

STATEMENT OF ELIZABETH HANFORD DOLE
SECRETARY OF TRANSPORTATION
before the
SUBCOMMITTEE ON AVIATION,
SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
CONCERNING
PROPOSED TRANSFER
OF THE METROPOLITAN WASHINGTON AIRPORTS
TO AN INDEPENDENT AIRPORT AUTHORITY
June 26, 1985

MADAM CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I APPRECIATE THIS OPPORTUNITY TO COME BEFORE THE COMMITTEE TO URGE
PROMPT ENACTMENT OF S.1017, A BILL THAT WILL IMPROVE THE
FACILITIES AND MANAGEMENT OF THE AIRPORTS SERVING THE NATION'S
CAPITAL, WASHINGTON NATIONAL AND WASHINGTON DULLES INTERNATIONAL,
BY TRANSFERRING THEM FROM THE FEDERAL GOVERNMENT TO AN INDEPENDENT
REGIONAL PUBLIC AUTHORITY. WITH ME TODAY IS LINWOOD HOLTON,
FORMER GOVERNOR OF VIRGINIA AND CHAIRMAN OF THE ADVISORY
COMMISSION THAT DEVELOPED THE BASIC PROPOSAL WE ARE DISCUSSING
TODAY, AND JIM WILDING, DIRECTOR OF THE METROPOLITAN WASHINGTON
AIRPORTS, WHICH OPERATES THE TWO AIRPORTS FOR THE FEDERAL AVIATION
ADMINISTRATION.

MY CONCERN OVER PROBLEMS AT THE TWO AIRPORTS LED ME TO THE
CONCLUSION THAT THEY SHOULD NOT CONTINUE TO BE OPERATED BY THE
FEDERAL GOVERNMENT. THEREFORE, IN JUNE OF LAST YEAR I APPOINTED A
COMMISSION MADE UP OF FEDERAL, STATE AND LOCAL OFFICIALS AND
AIRPORT USERS TO DETERMINE HOW A TRANSFER SHOULD BE ACCOMPLISHED.
IT IS IMPORTANT TO UNDERSTAND THAT I DID NOT ASK THE COMMISSION

WHETHER TO TRANSFER THE TWO AIRPORTS, BUT HOW TO DO SO. UNDER LINWOOD HOLTON'S PATIENT AND SKILLFUL CHAIRMANSHIP, A CONSENSUS WAS REACHED.

I BELIEVE THE PROBLEMS WE ARE TRYING TO ADDRESS ARE OBVIOUS TO ALL OF YOU WHO USE THE AIRPORTS. UNDER FEDERAL CONTROL, BUDGETARY CONCERNS HAVE MEANT THAT IMPROVEMENTS TO THE FACILITIES ARE SLOW IN COMING. NATIONAL IS KNOWN FOR ITS GROUND TRAFFIC AND TERMINAL CONGESTION, FOR ITS OUTDATED AND INADEQUATE TERMINAL BUILDINGS, ITS LACK OF PARKING, AND THE LONG WALK TO THE METRO. DULLES IS KNOWN FOR ITS MOBILE LOUNGES, AND MORE RECENTLY FOR FACILITIES STRAINED BY THE RAPID GROWTH IN SERVICE NOW TAKING PLACE. IT IS CONGESTED AT ITS PEAK HOURS, AND IS HARD PRESSED TO KEEP UP WITH PARKING DEMAND.

AT ANY OTHER U.S. AIRPORT, THE ANSWER TO THESE PROBLEMS WOULD BE SIMPLE. ALL OTHER U.S. AIRPORTS CAN FINANCE NECESSARY IMPROVEMENTS WITH THE PROCEEDS OF REVENUE BONDS AND GRANTS FROM THE FAA'S AIRPORT IMPROVEMENT PROGRAM. BUT NATIONAL AND DULLES -- THE ONLY TWO AIR CARRIER AIRPORTS OWNED AND OPERATED BY THE FEDERAL GOVERNMENT -- MUST OBTAIN ALL THEIR FUNDS THROUGH SEPARATE ITEMS IN THE FEDERAL BUDGET.

THESE PRESENT DEFICIENCIES ARE A DIRECT RESULT OF THE ANOMALY OF FEDERAL OWNERSHIP. ALL OTHER U.S. AIR CARRIER AIRPORTS ARE OPERATED BY STATE OR LOCAL PUBLIC AUTHORITIES THAT ARE BEST ABLE TO RESPOND TO LOCAL NEEDS. WASHINGTON DESERVES THE SAME FOR ITS

AIRPORTS: THEY SIMPLY DO NOT GET THE ATTENTION THEY DESERVE FROM FEDERAL OFFICIALS WHOSE RESPONSIBILITIES ARE NECESSARILY NATIONAL IN SCOPE.

THE REASON FOR FEDERAL OWNERSHIP OF THE METROPOLITAN WASHINGTON AIRPORTS IS LARGELY HISTORICAL. NATIONAL WAS BUILT BY THE GOVERNMENT IN 1940 TO REPLACE AN INADEQUATE FACILITY. ALMOST SINCE IT OPENED, THERE HAS BEEN GENERAL AGREEMENT THAT NATIONAL -- AND DULLES AS WELL -- SHOULD NOT BE OPERATED AS A CONVENTIONAL FEDERAL AGENCY. MANY ATTEMPTS HAVE BEEN MADE TO CHANGE ITS STATUS.

BUT NOW FOR THE FIRST TIME THERE IS A CONSENSUS AMONG LOCAL GOVERNMENTS, THE ADMINISTRATION, MANY MEMBERS OF CONGRESS AND THE AIRPORT USERS ABOUT HOW THIS SHOULD BE ACCOMPLISHED. I BELIEVE THAT THE HOLTON COMMISSION PLAN EMBODIED IN S.1017 DESERVES EARLY PASSAGE BY THE CONGRESS, FOR THE BENEFITS OF TRANSFER RUN NOT ONLY TO THE GREATER WASHINGTON COMMUNITY, BUT TO ALL USERS OF THE AIRPORTS, TO YOU AND TO ALL YOUR CONSTITUENTS WHO VISIT THE NATION'S CAPITAL BY AIR. BUT QUITE ASIDE FROM ALL THE BENEFITS, TRANSFER OF THE AIRPORTS TO A REGIONAL AUTHORITY IS SIMPLY GOOD GOVERNMENT.

NOW IS THE TIME TO ACT. THE FOUNDATION HAS BEEN LAID. VIRGINIA HAS ALREADY ENACTED THE NECESSARY ENABLING LEGISLATION, AND THE COUNCIL OF THE DISTRICT OF COLUMBIA HAS COMPLETED HEARINGS ON AN IDENTICAL BILL.

THE GENERAL OUTLINE OF THE HOLTON COMMISSION PLAN IS VERY SIMPLE:

- o TRANSFER TO A NEW AUTHORITY, CREATED BY VIRGINIA AND THE DISTRICT OF COLUMBIA, WITH THE SAME POWERS AND DUTIES AS ANY OTHER U.S. AIRPORT AUTHORITY.
- o THE TRANSFER WOULD BE BY LEASE, TO BE FOLLOWED BY OUTRIGHT TRANSFER OF TITLE. THIS WOULD ENABLE CONGRESS TO EXERCISE OVERSIGHT DURING THE 35-YEAR PERIOD OF THE LEASE.
- o THE AUTHORITY WOULD PAY TO THE GOVERNMENT: A) APPROXIMATELY \$47 MILLION, THE DIFFERENCE IN THE AMOUNTS APPROPRIATED FOR THE TWO AIRPORTS AND THE REVENUES COLLECTED AND B) \$30 TO \$40 MILLION, THE ESTIMATED FUTURE UNFUNDED LIABILITY OF THE EMPLOYEE PENSION PLAN.
- o THE AUTHORITY WOULD BE OBLIGED TO OPERATE BOTH NATIONAL AND DULLES AS PRIMARY AIR CARRIER AIRPORTS.
- o EMPLOYEES OF THE METROPOLITAN WASHINGTON AIRPORTS WOULD BE GUARANTEED THEIR PRESENT JOBS AND PAY LEVELS FOR TWO YEARS, AS WELL AS EQUIVALENT BENEFITS AND RETENTION IN THE FEDERAL PENSION SYSTEM.

BENEFITS OF TRANSFER

AIR COMMERCE IS ESSENTIAL TO THE ECONOMIC WELL-BEING OF ANY METROPOLITAN AREA, AND CHOICES OVER AIRPORT DEVELOPMENT AND GROWTH SHOULD BE MADE, TO THE DEGREE POSSIBLE, BY OFFICIALS INTERESTED IN THE REGION'S DEVELOPMENT. ECONOMIC GROWTH IN THE WASHINGTON AREA HAS BEEN PHENOMENAL IN THE PAST TWO DECADES, AND DULLES AND NATIONAL ARE CRITICAL TO THE REGION'S VITALITY. YET AIRLINE SERVICE HAS NOT KEPT PACE. THE LIMITED CAPACITY OF NATIONAL AND THE MOBILE LOUNGE FACILITIES AT DULLES INHIBITED DEVELOPMENT OF A MODERN AIR CARRIER "HUB AND SPOKE" OPERATION. WITHOUT SUCH FEEDER SERVICE AVAILABLE, DULLES WAS SADLY UNDERUTILIZED. UNTIL ABOUT 1981, THERE WAS ONLY ONE DIRECT FLIGHT FROM DULLES TO CHICAGO, AND NONE RETURNING. UNTIL THIS YEAR, THERE WERE ONLY OCCASIONAL FLIGHTS FROM DULLES TO NEW YORK AND BOSTON.

IN THE PAST FEW YEARS, THE CARRIERS HAVE DECIDED TO PROCEED WITH INCREASED AIR SERVICE AT DULLES EVEN WITHOUT IMPROVED FACILITIES, AND THE TRAVELERS HAVE RESPONDED. NEW YORK AIR AND PAN AMERICAN HAVE RECENTLY ANNOUNCED HUBS AT DULLES. NEW YORK AIR IS ALREADY OPERATING THROUGH TEMPORARY GATES CONSTRUCTED BY THE AIRLINE. THESE DECISIONS UNDERSCORE BOTH THE GROWTH POTENTIAL AT DULLES AND THE NEED FOR NEW FACILITIES. BUT THERE IS A LIMIT TO HOW MANY TEMPORARY STRUCTURES WE CAN PERMIT AT DULLES. THEY ARE NEITHER PARTICULARLY EFFICIENT, NOR ESPECIALLY ATTRACTIVE.

WITH THIS TRANSFER, A NEW AUTHORITY CAN DEVELOP A STRATEGY FOR PERMANENT IMPROVEMENTS AND CAN QUICKLY ISSUE THE BONDS NECESSARY TO SUPPORT SUCH PROJECTS. WITHOUT THIS TRANSFER, WE CAN EXPECT DEMAND TO CONTINUE TO OUTSTRIP THE ABILITY OF GOVERNMENT FUNDING TO RESPOND, AS TRAFFIC AT DULLES GROWS.

AT NATIONAL, A NEW AUTHORITY CAN EASILY SOLVE PROBLEMS THAT NOW APPEAR INTRACTABLE. ADEQUATE PARKING FACILITIES COULD DO MUCH TO ALLEVIATE THE TRAFFIC CONGESTION. REDESIGN OF THE ROAD SYSTEM WOULD CLEAR UP THE REST. A METRO CONNECTOR WOULD SHORTEN THE HIKE FROM THE STATION TO THE TERMINAL. REHABILITATION AND REFURBISHING OF THE TERMINAL BUILDINGS WOULD IMPROVE NATIONAL'S APPEARANCE, AS WELL AS MAKE IT EASIER TO USE.

THESE BENEFITS WILL RESULT FROM THE ONLY FUNDAMENTAL CHANGE THAT TRANSFER WILL BRING -- A CHANGE IN THE WAY THE AIRPORTS ARE FINANCED. ONCE THE AUTHORITY SETTLES ON A DEVELOPMENT PLAN FOR ITS AIRPORTS, IT WILL HAVE THE ABILITY TO ENTER CAPITAL MARKETS OR OTHERWISE PROCEED TO CARRY THEM OUT RAPIDLY. WE ARE ALL TOO AWARE IN TODAY'S DEFICIT-CONSCIOUS CLIMATE THAT THERE WILL NOT BE ROOM IN THE FEDERAL BUDGET FOR MULTI-MILLION-DOLLAR CAPITAL IMPROVEMENTS AT NATIONAL OR DULLES IN THE FORESEEABLE FUTURE. BUT EVEN ABSENT THE DEFICIT PROBLEM, ANNUAL FUNDING THROUGH APPROPRIATIONS JUST DOESN'T MAKE SENSE. THERE IS NO NEED TO SEEK CONGRESSIONAL APPROVAL OF EVERY PROJECT, MAJOR OR MINOR, THAT MUST BE UNDERTAKEN AT NATIONAL AND DULLES. THE PROCESS IS SLOW AT

BEST, ESPECIALLY COMPARED TO THE SPEED WITH WHICH FUNDS CAN BE RAISED IN THE PRIVATE MARKET.

THE DEPARTMENT CANNOT SUPPORT S.1110 FOR THE VERY REASON THAT IT ATTEMPTS TO RESOLVE ALL THE COMPLEXITIES OF DEVELOPING THESE TWO AIRPORTS WITH A ONE-TIME INFUSION OF \$250 MILLION IN FEDERAL FUNDS. IN MY VIEW, THIS WOULD SIMPLY PERPETUATE THE PROBLEM BY TRYING TO MANAGE A LOCAL MATTER THROUGH THE FEDERAL BUDGET, AND HIGHLIGHTS THE PRESSING NEED TO TURN THESE ISSUES OVER TO A LOCAL REGIONAL AUTHORITY.

STRUCTURE OF THE AUTHORITY

GIVEN THE EFFICIENCY OF EXISTING OPERATIONS AT THE AIRPORTS, THE HOLTON COMMISSION DID NOT PROPOSE REORGANIZATION OF THE ENTITY NOW OPERATING THE AIRPORTS. IT FOCUSED RATHER ON A BOARD OF DIRECTORS TO REPLACE THE COMPLEX STRUCTURE NOW IN PLACE. WE NOW HAVE A "BOARD OF DIRECTORS" INCLUDING MEMBERS IN THE FAA, THE DEPARTMENT OF TRANSPORTATION, THE OFFICE OF MANAGEMENT AND BUDGET, AND THE CONGRESS, AND PROBABLY A FEW MORE I HAVEN'T THOUGHT OF. THE COMMISSION PROPOSED TO REPLACE ALL THE FEDERAL OVERHEAD WITH A SINGLE BOARD OF DIRECTORS, THE MEMBERS OF WHICH WE WILL ALL BE ABLE TO IDENTIFY.

THE COMMISSION READILY AGREED ON THE BASIC STRUCTURE OF THE BOARD. IT RECOMMENDED THAT MEMBERS BE APPOINTED BY THE CHIEF EXECUTIVES OF THE DISTRICT, MARYLAND AND VIRGINIA, THAT THEY LIVE IN THE

METROPOLITAN WASHINGTON AREA, AND THAT THEY SERVE WITHOUT COMPENSATION. FIVE MEMBERS WOULD BE APPOINTED BY THE GOVERNOR OF VIRGINIA; THREE BY THE MAYOR OF THE DISTRICT OF COLUMBIA; TWO BY THE GOVERNOR OF MARYLAND; AND A SINGLE MEMBER TO BE APPOINTED BY THE PRESIDENT, WITH SENATE CONFIRMATION. TO ASSURE BROAD CONSENSUS, SEVEN VOTES WOULD BE REQUIRED FOR MAJOR CAPITAL PROJECTS AND APPROVAL OF THE ANNUAL BUDGET.

THE COMPROMISE REACHED GIVES WEIGHT TO TWO FACTORS: THE SOURCE OF PASSENGERS AT THE TWO AIRPORTS AND THEIR LOCATION IN VIRGINIA. THE SEVEN-VOTE RULE GUARANTEES THAT MAJOR DECISIONS CANNOT BE MADE WITHOUT AT LEAST ONE VOTE FROM EACH SIDE OF THE POTOMAC. THIS ALLOCATION HAS BEEN CRITICIZED BY THE MARYLAND INTERESTS FOR NOT PROVIDING ADEQUATE REPRESENTATION TO MARYLAND, SINCE ABOUT 40 PERCENT OF THE METROPOLITAN AREA POPULATION LIVES THERE. I BELIEVE THIS ARGUMENT MISSES THE MARK. REGARDLESS OF THEIR POPULATION, THE MARYLAND SUBURBS OF WASHINGTON PROVIDE ONLY ABOUT 18 PERCENT OF THE PASSENGERS AT ALL THREE AREA AIRPORTS. THEIR SHARE AT NATIONAL AND DULLES IS SOMEWHAT LESS. THUS MARYLAND'S TWO BOARD MEMBERS OUT OF TEN LOCALLY APPOINTED MEMBERS APPEARS TO BE A FAIR ALLOCATION BASED ON ACTUAL PASSENGER USE.

RESPONSIBILITIES OF THE AUTHORITY

THE BASIC THRUST OF THE FEDERAL LEGISLATION, AS WELL AS THE DISTRICT AND VIRGINIA BILLS, IS TO CREATE A PUBLIC AIRPORT AUTHORITY WITH THE SAME RIGHTS AND DUTIES AS OTHER U.S. AIRPORT

PROPRIETORS. FOR THAT REASON, WE HAVE ATTEMPTED TO KEEP SPECIAL RESTRICTIONS TO A MINIMUM.

THERE ARE, HOWEVER, SOME IMPORTANT REQUIREMENTS BUILT INTO THE NEW AUTHORITY'S CHARTER. FIRST, WHILE THE AUTHORITY HAS BROAD POWERS, IT ALSO HAS A SINGLE PURPOSE -- OPERATION OF BOTH AIRPORTS AS "PRIMARY AIRPORTS SERVING THE METROPOLITAN WASHINGTON AREA". IT IS NOT A GENERAL PURPOSE PORT AUTHORITY, AND IS NOT PERMITTED TO ENGAGE IN ANY BUSINESS OTHER THAN OPERATING AIRPORTS.

SECOND, THE AUTHORITY MUST USE ALL ITS PROPERTY FOR AIRPORT PURPOSES. THIS PRECLUDES REAL ESTATE DEVELOPMENT PROJECTS, SUCH AS A SHOPPING CENTER OR COMMERCIAL DEVELOPMENT NOT RELATED TO THE AIRPORTS' BASIC BUSINESS.

THIRD, THE AUTHORITY MUST KEEP THE AIRPORTS OPEN TO ALL "ON FAIR AND REASONABLE TERMS AND WITHOUT UNJUST DISCRIMINATION".

FOURTH, THE AUTHORITY WILL STEP INTO THE SHOES OF THE FAA WITH RESPECT TO ALL ONGOING AIRPORT BUSINESS MATTERS, SUCH AS CONTRACTS AND LITIGATION, AS SOON AS THE TRANSFER OCCURS.

FIFTH, THE AUTHORITY IS REQUIRED TO PROVIDE A PAY AND BENEFIT PACKAGE FOR ITS EMPLOYEES EQUIVALENT TO THEIR PRESENT ARRANGEMENTS WITH THE FEDERAL GOVERNMENT.

AIRPORT EMPLOYEES

I WANT TO TAKE SPECIAL NOTE OF THE EXTRAORDINARY CONTRIBUTION OF THE MEN AND WOMEN WHO OPERATE THESE AIRPORTS. THE FAA EMPLOYEES AT NATIONAL AND DULLES CONSTITUTE THE LEANEST, MOST COST-EFFECTIVE AIRPORT WORKFORCE IN THE NATION. TRANSFER COULD NOT SUCCEED WITHOUT THEM.

ALL WHO DEAL WITH THE AIRPORTS RECOGNIZE THE QUALITY OF THE STAFF THERE. S.1017 THEREFORE CONTAINS IMPORTANT MEASURES TO PRESERVE ALL THEIR CURRENT RIGHTS AND BENEFITS. EMPLOYEES OF THE AIRPORTS WOULD BE GUARANTEED THEIR PRESENT JOBS AND SALARIES FOR TWO YEARS.

THE FEDERAL INTEREST

IT IS EASY TO ASSUME THAT FEDERAL CONTROL IS IMPORTANT TO PROTECTING FEDERAL INTERESTS. BUT IN THIS CASE I AM CONFIDENT THAT FEDERAL INTERESTS WILL BE ADEQUATELY PROTECTED UNDER THE TERMS OF THE TRANSFER LEGISLATION.

MANY ASPECTS OF OPERATIONS AT THE AIRPORTS WILL REMAIN FEDERAL, AS THEY ARE AT ALL OTHER AIRPORTS. THE AIR TRAFFIC SYSTEM WILL OF COURSE REMAIN IN THE FAA'S HANDS. THAT INCLUDES NOT ONLY THE TOWER AND AIR TRAFFIC CONTROLLERS, BUT ALSO THE HIGH DENSITY RULE, WHICH REQUIRES IFR RESERVATIONS (BETTER KNOWN AS SLOTS) FOR AIRCRAFT OPERATIONS AT NATIONAL.

THIS MEANS THAT THE TRANSFER ITSELF WILL NOT HAVE ANY IMPACT ON AIRLINE SCHEDULES AT NATIONAL, AND THAT GENERAL AVIATION PILOTS WILL OBTAIN SLOTS THE SAME WAY THEY DO TODAY -- DIRECTLY FROM THE FAA. NOR WILL TRANSFER CHANGE ANY ASPECT OF AIRLINE SERVICE. SERVICE ARRANGEMENTS WILL STILL BE MADE WITH THE CARRIERS.

AIRPORT REGULATIONS

IN ADDRESSING THE SEVERAL REGULATIONS APPLICABLE TO THE AIRPORTS, OUR GOAL WAS TO TREAT THE NEW AUTHORITY AS MUCH LIKE ALL OTHER AIRPORTS AS POSSIBLE, WITH SAFETY AND AIR TRAFFIC RULES REMAINING WITH THE FAA, AND PROPRIETOR RULES TRANSFERRING TO THE AUTHORITY.

AS ALL INTERESTED PARTIES MET OVER THE MONTHS, SOME COMPROMISES EVOLVED. FIRST, THE ANNUAL PASSENGER CAP, TECHNICALLY PART OF AN FAA AIRSPACE RULE, WILL BE REMOVED AND REPLACED BY A STATUTORY FREEZE ON THE CURRENT NUMBER OF SLOTS AVAILABLE TO AIR CARRIERS AT NATIONAL. THE FREEZE ASSURES AIR CARRIERS AND TRAVELERS THAT FLIGHTS AT NATIONAL WILL NOT BE REDUCED BELOW PRESENT LEVELS, EXCEPT FOR REASONS OF SAFETY, AND AT THE SAME TIME ASSURES THE COMMUNITY THAT THE NUMBER OF FLIGHTS CANNOT BE INCREASED EITHER. WITH THE CONTINUING REPLACEMENT OF OLDER, NOISIER JET AIRCRAFT WITH THE QUIET NEW TECHNOLOGY MODELS, THE SLOT FREEZE GUARANTEES THAT NOISE LEVELS AROUND NATIONAL WILL CONTINUE TO DECREASE.

AS YOU KNOW, I HAVE SUPPORTED A REDUCTION IN THE PASSENGER CAP, BUT I AM CONVINCED THAT A SLOT FREEZE IS A REASONABLE SUBSTITUTE

AND THE COMPROMISE ENABLES US TO PROGRESS TOWARD THE LARGER GOAL OF AIRPORT TRANSFER.

AS TO THE NIGHTTIME NOISE RULE, SINCE IT IS PROPRIETARY IN NATURE, THE BILL PROVIDES THAT IT BE TRANSFERRED TO THE NEW AUTHORITY, BUT THAT THE NOISE LEVELS BE FROZEN AT PRESENT LEVELS. HOWEVER, SINCE THE BILL WAS SUBMITTED, THERE HAS BEEN GENERAL AGREEMENT THAT THE LEVELS SHOULD NOT BE FROZEN. AS THE BILL'S SPONSORS ARE AWARE, WE WOULD THEREFORE SUPPORT AN AMENDMENT TO TRANSFER THE FULL RESPONSIBILITY FOR THE NOISE RULES TO THE NEW AUTHORITY.

A THIRD MAJOR ELEMENT OF THE 1981 AIRPORTS POLICY HAS BEEN THE "PERIMETER RULE", WHICH LIMITS NONSTOP FLIGHTS FROM NATIONAL AIRPORT TO POINTS WITHIN 1000 MILES. THE PURPOSE OF THE RULE WAS TO DRAW A LINE BETWEEN THE ROLES OF DULLES AND NATIONAL -- THE FORMER PRINCIPALLY AS AN AIRPORT FOR LONG-HAUL FLIGHTS, THE LATTER FOR SHORTER TRIPS. AS SUCH, IT IS AN AIRPORT PROPRIETOR RULE, AND S.1017 TRANSFERS JURISDICTION OVER IT TO THE NEW AUTHORITY.

COSTS OF TRANSFER

AT PRESENT, U.S. AIR CARRIER AIRPORTS ARE NOT OPERATED FOR PROFIT. THEY ARE OPERATED BY PUBLIC AUTHORITIES, OR AGENCIES OF STATE OR LOCAL GOVERNMENT, AND ALL THEIR REVENUES ARE USED TO PAY THEIR OPERATING COSTS AND DEBT SERVICE. TYPICALLY THEIR RATES AND CHARGES ARE ADJUSTED ANNUALLY TO ASSURE THAT THEY BREAK EVEN. THE

CONGRESS HAS CODIFIED THIS APPROACH AS A CONDITION TO GRANTS-IN-AID TO AIRPORTS UNDER THE AIRPORT IMPROVEMENT PROGRAM.

WE DO NOT PROPOSE TO SELL NATIONAL AND DULLES AT ALL; WE PROPOSE TO TRANSFER THEM. THE AIRPORTS HAVE ALREADY BEEN PAID FOR ONCE -- ALL BUT A REMAINING BALANCE OF APPROXIMATELY \$47 MILLION -- BY THE AIRPORT USERS. ANY ADDITIONAL SALES PRICE WOULD BE PASSED ON TO THOSE SAME USERS. WHY SHOULD THEY HAVE TO PAY TWICE FOR THE SAME FACILITIES? WHAT PUBLIC INTEREST WOULD BE SERVED?

S.1017 REQUIRES THAT THE NEW AIRPORT AUTHORITY OPERATE BOTH NATIONAL AND DULLES AS PRIMARY AIR CARRIER AIRPORTS; IT IS LIMITED TO EXPENDING ITS REVENUES ON THE OPERATING AND CAPITAL COSTS OF THE AIRPORTS. UNDER THESE CONDITIONS, WE COULD NOT EXPECT A PRIVATE COMPANY OR A PUBLIC AGENCY TO PAY TO OPERATE THEM.

IF WE WERE TRANSFERRING THE LAND DULLES AND NATIONAL ARE BUILT ON WITHOUT ANY RESTRICTIONS AS TO FUTURE USE, THEN WE WOULD MOST CERTAINLY SEEK THE HIGHEST BIDDER. BUT THE AUTHORITY THAT RECEIVES THESE AIRPORTS HAS NO CHOICE BUT TO USE THE LAND FOR AIRPORTS, AND NO WAY TO PROFIT FROM THAT USE.

AT PRESENT, THE AIRPORTS HAVE A POSITIVE CASH FLOW -- \$16 MILLION FROM OPERATIONS LAST YEAR -- BUT THAT AMOUNT IS ALL APPLIED ON FAA BOOKS TO REDUCING THE HYPOTHETICAL DEBT TO THE GOVERNMENT. THE \$47 MILLION REPRESENTS AN ESTIMATE OF THE DEBT REMAINING AT THE END OF THIS FISCAL YEAR. IF THE AIRPORTS ARE NOT TRANSFERRED,

ULTIMATELY THE DEBT WILL INCREASE IF AND WHEN THE GOVERNMENT FUNDS NECESSARY IMPROVEMENTS. WHEN THAT HAPPENS, THE TREASURY BOOKS WILL SHOW A NEGATIVE CASH FLOW, WHICH WILL INCREASE THE DEFICIT.

NOTWITHSTANDING THAT THE AIRPORTS WILL NOT BE PERMITTED TO MAKE A PROFIT, WE AGREE THAT THE TRANSFER SHOULD NOT CARRY WITH IT VALUABLE DEVELOPABLE LAND, THE SALE OF WHICH COULD BENEFIT THE GOVERNMENT. THIS ISSUE WAS DISCUSSED EXTENSIVELY WITHIN THE GOVERNMENT BEFORE OUR PROPOSED BILL WAS TRANSMITTED, AND I REACHED AN AGREEMENT WITH DWIGHT INK, THE ACTING GENERAL SERVICES ADMINISTRATOR, ON HOW WE WOULD PROTECT THIS FEDERAL INTEREST.

THE BILL EXPLICITLY EXCLUDES SALE OF LAND AS A PROPER USE OF TRANSFERRED PROPERTY FOR THE TERM OF THE LEASE. IT ALSO PROVIDES FOR A REVIEW PROCESS OVER THE USE THE AUTHORITY MAKES OF TRANSFERRED PROPERTY. DURING THE TERM OF THE LEASE, IF THE SECRETARY OF TRANSPORTATION DETERMINES THAT ANY PORTION OF THE PROPERTY IS NOT BEING USED FOR AIRPORT RELATED PURPOSES, THAT PORTION OF THE LAND WILL REVERT TO THE UNITED STATES FOR DISPOSITION. AT THE END OF THE LEASE PERIOD, A THOROUGH REVIEW OF THE PROPERTIES TO BE TRANSFERRED WILL BE MADE IN LIGHT OF THEN-CURRENT OPERATIONAL NEEDS. ANY UNNECESSARY LAND WILL REMAIN FEDERAL PROPERTY.

CONCLUSION

IT RARELY HAPPENS THAT COMPETING FORCES CAN COME TO THE KIND OF CONSENSUS WE HAVE REACHED ON THIS AIRPORT TRANSFER PROPOSAL. BUT THE REASON FOR THIS IS CLEAR: THE MERITS ALL POINT TO THE SAME CONCLUSION. WE HAVE MADE GREATER HEADWAY THAN IN THE PAST BECAUSE WE HAVE LAID THE PROPER FOUNDATIONS. WE HAVE ENGAGED IN A CONTINUING DIALOGUE WITH ALL INTERESTED PARTIES AND MADE GENUINE EFFORTS OVER MANY MONTHS TO BE SENSITIVE AND RESPONSIVE TO EVERYONE'S CONCERNS.

THUS WE HAVE COME TO CONGRESS WITH A CAREFULLY CONSTRUCTED PLAN THAT NOT ONLY WILL ENABLE MODERNIZATION OF OUR AIRPORTS, BUT ALSO REPRESENTS GOOD GOVERNMENT. REGIONAL CONTROL OFFERS THE WASHINGTON COMMUNITY AN OPPORTUNITY TO ADDRESS REGIONAL TRANSPORTATION ISSUES AT NATIONAL AND DULLES, TWO AIRPORTS WHICH REPRESENT THE ECONOMIC VITALITY AND PROMISE OF THIS AREA. IT IS VERY IMPORTANT THAT WE SEIZE THE MOMENT AND MOVE FORWARD TOGETHER.

THANK YOU FOR THIS OPPORTUNITY TODAY TO EXPRESS MY STRONG COMMITMENT TO THE TRANSFER PROPOSAL.