



**MEETING DATE:** January 23, 2019  
**TO:** Board of Directors  
**FROM:** Kevin Smith, General Manager and Director Rick Stephens  
**SUBJECT:** Summary Report on AAEE Aviation Issues Conference

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Director Stephens and I had the opportunity of attending the 33<sup>th</sup> Annual Aviation Issues Conference in Maui, Hawaii on January 6-11, 2019. Approximately 300 attendees from every facet of the aviation industry attended to discuss aviation issues and policy important to aviation for the 2019 calendar year. Various panel discussions took place covering many topics. Due to the government shutdown, no FAA or TSA employees were able to attend this year. The following is a summary of the various sessions attended and key points of consideration from each.

**Session 1 - 2019 State of the Industry – A discussion with Aviation Leaders**

After many years FAA Reauthorization was finally passed by the 115<sup>th</sup> Congress. That is a big deal and affects every sector of aviation. This was celebrated to a certain degree. The big question was now what. Some at the conference felt our current divided government could result in some productive compromises but over all there seemed to be consensus that dysfunction for a while may be more likely. The one bright spot was infrastructure. There was a lot of optimism that an infrastructure bill could pass the House and Senate and get signed by the President. There could be additional funding for Airports including the possibility of a Passenger Facility Charge (PFC) increase. A PFC increase would be positive for TRK funding but potentially cost passengers more on travel. Commercial Space (rocket launch and recovery) is here to stay and will have impact on the National Airspace System shutting down large expanses of airspace during rocket launch and recovery. More regulation on that was discussed. In summary, everyone is waiting for Reauthorization to be funded and implemented.

**Takeaway for TRK:** Some of the goodies in Reauthorization for TRK are:

- Stable predictable funding is more likely for the Airports Office and Grant funding.
- Air Traffic Control Towers are now AIP Grant eligible.
- We can bank our entitlement for 5 years instead of 2.
- STEM education and more funding for career and training (mechanics, ATC, Pilots)
- Loosening of requirements for Non-Aviation land use designations.

These are all positive for TRK. The FAA Reauthorization Bill has passed but no funding has been appropriated yet. That is holding up moving some of these endeavors along.

## **Session 2 - Washington Update 2019: Is Progress Possible in a Divided Capitol?**

The Aviation industry moves faster than government. There was discussion of the unpredictability of the Executive Branch of government and that right now all sides have backed themselves into a corner. The big gem out there for everyone is an infrastructure bill. It was discussed that it has to happen by August of 2019 or nothing will happen on just about anything until after the 2020 presidential election. An infrastructure bill could provide significant funding for airports at all levels as well as potential language on a PFC. There was a lot of Discussion of taking the Airport Improvement Program Trust Fund "Off Budget" similar to the Transportation Trust Fund, Social Security, and the US Postal Services. That could take some of the volatility out of our funding issues. While all loved the idea there was not much optimism that it could happen but it is going to be explored.

**Take Away for TRK:** Reauthorization is a big deal to us. Once funded, it should provide better stability for our FAA Airport District office in San Francisco. An increase in the PFC would also provide more funding for our airport through entitlements and discretionary funding. We need to watch the commercial space industry as it develops due to our proximity to Nevada and various test and launch sites. These sites could affect our airspace and procedures. We will also want to watch the discussion on the pending infrastructure Bill.

## **Session 3 – Infrastructure Investment. Can Washington Unite to Build?**

Great disagreement over how to fund aviation investment. Airports and Airlines are still not close on the PFC debate. While airlines rack up billions in revenue on bag and ancillary fees, they still opposes airports raising PFC. Airlines feel they already invest heavily in airports and that a PFC increase is not necessary. Their argument is that passengers have a choice of what fees they chose to pay where as a PFC is not optional. The arguments made didn't persuade the airports in the room. It was also discussed to allow funding for landside connections to the airport. More funding for parking, rail and other land transportation systems.

**Take Away for TRK:** Again we should watch and care about the PFC debate as well as the infrastructure bill discussions. There may be a way for TRK to charge a PFC if we chose to do so. It's possible that all our Park 91k and 135 Charter Operators could be required to collect this from their passengers pay this however due to the current PFC cap of \$4.50 I do not think it would generate more than \$100k per year. We're looking into this.

## **Session 4 - FAA Reauthorization – What Now**

Everyone was pleased with the stability of a long term (5 Year) Reauthorization bill but also felt there was some missed opportunities. There are some good regulations for TRK as listed in Session 1 but also missed opportunities related to PFC, aircraft certification, Next Gen, and modifications to pilot training standards. Unmanned Aerial Systems (drones) were also a missed opportunity. There was discussion that this industry is taking up FAA resources and not paying their way. There is very little in the way of fees on this industry and they need oversight. The FAA shutdown is a major delay in implementing the good regulations in Reauthorization. While the shutdown may only be for 30 or 40 days it will take months to recover from it. Good news for TRK is that many medium and large hub airports are willing to give up a portion of their entitlement funding in exchange for a PFC. This would really help non hubs

and general aviation airports. This is the primary reason we need to watch and participate in the PFC debate.

Noise mitigation is very important but not adequately covered in the Reauthorization Bill was the opinion of various folks on the panel. They indicated it is a top 5 issue for FAA but FAA really isn't equipped to deal with it. There is funding for more studies on noise impacts of aircraft. This funding could also assist airports with procedure development. There was discussion that FAA will be putting more resources into assuring airport revenue stays on airports.

**Takeaway for TRK:** Reauthorization has some good regulations and policy for TRK. We need to continue to pay attention to the UAS industry. We are affected by them almost daily. Let's hope the shutdown ends soon so implementation of Reauthorization can move forward. We will look into any language on noise studies and tools provided in reauthorization that could help our airport.

### **Session 5 – Aviation Workforce Development – Is our Industry Prepared for a Changing World?**

STEM programs were discussed various times and as an industry we need to compete better for talent. We are not good at competing as we never had to do it in the past. Government used to supply the aviation workforce primarily through the military. Airlines are now having to develop "Gateway" programs which introduce kids to aviation careers very early in their high school education. They are also reintroducing airline specific flight academies as well as first officer programs to attract talent to a regional with a path to the major carrier. Some are even creating "Flow" programs which take a young person from "training" to "retirement." Everyone was talking about the value of STEM programs and how we need more of that as an industry. There is more competition for young people's attention and Aviation has to compete better. Regional airlines are stepping up and paying more with larger signing bonuses. Protecting our workforce from foreign airline poaching was also discussed. This all applies to ATC, Airport Management, mechanics, etc. Young people need exposure to the industry and facilities, not just a uniform in the classroom. Exposure, Opportunity, and Internships were the key words.

**Takeaway for TRK:** TRK programs are in line with and I would argue ahead of what the industry is doing. We currently fund and support Pathways to Aviation, Challenger Academy, Young Eagles, BGCNLT, Mission to Mars, and various annual sponsorships centered on STEM. We might want to consider sponsoring the AOPA You Can Fly program as well as the AOPA STEM in the classroom program. Very interesting programs.

### **Session 6 – Customer Service Focus – Enhancing the Passenger Experience**

There was a lot of discuss on de-stressing the travel experience. Low hassle airports are favored by travelers. RNO is a good example of a low hassle airport while LAX would have a high hassle factor primarily due to surface transportation and traffic. Uber and Lift are here to stay. They need to be embraced and not shoved to the side. The customer is demanding access to these products. Good Restaurants, WIFI and the cleanliness and quality of the bathrooms are the number one issue for travels.

**Takeaway for TRK:** We have a pretty low hassle factor for our travelers. Our new customer service Core Value program is working to enhance our services to all our customers. We could probably be more helpful to our based charter operators in servicing their customers. I think we finally have the Lyft ban removed from our Airport. Lyft instituted the ban on their own. We have never banned them. Rick and I both talked with Brian Kramer of Lyft to get the Lyft restriction removed from our airport and more Lyft

drivers in the district. Uber has already lifted theirs. We also need better parking wayfinding signage. We are going to address that in our parking study that will be completed this year.

### **Session 7 – Aviation Safety and Security**

There was conversation in this session centered on insider threats at commercial service airports. This is something Part 139 airports with scheduled commercial service are working on. This is also something for us to watch and make sure we know who is working for us and working for our tenants that have access to the flight line and aircraft. On the Safety side, the shutdown has halted all ADS-B and procedure work by FAA. These offices are closed during the shutdown. There was concern of the spool up time to get everything restarted. UAS counter strategies were discussed and looking at how Airports can defeat drones that enter critical airspace and shut down operations. They used the example at Gatwick in London where 760 flights were delayed impacting 110,000 passengers due to repeated drone flights on to the airport. There are not a lot of good answers to this problem right now.

**Takeaway for TRK:** Following ADS-B Implementation effects of the shutdown will be important. It could delay some of our work on ADS-B for our airport. Rick and I both spoke at length to the Harris representatives about ADS-B at TRK. We will also be paying attention to the drone counter strategy discussion and tools airports develop to counter drone incursions.

### **Session 8 – Emerging Technologies**

Drone technology was once again discussed. It was interesting to note that overall the consensus was that we are moving too slow on drone technology except for the National Air Traffic Controllers Association. They thought we were moving too fast. Below 500 feet will likely be owned by the UAS industry. Commercial Space needs a stronger regulatory framework around it. Not a lot of regulations right now governing that industry. The concern to airports is the airspace requirements for launch and recovery. They can be intrusive and there are not a lot of answers to that problem right now. Self-driving cars are not going away. They will change how airports operate. Avis is investing in driverless cars and most rental car companies will be moving to 100% app based rentals. Uber Elevate is an example of technology that many at the conference felt is coming and we have to start preparing for it. It actually could put some GA airports out of business as point to point travel takes over from airport to airport. Battery technology is the only thing holding them back.

**Takeaway for TRK:** Drones and commercial space are things we should watch. Self-driving cars technology is developing rapidly. UAS is lobbying for control over the surface to 500 feet outside airport influence areas. Point to point travel by air will be something to watch closely. If the technology develops as it is forecasted, it could change the way airports operate or even run some out of business. Very interesting issue.

### **Session 9 – Wrap Up and Other Interesting Items**

There was consensus that as a united industry we should begin conversations of taking Aviation “Off Budget” and get us out of the Washington DC funding carousel. While it is unlikely right now, with consistent pressure it could happen down the Road. Reauthorization is exciting but implementation and

funding are slow. ATC reform (moving ATC to public non-profit corporation) will not happen in the 116<sup>th</sup> Congress. Overall there was a lot of optimism on an infrastructure bill that will benefit airports.

Overall it was a great conference with a lot of big picture thinking and issues that will affect Aviation over the next 12 months. It was also a great opportunity to network with many industry peers and professionals.

Let us know if you have any questions.

Thank You