Excerpts from "A History of the Metropolitan Washington Airports Authority and of its Two Airports, National and Dulles," August 2006 by James A. Wilding, Retired President and CEO, Metropolitan Washington Airports Authority

Editor's Note:
Shortly after retiring as President and CEO of the Metropolitan Washington Airports Authority, Jim Wilding wrote a history of the major events and developments that had taken place during his 44-year involvement with National and Dulles Airports. One major development was the transfer of responsibility for the two airports from the Federal Aviation Administration to a newly former airports authority. The following excerpts from that history explain the reasons for the transfer, how it took place, and the results that flowed from the change.—Robert Poole

Introduction

Washington is served by two major airports, Ronald Reagan Washington National and Washington Dulles International. Both were built by the federal government and were operated federally until management was transferred to the Metropolitan Washington Airports Authority (MWAA) in June 1987.

Prior to the 1987 transfer, the airports had been operated by an entity within the Federal Aviation Administration (FAA). That entity's sole function was to run National and Dulles, the only commercial federal airports. It went under different names from time to time and migrated from place to place on the FAA's organizational chart. It was that management and operating unit which transferred out of the federal government to become the management and operating structure of the new Airports Authority.

Where Things Stood in Mid-1959

A project team had been assembled the previous year, 1958, to plan, design, build, and open what is now Washington Dulles International Airport. The team had been set up in the Civil Aeronautics Administration (CAA) at the Department of Commerce. Once the Federal Aviation Agency (now the Federal Aviation Administration, or FAA) was established as an independent agency in 1959, it absorbed the former CAA, including the project team for Dulles. Within the new FAA, the project team was placed under the Bureau of Facilities, a unit that dealt with building air traffic control towers, air traffic control centers, flight service stations, and navigational aids. It had no prior experience with airports and largely left Dulles development matters to the project team.

Airports in this country were then, and are now, typically built, owned, and operated by local governments. Sometimes they are parts of city, county, or state governments. In other cases they are "authorities" formed by local governments, either with airport-only missions or with broader mandates that sometimes include seaports, bridges, and tunnels. In contrast to these nationwide practices, the Dulles project was a federal undertaking, arising from the federal government's view of itself as the National Capital's airport operator. The establishment of a new airport had been authorized by the Second Washington Airport Act of 1950. The passage of that act, at the urging of the CAA, had come only nine years after the federal governments' opening of National Airport.

While debate over the specifics of Dulles continued over six or more years, the region continued to rely on Washington National for its air service. National Airport had been serving the Washington region since its opening in 1941. It had, during World War 2, hosted a substantial military presence. Many of the facilities at the airport, particularly those at the north end of the field, had been constructed as temporary structures by the military during the war. As these structures reverted to civilian use after the war the presence of these "temporary" types of buildings had begun, as the 1950s arrived, to contribute to a downward spiral in the overall quality of airport facilities. This temporary type of construction was later to be mimicked in certain expansions of the passenger terminal, most notably the North Terminal that was added in the late 1950s.

Washington National Airport was, in the 1940s and 1950s, operated by a management structure which reported directly to the head of the CAA and, once it came into being in 1959, the FAA. What is noteworthy from an organizational perspective is that the CAA and the initial leadership of the new FAA seemed to recognize that actually operating an airport, Washington National, was a distinctly different function from the more nationwide airport-related programs found elsewhere in CAA, and later FAA. As will be seen below, that distinction was lost years later in subsequent FAA reorganizations, to the Washington airports' considerable detriment.

During the early days of the Nixon Administration, with the new Dulles Airport finding it hard to attract airline service, there was yet another attempt to address the increasingly glaring facility shortcomings at National, an effort which had become known as a need to "modernize" the airport. A team of consultants, led by the firm of Vincent Kling and Associates of Philadelphia, was selected to re-plan National. This was a full-blown effort extending over several years. In many respects it was well done, but at least in retrospect, completely mistimed. The political process was, in its own halting way, dealing with the policy question of how constrained National needed to be (and in the minds of some airport critics, whether it needed to exist at all). The Kling work proceeded in the mistaken belief that it could do so without being meshed with the larger policy question. When the work concluded in 1968, with options set forth for a complete rework and substantial expansion of the airport, the political team at FAA and DOT were horrified and immediately distanced themselves from it. While discussion of the Kling work continued for two more years, it was effectively dead when concluded. In late 1970, Secretary of Transportation John Volpe made it official by deciding that no further action would be taken on that plan.

As this period concluded, the airport situation was in poor shape. Noise at National had become a major issue; Dulles was struggling to achieve a sufficient amount of activity to sustain the operation; our Bureau of National Capital Airports (within FAA) was in a state of organizational limbo. There now was a new federal Department of Transportation, but it had not yet tuned in to the major airport issues.

Searching for An Airports Policy and a Place on DOT's Agenda

The Airport Services office in FAA, to which the DC airport operation (formerly BNCA) was now assigned, administered a federal grant program that provided grants to airports around the country to assist with Capital projects, with emphasis on airfield projects. It had divisions in each of the FAA's regional offices around the country, and also developed and published technical standards which airports were obliged to use when building projects using federal grant funds. While it was doing things that were important and quite relevant in the world of airports, it was singularly unsuited to actually operate airports, and had not sought this new role. Fortunately, it recognized its own limitations.

The Director of that office was Chester Bowers, who had been in that position for quite a while, was well regarded and well connected in the agency, and knew trouble when he saw it. In an effort to let things cool down a bit, he dragged his feet while "studying" how to integrate his new responsibility into his current programs. He then slowly reestablished BNCA within his own office, labeling it "National Capital Airports (NCA)", wisely kept its operation separate and distinct from his nationwide programs, gave the then-manager of National Airport (C. R. "Tex" Melugin) the collateral duty of heading up the new organization, and preserved the majority of the jobs which were at risk in the elimination of BNCA. In short, he made the most of a bad situation, but it remained a bad situation.

Two years later, when Tex Melugin left for another senior position in FAA, he was replaced by the then-Dulles manager, Dan Mahaney. By that time things had cooled enough that Dan was designated as the Director of NCA, without the need for it to be structured as a collateral duty. Still later, in 1975, James T. Murphy assumed the Director's position and, in 1979, I did. By that time, the organization had ceased to be called "National Capital Airports". It was now called "Metropolitan Washington Airports"

On the question of what to do about National's deteriorating facilities, physical improvement proposals had consistently ended up morphing into debates about the airport's future role. This pattern was viewed by many within the Office of the Secretary of Transportation (OST) as a classic "cart before the horse" approach. In July of 1971 a decision was made by OST that National's increasingly evident need for physical improvements would be dealt with by first adopting a policy to deal with the nagging issue of how it and Dulles should interact in meeting the region's airport needs. Then and only then, held the OST decision, would the physical improvement matter be tackled. Thus was formally born the quest to formulate and adopt an "airport operating policy" for National and Dulles, a policy that was intended to lead to physical improvement of National and expansion of Dulles. It was an effort that, in reality, had been underway for many years, most notably as a shadow issue in the Kling plan discussions of the late 1960s. It was now institutionally acknowledged as the threshold issue that needed to be confronted and decided before attention could again turn to a physical improvement program.

In late 1979, President Carter named Neil Goldschmidt to replace Brock Adams as Secretary of Transportation. Secretary Goldschmidt quickly became the high level decision-maker who not only wanted, but demanded, a product from the policy work. One of his first public statements called National Airport a "dump", one that he intended to do something about.

By the end of this period, MWA had achieved some stability and had regained some influence in the FAA organization, but was still organizationally distant from the political levels that were needed to make things happen. The airport policy debate was out in the open, but badly stalled in terms of real progress. Further talk of physical improvements at the airports was at a standstill pending the policy decisions. But help appeared to be on the way in the person of Sec. Goldschmidt.

An Airports Policy Is Finally Adopted

Sec. Goldschmidt followed through with his promise to deal with the problem of National Airport. He was briefed about the previous efforts to do major facility improvements and how they had been deferred until a policy was fashioned. He agreed that having a guiding policy was important, but was distressed to learn that the effort to pull one together had been underway for so long without results.

He sent people from his political team to talk to everyone involved, including us at MWA. We were candid in expressing our views on the sorry history of this matter. We were aided somewhat by the Carter Administration's recent experimentation with "zero- based budgeting", one feature of which was each agency's need to prioritize all of its programs. FAA had identified a total of 104 programs in the agency, ranking the operation of National and Dulles as the 99th on the priority list, and ranking the physical improvement of these airports as the 103rd in priority. We argued that with that lack of priority, with our placement in the organizational structure, and with nobody at the very top showing much interest, it was quite understandable what had occurred. We emphasized that it was all but certain to repeat itself if the Secretary did not personally drive the process.

The Secretary's emissaries also showed a good deal of concern about MWA's reliance on the FAA headquarters office for many of its administrative functions, including personnel, accounting, and major contracting. They marveled that we were able to keep the operation going at all, given those constraints. As a byproduct of their interest in the larger policy and redevelopment issues, they saw to it that those matters were dealt with as well. In November 1980 the FAA organizational structure was modified so that MWA would henceforth provide its own administrative support functions.

The Secretary's direct interest had an energizing effect on the policy formulation process. The papers began to move again, and although another seemingly endless series of meetings occurred, there was optimism that all of this would lead somewhere. Through it all, Sec. Goldschmidt made it clear that the goal was a physical redo of National, with the policy decisions meant to make that achievable.

On August 15, 1980, Sec Goldschmidt announced the DOT policy for National, with its implementing regulations to take effect on Jan. 5,1981. It provided, among other things, for a passenger cap with periodic reductions in airline slots (i.e., landings and takeoffs) to remain within that cap. It indicated that with this new policy in place, an effort would be launched to redevelop the facilities at National. MWA moved ahead to start a Master Planning process for National that would deal with the physical redevelopment issues for the airport.

A New Administration and Increased Recognition of the Organizational Mis-Match

The 1980 elections made Ronald Reagan the President, with the new Administration taking office in January 1981. Drew Lewis replaced Neil Goldschmidt as the Secretary of Transportation, and J. Lynn Helms replaced Langhorne Bond at the FAA. Early in their tenure they were lobbied hard by interests who were displeased with the "Goldschmidt" policy, including the airlines who viewed the limitation of National as having gone too far, and citizen groups who felt such limits had not gone far enough. Initially the new team of Lewis and Helms was dubious at the outgoing Administration's framing of the issue that had given rise to the adopted policy. The new team tended to view it only as a local noise problem at National. They initially resisted the notion that the issue had, over the years, become broader than that, and now included Dulles as well. Further involvement brought them around on that point.

As the new political team took office, the "Goldschmidt" policy was, unless they intervened, to take effect in April 1981. They did intervene, moving the date to October (and ultimately to November) to give themselves time to become more familiar with it and to modify it if that seemed appropriate. After much debate within DOT, the new team announced its own airport policy decisions in November 1981. This was very similar to the "Goldschmidt" policy, but slightly reduced the passenger cap, while loosening somewhat the night noise restrictions. Importantly, the new Administration had put its own stamp on an airport operating policy to guide the future development and use of the two airports. It was this policy which was later to be reflected in the airport transfer debate and, to some considerable extent, included in the federal transfer legislation itself.

It is important to recall that the goal of adopting an airport operating policy was born of the failed attempts to rebuild National. Such a policy was to provide the framework for substantial physical improvement to take place, especially at National. Neil Goldschmidt had emphasized that point as he threw himself into the effort. Somewhere in the new Administration's dealing with the matter, that point got lost, or at least blurred. The new team, Lewis and Helms, continued to approve policy papers, regulatory documents, press releases, and the like that cast the policy decisions as a precursor to physical improvements. However, in listening to them in person they seemed not at all intent on that outcome. When pushed on it by those who were not in favor of such improvements, such as some of the citizen groups, they were vague about it. Their perspective seemed to be that they had found a new, controversial policy on their desk when they arrived, had listened to all sides in the debate, and had made the policy decisions they felt were appropriate. They took obvious pride in their effort to resolve it, but the "it" had become the policy itself, rather than the objective of physically fixing National Airport. They did seem supportive of improvements at Dulles.

All of this caused MWA, as we were moving ahead with the Master Plan for National, a great deal of anxiety that we never found a good way to resolve. We began to use the ongoing planning effort to identify a range of redevelopment options, with some scaled back to a level which we hoped would satisfy the current political team if the issue came to a head. Fortunately, it never quite did. Had not the later airport transfer come about it is very doubtful that any improvements at National would have approached the scale later put in place by the new Airports Authority. But the transfer process did occur, the planning work done in this period was invaluable in building pro-transfer enthusiasm for what could be accomplished at National, and that same planning work formed the basis for what later became the complete rebuilding of the airport. For a while though, we were in the very uncomfortable position of running parallel planning tracks that varied enormously in scope, and in feeling the need to be rather opaque about what we were doing.

In August of 1981, a large portion of the FAA's air traffic controller workforce went on strike. Since the strike was illegal, those who refused a presidential directive to return to work were fired. To cope with the vastly reduced capacity to control air traffic the FAA imposed severe restrictions to the flow of traffic, which caused airlines to make large reductions of their schedules. General aviation traffic was also significantly reduced. Both commercial and general aviation traffic took several years to completely recover as the FAA rebuilt its air traffic control workforce. Activity at National and Dulles showed a sharp decline during this period, comparable to that at other large airports around the country.

It was during this same period that the Washington Airports Task Force was formed. It was originally known as the Dulles Policy Task Force, was made up of a number of companies with interests in the Dulles area, and had come together to give a Dulles perspective to many of the airport policy issues dealt with extensively above. It also played a major role in marketing air service opportunities at Dulles to individual airlines, something that MWA, as a federal operation, was not well positioned to accomplish. The Task Force evolved over time into a very effective support group for the airports, and was to play an important role in promoting the later transfer of the airports to the new Authority.

Something that occurred in 1983 illustrates how large and sometimes disjointed the federal government had become and how awkward it was to continue to operate the airports within that structure. Despite the ample publicity that DOT had adopted a policy to increasingly rely on Dulles for the regions' airport needs, the General Services Administration (GSA) directed DOT to declare 2680 acres of Dulles (more than 25% of the airport's land) to be surplus and to sell it. GSA was acting under authority they had been granted to seek out such opportunities to assist in dealing with the federal budget deficit. Without any consultation or contact with us, GSA had looked at Dulles' size, compared it to the land holdings of several other U. S. airports, and determined that Dulles would never need a 4th runway nor would it, GSA concluded, need certain other land for future development. This preposterous idea was embraced by OMB, continued to be a threat for several years, and was well on its way to occurring until it was finally aborted through the personal intervention of Secretary Elizabeth Dole, once it began to interfere with her initiative for the airports transfer.

As noted previously, the federal government's role as the Washington area's airport operator had worked to the region's advantage in several major respects, most notably in the building of both National and Dulles airports. By the late 1970s and early 1980s, however, what had previously worked for the region's interests was now working against those interests. The long debate about the proper policy for the airports had postponed important physical improvements, and even the day-to-day operating and maintenance needs were being seriously underfunded. While the airports were operated in a fashion that brought in revenues well in excess of costs, those revenues went into the general receipts of the U S Treasury where they disappeared into the growing abyss of the federal budget deficit. The airport operation had no claim on them. All of the operating and development funds for the airports were derived from the federal appropriation process. There we were intermingled with all of the other FAA programs. We were standing in a very long line in the appropriation process and, remembering the previously referenced FAA priority ranking of its various activities, we were very close to the end of that line.

In simple terms, we were running a fair size enterprise that had no real linkage between its revenues and expenses. We were, as the attention to the overall federal deficit resulted in more and more FAA and government-wide cuts, getting a disproportionate share of those cuts, without any regard for our ability to drive revenues. Worse still was the fact that in cutting certain types of cost, the formulas in our contracts with the airlines translated those cuts into downward adjustments of rates, and thus of revenue. The Governments' net financial position would remain the same while our available operating funds, and thus our service levels, continued to deteriorate. It was an increasingly intolerable situation.

Several times within the existing budget and appropriation system we advocated changes which would have us rely on our own revenues and diminish, or completely forego, further appropriations. None of this gained any traction within an FAA that was increasingly beset by its own even larger funding problems. As a consequence, we concluded in the early 1980s that we should craft and market some form of federal corporation approach which would, while requiring legislation, give us a remedy to advocate in our increasingly deteriorating situation.

Another problem with which we were dealing during this period was the Office of Management and Budget (OMB) program to contract out certain "non-governmental" functions throughout the government, functions that had historically been performed by government employees. This process, known as the A-76 process (in reference to the OMB circular that spelled it out) had been around for years, and called for identification of non-governmental functions to be studied for contracting out. The program had been largely ignored throughout the government. Given the new alarm about the federal deficit in this period, however, OMB began to link this process with the annual budget process, and to assess personnel cuts to federal agencies in anticipation of successful A-76 studies. In a sense, they turned the process upside-down, cutting the personnel numbers before cost-benefit studies were done, rather than after. As this played out in FAA, which several years running was assessed big cuts, we were sitting ducks, a low priority function with large numbers of blue-collar employees. We began to suffer a large share of the FAA cuts, lost our entire custodial workforce to this initiative, and were in serious jeopardy of losing many of our skilled trades.

This was a well-intentioned but poorly framed approach to the issue, at least as applied to the Washington airports. Operating two major airports requires certain skills to be employed, including skilled trades. The A-76 process narrowed in on a question like "Is plumbing (or painting, or carpentry, or electrical etc.) work inherently governmental?" It would have been far more relevant to ask whether the whole idea of the federal government running these airports continued to make sense. We would likely have welcomed that question. But the process ground on, and FAA continued to use us to relieve pressure on the rest of the agency. We spent enormous time, energy, and lobbying effort to resist this push, but knew that time was our enemy and that we were squarely in the crosshairs of this threat to our people and to our fundamental ability to operate.

As this period concluded, we had achieved some stability on the airport policy front, but there were doubts whether the current political team was committed to translating that progress into a physical development program. We were having severe problems in keeping the budget and personnel-cutting wolves at bay, and had concluded in our own minds that some radical change was needed if we were to turn around the airports sinking fortunes. We had weathered the scatter plan debacle, and had seen a welcome new ally form, the Washington Airports Task Force.

The Airports Transfer

Sec. Dole took office in 1983, replacing Drew Lewis as head of the U.S. DOT. Early in her tenure, Sec. Dole had been confronted with a number of issues regarding the Washington airports. These included both the carryover complaints of those who had not been pleased with Drew Lewis' policy decisions and felt that she might see things more their way, and with the local uproar over growing noise impacts from National. In her early months in office, Sec. Dole was clearly frustrated with the degree to which local airport issues required her time and attention, at the expense of matters that she felt were more appropriate for her office. While it is likely that her frustration was similar to that of her predecessors, her reaction was certainly not. Some of her predecessors had moved to decide airport issues in hopes of moving beyond them, while others had simply tried to ignore them. Sec. Dole questioned why the airports were even in her Department. Early in 1984 she decided to launch an initiative to remove the Washington airports from federal control.

In June 1984, Sec. Dole appointed a Commission to determine the most feasible means to bring about such a "transfer", as the initiative came to be labeled. It was chaired by Linwood Holton who had served as Governor of Virginia in the early 1970s and who would later serve as the first Chairman of the Metropolitan Washington Airports Authority. Sec. Dole did not ask the Commission to consider *whether* a transfer of control was wise. She had already decided that it was. She wanted the Commission to focus on *how*.

The Commission deliberated over a several-month period, concluding that the formation of a regional authority was the best approach. Their report contained specific recommendations on the powers that such an authority should have as well as specific recommendations for the precise regional make-up of its governing body, a board of directors.

The airlines generally supported the transfer initiative once their representative on the Holton Commission sought and gained a number of conditions for a transfer that protected the airlines' interests. While generally wary of supporting measures that are likely to lead to costly undertakings that they do not control, they recognized that the needs at the Washington airports were pressing and that they were unlikely to be dealt with by continuing the status quo.

The MWA organization (as well as practically everyone else in the FAA) had not been aware of Sec. Dole's plan to de-federalize the airports, and was caught by surprise when her intention to do so and her appointment of the Holton Commission were announced in June 1984. We did, however, begin to interact with the Commission early in its life, and were particularly active in pressing the importance of proceeding in a way that respected the interests of the existing workforce. This was, we stressed, not only important for the people involved, but also for any new entity if it had any chance of getting off on the right foot. All of this was complicated by the fact that whatever the merits of a new approach might be, it was going to take quite a while for it to be decided, and the resulting uncertainty was sure to have a destabilizing impact on the workforce.

Following the conclusion of the Holton Commission and issuance of its report, legislation was introduced in the U.S. Congress to transfer airport control to a new authority to be created by D.C. and Virginia, Maryland having declined to take part. Early in the following year, 1985, corresponding legislation was introduced in both D.C. and Virginia.

We in MWA, while having been surprised by the initiative, concluded that it was in our interest that the effort succeed. The budget squeeze, placement within FAA, and A-76 problems seemed intractable absent a drastic change in how we were organized and governed. While this transfer approach reached well beyond the federal corporation proposal we had been crafting, we decided to do all that we could to support it.

Early in the transfer process, even while the Holton Commission was meeting and before any specific legislative proposals were forthcoming, it became apparent to Sec. Dole and her political team that they were having little success stirring up interest on Capital Hill. Their basic lobbying theme was that it was good government to handle the airports here the same way they were handled elsewhere, through some local entity. Few, if any, in Congress seemed to care about that, and there was some early evidence that the prospect of the "locals" controlling aviation access to the nation's capital would be actively opposed by some on the Hill.

At that point MWA became directly engaged with the Secretary's office and her political team. We pointed out that our contacts with the Hill, most notably during rounds of appropriation hearings, indicated that there was a lot of congressional support for physical improvement of the airports, particularly National. We urged that a rationale for a transfer be that such improvements were most likely to come about by gaining access to the municipal bond market for private capital, and that such access could only occur through a transfer out of the federal government. This coincided with advice that the Secretary was getting from others and with the thinking that was evolving within the Holton Commission. After trying this approach out, the political team came to believe it had promise, and it became, thereafter, a major argument for the transfer.

One of the interesting dynamics of the transfer initiative was that similar proposals had been made repeatedly over many years and had always failed. This played an important, perhaps pivotal, role in the debate. Many of those who were not in favor of a transfer, including some on the Hill, and even some in the FAA, relied on this history to believe that this current push would fall of its own weight as had similar efforts in the past. They were wrong, but by the time they realized that, it was too late for them to be effective. If they had mobilized opposition earlier, the outcome could well have been different.

The federal legislative effort took two years. It included a weeklong filibuster in the Senate by Senators Hollings and Sarbanes. Such a filibuster would almost certainly have led the Senate to scuttle the bill had not Senator Robert Dole, the Majority Leader and Sec. Dole's husband, shown enormous patience in letting the matter tie up the Senate for an entire week. In the House, there was strong opposition as well, mainly from those who thought that the Washington airports should remain federal. They tended to recognize, as had we, the strong Congressional sentiment for new facilities at the airports and they concocted various federal funding schemes for this purpose, none of which approached the amounts really needed. By all measures usually applied, the legislative effort died at several points, but Sec. Dole revived it on each such occasion. She was relentless. She threw the weight of her office fully behind it and personally lobbied for it at every turn, as did Gov. Holton. We in MWA were relied on to demonstrate the physical improvements which a transfer would occasion at the airports, using at National the products of the planning work that we had quietly kept moving forward during the Lewis and Helms era.

In the House, the legislation finally passed as part of a last-minute, catch-all appropriations bill. It passed the House at 2 AM on the House's last day before adjourning. The Senate approved the changes made by the House later that same day. The President signed it several days later.

During its two years on the Hill, the proposed bill had been changed in several major ways. While it had been originally drafted to ultimately transfer title to the new Authority, it now was a long-term lease arrangement with the federal government retaining title and collecting an annual lease payment. The employee protection provisions were strengthened, and a "Board of Review" was added to the governing structure. That last addition would prove to be troublesome in the years ahead (and was eventually ruled unconstitutional), but the bill would not have passed without it.

While the federal legislation was pending on the Hill, both the District of Columbia and the Commonwealth of Virginia had moved ahead and enacted their own legislation creating the new Airports Authority. Both were later modified to conform to the changes made in the final version of the federal bill.

The task now became one of making this transfer actually happen, and it was to be no small feat. In the immediate aftermath of the transfer legislation's passage, we were overwhelmed by the scope and complexity of what needed to be accomplished in a very short period of time. There was a lease with the federal government to work out, there were banking arrangements to organize, and there were personnel, procurement, payroll, health insurance, life insurance, and a host of other administrative arrangements to pull together. But it was apparent to us that the highest priority was to communicate continuously and effectively with our employees. For over two years they had seen the political debate about the transfer tilt back and forth, causing a high level of uncertainty. They now deserved all of the reassurance and certainty that we could muster.

Quite aside from the fairness issue regarding the employees, it also seemed to us that persuading a very high percentage of employees to accept employment with the new authority was absolutely key to our being able to promptly move ahead with the promised physical improvements at the airports. Absent retaining most of the employees, those next few years would necessarily be consumed with rebuilding a workforce, with the improvement initiative delayed for at least several more years.

We were also very conscious of the narrow margin by which the transfer legislation had passed in the hectic last days of the now adjourned Congress. That fact made it important that we make the actual transition to Authority operation as early as possible to avoid a new Congress having second thoughts about it. Under other circumstances a minimum transition time of 12 to 18 months would likely have been taken, but we decided to do it in nine months.

Moving through the necessary transition steps, while complex in its own right, was further complicated by a great deal of inertia within FAA and within the staff offices at DOT. It quickly became apparent that there were many in key positions that did not relish "losing" the airports and who were not going to lift a finger to help us move through the transition. Deputy Secretary (later Secretary) Jim Burnley stepped in and vested us with sweeping administrative authority that allowed us to bypass many of those problems. With that authority in hand, we were able to pick up the pace, promptly hire outside help where we needed it, and establish a schedule that tied to the nine-month target date to be operating as the Airports Authority.

Priority was given to employee-related issues. We established a variety of communication means, involving as much person to person contact as we could manage. Happily, we succeeded in having well over 90% of the employees opt to make the transfer to the new Authority.

In early 1987 the lease negotiations were completed and on March 2, 1987 the lease was signed on behalf of the federal government by Sec. Dole and on behalf of the Airports Authority by its recently elected board chairman Linwood Holton. The lease was to be effective on June 7 of that year.

On June 7, 1987 the transfer became effective as planned. A simple ceremony was held in front of the main terminal at National, with participants including Sec. Dole, the Authority's new Board of Directors, and Virginia Gov. Baliles. The airports were now no longer a part of the federal government that had built them, but which had so much difficulty in keeping up with them in recent years. Instead, they were now to be run by the new Metropolitan Washington Airports Authority.

The New Airports Authority Takes Control

The start-up period for the new authority was a very promising and exciting time. We saw the opportunity to move ahead with plans we had been working on for some time and to turn around the pervasive feeling that time had, in recent years, been passing us by. But we had to deal with the reality that expectations for us were sky-high, due in part to our own pro-transfer arguments made over the last several years.

A priority was to follow through with our commitments to the employees to assure that they did not come to regret their decisions to accept authority employment. For many, that decision had been a leap of faith and they were understandably wary of what lay ahead. To deal with this we needed to fashion new Human Resource processes, some of which had occurred prior to the transfer date, but most of which, given the time constraints, had simply carried over the federal processes.

We needed to complete our physical planning and to translate it into practical designs and programs. We needed to establish, through hiring and consultant arrangements, the capability of managing a multi-billion dollar development program. We had to negotiate long-term agreements with the over 40 airlines using the airports, and were anxious to establish relationships and credibility with the tax-exempt municipal bond market to whom we would soon be turning for substantial financing.

This was made all the more interesting, and at times frightening, by the fact that we had, in the transfer process, taken not a dime of cash with us as we switched over. While we had use of the real property and had taken possession of all of the personal property, such as furniture, office equipment, vehicles, etc., we were, on day one, absolutely penniless. We had established lines of credit, but had never used them. Fortunately, we did have the right to our receivables that gave us the ability in our early months to accumulate enough cash to cease taking a reading on our cash position several times each day.

One of the most challenging matters to be dealt with during this start-up period was the fashioning of a workable relationship between the Board of Directors and the management. We were very fortunate that the initial board was a very strong and experienced one, well led by Linwood Holton. While all of the power was vested in the board, it was a part-time, uncompensated board that needed to leave a great deal of decision making to the management. Working out the particulars of delegations and other formal processes was a little bumpy at times, but the Board's mix of political, governmental, legal, and business backgrounds served all of us well as these matters were decided.

Our biggest dilemma during this period was the need to show tangible progress on the development program, particularly at National, but that objective was in conflict with the fact that it would take us several years to put in place the groundwork for such a large program. To resolve this dilemma we devised what came to be known as "The Early Program". Our planning, while not completed, had identified several projects at National and Dulles that we could safely start to build without seriously constraining the planning decisions not yet made. Importantly, we had also come to believe that, even before knowing the full scope of the development program and before negotiating airline contracts, we could borrow up to several hundred million dollars. Under a skillful plan designed by our financial advisors, Frank Raines and Ken Fullerton, this debt would be subordinated to such later debt as we might arrange once both our physical and financial planning was more advanced.

While this method of proceeding was not without risk, it was a risk worth taking and we took it. The Early Program came to life and included the demolition of Hangar 1, construction of Public Parking Garage A and of the Taxicab Holding Facility, and completion of some airfield work, all at National, while also including land acquisition at Dulles for a new runway. To the world around us, it showed early, tangible progress.

From a political perspective, it had the effect of reassuring those who had supported the transfer that things were going as promised. It also involved the assumption of enough debt that, had there been those who were harboring thoughts of pulling us back into the federal government, they would have the additional burden of persuading the government to assume that debt, a difficult task in those times of mounting federal deficits.

Subsequently, the development program at both airports moved into high gear. This was supported by new long-term contracts with the airlines that were effective in early 1990, the fruits of several years of highly constructive negotiations. Once in place, the contracts provided the financial underpinning for several billion dollars of improvements at the two airports, while assuring that MWAA would have the necessary tools to effectively manage the development program. The contracts also provided for the airlines to stay in continuous touch with the program through establishment of an on-site representative to assure that the individual airlines would feed information into the planning and design elements of the program in a timely manner.

During many periods the building program reached levels of a million or more dollars a day in production. We had, during the "Early Program", developed the capability to manage a large-scale program, and had achieved solid investment-grade ratings in the municipal bond market. We had also moved our planning along to the point that we now had a clear picture of what needed to be built.

At Dulles, the key development issues concerned the building of an underground people-mover system to link the terminal elements; the handling of public automobile parking; the need to greatly increase the throughput capacity of the main (Saarinen) terminal; the provision of new, flexible airside terminals; and the need to expand airfield capacity well beyond the capabilities of the current airfield. Each of these issues was extremely complicated in having many alternative approaches that represented greatly differing cost and long-term flexibility and expandability choices. I believe the choices made were good ones, but time will be the best judge of that. While the choices made are important, it is equally important that we were able to make those choices in a timely fashion and, with rare exception, did not need to turn away from logical design and construction production to maneuver around untimely or stalled planning decisions. Much to their credit, our Board of Directors was very ready to make decisions at key points and quite aware of the perils of indecision when the program was in full stride.

At National, the key development issues were mainly centered on the terminal area, and included matters like the relationship to Metro Rail and the degree to which the new terminal, forced into a very constrained and elongated site, could both be passenger friendly and visually connected to Washington. All of these issues needed to be dealt with in a way that was practical to build while continuing to operate a full schedule of flight and passenger activity. We managed, in a terminal area of only 90 acres, to devote 30 of those acres to construction of the new terminal and its roadways and aircraft aprons, while keeping the entire operation going for several years on the remaining 60 acres. The results speak for themselves. I think they are magnificent.

To a large degree, the development of a new terminal at National had become the symbol of why a new airports authority was needed, and it was to be the measure of whether MWAA produced as promised. It helped a great deal that the folklore of the Washington area had long ago concluded that National could not be fixed. As that impossibility turned to possibility before the region's eyes, it engendered a level of public support and of public patience for the construction inconveniences that was truly remarkable.

As the new terminal approached completion, and the media and general public gained access to it, the impact was wonderful. Not only had the "impossible" been done, Cesar Pelli had designed a building which was as people friendly and as stunning as one could imagine. It was an instant hit.

The opening ceremonies in July 1997 were great. They not only celebrated a marvelous new building, but also symbolized the success of the new airports authority.

Drawing a Few Conclusions

While I hope the foregoing contributes to a better understanding of the airports and of the Authority, there are several points that, while they arose in the context of the airports, might also be useful to those involved in other organizations and endeavors.

The organizational placement of the airports under an unrelated part of FAA back in 1971, and their continuation there for most of the 16 years until the 1987 transfer, was a serious mistake. I do not think there is a ghost of a chance that if FAA had been called on to operate an airline that it would have placed it in its Flight Standards office, which regulated aircraft and airmen, yet that is analogous to what it did with the airports. The lesson here is that in organizing any enterprise, public or private, there must be some alignment of the basic nature of the elements being grouped. Failure to achieve such alignment contributed to the airports organization's difficulties prior to the transfer. It is a phenomenon that is most likely to occur in very large, complex organizations like FAA and I would imagine that comparable examples can be found today in both public and private enterprises.

There is a big difference between a governmental enterprise that employs business- like techniques to pursue its mission, and an enterprise that really is a business. During its federal days the airports organization used business-like techniques to operate, but was, in reality, a government operation. It relied on appropriations, had no real link between its revenue and expenses, used governmental personnel compensation systems, etc. After transfer to the Authority, we were, in fact a business. There is a world of difference. Governmental operations are set up a certain way for a reason and they march to the beat of a certain drummer. Businesses march to the tune of a different drummer, again for good reasons. The airport experience has made me much more aware of the perils of trying to mix those two different models in a single mission. No matter how important or how complex the mission, those in any organization deserve and need absolute clarity on who they are, why they are doing what they are doing, and what tools are available to them. I am very skeptical that a mixed model can deliver those answers. The unfortunate, and largely unwarranted, disdain for "government" in many places has pushed some organizations in government towards a nether world between the two models. I am thinking in particular about the evolution in recent years of the FAA's Air Traffic Organization. My concern is that the overlapping beats of the different drummers is more likely to obstruct rather than assist an organization that tries to keep one foot in each model.