

**Statement of Gina Marie Lindsey, Executive Director, Los Angeles World Airports - 18 March 2010**

**To: House Sub-Committee for Transportation, Housing and Urban Development/ Appropriations Committee**

Thank you Chairman Olver, Ranking member Latham and all of the members of this subcommittee for the invitation to speak before you today. I am Gina Marie Lindsey, Executive Director of Los Angeles World Airports, known to the Los Angeles cognoscenti as "LAWA". We are 3500 employees distributed among 3 airports, one of which is LAX.

On a flight back to LA last week, I read Tom Friedman's Op-ed piece in the New York Times about his recent visit to LAX. He wrote, "Walking through its faded, cramped domestic terminal, I got the feeling of a place that once thought of itself as modern but has had one too many facelifts and simply can't hide the wrinkles anymore. In some ways, LAX is like us. We are the United States of Deferred Maintenance." He went on to say while others, "save, invest and build" we have spent, borrowed and patched.

As CEO of LAX, those words struck straight to the heart. Tom Friedman is right. And it's long past time to do something about it.

LAX, I have learned since taking my post 2 and half years ago, is an extraordinary example of deferred maintenance. What was once a cutting edge transportation icon is now reduced to an often repeated characterization of an airport with a set of drab, dingy terminals connected by a traffic-jam. While there's a chuckle in that, it also contains a significant element of truth.

I am pleased to say that, under the leadership of Mayor Antonio Villaraigosa we have begun to set things in motion to rebuild and repair. But we are going to need your help.

I should first acknowledge here that this Committee demonstrated great leadership and assistance to airports in the American Recovery & Reinvestment Act by approving the Alternative Minimum Tax holiday through December, 2010. In the 13 months since the ARRA passage, airports have marketed \$10 billion of airport revenue bonds, \$6.8 billion of those directly benefited from the AMT holiday by saving airports \$635 million in what otherwise would have been additional financing and debt costs. That savings can now be used for tangible infrastructure improvements – steel, concrete, upgraded electrical

systems and reconstructed roadways -- rather than debt service and financing costs. To LAX alone, this has yielded \$25 million in savings on our 2009 bond sale. We expect slightly over \$100 million in savings for the issuance we're taking to market next week.

In addition, this Committee's action including new AIP funds in the ARRA enabled the FAA to obligate an extra \$1 billion to airports. I need to throw a rose to FAA, who did an incredible job evaluating the many airport projects that were "shovel ready", setting priorities, and getting the grants out the door in record time. The FAA staff did an amazing job, but their great work would not have been possible without this Committee's support and approval for stimulus assistance.

Thank you. Both of these actions were helpful to airports. And yet in Mr. Friedman's "United States of Deferred Maintenance", the needs cannot be fully addressed with a temporary AMT holiday and a billion of additional AIP funding split between 360 projects.

The President's proposed budget for the FAA makes clear his understanding of the realities facing America's aviation system. Quite literally, our national economy is dependant on the fundamental vitality of airport facilities, and safe, efficient air traffic management.

In particular, the President's budget addresses the huge and complex near-term demands of the NextGen program. This budget's 30% increase in funding is an essential instrument to tackle the less than optimal procedures used to work around the realities of obsolete equipment. Our air traffic management system, once the paragon of innovation and efficiency for the world, is slipping behind emerging countries who quickly embrace new technologies while we demur, debate, study and re-study before investing in and implementing Next Generation equipment and processes.

This budget also continues funding for FAA's airport safety and infrastructure programs. Currently there are about 3,400 existing and proposed airports eligible for Airport Improvement Program grants. Over the years the formula for distributing these grants has morphed to favor smaller airports, leaving larger airports scrambling to fend for themselves -- over the last 5 years, Large Hub airports (that would be the busiest **33** airports in the nation) handled 85% of all air traffic but received only 18.5% of the AIP grants.

During times of reliable annual increases in passengers, the scramble for infrastructure dollars, while difficult, was nonetheless achievable.

But, in an era of no to slow growth, scrambling just doesn't yield what it used to. While part of our nation's economic strength is rooted in a broad set of aviation capabilities in the air and on the ground – and AIP has been critical to that achievement, it is not clear to me that the current formulas and priorities for distributing AIP grants are well-matched to the infrastructure repair and reinvestment needs of the future. Are we directing AIP monies to the most critical airport infrastructure needs? To the airports that are most pivotal in maintaining the integrity of future air commerce?

We need your help in examining the merits and, yes, the demerits, of the current formula for the distribution of AIP dollars. I do not believe that, today, they are yielding the highest potential return to our industry and the economy and jobs that depend on it.

Large airports are looking at a confluence of storms. On the one hand, taxes collected at their facilities are massively subsidizing AIP entitlement funding to small, very low volume airports. If large airports then turn for solace to PFCs, a discretionary, locally imposed user fee, they run directly into another costly Federal reality. Although it is a locally imposed user fee, it has been federally limited to \$4.50 per passenger since 2000 and, if imposed, requires that the airport relinquish 75% of its AIP entitlement funding.

As luck would have it, in addition to the debate on aviation funding through federal appropriations, Congress is also considering an FAA Reauthorization Bill. While FAA Reauthorization is not in the direct purview of this subcommittee, on behalf of the 59MM passengers who will use LAX this year, I hope that the bill can come to the floor for action quickly. Last I heard the House bill contemplates the first increase in the PFC limit since 2000. I cannot overstate the importance of this action. At LAX – an airport with 30 years of deferred maintenance and a legion of obsolete facilities, every 1 dollar increase in the PFC yields \$300MM in additional construction capacity. That kind of additional construction helps make real the promise of a restored and modernized LAX. It also makes very real 2,400 new, quality jobs.

As the large airports look to the days immediately ahead, your help will be critical on four fronts:

The first is to secure a fully funded AIP.

The second is to make public use airport project financing permanently exempt from the Alternative Minimum Tax – don't let the AMT holiday you approved in the ARRA expire in December of this year.

Thirdly, please add your voice and bully pulpit on behalf of an increased PFC. This increase will be every bit as important for large airports as the AIP is for small and medium facilities.

Lastly, along with our gratitude for the 30% increase on behalf of NextGen, comes the hope that you hold the FAA accountable for actually delivering the technology improvements quickly.

I know that these requests bring with them a considerable body of complex and difficult work. John Galbraith said that, "politics consists of choosing between the disastrous and the unpalatable". In a world where each of us must deliver more with less, I'll lean to the unpalatable any day. Having said that, I hope you see the choices airports present to you in less starkly negative terms.

Steady growth in passenger demand has hidden a multitude of challenges that are now exposed when the tide of passengers drops. Airports must learn to do what so many American's have learned to do, live within diminished means. I'm confident that we can do just that if we are given, with your help, the means to leverage the revenue we generate.