

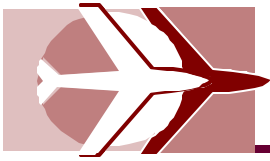
**TESTIMONY OF RANDALL H. WALKER  
EXECUTIVE DIRECTOR, CLARK COUNTY DEPARTMENT OF  
AVIATION**

On behalf of the Las Vegas Parties, I am pleased to submit this testimony in support of National Airlines and American West Airlines to be awarded slots for the operation of B-757 services between Ronald Reagan Washington National Airport (DCA) and Las Vegas McCarran International Airport (LAS), pursuant to The Wendell H. Ford Aviation Investment and Reform Act for the 21<sup>st</sup> Century (“AIR 21”).

Consistent with the intent of Congress to enhance competition and network benefits through the provision of 12 additional slots for use between DCA and cities beyond the 1,250 mile perimeter, we strongly endorse the applications of National Airlines for three daily non-stop round trip services between DCA and LAS using B757 aircraft and for America West Airlines for two daily non-stop round trip services between DCA and LAS using B757 aircraft.

Las Vegas and the State of Nevada offer the Department of Transportation (the Department) a unique opportunity to satisfy the intent of Congress as set forth in AIR 21 and the accompanying Conference Report #106-513.

The objectives of Congress, “to provide network benefits in areas beyond the perimeter...” and “increasing competition by new entrant air carriers, or in multiple markets,” are objectives readily achieved by proposed services of National Airlines and America West Airlines. Moreover, Las Vegas is the ideal destination to maximize the consumer benefits consistent with the stated objectives of Congress.



## **THE LEISURE DESTINATION CAPITAL**

Las Vegas has an outstanding and growing infrastructure for tourism. It is open 24 hours a day with sightseeing, shopping, sports, and entertainment.

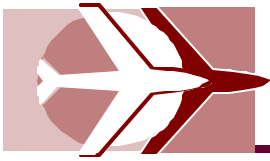
Shopping is equally attractive to the visitor from across the country and around the world. Diversity can be found in The Boulevard Mall, Paris-Las Vegas, Forum Shops and Grand Canal Shoppes @ The Venetian, to mention just a few.

The town boasts world class family entertainment including “Battle of Buccaneer Bay,” Caesars Palace “Omnimax Theatre,” “MGM Grand Adventures Theme Park,” and many other historical and archeological parks and museums. Shows are famous worldwide and include such outstanding events as Cirque Du Soleil, Legends of Motown, The Three Tenors, and Siegfried and Roy.

Las Vegas boasts some of the premier hotels of the world including the newly opened Paris, Bellagio, Venetian, and other excellent properties such as Luxor, Caesar’s Palace, Treasure Island, and New York, New York.

Las Vegas is “A Golfer’s Paradise.” There are 44 high quality golf courses in the area.

Las Vegas is also close to major national parks and sightseeing attractions such as Death Valley, Lake Mead, Hoover Dam, and the Grand Canyon.



## THE COMMUNITY

Las Vegas is a leader in growth among the Applicant cities in this proceeding. According to Demographics USA for 1993-1998, it ranked 1<sup>st</sup> in population growth, 2<sup>nd</sup> in Household growth, 8<sup>th</sup> in Retail Sales, and 9<sup>th</sup> in Effective Buying Income Growth, among all U.S. cities.

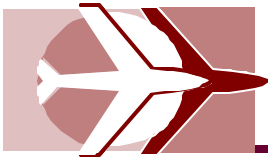
Driving this growth is a combination of factors including a lower cost of living than most western urban areas and more disposable income than comparable areas—housing costs are \$50,000 less than Los Angeles and \$100,000 less than San Diego. The sun shines 320 days a year, on average.

Equally significant, the forecast population compound annual growth rate (CAGR) for 1998 through 2003 is 3.1% for Las Vegas, significantly outstripping the growth forecasts for other competitor cities in this proceeding--2.6% for Phoenix; 1.6% for Denver; 1.3% for Salt Lake City and Seattle; 1.1% for San Francisco, and 0.7% for Los Angeles. Forecast growth rates for other key economic drivers such as Effective Buying Income, Retail Sales, and Households are equally strong.

The same can be said for employment growth rates where, according to Demographics USA, Las Vegas' employment has grown over the past five years by 6.3% per annum, a rate greater than other competitor cities in this proceeding.

Las Vegas has been named "Most Livable Big City in America," by a Federal Reserve Bank of St. Louis Study (Wall Street Journal 6/23/99). This far outstrips any competitor city in this proceeding with Phoenix 3<sup>rd</sup>, Denver 12<sup>th</sup>, Salt Lake City 20<sup>th</sup>, Seattle 22<sup>nd</sup>, San Francisco 53<sup>rd</sup>, and Los Angeles 59<sup>th</sup>.

Las Vegas is also becoming a successful business center. Since 1990, Las Vegas employment and high technology job growth have both ranked #1 in the U.S. Gross State



Product and new business incorporations have also grown rapidly according to the Bureau of Economic Analysis and Dun and Bradstreet analysis.

Forecast data for the year 2010 projects Las Vegas job growth at 42%, while the U.S. average forecast growth is only 15.4%. In terms of the applicant cities, none are forecast to see job growth beyond the 28% level.

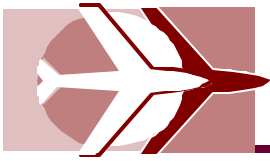
The unique vitality of Las Vegas is evidenced by the fact that visitor growth during the 1990's has been at a rate of 5.4% per annum, and during the past few years hotel capacity has been increased by almost 20,000 rooms, or approximately 20%. During the past year alone, visitor growth has been 10.5%, hotel occupancy has increased 2.2 percentage points, and convention attendance has risen by 14.3%. Moreover, according to survey data, visitors to Las Vegas evidence a high degree of satisfaction—94% are “very satisfied”.

## **MCCARRAN INTERNATIONAL AIRPORT**

Las Vegas is served by 18 U.S. carriers offering nonstop service to 70 domestic destinations and 7 foreign air carriers (two of the seven scheduled to begin service in June of 2000) offer service to seven nonstop foreign destinations. There were 371 daily departures, on average, during the year ended third quarter of 1999, and the annual growth in departures between 1993 and the year ended third quarter of 1999 was 6.3%. Local traffic has grown by 8.5% per annum between 1993 and the year ended third quarter of 1999, and now is nearly 23 million passengers.

Las Vegas McCarran ranks 16<sup>th</sup> in worldwide passenger traffic, well ahead of other applicant cities other than Los Angeles and San Francisco.

Las Vegas McCarran International Airport is not only one of the least dominated hub airports, it is home to three significant low fare new entrant air carriers, i.e. Southwest Airlines, America West Airlines, and the new start-up, all B-757 operator, National Airlines.



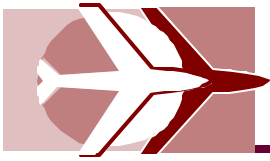
The market shares of the various carriers reflect the competitive environment with Southwest at 33%, America West at 15% and others ranging downward from United's 11%.

For the year ended third quarter of 1999, the three low fare carriers represented 50% of the market.

## **THE LAS VEGAS-WASHINGTON MARKET**

Between 1993 and year ended third quarter of 1999, local fares in the Washington-Las Vegas market have declined by an average of 1.1% per annum; but, during the same time frame, air fares in the LAS-DCA market have risen by 1.1% per annum reflecting the fact that there is no nonstop service in the market. In addition, the annual growth rate in airfares during these same years in the LAS-DCA market has outstripped airfare growth rates in all other competitive city pair markets participating in this proceeding. And, in a further demonstration of the need for new entrant low fare competition in the Las Vegas-DCA market, the average annual increase in airfares in the Las Vegas-DCA market can be contrasted to the average annual decline in air fares in the Denver and Salt Lake City markets of roughly 5% since 1993. This increase in air fares over the past five years between DCA and Las Vegas results in DCA-LAS average yields being the second highest (PHX is the highest) of all the applicant cities.

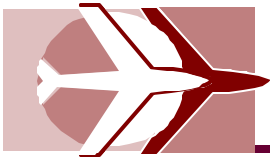
West coast markets, on the other hand, have extremely low Origin & Destination Fares to Las Vegas, thus permitting single interline connections beyond/behind Las Vegas. For example, the average fare for the year ended third quarter of 1999 for Burbank and Oakland were \$54.87 and \$51.23, respectively.



## **MAJOR NETWORK CARRIERS ADD LITTLE VALUE**

The major network carriers, American, Delta, Northwest, TWA, and United, have applied for routes to major west coast destinations. However, these carriers' applications should be rejected on the basis that:

1. Each already has a major network in operation.
2. None of the majors satisfy the requirement for new entrant competition that will provide additional network benefits.
3. The largest of these network carriers, American, Delta, and United, with passenger enplanements in excess of 80 million per annum hardly need additional route authority in limited entry markets where they already hold large market shares.
4. Both National Airlines, a recent new start-up, and America West, generate substantially less traffic.
5. America West has 12 slots at DCA, and National Airlines has none. Thus, both qualify as new entrants. On the other hand, American operates 64 daily slots; Delta 92 daily slots; Northwest 40 daily slots, and United 36 daily slots.
6. In terms of total passengers at DCA, America West handled 74,000, National Airlines none, while American and Delta each carried over two (2) million, Northwest in excess of one (1) million, with TWA handling roughly a half million and United almost one (1) million.
7. The proposed schedules of carriers such as American, Delta, and United look suspiciously like existing services to Dulles International Airport (IAD), suggesting that one or more of these carriers might just move flights from one Washington Airport to another, adding nothing to the regional market capacity.
8. Northwest, on the other hand, while offering a new service fails to offer optimal benefits. While American West offers 190 seats per departure and National Airlines offers 175 seats to Las Vegas, Northwest offers only 124 seats per departure to Seattle. This is compounded by the fact that Northwest offers only



one flight per day, while National offers three, and America West, two flights per day. Finally, in its Application, Northwest claims that it will provide network benefits to a host of cities from Seattle that it does not serve from Seattle.

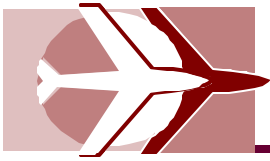
9. In the context of network benefits as set forth in the legislation, United's six largest behind LAX markets have better service to Washington via non-stop services to Dulles, than they would get on connections via LAX.

In summary, and for the reasons set forth above, and specified in more detail in Exhibits LAS 301-316, the applications of the major network carriers should be rejected.

### **THE LIMITED RESOURCES, SLOTS, SHOULD BE ALLOCATED TO NEW ENTRANT CARRIERS.**

National Airlines is offering three flights per day on B-757 aircraft with 175 seats. In addition to this quality offering, National boasts a seat mile cost of only 4.47 cents. America West, also a low cost new entrant for DCA is offering two flights per day and operates at a seat mile cost below 8 cents. On the other hand, the major network carriers average costs per seat mile range between 9 and 10 cents. This being the case, it will clearly be economically viable for National Airlines and America West Airlines to offer lower fares than the major network carriers over a sustained period of time.

Moreover, while Frontier's application for Denver pretends to be a competitive offering, it suffers from serious flaws. First, Frontier is already operating DEN-BWI, and thus could very well move its BWI aircraft to DCA, if successful. More importantly, the Department is dealing with a situation wherein it must maximize the allocation of a limited public resource. Frontier, offering B-737 service with only 136 seats, offers substantially less capacity to the public than either National Airlines with its 175-seat configuration or American West with its 190-seat configuration.



**SELECTING NATIONAL AIRLINES AND AMERICA WEST  
AIRLINES OFFERS THE DEPARTMENT THE BEST OPPORTUNITY  
TO MEET THE CONGRESSIONAL MANDATE AND TO MAXIMIZE  
THE ALLOCATION OF LIMITED RESOURCES TO ACHIEVE THE  
GREATEST PUBLIC BENEFIT**

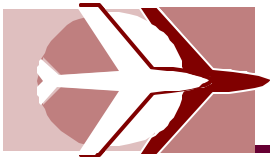
Today, single-plane service in the LAS market is extremely limited. In fact, the LAS-DCA market has among the fewest daily one-stop flights of any of the applicant cities -- 1 by Continental via Houston. Moreover, Las Vegas has among the fewest daily nonstop flights to the Washington area -- 5. Other applicant cities such as Denver, Los Angeles, Phoenix, and San Francisco offer between eight and 18 flights per day.

Notwithstanding this lack of capacity, Las Vegas-Washington O&D traffic has grown by an average of 14.4% per annum during the years between 1993 and the year ended third quarter of 1999. On the other hand, all other applicant cities have experienced only single-digit growth during these years. But, despite this growth, the LAS-DCA traffic has declined by 3.5% per annum due to the absence of service, and the higher fares.

In further evidence of the need for LAS service to DCA, existing services to IAD and BWI are generating average load factors over the past year in excess of 80%. In addition, the LAS-DCA passenger will suffer significant circuitry penalties if an award is not made to Las Vegas.

The overwhelming preponderance of public benefit can be derived by awarding DCA slots to the DCA-LAS applicants.

1. Both Las Vegas applicants are new entrants under the definition set forth in "AIR 21." America West currently has six slots and National none.



2. National Airlines with three B757 round trip flights per day with 175 seats and America West with two round trip flights per day with 190 seats both offer solutions to a market that is suffering inadequate capacity, relatively high load factors, and higher than justified fares.
3. The ability of the Las Vegas carriers to successfully serve the market can be demonstrated by the fact that both currently serve major east coast markets successfully.
4. Currently, the Las Vegas-east coast markets are experiencing load factors generally in excess of 70% and, in a number of cases, in excess of 80%.
5. Finally, the Las Vegas applicants serve or provide network benefits to beyond Las Vegas markets and the addition of Las Vegas non-stop services to DCA is sorely needed to alleviate an extremely high 80% load factor situation in the Las Vegas-Washington area market. Alternatively, load factors in other applicant city markets fall below this 80% level and, in the case of Salt Lake City, below 60%.

## **SUMMARY**

In summary, and for all of the reasons cited above, Las Vegas should be awarded slots to Ronald Reagan Washington National Airport. Las Vegas, and the applicant carriers proposing service to Las Vegas, offer the best opportunity for the Department to satisfy the parameters set forth by Congress and to maximize network benefits and promote competition. Las Vegas is the only city where the applicant carriers are both low cost new entrants that can offer a competitive spur to the major network carriers and thus enhance the public benefits through lower airfares.