Insight

DCA Perimeter Rule Grounds Competition

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Executive Summary

- A debate over flights to and from Ronald Reagan Washington National Airport (DCA) has taken off as part of the broader discussion of the Federal Aviation Administration Reauthorization bill.
- DCA is currently the only airport in the country subject to a federally imposed perimeter rule that restricts inbound and outbound nonstop flights to a 1,250-mile radius, and just one of five airports governed by a high-density rule to manage congestion.
- The rules reduce competition among airlines operating at D.C.-area airports resulting in higher ticket prices, longer flight times, increased delays, and fewer choices.

Introduction

Members of both the House of Representatives and the Senate have introduced the Direct Capital Access Act (H.R. 3185 and S. 1933), which proposes adding 56 in- and beyond-perimeter flights at Ronald Reagan Washington National Airport (DCA) as part of the 2023 Federal Aviation Administration Reauthorization bill.

DCA is the only airport in the country subject to a federally imposed perimeter rule that restricts inbound and outbound nonstop flights to a 1,250-mile radius. The airport is also just one of five U.S. airports bound by a high-density rule to manage congestion.

The current rules governing DCA restrict competition by protecting other airports serving the D.C. metro area. These protections have reduced competition among airlines, resulting in higher ticket prices, longer flight times, increased delays, and fewer choices for

consumers.

The Perimeter Rule and Slot Rule

Perimeter Rule

The perimeter rule, established in 1966, restricted non-stop service to and from DCA to 650 miles. The rule was put in place primarily to encourage passengers to use the recently opened Dulles International Airport (IAD) located approximately 30 miles west of DCA in Virginia. The rule effectively limited DCA to serve as a short-haul airport while IAD serves as a long-haul airport.

The perimeter was expanded in 1981 to 1,000 miles before being expanded again in 1986 to the current 1,250-mile perimeter.

Slot Rule

The high density, or slot, rule is a federal regulation to manage congestion at five high density airports: Reagan National, JFK, LaGuardia, Newark and O'Hare. A slot is simply a reservation for an arrival or a departure. DCA is limited to 60 slots per hour.

Congress has since enacted three federal statutes – in 2000, 2003, and 2012 – that collectively allow 40 beyond-perimeter flights, or 20 round-trips, daily. In both 2000 and 2003, 12 beyond perimeter flights were added. In 2012, eight beyond perimeter flights were added and eight existing routes were converted to beyond perimeter flights.

Figure 1 shows the existing perimeter as well as the exemptions. A more detailed timeline of the perimeter and slot rules can be found here.

Figure 1

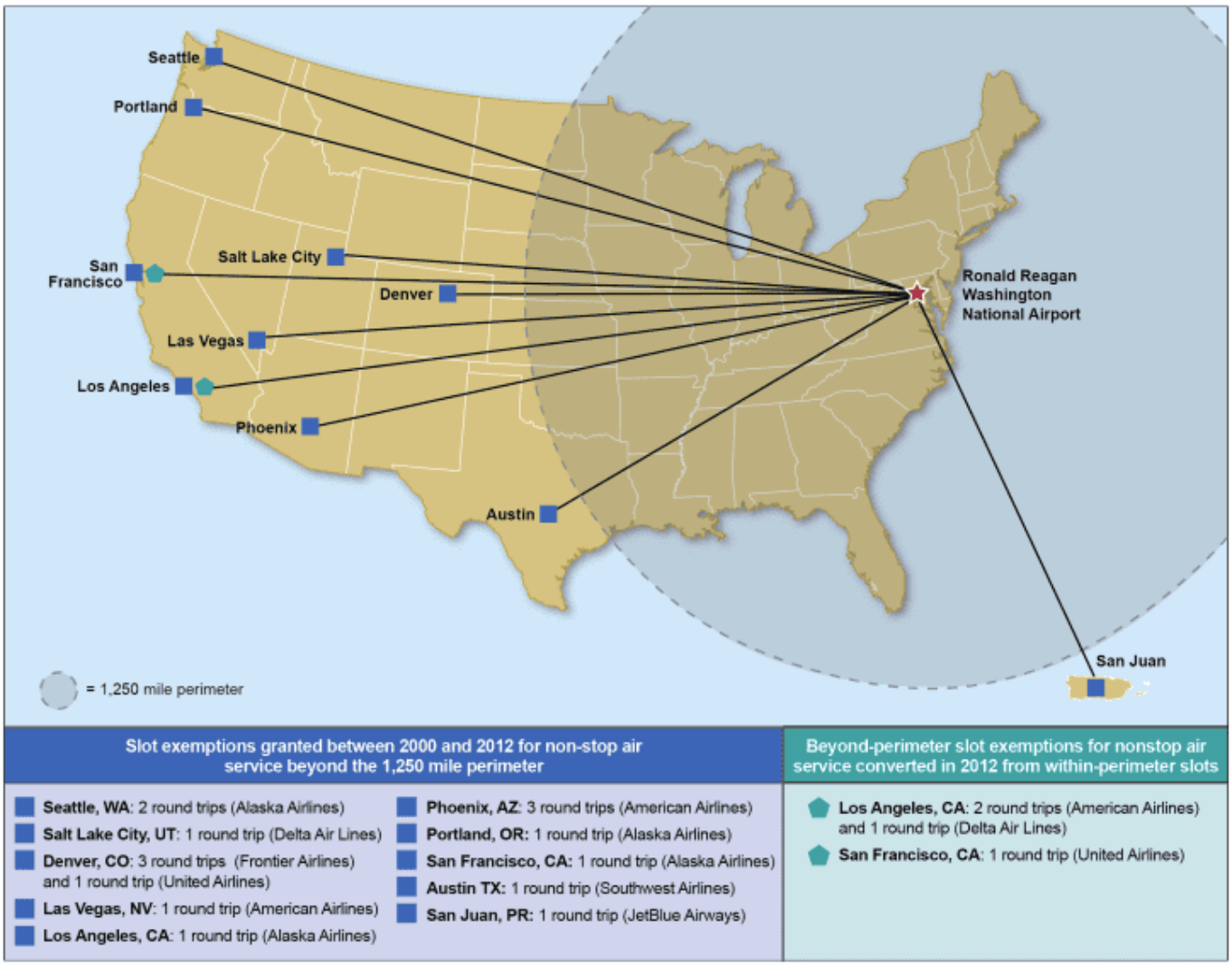


**Image taken from the November 2020 U.S. Government Accountability Office report*

Origins of the Perimeter Rule

A November 2020 Government Accountability Office (GAO) report found that the initial 650-mile perimeter set in 1966 was designed to "provide the 'optimum utilization' of Reagan National for airline passengers and general aviation; emphasize Reagan National's role as a short haul commuter and local service airport; and reduce congestion of passengers, parking and ground facilities to maintain efficient runway operations and improve service to passengers."

The GAO concluded that even though the perimeter was expanded to 1,000 miles in 1981, it was kept in place to "reduce aircraft noise and congestion associated with Reagan National, and promote better utilization of Dulles Airport."

The report's findings show that the perimeter rule was designed as a mechanism to limit

competition for flights servicing the Washington, D.C. area, protect growth at IAD, and relegate DCA to a short-haul airport irrespective of consumer demand for services.

Effects on Consumers

The debate over the rules often focus on competition between DCA and IAD. What is missing is how the rules restrict competition among airlines operating at these airports and the effect on consumers. Because of the restrictions on DCA, fierce competition for flight routes demanded by consumers is lacking, and consequently, ticket prices are higher.

A recent study found that Washington, D.C. ranked as the most expensive for all domestic flights and beyond-perimeter flights compared to other U.S. metro-area airports. The same study also found that customers would save approximately $75 roundtrip if their beyond-perimeter tickets were priced at average levels.

Moreover, because beyond-perimeter flights into DCA are limited, many passengers must stop at an airport inside the perimeter before reaching their destination. Rep. Burgess Owens (R-UT) highlighted that these "unnecessary connections result in lost time, as 40 percent of beyond-perimeter passengers must stop at least once."

Removing the perimeter rule at DCA would afford airlines the flexibility to adjust flight schedules to better meet the demand of customers. Potential changes could lead to more airlines creating routes that directly compete for customers and likely result in lower ticket prices.

The Rules No Longer Serve a Purpose

The Washington, D.C. metro area is serviced by three airports: DCA, IAD located 30 miles west of DCA, and Baltimore-Washington International Thurgood Marshall Airport located approximately 35 miles northeast of DCA.

Since DCA opened its doors in 1941, the business dynamics, demographics, and air travel demand in the Washington, D.C. metro area have changed considerably. The perimeter rule governing DCA, initially designed to protect a new airport and support other regional airports, has become obsolete.

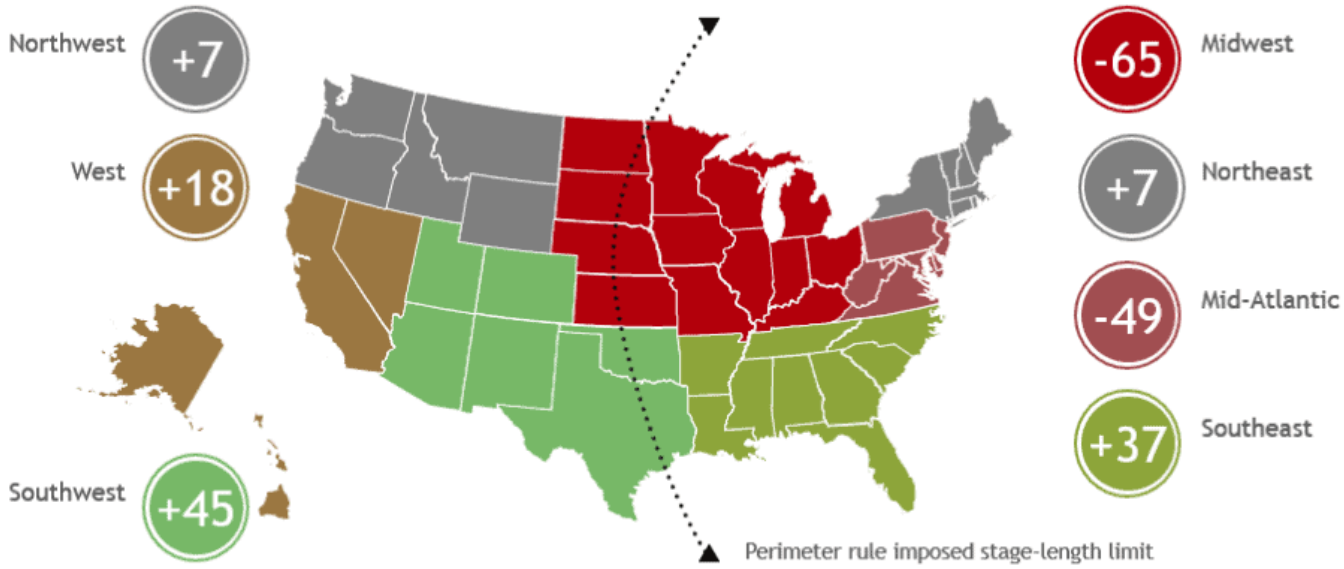
Business Dynamics

By limiting beyond perimeter flights to 20 daily round trips, the rule is cutting off Washington, D.C. from the rest of the business world. In a letter sent to the House of Representatives, Rep. Owens noted that 28 percent of Fortune 500 companies are based outside of the 1,250-mile perimeter, double the 14 percent when the perimeter rule was

introduced in 1966. Furthermore, the Washington, D.C. metro area has added 18 Fortune 500 companies over that period, bringing the total to 20. Restricting the ease with which business travelers can access the capital region makes the area less attractive to business and investment.

Figure 2 shows the changes in the number of Fortune 500 companies by region from 1966–2019.

Figure 2



**Taken from CAA report. Original Source: Fortune 500, CapitalIQ*

Support for IAD: Demographics and Air Travel

Population growth both inside and outside the capital region and increased air travel demand have enabled IAD to become an independent airport no longer in need of the subsidy provided by the perimeter restriction at DCA. The population of Northern Virginia, where IAD is located, has more than tripled since the 1970s.

Air travel demand has also increased. Between 1999–2019, the number of passengers carried at DCA increased from 13.9 million to 23.6 million. Similarly, the IAD passenger count went from 15.9 million to 24.3. Even with the three expansions of the perimeter rule over this period, passenger volume at IAD increased by over 50 percent.

The 2020 GAO report noted that passengers cited a lack of rail service as an impediment to using IAD. This challenge has been mitigated by the extension of the Metro's Silver line

directly to IAD in 2022.

Direct Capital Access Act

Representatives Hank Johnson (D-GA) and Owens introduced the Direct Capital Access Act in the House of Representatives and Senators Raphael Warnock (D-GA) and Cynthia Lummis (R-WY) introduced the same bill in the Senate.

The bill proposes an additional 56 exemptions, or 28 round trips, to in- and beyond-perimeter flights. Forty of these slots will be given to incumbent air carriers "qualifying for status as a non-limited incumbent carrier and 16 available to incumbent carriers qualifying for status as a limited incumbent carrier at Ronald Reagan Washington National Airport." Carriers awarded these extra slots may operate up to a maximum of eight.

While the bill falls short of removing the perimeter rule entirely, it would provide airlines operating at DCA the ability to expand their offerings to compete with IAD on new beyond-perimeter flights.

Conclusion

The congressionally mandated rules governing flights in and out of DCA no longer serve their intended purpose. Instead, they reduce competition among airlines operating in D.C.-area airports, resulting in higher ticket prices, longer flight times, increased delays, and fewer choices. Removing the rules would improve outcomes for these metrics.