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President and CEO

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Secretary-designate Peter Buttigieg
Biden-Harris Transition
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Secretary-designate Buttigieg,

On behalf of Airlines for America (A4A) and our member carriers, congratulations on your selection to serve as the next Secretary of the U.S. Department of Transportation (DOT). We look forward to working with you to prioritize the safety of passengers and employees as our industry and the nation looks toward recovery from the most devastating crisis the airline industry has ever experienced.

As you prepare to begin your tenure at the DOT, we thought it might be useful to provide background on some of our top issues including:

- I. Current realities amid COVID-19
- II. Economic state of the industry
- III. Post-pandemic recovery
- IV. Aviation rulemakings
- V. Labor/Quality jobs
- VI. Sustainability
- VII. Aviation infrastructure (including airports and air traffic control)
- VIII. Looking forward

While this list is not exhaustive, our intent is to provide perspective on some of the most pressing issues that the industry and our country are currently facing. The information provided also serves as a backdrop to some high-level recommendations that we respectfully submit for consideration. To this end, we would support the creation of an Aviation Recovery Commission – which we understand is under consideration – to be comprised of leaders from government; the airline and travel industries; labor; and the scientific and health communities to consider some of these issues and recommendations in a wholistic manner.

I. Current Realities

This is the most challenging period in aviation history, but prior to the pandemic we were experiencing what many have called the “Golden Age” of air travel. U.S. airlines were flying 2.5 million passengers and more than 58,000 tons of cargo each day. In 2019, U.S. airlines carried an all-time high 927 million passengers in scheduled service. Those record numbers were in large part because of two main factors: **affordability and accessibility**. Accounting for inflation, and including ancillary services, average domestic ticket prices fell 15 percent from 2014-2019, 22 percent from 2000-2019 and 44 percent from 1979-2019 – the 40-year period following the Airline Deregulation Act of 1978. Those lower fares – which the DOT tracks – have made commercial air travel accessible to nearly all Americans. In fact, 42 percent of Americans who flew in 2019 had family incomes under \$75,000. Further, in 1971 only 49 percent of Americans had ever flown commercially; by 2019, that figure had climbed to 86 percent.

In February 2020, before the onset of the pandemic, U.S. passenger and cargo airlines directly employed 757,000 workers and commercial aviation supported 10 million U.S. jobs and drove over five percent of the U.S. gross domestic product.

Then, in March 2020, the COVID-19 pandemic hit the U.S. and the bottom fell out of the airline industry. As travel restrictions and stay-at-home orders were implemented, demand for air travel declined sharply. At its lowest point in April, passenger volumes were down 96 percent to a level not seen since the dawn of the jet age in the 1950s. There was a slight uptick over the summer and into the fall, but passenger levels remain 60 percent below year-ago levels. U.S. passenger airlines ended 2020 with 1,109 (19 percent) fewer operating aircraft than in 2019 and will likely remain a smaller industry for years to come.

The impact that the COVID-19 pandemic has had on the airline industry is unprecedented. U.S. carriers are burning an estimated \$150 million of cash every day, surviving only by taking on massive sums of debt that will burden them for the next few years. Over the recent holiday season – which should be the busiest time of year for airlines – cancellations spiked after the Centers for Disease Control and Prevention (CDC) cautioned Americans not to travel as our nation implemented new travel restrictions and quarantines amid rising cases. Bookings for future travel remain weak, especially for corporate air travel, which remains 83 percent below 2019 levels.

Throughout the pandemic, U.S. airline employees have seamlessly provided essential services, including transporting medical personnel, equipment, supplies and most recently the vaccine. Our employees are our greatest resource, and carriers have been doing everything possible to protect their jobs. Carriers continue to take extensive self-help measures, including raising funds via capital markets, suspending capital return programs, and selling or retiring aircraft earlier than scheduled.

Last March, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided a lifeline in the form of the Payroll Support Program (PSP) – direct payroll assistance for U.S. airlines providing the immediate financial relief necessary to keep airline employees on the job and out of our nation’s growing unemployment lines. But PSP expired on September 30, and on October 1 our industry reluctantly furloughed tens of thousands of employees – flight attendants, pilots, mechanics, gate agents and others. Thousands of additional furloughs were hanging in the balance before Congress acted in December and extended the PSP for four months. Carriers pledged to recall the men and women who had been furloughed and are currently in the process of reinstating those jobs.

Now, as our nation looks toward recovery, it is more critical than ever to have our employees on the job licensed, certified and ready to go. The airline industry is very different from other industries. We cannot just bring pilots, flight attendants and machinists back on the job and start normal operations. They are highly trained and have certification requirements because safety is involved.

Simply put, this remains a very dire situation for our industry. Recovery is expected to take longer than the aftermath of 9/11. We cannot sustain our businesses as they exist with this kind of passenger capacity. We have taken significant steps to keep passengers and employees safe during this pandemic. However, we believe we are uniquely positioned to help empower the recovery of our economy, our nation and our communities.

II. Economic State of the Industry

Though air cargo volumes have held, the pandemic eviscerated passenger air travel. Coming off all-time highs in 2019, passenger traffic on U.S. airlines rose five percent in the first two months of the year only to fall 96 percent by the middle of April. Years of work to strengthen balance sheets – recognized widely by analysts and investors – were reversed overnight by COVID-19, as evidenced by a series of downgrades by the major ratings agencies. After 10 consecutive years of albeit modest profitability, U.S. passenger carriers reported \$36 billion in pretax losses in the first three quarters of 2020, with equally disappointing results for the fourth quarter pending.

Collectively, U.S. airlines continue to experience significant daily cash-burn, hoping to achieve breakeven cash flow at some point in this calendar year. To survive, they have worked at a furious pace to shed operating costs and trim capital expenditures. More alarmingly, they have been forced to sell assets and take on massive amounts of debt, up an estimated \$67 billion from year-end 2019 to year-end 2020. This giant increase in debt translates to projected interest expense of more than \$5 billion in 2021 alone, with similar amounts in 2022 and 2023. This is more than double the amounts paid in 2018 and 2019.

When airlines thrive, they employ millions of workers in well-paying jobs. A Federal Aviation Administration (FAA) study released in January 2020 affirmed that commercial aviation drove five percent of U.S. GDP and helped support 10.4 million U.S. jobs. Further, every U.S. airline job helped support an estimated nine U.S. jobs outside the industry. In March, amid the onset of COVID, scholars at the Brookings Institution observed that “Aviation is essential infrastructure, creating untold benefits for the entire economy. We, as a country, need aviation providers to have their planes, crew and support staff ready as soon as possible... America needs a high-functioning aviation network to reach our economic potential.” At that time, U.S. passenger airlines employed 460,000 full-time equivalent workers – up 83,000 over the preceding decade during which average wages and benefits rose 53 percent and exceeded the U.S. average by 47 percent. By October, they employed just 368,000 – a drop of 92,000 that wiped out all the gains achieved since early 2010. While the extension of PSP through March 31 of this year afforded our industry a much-needed relief, our workforce and payrolls will not return to growth until our industry is back on solid footing financially.

Since the April nadir, demand has seen a slow climb, with the shape of recovery best described as a reclining “L” and bookings for the highly coveted corporate air travel segment down a staggering 89 percent from 2019 levels. Transatlantic air travel is down 88 percent, while transpacific and U.S.-Canada air travel are down 91 percent and 94 percent, respectively. While the advent of multiple vaccines is encouraging, we do not expect volumes to return to pre-pandemic levels before 2024, at the earliest. As traffic recovery eventually leads to revenue recovery, shoring up our financial condition will be paramount. Carriers will need to retire the massive sums of debt they have taken on to cope with the evaporation of demand and consequent depletion of cash reserves. It will take years, not months, to pay off that debt. Until that time, we will see a much smaller industry with fewer operations, aircraft and workers and scarce funds available for these companies to invest in their products.

Airline business models are modifying their route networks, fleets, cabins, reservation search engines, airport facilities, mobile apps and marketing. They announced widespread permanent elimination of change fees and rolled out additional touchless, self-service functionality for customers and, in partnership with academic and medical institutions, adopted state-of-the-art health and sanitization technology and practices. For the time being, many attractions remain closed and many destinations – domestic and international alike – remain subject to quarantines or other travel restrictions.

The economic contribution of international travel and tourism cannot be overstated. According to the World Travel and Tourism Council, the U.S. is set to lose \$155 billion from the economy due to the collapse of international travel. A strong and stable aviation industry is a key building block for a global recovery from the COVID- 19 pandemic. In 2019, international travel imports totaled \$196 billion, creating a \$59 billion travel trade surplus. Importantly, international travel spending directly supported about 1.2 million U.S. jobs and \$33.6 billion in wages.

As airlines and travelers await widespread vaccination of the population, cost-reduction efforts remain paramount. That includes reducing payroll expenses (namely after March 31) and fending off any new local, state, federal or international laws, rules or regulations that would result in unnecessary, unjustified cost increases at a time when financial duress has taken such a toll not only on our own workers but also on those employed by all the companies in the aviation and aerospace supply chains.

The financial priorities for airlines are clear: reduce cash burn, restore profitability and repair balance sheets. And given the freedom to do so, they will do just that; but the hurdle will be higher this time. Prior to COVID-19, the rule of thumb was to have a cash cushion that could withstand an event three times the magnitude of 9/11. With the reality of a pandemic now painfully apparent, boardrooms, workers and investors will all expect even stronger airline balance sheets than before, allowing these companies to tap capital markets fully and swiftly in the future – without depending on federal assistance – while avoiding extreme distress and painful cuts for employees. Time and again, our industry has proven its resilience and agility. With that in mind, we have every reason to believe that our nation's airlines will emerge from this crisis even stronger than before, in a way that helps empower the recovery of the U.S. economy and allows friends, family and businesspeople to meet face-to-face in a matter of hours once again.

III. Beating COVID-19 to Ensure Travel and Economic Recovery

As the devastating impact outlined above makes clear, we must get the virus under control in order to restore travel, preserve jobs and reignite the economic contributions driven by commercial aviation.

Since the beginning of this crisis, U.S. airlines have relied on science to help guide decisions as they continuously reevaluate and update their processes, procedures and protocols. U.S. airlines have implemented multiple layers of measures aimed at preventing virus transmission onboard the aircraft, including strict face covering requirements, pre-flight health forms, enhanced disinfection protocols, hospital-grade filtration systems and air exchanges onboard aircraft that remove viruses. While our members' policies have been robust and highly effective, the industry also supports President-elect Biden's stated policies on a federal mask mandate for all modes of transportation as a backstop to aid with non-compliant travelers.

Research has shown that this layered approach makes the risk of virus transmission onboard aircraft very low:

- US TRANSCOM released a [study](#) showing the low risk of COVID-19 transmission on commercial aircraft. Technicians ran 300 tests over six months with mannequins to reproduce breathing and coughing to determine how particles moved within the cabin when a mask was on or off. The study concluded that when masks are worn, there is a 0.003 percent chance particles from a passenger can enter the breathing space of passengers sitting next to them. The full report can be found [here](#).

- Harvard T.H. Chan School of Public Health's Aviation (APHI) further affirmed that the risk of onboard transmission is low. The Harvard APhi research was the first to evaluate the entire inflight experience including boarding and deplaning. The results confirmed that – **due to the multiple layers of protection noted above – the risk of transmission on an airplane is “very low” and that being on an airplane is “as safe if not significantly safer” than routine activities such as going to the grocery store and eating at a restaurant. Further, the Harvard researchers concluded that this multi-layered approach is so effective that the possibility of exposure to COVID-19 is reduced to a point so low that it “effectively counters the proximity travelers are subject to during flights.”** The full report is available [here](#) along with a [highlights document](#).

The Harvard research team is expected to publish results from a second phase of their research in the coming weeks. While the first phase of research focused on the “gate to gate” experience, the second phase will include studies of the “curb to curb” experience to include various aspects of airports.

Testing Can Be Used to Responsibly Open Borders and End Quarantines

There is widespread agreement in the aviation and travel industries that appropriate COVID-19 testing protocols can enable the reopening of international travel markets while increasing confidence in the health and safety of the air transportation system. Globally, an increasing number of governments are implementing pre-travel testing requirements or post-arrival testing regimes. We ask the U.S. government, working with the aviation industry, to move forward expeditiously to establish similar protocols.

We are cognizant of the many complexities and issues surrounding COVID-19 testing. It is precisely because of these complexities that we call on the U.S. government to work on a bilateral and multilateral basis to establish a globally accepted framework for testing protocols for international travel. Testing pilot programs have been implemented by states and countries and data is available to evaluate the results. The U.S. must provide leadership in standing up a testing protocol for international arrivals. We ask the U.S. government to partner with industry to stand up a testing protocol for all international arrivals.

When developing a testing protocol, the cost, speed to receive results, validity period of test results, risk tolerance thresholds and accuracy of the tests should be evaluated. Testing protocols must be medically based, affordable, dependable, privacy-oriented and facilitate passenger travel with as little disruption as possible. While many governments have chosen to close borders and impose quarantines in an attempt to completely eliminate risk, we know that zero risk is not achievable and attempts toward it impose serious social, economic and health costs.

Recommendation: Based on data from testing programs, carriers believe a molecular or antigen test taken 3 days prior to arrival into the U.S. could greatly reduce the risk of importing COVID-19 while keeping borders open and eliminating quarantines. The federal government should embrace a national requirement for testing international passengers, when warranted by the risk, that can be implemented in an orderly fashion. We recommend a phased approach to regions based on testing capacity to ensure that U.S. citizens are not stranded abroad without the ability to access a test.

Federal Standards are Needed for a Health Pass to Digitize and Verify Validity of Tests and Vaccines

Verifiable testing and vaccination data will be critical to giving governments around the world confidence to reopen borders. U.S. carriers agree on a number of principles that should guide the regulatory adoption of standards for creating a verifiable and secure health pass program. Specifically, a health pass program, must:

- ensure identity verification (biometrics or source verification);
- have a clear means of displaying the traveler's testing status (e.g., red/green);

- be accepted in the U.S. by local, state and federal agencies/governments;
- be able to ingest updates and changes to entry and testing requirements in a timely manner, and allow for multiple types of tests and testing requirements;
- be able to validate the legitimacy of the test/vaccine record;
- interoperate across international countries and regions (e.g., the European Union);
- support multi-leg itineraries, both domestic and international and work for all carriers;
- capable of rules-based processing (i.e., eliminates need for airports and crewmembers to know multiple jurisdictional requirements);
- comply with applicable privacy laws and information security best practices (i.e., does not store Personally Identifiable Information and health information at the carrier level, limited storage duration, etc.);
- meet federal regulations for laboratory results;
- meet international health data standards;
- be configured with open-source data connectivity to labs and existing health data systems; and
- be scalable to include vaccination records and plans to administer vaccines.

Recommendation: Issue federal standards to ensure an efficient and effective means of verifying health data.

IV. Aviation Rulemakings Must be Driven by Data and Rooted in Science

Passengers greatly benefit from vigorous airline service competition, which creates greater choice and service options. When deregulating the airline industry in 1978, Congress charged the DOT to regulate with three complimentary considerations, which remain part of DOT's mission today:

- Prevent unfair, deceptive, predatory, or anticompetitive practices;
- Place "maximum reliance" on competitive market forces and on actual and potential competition; and
- Maintain an air transportation system that relies on actual and potential competition to provide efficiency, innovation, and low prices, and to determine the variety, quality, and price of air transportation services.

The aviation industry does not oppose all regulations. Rather, it firmly believes that regulation of airline services or practices should only be promulgated in response to proven market failures or when DOT has evidence of the need for government intervention in the marketplace to prevent actual consumer harm. In fact, past rulemakings have successfully implemented these considerations, such as denied boarding requirements, notice of ancillary fees, and prohibiting price increases after purchasing a ticket. Most recently, DOT issued two key final consumer rules addressing the carrying of service animals in the cabin and defining unfair and deceptive practices, both of which provide a more rigorous application of existing law and increase transparency for all stakeholders. In addition, these rules will enhance airlines' and ticket agents' compliance with the regulations, while providing DOT with a clearer and more robust legal framework of interpreting and applying the laws.

DOT's ongoing rulemaking efforts regarding consumer protections are rightly focused on recent statutory mandates from Congress and include amendments to the tarmac delay rules, modernizing payment of denied boarding compensation, refunding baggage fees for delayed checked bags and the requirement for airlines to publish a one-page document of passenger rights. We share the DOT's goal of implementing these and many other existing congressional mandates.

At Congress's direction, the DOT re-established the Aviation Consumer Protection Advisory Committee (ACPAC) in 2018 to advise the Secretary in carrying out the DOT's activities related to aviation consumer protection. The ACPAC, with representatives of key stakeholders—airlines, airports, state and local governments and consumer protection groups – evaluates existing consumer protection programs and recommends improvements to such programs and recommends new protection programs, if needed. Over the last two years, the ACPAC considered three issues: 1) recommendations by the National In-Flight Sexual Misconduct Task Force; 2) transparency of airline ancillary service fees; and 3) involuntary changes to travel itineraries. In collaboration with DOT staff, the ACPAC will be submitting its final recommendations for the Secretary's consideration, which the airline industry supports and encourages the Secretary to adopt.

Airlines also work closely with the disability community and the DOT to proactively address accessibility issues. Similar to the ACPAC, the DOT established an Air Carrier Access Act Advisory Committee (ACAA Advisory Committee) in 2019, which has been working through three subcommittees for six months and includes committee members with expertise in accessibility, airline accessibility practices, and aircraft design. The topics being addressed in the subcommittees are: 1) ticketing practices and seating accommodations; 2) stowage of assistive devices; 3) assistance at airports and on aircraft and related training. We believe that the subcommittees have considered substantial information regarding accessibility issues and potential mitigations, both from the disability community and industry. In consideration of the expertise of its members and data-driven process, we encourage the DOT to continue to use the ACAA Advisory Committee as a tool to address potential accessibility issues.

Recommendation: The ACPAC and ACAA Advisory Committee are valuable tools and should be the primary vehicles for consideration of data and evidence concerning consumer protection issues as they provide transparency and a public forum.

We are committed to working with your staff and coming to a common understanding of how to provide the greatest benefit to passengers by allowing airlines to compete and differentiate services and bring greater choice to passengers with innovative market solutions. This is best accomplished by maintaining the flexibility of performance standards that maximize the benefits of a new regulation while reducing the impact and costs.

V. Labor and Employment State Mandates for Airline Employees Need to be Harmonized

Our employees are the backbone of the airline industry and our member carriers are proud to provide quality, high-paying jobs with generous health care and other benefits that far exceed most state mandates. The aviation industry remains heavily organized with strong national unions organized under labor laws giving voice to hundreds of thousands of employees. Notably, almost 70 percent of aviation employees are unionized, in contrast with seven percent of private sector employees. Carriers value their strong relationship with their employees, a relationship with mutual benefits demonstrated in the coordinated efforts before Congress for relief during the coronavirus pandemic.

Unfortunately, the great jobs and benefits airlines provide rarely exempt our members from state legislatures' efforts to raise the bar for other private sector employers through labor mandates. These efforts are following a predictable trajectory: initially, they started with minimum wage mandates; transitioned to paid sick leave requirements; and now – influenced perhaps by the pandemic itself – COVID safety regulations and minimum health insurance mandates.

With respect to safety mandates, our carriers have distinguished themselves as partners in developing and implementing solutions to make travel safer for our employees as well as the traveling public, as noted above. Several states have sought to compensate for the absence of federal COVID safety regulations by promulgating state regulations. However, these rules are typically one-size-fits-all requirements that presume a typical office or factory work environment, and rarely suited to the shared work environments like airports or highly regulated workspaces like airplanes. Moreover, having regulations with differing standards by multiple states presents unique compliance challenges for employers who move employees through multiple states and jurisdictions in a single day. Consistent with CDC guidelines, carriers are committed to providing a safe work environment for employees and demonstrated this through early adoption of layers of safety measures before any mandates were in effect. These regulations are not necessary and, based on express and implied federal preemption principles, they are not legal as applied to carriers.

While airlines provide competitive health care benefits and paid leave, some states are seeking to establish minimum requirements for employers. But in so doing, they are creating a patchwork of regulation with extensive compliance costs for aviation employers. These laws are sometimes of general applicability, and sometimes target the airline industry, but in almost all cases they disregard the compliance challenge for an industry where it is not uncommon to have an employee reside in New York, but work out of California and Washington state, all of which have their own paid sick leave law. Typically, the challenges are not rooted in the substantive requirement itself but rather are: 1) determining which requirements apply to a highly mobile workforce that may reside in one state, start their workday in another state and conclude it in a third state and 2) the compliance risk of two or more states applying their law to the same employee.

Several lawsuits arising out of state labor initiatives are currently working their way through the courts. The DOT has filed a brief and will argue in support of the carrier's position in one case. On a related issue as applied to the trucking industry, the DOT has gone further under its regulatory authority and issued orders prohibiting enforcement of meal and rest break rules against truckers.

Recommendation. Federal clarification of applicable rules and regulations to reduce the patchwork of COVID-19 safety requirements would both improve safety and alleviate the risks and challenges of simultaneous operation in multiple jurisdictions. In addition, as the sole regulator of the airline industry, the DOT's view on the scope of the preemption doctrine and its impact on state and local labor initiatives is especially informative for the courts. We hope the DOT continues its constructive contribution to these disputes.

VI. Aviation Environmental and Sustainability Considerations

A4A and our member carriers welcome the incoming Administration's focus on climate change issues and urge the DOT and FAA to continue to take a leading role in climate policy issues involving aviation. The U.S. airlines have a strong climate change record and a continuing commitment to further reduce our greenhouse gas (GHG) emissions footprint, which currently accounts for two percent of the nation's GHG emissions inventory. Our airlines improved their fuel efficiency by more than 135 percent between 1978 and year-end 2019, saving over five billion metric tons of carbon dioxide (CO₂) – equivalent to taking more than 27 million cars off the road on average *in each of those years* – and A4A and our members are active participants in a global aviation coalition that has committed to achieving carbon neutral growth beginning in 2020 and a 50 percent net reduction in CO₂ emissions in 2050, relative to 2005 levels.

We take our role in controlling GHG emissions very seriously. Our primary focus is on achieving further fuel efficiency and emissions savings through infrastructure and other advances, including new aircraft technology, sustainable aviation fuel (SAF) deployment, and air traffic management and other operational improvements. In addition, A4A and our member airlines strongly support the international aviation fuel efficiency and GHG savings agreements negotiated under the Obama Administration and adopted in 2016 by the Member States of the International Civil Aviation Organization (ICAO) – the ICAO CO₂ standard for newly manufactured aircraft and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

Recommendation: Industry is committed to doing its part. But, as you have recognized, DOT and FAA have a significant role to play in advancing the policies and initiatives critical to our efforts. We urge DOT and FAA to continue to lead in aviation climate policy and we look forward to working with you to ensure, among other things:

- prioritization and effective implementation of air traffic management modernization through the Next Generation Air Transportation System (NextGen), a critical infrastructure initiative that will enhance aviation safety and support our nation's economic recovery while enhancing system efficiency and reducing climate impacts;
- stable, positive policies to help scale up and make SAF commercially viable, through our public-private Commercial Aviation Alternative Fuels Initiative (CAAFI) with FAA and other initiatives, buttressed by additional positive support from Congress;
- continuation and proper funding of public-private aviation environmental research and development programs, such as FAA's Continuous Lower Energy, Emissions, and Noise (CLEEN) program and Center of Excellence for Alternative Jet Fuels and the Environment (also known as the "Aviation Sustainability Center," or "ASCENT"); and
- DOT's and FAA's continued leadership in international aviation environmental issues under ICAO, FAA implementation of CORSIA and U.S. adherence to international aviation climate agreements.

VII. Aviation Infrastructure

Pre-pandemic, as airlines were seeing record passenger volumes, U.S. airports were setting records for traveler satisfaction. J.D. Power noted those high ratings for North American airports came "amid surging passenger volumes and ongoing construction projects." Many airports across the country have new concourses or renovated terminals; upgraded baggage carousels; new people movers; high-tech parking garages; and enhanced shopping and dining areas. While many airports have been updated, it is important that the Air Traffic Control system is modernized, too.

Need for Fundamental and Transformational Change in Airport Funding Model

Airline and airport collaboration paved the way to more than \$200 billion of airport infrastructure development across the country over the past decade. In 2020, many construction projects that were underway - like new and renovated terminal facilities at Salt Lake City, Kansas City, Wilmington (NC) and Reagan National Airport - continued or even accelerated during the pandemic. With the previously noted depressed levels of passenger traffic and a recovery forecasted to take years, the aviation industry now has a window of opportunity to evaluate real infrastructure needs and financing going forward.

It is a common misconception that U.S. airports are funded with taxpayer dollars or a general tax on all citizens. U.S. airports are largely owned and operated by government entities that recover their costs but also typically generate surplus revenue from users. Infrastructure projects at U.S. airports are generally financed by airlines and their customers, primarily through the bond market (which the airlines repay

directly through their rents and fees), along with federal grants through the Airport Improvement Program (AIP) and the Passenger Facility Charge (PFC). U.S. airports also have the right to raise airline rents and charges to cover operating expenses and capital costs, shifting the risk of lost revenues (e.g., parking, rental cars, concessions, etc.) to the airlines.

With increasing costs and declining revenues, COVID-19 has heightened the need for fundamental and transformational change in airport funding. Higher taxes and fees imposed on the flying public are not the answer. Doing so will raise the cost of and discourage air travel and curb air service growth, which often hurt small communities like South Bend. Increasing passenger taxes and fees are also counterproductive to the industry's recovery at a time when numerous measures have been taken to promote air travel and stimulate demand including the widespread elimination of change fees and the temporary (now expired) suspension of ticket taxes. Unlike airlines, U.S. airports still enjoy investment-grade ratings despite the financial toll of the pandemic, and therefore will continue to have access to the bond market at preferred rates for infrastructure needs.

Recommendation: Rather than raising passenger taxes, the time has come to reform existing programs and generate new ideas. These include:

- *Increased General Fund contribution for FAA Budget* – The Airport and Airway Trust Fund (Trust Fund), which is used to support FAA programs including AIP, is funded entirely from aviation taxes and the uncommitted balance is now declining. A General Fund contribution of 20 percent is needed to fund the FAA Budget and thereby stabilize the Trust Fund.
- *Increased AIP Funding and Reform* – AIP funding was reduced from \$3.515 billion to \$3.350 billion in 2012 and should be raised to provide additional federal grants to all airports. While we recognize and support a network of airports, the current program disproportionately penalizes larger airports that serve the traveling public. Reforms to help balance these inequities are needed.
- *Supplemental Grants* – As with the CARES Act, additional grants to airports will provide immediate funding. Grants should be allocated to airports based on passenger enplanements and landed weight to reflect the greatest passenger and cargo activity and balance AIP inequities.
- *Establish a Government Airport Infrastructure Loan Program* – Create a new government loan program to provide low interest rate financing to airports for infrastructure projects. The DOT's Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program provides low-interest loans for highway and transit infrastructure projects but has had limited applicability for airport projects. A separate program could be established to provide direct loans to airports that reduces costs and provides more flexible repayment terms.
- *Eliminate Revenue Diversion* – A staggering \$11B has been diverted from some airports exempted from revenue diversion laws, and some state and local governments are still using aviation fuel taxes for general municipal purposes more than five years after FAA confirmed longstanding federal law. While eliminating diversion may present political challenges, the right policy choice is using monies raised from passengers for airport infrastructure.
- *Utilize Excess Cash Reserves* - U.S. airports held \$17.4 billion of cash and unrestricted assets at the end of 2019 while also retaining nearly \$28 billion of restricted assets for debt service and other requirements. While cash reserves are a prudent business practice, holding excessive levels of cash is unnecessary. Capping cash reserves at one year is a robust level that preserves airport investment grade ratings and could generate more than \$6 billion in additional funding.
- *Airport User/Access Fees* – Some airports charge anyone that accesses the airport a user fee, similar to a highway toll road. This could provide a source of new revenue for many airports.

- *Local taxes* – Aviation is a critical enabler for the nation, driving \$1.7 Trillion in economic activity in the U.S. and over 10 million jobs. Airports are economic engines that provide jobs and tourism dollars to their local communities, region, and state. A dedicated local or state tax could provide a new source of revenue to support airport infrastructure, similar to funding that is provided for other municipal infrastructure improvements and schools.
- *Exclude Airport Private Activity Bonds from Alternative Minimum Tax (AMT)* - Federal tax law classifies the vast majority of airport bonds as private activity bonds which results in higher borrowing costs, even though they are used to finance runways, taxiways and other facilities that benefit the public. Congress provided temporary relief in 2009 and 2010, which resulted in estimated gross savings of \$1.8 billion, but a permanent AMT exclusion is still needed.

Air Traffic Control (ATC) Must be Modernized

The U.S. possesses the safest ATC system in the world, yet it is far from being the most efficient one. According to the Total Delay Impact Study – which is conducted by a consortium of universities and funded and updated by the FAA – U.S. flight delay costs to airlines and passengers have exceeded \$20 billion every year since 2007 and that number has increased to \$30 billion in the past two years. In addition to the direct costs imposed on the airline industry and its customers, flight delays have indirect effects on the U.S. economy. Specifically, inefficiencies in the air transportation sector increase the cost of doing business for other sectors, making those businesses less productive.

A4A and its member carriers have consistently urged the FAA to accelerate the modernization of our air traffic control system through its NextGen program, the more than decade-long effort that was designed to improve efficiency, reduce emissions and increase capacity while simultaneously enhancing safety. The FAA has made some progress by fielding key pieces of technology but has yet to deliver the promised operational and environmental benefits envisioned in creating the program despite significant investment by the government and the aviation industry. Performance Based Navigation (PBN) is an example of a foundational capability that enables an aircraft to navigate using precise performance standards on a desired flight path. However, its deployment has been delayed consistently and the intended goals – added safety, lower emissions, less total noise exposure, improved airport access during bad-weather conditions and improved predictability benefits – have not been achieved.

The need to speed up modernization is not solely a matter of passenger and cargo operations. Integration of unmanned aircraft systems (UAS) and an increase in frequency of commercial space launches are placing higher demands on the ATC system in terms of both volume and complexity that must be addressed now. The new Administration is in a position to show global leadership in modernizing the nation's ATC system. This is vital for economic recovery, enhancing safety, system efficiency and reducing climate impacts.

Recommendation: The FAA should establish a program management office (PMO) to oversee the NextGen program elements such as procedure design, community outreach, controller metering and sequencing tools and aircraft equipage. In addition to an oversight role, the PMO should coordinate all the efforts within the agency to make PBN successful.

It is also important that the FAA move forward expeditiously with EnRoute DataComm that gives air traffic controllers and pilots the ability to transmit flight plans, clearances, instructions, advisories, flight crew requests, reports and other essential messages with the touch of a button. The switch from voice to text enhances safety, reduces the chance of a read-back error while relaying information and allows controllers to send text instructions to several aircraft simultaneously. Operationally, it helps airlines stay on schedule and reroute around bad weather; it aids the timely delivery of packages; and it helps passengers get off the tarmac, into the air and to their destinations more quickly.

The industry and the FAA have been partnering on tactical operational improvements in the Northeast Corridor (NEC) to manage air traffic more efficiently in this region. The FAA must continue collaborating with the industry to identify implementations and invest in the necessary actions to improve operations in the NEC to de-conflict traffic flows to separate airports.

VIII. Looking Forward

U.S. airlines have always been critical to our nation's economy and infrastructure. Now, as our nation looks toward the future, and resumes connecting American communities, families and businesses with each other and with the rest of the world, A4A and our member carriers stand ready to work with you and the new Administration to help speed the recovery of our industry, the nation and the world from the COVID-19 pandemic. Additionally, we look forward to collaborating with you and your team to ensure that commercial aviation remains the safest mode of transportation in the world, while also prioritizing sustainability, modernization and the quality jobs that this industry supports.

Over the years, A4A and our members companies have enjoyed a strong relationship with the DOT as well as relevant agencies – most notably the FAA. A4A's team of subject matter experts stands ready to answer questions and provide additional detail on any of these issues or others as they arise. We welcome the opportunity to meet with you after your confirmation and discuss how industry and government can work together to advance and strengthen the commercial aviation system in the U.S. and around the world.

Sincerely,

A handwritten signature in black ink that reads "Nicholas E. Calio". The signature is written in a cursive, flowing style.

Nicholas E. Calio

cc: Polly Trottenberg, Agency Review Team
Phillip Washington, Team Lead, Agency Review Team