

# GAO Highlights

Highlights of [GAO-15-107](#), a report to congressional requesters

## Why GAO Did This Study

About \$2.8 billion in Passenger Facility Charges (PFCs) were collected in 2013. PFCs are federally authorized fees paid by passengers at the time of ticket purchase to help pay for capital development at commercial service airports and have been capped at \$4.50 per flight segment since 2000. Airports are seeking an increase in the PFC cap to \$8.50. Airlines, which collect PFCs at the time of purchase and remit the fees to airports, oppose an increase because it could potentially reduce passenger demand. Some airports have suggested that alternative PFC collection methods could allow the PFC cap to be raised without adversely impacting demand.

GAO was asked to examine these issues. This report discusses (1) the potential effects of PFC cap increases, (2) how well the current PFC collection process works, and (3) alternative PFC collection methods. GAO developed a model to assess the potential effects of PFC cap increases on funds for airport investment and the aviation system. GAO interviewed 26 stakeholders, including airports and airlines representing a range of sizes, as well as consumer groups, to discuss PFC collection methods.

## What GAO Recommends

GAO recommends that FAA review the extent to which airline independent audits of PFC collections follow FAA guidance and take additional steps to educate airports about their right to review these audits. The Department of Transportation (DOT) agreed to review the extent to which airline audits use FAA guidance, but noted they may not be able to require airlines to respond; and agreed to take additional steps to educate airports about their rights. DOT also provided technical comments which GAO incorporated as appropriate.

View [GAO-15-107](#). For more information, contact Gerald Dillingham at (202) 512-2834 or [dillingham@gao.gov](mailto:dillingham@gao.gov).

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## COMMERCIAL AVIATION

### Raising Passenger Facility Charges Would Increase Airport Funding but Other Effects Less Certain

## What GAO Found

Increasing the Passenger Facility Charges (PFC) cap would significantly increase PFC collections available to airports under the three scenarios GAO modeled but could also marginally slow passenger growth and therefore the growth in revenues to the Airport and Airway Trust Fund (AATF). GAO modeled the potential economic effects of increased PFC caps for fiscal years 2016 through 2024 as shown in the table below. Under all three scenarios, AATF revenues, which totaled \$12.9 billion in 2013 and fund Federal Aviation Administration (FAA) activities, would likely continue to grow overall based on current projections of passenger growth; however, the modeled cap increases could reduce total AATF revenues by roughly 1 percent because of reduced passenger demand. These projected effects depend on key assumptions regarding consumers' sensitivity to a PFC cap increase, whether airlines would pass on the full increase to consumers, and the rate at which airports would adopt the increased PFC cap.

**Estimated PFC Collections Available to PFC Approved Airports and Associated Changes to Airport and Airway Trust Fund Revenues, 2016-2024 (Dollars in millions)**

Scenario	Year	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Current PFC collections baseline estimate</b>										
<b>\$4.50 cap</b>	PFC	3,073	3,149	3,225	3,301	3,373	3,437	3,498	3,561	3,628
	AATF									
<b>Estimated changes to PFC baseline and AATF revenues</b>										
<b>\$6.47 cap</b> (\$4.50 cap adjusted for CPI)	PFC	+1,341	+1,375	+1,409	+1,444	+1,476	+1,505	+1,533	+1,561	+1,592
	AATF	-90	-93	-95	-97	-99	-100	-102	-103	-105
<b>\$8.00 cap</b> (President's budget)	PFC	+2,364	+2,424	+2,485	+2,546	+2,604	+2,655	+2,705	+2,756	+2,810
	AATF	-161	-164	-168	-172	-175	-178	-180	-183	-186
<b>\$8.50 cap, CPI adjusted</b> (ACI/AAAE proposal)	PFC	+2,696	+2,886	+3,093	+3,316	+3,551	+3,787	+4,033	+4,291	+4,562
	AATF	-184	-196	-210	-225	-240	-255	-271	-287	-304

Source: GAO analysis of DOT data. | GAO-15-107

Note: Model assumptions are (1) an elasticity rate of -0.8; (2) airlines would pass the total fee increase to passengers through higher ticket prices; and (3) airports that currently impose a PFC would raise it to the maximum allowed in the first year. ACI/AAAE proposal does not specify which inflation index so we used the CPI as it is the federal inflation index standard.

Stakeholders said that the current PFC collection method generally works well, but airport officials said that transparency over PFC collections could be enhanced. Stakeholders universally said that the current method is preferred because the PFC is paid at the time of purchase. Airlines are required to have audits of their PFC collections and FAA provides audit guidance to help provide assurance that collections are accurate. However, the guidance is voluntary and FAA does not know if airlines' auditors use it. FAA relies on airports to alert them of discrepancies but some airports may not be aware they can review audits. FAA could take additional steps beyond what is stated in the guidance to inform airports about their rights, and thus provide reasonable assurance to Congress, airports, and airline passengers about the reliability of those audits and PFCs remitted to airports.

Stakeholders GAO interviewed generally said that alternative methods to collect PFCs, such as airport kiosks or online or mobile payments, are technologically feasible but they would impose additional steps for passengers, costs for airports, and changes in business processes. Therefore, stakeholders said that the current collection method is better than the identified alternatives.