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BEFORE THE
U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, DC

Application of)
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NATIONAL AIRLINES, INC.)
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for an exemption from 14 C.F.R. Part 93,)
Subparts K & S, pursuant to 49 U.S.C. § 41714)

Docket No. OST-99-5521

ANSWER OF

LAS VEGAS McCARRAN INTERNATIONAL AIRPORT

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Dated: 22 April 1999

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On April 7, 1999 National Airlines, Inc. ("National") applied for an exemption from 14 C.F.R. Part 93, Subparts K & S, to enable the carrier to conduct five daily flight operations during slot-restricted hours at Chicago-O'Hare International Airport ("O'Hare"). Award of the exemption would allow National to inaugurate its proposed schedule of three daily nonstop round-trip flights between O'Hare and Las Vegas, Nevada.

Las Vegas McCarran International Airport ("McCarran"), owned and operated by the Clark County, Nevada, Department of Aviation, answers National's application with the strongest support. McCarran urges the Department of Transportation ("Department") to expeditiously grant the slot exemption requested in this application.

I. INTRODUCTION

McCarran serves the fastest-growing metropolitan area in the United States, and as such is keenly interested in encouraging new air service to meet the needs of its rapidly-expanding population and economy.

As a convention and leisure destination, the community of Las Vegas depends heavily on visitor traffic to fuel its economy, and to create jobs. Air service is crucial to this equation. Although McCarran has excellent facilities and a solid traffic record, the community suffers from limited carrier capacity, especially to slot-controlled and major airline hub markets. Specifically, the McCarran – O'Hare market demonstrates the need for additional service based on persistently high load factors, the presence of established carriers catering to their beyond traffic flow as well as the local market traffic, and the dismal outlook for more service by incumbent carriers.

Granting National the requested slot exemption is clearly in the public interest based on the opportunity it would provide to a new entrant carrier in a capacity-limited market that has a demonstrated need for additional service. National's application clearly establishes both these public benefits and the "exceptional circumstances" used as criteria by the Department in evaluating slot exemption applications in the past. The carrier's application is consistent with the Department's precedent for awarding slots to new-entrant carriers.

McCarran completely concurs with National's arguments, and offers the following additional information in support of the carrier's application.

II. THE LAS VEGAS COMMUNITY: DYNAMIC OPPORTUNITIES FOR NEW SERVICE

The Las Vegas community is thriving. It offers a broad menu of leisure and sightseeing options for the travelling public, and continues to exhibit tremendous growth. These characteristics make it a premier destination for⁴ recreational and convention travelers.

Las Vegas is known as the "Entertainment Capital of the World" with good reason. The city is renowned for its world-class, unique, and enormous resorts. Four theme hotels are opening within the 12 months ending in September 1999 alone, with three more to follow. "...Las Vegas is brimming with its biggest influx of visitors in years...Wall Street is applauding as casino stocks bounce from their recent lows," reports *The Wall Street Journal*.¹ Besides downtown hotels, the Las Vegas area offers 25 high-quality golf courses. Sightseeing opportunities within driving distance of the city include the Grand Canyon, Death Valley, and Lake Mead among others.

Las Vegas leads the United States in growth according to several measures. Five-year projections based on population, retail sales, and buying income figures rank Las Vegas first among large U.S. cities.² The number of visitors to the Las Vegas area exceeded 30 million in 1997, with a compound annual growth rate (CAGR) of over 5% between 1990 and 1997.³ Visitors from overseas rose in number to nearly 2.0 million during the same period, with a CAGR of over 9%.⁴

¹ Gumbel, P. "Las Vegas Hotel Boom Begins Paying Off." *The Wall Street Journal*. 21 April 1999.

² *Demographics USA County Edition 1998*. Publisher: Market Statistics.

³ Las Vegas Convention & Visitors Authority.

⁴ CIC Research, Inc.

Expansion in the number of visitors to Las Vegas during the 1990s has been supported by an unprecedented hotel-building spree. Between 1990 and 2000, the total number of hotel rooms in the city will have nearly doubled, to more than 120,000.⁵ Over 16,000 rooms will have been added just since 1997. In all, seven mega-resorts will have opened between October of 1998 and mid-2000. These hotel rooms need to be filled, and air service is crucial to this objective.

III. LAS VEGAS McCARRAN INTERNATIONAL AIRPORT – EXCELLENT FACILITIES, A SOLID TRAFFIC RECORD, BUT CONSTRAINED CARRIER CAPACITY

McCarran offers outstanding airport facilities and a solid traffic record. Despite this, growth is constrained in most markets by extremely high load factors. As a result, visitor and local resident access to meaningful service options is limited. McCarran is working hard to rectify this situation through ongoing air service development efforts, including support of this application.

A. Excellent Airport Facilities

McCarran offers outstanding facilities that can fully support National's proposed operations, and much more. The airport features four full-size air carrier runways, including the second-longest civilian runway in the United States (14,505 feet). The Clark County Department of Aviation has made major new improvements in the airport and its facilities in the past two years, with two dozen new gates planned for the near future. Over ninety gates are already available, including 26 opened in 1998 with

⁵ Las Vegas Convention & Visitors Authority.

450,000 sq. feet of new terminal space. A \$79.2 million Automatic Transit System (ATS)/People Mover was also added last year.

B. Solid Traffic Performance

Las Vegas enjoys service from a wide variety of carriers. In fact, no single operator accounted for more than 35% of the airport's traffic in 1998 – a market diversity that should help a new entrant like National establish itself competitively.⁶ Scheduled onboard traffic at McCarran rose to over 27.4 million in 1998.⁷ Las Vegas was the origin or destination for over 28,500 domestic and 1,500 international passengers per day each way in 1998.⁸ Capacity during the same period was stable.

C. Extreme Load Factor Pressure

Traffic growth at McCarran has undoubtedly been held in check due to load factors averaging over 75% for all domestic services. Among the top 15 onboard traffic markets during 1998, six had load factors that exceeded 80%.⁹

With total market load factors so high, there is no question that passengers seeking to fly in and out of Las Vegas are consistently being turned away, and cannot get the service they seek. McCarran is known as a low-yield destination, and consequently established carriers are not adding capacity to meet the needs of the traveling public. New entrants are clearly necessary to broaden the service options available at Las Vegas.

⁶ USDOT OD1A data for the 12 months ending with 3rd quarter 1998.

⁷ USDOT T100 and 298C data for the 12 months ending with 3rd quarter 1998.

⁸ USDOT OD1A data for the 12 months ending with 3rd quarter 1998.

⁹ USDOT T100 data for the 12 months ending with 3rd quarter 1998.

IV. THE LAS-ORD MARKET

O'Hare is Las Vegas' largest market east of the Mississippi, and its 7th largest overall with over 800 passengers per day each way. As described in National's application, three carriers currently serve the Las Vegas – O'Hare market: American, America West, and United. American and America West operate aircraft with 150 or fewer seats; United offers a mixture of DC-10 and narrow-body service.¹⁰ Taken together, the three airlines have an average load factor of 86% in the Las Vegas – O'Hare market.¹¹ These carriers have not responded to the unmet demand for seat capacity made evident by such high load factors due to the relatively low market yield (8.8 cents/mile).¹² As a result, growth in the Las Vegas – O'Hare market is constrained.

A. The Highest Load Factor

Among the many Las Vegas markets with extremely high load factors, Chicago O'Hare has the highest. The overall Las Vegas – O'Hare load factor exceeded 90% during seven of the most recent 24 months for which data are available. Load factors have not dropped below 70% during any single month in the same time frame.¹³ Despite load factor increases during 1998, American and United actually reduced capacity in the Las Vegas - O'Hare market. Even America West experienced higher load factors during 1998 in the Las Vegas - O'Hare market than across its system as a whole.

¹⁰ See Docket OST-99-5521-1, Application of National Airlines, Inc., Exhibit NA-2.

¹¹ USDOT T100 data for the 12 months ending with 3rd quarter 1998. Average load factors in the LAS-ORD market for AA, HP, and UA were 90%, 77%, and 87% respectively.

¹² USDOT OD1A data for the 12 months ending with 3rd quarter 1998. Average yields in the LAS-ORD market for AA, HP, and UA were 9.7, 7.5, and 9.4 cents/mile respectively.

¹³ USDOT T100 data for the 24 months ending with 3rd quarter 1998.

B. Lack of O'Hare Access Removes the Incentive for Competition

The three airlines serving the Las Vegas – O'Hare market with nonstop service are well-established carriers. America West currently offers "red-eye" service at O'Hare; O'Hare is a spoke from its concentration of service at Las Vegas. For American and United, Las Vegas is a spoke from their O'Hare hub operations. With high load factors and low yields, there is little incentive for these carriers to add capacity. Emergence of a new entrant with a convenient and competitive schedule will be necessary to break the logjam in this market and improve service for the traveling public.

Over 1.1 million passengers were carried on the Las Vegas – O'Hare route during 1998, though only 54% (600 thousand) were local O&D passengers. National's interest is in the local market, which does not have sufficient service to meet current demand. The O'Hare – Las Vegas market is ripe for a new entrant such as National given the local market demand, hotel room availability, current service levels, and high load factors. McCarran hopes it will have the opportunity to benefit from the service proposed in National's application.

V. CONCLUSIONS

McCarran provides the above information in support of National's application, and supports the arguments made in said application regarding National's status as a new entrant carrier, the viability of its proposed operations, and the precedent established by the Department for the awarding of slots in similar cases. Granting of National's application would allow new service by a new-entrant carrier in a market now

served only by established carriers where load factors are higher than in any other Las Vegas nonstop market. In addition, the proposed service would help meet the demand for air service to the Las Vegas area, where the economy is driven by visitor-related industries.

In summary, McCarran respectfully submits that the service to be provided with the grant of the requested slot exemption is clearly in the public interest and meets the department's established "exceptional circumstances" criteria for the awarding of slot exemptions at high-density airports. Further, McCarran urges the Department to grant the application as soon as possible.

WHEREFORE, for the foregoing reasons, Las Vegas McCarran International Airport respectfully requests that the Department grant expeditiously National Airlines' application for an exemption from Subparts K & S of 14 C.F.R. Part 93, to enable it to conduct five daily flight operations (departures or arrivals) at O'Hare during the slot-controlled hours between 6:45 a.m. and 9:15 p.m. for the purposes of providing three daily nonstop roundtrip services between Las Vegas, Nevada and Chicago O'Hare International Airport.

Respectfully submitted,



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