



The Honorable Pedro R. Pierluisi
Remarks as Prepared for Delivery
Federal Aviation Administration Public Meeting
Luis Muñoz Marín International Airport Privatization Pilot Program Final Application
Friday, September 28, 2012

Thank you, Mr. Fiertz.

I want to begin by expressing my gratitude to you, Mr. Cole from the Office of the U.S. Secretary of Transportation, and the other members of the panel representing the Federal Aviation Administration and the U.S. Transportation Security Administration for traveling to Puerto Rico to receive public comments on the matter in question. Mr. Fiertz, I hope you will also convey my thanks to Secretary LaHood; to Christa Fornarotto, the FAA Associate Administrator for Airports; and to your team at the FAA Office of Airport Compliance, for the assistance that has been provided to the relevant Puerto Rico government agencies throughout this process.

As Puerto Rico's sole representative in the United States Congress, I am pleased to be here this morning to express my support for the final application to enable Luis Muñoz Marín International Airport to participate in the national, congressionally-authorized Airport Privatization Pilot Program. The 1,600-page application filed last month with the FAA by the Puerto Rico Ports Authority and the Puerto Rico Public-Private Partnerships Authority reflects

the hard work that has been undertaken by these two local government agencies over the past two-and-a-half years. It is clear that they have done their best to prepare a comprehensive submission that both fulfills Congress's vision for this pilot program and promotes the best interests of the 3.7 million U.S. citizens living in Puerto Rico.

The scheduling of this public meeting, although not required by law, demonstrates the value that the FAA rightly places on public participation in this process. This meeting affords the federal government an additional opportunity to hear directly from my constituents about this application.

This is the fourth public meeting that has been held in the 16-year history of the pilot program. The FAA previously held public meetings about the privatization of airports in New York, Chicago, and New Orleans. The FAA subsequently approved two of those applications and the other was discontinued. In addition, two general aviation airports in Florida and Georgia remain active candidates for the pilot program. Earlier this year, Congress expanded the total number of airports authorized to participate in this pilot program from five to 10, through the enactment of Section 156 of the *FAA Modernization and Reform Act of 2012*.

I respectfully submit that the Puerto Rico application is consistent with the objectives of the pilot program, as it was envisioned by Congress and the FAA. When Congress established this program in 1996, it sought to determine whether new investment and capital from the private sector can be attracted through innovative financial arrangements in order to modernize and otherwise improve the U.S. airport system.

In my view, the Puerto Rico application is a superb candidate for the program, and I want to highlight three reasons why I believe this to be the case.

First, given the current bond rating of the airport sponsor, the Puerto Rico Ports Authority, and the questions surrounding the capacity of the federal Airport and Airway Trust Fund to meet future demand across the U.S. airport system, participation in the pilot program will help ensure that credit can be obtained to finance critical capital improvements at Luis Muñoz Marín International Airport.

Second, the operational and passenger characteristics of this airport make it uniquely suited for a long-term lease, as compared with other airports in the U.S. system.

Third, participation in the pilot program will lead to additional routes, better services for the flying public, and enhanced economic development opportunities for my constituents.

Let me briefly expand upon each of these points.

Luis Muñoz Marín International Airport is one of Puerto Rico's most important pieces of infrastructure, an essential part of our transportation network, and our gateway to destinations in Puerto Rico, the 50 states, and abroad. The airport employs many workers and is a major contributor to our economy. My constituents want—and their leaders must strive to provide—a world-class airport that meets the highest safety standards, features modern amenities, and

promotes the Island's positive image as a prime tourist destination and a preferred place to conduct business. I firmly believe that inclusion in the pilot program is the best way to achieve these objectives.

Today, the Puerto Rico Ports Authority is burdened with significant debt and cannot generate the funds necessary to provide the people of Puerto Rico and visitors to the Island with the airport they deserve.

Between 2004 and 2008, the debt of the Puerto Rico Ports Authority increased by 63 percent. In 2009, the Ports Authority had a bond rating of Triple B minus, the lowest credit rating above junk status. In 2010, Moody's Investors Service warned that the credit rating could be downgraded to junk status, which compelled the Puerto Rico Government Development Bank to step in and purchase all of the bonds issued by the Ports Authority, effectively saving it from being downgraded to junk status. To this day, the Ports Authority remains effectively shut out of the bond market.

Moreover, the airport, given its current usage, cannot generate sufficient revenue on its own from fees to finance its capital improvement plan and retire the Ports Authority's debt. Nationally, between 2001 and 2011, the volume of U.S. air traffic increased by about 14 percent, representing an increase of 108 million passenger enplanements. This level of growth has helped generate the funds necessary for many airport sponsors across the nation to finance capital improvements at the airports they operate. By contrast, the number of passenger boardings at Luis Muñoz Marín has generally remained stagnant, which has served to prevent the fees that are

charged to airlines, passengers, concessionaires and others from being used to fund necessary capital improvements at the airport. In 2011 alone, the number of passenger enplanements at Luis Muñoz Marín declined by over 6 percent compared to 2010. Indeed, over the past 20 years, Puerto Rico has experienced no growth in the number of passenger enplanements, instead consistently hovering between four and five million boardings per year.

I would note that the 2011 to 2015 National Plan of Integrated Airport Systems, transmitted by the U.S. Secretary of Transportation to Congress in September 2010, estimates that Luis Muñoz Marín requires an investment of nearly \$130 million in order to meet federal aviation standards. To meet this target, the debt of the Ports Authority must be retired and the capital necessary to finance these improvements, whether through the bond market or private investment, must be obtained without undue delay.

Another factor that militates in favor of a long-term lease is the uncertainty that surrounds the future availability of federal funds to make improvements to the airport. As a February 2011 report by the Government Accountability Office demonstrated, the financial condition of the federal Airport and Airway Trust Fund has deteriorated over the last decade. The Trust Fund is the fund that helps finance FAA investments in the U.S. airport system. These investments include improvements in construction, security and technology.

In short, the combination of a lack of access to credit on the part of the Puerto Rico Ports Authority to finance its capital improvement plan, along with the potential for reduced federal funding from the Trust Fund, are key factors that prompted the government of Puerto Rico to

consider leasing the airport to a private operator in order to ensure that the airport is sustained and strengthened for the future.

Finally, I believe inclusion in this pilot program represents the most prudent course of action because it will provide an incentive for the new operator to modernize the airport and attract more airlines, more flights, and more passenger traffic. This increase in volume, in turn, will promote the economic development of Puerto Rico by bringing more visitors to the Island, thereby increasing hotel occupancy and spending at restaurants and others businesses.

Currently, nine airlines provide nonstop service from Puerto Rico to 20 cities throughout the United States. There is clearly room for improvement here, especially when one considers that there are now 4.6 million people in the 50 states of Puerto Rican birth or descent. Inclusion in the pilot program is likely to result in more flights between Puerto Rico and the U.S. mainland, with the potential for new routes connecting the Island and destinations along the eastern seaboard, the Midwest, and the west coast.

Inclusion in the pilot program can also lead to new routes connecting Puerto Rico and international destinations in Europe, Canada, and Latin America, which would boost trade and tourism between the Island and those expanding markets.

In addition, given its prime location, a modernized Luis Muñoz Marín can be—and should be—the gateway to the Caribbean, a truly international hub connecting passengers from North America, Europe and Latin American with points all across the Caribbean.

By modernizing our airport and increasing flight volume, we promote economic development in Puerto Rico and we enhance economic opportunities for Island residents. To illustrate: a recent analysis conducted by the Department of Economic Development and Commerce of Puerto Rico estimated that every new domestic air route established at Luis Muñoz Marín International Airport would contribute \$77 million to the local GDP, and each new international route would contribute \$105 million.

In conclusion, I believe that approval of this application would promote both the national interest and the interest of my constituents. Inclusion in the pilot program would help ensure that capital is available to convert Luis Muñoz Marín International Airport from a substandard facility into a state-of-the-art airport that will be a source of pride for the people of Puerto Rico and a jewel in our nation's aviation system. A new and improved airport will attract more routes and more passengers, will better connect Puerto Rico with the United States and the rest of the world, and will strengthen the Island's economy and create jobs.

I thank you for the opportunity to testify and I hope my testimony will serve to inform your decision on this application.