

Our sky could fall:

The long-term infrastructure and funding challenge facing RDU Airport – and our region

Brief summary of Preliminary task force findings and recommendations

Regional Transportation Alliance
RDU Airport Infrastructure Development (AID) Task Force
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RTA is the voice of the regional business community on transportation

Executive Summary / Letter to the Region

Thank you for your support of RDU International Airport – and of our region’s future success.

There is a broad understanding and appreciation for RDU Airport across our region. We are rightly proud of the beautiful facilities, ease of use, and the friendly environment. We enjoy access to a rich array of flights and destinations and an enviable, balanced mix of air carriers. The global connectivity RDU provides as America’s most-connected non-hub airport is a crucial part of our region’s economic success. RDU Airport is the first impression that many of our visitors have of our community – and RDU also serves a source of vital tax revenue due to the impact from jobs and tourism.

However, this growth in flights, destinations, and passengers has created—and potentially masked—an urgent need to expand infrastructure and an equally urgent funding problem for RDU.

In 2017, the Federal Aviation Administration (FAA) approved RDU’s infrastructure development master plan, titled “Vision 2040”, which provides airport leadership with a logical, scalable road map to respond to the impact of regional growth on RDU over time. However, **passenger levels in 2019 were the highest in RDU history. They are equivalent to the projected 2031 levels – meaning that traffic at RDU is 12 years ahead of expectations and continuing to increase.** To maintain the current levels of service and account for anticipated and accelerated capital needs, our community will need to invest between \$3 and \$4 billion in RDU airport infrastructure over the next two decades.

The funding for this expansion should be a shared responsibility. RDU’s owners – Wake and Durham Counties, and the cities of Durham and Raleigh – currently contribute a total of \$50,000 a year to the operations and capital program. The North Carolina General Assembly has been a great partner for RDU—and all of the state’s commercial airports—by providing a recurring funding source for capital needs. But the principal responsibility for identifying a sustainable financial model falls on the RDU Authority and the airport’s visionary leadership team, which executes a world class airport experience for travelers every day, through a host of visible and behind-the-scenes efforts.

While the airport will have significant and increasing revenue sources available as a result of more flights and passengers, state assistance, and RDU initiatives, our region will still face a funding gap for RDU between \$1 and \$2 billion over the next two decades. The size will depend on how quickly our region grows and how much disruption our community can tolerate in waiting for new facilities, waiting in lines, delayed flights, along with fewer flights due to lack of terminal or airfield space.

RDU is not alone in dealing with the challenges of rapid growth. Many of the regions against which we compete and benchmark ourselves—such as Nashville, Austin and Columbus—are making or seeking substantial investments in airport expansions to handle and stimulate future growth.

The continual upgrading and expansion of RDU is critical to the ongoing economic prosperity of the Triangle region. From business expansion, to tourism, to our global reputation as center of research, innovation, education and health care, the airport is essential. To date, improvements to the airport have been completed with little to no negative impact to travelers even though they touch critical aspects of the operations such as runways, taxiways, security lines and roadways. Future improvements will become increasingly challenging given the growth of the region, the limitations of existing infrastructure, and the size of the funding gap.

Given its long-term funding situation, and in response to a request from RDU, the Regional Transportation Alliance convened a diverse group of 12 business and community leaders to develop potential solutions, known as the RTA RDU Airport Infrastructure Development (AID) Task Force.

Our task force met monthly since September 2019. We heard from key leaders and partners including members of the RDU Airport Authority Board and several of the air carriers serving RDU. We also engaged Ricondo & Associates, the firm that developed RDU's master plan, to offer insights on changes at RDU since adoption of the airport master plan as well as potential consequences of inaction.

Our work made it clear that RDU's master plan cannot fund itself, particularly given the rapid growth in the region. Neither the legislature's investments nor the additional revenue from new flights will be sufficient to fully close the \$1 to \$2 billion funding shortfall. There is also no current consensus with RDU's airline partners on funding solutions or structures. And, while the airport may not be a natural partner with Umstead State Park, it needs to quickly become one, and vice versa.

It is also clear that the public has very little awareness of the accelerated rate of growth at RDU, the level of needed infrastructure over the next 10 to 20 years, the financial underpinnings of the airport, the extent of the funding challenge that has emerged, and the lack of an obvious solution to quickly address what could become a crisis for the region.

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This report offers a series of preliminary findings, observations, and recommendations for funding. These are not intended to be the final answer to RDU's funding dilemma; rather, we advance them to highlight the issue and the extent of the problem, and to accelerate what will be necessary conversations by policymakers, the business community, and the public on possible solutions.

We believe that our region, and the business community as a whole, must become more broadly aware of the challenges facing RDU. Our community, led by the four owners of RDU and the RDU Airport Authority Board, must identify and activate a funding structure that sets RDU on a financial trajectory needed for long-term success for our region.

There is no single "magic" answer, and we have a limited and shrinking period of time for all stakeholders—including, but not limited to, the four governmental owners, the airlines serving RDU, and business and leisure air travelers—to come up with a way to ensure the long term viability of RDU. We also believe that RDU should do a review of its master plan, given our rate of growth, RDU's funding needs, and the current political environment.

We also believe that the regional business community can be a catalyst for broader, collective action to ensure the ongoing success of RDU for our region.

Identifying sustainable funding for essential growth at RDU airport is the top transportation priority of the regional business community, and it will remain so until it is successfully resolved.

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On behalf of the RTA RDU AID Task Force

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Brief summary of preliminary task force findings, observations, and recommendations

Overall Recommendation:

Expediently identify, approve, and activate a sustainable funding structure to address the \$1-\$2 billion funding gap at RDU over the next two decades to ensure the long-term success of RDU and the region.

Annual economic impact of RDU

- RDU's annual economic impacts exceed \$12 billion and nearly 100,000 jobs
- State, local tax revenues exceed \$400 million annually due to activity supported by RDU Airport

Accelerated growth at RDU

- Passenger levels in 2019 were the highest in RDU history and are equivalent to the projected 2031 levels – meaning 12 years ahead of expectations and continuing to increase.
- Peak hour usage of terminal 2 security lanes are up 50% in 2 years

Projected capital needs and funding gap

- Our region faces a funding gap for RDU between \$1 and \$2 billion over the next two decades, the size of which depends on how quickly we grow and how much disruption we can tolerate
- Capacity constraints will result in longer wait times and may impact flights and economic activity
- Airport infrastructure cannot be activated like a light switch; it can have decade-long lead times
- The public has little awareness of the rate of growth at RDU, the level of needed infrastructure, and the lack of an obvious solution to address what could quickly become a regional crisis

Current sources of funding

- State of NC has been a strong partner for RDU and other commercial service airports
- Federal Government will not provide significant financial help to RDU and peer airports
- Airlines oppose increases in the maximum passenger facility charge (\$4.50 PFC since 2000)
- RDU has sufficient funding available for this decade's needs, and then faces a major challenge

Selected preliminary task force recommendations on funding and financing

- Increase carrier landing fees and activate general aviation landing fees
- Implement \$2 airport access fee, collected via transponders; use funds for RDU roadway needs
- Reallocate local rental car taxes to airport; use funds for RDU roadways and rental car facility
- Implement premium curb access areas at terminals; use funds for RDU terminal improvements
- Propose nominal PFC increase of \$1, and index for inflation, but do not focus on large increase
- Lobby FAA for accelerated environmental approvals; e.g., establish maximum 3 year timeframes
- Accelerate or increase amount of bond financing, if allowed by other covenants and supported by additional revenues such as those identified above

Selected preliminary task force observations and recommendations on land use

- Create RDU Real Estate Master Plan with specific timelines, financial requirements
- Hire master developer to review entire airport for strategic development opportunities
- Consider creation of a new "terminal 3" – north of terminal 2, away from Umstead State Park
- Offer airlines opportunity to build, fund, and operate terminal 3 – and share in capacity risk
- RDU could do a value engineering review of entire 2040 master plan to build regional goodwill
- RDU should revisit entire 2040 master plan given the reality of an adjacent, beloved state park

Identifying sustainable funding for essential growth at RDU airport is RTA's top priority for 2020.