



## CAPITAL IMPROVEMENT PROJECTS **ACI-NA TALKING POINTS**

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Airports are more than gateways to travel. Airports are gateways to economic opportunity. According to ACI-NA's latest economic impact study, America's airports generated more than \$1.1 trillion dollars in economic activity – 6.5 percent of the country's GDP – and supported more than 9.6 million jobs. As demand for travel continues to climb, the sky is the limit.

But our nation's airports – and our leadership position in the global aviation system – are at risk of falling behind. U.S. airports need new infrastructure investments to modernize for 21st century air travel demands.

### **UNDERSTANDING THE SCOPE OF AIRPORT CAPITAL IMPROVEMENT PROJECTS**

Airport capital improvement projects are complex undertakings that involve airport, airline, aviation, and non-aviation stakeholders. At their core, airport capital improvement projects are designed to add capacity for growing passenger and cargo demand, rehabilitate aging infrastructure, comply with federal and local design standards, enhance the safety and security of the traveling public, provide opportunities for new and competitive air service, protect the environment, and accommodate aircraft innovation.

The successful completion of these airport improvement projects will help increase airport operational efficiency. Such efficiencies benefit all airport stakeholders, including airline partners, by reducing operating expenses. Safety and security enhancements are paramount. Additionally, airport improvement projects provide opportunities for airports to enhance competition, which can lead to additional service options and lower airfares.

Every airport wants to connect their local communities with global destinations, enabling travelers to spend time with their families and grow their businesses. The key to our success is investing in airport infrastructure. Without the completion of needed airport improvement projects, U.S. aviation leadership will be diminished and we will lose our status as a business and tourism destination.

### **FIVE PURPOSES FOR CAPITAL IMPROVEMENT**

Every airport capital improvement project can fit within at least one of these categories. Because airports are continually thinking far into the future, it is likely each project fits into more than one category.

- **Meeting Capacity Demands**

In 2015, more than 800 million passengers traveled through U.S. airports. Over the next 20 years, the Federal Aviation Administration (FAA) estimates enplanements will grow to more than one billion. At the same time, the FAA anticipates cargo traffic will double to more than 80 million revenue ton miles. To accommodate increased passenger and cargo demand, airports must keep a constant eye on the future and ensure their facilities are able to accommodate increased growth.

- **Reconstructing Aging Infrastructure**

While airports keep a watchful eye on passenger growth, they must also ensure existing runways and terminal buildings are in good repair to prevent safety problems and service disruptions. The average airport facility in the United States is more than 40 years old, and our newest major airport is 20 years old, so many of its major facilities are coming to the end of their useful lives or need to be rehabilitated. As airport infrastructure continues to age, more and more resources are being focused on reconstruction over new improvements.

- **Ensuring Compliance with Design Mandates**

As highly regulated facilities, airports are required to comply with myriad federal, state, and local regulations, including regulations stemming from the Federal Aviation Administration (FAA) rules, American Disabilities Act (ADA) compliance, and much more. As such, airports are continually reviewing airport design standards to ensure compliance and improve airport safety and efficiency.

- **Enhancing Safety and Security and Promoting Environmental Protection**

Just as aircraft technology evolves, safety and security challenges are constantly changing, especially as threats become more complex and passenger demand increases. Airports must continually work to ensure the safety and security of the traveling public. Airports are also responsible stewards of the environment, including noise concerns and deicing processes during winter operations. An airport's ability to maintain safety, security, and environmental challenges promotes efficient airport operations and reduced flight delays.

- **Accommodating Aircraft Innovation**

Airplane manufacturers play an important role in helping airlines meet global route planning and capacity goals through cutting-edge aircraft design and innovation. Airport infrastructure decisions are based partly on forecasts prepared by the major airplane manufacturing companies. One major aircraft manufacturer expects the world fleet of aircraft to more than double by 2033. When global route networks grow, especially routes connecting the United States to emerging travel markets like the Middle East, U.S. airports must ensure they are able to accommodate airplanes of all sizes and weights.

## **UNDERSTANDING THE FINANCIAL CHALLENGES**

Although the need for airport improvement projects is clear, airports are not able to fulfill needed capital improvements without modernizing the way we finance such projects.

According to the latest 2015 ACI-NA Capital Needs Study, airport capital requirements for the next five years total more than \$75.7 billion. That is more than \$15 billion a year in needed projects.

Currently, there are several mechanisms that fund airport capital improvement projects, including Airport Improvement Program (AIP) grants and locally set Passenger Facility Charge (PFC) user fees.

Airports also utilize bonds – often repaid with PFC revenue – as a financing mechanism to facilitate airport improvement projects.

It is important to note, however, that bonds are not a revenue source, and instead are simply a financing mechanism that must be repaid. As a result, many airports – even those with strong 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.

In 2013, airports collected \$2.8 billion in PFC revenue. With more than \$15 billion in annual capital needs, current PFC revenue only scratches the surface of airport funding requirements. On top of that, the purchasing power of the PFC has declined by nearly half because it does not keep pace with inflation. This has exacerbated the airport funding challenge.

When airports are not able to keep up with passenger demands, they fall behind. The following examples highlight just some of the capital needs at airports across the country, the challenges airports face, and how modernizing the PFC cap would help them finance crucial safety, security, and capacity projects.

## **FINAL PERSPECTIVE**

The nation's airport system is aging and at risk of falling behind. Many airports have exhausted the financial resources available to them. As a result, some airports have delayed projects or undertaken projects using longer timeframes which only drives up the cost.

A modernized PFC and a strong AIP will allow airports to do what they do best: serve their passengers with safe, secure, and efficient facilities, as well as effectively planning for the future. Ultimately, the airport is in the best position to determine of what its future will hold in terms of competition, traffic, and capacity. Modernizing the PFC and maintaining AIP will give airports and their communities control how to best address their individual needs.