

THE FUTURE OF AVIATION IN THE NEW YORK/  
NEW JERSEY METROPOLITAN REGION SYMPOSIUM

JUNE 20, 2000

**ELLIOT G. SANDER'S MESSAGE TO ATTENDEES**

I am pleased to send you the executive summary of the proceedings for the Aviation Symposium, held on June 20, 2000, convened by the New York University Robert F. Wagner Graduate School of Public Service Center for Transportation Policy and Management.

This unusually broad-based, informative and thoughtful transportation conference marks the first time that a full range of regional transportation issues have been discussed in an independent, information-sharing university forum. The conference, attended by more than 200 people, included participation by high-ranking federal policy makers and administrators; senior airline and aviation professionals; leading officials from the Port Authority of New York and New Jersey; and noted scholars from the United States and Canada.

A highlight was a morning keynote presentation by the Hon. James L. Oberstar (D-MN), now the ranking minority member of the House Committee on Transportation and Infrastructure, who is widely regarded as the "Father of Airline Deregulation."

This symposium, CTPM's second, focused exclusively on aviation—because of the air sector's great impact on, and importance to, the entire New York/New Jersey Metropolitan Region. In 1999, the three regional airports—John F. Kennedy International Airport, Fiorello H. LaGuardia International Airport, and Newark International Airport—collectively welcomed over 90 million air travelers, and handled three million tons of cargo.

Approximately 60% of these people and this cargo moved through JFK and LaGuardia. LaGuardia, more than 60 years old and the smallest of the three—it occupies only 680 acres and operates with only two runways—nevertheless accommodates 1200 flights a day. And Kennedy has

been the country's busiest international airport since the day it opened, and continues to serve as "America's Gateway to the World."

The three major regional airports are, moreover, important economic generators. Some 70,000 people work on site at Newark, JFK and LaGuardia, and their employment in turn leverages an additional 350,000 jobs in related and support industries throughout the region. The airports contribute almost \$40 billion a year to overall regional economic activity—4% of the region's total economy. The Port Authority is in the middle of an ambitious 15-year, \$15 billion improvement program for all three airports.

In short, the quality of, and the continuing improvements to, the regional aviation system are an important part of the New York area's renewed determination to maintain its pre-eminent position in the global economy.

The Wagner School Center for Transportation Policy and Management's regional transportation symposia, inaugurated during the 1999 - 2000 academic year, form an ongoing series. Forthcoming conferences will focus on public transportation, freight transportation and inter-city transportation, among other topics—and will of course revisit regional aviation issues on a regular basis.

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**EXECUTIVE SUMMARY—AN OVERVIEW**

By TONY HISS

Because the **NYU Wagner School Center for Transportation Policy and Management's** first Aviation Symposium was an unusually broad-based gathering of 200 senior airline and aviation leaders with uncommonly wide-ranging interests and great forcefulness of expression, summarizing this category-crossing meeting turns out to be a matter of recreating an eye-catching and remarkably nourishing *one-day-only, all-you-can-eat buffet of important information and deeply informed opinions*, rather than a mere listing of warmed-over, familiar dishes.

This meeting was part **breaking news**; part **trenchant policy addresses**; part **progress report and sympathetic critique**. Other important parts of the conference dealt with *looking farther ahead* and with *national and regional context-defining*; with some *history*, and various *surprising and little-known facts* thrown in.

The breaking news came from **William Hood**, American Airlines' Director of Corporate Affairs, who unexpectedly and openly announced his company's ringing support for **full intermodal connectedness**—specifically, an *unprecedented, one-seat, 25-minute train ride from the soon-to-be redeveloped Penn Station (the Farley Building) in mid-Manhattan to Kennedy Airport*.

With this statement, American becomes the first major carrier to endorse direct, uninterrupted city-to-airport train service in the New York/New Jersey market.

There was news value, too, in the two major policy addresses delivered at the conference. In the first of these, the keynoter, **Congressman James L. Oberstar** (D-MN), widely considered the “Father of Airline Deregulation” (and appropriately introduced as “Mr. Aviation,” by Janette Sadik-Khan, of Parsons Brinckerhoff), eloquently stated his **firm opposition both to the pending merger of United Airlines and U.S. Airways and to any further mergers among major American carriers**.

The “‘*downstream*’ consequences,” Congressman Oberstar warned, of an industry dominated by “three megacarriers” were likely to be adverse to airline passengers—subjecting them to higher prices, worse service, and fewer choices. “That’s not what we had in mind in ’78,” he said. Deregulation, he added, never would’ve passed “if we thought it would mean only three major carriers.”

In the second major policy address of the day, panelist **David Neeleman**, Chief Executive Officer of **JetBlue Airways**, divulged his **two secrets for instant and long-term success in the air** (the start-up low fare airline began flying from Kennedy to Buffalo and Ft. Lauderdale on February 11th, and already operates with a load factor of over 70%).

The public, Neeleman said, could see JetBlue’s new planes—*A-320s with leather seats and 24-channel live TVs* and the quality of its service. What they couldn’t see was **JetBlue’s efficiencies and its automation**: *planes can be “turned” within 16 to 30 minutes after each flight; and a new level of computerization allows for such innovations as touch-screen check-ins and the use of in-home reservationists*.

Panelist **Barry Abramowitz**, Assistant Director of Capital Programs in the Aviation Department at the **Port Authority of New York and New Jersey**, offered a **succinct progress report** about its **elaborate, ongoing, 15-year, \$15 billion New York area airports rebuilding program**;

his statement had its own unexpected “hard news” component—in part because it was *received with respect and considerable enthusiasm* by an industry and a community that in previous years had been harshly critical of what had been seen (before the PA program was launched) of the New York airports’ congestion and their slow slide away from their original *world-class status*.

The **CTPM** Aviation Symposium, in other words, provided both ample *food for thought*, and many *ideas to take home* to savor and digest. The **trends and issues** explored—actions already underway, and possibilities now under active discussion—were, necessarily, familiar to any early 21st Century discussion of aviation matters. We heard, for instance:

\* about the “**three megas**,” as one participant put it—meaning *carrier consolidation* (also called “*merger mania*” by one panelist and the “*issue du jour*” by another); the building of larger *megaterminals* (according to William Hood, *Giants Stadium* could easily fit into the main concourse of the new terminal American is building at Kennedy); and the approach of the *NLAs* (the next generation of New Large Aircraft, whose wing-spans will be so wide they won’t be able to dock at Newark Airport terminals).

Other *industry trends* noted included the carriers’ emerging *global marketing alliances*, the challenges being mounted by *start-ups* and the increasing use of *RJs* (the new, smaller Regional Jets). *Airport issues* discussed included innovative building designs that *enhance a passenger’s day* and the rethinking of airport *food and retail as profit centers*. There was also a *special front-line report on airport privatization at Stewart and Niagara Falls* by panelist **John Buttarazzi** from the **Empire State Development Corporation**.

*Airside issues* received detailed attention both from luncheon speaker **Catherine M. Lang**, Director of the Office of Aviation Planning and Programming at the **Federal Aviation Administration**, and from panelist **Tom Bock**, the FAA’s Manager of its National Airspace Redesign Project. The billions of dollars the federal government is spending in the New York area and nationally to *increase air space capacity* at existing airports (and make “*free flight*” possible) will concentrate largely on what some call “*through-put technology*,”—that is, on getting increased productivity out of infrastructure already in place. Such improvements, made possible by a newly evolving array of

airside navigational aids and tracking devices, are roughly comparable to the *Intelligent Transportation Systems* now being added to U.S. highways that will allow more cars to use the highways we already have.

But at this reflective forum, **expected matters often took on a deeper dimension**. It was commonly agreed, for instance, that this is a moment when *changes are challenging almost every familiar post-war assumption about aviation*. Flying, like driving, the conference heard, is in some ways still a post-World War II American specialty—since 650 million of the one billion people who now take to the air each year fly within United States airspace. Only four of the world’s 20 busiest airports are overseas. America’s reputation, however, has slipped: Of the six world airports top-rated by passengers, only two are in the U.S. (as panelist **Michael Taylor**, Director of Travel Services at **J. D. Power and Associates**, pointed out).

Many industry analysts foresee *further robust growth* in American flying habits—with as many as one billion American passengers in the air every year by 2010 (a 50% increase from today). In the two decades since deregulation, *continuing air passenger growth* has been *almost a given* in the U.S. economy—and, as a result, airports have become the safest of investments. Most impressively—panelist **Doreen Frasca**, President of **Frasca & Associates, LLC**, put this forward as a little known “fun fact”—the *default rate on general airport revenue bonds since 1979 has been zero*. But panelist **Tulinda D. Larsen**, Vice President for Business Development at **BACK Aviation Solutions**, noted that *airline profits*, widely considered a leading indicator in longer economic cycles, had peaked in 1998.

Panelist **Dr. Anthony Perl**, Director of the Research Unit for Public Policy Studies at the **University of Calgary**, in Alberta, introduced what he called “**Factor 2**” into the equation: the *International Energy Agency*, an authoritative United Nations body based in Paris, has predicted the *end of cheap oil* some time in the next decade, leading, they are assuming, to *at best a permanent doubling of gasoline and jet fuel prices* (“2x,” or “Factor 2”) by 2010—and at worst a *quintupling of prices* (“5x,” or “Factor 5”). Aviation, whose fuel costs account for between 10% and 25% of operating costs, is by far the most *energy susceptible* of all transportation modes (since it takes 5 or

10 times as much energy to move something through the air than it does to pull it across land or water).

***What does this all mean for the future of aviation in the New York/New Jersey Metropolitan Region?*** New York, with forethought, might prosper under both scenarios. The New York area, various panelists noted, has to be thought of as *a unique and fascinating special case* within the overall U.S. aviation, and general transportation, structure. Just as Americans, by being the most airline-mobile people on the planet, are a special case in global terms, so New Yorkers and northern New Jerseyans, despite a continuing strong interest and investment in, and a lasting commitment to, air travel, are—and are likely to remain—the most *intermodally mobile population in North America*.

New York has always been **transportation sensitive**: 175 years ago the opening of the Erie Canal made it the most successful American city; and 130 years ago, when it bankrolled the post-Civil War construction of the transcontinental railroads (19<sup>th</sup>-century infrastructure megaprojects that made the English nervous), New York supplanted London as the **world financial capital**, as panelist **Charles M. (“Chip”) Barclay**, President of the American Association of Airport Executives, noted in his remarks. Once it was the world financial capital, New York, the most densely settled city on the continent, then became **the gateway to the world**—first through its *steamship docks*, and more recently, of course, through its regional airports.

**World-class airports are now one of the New York area’s core requirements.** So many of its *established and enduring core businesses as well as its emerging New Economy “new core” businesses* (consulting, design, entertainment, the new media, the print media), along with its continuing position as the *world’s financial capital*, are tied up with these sectors remaining, literally, “*high flyers*”—meaning that they are businesses whose lifelines depend on direct, same-day or next-day connections to the country’s and the world’s largest cities. (JFK is still the *premier entrance to the country*, especially from Europe; and New York-Los Angeles, New York-Chicago, New York-Washington, D.C. and New York-Boston flights remain the *dominant city pairs* domestically.)

Which is one reason why, even if Philadelphia has recently emerged as the *single busiest east coast airport*, the New York region’s airspace, as Tom Bock remarked, is quite possibly still *the*

*busiest block of airspace in the world.* Yet *within* the region, the New York area's core businesses stay mobile by relying not just on cars, but on complicated, multi-modal journeys. So, in the end, perhaps **those airline and aviation leaders who can respond most eagerly to the complexities and to the historically more integrated transportation structure in the New York/New Jersey Metropolitan Region are those most likely, over the long haul, to find profitability, as well as enjoyment, in the New York area market.**

A more extensive *Executive Summary* of each speaker's address, presentation or remarks follows.

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TONY HISS, a Visiting Scholar at the **New York University Robert F. Wagner Graduate School of Public Service Taub Urban Research Center**, is writing "From Place to Place," a book about solving America's 21<sup>st</sup> Century transportation problems. The most recent of his 11 books, "The View from Alger's Window: A Son's Memoir," has just appeared in paperback (Vintage Books).