

**Testimony of
Sean Donohue
CEO, Dallas / Fort Worth International Airport**

**Before the
Subcommittee on Aviation
Committee on Transportation & Infrastructure
U.S House of Representatives**

**Hearing on “Building a 21st Century Infrastructure: State of American Airports”
Wednesday, March 1, 2017**

Subcommittee Chairman LoBiondo and Chairman Shuster, Ranking Member Larsen and Ranking Member DeFazio, and distinguished members of the committee, good morning. I'd also like to acknowledge a long-time partner of DFW Airport that sits on this Subcommittee, Congresswoman Eddie Bernice Johnson. Thank you for your continued support. I'd like to briefly recognize another friend of DFW Airport, Congressman Blake Farenthold.

On behalf of the nearly 2,000 employees that work for Dallas / Fort Worth International Airport and the more than 50,000 men and women who work for our airlines and other partners, it is my pleasure to be here today to testify before you on the state of American airports, specifically the large hubs that are at the heart of our industry. This hearing is an important step in shaping the way forward for our nation's airports, airlines, and passengers.

There is a saying in our industry “if you've seen one airport, you've seen one airport”. This is mostly true. Each airport is a unique entity with its own benefits, challenges and characteristics.

As you consider today's testimony and potentially develop plans for greater investment in airports, please keep our unique needs in mind. While some airports may need new runways, others need new towers or terminals. There is not a one size fits all approach to addressing airports' infrastructures.

The evolution of aviation has meant the world has gotten smaller. More Americans can travel the world affordably and in less time than ever, and airports today need to grow and evolve with the aviation industry. We need to think about airports beyond just runways, taxiways, and terminals. There are real infrastructure and facility challenges in today's airport environment.

DFW is ranked 3rd in the world in airport operations and 10th in terms of passengers and contributes over \$37 billion in economic activity across North Texas. DFW has non-stop flights to 217 destinations around the world- 55 international and 162 domestic. In fact, you can fly from DFW to London in the same time it takes to drive from DFW to El Paso, TX.

Large hubs airports like DFW, with 73% of total customer traffic in the country, have needs that are truly “supersized”. For example, building and improving terminals, a necessity for the long-term success of an airport, are not just simple construction projects. They are multi-year ventures entailing billions of dollars in costs.

Airport financing remains the most significant issue we are facing today. U.S. airports owned by state or local governments are required by the federal government to be as self-sustaining as possible and receive little or no taxpayer support. To that end we must operate like a business, funding operations from revenue, and strategically planning funding for major improvement projects, which are, to say the least, incredibly expensive. Additionally, the ever-increasing security needs of airports go beyond law enforcement resources, and now extend into rethinking the very infrastructure of our airports.

Airports, capital markets, the airlines and their passengers provide funds to help pay for these long-term projects. Utilizing a combination of airline fees, Airport Improvement Program grants, the Passenger Facility Charge, critical municipal bonds and commercial revenues, airports must cobble together enough funding to build the massive infrastructure needed to keep our industry moving at peak efficiency.

But even the healthiest of airports have found their revenues stretched to keep up with the ever-growing needs of the traveling public and aviation industry. Indeed, recent studies have found airports’ infrastructure needs for 2017 through 2021, adjusted for inflation, are almost \$100 billion, or nearly \$20 billion annualized. These are not cosmetic projects designed to put a shiny new look on airports, but the necessary developments required to keep up with an ever growing and changing aviation industry.

Airport Financing Options

Bonds

Airports frequently turn to the capital markets to finance long-term construction projects. Bond proceeds are the largest sources of funds for airport capital needs, accounting for approximately 54% of the total funds historically. Airports utilize numerous types of municipal bonds to finance airport capital projects.

The Passenger Facility Charge

We also rely on the Passenger Facility Charge (PFC) program. The PFC program allows the collection of fees up to \$4.50 for every enplaned passenger at commercial airports controlled by public agencies, with a maximum of two PFCs charged on a one-way trip or four PFCs on a round trip, for a maximum of \$18 total. Airports use these fees to fund FAA-approved projects that enhance safety, security, or capacity; reduce noise or increase air carrier competition. Revenues from PFCs are local funds, not federal, and are collected by the airlines and remitted to the airports monthly. Airlines retain 11% of the amount collected to reimburse them for collection costs.

At DFW, we have filed ten PFC applications since the program was implemented. Nine applications have been closed and DFW is currently collecting funds under Application #10 at \$4.50. All of

DFW's PFC revenues are programmed to pay the debt service of the approved projects. In FY16, DFW collected \$127 million in PFC and used \$130 million for eligible debt service which helped reduce airlines costs

The FAA is still authorized to approve all PFC applications and projects even though PFC funds do not emanate from the federal government. PFC projects that are eligible are generally the same as projects eligible for AIP funding. Areas of DFW that are excluded are specific projects or terminal areas that generate revenue, or are related to repairs and maintenance. For example, our SkyLink's Maintenance Facility was deemed ineligible for PFC funding while terminals are typically partially eligible. Congress should consider increasing the categories of projects that are eligible for PFC's.

The PFC program was originally designed to be similar to the AIP program, where airports will submit projects for FAA approval and be authorized to collect funds for pay-go construction. Around 2000, airports began to leverage PFCs for large projects by either issuing bonds backed solely by PFC revenues, or as DFW currently does, pledge PFC's as part of gross airport revenues to cover a share of the debt service for eligible projects. This new approach extended applications from a few years for pay-as-go projects to applications extending 30 years over the life of the bonds that were issued.

Our primary problem remains that PFC funds are local funds, not federal funds, but the federal government (FAA) still has authority over how PFC funds are allocated. Airports know best which projects would provide the greatest benefit to the traveling public, and the airport should be allowed to use PFC funds for any project that benefits our customers.

Airport Improvement Program

The Airport Improvement Program (AIP) program is a federal grant provided by the FAA on an annual basis. Funds for these grants are provided by a federal tax on airline tickets, and approximately \$3 billion in AIP grants are available nationwide. AIP funds are allocated by region, with the regional FAA office given the authority to award available funding through grants.

Prior to the selection process, each airport receives a calculated entitlement amount that is predicated on passenger and cargo totals. These entitlement payments are paid first from available grant funds. If an airport is utilizing PFC funding, the airport's entitlement payments are reduced. The \$4.50 PFC typically reduces an airport's entitlement by 75%. After entitlements grants are awarded, any remaining funds are awarded through discretionary grants, with Letters of Intent awarded first. Any remaining discretionary funds are awarded at the discretion of the regional office, based on a ranking system, which evaluates projects offered by the airports within the region. VALE grants are for environmental projects and can also become available to regular discretionary funding. Large hub airports do not receive a proportional amount of funding relative to the amount of taxes collected

DFW's 25% entitlement funds total roughly \$9 million annually, while FAA's regional office informed DFW to anticipate \$15 million per year as DFW's share of discretionary funds

In FY16, DFW received \$40 million (\$9 million of entitlement funds, \$28 million of discretionary funds and \$3 from a VALE grant). In FY 2015, the Airport received \$23 million and in FY 2014 \$24 million. DFW's Treasury Management team estimated that approximately 9% of the Aviation Trust fund was collected at DFW, yet DFW receives only 1% of the available grants

Carrier Fees

Airports are primarily supported by user fees, because of this we are true partners with air carriers. Landing fees, terminal usage fees and other air carrier associated fees are the main source of revenue for DFW.

Security Infrastructure

AT DFW, it is our hope that we can modernize funding policies and enable airports to utilize all financing methods available to meet security infrastructure needs. Security infrastructure is becoming a larger and larger challenge for airports. No US airport was designed with today's security footprint in mind- all pre-date the heightened security checks that are now common.

Noise

We also continue to address the always present noise issues inevitable in the aviation sector and we have worked for years to develop a proactive plan to mitigate noise complaints.

FAA and ICAO regulations continue to be updated to keep pace with new developments in air travel. Constant advances in airframe and engine technology have resulted in quieter planes.

At DFW, we continually monitor sound from aircraft operations and local community activities.

Our Noise Compatibility Office monitors aircraft flight tracks, via FAA radar data feeds to continually understand our impact on our surrounding community. And NextGen efficiency improvements are enabling FAA to guide and track aircraft more precisely on direct routes, reducing congestion, delays, fuel burn emissions and noise.

Airports are responsible and liable for aviation noise despite the fact that they do not control airline schedules (airlines) or flight paths (FAA). Airports are also responsible for protecting its environment by ensuring compatible land use development even if it doesn't control the land (per Grant Assurances).

Departing flights at DFW generally use runways closest to the terminal which maximize the distance between takeoff noise and local communities. Outboard runways are typically closed from 11pm – 6am- this action consolidates night operations to DFW's main runways, reducing overflights of local communities affected.

DFW staff actively monitors aircraft noise levels through 26 permanently mounted noise monitors located in nine cities and three counties to ensure actual aircraft noise levels are consistent with predicted noise levels.

DFW staff also actively monitors aircraft flight paths over local communities to ensure flight paths are compliant with agreed commitments with local communities

DFW continually engages with local communities on noise, operational changes and FAA NextGen and focuses on two-way education, engagement and advocacy. DFW also notifies local communities in advance of any changes to normal operations such as weekend or extended runway closures.

As a result of our ongoing Community Engagement initiatives,, DFW has more than 1,800 operations and less than two noise complaints each day.

In addition, DFW has made significant investments to reach its sustainability objectives. I'm proud to share with you that DFW is the first domestic and largest airport globally to achieve carbon neutral status.

Thank you for the opportunity to testify today, and I look forward to answering any questions you may have.