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## Washington's Rapid Recent Growth – A Perspective from The Washington Airports Task Force

Historically, cities have taken hundreds of years to evolve, so why did Washington double its size in just 40 years, and why is it continuing to grow rapidly? America's emergence as a major world power with Washington being its Capital, and the jet airplane's ability to compress all the time and cost barriers to long distance travel, are, I believe, the two major reasons, though my colleagues may disagree with the latter.

However, the extension and nature of that growth was greatly aided by vision and leadership from the private sector, supported by some in local and state government.

Those leaders saw the opportunity and focused upon the strategic building blocks, principally higher education and global transportation – that would enable the region to optimize its opportunity.

Many other factors obviously came into play: land availability; business-friendly local governments; tax rates; basic education; workforce; quality of life, and marketing to position the region. But I see those as being more tactical in nature, as they vary between the localities making up our region.

This note focuses upon the transportation.

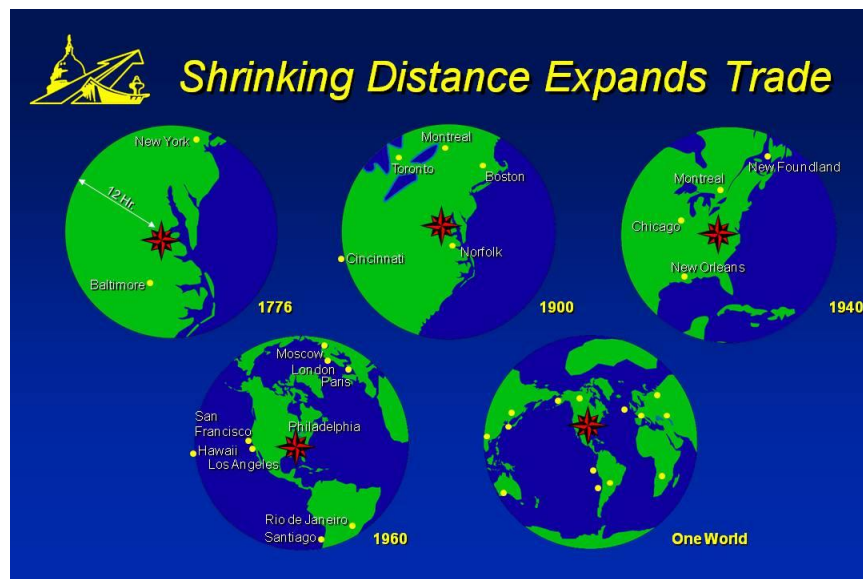
## Global Transportation

In 1980, Washington had direct air service linking it nonstop to London in the summer and Bogotá year-round; a total of 10 international flights a week. Today, Washington is connected by nonstop service to markets that form 80% of the world's Gross National Product through nonstop services to nearly 50 cities, flown by 25 airlines offering 400 flights a week.

Why is this change important?

Throughout history, business has always gathered at the crossroads of the world's caravan routes, and today, that's a major international airport.

In Europe, the record going back to Roman times shows that as soon as two population centers have been brought within the span of a practical day's journey, there is an upsurge in travel and trade between them, and a stimulus to economic and population growth at either end.<sup>1</sup>



Paris has been a center of commerce and trade since Roman times, and you have always been a political and commercial crossroads, which expanded worldwide with the jet age.

Not so Washington, as you have seen.

Washington's population was 3.0 million people in 1970 supporting 1.5 million jobs. In 1980, the figures were population 3.2 million, jobs 1.8 million. Today, Washington's population is 5.4 million, and the region has 3.4 million jobs. By 2030, those figures are expected to grow to 6.6 million people and 4.2 million jobs.

The average household supports 1.6 jobs so that simple arithmetic shows us that an increasing percentage of the workers will live outside the greater Washington area and commute in, placing an increasing burden on our surface transportation system, of which more later.

Over the last 50 years, we've seen the jet airplane compress all the time and cost barriers to long distance travel, bringing us face-to-face with one small world, and enabling today's global market.

<sup>1</sup> George Edwards' Presidential address to Britain's Royal Aeronautical Society, 1957.

A part of that global market is the international tourism industry, which could not exist without the jet airplane. Paris is now, I believe, the most visited city in the world, while Washington is one of the top 10 tourist destinations in the United States.



We believe that for Washington and its neighboring states, domestic tourism is maturing and most future growth will come from overseas, but largely from those countries to which we are connected by nonstop air service.

Following World War II, technology has replaced territory as the new coinage of world power and economic health. For developed nations like the United States and France, technology based industries have become an increasingly important part of our competitive presence in world markets. Aerospace itself is a prime example.



The technology industries are greatly influenced by government policy, government spending, and government research.

The federal government probably inspired Washington's initial growth spurt in the 1960s and 1970s, but as the technology companies here began to diversify beyond a single government customer into world markets, the international air service became an increasingly important catalyst for the region's sustained growth.

The technology industries, aerospace, telecommunications, biomedical, information technology, defense, etc. have a much higher demand for air travel than traditional smokestack industries. For the Washington region in particular, companies are basically concerned with intellectual and software products, not with traditional manufacturing.



**For Washington: Air Transportation is Woven into Society's Fabric**

- For every job in the Washington region, 10 airline tickets are sold each year
- 18% of adults visit Europe at least once every three years
- 90% of adult voters visit one of the region's airports each year
- 12% of our region's jobs are concerned with international trade

Companies with intellectual products, unlike manufacturing, do not require major investments in fixed assets. They rent office space. They can, and do move, often at short notice, sometimes within the region, sometimes to other parts of the country.

It is only we, the region, who have fixed assets, so business retention is as important as new business development.

For Washington, as for many growing American cities, a new international service to a major commercial market is the equivalent of a job stimulus package – but one that requires no tax subsidies. George Mason University here in Virginia and Monash University in Australia studied the impact of new transatlantic services on 41 U.S. cities. They looked at the effect of new transatlantic services on employment two years after the service had been inaugurated. While the cities obviously had to have sufficient market demand to attract the service, once it was in place, the growth stimulated was significant. For a city like Washington, gaining a 10<sup>th</sup> transatlantic market was equivalent to a \$600 million commercial investment in our region.<sup>2</sup>



I've focused mainly on scheduled air service, but business aviation is increasingly important. Companies cannot afford to have their specialists and top management wasting time connecting between flights or waiting in security queues.



<sup>2</sup> The study was led by Professor Kenneth Button at George Mason University, who was formerly a transportation economist with OECD in Paris.

## Washington Background

Washington is served by three major airports, and general aviation also has available a number of smaller regional facilities.

Scheduled air service is focused upon:

- Baltimore-Washington Thurgood Marshall International Airport (BWI): Located north of Washington and just south of Baltimore, today BWI principally serves low-fare domestic traffic. It has some international service, largely focused upon vacation destinations. BWI's runways are moderate in length. The airport is owned and operated by the state of Maryland and can draw upon the state for funding. Its expansion capacity is limited.
- Reagan National Airport (DCA): Located downtown, DCA is focused upon short-haul services. The airport is landlocked by urban development and cannot grow. Its capacity is controlled to maintain a balance with the environmental concerns of its neighbors.
- Washington Dulles (IAD): IAD is the region's full service growth airport offering non-stop international service to Europe, the Middle East, Asia, Africa and South America, as well as a full range of domestic services. Washington Dulles was the first airport in the United States built expressly for jet operations, it occupies over 12,000 acres, currently operates at less than half its potential capacity, and provides most of the growth available to serve the region's future needs.

The Washington Airports Task Force focuses most of its energies upon Washington Dulles. As Washington Dulles is the region's growth airport, the task is to:

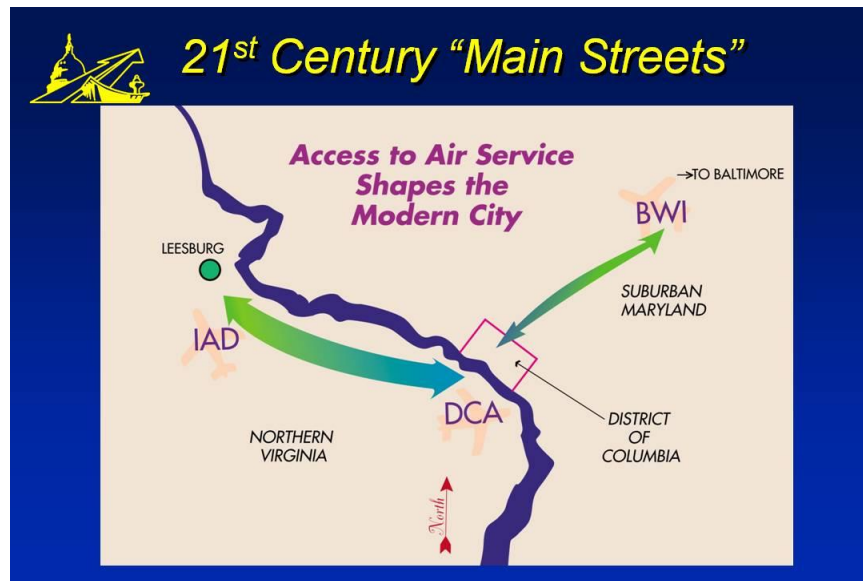
- Put the core of the airlines' repeat business behind the Metropolitan Washington Airports Authority's efforts to attract domestic and international services.
- Work with the U.S. federal government to try and ensure international aviation policies which help rather than hinder efforts to gain new international routes. For example, we have played a major role in gaining the U.S. government's Open Skies policy and were strong supporters of both phases of the US-European Union Open Skies agreements, and we favor a relaxation of US foreign ownership restrictions.
- Both America and Europe are moving toward space-based air traffic control systems that can expand the capacity of our airspace and reduce delays, fuel burn and environmental impacts. We work to get the new technologies applied to our region first.
- We encourage compatible land uses around Dulles in an effort to avoid a future aircraft noise problem.
- We work to try and improve ground transportation to the airport from all parts of the region.

While some practical interests see BWI as competitive with Washington Dulles (BWI is owned by the state of Maryland, Dulles is located in Virginia), the reality is that Washington needs the capacity and choice offered by all three airports.

People typically use the airport nearest to them unless they cannot find the service and price they want. For a city the size of Washington, having three major airports makes it difficult for one major airline to dominate our market. Airlines today focus their operations on hubs. In the United States, the hub generates more revenue for the airline when its services dominate the market i.e. less choice between airlines and higher fares compensated for by more non-stop service to more places. Washington has three hubs at three airports and we can see how competition between them disciplines fares. Southwest has a hub at BWI, US Airways at Reagan National and United an international hub at Washington Dulles, but none of these carriers dominate our market. They have tried in the past to dislodge each other but failed. The customers however win.

## How Does Washington Grow?

The federal government is the magnet which brings most employers to this region, but airport access, and particularly access to Washington Dulles, is a major factor in where they will locate within the region.



As a result, Loudoun and Fairfax, the two counties bordering Washington Dulles, have gained the lion's share of the region's growth over the last 30 years. In fact, around 70% of all the growth has occurred in localities with good access to Washington Dulles.

The Washington region is made up of 18 separate localities in Maryland and Virginia, plus the District of Columbia. Each of those localities has its own elected government and naturally places its priorities on what happens within its borders.

The region has a central planning body known as the Metropolitan Washington Council of Governments, but it rarely goes against any of its members, so its decisions are based upon the lowest common denominator, and its planning is never effectively implemented by its member localities. Incidentally, real estate taxes are a major source of locality revenues. In our area, commercial real estate generates more tax revenue than the cost of serving the commercial facilities, whereas housing with its associated need for schools, places a heavy cost burden on the locality. Consequently, over the last 20 years, localities have sought to attract jobs, but push the housing to support the jobs, elsewhere. This has led to long auto dependent commutes.

Coupled with poor planning implementation, this practice has left the Washington region with a heavily congested road network. We have a heavily subsidized, good Metro commuter rail system, but it is only convenient to a small fraction of the region's population.



## Washington's Transportation

### Surface

- 18 Localities, 2 States and the District of Columbia
- Agreement required between 19 local governments
- Little funding
- Increasing congestion Undermines prosperity
- Special interests oppose economic growth

### Air

- 1 Regional Airport Authority
- Acts like a business
- Self-funding
- Airports Authority responsive to market demand. Supports increased prosperity
- Airports in harmony with neighbors

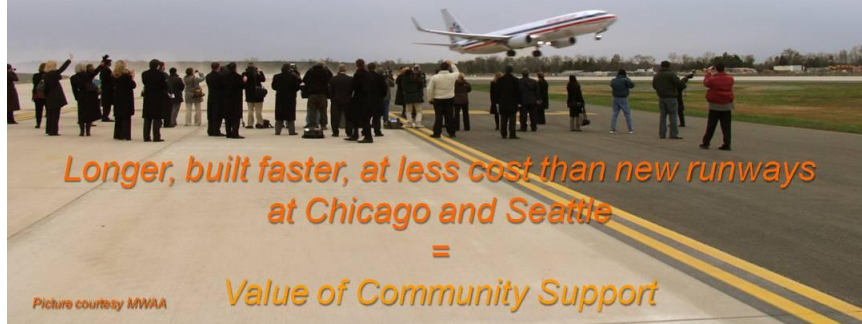
### Conclusion

So in summary, the region has done well in expanding its international reach because, in my opinion, the public and private sectors have worked intelligently and aggressively together.

Surface transportation is a different story. Happily, it's the federal government and the international reach which have been the key to growth in the past. But, we will have to address our regional surface transportation and land uses in a meaningful way if we are to optimize our growth well into the future.



## 4<sup>th</sup> Runway to Support Economic Growth

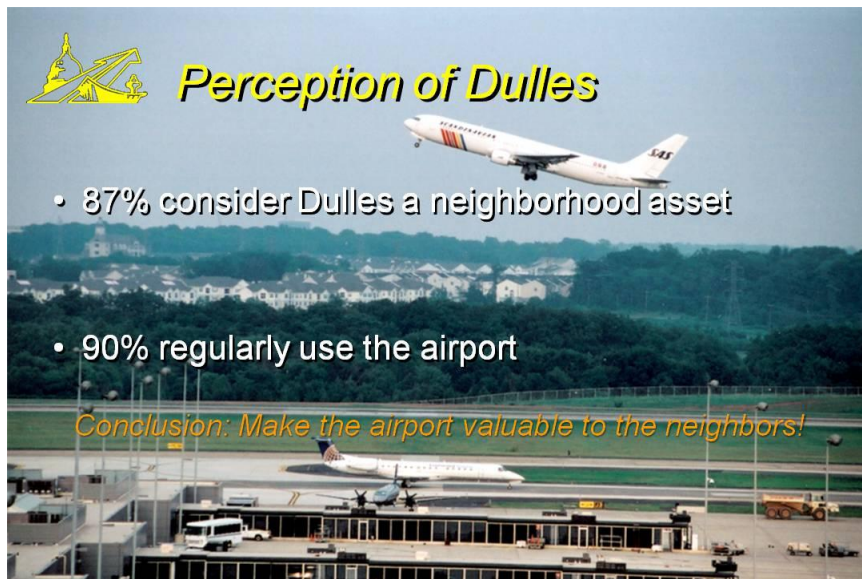




I'm not sure how much use this information is to you, as Paris is already a much larger international hub than Washington Dulles.

Any useful thoughts to emerge from a comparison of Paris and Washington with respect to aviation probably lean toward:

- The importance of compatible land use and of enabling the airport's neighbors to benefit economically from the aviation activity.



- The importance, particularly for technology companies, of swift access to the airport, as well as to government and research centers.



**Washington Metro Area –  
Location of New Jobs**

- **68% of new jobs, 1980 – 2000, in areas accessible to Dulles Airport**

**Dulles and Route 28 corridors**

- **22% of Gross Regional Product in 2000**
- **25% Today**

Source: MWCOC statistics, Dr. Stephen Fuller, George Mason University

- The ability of a major research campus located close to an international airport to be able to link its in-house research with the best and the brightest from around the world.
- The efficiency and attractiveness of the airport to the traveling public and the airlines. That also means convenient ground access, freedom from security and passport control queues as well as prompt baggage delivery by the airlines.

### Future

The future is bright. Essentially, the capacity of Washington Dulles will enable the region to sustain its position as a crucible for tomorrow's world, and become the nation's leading commercial and financial center, as well as its political capital.

Globally air transportation demand is strong and the industry is sustainable financially as it requires little if any public subsidy and it has set aggressive environmental goals for clean airports and greenhouse gas reduction.



**Sustainability**

**Air Transportation**

- Not subsidized; pays taxes
- Set goals for environmental sustainability

## The Washington Airports Task Force

The Washington Airports Task Force (WATF) is focused on sustaining Washington Reagan National Airport (DCA) and optimizing the capacity of Washington Dulles International Airport (IAD) to support the region's future prosperity. The WATF is a results-driven, non-profit, regional leadership organization whose members understand the linkage between our airports, the global access they provide, and our regional economy.

### Rationale

- Core employers serve world markets and locate where they have good airport access.
- Tourism from domestic sources is maturing, and most growth is expected to come from overseas, but largely from those countries to which we are connected by direct air service.

### What's in it for the Region?

The goal is to ensure that the National Capital Region and its surrounding states have the air transportation and connecting services required for travelers and goods to move from any part of the region to any part of the world in 24 hours, thus positioning the entire region to attract new employment in today's global market.

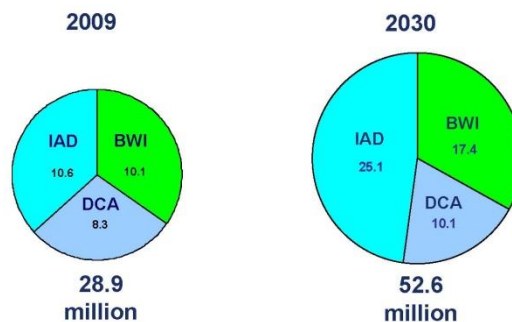
This goal requires door-to-door mobility, globally and within the region. Success will position the region and its neighboring states as a highly attractive 21<sup>st</sup> century business location.

The WATF's initial goal from 1982 to 1988 was to get IAD used and to balance its use with Washington Reagan National Airport (DCA). Since 1988, the primary focus has been to build IAD, and thus the National Capital Region, into a major international gateway. As a region, we now have nonstop service to countries that form 80% of the world's economy. The logical next step is to focus upon door-to-door mobility on a global, as well as a regional scale.

### Airport Capacity for the Future

IAD is the region's principal growth airport. While IAD has been changed from a little-used federal facility to one of the nation's top 10 intercontinental gateways, less than half of its potential capacity currently is utilized. How we optimize use of the remaining capacity and plan for a future beyond IAD will be a major determinant of our region's long-term prosperity.

### Washington Airport Passengers Forecast to increase 82% by 2030



Source: United States Federal Aviation Administration