airport revenue portion of the project to $2 million and eliminate the need for airline approval.

Soon after we completed construction, international service started growing. Since 2012, we have added new flights to Switzerland, Panama, Germany and Iceland. British Airways expanded its

Joseph W. Lopano, Chief Executive Officer | Robert I. Watkins, Chairman | Gary W. Harrod, Vice Chairman
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service to London and Norwegian launched flights to London, providing new competition in the market that is benefitting passengers with lower airfares. In May, Delta will begin daily service to Amsterdam. Our international traffic has increased more than 150%.

These flights have delivered $1.6 billion in economic impact for our region and supported 17,800 jobs. This would not have happened without the PFC.

One daily non-stop flight to a European market creates a $154 million economic impact for our region and creates 1,200 jobs in our region. This is the equivalent of the Super Bowl every two years, over-and-over again.

Growth is not only on the international side. Overall, including international and domestic passengers, we served a record 21 million travelers in fiscal year 2018.

We have added competition in existing markets by 52% since 2015, lowering fares for travelers. For example, in 2016 the average fare to Boston from Tampa was $164, with JetBlue the only airline offering nonstop service there. Since then Delta and Spirit have entered the market bringing the average fare down to $133. We have also established or re-established service to 14 new markets since 2010, including service to small and medium-hub airports, including Greensboro and Asheville, North Carolina; Syracuse, New York; Latrobe, Pennsylvania; and Madison, Wisconsin.

Many of these flights are on ultra-low-cost carriers, such as Spirit Airlines, which is one of the fastest growing airlines in Tampa. Our airport is attractive to Spirit and other low cost carriers because our cost per enplanement is low, thanks to our responsible financial management and, again, the PFC. Even while completing a recent $1 billion expansion, we were able to use PFCs to lower our overall debt by $76.4 million including $5.2 million in PFC backed bonds.

We currently carry four AA ratings by the bond agencies allowing us to finance our projects at favorable interest rates- partly due to our ability to use the PFC's.

The PFC as currently conceived, however, has reached its limits. The fee has not been modernized since 2001, and inflation has whittled away its spending power. Stuck at $4.50, it is not adequate to responsibly address the $81.8 billion in capital needs at the 30 large hub airports nationwide
At Tampa International Airport alone, we have $2.2 billion in capital projects necessary over the next 15 years, including airfield maintenance and other safety-related projects. Slightly over $1.1 billion of these projects could be paid for using the PFC while PFC capacity is only $315 million, a threshold the airport meets in 2022.

One of the most important projects is a new 16-gate airside. With our community continuing to grow at a rapid pace, our FAA-approved passenger forecast shows we need to open this facility in

2024 to accommodate increased demand. Available federal Airport Improvement Program (AIP) grants amount to a tiny fraction of total costs, and availability of PFCs is limited. That means we will have to rely on bonds backed by airport revenues, assuming we can come to an agreement with our airlines on how to move forward with the project. An increase in the PFC cap – from $4.50 to $8.50 – would lessen our dependence on a bond issue backed by airport revenues, and save us $250 million in interest payments by reducing our need to issue bonds and allowing us to pay back debt faster. This would keep our costs to airlines low and enable more airline competition in the market to keep airfares low.

An increase in the PFC cap does not mean the cost of every airline ticket would automatically increase. It would simply allow local airport governing boards to determine their community's fate and set the fee at a rate necessary to fund investments that, as dictated by federal law, will increase capacity, keep airports secure and increase competition. With four airlines carrying 80% of the nation's passengers, it is vital that we have a flexible source of funding for building gates affordably and bringing healthy competition to the aviation marketplace. Airport reserves cannot be tapped because they need to remain at certain levels to comply with bond requirements. In Tampa, we keep two months of operating funds in reserves to maintain our debt service coverage. Federal funding for capital projects has declined significantly, especially for large-hub airports. Airport revenues are too often subject to approval from airlines, who have a vested interest in limiting facilities that enable competition. We work closely with our airline partners to develop our facility plans and our annual budgets. We agree with them on many issues, ranging from the need for efficient and effective security screening to the importance of travel and tourism in our national economy. However, we disagree on who should ultimately control the destiny of our community's infrastructure. This belongs squarely in the realm of local airport governing bodies, underscoring the PFC as the most flexible, cost-effective option for airport capital investment.

There is a crying need for all types of infrastructure investment in this country – roads, bridges, trains, ports, sewage systems, power plants, communications systems. Modernizing the PFC is an effective and smart way to start making billions of dollars of investment without having any impact whatsoever on the federal budget.

The PFC was a good idea when it was created in 1990. It is a good idea now, but the existing structure limits its usefulness and the ability of airports to affordably expand and best serve consumers.