

Washington Airports Task Force

2010 Report to Members

November 30, 2010

“America’s mobility advantage is a major reason why Americans have higher incomes, lower consumer costs, and many other benefits not enjoyed by much of the rest of the world.”¹

An examination of transportation, economic growth, and mobility, published by Randal O’Toole for the Cato Institute² describes the necessities of travel in relation to speed, and the lasting effects it can have on a country’s prosperity. Technological advances, including the automobile and jet airliner “contributed to the 160% increase in per capita incomes between 1950 and 2000.”³ This observation demonstrates the importance of transportation and its accessibility not only for Americans, but also for all those striving for increased mobility on a world scale.

In an effort to support technological advances and promote personal mobility as a key element of economic prosperity, the Washington Airports Task Force (WATF) dedicates itself each year to promoting the expansion and enhancement of aviation services for Virginia and the National Capital region. The 2009-2010 year was filled with successes and new challenges in air service, passenger service quality, foreign trade zone utility, as well as air and ground access.

New Jobs and Economic Gain

The economic gain from expanding the region’s trading horizon with a new air service to a new market is obvious. Less obvious is the impact of international policy in removing barriers to mobility. For example, just making the United States visa application process more available to the citizens of India, Brazil and China would be worth an estimated \$24.2 billion in revenue to the United States visitor industry, creating 207,600 jobs⁴. Each Japanese and Chinese visitor to the United States spends between \$4,000 to \$7,000 per visit⁵, so when Washington Dulles International Airport’s air services enable local hotel chains to contract with tour operators to provide 100,000 room nights a year for Chinese visitors, the impact on the local economy is immediate and large⁶.

¹ Randal O’Toole, *Gridlock* (Washington, D.C.: Cato Institute, 2009), p. 231.

² Ibid

³ Ibid, p. 236.

⁴ Michael Goldman, USA-BIAS paper

⁵ Ibid

⁶ Barry Biggar, CEO, Visit Fairfax; Mark Carrier, Senior Vice President, BF Saul Company

Air Service Development

Mergers

Provided a carrier is efficiently managed and focused upon customer service, size matters because the larger global network provides a competitive advantage, namely the ability to move people and goods between more global destinations with greater travel convenience. The Delta-Northwest airline merger in 2008, which led to the creation of the nation's largest airline, set the scene for the mergers that have occurred this year.

In April, United and Continental announced their intentions to merge. The WATF strongly supported this initiative for the following reasons:

1. The merged airline would put a strong management team, as well as an expanded global and domestic route system, behind the Dulles gateway.
2. The two carriers' route systems are complementary, offering customers more competitive choices among other carriers serving the region's three airports. A WATF analysis of 2009 domestic origin and destination data shows that 97% of travelers in the Washington/Baltimore air travel market had a high level of competitive choice which, in the face of the other mergers, the United/Continental merger can be expected to help sustain.
3. The merged airline can be expected to expand the international services at Dulles, supporting the economic growth of the National Capital region.

The United/Continental merger was approved by the Justice Department in August and consummated on October 1st.

In September, Southwest Airlines announced its decision to buy AirTran, and it is currently undergoing the approval process. This merger will sustain Southwest as the Washington/Baltimore region's largest carrier of domestic passengers and should bring benefits to the region's consumers. The merger will result in Southwest gaining access to slots at Washington Reagan National Airport, ensuring the airline has operations at all three of the region's airports. As a result, business travelers at National should find that high walk-up fares will decrease in several major domestic markets. In addition, the new Southwest Airlines, a "mega" lower-fare carrier, offering service quality, should provide healthy competition to the new mega-network carriers recently formed.

Merging for a Stable Future?

In the three decades since airline deregulation, network airline managements have focused upon market share. Top management of the new mega-carriers seem focused upon profitability and the creation of stable, financially-sound companies that will attract long-term investors instead of short term speculators.

Recession Air Travel

Washington's airports came through the recession with strong international growth tempering some domestic decline. Since 9/11, the number of international visitors attracted to the entire United States for business, leisure, or education, has grown by only 3.3%. By comparison, international travel through Dulles has grown 50% since 2000, and grew 16% through the recession, from June 2007 to June 2010.

Passenger flows for the 12-month periods ending June 30, 2010 at Dulles and National across the recession are shown by the tables below.

Dulles Airport
Passengers for 12 Months Ending June 30, 2010 (in millions)

	2010	2009	2008	2007	Change 07-10
International & Transborder	6.295	6.135	6.203	5.499	14.48%
Domestic	16.799	16.839	17.949	18.594	-9.65%
GA	0.15	0.142	0.196	0.208	-27.88%
Total	23.244	23.116	24.348	24.301	-4.36%

National Airport
Passengers for 12 Months Ending June 30, 2010 (in millions)

	2010	2009	2008	2007	Change 07-10
Transborder	0.29	0.275	0.298	0.331	-12.39%
Domestic	17.28	17.383	18.035	18.204	-5.08%
GA	0.0049	0.0025	0.003	0.0016	206.25%
Total	17.58	17.661	18.336	18.537	-5.18%

As can be seen:

- The nearly 10% domestic decline at Dulles has been cushioned by substantial international growth.
- The domestic decline at National was roughly half the decline at Dulles.
- Dulles handled 4% fewer and National 5% fewer passengers than for the same period ending in 2007, which compares favorably with the national average.

The domestic market appears to be picking up following the drop last year. United restored some services at Dulles during the summer and announced a further service expansion following its merger with Continental.

Southwest cut its Dulles-Florida services, but added Denver flights, going head-to-head with United on a route supported by United's hubs at both ends.

International Business Routes

- United inaugurated nonstop service from Dulles to Accra, Ghana in June, and expects to extend the service to Lagos, Nigeria shortly. Both strengthen Washington's position as the nation's third largest gateway to Africa.
- United extended its daily Kuwait service to Bahrain in April. Dulles ranked second after New York's JFK Airport as a gateway to the Middle East in 2009, with 107 weekly departures, compared to first-ranked JFK with 283 departures. The Bahrain service will strengthen Washington's position as a Middle East gateway.
- Aer Lingus inaugurated service between Dulles and Madrid in March, under contract with United.
- Open Skies, a new low-cost business class carrier, inaugurated service between Paris Orly and Dulles in May. Open Skies is a subsidiary of British Airways, which took over L'Avion, an airline which the Metropolitan Washington Airports Authority, with WATF support, approached concerning Dulles service two years ago. Open Skies is advertising roundtrip business class fares as low as \$1,700, compared with pre Open Skies Air France and United fares of approximately \$4,800. ("Open Skies" is a long-term United States policy for deregulating international air services between two countries or groups of countries.

British Airways took the name and applied it to their low-cost subsidiary – a subsidiary made possible by the US-EU Open Skies Agreement.)

- AeroSur plans to inaugurate service to Bolivia in December.
- Icelandair plans to inaugurate service May 17, 2011 over its European hub to a number of European destinations that lack direct service from Washington. The carrier's Keflavik hub has been well-rated for its quick and pleasant connecting services.
- Tel Aviv remains one of the region's most economically important un-served markets.

The Open Skies and United/Aer Lingus services were made possible by the freedoms provided under the first phase of the US-EU Open Skies Agreement, whose creators received the Williams Trophy in 2007.

International Aviation Policy

Open Skies air service agreements remove the barriers to service on the routes between two countries, allowing airlines to base their service decisions on market demand. In 2010, the United States successfully negotiated an elusive Open Skies bilateral agreement with Japan, as well as the extremely difficult second phase of the Open Skies agreement with the European Union, and signed its 100th Open Skies agreement.

For 22 years, the WATF has coordinated an informal coalition of cities that support Open Skies policies called USA-BIAS (United States Airports for Better International Air Service). China, Brazil, Hong Kong, Mexico and Russia now are among the few major markets that remain closed.

Increasingly, access to the United States visa process, security at home and abroad, airport capacity limits, curfews, and other issues at various foreign airports, are restricting the ability of American and foreign carriers to use the market freedoms provided under Open Skies bilateral agreements. USA-BIAS faces a key question: "Should it encourage the scope of Open Skies to be expanded in order to stimulate economic growth by targeting these air service challenges on a global level?"

Passenger Service Quality

Airport Surveys

Passenger perceptions of airport quality were published in February 2010 by J.D. Power and Associates (United States airports), and by Airports Council International (ACI) covering the world's airports. The ACI survey probably is the most objective. While the items covered in the survey (particularly by J.D. Power and Associates) are largely under the control of the airlines, not the airport, and in the United States by TSA, the reports are called "airport surveys." Thus the travelers' dissatisfaction is directed at the airport, regardless of the cause of the travelers' inconvenience.

J.D. Power and Associates considers the areas of greatest impact on overall passenger satisfaction to be the following: speed of baggage delivery (the airlines' responsibility at most airports, including Dulles and National); ease of check-in and baggage check (again, the airlines' responsibility); ease of use and services in airport terminals; and the amount of time required for the security check, a TSA function.

The survey found that passengers expressing dissatisfaction with their airport experience spend an average of \$14.12 with airport concessions, compared with an average of \$20.55 for satisfied passengers. Concession revenues form an important part of an airport's income.

J.D. Power and Associates scored overall airport satisfaction on a scale of 1,000 points. Dulles scored 646, compared with the median for the nation's medium-sized airports of 683. The top rated medium-sized airport

was Kansas City International at a score of 742 points. BWI, also top rated by the ACI review, received a score of 707, and National scored 672 points. [Click here](#) to see the JD Power press release.

ACI assessed overall customer satisfaction with a five-star rating. They rated BWI “Best” for air service quality among the world’s medium-sized airports (15 to 25 million passengers). BWI was the only United States airport to place first in its category. BWI gained a four-star rating in the J.D. Power and Associates survey for overall satisfaction, just behind Kansas City (rated first), Portland, Oregon and Tampa, FL. National rated three stars for overall satisfaction. The ACI survey rated Dulles among the nation’s worst airports, with two stars for overall customer satisfaction. Boston Logan and LaGuardia joined Dulles as the lowest ranked medium-sized airports. Both surveys were conducted in 2009. [Click here](#) for more information on the ACI report.

Tier 2 Concourse

The construction of the long-planned “Tier 2” Concourse to replace the C/D Concourse at Dulles is an essential step toward increasing the airport’s service quality and expansion potential. The C/D gates were built as a temporary measure in the 1980s to accommodate the rapid growth spurred in part by the WATF. The Airports Authority had planned to replace these temporary structures with another modern “B” style Concourse built in parallel with the AeroTrain. Unfortunately, United Airlines’ financial failure in 2002 required that the construction of the Tier 2 Concourse be postponed. However, in anticipation of the future Tier 2 Concourse, the AeroTrain stations were built below the proposed Tier 2 location. Therefore, when the AeroTrain opened in January to replace many mobile lounges, the passengers’ connection to Concourse B was improved, but the trip to the C/D Concourse deteriorated, as passengers must use a temporary tunnel and moving sidewalk to move between the station and United’s C/D gates.

The situation is serious for the region as well as for the air traveler. The C/D Concourse’s physical restrictions place a limit on United’s ability to expand international services during peak periods.

The WATF is looking for ways to help the Airports Authority find an innovative solution to funding the Tier 2 Concourse, a multi-billion dollar facility that is an essential part of Dulles’s expansion potential and required to improve customer service satisfaction.

Security Services

Ironically, terrorists seem to understand the importance of air transportation with respect to the American economy far more than Americans do themselves. Terrorists focus their energies on air transportation, and all-too-often we respond in a manner that restricts our mobility and harms our economy.

Clearly, security is a must. However, ways must be found that provide essential security without restricting mobility.

Much of the passenger concern at Dulles stems from long TSA queues. The Department of Homeland Security advised the Federal Security Director at Dulles of the issue. [Click here](#) for a letter from Gale Rossides, TSA Deputy Administrator. There are signs that under TSA’s new leadership, the situation may improve while at Dulles the new Federal Security Director is seeking to take full advantage of the new security mezzanine in order to reduce screening times for travelers despite the current (and probably overblown) “pat down” objections.

Customs and Border Protection (CBP)

The first phase of the expanded International Arrivals Building is working well, but the Customs staffing levels are inadequate to match the 16% growth over the last three years. As a result, the queues are extending. For Customs, it is a problem of manpower—a problem that the Customs team at Dulles is trying to handle positively.

Dulles Leads in *Global Entry*

Dulles currently is the highest use airport for Customs' excellent *Global Entry* system, which enables registered travelers to pass through passport control typically in four minutes or less. *Global Entry* now is in operation at 19 major airports around the United States. The WATF strongly supports the system and plans to help Customs promote it in the region. Every time an article on *Global Entry* has been published, Customs has had a wave of enrollment. ([Click here](#) for more information or to enroll).

A Sense of Place

A program to give arriving passengers at Dulles a sense of place, and to provide information on the region and its events, has been developed by the Airports Authority for use at both airports. The WATF has helped make tourism agencies aware of the new system and has brought them together with the system's operators.

Air Traffic Control

Metroplex –Expanding Mobility in the Skies

In August, the Federal Aviation Administration (FAA) selected the Washington/Baltimore region's air space as one of the first two prototype sites in the country for the application of what is informally being called NEXTGEN NOW. Under the Metroplex plan, the FAA will implement the early stages of NextGen based upon the resources and technology already available in cockpits.

Over the next three years, areas of congestion and high workload in the region's air space should be removed. Available advances will be applied to reduce fuel burn, flight times, delays, and environmental concerns, while further increasing the safety and the capacity of the air space. Optimizing GPS and RNAV procedures (Required Navigation) will allow for more direct routes as well as more efficient climbs and descents. [Click here](#) for details.

Dulles Customer Forum

Dulles has an informal ATC customer forum administered by the WATF and co-chaired by Tim Stull Managing Director Air Traffic Strategy and Programs at United Airlines, Jim Slate Manager, Dulles Air Traffic Control Tower at Federal Aviation Administration, Captain Marc Gittleman from United, and Dana Pitts, the Airports Authority's Operations Manager at Dulles. The group meets each month and brings ATC users, providers and other stakeholders together to share information and concerns, thus resolving many



day-to-day problems before they become formal “issues”. During its 12-year existence, the group has flagged inefficiencies and worked successfully for the resolution of long-term as well as day-to-day problems.

The agendas include the potential impact of new services and new aircraft types, airport construction, ATC and security developments, and many other factors affecting operations. Discussions in 2010 have ranged from Severe Weather Avoidance Procedures (SWAP), to plans for airlines to comply with the tarmac delay rule that went into effect in April, to airspace redesign, and other various issues affecting the daily and long-term operations at Dulles.

The Customer Forum is a resource to the Metroplex implementation team and is seeking a Ground Management “prototype” to complement the Metroplex air space improvements now under way.

National Airport’s Perimeter and High Density Statutes

The Perimeter Statute limits nonstop airline flights from National to a range of 1,250 miles or less. In 2000, Congress permitted the FAA to allow six roundtrip flights to cities outside that perimeter, and in 2003 it added another six roundtrips. The High Density Statute limits the total number of landings or takeoffs allowed in an hour. One slot is required for a takeoff and another for a landing.



Differences between the House and the Senate conferees concerning use of National Airport Perimeter and High

Density statutes now are one of the issues holding up the FAA Reauthorization Bill, which has been stalled for approximately three years.

The Senate version of the Bill contained no references to National’s Perimeter or High Density Statutes. However, the House version of the Bill contained language that would allow 10 unused slots to be used for new flights beyond the perimeter. This brought the subject within the scope of the conferees.

The Perimeter and High Density Statutes governing use of National represent a compact between the region and the airlines. The WATF is opposed to changes unless they are agreed with the parties that supported the original compact. The Air Transport Association was one of these parties and to-date has not voiced support for the proposed changes.

The Airports Authority is working to resolve the situation, and they know that the WATF stands ready to help.

Foreign Trade Zone

The Washington Dulles Foreign Trade Zone is being realigned under the new Alternative Site Framework (ASF) process recently developed by the United States Commerce Department. The ASF makes any appropriately-zoned land in a supporting locality eligible for Foreign Trade Zone (FTZ) use, and should greatly simplify the process and its attendant cost for a company applying for Zone status.

Support for the realignment has been gained from Customs and Border Protection as well as from all localities within the Dulles FTZ area. The preliminary application is being reviewed by the US Commerce Department for finalization by the year's end. A public comment period will follow and approval of the application is expected in early 2011.

Renewable Energy

The global air transport industry (airlines, airports, manufacturers and suppliers) is responding to concerns about its Greenhouse Gas (GHG) emissions (currently about 2% of world GHG production) with aggressive reduction goals. Coupled with the growing national desire to make America independent of foreign oil through the use of renewable and alternative energy, this air transport initiative, as well as parallel Department of Defense initiatives, provides the National Capital Region with an opportunity to attract investment, research and high-end jobs for this frontier energy industry. The technology created by these aviation initiatives can be expected to spin off into other sectors, leading to domestically produced, low-carbon fuel for surface vehicles.

The WATF's efforts to promote the aviation GHG goals to local leaders, to support the MWAA's energy efficiency initiatives, and to highlight the opportunity to bring employers in this "frontier" industry to our region, has led to support for local government energy plans aimed at improving the region's competitiveness as a business location.

Ground Access

Many of the companies that move into this region do so to be close to federal government agencies. Where they locate in the region is largely determined by airport access. If, as a region, we want to diversify broadly across many localities, those localities need to work together to improve the road system, and thus their access to airports. Transit is clearly important, but all the transit improvements in the world will not solve the problem without significant highway improvements. If we do not bring those improvements about, the region can expect prosperity to be concentrated in those localities that do have good airport access. [Click here](#) for more information.

The ground segment of an air traveler's trip is a major portion of most travelers' total journey time. This is even truer for the package delivery and air cargo services upon which modern commerce relies.

During the past 12 months, the WATF has:

- Found the money and helped VDOT move forward with Preliminary Engineering (PE) to improve the Route 606 portion of the Dulles Loop.
- Encouraged construction of capacity improvements for the Route 50 portion of the Dulles Loop.
- Evaluated proposed locations for the Dulles terminal Silver Line station and, as a result, strongly supported the aboveground location together with the proposed cost and risk reduction, as well as the passenger service improvements this location offers. [Click here](#) for the WATF's comment on Phase 2 station locations.
- Worked with Prince William and Loudoun County public and private sector leaders to implement the proposed Tri-County Parkway and extend it to the Dulles terminal cargo facilities and employment centers to the east and north of the airport. Success will greatly improve trip time to Dulles for travelers and shippers in many parts of Virginia, as well as Northern Virginia localities to the south and west of Dulles.
- At the request of Fairfax and Loudoun County elected officials, worked with stakeholders to develop innovative solutions to intractable planning issues. Most notable was the Horse Pen Bridge across the west end of the Dulles Corridor, without which an estimated 50,000 vehicles a day will be added to

Route 28 at the entrance to Dulles (and causing about 250,000 unnecessary vehicle miles to be traveled each day, wasting at least three million gallons of fuel a year!)

- Commented upon the McDonnell Administration's Draft Surface Transportation Plan for Virginia. [Click here](#) for the WATF's comment.
- Noted that the region's focus on parkways, HOV, hot lanes and transit is generating a transportation network that largely is denied to commercial vehicles!
- Launched an analysis of regional airport access patterns upon locality tax rates. The results are showing the benefit of good airport access to the maintenance of lower real estate tax rates. This study, led by WATF Board Member Steve Gelband, should be completed shortly. The WATF plans to use the work to stress the importance of improved airport access to localities across the nation.

America's New Transportation Agenda

In September, the Miller Center of Public Affairs at the University of Virginia published a White Paper designed to stir debate on the nation's chronic transportation problems – problems that for the last two decades have been undermining the economy and the nation's competitive position at an accelerating rate. The Miller Center is directed by The Honorable Gerald Baliles, formerly Governor of Virginia and a WATF Board member from 1990 to 2000. The Governor has been using the Miller Center's bully pulpit to generate bipartisan debate on the serious issues facing our nation – issues that have fallen between the political extremes, making action illusive.



Conference Co-Chairs, Norman Mineta and Sam Skinner both former Secretaries of Transportation, brief President Obama and his Secretary of Transportation Ray LaHood on the Miller Center's action agenda.

Your WATF was privileged to help the Governor with his transportation initiative which was generously funded by David R. Goode. The Honorable Jeffrey Shane

directed the conference, which was co-chaired by another WATF Board Member, The Honorable Norman Mineta. A number of WATF members and working contacts accepted invitations to participate in the conference.

The resultant White Paper "Well Within Reach, America's New Transportation Agenda" is now influencing debate on solutions to the nation's increasingly critical transportation problems.