# Top 10 Reasons Southwest Airlines Opposes Hiking the $4.50 Passenger Facility Charge (PFC)

1. **Our Customers are over-taxed.** At Southwest, our average one-way fare is $144.75 (4Q 2016). Roughly 15-25% of the ticket price consists of as many as 11 government-imposed taxes and fees, including the PFC. Average airfares have fallen significantly over the past two years, while our Customers' tax and fee burden has increased.

2. **Any increase in the PFC will increase our fares.** Unlike a bag fee – Bags Fly Free at Southwest – a government-imposed fee (like the PFC) is not optional and must be incorporated into the advertised ticket price per DOT regulations. Any increase in the ticket price has a negative impact on consumer demand, which leads to more travelers choosing their cars over our Boeing 737s.

3. **A PFC increase would disproportionately harm smaller communities.** Customers from small markets tend to connect through large airports and are forced to pay the PFC four times (once at the originating airport, again at the connecting airport, and the same on the return home).

4. **Commercial airports have numerous funding sources.** Airport revenues are derived from: a) rent and landing fees paid by airline tenants (often the largest source of revenue), b) existing PFC collections, c) government grants, and d) monies collected from parking, concessions, rental car fees, taxi/limo fees, advertising fees, etc. Cumulative airport revenues have grown every year since 2010 – and well above the rate of inflation.

5. **Commercial Airports have $12.7 BILLION of cash on hand.** Airports' unrestricted cash and investments on hand have grown substantially since 2010 – from $8.5 billion in 2010 to $12.7 billion in 2015.

6. **PFC revenues are the highest ever at over $3 billion annually.** Unlike gas tax revenues, PFC revenues have increased nationwide since 2008 and will continue to grow as passenger levels increase. See chart below.

7. **Over 90% of PFC revenues are collected at the 30 largest airports.** PFCs disproportionately benefit the largest commercial airports due to their high passenger traffic. These airports are government-owned, have investment-grade bond ratings, and can leverage their bonding authority at preferred rates to fund necessary capital projects.

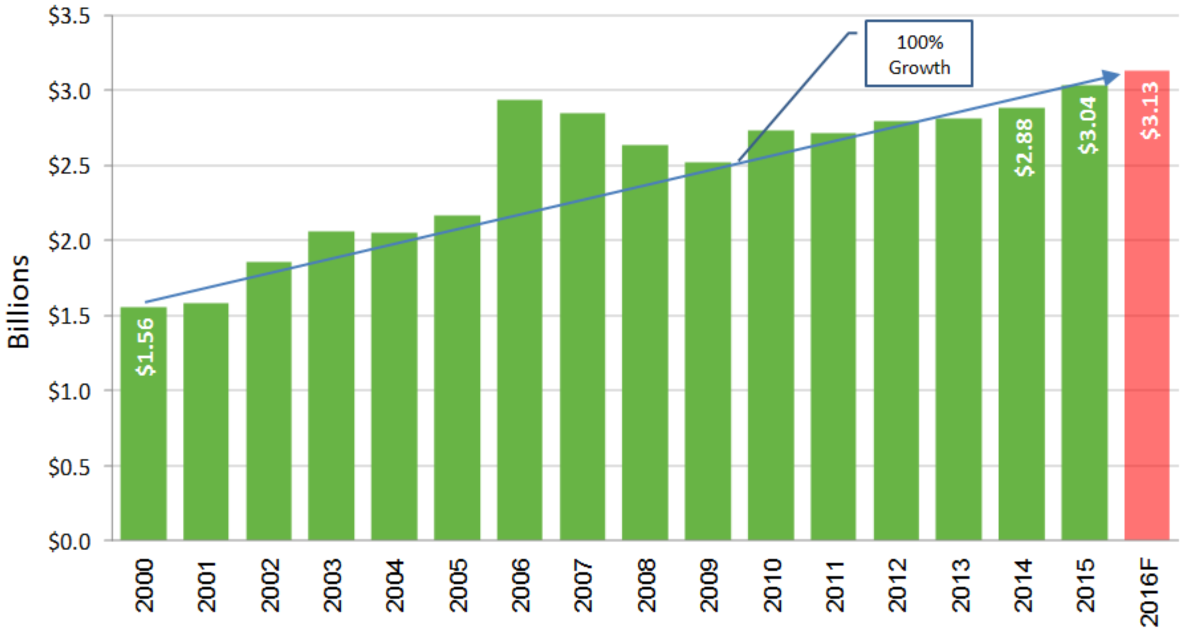
8. **Airports and airlines continue to invest in facilities.** Since 2008, over $100 billion in capital projects have been completed, underway, or approved at the 30 largest airports alone. Recently, Southwest has financed large-scale capital programs at Los Angeles (LAX), Dallas (DAL), Fort Lauderdale (FLL), Baltimore-Washington (BWI), and Houston-Hobby (HOU), to name a few.

9. **Airlines and airline passengers have no control (no "seat at the table") over how PFC revenues are spent.** So long as federal eligibility requirements are met, airports can spend PFCs – monies collected from our Customers – any way they want. There needs to be a balance between financial prudency and capital "wish lists." Such checks and balances lead to cost-effective capital planning.

10. **Uncapped and uncheck PFC spending would lead to additional costs.** PFC revenues can only be used for construction projects. Greater PFC funds open the door for new projects beyond actual needs. Once built, the airport's tenants will pay for the operating and maintenance (O&M) costs of these facilities, forever.

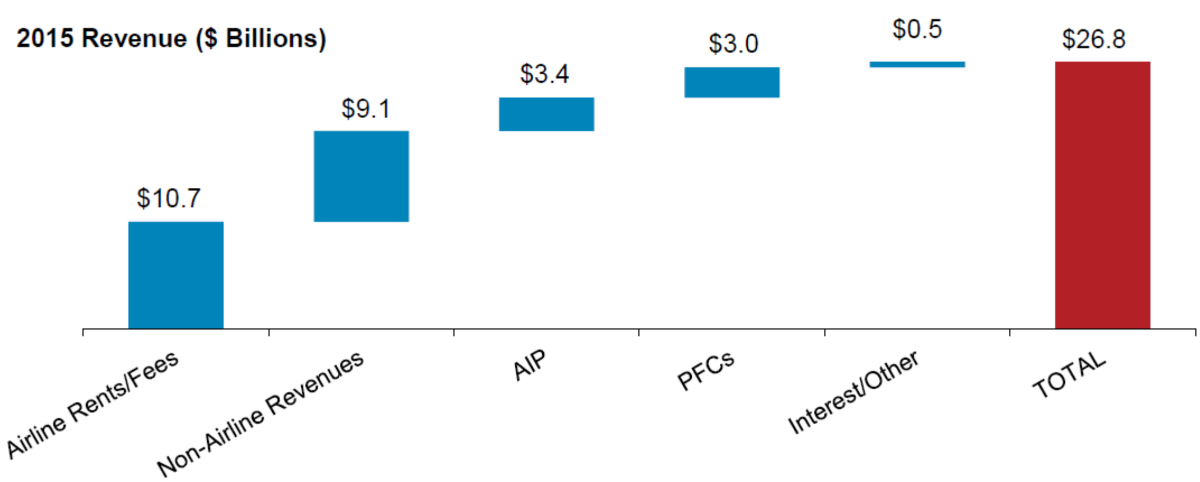
*Updated May 3, 2017*

**PFC revenues are expected to reach a record high in 2016**
Total PFC collections have doubled since 2000, by contrast, CPI only grew 39%




Source: Federal Aviation Administration

**U.S. Airports Collected Nearly $27.0 Billion in Revenues in 2015 – a Record High**




- AIP is allocated based on rules and regulations established by FAA and Congress
- PFCs are allocated to each airport on a basis proportional to passenger traffic

Source: FAA Operating and Financial Summary (Form 127)