



**Testimony of Bradley D. Penrod,
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Pittsburgh International Airport
And
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before the

House Committee on Transportation and Infrastructure

***“Recovery Act: 120-Day Progress Report for Transportation
Programs”***

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Chairman Oberstar, Ranking Member Mica, members and staff of the House Transportation and Infrastructure Committee, thank you for allowing me to participate in this important hearing. My name is Bradley Penrod, and I am Executive Director and CEO of the Allegheny County Airport Authority. I run the Pittsburgh International Airport which serves 8.7 million total passengers a year, and the Allegheny County Airport, a general aviation airport which also acts as a reliever for Pittsburgh International. And I'd like to recognize Congressman Jason Altmire, a member of this Committee, and a strong supporter of our efforts.

I am here today representing the Airports Council International-North America (ACI-NA), of which I am a member. Our 347 member airports enplane more than 95 percent of the domestic and virtually all of the international airline passenger and cargo traffic in North America. Nearly 400 aviation-related businesses are also members of ACI-NA, providing goods and services to airports. And it is on behalf of our members that I come before you today.

I want to thank the Committee for the priority you have placed on aviation this year, not only through your efforts to ensure we were included in the American Recovery and Reinvestment Act (ARRA), but also for your swift action on the much needed Federal Aviation Administration (FAA) Reauthorization bill, H.R. 915, which included an increase in the Passenger Facility Charge (PFC) user fee ceiling to \$7.

As you know, construction costs continue to increase, significantly eroding the value of the existing PFC ceiling. The current ceiling of \$4.50 is worth \$2.51. And if the PFC had been indexed to inflation, the ceiling would now be \$8.18. There are many projects that are not eligible for AIP financing, such as refurbishing terminals at large and medium airports, which cannot go forward without such an increase.

Pittsburgh International Airport had to defer over twenty (20) PFC funded projects due to the relatively low buying power of the current level of PFC's in today's dollars. This deferment also means that the associated design, management and construction jobs are deferred as well. Your assistance in providing the tools for airports to not only play a major role in improving transportation infrastructure, but to help create thousands of jobs, recognizes the important role airports play in the overall infrastructure development in the United States.

AIP Projects: Shovel Ready:

When John Clark, Chairman of ACI-NA's Board, testified before this Committee in January, he noted that the key to assuring a successful stimulus package was to get the funds flowing as quickly as possible, and urged that the best way to accomplish this goal

for airports was by using the Airport Improvement Program (AIP) as the funding vehicle. AIP eligible projects include those related to enhancing airport safety, capacity, security, and environmental concerns. Airports operate on a continuous planning cycle and typically have capital programs planned five to ten years in advance. Many of the projects included in these capital programs have already completed the necessary planning, design, environmental and other reviews. They have been screened by the local and regional divisions of the FAA Airports Office and are simply waiting for funding to begin construction.

The Committee's decision to distribute the \$1.1 billion ultimately appropriated using the AIP process has proven to be very successful. It has allowed us as an industry, working in conjunction with our partners at the FAA, to move forward quickly, using a process we all know and understand, and one which provides clear guidelines. I believe the use of the AIP program as the funding vehicle explains why the FAA was able to report on June 5 that all but \$5 million of the \$1.1 billion appropriated had been authorized to 323 projects. We appreciate the FAA's efforts in getting this money into our hands as quickly as possible so we could proceed with our projects and get on with the job of helping create the estimated 30,000 to 47,000 jobs that come from the \$1 billion investment in construction.

The State of Pennsylvania was privileged to receive the first economic recovery money. DOT Secretary LaHood announced on March 12 that Pittsburgh International Airport would receive \$10 million as part of the recovery package and \$2 million would go to the Allegheny County Airport. As Vice President Biden noted at the time, "This is money that will create jobs now – but it's also an investment in the long term safety of our airports and their economic viability."

At the Allegheny County Airport, the \$2 million of stimulus funding will be used to renovate parts of four taxiways and reconfigure aircraft apron areas that will allow for the future construction of aircraft maintenance hangars and their associated ramp space. Construction is scheduled to begin the week of July 20, 2009. The reconfiguration associated with this project will allow us to construct the necessary infrastructure that is so critical for future aviation/airport industry demands, while also correcting an antiquated physical layout. When completed, we will be able to make space available for the construction of much needed aircraft maintenance hangar facilities. Thus, the \$2 million project not only creates the immediate number of construction jobs listed below, but also positions the airport to allow construction jobs associated with new hangars and the long term creation of aircraft maintenance and operations positions as well. Our Economic Impact Study estimates that the \$2 million Allegheny County Airport project will create 40 jobs – 24 direct jobs and 16 secondary jobs.

The \$10 million stimulus project at the Pittsburgh International Airport will rehabilitate runway 14-32, one of four runways used by commercial flights which bring 8.7 million passengers a year through our airport. Runway 14-32 is critical in that as the primary night time arrival runway, it is our preferential runway for noise abatement procedures. The \$10 million will be utilized to rehabilitate airfield pavement, make grading

improvements and update pavement markings, airfield signage and lighting systems. By allowing us to rehabilitate this runway, the airport is able to continue its ability to operate in the most environmentally friendly manner possible, while offering an exceptionally efficient airfield to both military and civilian aircraft operators. This project will create an estimated 207 jobs: 122 direct jobs and 85 indirect jobs. Advertising for this project starts June 24, 2009 with a notice to proceed expected to be given to the successful contractor on September 1, 2009.

Shovel Ready:

One point this Committee made very clear was that the funding provided under this Act was for projects that were shovel ready. I am pleased to be able to report that many airports already have their shovels in the ground - the Sarasota Bradenton International Airport in Sarasota, Florida, for example, has completed all but some electrical work on their \$2.3 million overlay of runway 4-22. The project resulted in 42 direct jobs. Runway rehabilitation projects like this one illustrate the need for airports to maintain current airside facilities to ensure the safety of the traveling public.

At the San Francisco International Airport in San Francisco, California, a majority of the repaving construction work happened last month on the \$5.5 million rehabilitation of Runway 28R-10L – the Airport’s largest runway. The funding is being used to overlay and reconstruct the runway, repair deteriorating pavement, improve the surrounding drainage system, upgrade the runway and taxiway lighting and related electrical system, and repaint runway markings to increase visibility and improve safety for aircraft on the airfield. The project will create 90 jobs in the Bay Area.

The Tampa International Airport in Tampa, Florida issued its Notice to Proceed on June 3 for their Taxiway B Rehabilitation Bridge and Service Road, which will create 395 direct jobs and an estimated 205 indirect jobs thereby putting 600 people to work. This project, which is part of a larger \$52 million effort, will elevate the taxiways by the North Terminal with two bridges thereby removing 150,000 vehicle movements a year from the taxiway. This project will not only improve the flow of plane traffic but increase safety at the airport as it eliminates vehicles crossing the runways.

The McGhee Tyson Airport in Knoxville, Tennessee issued their Notice to Proceed (NTP) on June 15, and they are working on a \$4.9 million project that will provide for the Rehabilitation of Taxiway B. This six-month project will allow them to rehabilitate the neediest section of pavement at the airport and to pave and improve the midfield access road.

The Detroit Metropolitan Wayne County Airport has begun their \$15 million project to support the reconstruction of Runway 9L/27R; one of two crosswind runways used primarily during strong westerly wind conditions. This is part of a \$34.6 million rehabilitation project that would have taken two years to do originally, but with the addition of the stimulus funding, will be completed in one construction season. This

enhances the project's short-term economic impact on the region. It is estimated to generate up to 225 new, local jobs at the airport for excavators, pavers, haulers, electricians and other construction workers. The newly rebuilt runway will have a lifespan of at least 20 years, an important investment at an airport that is among the 20 busiest air transportation hubs in the world.

At Chicago's O'Hare International Airport, work began last month on a \$12.3 million project for Runway 10/28 construction and Taxiway M widening adjacent to the runway. The Runway project removes and replaces a slab of post tension concrete pavement, thereby improving critical airfield infrastructure based on its life expectancy. The wider Taxiway will increase operational capability and efficiency of aircraft using Runway 10/28 and the south airfield. While the project is not part of the ongoing O'Hare Modernization Program, it does support the future configuration of the airfield. At least 50 direct construction jobs are supported by the \$12.3 million project and work is expected to be completed early in the fourth quarter of this year.

And just last week work began on the Taxiway A Reconstruction work at the Mount Comfort Airport in Indiana. The taxiway, which was constructed in the late 1970s, is reaching the end of its useful life as weathering and age have deteriorated a large percentage of its concrete joints. The sub-base is also deteriorating causing the surface of the taxiway to break up. The project will create 118 jobs.

Projects Ready to Go

There are also a number of projects scheduled to come online over the course of the next four weeks:

At the Kansas City International Airport, in Kansas City, Missouri, 50 direct jobs will be created by the \$7 million runway rehabilitation project. The airport received the funding two weeks ago and expects to complete the work by the end of September.

The Oakland International Airport in Oakland, California has been awarded \$9.7 million in stimulus funding for the East Apron Phase III project. The work will incorporate ramps, taxiways and overnight parking space for airplanes. It is expected to be completed early next year. The airport director commented that this infusion of funding will move forward a project that had been pushed years down the road due to lack of capital, while providing for \$9.7 million worth of work that otherwise would not have taken place in the hard-hit Bay Area.

At the Norman Y. Mineta San Jose International Airport in San Jose, California the \$5.2 million in stimulus funding will complement \$2 million in regular AIP funding and some local funding to provide \$8.4 million for the rehabilitation of Taxiway W. This project will provide a second, alternative taxiway that will significantly improve the safety of movement for general aviation aircraft, which currently use a single taxiway for both arrivals and departures. The FAA's Regional Safety Analysis Team recommended the Airport address the potentially unsafe general aviation aircraft movement patterns for

Taxiway W in 2007. The stimulus allowed the airport to move this project forward by a full year. The construction will start in late July and will create 83 direct jobs: 34 field jobs; 41 shop jobs; and 7 professional jobs.

The Fresno Yosemite International Airport will create 28 new jobs next month when work begins on a \$2.2 million project to reconstruct connecting taxiways. This was not the originally planned project for the stimulus which involved work on Taxiway B that almost every aircraft uses. Working with the FAA, it was determined that Taxiway B could be done with regular AIP funding, as the bids for the project came in as much as 30 percent below estimates. This project will create 71 new direct jobs in addition to those jobs created by work on Taxiway B. The addition of the stimulus funding has allowed the airport to complete one large taxiway project in half a year instead of two and move another project forward by two years.

Why Fund Airport Construction in the Stimulus:

Some questioned the purpose of putting money in the stimulus for airports when traffic is down. Although it is true that many airports throughout the United States, in light of the recession, are facing reduced passengers, fewer flights, less competition for service and unsecure financial markets, there is still a critical need to maintain the safety and efficiency of our airfields and terminals. Further, we are committed to making the necessary infrastructure investments to prepare for the expected 25 percent growth in service that the Federal Aviation Administration predicts our industry will face by 2021 when it is estimated that 1 billion people will take to the sky.

Airports have to continually plan for the future. We cannot construct airside or landside improvements to meet passenger demands overnight as these projects take many years to design, finance and build. We do not have the luxury of responding immediately to market demands. Runways, terminals, taxiways, and most airport infrastructure projects in general take five or 10 years, so airports need to begin building now to lay the groundwork for the future.

And there is a great deal of work to be done if we are to be fully prepared. At the beginning of 2009, ACI-NA surveyed its membership on their capital needs. The study was comprehensive, looking at all airport projects, not just those that are AIP eligible, as is the case with the FAA-produced National Plan of Integrated Airport Systems (NPIAS). The ACI-NA 2009 Capital Needs study indicates that airports, including both commercial and general aviation airports, have \$94.4 billion in total projects that are considered essential by the airport and airport users. This figure reflects projects that have already secured financing as well as those that cannot proceed due to inadequate funding and are not expected to be blocked by the airline industry. As you would expect, the vast majority of the capital needs are at large hub airports, many of which continue to experience significant congestion and passenger delays.

Many airport operators that participated in ACI-NA's survey have deferred or reduced capital programs in response to the changing economy. Not surprisingly, medium and small hubs see the largest decreases of capital investment, by more than 22 percent and 8 percent respectively, among all the airport hub categories from the last estimate done in 2007. This shows the prudence with which airport operators make their decisions which should debunk any "build it and they will come" arguments. Still, the impact on construction cost inflation and the reality that we still have many congested airports and unmet needs is evident by the results of our survey.

Since we know that \$1 billion in transportation infrastructure produces on average 30,000 to 47,000 jobs, if all of the \$94 billion in airport capital needs were met, the airport industry could help add 3 to 4 million jobs to our struggling economy.

In addition, the ARRA funding allows our industry to take another step forward in our work to be ready for NextGen. NextGen begins and ends at the airport. As the Government Accountability Office noted in its September 2008 report, *Next Generation Air Transportation System: Status of Systems Acquisition and the Transition to the Next Generation Air Transportation System*, "With regard to airport infrastructure, a transition to NextGen will also depend on the ability of airports to handle greater capacity." The report notes that airports will play a critical role in implementing infrastructure and procedural enhancements needed to meet identified capacity needs, such as runway and taxiway enhancements. Airports will also be on the front line in providing additional airport terminal and roadway capacity commensurate with the airfield and airspace capacity increases NextGen will provide.

Like many airports, Pittsburgh International Airport was designed to be flexible and responsive to industry needs over an extended period of time. In the case of Pittsburgh, we have made the transition from a strong fortress hub to a very strong origination and destination airport. In expectation of the arrival of the NextGen technology, Pittsburgh is well positioned to accommodate future demands. In fact in preparation of the anticipated industry growth over the long run, Pittsburgh has developed the Capacity and Service Enhancement (CASE) program that would significantly aid the congestion management of air traffic in the northeast United States. The CASE program, by maximizing existing federal assets and services, would decrease airline delays and passenger inconvenience, decrease fuel burn thus making us less dependent on foreign oil, and decrease greenhouse gas emissions by significantly reducing aircraft flight and taxi delay.

Airports Benefiting from AMT Exemption

There is another piece of the stimulus I would like to bring to this committee's attention. Although it involves a change in the stimulus made in the tax portion of the bill, it is having a stimulative impact on airports. The ARRA exempted private activity bonds (PABs) from the Alternative Minimum Tax (AMT). Approximately two-thirds of airport bonds are considered private activity bonds (PABs), therefore making interest on these bonds potentially subject to the AMT for bond holders. This AMT penalty caused airport

bonds to be unattractive on the markets and therefore airports, even those with high credit ratings, could not find buyers for their bonds. In fact from August through December of 2008, not one long term (30 year) airport bond was sold.

With airports relying on bonds to finance 53 percent of their capital construction needs for safety, security, and infrastructure projects, when the bond market dried up during the last half of 2008, airport construction projects were delayed or halted all together. Mr. Chairman, I am delighted to report that with the passage of the Stimulus bill which exempted airport bonds from the AMT, several airports have already gone to the market and found buyers for their debt.

In March, the Metropolitan Nashville Airport Authority (MNA) sold \$36 million in bonds to help fund a terminal project. MNA estimates that they saved \$3.2 million in total debt servicing. In mid-April, Miami Dade International Airport also had success in selling new bonds to raise money to fund a terminal project. The Metropolitan Washington Airport Authority also was able to sell bonds to assist in several projects in their capital construction program. And the Sacramento Airport announced on June 16th that they would be issuing bonds as well.

The provisions in the Stimulus not only allowed for new bonds issued to be AMT exempt over the next two years, but it also allowed for the financing of previous debt dating back five years. Several airports have also taken advantage of the refinancing allowed in the bill as well. When my colleague John Clark testified about the Stimulus before this Committee in January, he explained the need to allow airports to be able to refinance debt. When the markets froze at the end of last year, several airports turned to high-interest, short-term debt to continue projects. Most notable during that time was the San Francisco International Airport's issuance of three high-interest short-term bonds. I am happy to report that San Francisco has taken advantage of the refinancing provisions and earlier this month was able to refinance that debt and save the airport \$1.6 million in annual debt service. The Philadelphia International Airport in my home state had a similar experience earlier this year.

The relief airports have been provided from the AMT will have a long-term effect not only because airports have been able to find buyers for their bonds because of the relief itself, but also due to the investments in infrastructure that airports will be able to make because of this provision. Projects funded by bonds are generally larger projects costing tens of millions of dollars. That equates to tens of millions of dollars in economic development and the creation of hundreds if not thousands of good paying jobs. In terms of airport infrastructure there is no doubt that the AMT provision has had a stimulating impact in the short and long-terms.

Since we are only a few months into the two full years that this provision will be on the books, we at Airports Council International- North America are closely monitoring the full impact of the AMT exemption on private activity bonds on our industry and in our local communities. We look forward to working with this Committee and with your colleagues on the Ways and Means Committee to find a way to make this particular

provision of the ARRA permanent. The airport industry believes that accessing lower cost debt will be a major benefit to the aviation industry as a whole as we look to build the infrastructure necessary for the modernization of the aviation system through NextGen.

Mr. Chairman and Ranking Member Mica, I would like to thank you again for allowing me to testify on behalf of the airport industry. And I am pleased to be able to report that the \$1.1 billion appropriated for airports in the ARRA as initiated by this Committee is creating much needed jobs today across the country while investing in the infrastructure needed to address the future of aviation. Thank you and I am happy to answer any questions.