

**OVERSIGHT OF THE METROPOLITAN
WASHINGTON AIRPORTS AUTHORITY,
REAGAN WASHINGTON NATIONAL AIRPORT,
AND THE PERIMETER RULE**

HEARING

BEFORE THE

SUBCOMMITTEE ON AVIATION OPERATIONS,
SAFETY, AND SECURITY

OF THE

COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

SEPTEMBER 16, 2010

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ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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**OVERSIGHT OF THE METROPOLITAN
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THURSDAY, SEPTEMBER 16, 2010

U.S. SENATE,
SUBCOMMITTEE ON AVIATION OPERATIONS, SAFETY, AND
SECURITY,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:30 p.m. in room SR-253, Russell Senate Office Building, Hon. Byron L. Dorgan, Chairman of the Subcommittee, presiding.

**OPENING STATEMENT OF HON. BYRON L. DORGAN,
U.S. SENATOR FROM NORTH DAKOTA**

Senator DORGAN. We're going to call the hearing to order. This is a hearing of the Subcommittee of Aviation of the Senate Commerce Committee. I appreciate all of you being here and especially appreciate the effort the witnesses have made to be here.

Let me explain the interest that we have this afternoon on this subcommittee with this hearing. We are interested in trying to understand more about the Metropolitan Washington Airports Authority that runs the two airports here in the Nation's capital. Until 1986, the Federal Aviation Administration managed both the National and the Dulles airports. In 1986, the Congress passed a law transferring the operation of the two airports here in the metropolitan area to a new independent Airports Authority. That transfer in operating authority was designed to allow the airports here to grow—National and Dulles to grow—and it was particularly designed to help Dulles grow because Dulles was considered, at that point, underutilized and also it was done to facilitate timely infrastructure improvements at both airports.

Understanding that and the history of that, I began in recent weeks trying to think through what is the Metropolitan Washington Airports Authority and what is its accountability and whom, and so on. I especially began thinking about that in the context of trying to pass FAA reauthorization bill here through the U.S. Congress. That bill is necessary, in my judgment, especially because it contains provisions dealing with the issue of air traffic control modernization. I've met with the Europeans, for example, they are going full speed ahead, modernizing their air traffic control system, that will move them, and hopefully if we do the same, will move

us, from ground-based radar to GPS navigation. It will allow there to be much better management of the airplanes in our sky; it will allow airplanes to fly more direct routes; it will provide greater safety for passengers; it will provide better circumstance for our environment with less fuel being used. All of those things are the benefits of air traffic control modernization.

The Congress has tried and tried and tried and failed and failed and failed to pass FAA reauthorization that includes these important issues of modernization. I thought perhaps this was going to be the time, but that is not the case at the moment. Principally, the objections by the Metropolitan Washington Airports Authority to provisions that have been described as increasing certain flights beyond the perimeter in a negotiation that has been back and forth here in the Congress, additional slots at Washington National, additional operations beyond what is called the perimeter rule have persuaded the Metropolitan Washington Airports Authority to object in attempt to block, to the extent they could, the movement of the FAA reauthorization bill.

Representations have been made on behalf of the Authority that to do what has been proposed to be done would mean wait times through security checkpoints at Washington National would go from 5 minutes to 1 hour, and there wouldn't be enough parking, and the whole series of things have been represented. It finally seemed to me, as I was thinking through this in recent weeks, we should have those representations firsthand and direct, and understand the veracity of those—those kinds of representations.

And so, I've called a hearing. I wanted to try to understand that which I've just mentioned and a number of other answers to questions that I will have today. I think it goes without saying that—that all of us want the Metropolitan Washington Airports Authority to succeed. We want us to have a two major airports in this region under your authority, Washington National and Dulles, to be wonderful airports that do a great job and are able to handle their passengers well and productively. All of us want those same things.

In additional to all of that, I want something more. I want to pass an FAA reauthorization bill in this Congress. I'm not the only one, I know the Chairman of the full Committee does as well, and perhaps a few others, but the lack of doing so, I think, is going to have a profound impact on air traffic, air service across this country, including an impact, a negative impact on the two Washington airports. Because there has been much representation about the—the position of Metropolitan Washington Airports Authority, I want today to understand directly from them what their position is, why, and the veracity of that position.

In addition, my interest has been piqued going forward, what is the authority and to whom is it accountable? Is it a sovereignty as has been suggested by some or is there accountability somewhere and where should that accountability be and how would one describe that in legislation moving forward?

Having said all of that, I'm very anxious to hear the testimony and be able to ask questions, but let me call on the Chairman of the full Committee and thank him for his cooperation in our ability of this subcommittee to hold this hearing.

Senator Rockefeller?

**STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA**

The CHAIRMAN. Thank you, Mr. Chairman. I agree with everything that you've said and I might point out that I had a very heavy role back in 1986 in creating the Authority, because there was a huge amount of dissention between Dulles, D.C., and Baltimore at that time, BWI. And, because one very prominent democrat didn't want to see—the Democrats were in control then—didn't want to see any change in the fact that the BWI, Najeeb Hallaby, was, as he said, spending 25 percent of his time worrying about issues that he never should have been worrying about. And this Senator, who was also on this committee, Republican Paul Tribble, was a very good Senator, said what we need is an authority, because if we have an authority they can bond. If they can—if we can bond, we can grow, everybody can grow. And so, I broke ranks with my party because it just made so much sense to me. And, it did eventually pass, and I think that the results have been very, very good.

I've always supported Dulles, and at the time of its creation, Dulles was in a sense the region's primary airport because of its proximity to Washington, D.C. As part of the effort to promote Dulles, we invoked, instituted rather, the perimeter rule at National, barring local long-haul flights from that airport. And the decision drove flights to Dulles. So, the growth of Dulles has benefited from—it has certainly helped people from the State I represent because they can get there very quickly, and that's not the whole picture here, but it's—it's useful. It's an accessible airport that spans the world, so to speak.

But on the other hand, over the last 30 years, we've seen enormous changes in the airline industry, some good, some bad. Airline travel is dramatically better, it's dramatically safer. The part of the bill that we were able to pass makes it even safer, with respect to some of the personnel. People now have access to affordable travel, they can connect, go anywhere in the world, but economic stability, instability in the airline industry has costs many, many—the loss of airline service in the small airline communities, such as we have in my State, every State has them. Airline employees have seen their wages and their benefits slashed, simply because of the economics of, you know, United and others being in and out of bankruptcy, it's just, things have been in great turmoil. And the industry has changed as they have done that, so has the Federal Aviation policy, it had to.

I firmly believe the U.S. must maintain the safest, most efficient aviation system in the world. I'm proud to say that the FAA bill actually passed out of this committee and then through the Congress, 93 to nothing, not a single dissenting vote. That's sort of history when that happens in this session of Congress. Our bill includes a number of things that the Chairman of the Subcommittee has already mentioned.

We've sought to reach compromise with the House of the FAA bill. Committee leadership developed what I believe is a fair compromise that permits a limited number of flights beyond the perimeter. The compromise sought to address local concerns, and it really did address local concerns.

So, today's hearing will allow us to look at these matters and do some of the things that Senator Dorgan has suggested. I think we have to deal with a couple of things. One, Dulles is one of the Nation's largest most successful international airports. Northern Virginia is one of the Nation's most economically successful regions, generating its own demand for air traffic and sort of leading the Nation in growth in general, and there sits Dulles. Aircraft are substantially quieter, very large airlines are banned in the FAA bill that we passed out of here and the Senate passed from landing, thus helping with noise. And there's just the fact that 25 years that have passed meant that airlines are quieter with much quieter airlines yet to come.

I live at the end of a runway, we have a—my wife and I have a house at the end of a runway in Wyoming, the only airport in a national park, which is rather odd. And every airplane flies directly over us. And, for the—I think we noticed this for about 5 days. And, I happened to grow up on the East River in New York, and tugs—tugs make a lot more noise than airlines do, I promise you, especially in those days, and they make it all the way from the bottom of the East River all the way to the pass at the top and you hear them the whole time, and you just—you just shut it out, you get used to it. First, it's a inconvenience, and then, it's something that you understand happens.

This country—another change, this country's population has shifted enormously toward the West. There are those who would sort of maintain that everything is as it was. And the demographics of our country are very different. The West needs to be served. The West and the East, the two coastal areas have—are interdependent and yet in terms of air service, they're not. And so, the West is struggling to have more than, you know, one flight, so to speak, into D.C. or wherever, and that has to be recognized, that the country has changed, therefore our responsibilities have changed.

I simply want to say that I know that local officials will argue that this is not fair to change the rules governing the airports, but I think that's a false argument. This is an industry whose only constant is change, that's all they've known is change. Airline deregulation changed the rules in West Virginia. I'll never forget, when I first moved there in 1964, Eastern Airlines, United Airlines, and American Airlines all had big jets rumbling in and out of that place on a runway which was probably too short. It didn't matter, we were happy. And then within 3 weeks of the passage of the deregulation, of course, they were all gone. And that was—that was sad.

Now the fact is that the proposed 16 flight conversions will not change the dynamic of two airports who serve tens of millions of people and we will discuss this. I want to say to our witnesses and the members here, that we must push to resolve the matter of National Airport's slots. It's—it should be very, very easy. It is very, very easy if one is willing to be flexible. Not everybody is.

So, it's unacceptable to me at any time, but especially at a time when our economy could benefit so much by passing this bill. Our consumers would benefit so much, safety would benefit so much, and frankly the economy of the area would benefit so much.

Thank you, Mr. Chairman.

[The prepared statement of Senator Rockefeller follows:]

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

The Metropolitan Washington Airports Authority (MWAA) operates two of the country's most successful airports—Reagan National Airport and Dulles International Airport. These facilities have been essential to the development of Northern Virginia as one of this country's high-technology centers.

I am proud to have played a central role in the development of Dulles. When some were opposed to providing bonding authority to support its infrastructure needs my support was helpful to allow this effort to move forward.

I have always supported Dulles. At the time of its creation, National was the region's primary airport because of its proximity to Washington, D.C. As part of the effort to promote Dulles, we instituted the perimeter rule at National Airport barring long-haul flights from the airport. This decision drove those flights to Dulles.

The growth of Dulles has benefited my constituents. Four West Virginia communities have direct access to Dulles and therefore direct access to the world. Dulles is also the airport of choice for many West Virginians who live in the Eastern Panhandle.

The last 30 years has brought enormous change to our aviation industry—some good and some of it bad. Most importantly, airline travel is dramatically safer. Millions more people now have access to affordable air travel, low-cost carriers have emerged, and airports have benefited from Federal infrastructure investment.

But, economic instability in the airline industry has cost many small and rural communities air service including in my state. Airline employees have seen their wages and benefits slashed, and air travel—once very glamorous—is often an ordeal.

As the industry has changed, so has Federal aviation policy. The U.S. must maintain the safest and most efficient aviation system in the world. It is critical to our global competitiveness. The FAA bill that I, Senator Hutchison and Dorgan developed and the Senate passed 93-0, makes those critical policy adjustments.

Our bill includes a number of vital safety provisions, places a premium of the development of the Next Generation Air Traffic Control System, improves access to the air transportation network for small and rural communities, and improves FAA management.

However, all of this is threatened by proposed small and incremental changes to the rules that govern flight operations at National Airport.

No one understands or appreciates these issues better than I do. For the past decade and three FAA authorization bills, Congress has struggled with this issue. In each of the last two FAA reauthorizations enacted into law, Congress relaxed the prohibition on long-haul flights into National Airport.

As we sought to reach a compromise with the House on the FAA bill, Committee leadership developed what I believe is a fair compromise that permits a limited number of flights beyond the perimeter. The compromise sought to address local concerns. Today's hearing will allow us to review these matters.

We all have to recognize that the world has changed since the original agreement the Federal Government signed with MWAA in 1986. We must deal with this reality—and the reality is:

- Dulles is one the Nation's largest and most successful international airports.
- Northern Virginia is one the Nation's most economically successful region's generating its own demand for air travel.
- Aircraft are substantially quieter than they were 25 years ago greatly mitigating noise issues.
- This country's population has shifted to the West and most people beyond an artificial and arbitrary line have no direct access to National Airport.

I know that local officials will argue that it is not fair to change the rules governing the airports—but that it a false argument. This is an industry whose only constant is change. Airline deregulation changed the rules on West Virginians and millions of others from rural states. Airline bankruptcy changed rules for the employees. And, economic globalization is changing it all over again.

The proposed 16 flight conversations will not change the dynamic at two airports who serve tens of millions of people. It only continues an effort to allow greater access at National Airport for the millions of new people living in the Western United States.

We must push to resolve the matter of National Airport slots or it will threaten future FAA reauthorizations. That is not acceptable to me, and I will continue to fight for passage of this important bill.

Senator DORGAN. Senator Rockefeller, thank you.

Let me recognize the other two Senators who are here for 3 minutes each for opening statements, then I want to get to the witnesses.

Senator Warner?

**STATEMENT OF HON. MARK WARNER,
U.S. SENATOR FROM VIRGINIA**

Senator WARNER. Thank you, Mr. Chairman. May I thank you and the Chairman of the full Committee for holding this hearing. I think it's timely and appropriate. I also want to echo all the good work you've both done and particularly Chairman of the Subcommittee on the issues around NextGen. I think it critically important that we get to a full FAA reauthorization bill.

I, of course, as one of the local representatives, have reviewed MWAA's testimony, I know their position has been for some time that no changes should be made in the rules, changes that have been changed in the past and candidly, perhaps not going back as far as the Chairman of the Committee, but as the former Governor of the State, very familiar with the growth of both Dulles and National and the effects some of these proposed changes will have at BWI as well.

And I think in that spirit, the spirit that the Chairman of the Committee has talked about, we've tried to move forward. I voted in this mark-up to try to move beyond what the MWAA position was and actually accede to the House position of five additional flights coming into National. Subsequent to mark-up and subsequent to conversations with folks from Western States when the bill reached the floor, we talked about even increasing beyond that and have continued those negotiations. We perhaps have some differences in terms of the exact number, and I would like work forward to continue these kinds of negotiations. I have some frustrations at some of the kind of compromises that were put together didn't fully include, I think, all the input of all the local representatives, and I've got, Mr. Chairman, testimony I hope you'll accept from Senator Webb and also Senator Mikulski and Senator Cardin, because the effects of this—these decisions will have an effect not only on the two airports in Virginia, but will also have a very major effect as well on the activities at BWI, so I submit those for the record.

I look forward to this conversation, I think it is a—the Chairman is acting absolutely appropriately to get all this information on the record, the effects not only in terms of at National, but the effects at Dulles, the effects at BWI, the effects long-haul it will have, and I look forward to this conversation.

Senator DORGAN. Senator Cantwell?

**STATEMENT OF HON. MARIA CANTWELL,
U.S. SENATOR FROM WASHINGTON**

Senator CANTWELL. Thank you, Mr. Chairman, and thank you for holding this hearing. And I know you and the Chairman of the

full Committee feel very strongly about how important it is to move FAA legislation through the Congress and get it into law, and I appreciate that very much.

I am here today really to hear from some of the witnesses and to have this discussion from the perspective of the Pacific Northwest, we want access to our Nation's capital and we don't want to be disadvantaged just because we are regionally in a different part of the country.

I have to say that the discussions we've had in the past in this committee, I think have been some of the most hard fought discussions of this committee. I remember a particular committee vote that went back and forth for a couple hours in between votes and final decisions, but to me that was a transparent process, and I think that's what's most important here, is that we have a transparent process that members have a chance to vote on these issues, that those votes take place not in a back room in a back room discussion, but in the open doors of these bodies, to make sure that everybody's interests are heard and that the decisions are well understood.

I have a concern about the notion of slot conversion in general. The notion of slot conversion, of dividing up the pie through slot conversion is like saying only people who have hosted a Super Bowl party before can now host the new Super Bowl location. That's not the way we want to have fair competition. The FAA's processes in the past, when this committee has given them clear indication, this is the number of slots they expected, have had a good transparent process on exactly where new access to these airports should go. And I think that that has—that level of transparency has been good and good for the public's confidence in this process.

So, I know, Mr. Chairman and the Ranking Chairman, we don't have a lot of time left, but I remain committed to working with you to try to get this bill done. It is important. I hope, as you say, we can reach consensus and figure out a way in that today's hearing will bring light on how to do that. But I'm going to make sure that—that it is a transparent process and that everybody has an ability to have the public see and dialogue about what the proposal is, and it's not done at the 11th hour between just a few individuals.

This is important economics for lots of different individuals and we deserve to have that kind of transparency.

So, I thank the Chairman.

[The prepared statement of Senator Cantwell follows:]

PREPARED STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Mr. Chairman, thank you for calling this hearing. I appreciate your efforts, as well as the efforts by the Chairman of the full committee, in trying to get the FAA authorization bill over the finish line. I agree with both of you that it is essential Congress pass FAA reauthorization legislation this year. My understanding is that there are three major issues that need to be resolved. The first issue is FedEx/UPS. The second issue is what, if any, increase should there be for the Passenger Facilities Charge (PFC) program. The third issue is the number of flights that should be allowed to operate beyond the 1,250-mile perimeter at Reagan National Airport.

The House-passed FAA bill would increase by 10, the number of beyond the perimeter slots for take-offs and landings at Reagan National Airport during the busier part of the day. It would accomplish this by shifting unused slots from the early morning and late evening. The Senate-passed FAA bill was silent on the

issue—but not for a lack of trying. As you know, there is new proposal for addressing beyond the perimeter slots that involves both time shifting a limited number of slots and conversion of thirty-two existing slots from large hubs within the perimeter to Reagan National to beyond the perimeter flights. The number of slots an airline operating slots at Reagan National would be able to convert is based on the number of slots it already operates. Today, over 80 percent of the slots are controlled by U.S. Airways, Delta Airlines, and American Airlines. Twenty-five years ago, these same three airlines only operated 25 percent of the slots. Under the proposal, the FAA would have to approve or disapprove the entire package of proposed converted flights. The FAA could not disapprove of any single proposed converted flight.

It is also important to note that last year, US Airways requested an FAA waiver to trade some of the takeoff and landing slots it operates at LaGuardia Airport for some of the takeoff and landings slots Delta operates at Reagan National Airport. The Department of Justice weighed in, stating that it considers the availability of slots as a substantial barrier to entry at Reagan National. It raised concerns that competition at Reagan National will be reduced if the airlines' waiver request was agreed to, as proposed. This led to the FAA making its approval conditional on the divestiture of some slots at each airport.

These conditions were not acceptable to the airlines. US Airways and Delta decided not to go ahead with their swap. Instead, they chose to go to court and challenge the FAA's authority to consider their proposal's effect on competition at each of the airports.

If the airlines prevail in court, US Airways would control 54 percent of Reagan National's slots, American would control 15 percent of the slots, Delta Airlines control 13 percent of the slots, the merged United-Continental would control 10 percent of the slots; with all other airlines sharing the remaining 8 percent of the slots. The same three airlines would still operate more than 80 percent of all slots, only now US Airways would operate over 3.5 times as many slots as its next closest competitor.

While Reagan National would still not be considered to be a fortress hub for US Airways if the swap goes through, you can see things heading in that direction. The airline would have significant market power and very little direct competition on most routes. As the FAA noted in its conditional approval of the waiver request, *"If the slot transaction was to be approved as proposed and US Airways and Delta were to increase their presence at DCA and LGA respectively, the competitive environment would become significantly more concentrated. The carriers would likely rely on their increased dominance to maintain or enhance their premium fare structure in markets served at both airports. Furthermore, slot restrictions at both airports substantially hinder proportional increases in competition by other carriers, and higher fares will be sustainable due to the carriers' increased market power at both airports. This tentative conclusion is supported by an analysis of the carriers' past behavior in similar markets at both airports."*

Slot conversion at any level is problematic because it will provide an unfair competitive advantage to select carriers that have a large presence at Reagan National Airport. It will allow the dominant incumbent carrier or carriers to unfairly strengthen their competitive position in the beyond-the-perimeter markets, to the detriment of other carriers, particularly those that have only a handful of slots. While consumers served on existing beyond the perimeter routes may benefit in the near term, they will not benefit in the intermediate term, as the history of these dominant carriers is to lower the ticket price to drive out the competition, and once there is no competition, keep on raising the ticket prices.

Further, I believe because most carriers use a hub and spoke business model, a significant increase in beyond-the-perimeter flights at Reagan National will reverberate across the country, impacting airlines and routes in ways that really have not been thought through.

I believe the combination of a favorable court ruling for the airlines and this slot conversion proposal would result in an outcome that is anti-competitive, anti-consumer, and not in the public interest.

I strongly support a significant increase in beyond the perimeter slots at Reagan National to allow the citizens of more Western cities to have direct access to their nation's capitol. These should include new as well as time-shifted slots. I believe the airport has both the additional air side and terminal side capacity to accomplish this.

There are several large and medium hub airports that deserve the opportunity to compete for a direct flight to Reagan National. Our approach should be pro-competitive, having a transparent process, and with the FAA playing a central role in determining that each route is based on the public interest

I look forward to hearing from the witnesses.

Senator DORGAN. Senator Cantwell, thank you very much.

The worst economics I would observe is for Congress not to do its job and pass an FAA reauthorization bill. Every airport and every region of this country, in my judgment, loses as a result of that. So, I don't disagree that we need transparency and we need to work hard to find the right solution here, but I think failure is not a victory in any circumstance.

Let me say that the Honorable Susan Kurland is with us, Assistant Secretary for Aviation and International Affairs at the Department of Transportation. I would say to all five of the witnesses that your full statements we made a part of the permanent record and we would ask that you summarize.

Ms. Kurland, you may proceed.

**STATEMENT OF HON. SUSAN L. KURLAND, ASSISTANT
SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS,
U.S. DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY
MICHAEL J. SAMMARTINO, DIRECTOR OF SYSTEM
OPERATIONS, FEDERAL AVIATION ADMINISTRATION,
U.S. DEPARTMENT OF TRANSPORTATION**

Ms. KURLAND. Thank you Chairman Rockefeller, Senator Dorgan—

Senator DORGAN. Could you turn your microphone on please?

Ms. KURLAND. Thank you so much, Chairman Rockefeller, Ranking Member Hutchison, Chairman Dorgan, Ranking Member DeMint, and members of the Subcommittee.

Thank you for the opportunity to appear before you today to discuss the Department of Transportation's role regarding operations at the two Metropolitan Washington Airports Authority airports, National Airport and Washington Dulles International Airport. Given Congress's unique interest in DCA, the Department of Transportation has consistently, through many administrations, deferred to the Congress on how best to address issues such as capacity and congestion. Accordingly, the Department has taken no position as to whether the perimeter rule should be modified or terminated or whether more flights should be added.

In 2000, and again in 2003, Congress mandated that DOT grant exemptions to the slot rules to permit expanded operations at National. Congress also specified the criteria that DOT was to apply in making those awards, which included promoting air transportation by new air carriers, protecting the interests of smaller airports and communities, and for the within perimeter exemptions, producing maximum competitive benefits, including low fares. Together, those two statutes created 24 beyond-perimeter exemptions and 20 within-perimeter exemptions, effectively adding an average of three commercial flights per hour or approximately 5 percent to the total flight operations.

Under the two statutes, DOT has awarded exemptions that have brought non-stop DCA service to large beyond-perimeter hubs such as Seattle, Los Angeles, and Las Vegas. Within the perimeter, awards have improved competition and brought low fares to hubs such as Atlanta and Fort Lauderdale, while bringing new non-stop

service to smaller communities such as Jackson, Mississippi, Chattanooga, Tennessee, and Akron/Canton, Ohio.

Congress also specified, that unlike slots, these exemptions cannot be bought or sold or leased, but that they must be used for services to the destinations for which they were awarded. Because of forfeitures or withdrawals arising from mergers and acquisitions or the unexpected underperformance of a particular market, DOT sometimes must conduct reallocation proceedings.

And, you know, on May 4, Secretary LaHood and FAA Administrator Babbitt jointly issued a final notice on an application by Delta and US Airways to exchange certain slot holdings at National and LaGuardia Airport. That application was occasioned by the need for a waiver from buy/sell limitations at LaGuardia before the transaction could proceed. DOT and FAA approved the carrier's proposal, which in primary part was to exchange 125 U.S. Airway slot pairs at LaGuardia for 42 Delta slot pairs at Reagan National, subject to the condition that the carriers divest themselves of a number of slot pairs at LaGuardia and DCA to new entrants and limited incumbent carriers. This would have enabled both airports to preserve competition and provide greater public benefits. The carriers opted not to accept the Department's conditions.

In conclusion, let me again emphasize that the Department has long recognized Congress's strong interest in capacity, congestion, and operational issues at the MWAAs airports, particularly at National. We look forward to continuing cooperation with Congress and with the Airports Authority on issues that involve Reagan National and Dulles airports.

This concludes my prepared remarks. And with me today is Michael Sammartino, the FAA's Director of System Operations. We thank the Subcommittee for the opportunity to offer these comments to you, and on behalf of the Department, we will be pleased to answer any questions that you may have.

[The prepared statement of Ms. Kurland follows:]

PREPARED STATEMENT OF HON. SUSAN L. KURLAND, ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY MICHAEL J. SAMMARTINO, DIRECTOR OF SYSTEM OPERATIONS, FEDERAL AVIATION ADMINISTRATION, U.S. DEPARTMENT OF TRANSPORTATION

Chairman Rockefeller, Ranking Member Hutchison, Chairman Dorgan, Ranking Member DeMint, and members of the Subcommittee—

Introduction

Thank you for the opportunity to appear before you today to discuss the Department of Transportation's role regarding operations at the two Metropolitan Washington Airports Authority airports, Ronald Reagan Washington National Airport and Washington Dulles International Airport. With me today is Mike Sammartino, Director of System Operations for the Federal Aviation Administration's Air Traffic Control System Command Center.

For many years, Congress has shown a unique interest in the metropolitan Washington airports. In 1940, Congress authorized the Federal Government to acquire a tract of land near the Capitol and construct what is now Reagan National. As of 1959, the newly-created Federal Aviation Administration took over the operation of that airport. Shortly afterwards, Congress determined that a second major airport, Washington Dulles International Airport, should be established to serve the Washington, DC region and be owned and operated by the FAA. Dulles opened in 1962. These are the only two major commercial airports that have been authorized and established by Congress.

In December 1984, an advisory commission established by then-Secretary of Transportation Dole found that the two airports were well managed by the FAA but

needed extensive capital improvements, in order to respond to the growing commercial and air travel needs of the region, and that those improvements could not be financed by the Federal Government alone. The Commission recommended that Congress transfer control of the airports to a Congressionally-approved regional authority that would have the authority to issue tax-exempt bonds to finance capital improvements at the airports. In April and December 1985, respectively, Virginia and the District of Columbia each enacted legislation creating a regional authority to acquire Reagan National and Dulles airports from the Federal Government.

Also in 1985, the Department of Transportation transmitted a legislative proposal for transfer of the airports that was consistent with the advisory commission report, and legislation was enacted in October, 1986 that authorized the transfer of the airports to the regional authority, known as the Metropolitan Washington Airports Authority (MWAA). The transfer was executed by means of a 50-year long-term lease, which was subsequently amended to extend until 2067. The Congressional purpose was to “achieve local control, management, operation, and development of these important transportation assets.” Key among Congress’s findings was that “the U.S. Government has a continuing but limited interest in the operation of the 2 federally-owned airports,” and that “operation of the [two airports] by an independent local authority will facilitate timely improvements at both airports to meet the growing demand of interstate air transportation occasioned by the Airline Deregulation Act.”

The Transfer Act also employed two important and unique operational constraints at National—the “slot” rule and the “perimeter” rule. Congress applied the High Density Slot Rule (HDR) to Reagan National by prohibiting MWAA from either increasing or decreasing the number of instrument flight rule take-offs and landings authorized by the HDR as of October 1986, or imposing a passenger cap there. Second, Congress prohibited an air carrier from operating nonstop air transportation from National and another airport more than 1,250 statute miles away. Reagan National is the only commercial airport in the United States at which Congress has imposed such constraints.

By incorporating FAA’s existing rules into MWAA’s operation of Reagan National, each flight operation must have a slot from the Federal Aviation Administration, with the total number of take-offs and landings limited to 48 commercial slots per hour, of which 11 are for commuter aircraft, during an 18-hour period from 6 am to midnight. Further, 12 additional slots per hour are available to general aviation or other aircraft that do not operate on a scheduled basis, such as military or corporate aircraft.

Given Congress’ unique interest in and attention to operations at Reagan National Airport, the Department of Transportation—consistently through many administrations—has deferred to the Congress on how best to address issues such as capacity and congestion. Accordingly, the Department of Transportation has taken no position as to whether the perimeter rule should be modified or terminated altogether, or whether the airport should add more flights.

We can, however, state, as we have in the past, that FAA’s traffic programs and procedures can accommodate some increase in commercial operations at Reagan National, within the existing cap, with the precise number of additional flights that can be accommodated dependent on the fleet mix and the runway use that would be required.

The Department has also focused on its role as steward of the specific statutory requirements that apply to Reagan National Airport and the Congressional goals and objectives that underlie them. Accordingly, we have sought to ensure that there is continuing compliance with the laws and principles established by Congress, as well as to implement new statutory requirements. In that role, the Department, for example, is currently conducting a carrier selection proceeding for two open slot exemptions, and recently proposed a limited divestiture of slots in connection with a major proposed transaction between US Airways and Delta involving a swap of slot holdings at Reagan National and LaGuardia airports.

Slot Exemptions

In 2000, with enactment of the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR-21”), Congress mandated that the Department grant exemptions to the slot rules to allow for expanded operations at Reagan National. At that time, it directed that the Secretary award 12 slot exemptions for service beyond the perimeter, and 12 more within the perimeter. It also specified the criteria that the Department of Transportation was to apply in making these awards, which included promoting air transportation by new entrant air carriers, protecting the interests of smaller airports and communities, and, for the within-perimeter exemptions, producing maximum competitive benefits, including low fares.

In 2003, Congress expanded the slot exemption program with the Vision 100—Century of Aviation Reauthorization Act. It added 12 more beyond-perimeter exemptions, to a total of 24, and 8 more within-perimeter ones, to a total of 20. Together, the two statutes effectively added an average of three commercial slots per hour, or about 5 percent to the total slot operations.

In implementing its authority under the two statutes, DOT awarded exemptions that brought nonstop DCA service to large beyond-perimeter hubs such as Seattle, Los Angeles and Las Vegas. Within the perimeter, the awards have improved competition and brought low fares to hubs like Atlanta and Fort Lauderdale, while bringing new nonstop service to smaller communities such as Jackson, MS; Chattanooga, TN; and Akron/Canton, OH.

Congress also specified that, unlike HDR slots, these exemptions cannot be bought, sold, or leased, so they must be used by the slot exemption holder for service to the particular destinations for which they were awarded. Because of forfeitures or withdrawals arising due to mergers and acquisitions, or the unexpected underperformance of a market, DOT sometimes must conduct reallocation proceedings. We have one such proceeding currently underway, affecting two exemptions originally awarded to Midwest Airlines for service to Kansas City. That airline has now ceased to exist as a carrier after its acquisition by Republic Airways. We have solicited applications for these two exemptions, with carriers being invited to propose service that they believe would fit the statutory criteria (which could of course include service to Kansas City as well as other destinations). Since this is an ongoing proceeding, it would not be appropriate for me to address the substance of the matters involved, but I can assure you that we will consider each application on its merits, and in accordance with the selection criteria that Congress has set out.

The Proposed U.S. Airways/Delta “Slot Swap”

On May 4, Secretary LaHood and FAA Administrator Babbitt jointly issued a final notice on an application by Delta and US Airways to exchange certain slot holdings at Reagan National and LaGuardia Airports. That application was occasioned by the need for a waiver from buy-sell limitations in the LaGuardia Order before the transaction could proceed. The carriers’ proposal in primary part was to exchange 125 U.S. Airways’ slot pairs at LaGuardia for 42 Delta slot pairs at Reagan National. We reviewed the slot swaps as a single, unified transaction, because we found the LaGuardia slots purchase and sale would not occur without the Reagan National slots purchase and sale, and vice versa. We granted the carriers’ petition for a waiver from the limitations in the LaGuardia Order subject to the condition that the carriers divest themselves of a number of slot pairs at LGA and DCA. The slot divestitures, to be made to new entrants and limited incumbent carriers, would have enabled both airports to preserve competition and provide greater public benefits and increased efficiencies. The carriers opted not to accept the Department’s conditions.

In the course of our analysis of that proposed transaction, we observed a number of characteristics concerning service at Reagan National that may be of interest to the Committee. We found that:

- Reagan National is a relatively high-fare airport, having the third highest fare premium of the 121 city markets that were examined;
- For a large portion of passengers, especially time-sensitive passengers, the three airports in the Baltimore-Washington metropolitan areas are not effective substitutes for each other, with price competition from Thurgood Marshall Baltimore-Washington Airport and Dulles International Airport not effectively disciplining the fares at Reagan National;
- There is a relatively low level of competition afforded by low cost carriers at Reagan National, with only 3.3 per cent of the slots held by them; and
- Barriers to entry continue to exist at the airport, in particular as the secondary slot market has not facilitated the degree of new competition by either new entrants or limited incumbents as originally envisaged.

On-Time Statistics

As you may know, the Department compiles and publishes data showing on-time performance at the Nations’ major airports, and on this score Reagan National and Dulles fare reasonably well compared to other large hub airports. From January through June of 2010, 84.2 percent of the departures from Reagan were on-time, and 81.4 percent of those from Dulles. The average on-time performance at large hubs over the same time period was 79.1 percent.

Conclusion

In conclusion, let me stress again that the Department has long recognized that Congress has maintained a strong interest in capacity, congestion, and operational issues at the MWAAs airports, particularly Reagan National.

We look forward to continuing cooperation with the Congress, and with the Airports Authority, in assuring that Reagan National and Dulles provide our Nation's capital with gateways that are safe, modern, convenient, and affordable.

This concludes my prepared remarks. I thank the Subcommittee for the opportunity to offer these comments to you on behalf of the Department, and I will be pleased to answer any questions that you may have.

Senator DORGAN. Secretary Kurland, thank you very much for your testimony and for being here. And Mr. Sammartino, thank you for accompanying her, and I understand you will be available for questions as well.

Next, we'll hear from Mr. Lee Kair, the Assistant Administrator for Security Operations at the Transportation Security Administration.

Mr. Kair, you're welcome to begin.

**STATEMENT OF LEE R. KAIR,
ASSISTANT ADMINISTRATOR FOR SECURITY OPERATIONS,
TRANSPORTATION SECURITY ADMINISTRATION,
U.S. DEPARTMENT OF HOMELAND SECURITY**

Mr. KAIR. Good afternoon, Chairman Dorgan, Chairman Rockefeller, and distinguished members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the Transportation Security Administration's passenger screening operations at the Washington Metropolitan Area airports. I appreciate the Subcommittee's leadership in ensuring the security of our nation's aviation system.

While the security of the traveling public is core—is a core component of TSA's mission, we are also committed to maximizing efficiency and convenience to passengers. We constantly strive to improve the effectiveness and efficiency of TSA people, process, and equipment in our nation's airports, including those in the Washington metropolitan area.

TSA has the flexibility to meet the evolving of our airport and airline partners. When aviation operations change, so does TSA. Our stacking allocation model guides in determining staffing and equipment requirements needed to provide efficient world-class security when circumstances change in the fast-paced airline and travel environment. As part of that process, TSA works closely with airport authorities around the country, including the Metropolitan Washington Airports Authority or MWAAs.

As you know, MWAAs includes Ronald Reagan Washington National Airport or DCA, where TSA processes more than 8 million passengers and 4 million pieces of luggage each year. TSA has four security checkpoints in three DCA terminals and more than 580 transportation security officers screen approximately 22,000 passengers and 11,000 pieces of checked baggage each day.

With constant improvements to our staffing, the processes, the wait time to clear security at DCA for many passengers is very short, and for almost 100 percent of passengers, the wait time has been less than 20 minutes during the current fiscal year.

In addition to our people and processes to screen airline passengers efficiently and effectively, technology is also critical to the accomplishment of our security mission. DCA was the first airport where TSA provided intelligence information to its workforce through TSA's Network Information Officer Program. DCA was the first airport where TSA employees screened 100 percent of cargo with explosive trace detection screening, one of several allowable technologies utilized for screening cargo. DCA is the recipient of American Recovery and Reinvestment Act funds for the improvement of existing closed circuit television security systems. And DCA also significantly improved its passenger screening capabilities in July and August of this year with the deployment of four advanced imaging technology or AIT units for primary screening.

TSA has become the world leader in the deployment of advanced imaging technology, which enables our transportation security officers to quickly identify both metallic and non-metallic threat items that could be hidden on a passenger's body. In addition to DCA, TSA is deploying AIT machines to airports throughout the country, including future deployment at Washington Dulles International Airport. Throughout the deployment process we have strived to maximize threat detection in customer/passenger throughput while also addressing concerns regarding safety, and civil rights and liberties.

TSA's operation at DCA is a solid example of how TSA constantly operationalizes intelligence to close vulnerabilities and strengthen our layered security network. Because our people are our most important and adaptive resource, TSA ensures that its personnel are on the front lines of aviation security, have the information, equipment, training, and skills needed to respond to threats in the most effective manner. This high-functioning TSA airport workforce, coupled with our strong ongoing relationships with airport authorities like MWAA, help us deliver world-class security efficiently and effectively in the fast-paced U.S. airport environment.

Thank you for the opportunity to appear before you—before the Committee today. I appreciate your support in achieving our shared security goals, and I'm happy to answer any questions that you may have.

[The prepared statement of Mr. Kair follows:]

PREPARED STATEMENT OF LEE R. KAIR, ASSISTANT ADMINISTRATOR FOR SECURITY OPERATIONS, TRANSPORTATION SECURITY ADMINISTRATION, U.S. DEPARTMENT OF HOMELAND SECURITY

Good afternoon, Chairman Dorgan, Ranking Member DeMint, and distinguished members of the Subcommittee. Thank you for the opportunity to appear before you today to discuss the Transportation Security Administration's (TSA) passenger screening operations at the Washington Metropolitan Area airports. I appreciate the Subcommittee's leadership in ensuring the security of our Nation's aviation operations.

When TSA Administrator John Pistole appeared before the full Senate Commerce, Science, and Transportation Committee last June for his confirmation hearing, one of the major topics of discussion was the importance of TSA maintaining a passenger screening system that fully secures our Nation's aviation network while maximizing efficiency and effectiveness and minimizing inconvenience to passengers. This is a critical component of TSA's mission, and one to which we adhere rigorously not only at the Washington Metropolitan Area airports, but at all of the more than 450 airports throughout the United States. We constantly strive to improve the effectiveness and efficiency of our systems, as well as the performance of

our personnel to ensure the safety and security of the traveling public in all modes of transportation, including aviation.

TSA's core mission is protecting the traveling public from the evolving terrorist threat, and we are constantly working to close vulnerabilities with new technology and new processes via a complex layered security network. We are often confronted with suspicious incidents and potential threats occurring throughout the worldwide aviation network, and we must be ready to respond to anything we might encounter. Our overall goals are to enhance human decision-making and to ensure that our personnel on the front lines of aviation security have the information, resources and skills needed to respond to any threat in the most effective manner.

Ninth Anniversary of 9/11 Attack Marked by Strong Workforce, Technology Advances

Only 5 days ago, we commemorated the ninth anniversary of the terrorist attacks of September 11. The terrible images of that day are a constant reminder that we operate in a high-threat environment and must remain ever vigilant against those who would use our Nation's transportation system to do us harm.

In the aftermath of the 9/11 attacks, this committee played a critical role in developing and implementing the framework for a more secure national transportation system. In creating TSA, a dedicated workforce was put in place to provide a layered security network that now includes constant evaluation of intelligence information related to transportation security, close collaboration with industry and government partners, Transportation Security Officers (TSOs) at airport security checkpoints, Behavior Detection Officers assessing passengers that may pose a threat to aviation security, Federal Air Marshals traveling on domestic and international flights, canine teams providing visible deterrence and a reliable explosives detection capability, and Transportation Security Inspectors monitoring aviation, rail, and mass transit operations.

Additionally, TSA is constantly deploying the most effective technology to combat the evolving threat to the transportation sector. TSA has become a world leader in the deployment of Advanced Imaging Technology (AIT) that will strongly advance our ability to detect a wide array of threats in the aviation system. AIT enables TSOs to quickly identify potential security threats, both metallic and non-metallic, that could be hidden on a passenger's body. We are deploying AIT machines to airports throughout the country, and working to maximize threat detection and customer throughput, while also addressing concerns regarding safety, civil rights and civil liberties.

AIT is only one of many advanced technologies designed to improve our threat detection capabilities while minimizing passenger inconvenience. Through such technologies, TSA is equipping its workforce of 45,000 TSOs with the resources needed to safely process nearly 2 million passengers every day.

Security Operations at Washington Metropolitan Area Airports

TSA is an intelligence-driven agency that employs a risk-based strategy to secure U.S. transportation systems from the evolving terrorist threat, working closely with stakeholders in all transportation sectors. As technology advances and our screening protocols are constantly adjusted to safeguard the traveling public, we remain dedicated to keeping Americans safe while they fly, while also protecting the civil rights and civil liberties of passengers, maintaining quick passenger throughput at security checkpoints, and providing quality customer service. These issues are extremely important at all of our Nation's airports, including Washington Dulles International Airport (IAD) and Ronald Reagan Washington National Airport (DCA)—two of our country's busiest airports.

IAD averages 423 international departures and over 2,500 domestic departures per week and is serviced by 31 air carriers. There are 3 concourses, 143 gates, and 4 runways. IAD has 5 security checkpoints with a total of 34 lanes, and passenger and baggage screening is performed by nearly 700 TSOs. TSOs at IAD screen approximately 25,000 passengers and 20,000 pieces of checked baggage each day.

IAD will receive significant security and operational enhancements in the coming years: three terminals will convert to Inline Baggage Systems from 2011 to 2013, and American Recovery and Reinvestment Act (ARRA) funding will add an additional 300 closed-circuit television (CCTV) cameras to IAD in February 2011. AIT units are scheduled for deployment to IAD beginning this fall.

Since opening two Mezzanine Security Checkpoint areas at IAD in September 2009, we have made dramatic improvements in wait times. The wait time for passengers going through security checkpoints at IAD has been less than 20 minutes for 99 percent of the traveling public during the current Fiscal Year. The addition of the security mezzanines, combined with the planned conversion to Inline Baggage

Systems and the deployment of AIT equipment, will enhance both IAD's functionality and security posture.

DCA processes over 8 million departing passengers and 4 million pieces of luggage each year and is serviced by 12 airlines operating at 44 gates. DCA has three terminals and four security checkpoints, and passenger screening is performed by more than 580 TSOs. TSOs at DCA screen approximately 22,000 passengers and 11,000 pieces of checked baggage each day. The wait time for passengers going through security checkpoints has been less than 20 minutes for almost 100 percent of the traveling public during the current fiscal year.

DCA was the first airport to provide intelligence information to the workforce through TSA's Network Information Officer Program, and it was the first airport to screen 100 percent of cargo with Explosives Trace Detection screening, one of several allowable technologies utilized for screening cargo. DCA is the recipient of ARRA funds for the improvement of existing CCTV systems. And DCA also improved its passenger screening capabilities in July and August of this year with the installation of four AIT units deployed in the primary screening position.

Conclusion

Thank you for the opportunity to appear before the Committee today to speak about TSA's passenger screening operations at our Washington Metropolitan Area airports. I appreciate your support in achieving our shared security goals, and I am happy to answer any questions you may have.

Senator DORGAN. Mr. Kair, thank you very much.

Next, we'll hear from the Honorable Charles Darwin Snelling, the Chairman of the Board of the Metropolitan Washington Airports Authority.

While I call on you, Mr. Snelling, let me by consent include in the record an opening statement by Senator Kay Bailey Hutchison, who's not able to be with us today.

[The prepared statement of Senator Hutchison follows:]

PREPARED STATEMENT OF HON. KAY BAILEY HUTCHISON, U.S. SENATOR FROM TEXAS

Senator Dorgan, thank you for convening today's hearing on the Metropolitan Washington Airports Authority and the existing perimeter rule at Reagan National Airport.

The Senate passed its FAA reauthorization bill on March 22, 2010, by an overwhelming vote of 93-0. After 5 months of extremely difficult negotiations with the House and three plus years of short-term extensions, we are at a crucial point in the process. For the sake of the air traveling public, this is a time for reason and compromise, not objection.

The differences between the House and Senate passed FAA bills were stark and several highly controversial items were contained in the House bill. We have done our best to address those issues and I commend Senator Dorgan, and Chairman Rockefeller for their leadership in helping craft a very reasonable compromise.

Unfortunately, one of the issues we still find ourselves at odds over is the DCA perimeter rule. I, for one, can certainly appreciate the nuances and difficulty in dealing with airport perimeter regulations, as I spent several years dealing with the "Wright" Amendment.

However, I cannot fathom the level of objection to a compromise provision that in essence only adds five "new" flights to an airport that the Government Accountability Office has indicated has the capacity to handle more traffic in an effort to supposedly protect the special interest of one of the largest airports in the United States—and one that already handles far more passengers annually than Reagan National.

When we started debate on this issue, several members of this committee and the Senate simply wanted to repeal the DCA perimeter rule. Through Senate floor discussion and verbal commitment, we agreed to move forward in an effort to find a reasonable solution, knowing passage of the underlying FAA reauthorization was extremely important to improving aviation safety and air traffic control modernization.

Following that process, we crafted a compromise provision, heavily weighing the wishes of both those who wanted full repeal and those who wanted the status quo.

The compromise comes down to two concepts: a small number of new flights and conversion flights.

Based on GAO's clear description that DCA can accommodate additional capacity we adopted a proposal that would add five "new" flights that would be set aside for new and limited incumbent carriers. These "new" beyond the perimeter flights would not only add access, but also competition.

Then, based on the wishes of those wanting to limit the expansion of the airport, we crafted a proposal to allow incumbent carriers at DCA to "convert" a total of 16 existing within-the-perimeter flights to flights beyond the perimeter. By allowing for "conversions," the proposal negates the need for additional "new" flights and allows carriers to better utilize their networks. To provide additional comfort with the concept, we also phased the provision in over a 2-year period.

Knowing the sensitivity to the issue, we also included several additional criteria on the 'conversion' flights, including:

- Evaluation and annual reporting by the Secretary of Transportation ensuring the changes are in the public interest.
- Only existing within-the-perimeter flights from large hub airports could be converted, ensuring small community air service.
- Flights cannot be sold, traded or leased.
- Exemptions may not be operated with wide-body aircraft, limiting aircraft size to address noise concerns.
- MWAA is provided the ability to revenue share between DCA and Dulles, providing financial stability and equal footing with other airport authorities.

Surprisingly, this compromise proposal is somehow not enough. Quite frankly, I find this hard to believe and unacceptable, especially since the entire FAA reauthorization bill hangs in the balance.

We have put forth a *modest* proposal that increases carrier flexibility, competition, travel options, protects small communities, is in a market that has demand, at an airport that has additional capacity, without significantly impacting other surrounding airports. If that isn't compromise, then I don't know what is.

Senator DORGAN. Mr. Snelling, you may proceed.

**STATEMENT OF HON. CHARLES DARWIN SNELLING,
CHAIRMAN, METROPOLITAN WASHINGTON AIRPORTS
AUTHORITY**

Mr. SNELLING. Good afternoon, Chairman Dorgan and members of the Committee, my name is Charles Darwin Snelling, and I am Chairman of the Metropolitan Washington Airports Authority. I am pleased to appear today, together with our President and Chief Executive Officer, Lynn Hampton, to testify on our stewardship in operating Ronald Reagan National and Washington Dulles International Airports on behalf of the Nation.

The Airports Authority was created on October 18, 1986, the date President Reagan signed the Metropolitan Washington Airports Act, by an Interstate Compact between the Commonwealth of Virginia and the District of Columbia. In that Act, the Congress authorized the Secretary of Transportation to lease National and Dulles Airports to the Airports Authority for 50 years. Up to that time, both Airports had been built and operated by the Federal Aviation Administration and its predecessors.

The lease between the United States and the Airports Authority was executed in March 1987, and the Authority took over operations in June. The lease has since been extended to 2067. Under the lease, all property of the two Airports, including the Dulles Access Highway, was transferred to the Airports Authority, along with the authority and responsibility to operate, promote, protect, improve and develop the Airports. The purpose of the Airports Authority's creation and the transfer to it of the region's two airports—and the clear direction to the Airports Authority—was to

provide the funding the Federal Government couldn't for the development of these airports into world class facilities befitting their status as the airports serving the Nation's capital.

Equally clear was that this purpose and direction were to be pursued by the Airports Authority at National Airport in a manner consistent with traditional limitations relating to the number of flights or slots and a perimeter applicable to non-stop flights, that Congress established by statute at the time it authorized the transfer. At the time of the transfer, Linwood Holton, former Governor of the Commonwealth of Virginia, at the time serving as the Chairman of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, testified, "The continuing debates over operating policy, particularly at National will end. As part of the transfer, a statutory freeze would be in place on growth in air traffic at National. This will enable the new authority to plan on long overdue improvements there without uncertainty about the future use of the Airport." Governor Holton, by the way, became the first Chairman of the Metropolitan Washington Airports, serving 6 years, a feat unmatched by his successors.

The Airports Authority now consists of 13 Members, generally known as the Board of Directors, with 3 Members appointed by the President of the United States, 5 appointed by the Governor of Virginia, 3 by the Mayor of the District of Columbia, and 2 by the Governor of Maryland. I was appointed to the Authority by the President in 2003, and elected Chairman for a second annual term by my colleagues just this month.

The Authority today employs more than 1,400 people in an organizational structure that includes central administration, airports management and operations, and public safety, and more recently, the operation of the Dulles Toll Road on the Authority's right-of-way.

The Airports Authority's operations are not taxpayer-funded, but are self-supporting, using airline landing fees, terminal rents, and revenues from concessions to fund operating expenses at both Airports. Our capital program is funded by revenue bonds secured by the same revenues, with additional support from grants from the Airport and Airways Trust Fund and passenger facility charges, which in turn are fees on aviation activities and passenger tickets.

In order to ensure modern and efficient ground transportation service to Dulles International Airport, the Airports Authority has recently assumed responsibility for the operation of the Dulles Toll Road from the Commonwealth of Virginia and the construction of a 23-mile extension of the Washington Monorail System to Dulles and beyond into Loudoun County. Most of this rail extension will be located within the median of the Dulles Airport Access Highway, which is legally a part of Dulles Airport and therefore covered by our lease.

When Congress authorized the lease with the Airports Authority and entrusted to us the operation and development of the region's two federally-owned Airports in accordance with the direction it provided, it struck a balance among the sometimes competing interests of the Airports' many stakeholders, including the Federal Government, the airlines, Baltimore Washington International

Thurgood Marshall Airport, the region's local governments and business communities, and the residents living near the airports.

It has been an honor for us to be able to carry out the extraordinary vision our leaders left for us, particularly that of President Eisenhower and the Congress, in building Dulles, with its ten thousand acres, well beyond the developed area in the region. It is a facility with capacity for growth that is likely to take us comfortably through the 21st Century. No other city on the East Coast can match the opportunity for airport development in Washington.

Over the last quarter of a century, the Airports Authority has worked diligently to live up to the Congress's expectations as stewards of the Metropolitan Washington Airports. We believe we have, in large measure, been successful in developing both Reagan National and Dulles International Airports into the world class facilities that the Congress desired, while remaining true to the balance of interests that the Congress struck when entrusting the airports to us. We remain fully committed to continuing to fulfill our role as stewards of Ronald Reagan Washington National and Washington Dulles International Airports.

I'm going to digress for 1 second, if I may, to tell you that I owned and operated my own airplane for 50 years, and I'm with 100 percent supportive of the need for a reauthorization bill, and NextGen is dear to my heart. So, I wish you the best on that.

I would now like Lynn Hampton, the Airports Authority's President and Chief Executive Officer, to expand on the performance of the Airports Authority over the years and to share some of the Airports Authority's financial, management and operational characteristics with the Subcommittee.

Thank you.

[The prepared statement of Mr. Snelling follows:]

PREPARED STATEMENT OF HON. CHARLES DARWIN SNELLING, CHAIRMAN,
METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Good afternoon, Chairman Dorgan and members of the Committee, my name is Charles Darwin Snelling, and I am Chairman of the Metropolitan Washington Airports Authority. I am pleased to appear today, together with our President and Chief Executive Officer, Lynn Hampton, to testify on our stewardship in operating Ronald Reagan National and Washington Dulles International on behalf of the Nation.

The Airports Authority was created on October 18, 1986, the date President Reagan signed the Metropolitan Washington Airports Act, by an Interstate Compact between the Commonwealth of Virginia and the District of Columbia.

In that Act, the Congress had authorized the Secretary of Transportation to lease National and Dulles Airports to the Airports Authority for 50 years. Up to that time, both Airports had been built and operated by the Federal Aviation Administration and its predecessors.

The lease between the United States and the Airports Authority was executed in March 1987, and the Authority took over operations in June. The lease has since been extended to 2067. Under the lease, all property of the two Airports, including the Dulles Access Highway, was transferred to the Airports Authority, along with the authority and responsibility to operate, promote, protect, improve and develop the Airports.

The purpose of the Airports Authority's creation and the transfer to it of the region's two airports—and the clear direction to the Airports Authority—was to provide the funding the Federal Government couldn't for the development of these airports into world class facilities fitting their status as the airports serving the Nation's capital. Equally clear was that this purpose and direction were to be pursued by the Airports Authority at National Airport in a manner consistent with traditional limitations relating to the number of flights, or "slots," and a "perimeter" ap-

plicable to non-stop flights, that Congress established by statute at the time it authorized the transfer. At the time of the transfer, Linwood Holton, former Governor of the Commonwealth of Virginia, at the time serving as the Chairman of the Advisory Commission on the Reorganization of the Metropolitan Washington Airports, testified, "The continuing debates over operating policy, particularly at National will end. As part of the transfer, a statutory freeze would be in place on growth in air traffic at National. This will enable the new authority to plan on long overdue improvements there without uncertainty about the future use of the Airport." Governor Holton, by the way, became the first Chairman of the Metropolitan Washington Airports, serving 6 years, a feat unmatched by his successors.

The Airports Authority now consists of 13 Members, generally known as the Board of Directors, with three Members appointed by the President of the United States, five appointed by the Governor of Virginia, three by the Mayor of the District of Columbia, and two by the Governor of Maryland. I was appointed to the Authority by the President in 2003, and elected Chairman for a second annual term by my colleagues just this month. The Authority today employs more than 1,400 people in an organizational structure that includes central administration, airports management and operations, and public safety, and more recently, the operation of the Dulles Toll Road on the Authority's right-of-way.

The Airports Authority's operations are not taxpayer-funded, but are self-supporting, using airline landing fees, terminal rents, and revenues from concessions to fund operating expenses at both Airports. Our capital program is funded by revenue bonds secured by the same revenues, with additional support from grants from the Airport and Airways Trust Fund and passenger facility charges, which in turn are fees on aviation activities and passenger tickets.

In order to ensure modern and efficient ground transportation service to Dulles International Airport, the Airports Authority has recently assumed responsibility for the operation of the Dulles Toll Road from the Commonwealth of Virginia and the construction of a 23-mile extension of the Washington Metrorail System to Dulles and beyond into Loudoun County. Most of this rail extension will be located within the median of the Dulles Airport Access Highway, which is legally a part of Dulles Airport and therefore covered by our lease.

When Congress authorized the lease with the Airports Authority and entrusted to us the operation and development of the region's two federally-owned Airports in accordance with the direction it provided, it struck a balance among the sometimes competing interests of the Airports' many stakeholders, including the Federal Government, the airlines, Baltimore Washington International Thurgood Marshall Airport, the region's local governments and business communities, and the residents living near the airports.

It has been an honor for us to be able to carry out the extraordinary vision our leaders left for us, particularly that of President Eisenhower and the Congress in building Dulles, with its ten thousand acres, well beyond the developed area in the region, a facility with capacity for growth that is likely to take us comfortably through the 21st Century. No other city on the East Coast can match the opportunity for airport development in Washington.

Over the last quarter of a century, the Airports Authority has worked diligently to live up to the Congress's expectations as stewards of the Metropolitan Washington Airports. We believe we have, in large measure, been successful in developing both Reagan National and Dulles International Airports into the world class facilities that the Congress desired, while remaining true to the balance of interests that the Congress struck when entrusting the airports to us.

We remain fully committed to continuing to fulfill our role as stewards of Ronald Reagan Washington National and Washington Dulles International Airports.

I would now like Lynn Hampton, the President and Chief Executive Officer, to expand on the performance of the Airports Authority over the years and to share some of the Airports Authority's financial, management and operational characteristics with the Subcommittee.

Senator DORGAN. Mr. Snelling, thank you very much.

Next, we'll hear from E. Lynn Hampton, President and Chief Executive Officer of the Metropolitan Washington Airports Authority. Ms. Hampton, thank you very much. You may proceed.

**STATEMENT OF E. LYNN HAMPTON, PRESIDENT AND CEO,
METROPOLITAN WASHINGTON AIRPORTS AUTHORITY**

Ms. HAMPTON. Good afternoon, Chairman Dorgan, and Chairman Rockefeller, and members of the Committee. My name, as you said, is Lynn Hampton. I am the President and Chief Executive Officer of the Metropolitan Washington Airports Authority, serving since May 2010. Previously, I served as the Chief Financial Officer of the Airports Authority for over 21 years. We appreciate this opportunity to appear before the Subcommittee. And as the Chairman said, I ask that my entire statement be inserted in the record and I will summarize my remarks.

The Metropolitan Washington Airports Act of 1986, or the Transfer Act, entrusted the Airports Authority with two substantial Federal assets, Reagan National and Dulles International, and directed us to operate, improve, and protect and develop these airports in a manner befitting their status as gateways to the Nation's capital. We believe that over the past 24 years, the Airports Authority has done the job Congress asked us to do.

The Transfer Act was the result of the need to make sorely needed investments in the airports that were not being made by the Federal Government, because we could access the bond market. In the Transfer Act, Congress effectively delivered four major guidelines to the Airports Authority. First, construct needed improvements at both airports. Second, plan facilities at Reagan National based on a 37 slot-per-hour rule. Third, plan facilities at Reagan National according to the 1,250 mile perimeter, which Congress placed in the Transfer Act. And fourth, plan facilities at Dulles to accommodate future growth.

The Airports Authority has consistently followed these guidelines. The master plans for both airports are based on the role of Reagan National as a short, medium, and medium haul airport, and Dulles International as the growth airport.

Since the transfer, the Airports Authority has financed approximately \$1.2 billion in capital improvements at Reagan National, including a one million square foot new terminal, new parking garages, roadway systems, and direct connection to the Metro rail. These improvements include no significant improvements to the airfield. And in accordant with the statutes maintained the airport—we maintained the airport's 44 gates. This was the airport's capacity at the time of transfer.

The Airports Authority has financed approximately \$4.7 billion in capital improvements at Dulles, based again on Congress's transfer guidelines that Dulles be developed for future growth. Consistent with Congress's direction and the slot and perimeter limitations, passenger traffic at Reagan National has remained relatively stable since the transfer. From 1987 to 2001, traffic ranged between 15 and 16 million passengers. The events of September 11, 2001 resulted in a decrease in passenger traffic throughout the entire Nation and the world, until the recovery of air traffic in 2004. After the enactment of AIR-21 and Vision 100, passenger totals grew at Reagan National to a high 18.7 million in 2007. Passenger levels decreased to 17.6 million in 2009.

Passenger traffic at Dulles more than doubled since the transfer, from 11 million in 1987 to 23.2 million in 2009. Domestic travel at

Dulles has historically been more affected by the economy, dropping by a million passengers in 2008 and another 600,000 in 2009, resulting in 17.2 million passengers in 2009.

International traffic at Dulles is highly dependent on the expensive domestic flights that enable passengers to connect to international flights. Dulles would not have the robust international traffic it has today without the connecting domestic service.

The Airports Authority has managed its financial operations in a responsible and prudent manner. Our credit ratings are among the highest at any U.S. airport. I should note that although Fitch and Moody's recently affirmed our Airports Authority's double-A rating, both agencies had modified their outlook on our bonds from stable to negative. These negative outlooks do not stem from concerns over management of the airport or finances, but reflect concerns over the modest level of projected growth of the two airports and substantial increases in debt service that will be added to air-line rates and charges, particularly at Dulles.

When the Airports Authority was originally planned in the 1950s, land was acquired for the right of way to construct transit to the airport. In 2008, the Airports Authority assumed the responsibility for the realigned construction and became the operators of the Dulles Toll Road, which was previously operated by the Virginia Department of Transportation. This enables revenues from the toll road to assist in financing the rail line. When construction is completed, we will turn the rail line over to WMATA to operate and maintain.

In March 2009, the FTA and the Airports Authority executed a full funding grant agreement, which provided \$900 in Federal funds for Phase 1 of the rail project. This phase will run from Interstate 66 near the West Falls Church Metro station to the Wiehle Avenue station in Reston. The full funding grant agreement provides Federal funding for only the first phase of the project. Phase 1 is under construction, providing 1,624 jobs and is approximately 19 percent complete. It is projected to reach substantial completion in the latter part of 2013. The second phase of the project will extend the rail line to Dulles and beyond, is projected to begin construction in 2012.

Your invitation letter requested our perspective on the recent proposals to modify the slots and perimeter rules. The changes being discussed in the Senate would bring Reagan National to 33 beyond perimeter departures today, which would be more than 50 percent of the current number of beyond the perimeter departures at Dulles and would equal the current number of beyond the perimeter departures at BWI. We believe that a relaxation of the perimeter rule will have an adverse effect on both airports. We already are preparing for an increase in passengers at Reagan National later this year. Delta and JetBlue schedules this fall, while not increasing the number of flights, will be utilizing larger aircraft and thus increasing the number of available seat miles by as much as 8 percent. We are anticipating longer lines at some of our security screening locations as a result.

Additionally, with increased beyond-perimeter activity, Reagan National is likely to experience an increase in connecting passengers. Baggage handling facilities at Reagan National are de-

signed to handle departing and arriving passengers. Creating more of a hub at Reagan National would require significant investment in new baggage handling and facility equipment, and we really are limited in space.

Equally significant is our concern regarding the impact at Dulles. Our analysis indicates that Dulles could lose approximately 700,000 passengers a year and BWI-Marshall could lose 500,000 passengers a year. Decline in Dulles passengers prompted by the beyond-perimeter flights at Reagan National and the resulting impact of this passenger loss may have on net revenues and cost for employment for National would only serve to worsen the financial difficulties for airlines at Dulles, thereby putting into question the viability of their continued presence at the airport.

Prior to the transfer, the Federal Government adopted policies that assigned different roles and functions to these airports and represented a conscience balancing of the competing interests. At transfer, Congress provided a clear roadmap for the Airports Authority. Over the years, the Airports Authority has acted in good faith to carry out the wishes of Congress.

Thank you, Mr. Chairman, and I'd be happy to take any questions.

[The prepared statement of Ms. Hampton follows:]

PREPARED STATEMENT OF LYNN HAMPTON, PRESIDENT AND CEO,
METROPOLITAN WASHINGTON AIRPORTS AUTHORITY

Good afternoon Chairman Dorgan and members of the Committee, my name is Lynn Hampton, and I am the President and Chief Executive Officer of the Metropolitan Washington Airports Authority serving in this capacity since May 2010. By way of background, I previously served as the Chief Financial Officer of the Airports Authority for over twenty-one years.

We appreciate the opportunity to appear before the Subcommittee today to discuss the topics mentioned in your invitation letter, including the Airports Authority's financial status, our capital investment plans, the Airports Authority's role in constructing the Dulles Corridor Metrorail Project, and our views on the perimeter restrictions at Ronald Reagan Washington National Airport.

When Congress enacted the Metropolitan Washington Airports Act of 1986, it not only consented to the creation of the Airports Authority by the Commonwealth of Virginia and the District of Columbia, but also entrusted the Airports Authority with two substantial Federal assets, Ronald Reagan Washington National Airport (Reagan National) and Washington Dulles International Airport (Dulles International) and directed us to operate, improve, protect and develop these Airports in a manner befitting their status as gateways to the Nation's capital to travelers from throughout the world. We believe that over the past twenty-four years, the Airports Authority has performed the role well and has achieved many of the goals that Congress expected of it.

History of the Airports

Reagan National Airport was built by the Federal Government and opened in 1941. Today, its original geography and airfield layout are largely unchanged. Virtually all take-offs and landings are conducted on a single runway that is 6,855 feet long. Dulles International, located 26 miles west of downtown Washington, also was built by the Federal Government, and opened in 1962 with three runways. Today, it encompasses more than 11,000 acres and operates with four runways (averaging 10,500 feet in length) that can accommodate every commercial aircraft currently in operation.

Although built to handle most of the Washington region's projected air traffic, throughout the 1960s and 1970s Dulles International was underutilized, while most of the region's air traffic remained concentrated at an increasingly congested Reagan National.

With the Federal Government as the operator of two airports, one congested and the other underutilized, the U.S. Department of Transportation sought to re-estab-

lish and enforce Reagan National's role as a primarily short-haul Airport and Dulles International's role as the full-service, expansion Airport that would handle the region's long-haul and international air service, as well as the region's future air traffic growth. In 1981, the Department issued the Metropolitan Washington Airports Policy which contained several Federal Aviation Administration (FAA) rules to implement these airport roles, including rules for Reagan National that:

- Set the number of mainline air carrier flights, or "slots," at 37 per hour;
- Established an annual passenger limit of 16 million;
- Limited night time operations to only the quietest aircraft; and
- Established a perimeter of 1,000 miles beyond which non-stop flights could not fly into or out of the airport.

In 1986, then Secretary of Transportation Elizabeth Dole worked successfully with Congress to develop legislation to transfer operation of the two airports to a new independent Airports Authority. This decision came about for a number of reasons, but one of the most significant was the need to put the airports into the hands of an entity that could make investments the airports badly needed, but were not being made by the Federal Government, by accessing the bond market and issuing debt secured by airport revenue. Also, the transfer of the airports to an independent authority would allow it to be self-supporting, receive needed capital investments, and increase their contribution to the growth of the Washington region's economy.

Congressional Direction to the Airports Authority

The Transfer Act was enacted with the following Congressional findings:

- The Federal Government has a continuing, but limited, interest in the operation of the airports;
- An independent local body will facilitate timely improvements at both airports to meet growing air travel demand;
- All other major airports in the United States are operated by public entities at the state, regional, or local level;
- Any change in the status of the two airports must also take into account the interests of the nearby communities, and other interested groups, as well as the interests of the affected Federal and State governments;

In the Transfer Act, Congress effectively delivered four major guidelines to the Airports Authority:

1. Construct timely infrastructure improvements at both airports to meet the region's demand for air travel;
2. Plan new facilities at Reagan National based on the FAA "High Density Rule," which limited the number of mainline air carrier operations per hour to 37, and which Congress placed in the Transfer Act, but without the 16 million passenger cap previously adopted by the FAA, which Congress elected to eliminate;
3. Plan new facilities at Reagan National to accommodate the expected passenger levels and aircraft size associated with non-stop service limited to markets within a 1,250 mile perimeter, which Congress also placed in the Transfer Act; and
4. Plan new facilities at Dulles International to accommodate short- and long-haul domestic flights, international flights and, along with Baltimore-Washington International Airport, the large majority of future growth in the Washington metropolitan region's air transportation needs.

Airports Authority's Stewardship

The Airports Authority has consistently followed these guidelines in its operation and development of the airports.

1. Master Planning

In 1988, the Airports Authority adopted the National Airport Master Plan which was designed to provide for facilities that would serve the projected numbers of passengers at the airport, but would not bring about any significant increase in air traffic served at the airport. A Master Plan was adopted for Dulles International in 1987, which called for doubling the size of the Main Terminal and the addition of new midfield terminals and runways to meet the major growth in air travel demand projected for the Washington region. Over the years, the Airports Authority has amended these master plans, but maintained these basic policies.

2. *Capital Improvements*

Reagan National—Since the transfer, the Airports Authority has financed approximately \$1.2 billion in capital improvements at Reagan National. The most significant of these improvements was completed in 1997 with the opening of one million square feet in new terminal space, three new parking garages with over 5,000 spaces, a new roadway system and direct connections to Metrorail and the garages via two enclosed pedestrian bridges. These improvements included no significant improvements to the airfield, and, in accord with the statutory limitations, maintained the airport's 44 gates, adhering to the airport capacity that had existed at the time of the transfer.

Dulles International—Since the transfer, the Airports Authority has financed approximately \$4.7 billion in capital improvements at Dulles International. Included in these improvements are the following major projects:

- Expansion of the Main Terminal in 1996 at a cost of \$322 million;
- Opening of the new Mid-field “B” Concourse at a cost of \$145 million in 1998;
- Expansion of a “B” Concourse at a cost of \$302 million in 2008;
- Completion of a new fourth runway and other airfield improvements at a cost of \$355 million in 2008; and
- Opening of a new underground train system at a cost of \$1.4 billion earlier this year.

These extensive improvements were planned, designed and constructed based on Congress's transfer guidelines that, of the two airports, Dulles International be developed to accommodate the vast majority of the growth in the region's demand for air service, especially long-distance and international flights.

3. *Passenger Service*

Reagan National—Consistent with Congress's direction, largely reflected in the slot and perimeter limitations, passenger traffic at Reagan National has remained relatively stable since the transfer, though recent years have deviated somewhat from this overall pattern. From 1987 until 2001, passenger traffic ranged between 15 million and 16 million passengers a year. The events of September 11, 2001, resulted in a 22-day closing of Reagan National and a decrease in the passenger traffic for that year to 13.3 million, followed by a further decrease in 2002 to 12.9 million. Between 2005 and 2009, after the enactment of the Wendell H. Ford Aviation Investment Reform Act for the 21st Century (AIR-21) and the Vision 100—Century of Aviation Reauthorization Act (Vision 100), passenger totals grew at Reagan National, to a high point of 18.7 million passengers in 2007. Passenger levels decreased to 17.6 million passengers in 2009.

Dulles International—Passenger traffic at Dulles International also has been consistent with Congress's guidelines, more than doubling since the transfer, from 11 million passengers in 1987 to 23.2 million in 2009. Indeed, with the entry of a low-fare start-up airline Independence Air, total passengers at Dulles International, both domestic and international, increased to 27 million in 2005. The subsequent demise of Independence Air, coupled with rising fuel prices and the generally poor economy, resulted in the passenger total at Dulles decreasing to 23.2 million in 2009.

Domestic traffic at Dulles International has historically been more affected by economic cycles. Since the mid-1990s, domestic traffic generally ranged between 12 million and 16 million. Due to Independence Air, domestic traffic ranged between 17.6 million to as high as 18.8 million in 2007, the year prior to airlines cutting seats due to soaring fuel prices and the worsening economy. Domestic traffic dropped by a million passengers in 2008 and another 600,000 in 2009 resulting in 17.2 million domestic seats at Dulles International in 2009.

International traffic at Dulles International has grown substantially over the years. At the time of the transfer, international passengers represented approximately 9 percent of the total passengers served by the Airport, and service to six international destinations was provided; in 2009, the percentage of international passengers had grown to twenty-seven percent, and the number of overseas locations to forty-five. It is essential to note that this international traffic at Dulles International is highly dependent upon the extensive array of domestic flights that enable international passengers to connect to these international flights at Dulles International. Dulles International would not have the robust international traffic it has today without this connecting domestic service.

Cargo operations at Dulles International have similarly grown over the years. At the time of the transfer, 208 million pounds of cargo was flown in and out of Dulles in 1987. In 2009, this has increased three fold to 623 million pounds.

4. *Financial Management*

The Airports Authority has managed its financial operations in a responsible and prudent manner.

Each year, the Airports Authority produces financial statements that are audited by external certified public accountants, and over the years we have regularly received unqualified audit opinions. Also, each year audits are performed, in accordance with OMB Circular A-133, to review the Airports Authority's compliance with requirements associated with the Federal grants we receive. These audits have regularly found no significant issues of non-compliance. In addition, each year a Comprehensive Annual Financial Report of the Airports Authority's financial condition is prepared following guidelines of the Government Finance Officers Association of the United States and Canada (GFOA). For the past 20 years, the Airports Authority has received a Certificate of Achievement from the GFOA, signifying that our annual financial reports conform to the highest standards of public financial reporting.

Currently, the Airports Authority's outstanding aviation-related debt totals approximately \$5.2 billion, with \$4.4 billion, or 84 percent, in fixed-rate general airport revenue bonds. The Airports Authority is fortunate to have earned credit ratings on these revenue bonds which are among the highest ratings of any airport in the United States. Fitch, Moody's, and Standard & Poors each assigns a "double A" rating to the Airports Authority's aviation credit ("AA," "Aa3" and "AA-," respectively). In its most recent ratings report (July 2010), Fitch states that "the AA rating reflects the Authority's well-established role as an international gateway, historically strong financial operations, a strong and growing air trade area and the demonstrated ability of management to guide a complex capital program." In its July 2010 report, Moody's notes the "strong, conservative management of airport operations and careful long-term capital planning," and in its July 2010 report, Standard & Poors points to "an experienced senior management team overseeing financial management and capital development."

I should note that, although Fitch and Moody's have recently affirmed the Airports Authority's "double A" ratings, both agencies have modified their outlook for our airport revenue bonds from "stable" to "negative" (Standard & Poors maintained the outlook as "stable"). These "negative" outlooks do not stem from concerns over Airports Authority's management of the airports or of its finances. Rather, these outlooks reflect concerns over our near-term financial flexibility, given the modest level of projected future activity growth at the two airports. They also reflect concerns regarding the substantial increase in Airports Authority debt service that will be added to airline rates and charges, particularly at Dulles International, as major capital improvements are completed and come on line, and with associated negative trends in debt service coverage ratios and cost per enplaned passenger. For instance, average cost per enplaned passenger at Dulles International is projected to reach \$27, which is high compared to similar airports. The Airports Authority is working to address these matters, including multiple steps to restrain expenditures, and the payment of increased debt service with non-airline funds.

5. *Regional Economic Development*

Both Reagan National and Dulles International have become significant economic assets for the Washington metropolitan region.

Over 7,000 individuals work at Reagan National, and 17,900 at Dulles International, including Airports Authority employees and personnel associated with the airlines, airport concessionaires and other businesses operating at the Airports. It was estimated in 2005 that the two airports created \$6.5 billion in revenues for businesses supplying passenger and air cargo services at the airports.

Many businesses decide to locate in the Washington metropolitan region, in significant part, because of the quality and reach of the domestic and international air service offered at the Airports. The Greater Washington Initiative, a regional marketing and economic development organization, cites the global connectivity that is provided by the Airports as a key benefit that the region offers new businesses. The economic development and land use plans of the region's counties and cities are premised, in part, on the presence of the airports and the role they play in attracting new employers to the region. And, over the years, the Airports Authority has worked to develop close relationships with these local governments and their citizens, including by working to ensure that airport operations are compatible with neighboring communities.

6. *Dulles Corridor Metrorail Project*

Since the early planning for Dulles International, an important component of the overall vision for the Airport included rapid rail transit. When land was acquired

in the late 1950s for the Dulles Airport Access Highway, sufficient right-of-way was acquired to accommodate a transit line to the airport. In 1964, the FAA's Master Plan for Dulles International recommended that the median of the Dulles Airport Access Highway be reserved for a future transit line.

However, achieving the reality of rail to Dulles International remained elusive over the following decades. It was not until the early 2000s that efforts had progressed to the point that the Commonwealth of Virginia was able to initiate the process for applying to the Federal Transit Administration for Federal funds to assist in the construction of a rail line to Dulles International. This proposed rail line would be an extension of the metropolitan Washington regional Metrorail System which has been operated since the mid-1970s by the Washington Metropolitan Area Transit Authority (WMATA), would in large part be constructed in the median of the Dulles Airport Access Highway, and would continue past Dulles International into Loudoun County.

Subsequently, the Airports Authority submitted a two-part proposal to the Commonwealth: first, that the Airports Authority assume responsibility for the rail line construction since it was to be located on Airports Authority-leased property in the median of the Dulles Airport Access Highway and since major construction activities would occur on Dulles International itself; and, second, that the Airports Authority become the operator of the Dulles Toll Road, then operated by the Virginia Department of Transportation, and use revenue from the toll road to assist in financing the construction of the rail line.

Ultimately, the Commonwealth accepted the Airports Authority's proposal and, in 2007, the two parties executed an agreement that transferred to the Airports Authority the authority to operate the Dulles Toll Road and use toll revenue to finance the rail line construction, and which placed responsibility for the construction on the Airports Authority. At the same time, an agreement was executed by Fairfax and Loudoun Counties and the Airports Authority which committed each party to share in the funding of the rail line construction. Agreement also was reached with WMATA which provided that, following WMATA's acceptance of the completed rail line, it would assume full responsibility for the line's operation and maintenance.

In March 2009, the FTA and the Airports Authority executed a Full Funding Grant Agreement which provided \$900 million in Federal funds for the first phase of the rail line project. This phase will run from Interstate 66, near the West Falls Church Metro station, to Wiehle Avenue in Reston. The Full Funding Grant Agreement provides Federal funding for only this phase of the project.

The first phase of the rail project is currently under construction, is providing 1,624 jobs, and is approximately 19 percent completed. It is projected to reach substantial completion in the latter part of 2013. The second phase of the project, which will extend the rail line to Dulles International and beyond into Loudoun County, is projected to begin construction in 2012.

Challenges to the Airports Authority and the Two Airports

While the Airports Authority has accomplished much over the last quarter of a century, we face many challenges as we plan for an uncertain future.

The recent economic recession has had a substantial impact on the aviation industry and on the two Airports. For instance, the number passengers utilizing Reagan National in 2009 was 3.8 percent less than at the start of the recession; at Dulles International, the 2009 level of passengers was 6.3 percent less.

In 2010, the aviation industry has seen a positive turn-around. A year ago, a number of U.S. airlines were in danger of bankruptcy, while this year they are announcing profits. The International Air Transport Association (IATA) has reversed its initial projection that the industry would lose \$5.6 billion in 2010, and now expects profits of up to \$2.5 billion. However, much of this turn-around is due to airlines having eliminated a substantial amount of domestic flight and seat capacity over the past 24 months—a reduction that airlines are continuing to maintain even as the economy begins to improve.

While this reduction in capacity may have been good for the airlines, it has created difficulties for airports. Airports plan capital projects many years in advance due to planning and construction lead times. Thus, projects that are now being completed were planned at a time when growth in airline capacity was anticipated; unfortunately, not only has this growth not occurred, but also in the past 2 years capacity has actually been reduced.

For the Airports Authority, this reduction in airline capacity presents a particular challenge at Dulles International due to the substantial investments that have made in capital projects which are now coming online. The debt service on these completed projects is largely funded through airline operations at the Airport. However, with the reductions in airline capacity, this debt service is now effectively

being assigned to reduced airline operations, resulting in higher airline costs per enplaned passenger. Moreover, this particular challenge, we believe, would be increased by the addition of beyond-perimeter flights at Reagan National that would further reduce passenger levels at Dulles International.

Perspective on the Slot and Perimeter Rules

As part of the current FAA reauthorization process, proposals have been made that would authorize an additional 42 slots (21 slot pairs or round-trip flights) at Reagan National that may fly beyond the 1,250 mile perimeter. Thirty-two of these 42 beyond-perimeter flights would be “conversions” from within-perimeter hub flights and 10 authorized from existing unused off-hour slots (from 6 a.m., 10 and 11 p.m.). Currently, 24 beyond-perimeter slots (12 slot pairs or round-trip flights) are authorized at Reagan National. Twelve of these existing beyond-perimeter slots were authorized in 2000 by AIR-21, and twelve slots were authorized in 2003 by Vision 100. Adding 21 slot pairs to the 12 existing slot pairs, for a total of 33 slot pairs, would be the single largest increase in beyond-perimeter flights at Reagan National. This proposed change would bring Reagan National to 33 beyond-perimeter departures a day, which would be more than 50 percent of the current number of beyond-perimeter departures at Dulles International (59) and would equal the current number of beyond-perimeter departures at Baltimore Washington International Thurgood Marshall (BWI Marshall) (33).

The Airports Authority believes that such an expansion of beyond-perimeter slots at Reagan National will have adverse impacts at both airports. We are already preparing for an increase in passengers at Reagan National later this year. Delta and JetBlue flight schedules for this fall, while not increasing the number of flights at Reagan National, will be utilizing larger aircraft, thus increasing the number of available seats by as much as 8 percent.

At Reagan National, our primary concern is the effect that additional beyond-perimeter flights will have on passenger wait times at Transportation Security Administration (TSA) security screening locations. An expansion of 42 beyond-perimeter flights a day will, we believe, increase the number of passengers arriving at and departing from Reagan National by slightly more than one million a year. This would represent a 5.7 percent increase over the Airport’s 2009 level of passengers and would occur primarily in the peak, or busiest, periods of passenger activity. Our preliminary analysis suggests that a passenger increase of this level will lengthen passenger wait time at some security screening locations.

This concern is heightened by the deployment of Advanced Imaging Technology (AIT) screening machines at Reagan National security screening locations. With current facility constraints and current passenger traffic, we only have space to accommodate four AIT machines at the Airport. Two of our four security screening areas, absent major facility alterations, cannot accommodate any AIT machines. Greater passenger levels will make deploying more AIT machines even more of a challenge. The Airports Authority intends to work with TSA to increase the deployment of these machines to ensure that Reagan National maintains the highest level of passenger security.

Additionally, with increased beyond-perimeter activity, Reagan National is likely to experience an increase in connecting passengers. Baggage handling facilities have been developed since the Transfer Act primarily to handle departing and arriving passengers. Creating more of a “hub” at Reagan National could require significant investment in new baggage handling facilities and equipment.

Equally, if not more, significant is our concern regarding the impact that 42 new beyond-perimeter flights at Reagan National may have on Dulles International. Impacts are also expected to be experienced at BWI Marshall. Our preliminary analysis indicates that these new flights would carry on the order of 1.6 million passengers a year, and that many of these passengers, were it not for these new flights at Reagan National, would be flying into and out of Dulles International or BWI Marshall. That analysis also indicates that Dulles International could lose approximately 700,000 passengers a year, and BWI Marshall could lose 500,000 passengers a year as a result of the new beyond-perimeter Reagan National flights.

Such a loss of passengers would, we believe, adversely affect a number of airlines operating at Dulles International, by increasing their cost per enplaned passenger. For many airlines, the cost of operating at Dulles International has recently grown substantially as debt service associated with the construction of the Airport’s new fourth runway and underground automated train system—projects whose capital cost totaled over \$1.8 billion—has been added to the landing fees and other charges assessed the airlines. Our clear concern is that the decline in Dulles International passengers prompted by the new beyond-perimeter flights at Reagan National, and the resulting impact this passenger loss may have on the net revenue and cost per

enplanement associated with airlines operating at Dulles International, will only serve to exacerbate the financial difficulty that operating at the Airport now presents for many airlines, thereby putting into question the viability of their continued presence at Dulles International.

Conclusion

Prior to the transfer of Reagan National and Dulles International to the Airports Authority, the Federal Government took decisive action on a number of occasions to establish airport facilities in the Washington metropolitan region that would provide the nature and quality of air transportation service that the region would require. In the course of taking those actions, decisions were made and policies were developed that assigned different roles and functions to these airports and represented a conscious balancing of competing airport-stakeholders' interests.

At the time Reagan National and Dulles International were transferred to the Airports Authority, Congress provided a clear roadmap for the Airports Authority to follow, and a set of guidelines to govern its journey. We believe that, over the years, the Airports Authority has acted in accordance with that roadmap and those guidelines, and has served as a good steward of the airport assets with which it was entrusted. It is in that role as steward that we wish to convey our view that altering the slot and perimeter rules applicable to Reagan National, along the lines now proposed, will have undesired consequences on these important airport assets.

We do understand the interest of air carriers to serve destinations outside the Reagan National perimeter, and we believe we have provided excellent facilities at Dulles International for them to provide that service. It is, therefore, our recommendation that Congress not alter the slot and perimeter rules, thereby adding beyond-perimeter flights and passengers to Reagan National, without regard to, and certainly without a full and accurate understanding of, the ability of Reagan National to absorb the consequences of the slot and perimeter rule changes, the impact these changes would have on the traveling public and neighboring communities, and the consequences the changes would have on the economic sustainability of Dulles International and BWI Marshall.

Senator DORGAN. Ms. Hampton, thank you very much.

As a matter of courtesy, I suggested that if Senator Ensign wished to take the 3-minute opening statement, I would be happy to recognize him.

STATEMENT OF HON. JOHN ENSIGN, U.S. SENATOR FROM NEVADA

Senator ENSIGN. Thank you, Mr. Chairman. My remarks this afternoon will focus on the perimeter rule at Reagan Washington National Airport. As we all know, I've long been a critic of this anti-competitive and antiquated rule, which prohibits air carriers from flying direct routes to the Western United States. While Congress has granted a few exceptions over the years, travelers in and out of our nation's capital continue to be inconvenienced by the hassle and expense of getting to Dulles.

For the past several months members of this committee and others have been working on a proposal to make some modifications, some modest modifications to the perimeter rule, and I am hopeful that Congress can pass the FAA reauthorization bill, with this proposal included, very soon. Under our proposal, a total of 21 additional round-trip beyond-perimeter flights would be allowed, including five new flights awarded to new entrant or limited incumbent carriers, and 16 conversion flights where new incumbent air carriers could convert existing within-perimeter flights to beyond-perimeter flights.

It is important to note that these converted flights are not new flights, rather they are simply replacing existing flights that are distributed on a proportional basis according to an air carrier's existing service at DCA.

I understand that the Metropolitan Washington Airports Authority has some concern with relaxing this perimeter, as we have heard today, which is why our proposal has a number of provisions aimed at addressing some of those concerns. First, the Department of Transportation would evaluate the proposed flights and be able to collectively disapprove of the conversions if they determine they are not in the public interest. Second, air carriers are prohibited from selling, trading, leasing, or otherwise transferring the flights to fly beyond the perimeter. Third, the conversions would be phased in over a 2-year period. And finally, carriers may not use wide-body aircraft in their exemption, insuring that the same aircraft with the same quiet technology operating in the airport today will be the same aircraft that will be used with these exemptions.

Mr. Chairman, Dulles no longer needs protection. The original protection of the rule was to promote Dulles as the Washington area long-haul airport and convert National into the region's short-haul airport. Last year, 23 million passengers passed through Dulles, which is 6 million more than 17 million passengers that flew from Reagan. Yet today there are only a dozen non-stop flights between Reagan and the entire Western United States, four to Denver, three to Phoenix, two to Seattle, one to Las Vegas, one to Los Angeles, and one to Salt Lake. To put that number in perspective, that is 12 beyond the perimeter out of the 400 flights daily. The beyond perimeter flights represent just 3 percent of the daily domestic operations at DCA. The proposal under discussion would mean that more passengers traveling from the West would take a direct flight in and out of National, avoiding the inconvenience and additional expense associated with getting into the city from Dulles. The compromise is a reasonable pro-competition solution that gives tourists and business travelers from around the Nation another option for visiting the Nation's capital.

Thank you, Mr. Chairman.

Senator DORGAN. Senator Ensign, thank you very much.

Well, I thank all of you for the testimony. Let me begin some questions. I have a fair number of questions so I will abide by the time limit and then we'll have other rounds.

Ms. Kurland, Secretary Kurland, you indicated that there was additional capacity at National, and you cited a 2007 GAO report. Is that correct?

Ms. KURLAND. You know, in terms of capacity, I think it would be better—

Senator DORGAN. I'm just asking—your testimony, you cited a GAO report saying that there is additional capacity, the 2007 GAO report says there's additional capacity.

Ms. KURLAND. Right.

Senator DORGAN. Let me make a point, that in 2007 when GAO said there was additional capacity at National, there was 1.1 million more passengers flying out of National, 1.1 million more were flying then and the GAO said, at that moment, there is more capacity.

And so, Ms. Hampton, tell me about the notion that there is not enough capacity at National if the GAO says there is and we're now 1.1 million below what we used to have when GAO said there was additional capacity.

Ms. HAMPTON. Yes, sir. I think what the GAO was referring to was airside capacity, particularly runway capacity. I think many people in this room are familiar with National Airport, and if you remember back in 2007, we were totally at capacity in our garages at National Airport, people were not able to get in our garages. This was the increased air traffic we experienced from the AIR-21 and Vision 100 legislative change. So it was necessary for us to build a new deck on our parking lot.

Senator DORGAN. So you've done that.

Ms. HAMPTON. We have built that deck, yes.

Senator DORGAN. So, this is about—then it becomes not about whether there's runway capacity and the capability of more operations at National, the issue garage space and the issue of security.

And so, let me just ask about that for a moment. The security representation to us has been it's—now 5 minutes, could go to an hour if you do 16 conversions and five additional slots.

Mr. Kair, do you—do you suspect there's a condition under which there would be an average one hour wait at any port in National if we do 16 conversions, which means no new flights, conversions of flights that now exist, and five new slots?

Mr. KAIR. Sir, in general terms, the process that TSA uses at every airport is we analyze all of the flight loads and we have a staff and allocation model which ensures we have the appropriate level of staffing and equipment at every airport to meet those demands. And we work with the airport authorities to make sure that they have the spaces required in order for those—for that equipment and that stocking to be there. So there are a lot of variables that go into that, including when those flights are and so forth. But, we do commit that we will ensure that we will have the proper amount of staffing and equipment available for bringing operations there.

Senator DORGAN. So whatever operations you're managing, you're not going to have one hour wait times, I assume, at National.

Mr. KAIR. Well, we will ensure that we have the staffing and equipment available.

Senator DORGAN. Let me then ask a question about—you're familiar, I believe, Mr. Snelling and Ms. Hampton, on the proposed slot swap between LaGuardia and National and between the two carriers, US Airways and Delta. And, the slot swap, which was proposed and is now apparently not happening. US Airways put out a press statement saying, "We plan to increase the number of seats we fly at DCA using larger dual-class jets as a result of the swap." They talked about up gauging the aircraft size, I mean, this was very public. Did Metropolitan Washington Airports Authority weigh in on those issues, saying that, "Gosh, if that happens, we may have a million more people coming through, we may have hour wait times at the portals for security, we may not have garage space," and did you make comment on that in opposition to that slot swap?

Ms. HAMPTON. Mr. Chairman, we have taken it as our responsibility to manage the airports to the statutes, and we think it would be well served for all of our airlines to operate each one of the air

carrier slots with an air carrier, and we commit that we will work with TSA and others to make sure that we handle that.

Senator DORGAN. That wasn't my question, Ms. Hampton. I'm asking when—that proposal was made and press statements were made about up gauging the airplanes, increasing the size of the airplanes with the slot conversions, very substantial conversions, whether Metropolitan Washington Airports Authority decided that they should make the point, as they've made to this committee and others, that this would be a huge problem, that you wouldn't be able to handle the load.

Ms. HAMPTON. We did not make that comment because that's within our statutes to handle that.

Senator DORGAN. OK. So, that was something you didn't comment on, I guess one would expect that silence assent, or at least you had no problem with it.

Let me also ask a couple of questions—and I'll come back to that later—but when Congress created the Authority, my understanding was that the "slots" were proposed as 25 percent of the slots for the smaller commuter airplanes and 75 percent of the slots for the larger jets. Is that accurate?

Ms. HAMPTON. I think that's accurate.

Senator DORGAN. And it is the case now that 55 percent of the smaller commuter planes are flying out of National, not the 25 percent, but 55 percent.

Ms. HAMPTON. Actually a little larger, 58.

Senator DORGAN. All right, all right. And so then, rather than 75 percent of the larger jets flying out, we have only 40 percent of the larger jets.

Ms. HAMPTON. That's correct.

Senator DORGAN. Well, what if you were having to operate Washington National based on what Congress indicated to you was going to be happening. Would you decide that it wouldn't be functional?

Ms. HAMPTON. No, sir, Mr. Chairman. We would—we would manage those. As I mentioned earlier, it is not just the security checkpoints, it's also the baggage areas. We're very limited in our baggage area. We would manage; we would work with TSA and we would manage. It's really an infrastructure issue.

Senator DORGAN. Did you manage bags for 18.6 million people in 2007 at Washington National?

Ms. HAMPTON. We did, and that's primarily—primarily origination-destination traffic, sir.

Senator DORGAN. And was that because you had the capacity and the facilities to do that?

Ms. HAMPTON. Right.

Senator DORGAN. And did you have parking space, sufficient parking space at that point, or at least plans to add parking space when your 18.6 million passengers come into National?

Ms. HAMPTON. The second statement, we had plans to add parking spaces, sir.

Senator DORGAN. And so, now there's, at least in the last calendar year, 17.5 million passengers, a million less.

And in fact, in your testimony, Mr. Snelling, you complained a bit in your testimony that, you know, we've some economic troubles in this country and we have fewer people flying and that causes

kind of a pinch for your revenues and so on. And yet, what we have heard incessantly for months now, is that your problem is you're going to have too much traffic at National. I'm telling you, it doesn't add up, it doesn't add up a bit to me.

And so, I mean I have a lot of questions and my time is about exhausted, so I'm going to have to come back to a couple of other rounds. But, it just seems to me that you're making a case that on its face is preposterous. You have extra capacity at the airport, you were flying a million more people in and out, you were completely silent when there was a very large swap between two of the major carriers, and yet you say that 16 conversions, no new flights in those 16, just conversions are going to be a problem. I mean, I don't have the foggiest idea how one gets to that conclusion. But as I indicated, there are other questions, I want to ask you about money that you've lost on interest rate swaps and other things today, but I want to come back to the question of operations, because, as I indicated to you, National policy is at this point being blocked by this Authority, which Mr. Snelling says is sovereign, and it's not.

So, I will at this point relinquish to the Chair of the Committee and others for questions, and at which point I have many other questions.

The Chairman.

The CHAIRMAN. Let me just pick up on a point that you were making, expand on it a bit. This Delta/American slot swap, that was going to increase the load by about 30–35 percent. You were silent on that. So I'm trying—

Ms. HAMPTON. On slot swap—

The CHAIRMAN. If that is—if that's the case, and then this is verbal discussions that our staff, investigative staff, which is who you're going to have a lot of contact in the future, had said that it would increase passengers by 30–35 percent. Now, it took place or it didn't take place, it didn't take place. Nevertheless, how do you reconcile these seemingly inconsistent positions, you can't take any more passengers, yet you allowed that one to go by without comment?

Ms. HAMPTON. Sir, our position is regarding passengers from beyond the perimeter, which are a different type of passenger with different needs at the airport.

The CHAIRMAN. I—my sort of general impression, is when I come into D.C., I don't think about what kind of passenger I am, am I a perimeter related passenger, I land there, OK, and I become part of the baggage handling system and part of the security system before I can get on an airplane. And, the ordinary passenger is what we're talking about here. I'm not talking about perimeters, I'm talking about passengers. The statement that some members of this committee have made and that I think that your position is, we don't want to change, we can't take any more additional noise, we can't any more additional passengers, we can't take any more additional anything, we can't take any more additional security, we don't have any room for additional security. And yet you were willing to take 30–35 percent—I don't understand that.

Now, you haven't explained it, so I just note that. It's also my understanding that right now there are about 135 slots at National, which are operated with smaller regional jets, but that are

designated for larger aircraft. And if they're designated for larger aircraft, it seems to me that if you're going to use these slots efficiently, at some point you're going to go to larger aircraft. And if that's the case, you'd not be using regional jets, but using larger aircraft. What do larger aircraft mean, more passengers.

Ms. HAMPTON. Senator Rockefeller, it is in the plans and in the activities of the Airports Authority to manage the legislation, and to the regulations that we have, including accommodating the larger airplanes. We encourage the airlines to switch to the larger airplanes. If the economy improves, we fully expect that to happen. Adding beyond the perimeter slots, which are not in our statutes, adds another element for the Airports Authority that we have not planned for, and that we're really not prepared to handle. You know, we—

The CHAIRMAN. How do you know that you're not? I'm going to ask the Feds about this in a moment, but how do you know you're not prepared to handle that, how come you're so certain?

Ms. HAMPTON. Well, our airport—

The CHAIRMAN. You keep quoting as if it's like original biblical statutes or something.

Ms. HAMPTON. Well, it's—

The CHAIRMAN. The world changes, you know.

Ms. HAMPTON. Well, it's not biblical, but it is infrastructure. The building was built in 1997, and as you know, it's a lovely building built by Cesar Pelli. It was built—the main terminal was built with piers, and they're very narrow piers, with three various checkpoints.

The CHAIRMAN. I'm aware of the architecture, I think it's one of the nicest airports I've ever been in.

Ms. HAMPTON. Thank you very much. It works very well. Passengers know that when they get to the airport that they will be able to get through the queues and get to their gates. When we start changing the elements of the plan, we know there is going to be additional passengers, and there are going to be additional passengers as the economy improves and we're very excited about that, and we're very excited to work with TSA. In fact, this week we're working with TSA because of the plans Delta has in the South Pier.

The CHAIRMAN. Do you accept the general theory that the West has grown in population, and that the fact that there are so few flights out of D.C. to the West is anomaly in the changed conditions of today's demographics?

Ms. HAMPTON. I think the West has grown its population and I also think that Loudoun County is the fastest growing county in the country.

The CHAIRMAN. And so what's your worry then?

Ms. HAMPTON. The population is growing everywhere. You know, I do accept the fact that the West is growing, but I built—we built our airport in 1997 to meet the statutes that the government gave us. We have had to accommodate and we are happy to have accommodated all the security that has happened after 9/11. We're working very closely with TSA now to, as much as we can, start expanding the use of the AIT, the Advanced Imaging Technology machines. And we—

The CHAIRMAN. Can I just interrupt for a second because I'm already 10 seconds over my time and I want to either, actually both Ms. Kurland and Mr. Sammartino, MWAA argues the slot proposal would create substantial congestion problems at National, and some folks do here too. So what is your assessment of how that would affect the operation of the airport?

You need to speak up some, Ms. Kurland, you're an important person, all right.

Ms. HAMPTON. I'm sorry.

The CHAIRMAN. I don't mean speak up physically, I mean speak up substantively.

Ms. HAMPTON. Oh.

[Laughter.]

Ms. HAMPTON. I'm—I would be happy to talk more on the issues of competition and—

The CHAIRMAN. All right, well then we'll go to Mr. Sammartino.

Mr. SAMMARTINO. Mr. Chairman, thank you for the opportunity to be here this afternoon.

I would offer that, from an air traffic operational perspective, we have available capacity today for an increase in operations at National. That additional capacity is from underutilized slots that have already been allocated to the GA, general aviation corporate community. The traffic in that community is running at about 10 percent of normal operations. So hour by hour, we have additional capacity at National Airport.

The CHAIRMAN. I thank you sir.

My time has run out.

Senator DORGAN. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

As—Mr. Snelling and Ms. Hampton, when you go to the bonding authorities, you make out projections over what period of time approximately to secure these bonds?

Mr. SNELLING. I'll refer to our President on the length of time.

Ms. HAMPTON. Our projections to the rating agencies generally go out through the end of our construction, which right now is about 7 years.

Senator WARNER. All right. So a fluctuation in 1 year up or down on traffic, you know, it can always be absorbed. But what we're talking about here are structural changes in the overall framework. So, as we look at, you know, how you do financings, you do financings over a long-term plan, so I don't think year to year fluctuations—you've got to build those in.

We're—a lot of conversation here about National, I guess one of the things I'm—question about—I want to come back to both of your testimonies, the effects this would have at Dulles. And I think it's important that as we think about the—the \$4.7 billion in additional construction at Dulles over the years?

Ms. HAMPTON. \$4.8 billion.

Senator WARNER. \$4.8 billion, that was build upon assumptions and representations that were made by the Congress about what the role of Dulles would be, correct?

Ms. HAMPTON. Yes, sir.

Senator WARNER. Now, at Dulles right now, and one of the things I think you were trying to articulate a little bit about ear-

lier, is whether Dulles is a hub airport rather than a final destination, people pass through Dulles on the way to international theater. If we create 21 more out of perimeter slots that currently either go to Dulles or go to BWI, because this has effects on both airports, what you do is while that—for those passengers who are end-pointing at National, but it diminishes the theater ability for these out of perimeter airlines to fly into the international hub, so would it be your conclusion that you would see a fairly significant drop-off of international traffic out of Dulles, something we've been working on 20 years to develop?

Ms. HAMPTON. Yes, Senator, we are very concerned that the loss of domestic passengers at Dulles would hurt the international service.

Senator WARNER. And hasn't most of the growth at Dulles come from international passengers, not from domestic passengers?

Ms. HAMPTON. Yes, sir.

Senator WARNER. And domestic passengers were down in this last year a million.

Ms. HAMPTON. Domestic passengers have been down, very flat for the last 5 years.

Senator WARNER. So, again, as we think about the fact that, you know, because of these added infrastructure investments, for example, like rail, one of the things I—it is sometimes a hassle in traffic to get to Dulles, let me agree with all my colleagues as somebody who tried to do something about that on a previous job and he was not as successful, and I understand it. But one of the things that we have been planning and talking about for 25 years in this region, is to get rail to Dulles. But, are not some of the assumptions building the rail to Dulles is to assume a prosperous Dulles Airport?

Ms. HAMPTON. Yes, sir.

Senator WARNER. Have—when the rating agencies put you on negative watch, did they consider the potential decrease of what you've estimated of 700,000 decrease in passengers annually at Dulles when they made that estimation?

Ms. HAMPTON. No, sir, there has been no discussion of that with the rating agency.

Senator WARNER. So that would be an added factor on potentially downgrading of investments of the Commonwealth of Virginia, the local communities, and the Federal Government have made in jeopardizing the long-term viability of this bond rating with this unanticipated 700,000 additional loss, right?

Ms. HAMPTON. I believe that would be the case.

Senator WARNER. I have a few more questions, as well.

The other question I have is—have we seen any analysis, and I know this is one of the reasons why Senator Cardin and Senator Mikulski wanted to be here, but have submitted statements, of the potential harm done to BWI by the loss of 500,000 passengers, again, based on your estimation?

Ms. HAMPTON. We have not done an analysis, other than the analysis that we did that showed that Dulles International, under this proposal, would lose 700,000 passengers, and that Baltimore/Washington Marshall would lose 500,000 passengers.

Senator WARNER. Again, I know the State of Maryland has made enormous investments, based upon the assumptions of what—that the law would be followed.

Now, again, I would agree with the Chairman's comments, and scientists comments, and that is, the west is growing. And your positions, and we've differed on this, of absolutely no change. I didn't concur with, I think we needed some level of compromise.

We had—this is not the first time this issue has come up and we've had other changes, I believe in the last two rounds it was about, one time, 12 additional slots, another time 10. This is more than doubling what the previous rounds of slowly escalating slot additions outside of the perimeter in terms of, if you were going to assume—even though you don't want any change, you're going to have to get stuck with something. Now, wouldn't it be, perhaps, rational to assume that, well, you got whacked by 12 one time, whacked by 10 another. This kind of proposal that's being performed would double what the—the changes the Congress has made in the past, is that correct?

Ms. HAMPTON. Yes, sir. We will be good stewards. What the Congress gives us, we will do. We are here to tell you what we believe, and we believe that this will have a negative effect on National Airport, and on Dulles Airport.

Senator WARNER. Let me get one other question in, maybe Mr.—you all can answer, Mr. Sammartino can answer this. And that is that, you know, one of the concerns, you know, I think as folks in good faith tried to work through this and we thought, “Well, let's just do slot switches from inside the perimeter hub to outside the perimeter hub,” so—and I particularly appreciate my friend from Nevada's comments, and some others who have been involved in this that there would try to be the same type aircraft, although I would be much more sympathetic if it actually was the same type of aircraft, because there are sometimes these short-haul commuter flights to Philadelphia that would be—while not wide-body—dramatically increased passenger size in terms of the size of aircraft would be slotted out. And you're saying, “Well, that means small markets wouldn't be affected.”

But I guess I would ask Mr. Sammartino, or Ms. Hampton—nothing would preclude a carrier, once they switched out, say, a Philadelphia hub for a Los Angeles or a Phoenix hub, to then say within their existing inside the perimeter slots to switch out a Portland, Maine for a Philadelphia or a Charleston, West Virginia for a Philadelphia, so that you could back—in terms of backfilling, nothing would preclude an airline from making, you know, a rational business choice to trade out a smaller market inside of the perimeter for a hub market inside the perimeter?

Ms. HAMPTON. That would be correct.

Senator WARNER. So, the possibility exists, and again, we're trying to get a balance here of all of—my time's expired, I apologize—that this balance between inside of the perimeter, outside of perimeter, service to our smaller markets which are so critical around the country, they could see a diminution of flights as rational business people made choices to replace those smaller-market flights with flights to inside the perimeter flight hubs like Charlotte and Philadelphia?

Ms. HAMPTON. I agree.

Senator WARNER. Thank you, Mr. Chairman.

Senator DORGAN. Senator Ensign?

Senator ENSIGN. Thank you, Mr. Chairman.

What Senator Warner just talked about could happen right now. They have the full right because the legislation basically says that they can't switch it from the small markets to the West Coast, but they could switch right now between what you said, Philadelphia. So there's no change in that, and they're just going to make the business decisions. This legislation doesn't affect what you just said.

Now, Ms. Hampton, you said population is growing in the West, but it's growing everywhere. Well, frankly, it's not growing everywhere. OK? There are states that are losing population and the East and a lot of the Mid-West is not growing, the West is growing, that's a reality in the United States. Certainly, Virginia's growing, as well, but the West has been, and the South has certainly been where most of the growth in the United States has happened, that's one of the reasons that we're trying to do this legislation.

I want to correct something else that you said that didn't make sense to me. You talked about origination/destination passengers—I'm very familiar with, that's what we have in Las Vegas, we have O&D passengers. You talked about that these are not going to be O&D passengers, you're concerned mostly about your transfer passengers. But then you talked about wait times at the security checkpoints. Well, transfer passengers don't take time at the security checkpoints. So, that's why you're being inconsistent with that argument.

And then last, before I let you answer that, what doesn't make sense to me as far as you worrying about Dulles, is in your 700,000 figure that you said that will decrease in Dulles, how much—how many of those passengers decrease at Dulles did you attribute to USAir transferring their slots from inside the perimeter to outside? What was the figure that you used for USAir? Because USAir is going to get about half the slots, right? They're going to be able to change—about half of the slots that are going to go from inside to outside are going to be USAir. What percentage did you use?

Ms. HAMPTON. OK, if I could I'll try to take your questions in order.

Senator ENSIGN. Answer that last one first.

Ms. HAMPTON. OK.

As we understand the legislation, USAir would benefit from half of these slots—

Senator ENSIGN. Yep.

Ms. HAMPTON.—half of the amount of passengers would be attributed to US Airways.

Senator ENSIGN. How many international passengers does USAir have going out of Dulles right now?

Ms. HAMPTON. USAir doesn't have any international.

Senator ENSIGN. So you're worried about international passengers, that's a whole argument Senator Warner was just making, and yet you're attributing half of the drop in international passengers from Dulles—it just doesn't make sense to me. If that's your big concern, international passengers, and USAir doesn't fly

international passengers out of Dulles, that's where your concern is the biggest drop, because you all talked about them taking that from, and you know, this becoming a hub-type of a situation at DCA. That's not the way that USAir works, for their international.

Ms. HAMPTON. They would come from other airlines, other than US Airways.

Senator ENSIGN. So, you're thinking they're going to transfer from one airline to another airline?

Ms. HAMPTON. Yes. Yes, sir.

Senator ENSIGN. Do a lot of people do that today? Transfer one airline to another airline to go international?

Ms. HAMPTON. Not to go international. What would happen is, if a flight is coming from, let's say, Los Angeles, through Dulles, and then going on to London and half of those people on the flight are domestic passengers, they would get off the plane, and they would come to the Washington metropolitan area. The other half would get on a flight and fly international. The ones who are domestic passengers would make the economics of that flight not work if those people that were flying domestically now to Dulles International were not on that plane and, in fact, came to National Airport.

So, it would make that flight to Dulles not economical. The airline would, logically—then move that flight from Dulles—

Senator ENSIGN. Mr. Sammartino, do people that fly—in other words, if they're not flying internationally, do people fly, generally, and transfer airlines, especially American carriers—do they fly domestically and transfer airlines to fly internationally?

Mr. SAMMARTINO. Senator, I wish I could answer the question—

Senator ENSIGN. Maybe we can get that question from you.

Let me go back and maybe you can answer some of the other questions that I started answering.

Ms. HAMPTON. You talked about what I called transfer passengers. There will be both transfer passengers, and origination/destination passengers. The transfer passengers have their own issues, as far as the ability to sort the luggage. Origination/destination passengers would create additional pressure through the security screening locations.

Senator ENSIGN. What happens if the economy improves more than it was in 2007?

Ms. HAMPTON. We are very much hoping that that's the case and that is in our plans to be able to accommodate that, sir. This would be—

Senator ENSIGN. What happens if it increases more than what you're planning? You'd make accommodations.

Ms. HAMPTON. Well, you know—

Senator ENSIGN. Correct?

Ms. HAMPTON.—we will work to accommodate it.

Senator ENSIGN. Listen, listen—airports do that all of the time. I mean, in Las Vegas, we were growing faster than anybody ever predicted for a long time. They had to make changes to baggage handling, changes to security lines, changes to everything, and you do it. Because that's what is required, that's part of the jobs that you're assigned to do, you do it.

But what we're trying to do here is something that, first of all, can make airlines more competitive in the marketplace. Airlines have been hurting for a long time, they're just now starting to recover, and we're trying to make it to where, listen, I'm going to be flying out of Dulles, OK, because it's just more convenient for me, I'm going to continue to fly out of Dulles, the number of flights, I probably—even if this thing passes, I don't even know if USAir is going to take one of their slots, you know, to Las Vegas. I'm just talking about the health of airlines and the competitiveness, and I just think that a lot of the arguments that a lot of you have made today just do not add up. And I think Chairman Dorgan and Chairman Rockefeller have made some really good arguments today, and your arguments just have not, you know, kind of held water.

I apologize, my time is up, Mr. Chairman.

Senator DORGAN. All right, thank you, Senator Ensign.

Let me make a quick point. There is nothing that has been discussed today that will ever benefit Bismarck, North Dakota. There is no out-of-the-perimeter flight from Dulles to Bismarck, nor will there be. So, I don't have—I'm not into this discussion. All I want to do is pass an FAA reauthorization bill, that largely has been blocked by the position of two airports, here, and the Metropolitan Authority.

And, let me see, Mr. Snelling, it seems to me your position is a position that time stands still. The testimony today suggests that you have a notion of how many slots there are, outer perimeter, and new slots, and that's what will always be. That's not the case. Time doesn't stand still. Time marches on, and the fact is, if you're managing this airport with a belief and an understanding that your financial structure depends on Congress doing nothing with respect to these issues, you're not managing the airport very well. Your response?

Mr. SNELLING. Well, my view is that we're not in a static state of events, that we have a planning horizon, we've spent capital investments based on that planning horizon, and if the Congress—which we absolutely acknowledge is the one who's going to make this determination—if they tell us to do it a different way, then we'll start planning a different way and doing different things.

Senator DORGAN. But you're telling Congress, "Don't you dare tell us to do it another way, you're going to break the back of these two airports," that's what you're telling us.

Mr. SNELLING. I would never tell Congress anything except my honest opinion on an issue, when asked.

Senator DORGAN. Well, I understand that, is that your honest opinion?

Mr. SNELLING. Yes.

Senator DORGAN. Sixteen conversions and five new slots are going to break the back of the financial planning of the Metropolitan Airports Authority with National and Dulles? Do you really believe that?

Mr. SNELLING. I really believe that it wouldn't be good for our airport system. And I also think that there are issues, here, that we haven't had time to discuss. I mean, when you have a hub at National, which is what we don't really have now, then you need a whole new and different baggage-sorting system. Baggage has to

be sorted from one plane to another. When it's a destination airport, people go, they pick up their bags, and they go. The bags don't have to be sent from one airline to another.

It's a very complicated business, the airport business. And it really takes time to accommodate changes in operations.

Senator DORGAN. Well, but you're apparently planning for something that won't be, and that is a future that looks like the past. And so, you know, good for you, but I think it's a huge mistake. I'm going to come back to you in just a second.

Mr. SNELLING. Sure.

Senator DORGAN. I want to ask Mr. Sammartino, do you work for Secretary Kurland?

Mr. SAMMARTINO. I work in the FAA—

Senator DORGAN. I don't understand the hierarchy here.

Mr. SAMMARTINO. OK.

Senator DORGAN. Do you work under her?

Ms. KURLAND. I work for the Secretary of Transportation—

Senator DORGAN. OK, so different stovepipes.

Ms. KURLAND.—but, we work together.

Senator DORGAN. Well, I was going to ask you whether you agree with her, so let me read what she just said in her testimony. "Reagan National," I'm quoting Ms. Kurland, "is a relatively high-fare airport, having the third-highest fare premium of the 121 markets that were examined." Then she says, "For a large portion of passengers, especially time-sensitive passengers, the three airports in the Washington-metropolitan area are not effective substitutes for each other. Price competition from the Washington, Baltimore Washington International, and Dulles are not effectively disciplining the fares at Reagan National."

That is fascinating testimony to me, and comes to a point that suggests, Mr. Snelling, that you and the Authority are managing Washington National at the highest fares, and you've decided, you know what? We don't want anything to interrupt that. And the preposterous position, as far as I'm concerned, and I've already told Ms. Hampton this, is you are suggesting that if, somehow there are 16 conversions—16 out of the hundreds of flights a day out at National, 16 conversions that fly outside of the perimeter, that somehow it will be—do terrible injury to Dulles—suggesting, of course, that nothing will happen with respect to something that we, who study the economic system, call competition. The world's largest airline will exist at Dulles. It's a merger between United and Continental. When completed: the world's largest airline.

So, you think the world's largest airline sits there at Dulles and decides, "You know what? If this is what they're going to do, God bless them, there's nothing we can do about that." You don't understand that United Airlines will do everything possible, including perhaps, even engage in price competition. God forbid that should happen with respect to those who fly out of National, but perhaps even a little good old-fashioned price competition to make sure you don't bleed all of those passengers?

And, you know, the reason I'm mentioning this to you, you all showed me a consultant's study that was done, it wasn't worth what you paid for it—I don't have the foggiest idea what you paid for it. But when I asked the question, "Does this suggest that

United would behave as the world's largest airline would, and want to compete?" No, we didn't consider that. Didn't consider that.

So, tell me your notion of how all of this is going to work if you're going to keep Washington National as one of the highest-fare airports in the country, and essentially stop competition in its tracks?

Mr. SNELLING. Let me address that, sir. We live in a free market, and people have choices. And Reagan is a more convenient airport, and it's capacity-limited. And it's a basic, free-market principle that if there's much more demand than there is the ability to meet it, that those prices will be higher. So, it's not unexpected that a capacity-limited, very convenient airport will have higher rates. We don't do that, the airlines do that.

Senator DORGAN. Oh, Mr. Snelling, you say we live in a free market and people have choices; your position at this table is to limit people's choices, isn't that the case? You're here, and you have, for the last months, been telling the Chairman, myself, and others and all who would listen that you want to limit people's choices, isn't that the case?

Mr. SNELLING. We do what Congress tells us to do. We won't be—

Senator DORGAN. No, that's not the case. You are suggesting people's choices be limited, and you just told me that we have a system here in which people have choice, that's not your position.

Mr. SNELLING. I respectfully disagree. I mean, I really believe in competition, and we want to encourage it every way we can.

Senator DORGAN. Well, then—

Mr. SNELLING. I just don't think that the proposal will meet the needs that I know you have, and I'd like to meet.

Senator DORGAN. Would you all hire a consultant that considers the competition that would exist between Dulles and National if, in fact, a small number—16 conversions out of hundreds of flights a day will be outside the perimeter? Would you hire a consultant that would at least do what an Econ 101 student would have to do on a term paper?

So, I don't mean—well, I guess I do mean to diminish the information that has been given to us, because it is not—it is not right, it doesn't nearly meet the laugh test, in my judgment.

Let me ask, again, Mr. Snelling, are you aware that the Metropolitan Washington Airports Authority has approached the carriers that are serving in DCA and suggesting that they make more efficient use of slots, including using larger aircraft?

Mr. SNELLING. Yes, I am aware of that.

Senator DORGAN. And what is the purpose of coming to this committee suggesting that you can't accommodate more, and then at the same time telling the major carriers that they ought to be using larger aircraft? Tell me how that adds up?

Mr. SNELLING. Our purpose is to fulfill the capacity we have within the rules that Congress has given us. And if Congress changes those rules, we'll follow what Congress tells us to do. Right now, we're following what Congress has told us to do.

Senator DORGAN. So, is it OK if Congress changes the rules? Do we have your OK?

Mr. SNELLING. I have no such presumption as to tell Congress what they should do or not do.

Senator DORGAN. Well, you've been telling Congress, for the last 4 months, my friend.

Mr. SNELLING. No, really, sir, what I've been doing is answering the questions put to me on what I think is right for the Airports Authority.

Senator DORGAN. Senator Rockefeller?

The CHAIRMAN. I hate to take you off your roll.

[Laughter.]

The CHAIRMAN. Let me be honest. The—I'm always honest, so let's just carry on tradition. You believe that you're so sovereign—do you believe that you are under the direct jurisdiction—

Mr. SNELLING. Of course.

The CHAIRMAN.—of this committee?

Mr. SNELLING. Absolutely.

The CHAIRMAN. And that you can't move to the right or the left by more than six inches if we decide that we really don't want to have you do that?

Mr. SNELLING. I know that completely. And the term that you're using was never used in any context externally to the Airports Authority. That term was used only in an internal debate as to who should make policy. The Board is sovereign in the Authority in terms of making policy. We're not sovereign in anything else, and we're certainly not sovereign as it relates to you or this committee or the Congress of the United States.

The CHAIRMAN. I'm pleased to hear that, and you wouldn't even exist, I might say, if it hadn't been for me.

Mr. SNELLING. We agree.

The CHAIRMAN. So, you can thank me.

Mr. SNELLING. We do thank you, sir.

The CHAIRMAN. That's good.

This is the situation we find ourselves in. You have about 98 percent of the Congress on our side of it, the Senate, waiting to vote for this bill. There are a few who are holding up this bill, and they're doing it based upon what the Chairman and I have always suspected, information which you give them. And that information is to keep, as the Chairman suggested, the status quo, go back to where it was originally, not recognize that the West Coast is—as the Senator from Nevada indicated—has grown exponentially.

Northern Virginia is very unusual in the East. You won't find that in the South, you won't find that in Appalachia, you won't find that in the Northeast a lot. The growth is out there. Don't you have a responsibility to service the West Coast to a greater extent than you do now, which is virtually sort of one flight, per day, per huge city on the West Coast?

Mr. SNELLING. We do have that responsibility, which is why we're building rail transit out to Dulles, the only great National capital in the world that I know of that doesn't have rail transit. We want to make it—

The CHAIRMAN. I don't think the West Coast comes in on light rail. I'm interested in the air—see, part of the problem I have here is you talk about how your ratings are down. But I don't think the ratings—first of all, I can't imagine three more successful airports in this country than BWI, National, and Dulles. I think the future for each of those airports is just unlimited.

Now, you say you have some financial problems. You do not have financial problems because of what you're doing at the airports. You do not have financial problems because of baggage, because of security, because of ramps and all of the rest of it. You have financial problems because you've invested a lot of money in some really stunning, colorful, interesting, and excellent transportation, to make life easier on the way out there.

I have to tell you that I am—coming from West Virginia, I sort of come from Bismarck, too. We have a little bit more traffic than they do, but one of the reasons that the Charleston airport, for example, has done so well, the Charleston, West Virginia airport, is because they're extraordinarily aggressive. All they look at is the future, and what can they get? And they're considered one of the 10 best airports in the United States of America because of this. It's the attitude of the Board, in your case, it would be the Authority. They're looking to the future, they embrace the future, they want the future, they understand that life isn't easy, they understand that we're going to come out of the recession, they understand that we're in a recession. We don't have any capacity to build what you're building up here in the way of transportation, but your airport—your airports are guaranteed for the future. We're going to—the recession, I don't know if it'll be 2013 or 2014 when we come out of it. I don't know, but we're going to come out of it. And your future is going to be absolutely magnificent.

So, I'm sitting here bamboozled that the reason that no airport in the United States is going to get the air traffic control system GPS and—which will increase the number of opportunities, and allow planes to land and take off more quickly, allow them on an altitude basis to be closer to each other, because it's much more measurable, the difference between an x-ray and an MRI is very substantial and we all know that.

But none of that can happen, because the bill is being held up. We can't pass it because this—somehow this offer on slots that we've offered, which was rigorously worked through with Senators from the west who have very major positions, to be frank, in the Republican Party, that they compromised like crazy. And they're willing to take this piece of legislation and pass it. And do all of the things that will make your two airports, and all of the airports around the country, including my little airport in Charleston, West Virginia, and Bismarck—whatever they have there, I don't know what, do you have concrete on the ground?

[Laughter.]

Senator DORGAN. You know, that's not funny. We have wonderful air service.

The CHAIRMAN. Well, that's what I was just about to say.

But do you understand what you're doing? That's what I'm saying.

Mr. SNELLING. Well—

The CHAIRMAN. You are stopping through the information and your influence on some, you're stopping this bill from passing, and you can't feel very good about that. I don't want you to feel very good about that.

Mr. SNELLING. Senator—

The CHAIRMAN. If you somehow would release some people, and encourage some slot arrangements, we could settle this and have it done, and America would be a better place, and so would the world.

Mr. SNELLING.—Senator, you have a much higher opinion of our ability to add and detract than we have. I'm a solid proponent of the FAA reauthorization bill—a solid proponent of it, and a solid proponent of NextGen. I wouldn't hold those up, in any way. Nor do I think that I or we have the capacity—

The CHAIRMAN. But you are. I said I was going to be frank, and I am—you are. And I think you need to take that home and think about it. And I think you need to think about the West Coast—don't they deserve to be treated as though they are exactly what they are? A very resilient, very vibrant, very—you know, tax savvy, everything savvy part of the world which is growing. Good grief, my youngest son has just moved out there. He thinks the future is out there. I thought he was going to stay here, in the East, no, he's going out there.

You know, it just—it doesn't add up, to me. And particularly when this bill is just simply ready to pass. It passed, already, '93 to nothing, it didn't have the slot arrangements in it. But the slot arrangements, they, somehow you think they're going to destroy you. That you can't handle them. And I don't think the GAO thinks that, and I don't think that Mr. Sammartino thinks that, but you do, and so that really carries, unfortunately, a lot of weight and puts you in the position of stopping this bill. I don't think you're happy about that. You're not happy about a number of things. We've got a lot of quotes that you've made over the years, which we're not—I'm not going to put on the record, here, for your sake.

How do you respond to that? I mean, I've been rude, but I'm also angry.

Mr. SNELLING. I'm sorry about that.

Ms. HAMPTON. Yes.

Sir, I think we at the Airports Authority, as the Chairman said, very much support the FAA reauthorization. It is not an easy thing to be sitting here in front of you, but we truly believe that the slots would have a negative effect on National Airport and a negative effect on Dulles Airport, both from the domestic and the international perspective. And that's what we're here to say, just to tell you what we believe. We believe that we have done what Congress wanted us to do. We believe that Congress set up Reagan National to be a short-haul airport, and we think we've done a good job, and we've been good stewards.

The CHAIRMAN. I'm way over my time.

Senator DORGAN. Senator Warner.

Senator WARNER. Thank you, Mr. Chairman.

And again, I want to come back again to this contentious issue and commend you and the Chair of the Committee for, you know, enormous hard work on this. And, I'm new here, but I know how much the Chairman of the Committee and the Chairman of the Subcommittee have worked so hard, and nothing surprised me more than the education of—the enormous need we have to get a NextGen system and how much that's needed.

I would take issue of a few things. I would urge that, you know, this is one of a series of issues, PFC and an interesting debate between which PFC issues would still need to be worked out and issues between UPS and FedEx that are also contentious, and issues with the House.

I would also ask, Mr. Chairman, that we make part of the record the letter from 11 members raising concerns about this approach, not all from the region. As a matter of fact, six of them from the West, the six members representing the Northwest, part of America that felt that this approach disadvantaged their communities, their states, and I hope that would be part of the record as well. [The information previously referred to follows:]

United States Senate

WASHINGTON, DC 20510

July 19, 2010

The Honorable John D. Rockefeller
Chairman
Committee on Commerce, Science and
Transportation
Washington, D.C. 20510

The Honorable Kay Bailey Hutchison
Ranking Member
Committee on Commerce, Science and
Transportation
Washington, D.C. 20510

The Honorable Byron L. Dorgan
Chairman
Subcommittee on Aviation Operations, Safety,
and Security
Washington, D.C. 20510

The Honorable Jim DeMint
Ranking Member
Subcommittee on Aviation Operations, Safety,
and Security
Washington, D.C. 20510

Dear Chairmen Rockefeller and Dorgan and Ranking Members Hutchison and DeMint:

We write you today to urge swift passage of the FAA Reauthorization bill. With half of the busy summer travel season already gone and only a few items that remain unresolved between the House and Senate versions of this legislation, we believe it is time to finish the job.

As you are aware, one of the unfinished items being negotiated between the House and Senate is how to handle new flights beyond the Perimeter Rule at slot-controlled Washington Reagan National Airport. Last year, the House-passed version of FAA Reauthorization allowed for 10 new beyond-perimeter slots at Reagan National that would be moved from unused times of day and awarded to air carriers through an open, competitive selection process by the Department of Transportation. The Senate passed its FAA Reauthorization Bill in March, by a vote of 93-0, with no changes made to existing law governing the Perimeter Rule in place at Reagan National.

In our view, House and Senate members drafting the bi-cameral FAA Reauthorization bills conferees should work within the framework of the House- and Senate-passed FAA Reauthorization bills. During the colloquy in the Senate it was agreed that the interests of western state senators would be considered, but no legislative changes were made and no slots were added as part of the base Senate bill. Regrettably, the proposals that are being suggested do not reflect the spirit of that colloquy. Equally concerning, is that some suggested proposals, which have not come up for a vote in either chamber, will not only benefit a limited and identifiable set of airlines, they will also have unintended consequences on airline competition nationally due to it being a networked industry.

It is of great concern to us that the substance of one proposed amendment, withdrawn precisely because it did not have the votes to pass, is now being considered as a possible Senate position. We must reassert our strong belief that, in the interest of getting an FAA

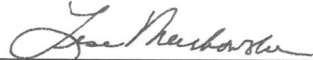
Reauthorization bill passed, significant changes beyond what is currently in the House or Senate bills should not be made to the current flight rules which exist for Reagan National Airport.

As always, we are available to discuss this matter directly with you and appreciate your attention to it. Thank you for your diligent leadership in continuing to push FAA Reauthorization to its conclusion for the benefit and safety of the flying public.

Sincerely,



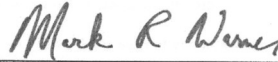
Maria Cantwell
United States Senator



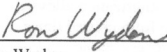
Lisa Murkowski
United States Senator



Patty Murray
United States Senator



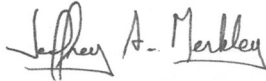
Mark R. Warner
United States Senator



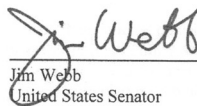
Ron Wyden
United States Senator



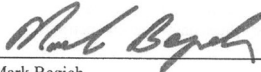
Bill Nelson
United States Senator



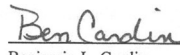
Jeff Merkley
United States Senator



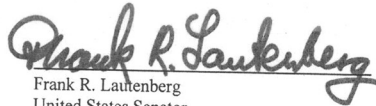
Jim Webb
United States Senator



Mark Begich
United States Senator



Benjamin L. Cardin
United States Senator



Frank R. Lautenberg
United States Senator

cc: Majority Leader Harry Reid
Minority Leader Mitch McConnell

Senator DORGAN. Without objection.

Senator WARNER. So, I think it is a broader issue. And again, I'm going to go back to where I started, I'm going to make one or two other points. You know, I don't concur fully with the Airports Authority of no change. And I appreciate again, and I know at the end of the day, I think both these Chairs have said they have no dog in this fight, and we—the Chairman of the Committee worked hard for a compromise at the Committee level that I actively supported, and unfortunately it fell short. He is operating totally in the best interest.

But there are—I think there are enormous issues, commitments made in terms of the Airports Authority, in terms of simply doing what they were told, why the plan, go to the bond market, make representations about what we can expect. And, I think they have performed those duties appropriately. And with the negative outlook right now, before you would factor in another 700,000 passenger loss, you don't even have to get to the issues around National. I mean, I do think some of the testimony today around National about ability to absorb have enlightened me, but with the issues around Dulles lay enormous concerns.

And again, for all of us in this region who have fought for years to try to get that Dulles rail, again, the underlying financial assumptions on that project are also put in jeopardy based on a constantly shifting set of rules. Even if you expected a set of rules, well, things change, the world changes, Congress changes. But if there was any kind of assumption of what the changes might be, no matter what your position may be in terms of zero changes, you know, past reference might be a good idea. Well, one time it was 10, one time it was 12, now we're talking 21. That is an exponentially different level of change.

I also think it's important—and I've got something else in mind—I think it's important to come back to one point that he made, because I think I've spent more time in business than I have in this line of work—I used to be a pretty good business guy. I think people do rational things for financial interests. And the bond that has been set up at National right now, in terms of people flying into hubs or flying into small markets, almost always inside the perimeter. Outside perimeter, hub markets are more profitable because you have that ability to leverage to other flights. So why—we've got this balance, but this notion that if you take away inside perimeter slots and replace them with even more prosperous outside perimeter slots, which will have larger capacity. A rational being, if you lose flights at Charlotte and Philadelphia, a rational being will supplement those flights at Charlotte and Philadelphia with taking away flights from less prosperous markets that rely right now on perhaps that only service to National.

So the notion that this would have no effect, and people can make those changes, now people don't make those changes because that capacity inside perimeters has been filled and the market is at an equilibrium. But if you take away that equilibrium, any rational company is going to go ahead and refill the inside perimeter slots. And where are they going to look? I think they're going to look at the secondary markets served inside the perimeter, and that will create a whole new set of challenges. So I do urge—I'll echo with my colleagues here—I do believe that that status quo won't work, I do believe a reasonable compromise makes some sense. I don't believe what's around here right now hits that goal, nor do 11 other colleagues.

And again, this has been more a statement than a question. I'll say, do you agree with me, Ms. Hampton, just to make it a question? But, I would—I would simply again—we have a difference on this, but I want to close, just with again, compliments to both the Chair and the Subcommittee Chair, they have worked extraordinarily hard on this bill. And, what is remarkable as a new per-

son—and I know they chase them, because there has been four or five other times when we've tried to get FAA reauthorization, long before I was here, where they never got to the finish line. And they both need to be commended for their great work in terms of moving it along. And again, I hope that the 11 and some other members who may have concerns, that we can still find some reasonable compromise, that this doesn't benefit one particular subsection of the West or one particular carrier over others. And would still hope we could get to that point.

Thank you, Mr. Chairman.

Senator DORGAN. Senator Warner, thank you very much.

Let me go back to this concrete reference just for a moment, to say that if the first—the first time I have heard someone from West Virginia make fun of another State.

[Laughter.]

Senator DORGAN. I want to make sure that, if all you would like, you get on a mail list, I'll send you a travel log for North Dakota, a wonderful place.

My colleague, Senator Warner, makes a case. He's a good colleague and bright and aggressive and fights hard for the things he believes in. He makes the case, as—

Senator WARNER. I take lessons from both of these Chairs.

Senator DORGAN. As has been the case around here on a lot of issues. And the case is always, this is a carefully balanced, carefully calculated, carefully weighed set of issues and the balance exists. It's like, you know, it's like a loose thread on a cheap sweater, you pull the thread and the arm falls off. You cannot possibly do that, you can't alter it. Well, of course that's not the case at all in my judgment. We have a disagreement about that.

The 2007 GAO report, that I referred to earlier, says this about the slots that were added and they have been added at D.C. National, despite the testimony and despite all the representations about the sky falling, here's what they said about the slots that were added previously, GAO, "We did not find evidence that beyond perimeter flights to and from Reagan National affected flights from the same airports to or from Dulles or BWI. We analyzed fare and passenger data between Dulles and BWI, and those airports, and for all the traffic serving Dulles and BWI, and in doing so, we observed the data didn't produce any distinguishable trends," etcetera, etcetera.

Now, you know, I don't know how you can do better than that in terms of making the argument that the representations that the sky will fall if this happens are wrong. They've been made before and it didn't happen before.

So, I just, you know, let me go through a couple things, what we've learned today. There was a proposed slot exchange that would have significant impact on Washington National in terms of larger airplanes, advertised by press release. And there were several opportunities to make comment by all interested parties on that slot exchange. The Metropolitan Washington Airports Authority chose not to say anything. Strange, if in fact they're at capacity, have no bathrooms, and garages, and all, you know. So, deciding on that big issue, we'll be silent, totally uncharacteristic from what we see today.

Number two, asking carriers to use larger airplanes, make more efficient use of slots and use larger airplanes at DCA. Is that in keeping with what we're hearing and the reasons to block the FAA bill, because you can't accommodate more passengers?

Number three, unused slots—Mr. Sammartino pointed out—I believe there are 12 slots an hour for general aviation, I think it's somewhere in that neighborhood, is that right?

Mr. SAMMARTINO. There are 12 authorized slots per hour for general aviation, but actual usage, is only two.

Senator DORGAN. Right. So you have 12 authorized slots per hour for general aviation and let's say two are used, slightly less, slightly fewer than two, so you have 10 slots an hour that are authorized and not used, just in terms of capacity. Then, in addition, you would have planned and should have built for an understanding that 25 percent of your flights will be smaller commuter airplanes. If you say you pay close attention to us, to what Congress says is your charge, then you would have created an airport that believed that 75 percent of your flights would be with larger jet carriers. And yet, only 40 percent of your flights are with the larger jets.

My point is, look at all these things, there's nothing here that adds up. I'm sorry. I know you make the best case you can, as does my colleague, but it simply doesn't add up. And if I—if this were a case where, look, we're having a debate and you're equal to the task—I listened to Senator Rockefeller and you, you know what, it's a standoff. If that were what I felt, I'd say, "You know what, you've got a pretty decent case, we better look at this." My point is, I don't think you have a case at all. And I would just read the GAO thing and just stop and say, "You know what, you've been wrong and are wrong."

But, having said all that, I want to ask you one additional question and then we'll move on to the end of the hearing. I do want to ask the question, and I only ask this because it is not about capacity, it's because there has been representations about how you're having some financial issues and worried about bond markets and so on. My understanding is that you lost \$51 million in interest rate swaps. I'd like to understand how the Metropolitan Washington Airports Authority would have lost \$51 million in interest rate swaps.

Mr. Snelling?

Ms. HAMPTON. The question was asked, "Did we deal in credit default swaps?" And the answer to that is no, we did not deal in credit default swaps. The Airports Authority established a risk management program about 7 or 8 years ago to manage exposure to variable interest rates. We currently have interest rate swap agreements. We had some swaps with Lehman Brothers. When Lehman Brothers went bankrupt, it was necessary for us to unwind those swaps and we chose to do that as quickly as possible to get out of the bankruptcy litigation and any unknowns. The Airports Authority, in our risk management program, had always set aside funds to manage the risk. We actually made special trips to New York with our Board to educate our Board on both the risk and the advantage of interest rate swaps.

In this economy things happened. The \$15 million was related to the bankruptcy of Lehman Brothers, the \$35 million was a decision

that we made to unwind swaps that were insured by Ambac, and at that time we unwound those swaps and paid the \$35 million. In both cases we took variable rate debt and changed that variable rate debt into fixed rate debt. And I am knowledgeable about this because, in my previous life at the Airports Authority, I was the CFO.

Senator DORGAN. I'll just let that sit as testimony. It raises other interesting issues that I'm interested in, but I think the hearing has gone on long enough. I'll just let that lay there in terms of a response to my question.

I want to end the hearing by saying this: I think it is the case that if you were betting, you'd probably bet that this FAA reauthorization bill will continue to be blocked and this year will end, and we're nearly at a point now where there's barely enough time to finish it even if we had an accord.

My colleague—to my colleague from Virginia, I would say that this issue is the issue. It is not going to be FedEx and UPS as an issue that holds it up, it's not going to be several other issues. I think most of those are resolvable and we understand how they're resolvable. This is the issue that will likely hold it up if it's held up.

And if that's the case, we will be—the Congress will be, I should say, perhaps next May, July, September, whenever it gets organized finally and tries to figure out, alright, how do we start over, how do we begin moving on this, and we will as a country fall far behind on the issues of NextGen and air traffic control modernization. And it's a shame, because this country deserves better than that, deserves better stewardship, better management, it just deserves better from all of us. You represent your interest and that's fine. We calculate that interest against the interest of the country, all other airports against the interest of needing to keep an opportunity for aviation to work and to operate in this country and to modernize. It will be a profound disappointment, to me certainly, and not just me I hope, if at the end of the year we have not done what our country should expect us to do, all because we have decided that this carefully constructed balance and the scales that exist between the three airports in this region, especially between Dulles and National, could be injured by taking 16 flights that now exist and converting them, in terms of the number of miles they fly.

Again, I think at this hearing you have demonstrated a profound misunderstanding of the importance of the issue and also represented to us a series of things that just don't add up in terms of your behavior, your silence on much larger changes to aircraft coming in and out of National, with the slots—the slot proposal and other things.

But having said all that, I can't change your testimony or your views. If those are your views and they're your views going forward, so be it. I do think that this hearing also suggests some other issues for Senator Rockefeller and the full Committee and that is, we created the Metropolitan Washington Airports Authority. We didn't create it with a credo of yesterday forever. Yesterday forever is not going to exist, some people behave that way, but that's not going to be the case. And I think the question of the Met-

ropolitan Washington Airports Authority, who it's accountable to, how it should be accountable, whether it makes sense to maintain National as the third highest airport in the country for rates, and try to prevent competition and prevent choices, whether that makes sense. And if that's the way it is managed, should there be some accountability to the Congress, to this committee, should there be perhaps some modernization of the Metropolitan Washington Airports Authority to evaluate how do you create an authority that has competition as a high order in addition to maintaining sterling airports.

The one thing that would unite all three of us remaining at the dais, is I think all of us, who fly out of both airports, and all of us would want this capital city, our Nation's capital to have airports that we can be enormously proud of. We want these to be the best airports in the world, no question about that. But, that's not going to happen, it simply will not happen if we decide we're going to delay for another year and another year, the essential things that are necessary in the FAA reauthorization bill, and I'm afraid that's the position that the Metropolitan Washington Airports Authority is taking and is going to result in.

I say to my colleague from Virginia, as I said before, I appreciate your tenacity. We profoundly disagree. I thank the witnesses. This is probably somewhere between a migraine headache and a root canal for you, but you know what, we have—the Congress has a right and a duty to ask very tough questions. We've asked those questions and have gotten very unsatisfactory answers, at least for me, and I hope that in the weeks ahead, perhaps we can find ways to reach agreement, at least on the essentials, dealing with this issue.

Senator Rockefeller, do you have anything more?

If not, this hearing is adjourned.

[Whereupon, at 4:20 p.m., the hearing was adjourned.]

A P P E N D I X

PREPARED JOINT STATEMENT OF U.S. SENATORS BENJAMIN L. CARDIN
AND BARBARA A. MIKULSKI OF MARYLAND

Thank you Chairman Dorgan for the opportunity to share our views on an issue that is of great importance to our region.

In 1987, Congress created the Metropolitan Washington Airports Authority (MWAA) to run Reagan National and Washington Dulles International Airports. The creation of MWAA represented a commitment from Congress to the residents of the DC Metropolitan area on the safe operation of Reagan National Airport when it transferred authority over to MWAA.

Those commitments were codified by Congress in the perimeter and slot rules.

The system of operation that emerged from the 1987 agreement has worked well for the region's three major airports. Over the last 20 years significant investments in the region's airports have led to marked improvements in efficiency, safety and quality of service at Thurgood Marshall-Baltimore Washington International Airport in Anne Arundel County, Maryland; Dulles International Airport in Loudoun County, Virginia; and Reagan National Airport in Arlington, Virginia. These across the board investments have helped the region's airports successfully meet the growing demands of the traveling public that come to Baltimore-Washington area.

The 1987 agreement was reached through a collaborative process that involved input from local and regional stakeholders. Doing so helped ensure a successful long-term growth and management plan for the region's commercial airports.

If changes to current airport operations and service in the region are needed, a similar process to the one that was followed in 1987 should be used. Engaging the region's aviation, transportation, economic development and planning experts is both courteous and smart to ensure that the best outcome is reached.

After all, these are decisions that have a tremendous affect on our region's economy and quality of life.

Many of the recent legislative proposals to change the National Airport slots and perimeter rules in the current FAA authorization bill would significantly alter the 1987 agreement.

These changes to the rules dictating operations at National could degrade service at all three of the region's airports. Furthermore, neither the region's transportation planning nor aviation authorities were consulted on any of the slots or perimeter rule alteration proposals.

The Metropolitan Washington Airports Authority has stated that additional flights at DCA would "put a greater strain on Reagan National's facilities designed and improved to be a short-medium haul airport with limited parking, ticket counters, gates, luggage processing capability and security screening facilities." MWAA estimates that the proposals being considered would "add 1,674 to 2,426 departing passengers per day, an increase of 6.3 to 9.2 percent above the 26,444 daily passengers who now depart from Reagan National."

Allowing more flights in and out of National Airport impacts the safety of the airport's small tarmac and runway capacity. The airport has one runway that is used by commercial aircraft for take-offs and landings and only has 45 gates to accommodate arriving flights.

Unlike many airports that are deliberately located away from population centers because of jet noise and air pollution, National Airport is located in the heart of the Greater Washington Area's urban center. The noise and emissions from the jets landing and taking off from National Airport directly impacts the quality of life for residents in Prince George's and Montgomery Counties in Maryland, the District of Columbia, and Fairfax and Arlington Counties of Virginia.

Consistent service at National Airport lends itself to the steady growth at the region's major hub airports which has been at the heart of the regions' business communities' economic development plans.

Companies like Northrup-Grumman, L3, General Dynamics Inc., IBM, Deloitte and other major employers in the Baltimore Washington area strategically located themselves around BWI Airport.

Several major companies have similarly located along the Dulles corridor in Loudoun and Fairfax Counties.

The steady growth in service at the region's large international airports helped create an attractive business climate for these major companies to locate around. This would not have been possible without Congress's agreement to maintain the status quo of service at National Airport that in turn made Dulles and BWI the region's growth airports.

While it is unclear how carriers would implement the new available flights, based on existing service and prior historical evidence of the impacts of increased slots at DCA allowing flights to be converted from within perimeter to beyond the perimeter would have a direct impact on the west coast service offered out of BWI Marshall. Under any scenario, service reductions at BWI Marshall as a result of the slots proposals will reduce the value and return on recent infrastructure investments made by the airport. The State has invested more than \$1.5 billion in the Airport during the past 10 years and plans to invest more than \$684 million during the next 6 years.

We remind colleagues that eliminating or changing the perimeter rule, or adjusting the slots rules at National Airport will result in tremendous economic pressure to abandon or reduce service to cities *inside* the perimeter for higher revenue, long-haul flights *outside* of the perimeter.

Cities such as Atlanta, Charlotte, Philadelphia, Cincinnati, Cleveland, Newark, Memphis, Tampa, Minneapolis, Miami, Boston and Detroit, which are all currently within the perimeter, could lose their service or have it reduced if the perimeter rule is eliminated or altered.

We welcome a collaborative and open process should changes to our region's airport operations be necessary. We ask that colleagues respect the need to work with us and local transportation, aviation, and planning experts when changes are sought.

PREPARED STATEMENT OF HON. JIM WEBB, U.S. SENATOR FROM VIRGINIA

Mr. Chairman, thank you for the opportunity to submit a statement for the record concerning the Metropolitan Washington Airports Authority and its operations in the National Capital Region. As you know, the Airports Authority employs about 1,400 staff to oversee two major airports—Washington Dulles International Airport (IAD) and Washington-Reagan National Airport (DCA)—while maintaining an efficient airspace in coordination with Thurgood Marshall Baltimore-Washington International Airport (BWI).

The Authority has a stellar track record of handling that responsibility since its establishment 23 years ago. Congress in 1987 established the Authority as a professional organization to operate the airports efficiently, making a commitment to the surrounding communities regarding aircraft noise and traffic. That commitment was codified by Congress in the so-called perimeter and slot rules. Changes to these rules threaten to seriously degrade service to Reagan National, Dulles International, and Baltimore-Washington International airports, and break the commitment Congress made to local communities.

Most importantly, the massive infrastructure and business investments that have been made in recent years at Reagan National and Dulles International Airports were predicated on the carefully balanced slot and perimeter rules. Those rules govern the number and type of flights at each airport, and the regional business model depends heavily on that fragile balance. Because Dulles is better situated to handle the demands of long-haul flying, Congress wisely established the perimeter rule to move long-haul traffic to Dulles where the space exists to handle the necessary parking and infrastructure expansion. The multi-billion dollar Dulles Development program, and the investments in rail service to Dulles, are all predicated upon Congress keeping its word on the perimeter rule. Eliminating or changing the perimeter rule will not only overburden capacity at Reagan National Airport by overwhelming the facilities but would significantly change the infrastructure improvements needed at Dulles International Airport -many of which are already under construction. Sizable business interests have located their operations in Fairfax and Loudoun Counties based on their proximity to Dulles and on assumptions about the stability of the slot and perimeter rules.

Similarly, the Airports Authority rebuilt much of Reagan National Airport about 10 years ago, transforming it into one of the most efficient airports in the Nation

as the facilities constructed were matched to the number of flights established by law. It did so with the slot and perimeter restrictions in mind. Any increase in the number of flights at Reagan National will overburden critical airport facilities and infrastructure, causing serious disruptions. New or converted flights will create more demand for parking where none is available, as well as congested ticket counters, gates, and local roadways. This situation is only exacerbated by the addition of new Advanced Imaging Technology (ATI) security scanners being deployed at the Reagan National.

We have seen examples of service in other congested airspaces where reasonable slots restrictions have controlled or reduced growing delays in flight times. Any potential Congressional action only serves to further break the bond that was created with the neighbors of the airports, and threatens to destroy the business model that has enabled such significant development in the Dulles Corridor.

In sum, the Airports Authority has a proven track record of managing the operations of these airports safely, professionally, and efficiently. Furthermore, the slot and perimeter rules established by Congress have been critical in fostering long-term business and infrastructure investment in the region. I would like to reiterate my commitment to this important issue, and to commend my Virginia counterpart, Sen. Warner, for his many efforts.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN D. ROCKEFELLER IV
TO HON. SUSAN L. KURLAND

Question 1. MWAA has stated there are 135 flights currently operated from National Airport in “air carrier” slots by aircraft classified as “commuters”—that is, smaller aircraft having 76 seats or less. If these 135 “air carrier” slots were upgauged and fully utilized, what would be the resulting increase in passengers at National?

Answer. Large air carrier aircraft in use at DCA, those with more than 76 passenger seats, average 120 seats per flight. The number of smaller aircraft using air carrier slots varies, as does the equipment used. Recent schedule data indicate an average of 60 seats per operation on those smaller aircraft. Based on the 135 flights indicated by MWAA, upgauging and utilizing the slots at the larger air carrier aircraft average could result in about 16,000 additional daily passengers.

Question 2. How does the noise footprint of 737s that operate beyond perimeter compare to regional jets, MD-90s, Dash-8s, 717s, and 757s that operate within perimeter?

Answer. The fleet mix operating beyond the perimeter includes 737s, A319s, and A320s. As a result of technological advances, newer generations of these aircraft have reduced noise impacts. The primary Boeing 737 variant operating beyond the perimeter is the 737-800. While the noise footprint of the 737-800 is greater than the noise footprint for nearly any type of aircraft operating from within the perimeter, both the A319s and the A320s have a smaller footprint than several of the aircraft now operating from within the perimeter. Accordingly, any consideration of cumulative noise impacts is highly dependent on the specific fleet mix.

Question 3. MWAA cites concerns about the financial impact the slot proposal will have on Dulles Airport. Since the creation of West Coast slots at National in 2000, what are the trends in passenger traffic from Dulles to those markets? Has traffic increased or decreased from Dulles to those markets? Is it fair to say the West Coast market for Dulles has grown since the addition of West Coast slots at National airport?

Answer. Yes, an analysis of passenger traffic from DCA and IAD to western points including Denver, Las Vegas, Los Angeles, Phoenix, Salt Lake City and Seattle from 2000 through 2009 indicates that traffic grew, in terms of passengers that originated at both DCA and IAD, on an annual basis. Between 2000 and 2009 traffic between DCA and western points grew 66 percent. During the same period, Dulles traffic to the same western points grew by 33 percent. Traffic increased substantially for both National and Dulles.

Question 4. Do you believe the addition of West Coast slots at National will increase or decrease combined traffic from National and Dulles to West Coast cities served by those slots?

Answer. Increase. Based on the analysis conducted for the previous question, it is anticipated that additional points on the West Coast served nonstop from National will increase the combined traffic from National and Dulles to the West Coast.

Question 5. Does the slot proposal present a substantial threat to the financial health of Dulles Airport?

Answer. I'm not in a position to respond to this question; the Metropolitan Washington Airports Authority operates Dulles Airport would be in the best position to respond on this issue.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
HON. SUSAN L. KURLAND

Question 1. Ms. Kurland, do you consider the availability of slots as a significant barrier to entry at Reagan National for new entrants?

Answer. New entrants have had a difficult time obtaining entry to Reagan National. A significant portion of the new entry that has occurred is attributable, not to use of the buy-sell rules that are available, but to the award of slot exemptions under mandate from the Congress. Low-cost carriers have complained that access to the slot market has been essentially denied to them by the incumbent carriers at the airport. Low-cost carriers have only a 3.3 percent share of slot interest holdings at DCA.

Question 2. Ms. Kurland, do landing and take-off slots at Reagan National represent a property right for an airline or an operating privilege?

Answer. The High Density Rule, governing slots at Reagan National (14 CFR § 93.223), states:

Slots do not represent a property right but represent an operating privilege subject to absolute FAA control.

Question 3. Ms. Kurland, if the D.C. Circuit rules with US Airways and Delta in its case against the FAA regarding its proposed swap of slots between Reagan National and LaGuardia, and the two airlines are able to exchange slots between the two airports as they initially proposed, do you believe it would increase, decrease, or have no effect on airline competition at Reagan National?

Answer. As we found in the Notice granting, with conditions, the waiver request by US Airways and Delta to proceed with a proposed exchange of slots at Reagan National and LaGuardia Airports, airline competition at Reagan National would be adversely affected by the transaction, due to a combination of increased airport concentration, an increase in the number of monopoly or dominant markets in which increased pricing power could be exercised, and the potential for use of transferred slot interests in an anticompetitive manner. For these reasons, we proposed that the parties divest slots at the airport as a condition for approval of the transaction.

Question 4. Ms. Kurland, on average, do you believe that slot controlled airports have higher ticket prices than non-slot controlled airports? Do you believe that increased concentration of slots ownership at slot controlled airport is associated with higher ticket prices?

Answer. Ticket prices at slot controlled airports vary more directly based on extent of low-cost carrier competition, than on mere status as being slot controlled. In a "Domestic Airline Fares Consumer Report" published by DOT, Reagan National ranked third of 121 city markets for the 3rd quarter of 2009 in fare premium percentage, while LaGuardia was 16th. Newark was 11th, and JFK was 31st, while non slot-controlled Dulles was 9th and non slot-controlled Thurgood Marshall Baltimore-Washington was 99th. Passengers pay more for nonstop service of equivalent distance at DCA than at alternative airports that have more LCC competitive services.

Question 5. Ms. Kurland, do you believe that Reagan National, Dulles, and Baltimore Washington International are part of a single market for air transportation services in the metropolitan Washington DC areas, or does each airport represent largely separate markets? Are your views consistent with the Department of Justice's views?

Answer. The significant price differentials among these three airports indicate that they are not effective economic substitutes for one another in domestic travel. Most travelers do not treat them interchangeably, as they would if the airports were in a single market. In its comments on the proposed slot swap to DOT, the Department of Justice noted as well that the sometimes significant differences in average fares at the airports, the high values attached to the slots, and carrier efforts to protect their slots "show that there is differentiation between LGA and DCA and other area airports."

Question 6. Ms. Kurland, would it provide clarity for the FAA and airlines if Congress weighed in with a statutory change that says something to the effect that if any airlines propose to exchange slots between slot controlled airports, the FAA

shall take the potential impacts of competition in account when evaluating any waiver petition?

Answer. As we explained in the Notice granting, with conditions, the waiver request of US Airways and Delta to proceed with the exchange of slots at Reagan National and LaGuardia airports, the Department of Transportation has the statutory authority to review the competitive aspects of the proposed transaction.

Question 7. Ms. Kurland, as you know, one of the proposals for changing the current perimeter rule and Reagan National include the conversion of 32 slots for flights from large hub airports within the perimeter to Reagan National for an equal amount of slots for flights from Reagan National to cities beyond the perimeter. Proponents of such a slot conversion scheme argue that smaller airports within the perimeter would not be impacted because the slots converted must be for a flight from Reagan National to a large hub within the perimeter. Under the current law, is there anything keeping an airline from backfilling the flight from Reagan National to a large hub it has "converted" with slots for a flight from Reagan National to any size airport it currently flies to?

Answer. Under current law, the Department can only ensure that AIR-21 slot exemptions are utilized for designated communities. Slots are fully fungible, and can be utilized for any destination.

Question 8. Ms. Kurland, the FAA has a use or lose requirement in place to ensure that underutilized slots are reallocated to carriers that will use them efficiently. My understanding is that the rule requires that slots be used 80 percent of the time over a two-month period. Otherwise, the airline has to return the slots to the FAA, for possible reassignment to another carrier. Nationally, has airlines' reduction in capacity over the past few years through cutting back flights led to an increase in slots that have been lost as a result of the use or lose rule?

Answer. There have not been any peak hour slots (7 a.m. to 10 p.m.) lost due to use or lose in the past few years.

Question 9. In the past two decades, has the FAA ever enforced the use or lose rule at Reagan National? If so, on how many separate occasions? And in what years?

Answer. The FAA enforces and monitors the use or lose rule on a regular basis. Carriers report usage for each two-month period and must meet the minimum usage in each bi-monthly cycle. Peak hour slots, those between 7 a.m. and 10 p.m., are rarely lost due to use or lose rules as carriers meet the minimum usage or trade them to other carriers. After 9/11, DCA was initially closed and scheduled traffic returned on a phased basis as new security rules were implemented. The FAA granted a general waiver to the usage rules to recognize those operating constraints. The most recent peak hour slot withdrawn for failing to meet the minimum usage requirements was in 2004. In the early 1990s the FAA increased the minimum usage to 80 percent from 65 percent. The FAA withdrew some slots following that rule change. Some carriers have had slots withdrawn periodically during the off-peak hours of 6 a.m. and 10 p.m. to midnight. However, during these low demand hours, the FAA typically has slots available for allocation.

Question 10. Are there ways for carriers to game the system and keep an underutilized slot out of a competitor's hand? For example the Department of Justice in its comments to the FAA in the proposed swap of slots between DCA and LaGuardia stated ". . . one way to minimize the cost of meeting the 80 percent use or lose requirement is to fly excessive frequencies or small planes . . . another way to hold onto slots without using them productively is referred to as 'babysitting' . . ."

Answer. We believe some carriers at slot controlled airports have adopted approaches that literally comply with the current 80 percent use-or-lose provision, but have allowed underutilization of their slot holdings.

Question 10a. Is there any way for the FAA to ensure that airlines can't game the system at Reagan National with respect to the use or lose rule?

Answer. The Department is in the process of reviewing this issue.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARK WARNER TO
HON. SUSAN L. KURLAND

Question 1. What factors are considered when making decisions about slot allocations under standard procedures? Is the promotion of competition a factor that is considered?

Answer. Slots were originally allocated on the basis of existing carrier service at DCA. In order to reallocate slots that have become available for redistribution, the FAA conducts a random lottery. These slots are first made available to new entrant

and limited incumbent carriers, then to larger carriers only on a temporary basis until the next lottery. See 14 CFR § 93.225 for these procedures. The last slot lottery at DCA was held in 2003. For the allocation of slot exemptions under AIR-21 authority, Congress has provided specific criteria for selections. For beyond-perimeter exemptions, increasing competition by new entrant carriers or in multiple markets is one of four selection criteria. For within-perimeter exemptions, status as a new entrant or limited incumbent carrier is one of five selection criteria, except that it does not apply in the instance of awards involving small hub or nonhub airports. Another criterion, applicable for all within-perimeter selections, is producing "maximum competitive benefits, including low fares." See 49 U.S.C. § 41718.

Question 2. In your opinion, would a slot conversion proposal, allocated proportionate to air carriers' current presence at DCA, promote competition among carriers at DCA or would it allocate a scarce resource disproportionately to carriers who already have a significant presence at DCA?

Answer. Expansion and beyond-perimeter use of slots are matters on which the Department has historically deferred to Congress, given its longstanding interest and considerable experience in these issues. The slot proposals before the Congress are complex in a number of regards, and we believe they are best weighed and addressed by Congress.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
LEE R. KAIR

Question 1. Mr. Kair, as you know airports are installing Advanced Imaging Technology (AIT) for primary screening. My understanding is that it takes longer for these devices to screen passengers than the current technology. Additionally, depending on the layout of the security area at a given airport, the larger footprint of these AIT devices may lead to fewer independent lanes for screening passengers, thus lowering capacity. The combination of these factors may lead to a lower throughput of passengers through the security lines at some airports, possibly leading to longer lines and wait times, especially during busier times of the day. Does DHS expect nominally longer passenger wait times at security lanes when the AIT devices are installed at Reagan National Airport for primary screening during the busier times of the day?

Answer. AIT screening does take slightly longer than walk-through metal detector screening for the average, fully-divested passenger. The difference varies, but is in terms of seconds and not minutes. A concept of operations and protocols have been established to ensure that traffic flow through the checkpoint is not degraded due to installation of Advanced Imaging Technology. The limiting factor in the passenger screening process at the checkpoints is not the time passengers spend transiting either the existing or the new personal screening equipment. Rather it is time spent on examining carry-on baggage and other personal property. For all deployments, the Transportation Security Administration works closely with airports to ensure protocols and equipment do not delay the screening process while enhancing security for the traveling public.

Question 2. Would DHS expect nominally longer passenger wait times at Reagan National security lanes utilizing AIT devices if the number of passengers having to be cleared per hour in any given hour increases by 500 individuals? 1000 individuals? 1500 individuals?

Answer. Not necessarily. Any significant increase in passenger traffic would prompt a review of whether the checkpoint's existing lanes and equipment would meet that new volume on a consistent basis. This analysis is independent of Advanced Imaging Technology. For all deployments, the Transportation Security Administration works closely with airports to ensure adequate floor space, equipment, and staff are available for screening demands.

Question 3. Does DHS model the projected passenger capacity and throughput through security lines? Has DHS modeled these factors for Reagan National Airport under different scenarios for the volume of passengers departing the airport per hour? What is the estimated capacity increase that leads to a bottleneck at the security checkpoint?

Answer. Yes. The Department of Homeland Security utilizes a sophisticated discrete event simulation model to identify checkpoints with capacity constraints. This model incorporates flight schedules provided by the Official Airline Guide and information provided to Federal Security Directors through collaboration with their respective airport stakeholders to determine projected passengers for each checkpoint down to a 5 minute interval. As a generalization, if a checkpoint is at capacity, a

10 percent increase in passenger volume may result in a bottleneck at that checkpoint.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. JOHN D. ROCKEFELLER IV
TO HON. CHARLES DARWIN SNELLING

Question 1. If overall West Coast traffic from National and Dulles grows with the addition of slots at National, and the slot proposal eliminates the current financial firewalls between National and Dulles, wouldn't both airports be in a stronger financial position as a system?

Answer. The elimination of the "financial firewall" between Reagan National and Dulles International, would allow airline rates and charges to be set for the two airports as if they were a single facility. Eliminating the firewall would be useful in enabling the Airports Authority to ensure the cost to the airlines of serving Dulles International is competitive with the cost to the airlines of serving Reagan National. Eliminating the firewall would not make the airports stronger financially, but would permit the Airports Authority to manage cost better to assure Dulles International remains generally competitive and comparable to the costs of operating at Reagan National.

The "financial firewall" is found in part in the Transfer Act (49 U.S.C., § 49101 et seq.), which authorized the lease of the two Airports. It would need to be amended to allow the Airports Authority to blend the rates. If this were done, the airports would be in a better financial position as a system.

Question 2. Given that Congress has already modified the perimeter in two previous FAA reauthorization bills, do you believe it is appropriate to expect additional modifications in the future, and manage Dulles finances accordingly?

Answer. To the extent that Congress determines to authorize additional within- or beyond-perimeter flights at Reagan National, we will do our best to manage the airport's facilities and the Authority's finances to accommodate the new flights to the maximum degree possible, taking into account the airport's very limited physical capacity, with one air carrier runway and constrained landside facilities. We cannot, however guarantee that sufficient modifications can be made to avoid congestion and delays in services in the future. In the event of additional slots, managing Dulles' finances would benefit from the elimination of the financial firewall.

Question 3. MWWA has stated there are 135 flights currently operated from Reagan National Airport in "air carrier" slots by aircraft classified as "commuters"—that is, smaller aircraft having 76 seats or less. If these 135 "air carrier" slots were up-gauged and fully utilized, what would be the resulting increase in passengers at Reagan National?

Answer. There are approximately 135 daily departures from Reagan National operated by airlines using "air carrier" slots to operate smaller "commuter" aircraft. These departures are tied to the same number of arrival flights, with the result that there are today approximately 270 "air carrier" slots at Reagan National that are operating using "commuter" aircraft.

We estimate 16,600 additional daily passengers (or 6 million daily passengers per year) could result from airlines utilizing 100 percent of their current air carrier slots with up-gauged aircraft.

This amount was calculated by:

- Determining an average number of seats for aircraft currently operated at Reagan National: 56.51 seats for commuter aircraft and 133.56 seats for air carrier aircraft;
- Calculating the difference in those average numbers of seats (133.56 – 56.51 = +76.85 seats);
- Multiplying the difference by 270 slots (76.85 x 270) to arrive at the number of new seats per day (20,750 new seats);
- Multiplying this number of new seats by 80 percent, the average percentage of seats filled per flight at Reagan National (20,750 x .80) to arrive at the number of new or additional passengers per day (16,600 passengers);
- Multiplying this number of new passengers per day by 365 days to arrive at the number of additional passengers per year ((6 million passengers);

An additional 6 million passengers would represent a 34 percent increase in the present volume of annual passengers at Reagan National (17.6 million passengers for the September 2009–August 2010 period). An annual passenger level of 23.6 million passengers would be a 26 percent increase compared to the largest number of passengers ever served in a year at Reagan National (18.7 million in 2007).

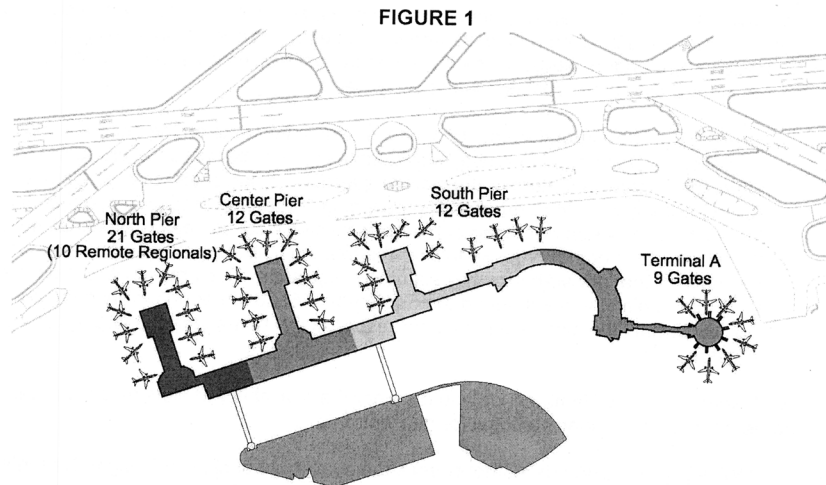
RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
HON. CHARLES DARWIN SNELLING

Question 1. Mr. Snelling and Ms. Hampton, as you know last year US Airways requested an FAA waiver to trade some of the takeoff and landing slots they control at LaGuardia airport for some of the takeoff and landings slots Delta controls at Reagan National airport. Included in the joint comments by the two airlines to the FAA in its request for a waiver is the following: "US Airways will make more efficient use of the DCA slots than Delta by upgauging aircraft. Specifically, U.S. Airways—words redacted—larger jets, which will increase U.S. Airways' two-class service significantly and expand capacity at DCA overall. The projected effect is to increase total capacity at DCA by approximately 2.5 million annual roundtrip seats."

In 2009, there were roughly seventeen and a half million passenger traveling through Reagan National. Assume the swap goes forward either through a court decision or some negotiated settlement between the FAA and the two airlines. And assume the actual increase in passengers turns out to be a significant fraction of the projected increase in capacity in annual roundtrip seats.

Broadly speaking, how would the increase impact terminal-side facilities such as security lines, ticket counters, baggage handling, gates, parking, and so on at the airport? Where would you expect there be operational bottlenecks? What actions would the MWAA then take to relieve these bottlenecks?

Answer. Terminal Facilities: Reagan National operates as four separate, independent terminal zones. As a consequence, impacts felt as a result of increased passenger activity in one zone cannot quickly and easily be mitigated by using available capacity from another. Figure 1 indicates the different terminal zones.



Terminal Facilities: Operational bottlenecks and unacceptably long queues would be anticipated at the North Pier and Center Pier security screening checkpoints. We would expect operational bottlenecks to occur as a result of increased queues in the North Pier and Center Pier ticketing areas resulting from the increased activity in the US Airways operation. Finally, we anticipate that the baggage makeup function supporting US Airways would experience significant congestion as activity increases.

Terminal Curbside and Roadway: Terminal curbside, where loading and off loading of passengers takes place, would not be adversely impacted by an increase in passenger activity. However, we would anticipate considerable bottlenecks at various intersections on the roadway system leading into the terminal area. This in turn would have the effect of potentially backing up the entire airport roadway system during peak periods.

Question 1a. What actions would the Airports Authority then take to relieve these bottlenecks?

Answer. In the terminal area, there is little room for future expansion of the North and Center piers. The Airports Authority would need to pursue a major redevelopment and expansion of the Terminal A zone (see Figure 1 above). Initial im-

provements at critical roadway intersections would have to be constructed to mitigate the initial impacts of additional traffic; however, these initial improvements would probably not address the long-term impacts to the roadway system. We would anticipate that the redevelopment and expansion of Terminal A, coupled with the increase in vehicular traffic, would ultimately necessitate a major reconfiguration of the airport roadway. The redevelopment of the terminal area and roadway would be a five to 7 year effort.

Question 2. Did the MWA file comments at the FAA in FAA Docket Number FAA-2010-0109? If not, why not? Based on all the concerns I have heard raised by the Authority over the years regarding terminal side capacity constraints with respect to increasing the number of beyond the perimeter slots by even a modest amount, it seems that such a potentially significant increase in passengers would cause the Authority to file comments with the FAA expressing its views regarding the proposed petition for a waiver.

Answer. The Airports Authority did not submit comments on the slot exchange proposed by Delta and US Airways at Reagan National because the proposal did not affect the number or nature of the slots in question. It has been the practice of the Airports Authority not to participate in proceedings regarding proposed commercial transactions between or among airlines that involve slots at Reagan National, so long as the transactions do not propose to alter the total number or nature of the slots or slot exemptions that are authorized by statute or regulation. This practice was reflected in Ms. Hampton's statement during the September 16, 2010 hearing (transcript, pp. 51-52), "Mr. Chairman, we have taken it as our responsibility to manage the airports to the statutes. . . ."

Question 3. Mr. Snelling and Ms. Hampton, do you consider the availability of slots as a significant barrier to entry at Reagan National for new entrants?

Answer. The Airports Authority sees the availability of slots at Reagan National as part of legislation enacted by the Congress to guide the Authority's management of National and Dulles International. We have acted in good faith to follow the roadmap that Congress laid out in the Transfer Act: *i.e.*, to construct needed improvements at both Airports; plan and construct facilities at National based on 48 air carrier and commuter slots per hour and the 1,250 mile perimeter rule; and plan and construct facilities at Dulles International to accommodate most of the region's future growth.

In the past twenty years, the Federal Aviation Administration has held slot proceedings to distribute slots as directed by Congress. The Airports Authority has accommodated many new entrant carriers at Reagan National, including AirTran, Alaska, Frontier, Spirit and JetBlue which will begin service at the airport on November 1, 2010.

The slots remain the creation of Federal regulations, not any action of the Airports Authority. The Department of Transportation and its Federal Aviation Administration control what carriers may hold and use the slots, thereby controlling access by new entrants.

Question 4. Mr. Snelling and Ms. Hampton do landing and takeoff slots at Reagan National represent a property right for an airline or an operating privilege?

Answer. This is a question that is open to considerable debate among, and is answered differently by, many players in the aviation industry. In our view, slots share characteristics of both a property interest and a governmental privilege or license. Under Department of Transportation regulations, they may be traded between carriers, bought, sold, leased and even held by non-carriers. That regulation provides, however, that the slots do not create a property interest.

Question 5. Mr. Snelling and Ms. Hampton, if the D.C. Circuit rules with US Airways and Delta in its case against the FAA regarding its proposed swap of slots between Reagan National and LaGuardia, and the two airlines are able to exchange slots between the two airports as they initially proposed, do you believe it would increase, decrease, or have no effect on airline competition at Reagan National? Do you believe it would, increase, decrease, or have no effect on ticket prices at Reagan National for routes now served by only one airline?

Answer. Should the D.C. Circuit rule that US Airways and Delta may exchange slots at Reagan National as originally proposed, US Airways would become the largest carrier at Reagan National and Delta would have a decrease in activity. The Airports Authority considers the fares airlines charge at Reagan National, as with any airport, a commercial decision to be made by each carrier and thus takes no opinion on this matter.

Question 6. Mr. Snelling and Ms. Hampton, on average, do you believe that slot controlled airports have higher ticket prices than non-slot controlled airports? Do

you believe that increased concentration of slots ownership at slot controlled airport is associated with higher ticket prices?

Answer. The United States Department of Transportation's (USDOT) Office of Aviation Analysis monitors and reports air fares and is best able to accurately track and report this information comparing airports nationwide. Based on the fundamentals of supply and demand, air fares at significantly slot-controlled airports should be expected to be higher than at otherwise comparable non-slot-controlled airports. Increased ownership or control of slots at a slot-controlled airport, in our opinion, will likely result in higher fares than fares at comparable non-slot-controlled airports. As a practical matter, the existence of slot controls at an airport means that there is more demand, at least at certain hours, than the airport can handle without serious delays. That in turn means there is more demand for services than the airport can provide. In economic theory, this results in higher prices.

Question 7. Mr. Snelling and Ms. Hampton, do you believe that Reagan National, Dulles International, and Baltimore Washington International are part of a single market for air transportation services in the metropolitan Washington DC areas, or does each airport represent largely separate markets? Are your views consistent with the Department of Justice's views?

Answer. Reagan National, Dulles International and BWI-Marshall can be seen both as serving separate air service markets and as part of a larger single air service market. The airports serve as separate markets for those travelers who are mostly interested in traveling from an airport close to their home or business (within 30 to 60 minutes drive). This is especially true for business travelers who are less price-sensitive and highly time-conscious. At the same time, the three Washington region airports may be viewed as serving a single market consisting of travelers originating from outside the Washington region, as well as travelers for whom fare is the most important factor in selecting a flight and airport. When air fare represents such a factor, travelers will travel beyond their closest airport to obtain the lowest fare.

The only time (of which we are aware) that the U.S. Department of Justice (DOJ) addressed the issue of the market served by the Washington region's three airports was in comments related to the US Airways and Delta "slot swap." Based on our reading of those comments, DOJ's position is that, for some air passengers, airports within the region are substitutes for each other and, for other passengers, they are not. This suggests that DOJ defines the Washington market not by geography, but more narrowly by fare classes and passengers' willingness to pay. The Airports Authority believes it is generally more realistic to view the Washington region as one market that is served by the region's three airports, with the market's air traveler participants free to choose which airport they prefer based on a variety of factors, including closeness to home or work, convenience of flight schedules and size of fares. For this reason, we believe that increases in the availability or prices of flights at Reagan National may affect passenger choice to fly from Dulles International or BWI-Marshall.

Question 8. Mr. Snelling and Ms. Hampton, as you know, one of the proposals for changing the current perimeter rule and Reagan National include the conversion of 32 slots for flights from large hub airports within the perimeter to Reagan National for an equal amount of slots for flights from Reagan National to cities beyond the perimeter. How would such a proposal, if enacted into law, impact any current contracts with airlines operating out of Dulles? For example, would it make any contracts null and void? Would it allow for an airline operating out of Dulles to renegotiate with the MWA price, terms, and conditions?

Answer. With certain exceptions, airlines operating at Reagan National and Dulles International are signatories to a facilities use and premises lease agreement with the Airports Authority that provides access to both airports. That agreement, again with certain exceptions, generally does not permit a signatory airline operating at Dulles International to terminate the agreement, or obtain a modification to the agreement's terms and conditions, based upon an enlargement of the number of slots or slot exemptions authorized at Reagan National.

Question 9. Proponents of such a slot conversion scheme argue that smaller airports within the perimeter would not be impacted because the slots converted must be for a flight from Reagan National to a large hub within the perimeter. Under the current law, is there anything keeping an airline from backfilling the flight from Reagan National to a large hub it has "converted" with slots for a flight from Reagan National to any size airport it currently flies to?

Answer. All slots awarded to carriers, through previous FAA reauthorization bills (AIR-21 or VISION 100), are actually considered "exemptions" to the High Density Rule and are restricted to specific routes awarded by DOT. These exemptions may

not be used to serve other routes without going through a DOT reallocation proceeding.

Currently, airlines are not restricted on how they may use their traditional slots and may serve any market within the perimeter and change them at will. In the proposed language, it would appear airlines would not be precluded from “back-filling” a large hub inside-perimeter market flight, used to “convert” to a beyond-perimeter flight, with their slots currently used to serve a small inside-perimeter market flight. We believe this could put small and medium-sized market air service at risk.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARK WARNER TO
HON. CHARLES DARWIN SNELLING

Question 1. Is there a direct financial incentive for MWAA to limit flights at DCA? It is my understanding that MWAA receives revenues from collecting Passenger Facility Charges (PFCs), concessions, landing fees, etc. Does MWAA receive any revenue from airfare itself?

Answer. There is no direct financial incentive to the Airports Authority to limit flights at Reagan National, if one considers Reagan National taken by itself as a standalone airport. However, to fully answer this question, both Reagan National and Dulles International must be considered. If we assume that the infrastructure would permit unlimited flights to Reagan National, the Airports Authority would benefit financially at Reagan National, although there would also be additional expenses, both capital and operating. As correctly observed, there would be additional revenue from Passenger Facility Charges and concessions (parking, rental cars, food and beverage, etc.) We believe a negative financial impact would accrue to Dulles International. The demand for flights at Reagan National is great, and could potentially draw existing flights and routes from Dulles International. Those routes and flights at Dulles International may not be replaced in the near term, as the demand may not support it, and the cost structure is currently higher at Dulles International, making it more difficult for airlines to charge market fares that may be feasible. As airlines pay costs for operations of the airfield and terminal facilities used, that scenario would leave fixed costs in place at Dulles International, which would need to be absorbed by fewer flights. The financial impact to the Airports Authority would likely be negative at Dulles International, and would result from fewer Passenger Facility Charges collected at Dulles International, and less concession revenue.

Question 2. If fares are higher at DCA than at other area airports, who receives that windfall—MWAA or the air carriers?

Answer. The Airlines would receive the benefit of higher fares. Airlines pay actual costs for airfield operations, and terminal space used by the airline. Under our Airport Use and Premises Lease Agreement with the airlines, this cost to the airlines is also mitigated by sharing net remaining revenue, which is generated by non-airline revenues such as concessions (parking, rental cars, food and beverage, etc.). Airlines set the fares for flights into and out of Reagan National based upon market rates. The benefit of any market rate fares set by the airlines, in excess of net costs paid to the airports, accrues to the airlines.

Question 3. The Commerce Committee has proposed to add 16 round trip slot conversions beyond the perimeter and 5 round trip flights for new entrants/limited incumbents. That’s a total of 42 new slots for beyond perimeter from Reagan National Airport. Clearly, having 42 new, round-trip flights to the West Coast from Reagan National Airport, instead of Dulles Airport, will significantly impact traffic loads at Dulles. Are you aware of any official studies that state 16+5 is the “tipping point” in the balance between National and Dulles?

Answer. We are unaware of any official studies stating 42 new beyond perimeter slots (16 slot pair conversions and 5 new entrant/limited incumbent slot pairs) are the “tipping point” in the balance between Reagan National and Dulles International. However, as Ms. Hampton stated, our analysis indicates that, should 42 beyond perimeter slots be added at Reagan National, Dulles International could lose 700,000 passengers a year and BWI-Marshall could lose 500,000 passengers per year.

Question 4. We clearly aren’t going to repeal this law once enacted. Are there any remedies that could be taken should traffic loads to Dulles fall significantly because of this decision?

Answer. A significant decrease in traffic loads at Dulles International means that the airlines experiencing a decrease would be required to cover airport fees and

charges with fewer revenue passengers. Moreover, with the upcoming completion of major capital projects at Dulles International, airline fees and charges will, in the next few years, increase as the debt service associated with those projects is loaded into the calculation of airport fees and charges. Our concern is that, for some airlines, this combination of higher fees and charges and lower passenger levels would raise the “tipping point” question—*i.e.*, whether their continued operations at Dulles International remains economically viable. To avoid any airline from concluding that this point has been reached, the Airports Authority would, as it has over the past few years, work to reduce airport costs, and to find non-airline revenue and funds to cover those costs, to the maximum degree feasible. However, there is only so much the Airports Authority can do in these areas. A further step, which would require authorization from Congress, would be for the Airports Authority to transfer any operating costs from Dulles International to Reagan National where they could be included in the calculation of the fees and charges assessed airlines operating at that airport.

Question 5. What are the potential impacts on your airport at Dulles?

Answer. In a report prepared for the Airports Authority by Oliver Wyman, it is stated that the proposed increase in beyond-perimeter flights at Reagan National will equal over 50 percent of the current beyond-perimeter flights at Dulles International, and equal to the current beyond-perimeter flights at BWI-Marshall. This report further explains that there may be a 700,000 potential passenger reduction at Dulles International with the following possible outcomes:

- Existing Dulles International airlines serving beyond-perimeter destinations could reduce fares and increase flights to maintain market share; however this is considered unlikely in today’s environment due to almost certain loss of profitability.
- Existing Dulles International hub airline (United) could “back-fill” enough of the lost Washington-originating passengers to some destinations with passengers connecting at Dulles International from other airports, resulting in minimal Dulles International flight elimination.
- Because of the increase in cost per passenger, United and non-hub airlines (*e.g.*, American, Virgin America, and Delta) could determine it is not profitable to continue long-haul flights in some markets and eliminate the Dulles International flights to maintain/increase profitability, resulting in greater Dulles International flight elimination.
- Loss in any Dulles International flights could lead to proportional increases in airport costs (landing fees, rents, etc.) for remaining flights, potentially resulting in further flight reductions by airlines that cannot absorb/pass-on the cost increases, *e.g.*, Low Cost Carriers. If long-haul flights to Reagan National displace short-haul flights to the Washington area, Dulles International could benefit by increasing its share of short-haul flights. This would be an unusual use of the resources of four long runways at Dulles International and one short-air carrier runway at Reagan National.

RESPONSE TO WRITTEN QUESTION SUBMITTED BY HON. JOHN D. ROCKEFELLER IV
TO MICHAEL J. SAMMARTINO

Question. How does the noise footprint of 737s that operate beyond perimeter compare to regional jets, MD-90s, Dash-8s, 717s, and 757s that operate within perimeter?

Answer. The fleet mix operating beyond the perimeter includes 737s, A319s, and A320s. As a result of technological advances, newer generations of these aircraft have reduced noise impacts. The primary Boeing 737 variant operating beyond the perimeter is the 737-800. The noise footprint of the 737-800 is greater than the noise footprint for nearly any type of aircraft operating from within the perimeter. However, both the A319s and the A320s have a smaller footprint than several of the aircraft operating from within the perimeter. Accordingly, any consideration of cumulative noise impacts is highly dependent on the specific fleet mix.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. MARIA CANTWELL TO
MICHAEL J. SAMMARTINO

Question 1. Mr. Sammartino, at Reagan National Airport, is there a significant difference in the level of airside resources required to conduct a takeoff or landing operation for air carrier, air taxi, and general aviation (and other) flights?

Answer. There are not significant differences unless an aircraft requires additional separation or special handling.

Fleet mix is one factor in runway throughput as different aircraft types have different separation standards for wake turbulence purposes. Most of the air carrier and commuter (air taxi) aircraft currently used at Reagan National Airport are classified by the FAA as Large aircraft. Boeing 757 aircraft require additional separation and are currently about 3 percent of the flights. Heavy aircraft also require additional separation but do not operate at Reagan National on a regular basis.

Some general aviation, business aviation, and smaller carrier aircraft use the secondary runways when possible, which helps maximize main runway throughput and minimize.

Question 2. Mr. Sammartino, if the current rules regarding slots were not in place, is there a practical limit as to how many combined takeoff and landing operations per hour can be performed at Reagan National due to airside capacity?

Answer. Airport capacity depends on factors such as runway configuration, use of the available runways by operators, taxiways and ground movement areas, aircraft fleet mix, and weather and other operating conditions. Because of the number of variables, there is no single capacity number applicable under all conditions. However, the airport is averaging an available runway throughput of 67 operations per hour. Furthermore, there may be other airport airside conditions (such as gate and ramp availability) that limit capacity below runway capacity, but these limitations are outside of FAA's expertise and control.

Question 3. Mr. Sammartino, the current rules at Reagan National allow for 37 slots for take-offs and or landings per hour by air carriers, 11 slots per hour for commuter flights (air taxis) and 12 slots per hour for general aviation (GA) and other flights. Additionally, Congress exempted a number of slots from the rules, including twenty-two for beyond the perimeter flights.

Answer. It is correct that the current rules at Reagan National allow for thirty-seven slots for take offs and or landing per hour by candidates. However, the slot exemptions created by Congress include twenty-four beyond the perimeter slots.

Question 4. In order for GA flights to resume at Reagan National after 9/11, new security requirements were put in place. A consequence of these stringent requirements is that the number of GA slots used in an entire day at Reagan National is frequently below the number of GA slots available on a per hour basis. What happens to these unused GA slots? For example, can these slots be reallocated to air carrier or commuter flights under any circumstance?

Answer. The allocated slots for GA and other unscheduled operations are unused unless there is demand by that category of operator. The reservations for unscheduled ("Other") operations cannot be reallocated to air carrier or commuter flights under the existing rule.

Question 5. Do you believe that a certain number of GA slots per hour should be reallocated permanently to air carrier and/or commuter flights given the reality of flying a GA plane into Reagan National?

Answer. There is clearly unmet demand for additional scheduled operations at Reagan National. In order to ensure that congestion does not increase at Reagan National, reductions could be made to the 12 hourly reservations set aside for unscheduled operations to offset increases in scheduled operations. However, anticipated demand on the main runway would need to be reviewed as airport runway capacity is based on some flights using the shorter runways. Terminals, gates, and landside capacity would also need to be considered.

Question 6. Can the decision to reallocate GA slots at Reagan National be made through an FAA rule change (through a rulemaking process), or does it require a statutory change?

Answer. The FAA could change the number of slots and the operator categories through rulemaking. The perimeter rule is statutory.

Question 7. Mr. Sammartino, DOJ's comments to the FAA in Docket Number FAA-2010-0109 under "Slot Hoarding" (beginning on page 9) describes ways in which airlines that operate at DCA "have adopted practices designed to meet the FAA's use of lose requirement at minimum cost, keeping slots from falling into the hands of other carriers". The public version states that one way to minimize the cost of meeting the 80 percent use or lose requirement is to fly excessive frequencies or small planes. The comments go on to discuss the practice of "babysitting" of slots. Do you agree with DOJ's comments that airlines operating slots at Reagan National sometimes fly excessively or use small planes in order to comply with the letter of the use or lose rule?

Answer. We believe some carriers at slot-controlled airports have adopted approaches that comply with existing rules without maximizing slot allocations with scheduled flights.

Question 8. Are the practices the DOJ refers to as “babysitting” something the FAA has observed occurring at Reagan National?

Answer. The FAA review of operations at Reagan National has generally focused on whether carriers are operating according to existing rules rather than whether slots are being used to the maximum extent allowed under the rules. Carriers make decisions on how to use their slots based on their business model or other needs.

Question 9. Is there any way for the FAA to know for sure if any gaming of the use or lose rule is taking place at Reagan National?

Answer. The FAA has several data elements to review that are sufficient to determine if carriers are complying with the rules: records of the allocated slots, published flight information, proposed flight plans, actual flight operations, and carrier reported use or lose information.

Question 10. Is there any way for the FAA to ensure that airlines can’t game the system at Reagan National with respect to the use or lose rule?

Answer. The FAA has sufficient means to determine if slots are used in accordance with existing rules.

Question 11. If the use or lose rule was not in effect at Reagan National, would you expect there to be a nominal reduction in flight operations?

Answer. The demand for slots at Reagan National is very high so only a small percentage of slots would likely be unused in the long-term in the absence of a minimum usage requirement. During certain conditions, such as economic downturns in the last several years, airlines have asked the FAA to waive the minimum usage requirements to allow them to temporarily cancel flights. This suggests that carriers sometimes operate flights in order to meet the use or lose requirements when they would prefer to reduce operations.

Question 12. Mr. Sammartino, for calendar 2009, what was the average number of slots-per-hour used at Reagan National Airport by air carriers, air taxi, and general aviation (and others)?

Answer. Actual air carrier weekday operations in 2009 averaged 35 per hour and air taxi operations averaged 13 during the peak hours from 7 a.m. to 10 p.m. General aviation and other unscheduled operators averaged less than one hourly operation. It should be noted that air traffic count for the air carrier and air taxi categories uses a passenger seat count number that differs from the slot rule categories and is based on runway time rather than scheduled time of operation or gate arrival/departure. The operation count includes flight cancellations, other delays or disruptions, and slots that are used less than 100 percent. Total weekday operations in all hours averaged 800: Air carriers: 580; Air Taxi: 210; General Aviation/Other: 10.