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Increasing Flights to Reagan Airport Will Increase Competition and Lower Airfares

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Introduction

A proposal before Congress would raise the number of flights at Washington Reagan Airport to and from western states by six to 10 additional flights per day. This would add convenience and lower prices to those who travel to the nation's capital and for travelers who live in the Washington, DC metropolitan area. It would mean more nonstop flights to cities like Los Angeles, San Antonio, Salt Lake City and Seattle. The proposal has run into political opposition from some airlines, such as United Airlines, which has a hub at Washington's Dulles airport, and the Washington Metropolitan Airport Authority. Some northern Virginia citizen groups have also voiced opposition due to more noise and congestion in the area.

Late this summer, the House of Representatives voted 229 to 205, to reject a proposed amendment to the Federal Aviation Administration (FAA) Reauthorization Bill. The amendment sought to include seven daily roundtrip flights at DCA both within and outside the established "DCA Perimeter Rule" - a decades-old law that limits longer distance flights in and out of Reagan Airport. Now the proposed amendment to this antiquated and costly regulation is going [to the Senate](#). The latest proposal would add five to six additional roundtrip flights in and out of Reagan each day at non-peak hours.

This paper finds that the Perimeter Rule regulations are outdated and need to be modernized, and that this antiquated rule imposes high costs on consumers in terms of higher ticket prices and less convenience. More than half of travelers from Reagan Airport must take a connecting flight to their destination if it lies outside this arbitrary perimeter. This inconvenience can easily double travel times for such travelers.

What is the Perimeter Rule?

From its very origin, the perimeter rule was rooted in political protectionism. Following the opening of Dulles International Airport in 1962, Congress instituted the original perimeter rule in 1966, confining non-stop services to and from Ronald Reagan Washington National Airport (DCA) within a 650-mile radius. This blatant act of protectionism was meant primarily to divert air traffic to the recently inaugurated Dulles International Airport (IAD), approximately 30 miles west of DCA. Consequently, DCA essentially functions as a short-haul airport, while IAD assumed the role of a long-haul airport. This perimeter was first expanded in 1981 to a 1,000-mile radius and later extended in 1986 to the existing 1,250-mile perimeter. Notably, DCA is the only airport in the nation subject to a federally mandated perimeter rule.

Congress has slowly loosened its regulatory chokehold on the number of slots available for beyond perimeter flights. 2000 and 2003 saw the addition of 12 beyond-perimeter flights each, while in 2012, eight new beyond-perimeter flights were introduced. At present, only seven airlines possess authorization to conduct a mere 20 daily round trips to 10 destinations beyond the established perimeter—constituting less than six percent of the total daily scheduled flights departing from DCA.

The protectionist nature of this antiquated regulation is evident in a **November 2020 report** by the Government Accountability Office (GAO). It shed light on the rationale behind the establishment and subsequent adjustments of the perimeter rule at DCA. According to the GAO, the initial perimeter was strategically designed to achieve the “optimum utilization” of DCA for both airline passengers and general aviation in order to maintain demand for Dulles and minimize congestion at DCA. Emphasizing the role of the regulation as a means of maintaining DCA as a short-haul commuter and local service airport, while international and long-haul commuters were to be reserved for Dulles International Airport.

Despite the expansion of the perimeter in 1981 and 1986, the GAO found that the regulatory boundary persisted, in order to address claimed issues of “aircraft noise and congestion” associated with DCA. In reality the ongoing presence of the perimeter was intended to foster continued utilization of Dulles Airport, despite the time and cost to consumers. These conclusions suggest that the perimeter rule functioned as a tool to insulate Dulles and the airlines that service the majority of its flight slots from competition at DCA.

It is also worth noting that other major U.S. airports have expanded their number of flights as air travel has become much more common. The number of domestic airline passengers has risen by more than 40% since 2000 and flights are as crowded as ever.

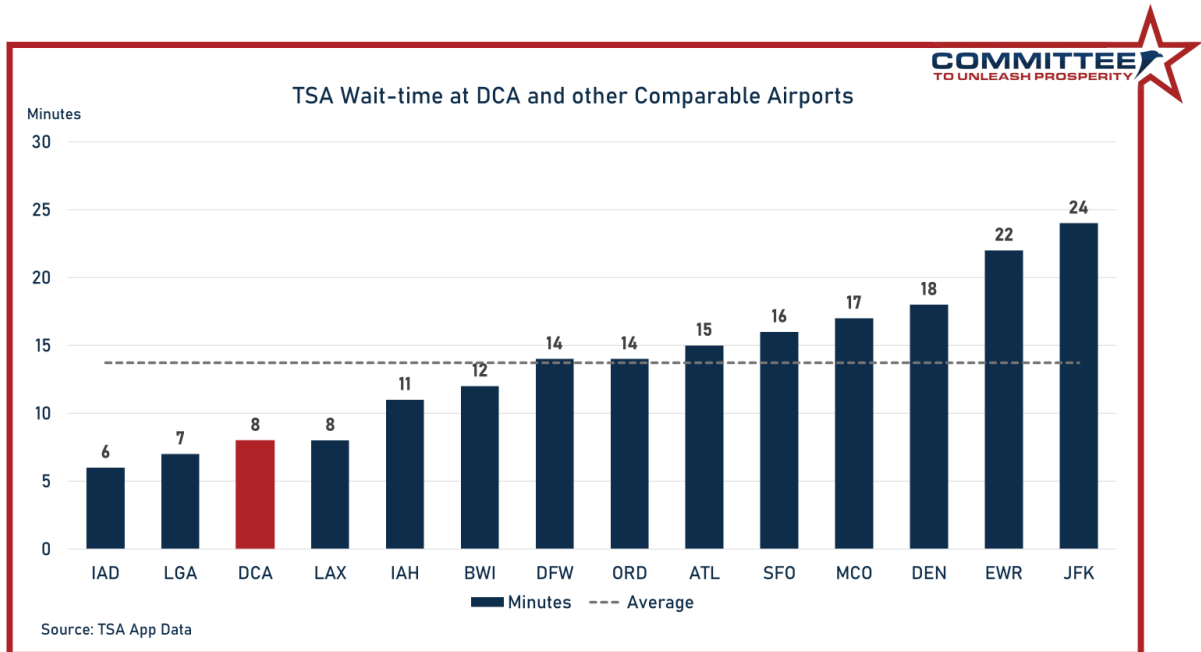
Today there are 45,000 commercial flights from the nation’s airports and that number has steadily increased over the past three decades as even lower income Americans use air travel. While Dulles Airport has expanded flights to accommodate the increased demand, Reagan airport still operates under tight restrictions.

Evaluating the Cost of Perimeter Rule in the Context of Its Objectives

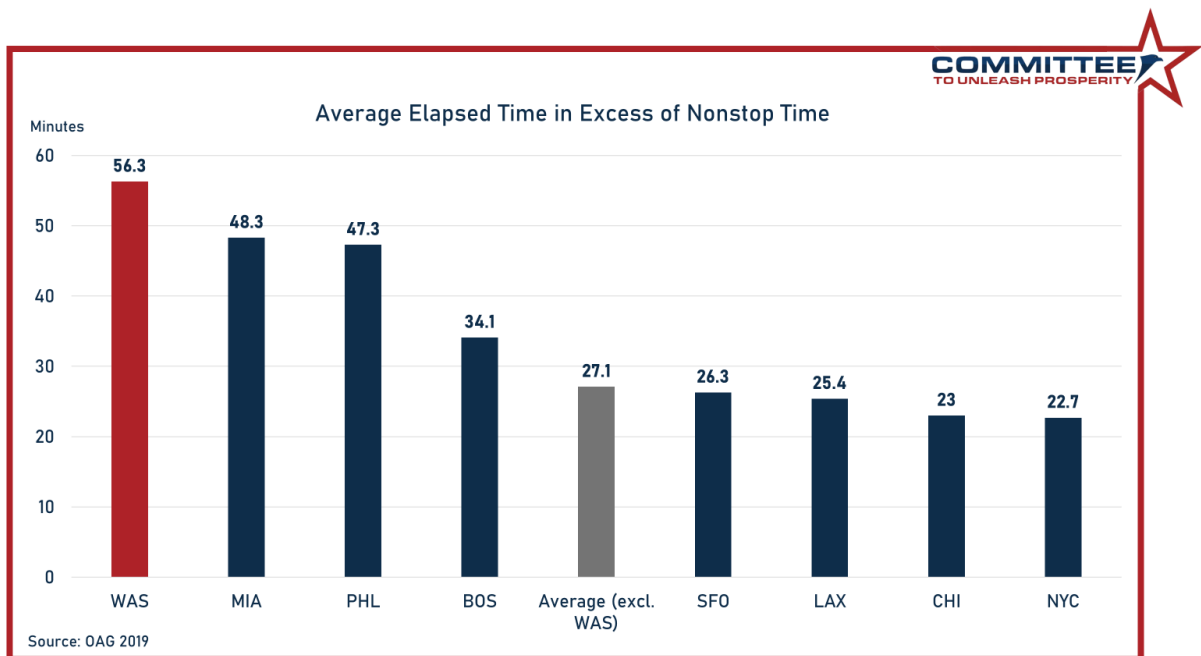
When evaluating a regulatory intervention, it is necessary at a bare minimum, to compare the impact of the intervention to its stated goal. In order to evaluate the impact of the Perimeter rule we must first assess its state purposes. The many stated objectives of the perimeter rule can be boiled down to three primary goals:

1) Ensuring Air-Service Reliability at DCA

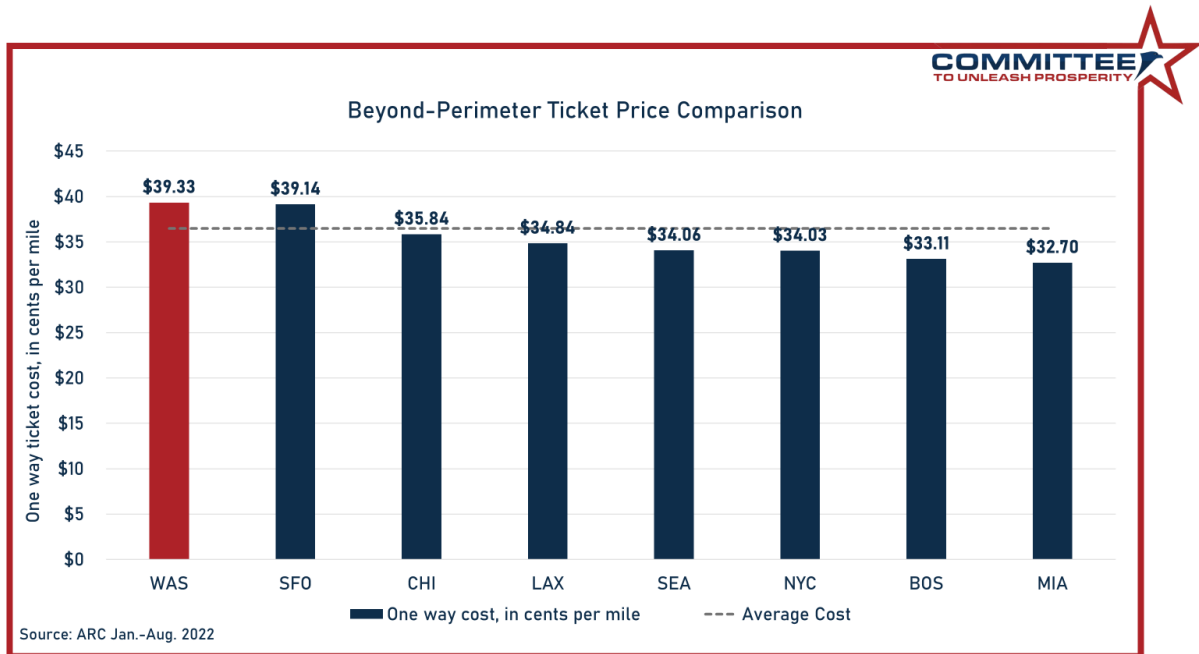
In 1969, DCA, alongside four other major airports (ORD, JFK, LGA, EWR), was identified as a high-density traffic airport due to escalating congestion and travel delays during that era. Advocates of the perimeter rule posit that its implementation was imperative to mitigate congestion and enhance consumer benefits, given that beyond-perimeter flights typically necessitate higher airport capacity compared to in-perimeter flights.



The risk of overwhelming DCA with excess passenger congestion is unlikely considering that there is ample evidence that DCA is currently underutilized. TSA wait times are 23% lower than the average airport in a metro area of comparable size. Also, Reagan just recently expanded the number of gates when the Airport was modernized several years ago.



Far from safeguarding the reliability of services at DCA, FAA perimeter regulations have drastically increased both the monetary cost as well as the time required for passengers to fly to and from DCA. In fact, passengers that fly through DCA with connecting flights wait an additional 56.3 minutes, more than average that of other comparable metro area airports that are not subject to a perimeter rule.

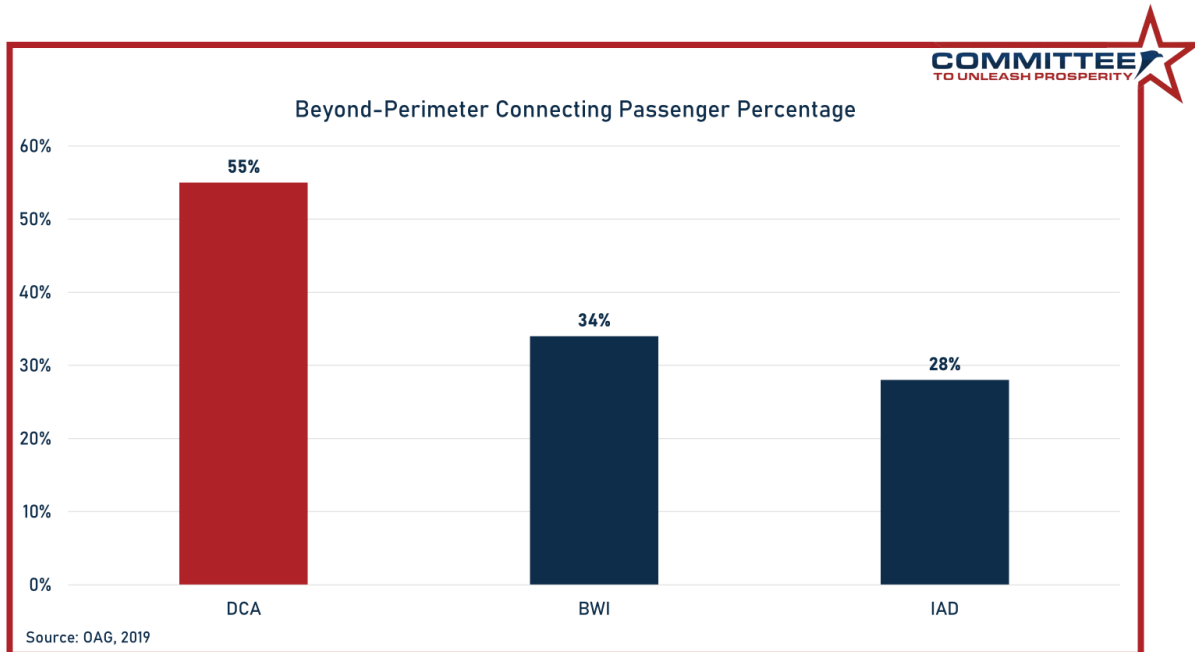


Additionally, the lack of competition at DCA has led to higher ticket prices for passengers. Ticket prices at DCA rank as the most expensive in the country, rising above all other similar metro airports for both domestic and beyond perimeter flights. Competition drives better service and prices for consumers. The artificial lack of competition is costing consumers both time and money.

2) Preserving Accessibility for Travelers to “In-Perimeter” Towns

Opponents of expanding longer distance nonstop flights out of Reagan contend that the perimeter rule plays a crucial role in ensuring airlines’ ongoing provision of services to smaller communities within the established perimeter of the nation’s capital - for example, Greensboro and Knoxville. Flights to these in-perimeter communities generally exhibit lower economic value - because of fewer passengers than those serving larger communities beyond the established perimeter.

This discrepancy in value is primarily attributed to lower traffic volumes originating from these smaller communities, leading to diminished revenue per flight when compared to flights from more extensive beyond-perimeter markets.



Yet more flights in and out of Reagan wouldn't necessarily require fewer flights to secondary cities. It could mean more flights to larger cities without a disruption of service to smaller cities. More flights into and out of Reagan could make Reagan a more valuable hub for flyers to connect to smaller cities within the perimeter.

Moreover, if there is less demand for service to in-perimeter locations, then it can mean a net loss to consumers to try to artificially supply air transportation to services to these locations. In 2019, more than 55% of passengers were required to take connecting flights to beyond-perimeter destinations. There is evident demand at DCA for more direct beyond-perimeter flights and airlines should be allowed to meet this demand.

The second piece of evidence that contradicts this objective is that neither the expansion of the perimeter to 1,000 miles in 1981 nor the expansion to 1,250 miles in 1986 caused a decline in service to in-perimeter destinations. In fact, service to these locations continued to increase according to population growth in these metro areas.

3) Facilitating the Growth of IAD

A key objective of the perimeter rule in 1966 was to strategically restrict DCA to short-haul flights while protecting the growth of Dulles International Airport (IAD) by creating an artificial scarcity of longer flights. Recognizing the consumer preference for DCA due to its proximity to the city and limited ground transportation options from IAD, the Federal Aviation Administration (FAA) claimed that unrestricted operations at DCA could impede the growth trajectory of IAD.

This objective makes no economic sense today. The Washington, DC metropolitan area has seen enormous growth over the past four decades. Fairfax and Loudon counties in Virginia have been two rapid growth counties. There is high demand for flights in and out of BOTH airports. Both airports will need to expand flights - as will Baltimore-Washington airport, which is also experiencing increased numbers of flyers.

As the Washington DC area has grown, driving times from the Capital and the business district of downtown Washington, DC to Dulles can exceed an hour versus less than 30 minutes to Reagan - which is only a few miles from the Capital. Dulles is thus a less attractive option for DC business travelers.

The truth is that demand for BOTH airports is strong. Dulles flights have increased 600% since it began service. Any claim that Dulles will fail to grow without regulatory protection is painfully outdated.

Common Misconceptions and Refuting Evidence

Misconception #1

Authorizing additional in-and beyond-perimeter flights at DCA would hinder Dulles International Airport's (IAD) growth.

Evidence #1 - Introducing a mere 7 additional beyond-perimeter round trip flights at DCA would not adversely impact IAD's future growth. The population of Northern Virginia has tripled since the 1970s, and IAD has solidified its position as a prominent airport in the Washington, D.C.-Maryland-Virginia (DMV) region. Even as exceptions to the perimeter rule have increased the traffic at DCA, IAD has experienced substantial passenger growth.

Misconception #2

DCA lacks the capacity to handle increased passenger volume, and more authorized flights would exacerbate congestion.

Evidence #2 - DCA is underutilized compared to other airports in the top 10 U.S. metros, DCA has undergone significant infrastructure and operational changes, enhancing its capacity to handle higher passenger volumes. The recent \$1 billion terminal expansion, known as "Project Journey", addresses congestion concerns, featuring expanded checkpoints and a new concourse, allowing for a 40 percent increase in security line capacity.

Misconception #3

Airlines will abandon smaller markets if more beyond-perimeter flights are added at DCA.

Evidence #3 - Expanding flights at DCA doesn't necessitate reassigning or eliminating existing flights. DCA, being underutilized, can accommodate additional flights to meet current demand without compromising service to smaller or in-perimeter markets. The study highlights that markets unaffected by the perimeter rule exhibit higher direct connectivity rates and increased in-perimeter access.

Misconception #4

Additional in-and beyond-perimeter flights would negatively impact DCA's air service reliability.

Evidence #4 - Introducing seven beyond-perimeter flights will enhance, rather than harm, DCA's air service reliability. The perimeter rule has encouraged carriers to operate more regional aircraft, which, on average, experience higher disruption rates. DCA currently experiences 25 percent more cancellations than similar metro airports.

Misconception #5

DCA lacks the space for an additional expansion of seven round trip flights

Evidence #5 - DCA presently operates 437 daily departures, with only 20 roundtrips to beyond-perimeter destinations, constituting less than six percent of total daily flights. Introducing a mere seven additional flights would bring the daily beyond-perimeter total to 6.2%, a minimal net increase.

Conclusion

The 60-year-old DCA Perimeter Rule makes little economic sense today as airline travel has become commonplace for nearly all Americans. Despite its purported objectives of ensuring air-service reliability at Ronald Reagan Washington National Airport, preserving accessibility for in-perimeter communities, and facilitating the growth of Dulles International Airport (IAD), our analysis reveals that more nonstop flights to and from the west coast will benefit travelers through greater convenience and lower airfares due to greater competition. Increasing the supply of flights lowers the price of flights.

The examination of the regulation's impact on its stated objectives reveals significant shortcomings. Instead of ensuring air-service reliability at DCA, the perimeter rule has contributed to increased costs and delays for passengers. The claim that DCA lacks capacity is clearly false in light of the underutilization and recent infrastructure enhancements, such as the "Project Journey" terminal expansion.

The objective of preserving accessibility for in-perimeter communities is contradicted by the expanding demand for direct beyond-perimeter flights, and the historical evidence shows that perimeter expansions did not result in a decline of service to in-perimeter destinations.

The purported goal of facilitating IAD's growth is blatant protectionism without a shred of economic merit. And regardless of regulatory intervention, improved access and infrastructure enhancements have fueled substantial growth at Dulles since its opening.

Our analysis finds that authorizing additional in-and beyond-perimeter flights at DCA would not hinder IAD's growth, exacerbate congestion, or negatively impact air service reliability. Instead, it would meet the growing demand for increased access to Washington, D.C. and benefit consumers with improved service and lower prices.

In light of these findings, it is imperative that the DCA Perimeter Rule be amended and additional beyond-perimeter flights be permitted. Removing the regulatory constraints and allowing for increased competition and access would not only align with the principles of free-market competition but also benefit consumers, airlines, and the economic vitality of the Washington, D.C. metropolitan area.

