

INTERIM REPORT OF THE

**DULLES AIRPORT ECONOMIC
STUDY COMMISSION**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 21

**COMMONWEALTH OF VIRGINIA
RICHMOND
1995**

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Executive Summary

The Dulles Airport Regional Economic Study Commission was created during the 1994 Regular Session of the Virginia General Assembly by passage of House Joint Resolution No. 176. It was charged with reviewing development plans, trends, and potentials of Washington/Dulles International Airport and the surrounding region in order to minimize conflicts while maximizing mutually supportive growth both on and off Airport property. The time required for the appointment of eight citizen members--representing a specific entity or interest--and the convening of special sessions of the legislature in July and September limited what the Commission could accomplish in only one year. However, owing in large measure to the assistance of a specially appointed Subcommittee, the full Commission was able to obtain a considerable overview of the Dulles Airport region's economic development strengths and weaknesses and position itself, if its mandate is extended by the General Assembly, promptly to address the Region's problems and potentials on a priority basis, beginning in the spring of 1995.

The Commission believes an aggressive economic and air service development program--similar to that implemented for the ports of Hampton Roads beginning in the 1950's--is essential to protect and enhance the competitive position of Virginia and the Dulles Region and recommends that the Commission's mandate be extended for an additional year in order to make further recommendations relating to such a program.

**INTERIM REPORT OF THE
DULLES AIRPORT REGIONAL ECONOMIC STUDY COMMISSION**

to
The Governor and the
General Assembly of Virginia
Richmond, Virginia
1995

I. Study Origin and Authority.

The Dulles Airport Regional Economic Study Commission was established by the 1994 Regular Session of the Virginia General Assembly through its passage of House Joint Resolution No. 176, sponsored by Delegate Vincent F. Callahan, Jr., of Fairfax County. The major purpose of the study was to ensure that neither population growth in Northern Virginia nor increases in traffic at Washington/Dulles International Airport be permitted to jeopardize the dynamic development synergy of Virginia's economically most vital region and the Commonwealth's airport gateway to the global marketplace.

In order to ensure the representation and expression of a broad range of perspectives and expertise, House Joint Resolution No. 176 provided for creation of an eighteen-member Commission: six members of the House of Delegates appointed by the Speaker, four members of the Senate appointed by the Committee on Privileges and Elections, and eight citizens, appointed by the Governor. These latter eight were to be representatives of the Metropolitan Washington Airports Authority, Fairfax County, Loudoun County, the Washington Metropolitan Area Transit Authority, the Washington Airports Task Force, the Smithsonian Institution's National Air and Space Museum, the Innovative Technology Authority, and George Mason University.

II. Work of the Commission.

The considerable time required to select the members of the Commission and the holding of two special sessions of the legislature in July and September placed significant time constraints on the Commission's activities during 1994. However, during the limited time available, the Commission held two meetings: an organizational meeting on October 12 and an extensive review of Airport related plans, data, and projections on November 29. The success of the November 29 meeting was made possible through the efforts of a Commission Subcommittee (consisting of Mr. Carrington Williams, Mr. Leo Schefer, and Dr. Roger Stough) appointed by Chairman Callahan at the panel's October meeting.

This Subcommittee was able to identify and consider numerous and voluminous studies on various regional issues affecting the economic development of the Dulles Airport region. Based on their knowledge and experience, the Subcommittee arranged for briefings of the full Committee by

selected spokesmen on November 29. These speakers included representatives of the Washington Airports Task Force, the Metropolitan Washington Airports Authority, the Virginia Department of Economic Development, the Governor's Regional Economic Development Advisory Council for Northern Virginia, George Mason University's Center for Regional Analysis, the Loudoun County Department of Economic Development, Washington Airports Task Force Noise and Land Use Committee, the Marino Institute, the Metropolitan Washington Council of Governments' Department of Transportation Planning, the Virginia Department of Transportation, the Virginia Department of Rail and Public Transportation, and the Virginia Department of Aviation. Following these briefings, the Subcommittee submitted a brief outline on the factors that seemed to them most relevant to the Commission's mission.

III. Findings.

The Virginia Department of Economic Development and national authorities tell us that there are five factors crucial to regional economic development:

1. A major international airport;
2. A concentration of advanced technology businesses;
3. Excellent institutions of higher and K-12 education;
4. A good highway transportation system and other land-based infrastructure, including information technology; and
5. A high quality of life.

While Virginia is doing reasonably well in most of these areas, competition for scheduled air service, both domestic and foreign, is increasing with every passing year. In order fully to carry out its charge from the General Assembly, the Commission must explore both the strengths and the weaknesses of the Dulles region. The Commission finds strengths in two particular assets: a heavy concentration of advanced technology and a major airport gateway for international trade. The factors listed below support this conclusion and are consistent with the five basics of economic development for the Dulles region and the Commonwealth:

1. Of the more than 2500 technology companies in the Greater Washington region, some 1200 high technology businesses are developing in Northern Virginia. These 1200 businesses amount to three percent of all business in Northern Virginia and support *nearly one-third of the region's jobs* and income.
2. Technology and service industry business people travel by air fifty percent more than those in other businesses.
3. Nonstop foreign destination air service has grown from one (to London) in 1983 to twenty today. There is a direct relationship between investment in Virginia and the availability of nonstop air service to foreign destinations.

4. About one-third of the value of U.S. exports now moves by air. For the mid-Atlantic region (including Virginia) this figure is twenty-two percent.
5. Cargo shipments at Dulles have grown, on average, 17 percent on average per year. This is three times the national average. In 1993, the airport experienced a 38 percent increase in international cargo. Since 1982, air cargo at Dulles has increased from 29,000 to 212,000 tons.
6. Daily international air service to a new market will stimulate \$240 to \$720 million in new economic activity in the region served, according to a study of ten U.S. cities.
7. Visitors arriving in the Dulles area by air spend more (over \$400 per day on average) than those who arrive by car.
8. An estimated 900,000 new hotel-room nights in the Dulles region resulted from growth in international air service in 1992-93.
9. Travel and tourism in the U.S. account for nine percent of all jobs. However, domestic tourism is maturing and most future growth will come from overseas markets, largely those to which Virginia is linked by nonstop air service.
10. In view of the growth in low-fare air service, special efforts are being made to attract low-fare hub operations to Dulles Airport.
11. Since the General Assembly began making grants to support air service development at Washington Dulles in the early 1980s, economic activity on the airport itself has increased from 1,973 to 11,289 jobs, annual business volume has grown from \$69 million to \$2.08 billion, leading state and local tax revenues to expand from \$12 million in 1984 to \$62 million in 1993. Prior to the General Assembly's action Washington Dulles was in decline after 20 years of near stagnation.
12. Despite innovative land use policies, by neighboring jurisdictions, the economic potential of Washington Dulles could be undermined by the construction of housing in areas effected adversely by aircraft noise and operations.

IV. Recommendations

While Washington/Dulles International Airport has grown from 2.3 million passengers in 1980 to 11 million in 1994, this statistic does not reflect the negative effect of the decline in domestic air service at Dulles, which has declined to 1986 levels since January 1993. This decline in domestic traffic has been masked by steady growth in international service. Hence, despite overall success, Dulles and Virginia cannot afford to be complacent. The fragility of the service expansion achieved at Washington Dulles is emphasized by the volatile nature of today's air transport

industry. For example, four dramatic changes in service patterns have occurred at Washington Dulles in the last eight years, two positive and two negative. Service increases improve Virginia's competitiveness as a business location and encourages tourism to expand. Conversely service reductions, and particularly international reductions, weaken our Commonwealth's position.

We see an aggressive economic and air service development program as essential to protect and enhance the competitive position of Virginia and the Dulles region. Such a program was successfully implemented for Virginia's seaports at Hampton Roads, beginning in the 1950's; in the air age, we should mount a similar effort for Dulles Airport and the surrounding region.

We therefore recommend that:

1. The General Assembly extend the mandate of the Commission for an additional year and
2. During 1995, the Commission concentrate its work on those items which will enable the region to use its strongest assets to maximize its general economic growth while optimizing the use of Dulles Airport as an international gateway to the entire Commonwealth.

Respectfully submitted,

Vincent F. Callahan, Jr. (Chairman)
Charles L. Waddell (Vice Chairman)
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Appendix
House Joint Resolution No. 176
(1994)

HOUSE JOINT RESOLUTION NO. 176

Establishing a Dulles Airport Regional Economic Study Commission.

Agreed to by the House of Delegates, March 2, 1994
Agreed to by the Senate, February 28, 1994

WHEREAS, there is a rapidly growing need for long-term, strategic economic planning in the Commonwealth, particularly in Northern Virginia, which would consider economic development initiatives that will provide employment for present and future residents, a strong tax base, and adequate ground transportation, together with environmental safeguards to produce a high quality of life; and

WHEREAS, the recent unparalleled economic growth in the Dulles Airport region is marked with increased competition from areas elsewhere in the United States and abroad seeking similar economic growth and vitality; and

WHEREAS, nations, states, and localities are in increased and direct competition for trade and investment, and Virginia's local governments do not have the necessary financial and other resources to meet this competition alone; and

WHEREAS, the Commonwealth and local governments must collaborate with the private sector to form an integrated, public-private partnership to design a strategic economic development plan for the Dulles Airport region; and

WHEREAS, Northern Virginia's proximity to the nation's capital, its progress over the last 15 years in advanced technology and higher education, the dramatic growth in population, and the sharp increase in passengers and cargo in Washington Dulles International Airport have produced unforeseen opportunities; and

WHEREAS, these opportunities may be enhanced in part by the expansion of George Mason University, the Northern Virginia Community College, and other public institutions of higher education in Northern Virginia; the proposed extension of the National Air and Space Museum of the Smithsonian Institution to Dulles Airport; the extension of the Dulles Toll Road to Leesburg; and recognition of the need for mass transit in the Dulles Corridor to Dulles Airport and for a Western Corridor or bypass to the west of Dulles Airport; and

WHEREAS, the Commonwealth has supported these endeavors financially and through other means; and

WHEREAS, to a large degree, these projects have been tied to the unique potential of Dulles Airport and its region as a balanced, integrated unit of air and surface transportation, international trade, advanced technology, investment, and economic development for all of Virginia; and

WHEREAS, prudence dictates that such investments, whether by the Commonwealth, the federal government, or the private sector, should be protected and enhanced, now and in the future, by an effective public-private partnership; and

WHEREAS, in a modern economy, economic development requires a high quality of life, and Virginia's future demands a reasonable balance between a narrow definition of economic growth and in its broader definition which includes quality education, a healthy population, and conservation of resources and environmental preservation; and

WHEREAS, it is believed that the best approach to determining a balanced, financially sound solution to Virginia's unique opportunities is through a study of the relevant issues by a study commission composed of representatives of state, federal, and local agencies and organizations; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That a Dulles Airport Regional Economic Study Commission be established. The Commission shall consist of eighteen members to be appointed as follows: six members of the House of Delegates to be appointed by the Speaker of the House of Delegates; four members of the Senate to be appointed by the Senate Committee on Privileges and Elections; and eight citizens to be appointed by the Governor, of whom one each shall represent the Metropolitan Washington Airports Authority, the County of Fairfax, the County of Loudoun, the Washington Metropolitan Area Transit Authority, the Washington Airports Task Force, the National Air and Space Museum of the Smithsonian Institution, the Innovative Technology Authority, and George Mason University. The Governor's appointments shall be from among the recommendations of these respective bodies.

The Commission shall also provide opportunities for participation and comment during the course of the study from representatives of relevant state and federal agencies; the state of Maryland and the District of Columbia; Northern Virginia Community College and other institutions of higher education, particularly in the Northern Virginia area; the Virginia Aviation Board; the Northern Virginia Planning District Commissions; the Northern Virginia Technology Council; the Northern Virginia Economic Development Coalition; the Piedmont Environmental Council; the Winchester and Frederick County Economic Development Commission; the Fairfax County Chamber of Commerce; airlines serving Dulles Airport, one representing a domestic air carrier and one representing a foreign air carrier; and the governing bodies of the Counties of Arlington and Prince William; the Cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park; and the Towns of Herndon, Leesburg, and Vienna.

The Commission is requested to develop and publish for public comment a broad, feasible, strategic, long-term economic development plan for the Dulles Airport region which (i) maximizes the utilization of the potentialities of the Dulles Airport and the surrounding areas which it serves, (ii) presents a balanced and integrated economic, transportation, international trade, finance, advanced technology, investment, and economic development unit for Virginia, and (iii) provides adequate access to Dulles Airport from localities throughout the state. In addition, the commission shall consider in its deliberations the plans, initiatives, and current activities of local governments and the private sector to address this problem in order that fragmentation and duplication of efforts are avoided.

The Division of Legislative Services shall provide staff support for the study. All agencies of the Commonwealth shall provide assistance, upon request, as the Commission may deem appropriate.

The direct costs of this study shall not exceed \$ 11,500.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1995 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

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Appendix Recommended Legislation

Continuing the Dulles Airport Regional Economic Study Commission.

WHEREAS, the Dulles Airport Regional Economic Study Commission was created during the 1994 Regular Session of the Virginia General Assembly by passage of House Joint Resolution No. 176 and charged with reviewing the development plans, trends, and potentials of Washington/Dulles International Airport and the surrounding region in order to minimize conflicts while maximizing mutually supportive growth both on and off Airport property; and

WHEREAS, although the time required for the appointment of eight citizen members—representing a specific entity or interest—and the convening of special sessions of the legislature in July and September limited what the Commission could accomplish in only one year, the Commission was able, nevertheless, to obtain a considerable overview of the Dulles Airport Region's economic development strengths and weaknesses and position itself promptly to address the Region's problems and potentials on a priority basis, beginning in the spring of 1995; and

WHEREAS, the Commission has found that an aggressive economic and air service development program—similar to that implemented for the ports of Hampton Roads beginning in the 1950's—is essential to protect and enhance the competitive position of Virginia and the Dulles Region and has recommended that its mandate be extended for an additional year in order to make further recommendations relating to such a program; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Dulles Airport Regional Economic Study Commission, created during the 1994 Regular Session of the Virginia General Assembly by passage of House Joint Resolution No. 176, be hereby continued. The Commission shall concentrate its work on those items which will enable the Dulles Airport region to use its strongest assets to maximize its general economic growth while optimizing the use of Dulles Airport as an international gateway to the entire Commonwealth.

The direct costs of this study shall not exceed \$11,500.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1996 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for processing legislative documents.

Implementation of this resolution is subject to subsequent approval and certification by the Joint Rules Committee. The Committee may withhold expenditures or delay the period for the conduct of the study.

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