

**FINAL REGULATORY EVALUATION,
REGULATORY FLEXIBILITY DETERMINATION,
TRADE IMPACT ASSESSMENT, AND
UNFUNDED MANDATES DETERMINATION**

**FINAL RULE
SFAR 94
14 CFR PART 91**

**Enhanced Security Procedures for Operations
at Certain Airports in the Washington, D.C.
Metropolitan Area Special Flight Rules Area**

**OFFICE OF AVIATION POLICY AND PLANS
OPERATIONS REGULATORY ANALYSIS BRANCH
APO-310**

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
I. INTRODUCTION AND BACKGROUND	1
II. DISCUSSION OF THE FINAL RULE	3
III. COST OF COMPLIANCE	6
A. College Park Airport (CGS).....	8
A.1 Cost of Operational Restrictions	8
A.2 Cost of Security Procedures Program	11
A.3 Aggregate Costs	15
B. Potomac Airfield Airport (VKX).....	15
B.1 Cost of Operational Restrictions	16
B.2 Cost of Security Procedures Program	18
B.3 Aggregate Costs	21
C. Washington Executive /Hyde Field Airport (W32).....	21
C.1 Cost of Operational Restrictions	22
C.2 Cost of Security Procedures Program	26
C.3 Aggregate Costs	29
D. Cost to the Government	30
E. Total Costs	31
IV. ANALYSIS OF BENEFITS	31
V. COMPARISON OF COST BENEFITS	34
VI. COMMENTS.....	35
VII. FINAL REGULATORY FLEXIBILITY DETERMINATION.....	37
A. Regulatory Flexibility Determination	37
B. Regulatory Flexibility Analysis.....	39
VIII. INTERNATIONAL TRADE IMPACT STATEMENT	42
IX. UNFUNDED MANDATES REFORM ACT	44

Executive Summary

This regulatory evaluation examines the costs and benefits of a final rule requiring that any person operating general aviation aircraft to and from the College Park Airport (CGS), Potomac Airfield Airport (VKX), and Washington Executive Field (W32) conduct operations in accordance with the security procedures approved by the Under Secretary. These airports were closed shortly after the September 11, 2001 terrorist attacks that resulted in an unprecedented loss of life and property at the World Trade Center, the Pentagon, and in southwest Pennsylvania. The three airports remained closed until February 13, 2002 because of their proximity to the Nation's Capital. Due to this emergency, the FAA promulgated a rule to open these airports by adopting SFAR 94 without prior notice and public comment on February 13, 2002, and which was originally in effect until February 13, 2003. This rulemaking extends SFAR 94 for another two years.

The flight restrictions imposed by the rule are expected to advance efforts to counter possible terrorist threats during the year the rule is in effect. The managers of the affected airfields believe that rescinding the rule would bring back pilots and restore business operations to the airports.

The rule has two objectives: (1) To continue to restore general aviation aircraft operations at these airports and (2) to continue to provide a time interval to counter a possible terrorist threat while safeguarding assets within the National Capital Region against a possible airborne strike. The rule extends the requirement, new when the SFAR was originally promulgated, that these airports have approved security procedures. Accordingly, as a condition of resuming and continuing operations in 2002, the three airports needed to comply with the new security provisions with the original emergency rulemaking; the original rulemaking expires on February 13, 2003, and with this extension, these airports must continue to comply with them. Pilots operating to and from these airports must adhere to prescribed air traffic restrictions. By restricting aircraft operations at airports closest to the Nation's Capital to those with prescreened aircraft and individuals, it improves the security of the National Capital Region.

There are three main cost components that need to be considered in this rule. These involve the costs of complying with the flight restrictions, the costs of the physical security provisions in effect for these airports, and the cost to government agencies in enforcing these provisions. The total cost over the 2 years that this extension is in effect sums to \$12.76 million (\$11.44 million, discounted).

The primary benefit of the rule will be enhanced protection for a significant number of vital government assets in the National Capital Region. The security provisions and flight restrictions contained in this rule are an integral part of the effort to identify and defeat the threat posed by members of foreign terrorist groups to vital U.S. assets and security. On February 17, 2002, security responsibility for this rule was transferred to the Transportation Security Administration (TSA), while the air traffic responsibility for this rule remained with the Federal Aviation Administration (FAA). The FAA believes that the rule will reduce the risk that an airborne strike initiated from an airport moments away from vital national assets will occur. A terrorist strike of this type could have catastrophic consequences; the resulting tragedy would adversely impact the national and regional economies. The FAA has conservatively estimated the costs of such an incident with the benefits totaling \$51.04 million (\$45.78 million, discounted) over the two years, far more than the \$12.76 million (\$11.44 million, discounted) cost of the rule.

The FAA has determined that the rule will impose a significant economic impact on a substantial number of small entities. Accordingly, the agency has prepared a regulatory flexibility analysis. The rule is not expected to adversely affect international trade or impose unfunded mandates costing more than \$100 million in a year on state, local, or tribal governments or on the private sector.

I. Introduction and Background

The September 11, 2001 terrorist attacks against four U.S. commercial aircraft resulted in an unprecedented loss of life and property at the World Trade Center, the Pentagon, and in southwest Pennsylvania. In response, the Federal Aviation Administration (FAA) immediately placed flight restrictions within the territorial airspace of the United States. During this period of national emergency, only certain military, emergency, and law enforcement aircraft operations were allowed to continue. This prohibition was partially lifted on September 13, 2001.

The reality of another terrorist attack resulted in the placement of numerous flight restrictions, especially in large metropolitan areas throughout the United States. Following the September 11th attacks, the Washington, D.C. area, the seat of the Federal Government, was placed under the most stringent security regulations. Despite the September 13th lifting of flight restrictions, non-commercial aircraft operations in the Washington, D.C. Metropolitan area remained prohibited at all civil airports within a 25-nautical mile radius of the Washington (DCA) VOR/DME.

On October 5, 2001, the FAA issued NOTAM 1/0989, which authorized instrument flight rules (IFR) operations and limited visual flight rules (VFR) operations within an 18 to 25 nautical mile radius from the DCA VOR/DME in accordance with emergency air traffic rules issued under 14 CFR 91.139. Exceptions to the restrictions affecting part 91 operations in the Washington, DC area issued since September 11th were made to permit the repositioning of aircraft from airports within the area of the TFR and to permit certain operations conducted under waivers issued by the FAA.

On December 19, 2001, the FAA canceled NOTAM 1/0989 and issued NOTAM 1/3354 that, in part, set forth special security instructions under 14 CFR 99.7 and created a new TFR for the Washington, DC area.¹ That action significantly decreased the size of the area subject to the earlier prohibitions on part 91 operations in the Washington, DC area. As security concerns were resolved, most general aviation operations resumed with varying degrees of restriction. However, due to their proximity to important national Capitol area assets, three airports in Maryland, College Park Airport, Potomac Airfield, and Washington Executive/Hyde field remained closed for a sustained period following the September 11 attacks. These airports were to remain closed until further notice. The fundamental reasons for maintaining these restrictions were the continuing threat and the vulnerability posed by the proximity of these airports to many critical government assets and facilities in the U.S. Capital.

¹ The NOTAM also created TFR's in the Boston and New York City areas.

On February 19, 2002, the FAA cancelled NOTAM 1/3354 and issued NOTAM 2/1369. NOTAM 2/1369 (updated and reissued as 2/2263, November 27, 2002) contained the description of the Washington Metropolitan Area Special Flight Rules Area, as published in SFAR 94, and prohibited flight by part 91 and certain other aircraft within the Special Flight Rules Area. On February 14, 2002, the FAA issued NOTAM 2/1257, which provided flight plan filing procedures and ATC arrival and departure procedures for pilots operating from the three airports in accordance with SFAR 94. The FAA updated and reissued NOTAM 2/1257 as 2/2720 on December 10, 2002. NOTAM 2/2720 permits pilots vetted at any one of the three Maryland airports to fly into any of the three airports.

These three airports were closed longer after September 11, 2001 than any other airport in the nation. In 2000, approximately 89,000 Part 91 operations were recorded at these three airports. Airport operators, aircraft owners, and airport based businesses, and enterprises dependent on the continuation of aviation activity have undergone significant economic hardship as a consequence of these restrictions. For these three airports, College Park, Potomac, and Washington Executive/Hyde, the suspension of operations lasted from September 12, 2001 to February 13, 2002. The Washington Executive Airport/Hyde Field did not resume operations until March 2, 2002. This airport was closed a second time on May 17, 2002, and reopened on September 28, 2002.

The suspension of operations had an adverse economic impact on all three airports. The Maryland Aviation Administration estimated that on the effective date of this SFAR, revenues were significantly down from the prior year. Especially affected were fuel sales, reductions in hangar rentals, tie-downs fees, building and space rentals, and flight training. As pilots departed the airports, maintenance facilities, avionics repair stations, flight schools, and small retailers followed. Some of these businesses have relocated to other airports. An undetermined number of enterprises, however, ceased doing business altogether.

After discussions with the National Security Council, the United States Secret Service, the Department of Defense, the Transportation Security Administration, and the Office of Homeland Security, it was determined that national security concerns regarding operations at College Park Airport, Potomac Airfield, and Washington Executive/Hyde Field could be addressed by permitting operations at these airports in accordance with the air traffic and security procedures set forth in this SFAR. By extending the effective period of this SFAR, critical national assets will continue to be protected against an airborne threat while permitting operations at these airports.

The FAA promulgated SFAR 94 on February 13, 2002 to allow the resumption of operations from the affected airports while protecting vital national assets against airborne terrorist attacks. The SFAR was to last for one year. The FAA is still considering different options on how best to balance the needs of these three airports with the increased vulnerability in the Washington, D.C. area; this final rule extends this SFAR for two more years. This document examines the costs and benefits stemming from extending this SFAR.

II. DISCUSSION OF THE FINAL RULE

The FAA promulgated SFAR 94 on February 13, 2002, and this rulemaking extends this SFAR for two more years. The objective of the final rule is to maintain the restoration of operations at the College Park Airport, Potomac Airfield, and Washington Executive/Hyde Field, while at the same time maintaining an increased level of safety and security to a significant number of Federal Government assets in the National Capital Region. The SFAR will require affected airports to implement airport security programs and to comply with restricted air traffic control procedures for flight operations to and from the affected airports. The rule shall remain in effect until February 13, 2005.

Prior to the February 13, 2002 effective date of this SFAR, the three affected airports were not required to implement airport security programs. Moreover, pilots operating from these airports were not subject to the air traffic procedures and operating restrictions specified in this final rule. The final rule requires that, as a condition for maintaining current operations, the affected airports comply with the air traffic procedures and required security program specified in this SFAR. The major requirements are summarized and discussed below.

Paragraph 3, entitled "Operating Requirements," maintains the security requirements that the three affected airports and pilots operating to or from these airports must follow.

Subparagraph 3(a) establishes that no person may operate an airplane to or from the affected airports unless they have approved security procedures. The subparagraph also requires that the airport managers of each of the affected airports develop written airport security procedures. The Transportation Security Administration (TSA) and the United States Secret Service (USSS) must approve these procedures. The airport managers must maintain a copy of the security procedures at the airport and the procedures must be modified and updated as needed.

Subparagraph 3(b) has sixteen sections; the ten with cost-related implications will be described below:

(1) Requires that each person serving as a required flight crew member of an aircraft operating to or from the affected airports must, prior to obtaining authorization, must present to the appropriate TSA representative the following:

- (i) a current and valid airman certificate;
- (ii) a current medical certificate;
- (iii) one form of government-issued picture identification; and
- (iv) a list containing the make, model, and number of each aircraft that the pilot intends to operate to or from the airport. This data shall be incorporated into the airport's security procedures.

(2) Requires that pilots and airport management successfully complete a background check by a law enforcement agency, which includes submission of fingerprints and the conduct of a criminal history records check; it must be vetted through the USSS.

(3) Requires that pilots and airport management attend a briefing that describes procedures acceptable for operating to and from the airport. This establishes the requirement that each airport manager and each pilot based at the affected airports receive a security briefing conducted by the USSS, FAA's Air Traffic Services (ATC), FAA's Flight Standards (AFS), and TSA. Upon completing the briefing and a criminal background check, the affected pilots will be issued a Personal Identification Number (PIN). The PIN is a key identification requirement to be used when filing a VFR or IFR flight plan. A flight plan will not be accepted without a valid PIN.

(8) Specifies that only those aircraft that are authorized shall be operated to and from the three airports. Thus, only aircraft based at the airports and pilots that have been identified and cleared are allowed to operate to and from the airports. Aircraft based elsewhere are not permitted entry into these airports, eliminating transient aircraft business at these airports.

(9) Requires that affected pilots file an IFR or VFR flight plan telephonically with Leesburg AFSS prior to departure and obtain ATC clearance prior to entering the Washington, D.C. Metropolitan Area Special Flight Rules Area (MASFRA).

(11) Establishes the requirement that pilots maintain two-way radio communication with an appropriate ATC facility while in the Washington, D.C. MASFRA. The objective is to emphasize the importance of enhanced security by requiring pilots to maintain active communication while operating in the restricted area.

(12) Requires that the aircraft be equipped with an operable transponder with altitude reporting capability and use an assigned discrete beacon code while operating in the Washington, D.C. MASFRA. This conforms to other FAA rules that require aircraft to be equipped with a transponder with the stated capabilities for certain operations.

(14) Specifies that operators secure the aircraft after returning to the airport from any flight. Propeller locks must be placed on the aircraft as one of the means of securing the aircraft.

(15) Requires compliance with all additional safety and security requirements specified in applicable NOTAMS. This provision reminds pilots of

the standing practice that pilots adhere to the instructions and prohibitions contained in NOTAMS.

(16) Requires the affected parties to comply with any TSA or law enforcement requirement to operate to and from these airports.

Paragraph 4, entitled Airport Security Procedures identifies the requirements to be included in an airport security procedures program. The scope of these procedures depends directly on the number of pilots and aircraft based at the airport and the type of operations they engage in. Key requirements include:

- (a) Airport security procedures submitted to the TSA for approval must:
 - (1) Identify and provide contact information for the airport manager who is responsible for ensuring that the security procedures at the airport are implemented and maintained;
 - (2) Contain procedures to identify those aircraft eligible to be authorized for operations to or from the airport;
 - (3) Contain procedures to ensure that a current record of those persons authorized to conduct operations to or from the airport and the aircraft in which the person is authorized to conduct those operations is maintained at the airport;
 - (4) Contain airport arrival and departure route descriptions, air traffic control clearance procedures, flight plan requirements, communication procedures and procedures for transponder use;
 - (5) Contain procedures to monitor the security of aircraft at the airport during operational and non-operational hours and to alert aircraft owners and operators, and TSA of unsecured aircraft;
 - (6) Contain procedures to ensure that security awareness procedures are implemented and maintained at the airport;
 - (7) Contain procedures to ensure that a copy of the approved security procedures is maintained at the airport and can be made available for inspection upon request of designated TSA personnel;
 - (8) Contain procedures to provide TSA with the means necessary to make any inspection to determine compliance with the approved security procedures.

Paragraph 6, entitled Expiration, states that the SFAR shall remain in effect until February 13, 2005.

III. COST OF COMPLIANCE

The FAA has performed an analysis of the expected costs and benefits of this SFAR. As noted above, the SFAR originally was to last for one year, and the TSA performed the economic analysis, which showed the costs for its first year was \$6.46 million.² Specific parts of the SFAR resulted in costs only during its first year, and this analysis will mention them in the course of discussing the different cost elements.

The FAA was able to obtain limited historical financial and operational data for College Park and Potomac Field Airports and was also able to obtain this data for part of their first year under the SFAR; based on this data, the agency was able to estimate costs from February 13, 2003, the effective date of the final rule, to its expiration on February 13, 2005. Additional data restrictions, however, limited the analysis of the rule's impact on the Washington Executive Airport/Hyde Field. This airport opened on March 2, 2002, and was subsequently closed again on May 17, 2002. Hyde Field reopened on September 28, 2002. The two closings restricted the data available from the airport. Thus, as will be seen below, FAA was required to make additional assumptions in doing the analysis for this airport.

To provide a basis for comparison, the operational and financial data provided by the three airports has been adjusted to reflect full years of operation. The cost of compliance for all three airports is estimated to be \$12.30 million (\$11.03 million, discounted) over the two years that the SFAR is in effect. In addition, the cost to the Federal and state governments sums to approximately \$245,800 (\$220,500, discounted), so that the total cost of this final rule is \$12.54 million (\$11.25 million, discounted)

In May of 2001, Martin Associates completed an economic impact study of all General Aviation airports in Maryland; this study was funded by the Maryland Aviation Administration (MAA). The study found that in calendar year 2000, College Park Airport, Potomac Airfield, and Washington Executive/Hyde Field had the following combined economic impact:

- There were 210 airport-dependent jobs in existence;
- Airport related jobs resulted in \$7.4 million in personal income;
- Local purchases made by the airports exceeded \$2.5 million; and
- Airport businesses paid \$1.8 million in taxes.

² Final Regulatory Evaluation, Regulatory Flexibility Determination, Trade Impact Assessment, and Unfunded Mandates Determination, Enhanced Security Procedures for Operations at Certain Airports in the Washington, D.C. Metropolitan Area Special Flight Rules Area, Transportation Security Administration, Office of Security Regulation and Policy, December 2002 [Docket No. FAA-2002-11580; SFAR 94].

This analysis examines the economic impact of SFAR-94 on the three airports separately. The cost of compliance for each airport is broken down into two parts:

- The first section labeled Cost of Operational Restrictions explores the impact of the flight restrictions on airport revenue. To establish a baseline for comparison, this part compares the findings of the MAA economic impact study with more recent operational and financial information furnished by each airport.
- The second section named Cost of Security Procedures Program estimates the cost of complying with the final rule's security provisions.

The combined annual cost of the two parts is presented for each airport in the section labeled Aggregate Costs.

Factors and Assumptions

A large measure of the costs discussed in this analysis stem from the operational restrictions imposed by the SFAR. The FAA assumed the following factors in estimating the cost of the rule:

- The all-purpose cost of either a pilot's or an aircraft occupant's time is \$31.10 per hour.³
- The per hour cost of operating a piston driven, four seat aircraft is \$64.00.⁴
- The average load factor for a four seat aircraft is 43.7 percent or 1.75 occupants.⁵
- An airport manager's hourly wage is based on each airport's actual cost including indirect costs, and equals \$45 per hour at College Park, \$42 per hour at Potomac, and \$40 per hour at Washington Executive/Hyde.
- The cost of providing security personnel and vehicular support at College Park is \$55 per hour, while the cost of security coordinators are \$10 and \$12.50 at Potomac and Washington Executive/Hyde, respectively.
- The fee for fingerprinting is \$31.00 per person.⁶
- To account for financial losses not captured by the analysis, twenty percent of lost revenue is added to the estimated cost of operational restrictions for all three airports.⁷

³ *Economic Values for Evaluation of FAA Investment and Regulatory Programs*, Report No. FAA-APO-98-8, June 1998 - Table 1-1.

⁴ *Economic Values for Evaluation of FAA Investment and Regulatory Programs*, Report No. FAA-APO-98-8, Table 4-7.

⁵ *Economic Values for Evaluation of FAA Investment and Regulatory Programs*, Report No. FAA-APO-98-8, Table 3-6.

⁶ \$31.00 is the actual fee for fingerprinting at Reagan National Airport (DCA).

- To compensate for the lack of financial data for Washington Executive Airport/Hyde Field, the average estimated cost of certain operational restrictions for the two other airports is used to estimate the revenue losses.
- The data for the days that each airport was open and operating in 2002 was annualized to help estimate total operations and revenues.
- Hourly costs to the Federal Government include airport inspector (FG-14, \$53.91), TSA headquarters security specialist (FG-13, \$45.62), and flight service station specialist (\$45.21) and to the state government law enforcement agency employee (\$45.62).⁸
- All costs are in 2001 dollars.
- Revenue is used as the financial indicator of economic costs in lieu of unavailable data on lost profits.
- Local purchases include procurements made by the airport and its tenants and airport sales to tenants, visitors, and local organizations.

A. College Park Airport (CGS)

The College Park Airport was opened in 1909 and is the oldest continuously operating airport in the world. The historic airport, owned by the Maryland-National Capital Park and Planning Commission, is the site where the Wright Brothers trained U.S. military pilots in 1909. Despite its single runway and relatively small size, the airport has been the site of numerous businesses and a source of revenue for the local economy. The businesses at the airport provide a range of aviation services, which include passenger terminal and lounge facilities, fuel services, parking, pilot supplies, aircraft maintenance, avionics service, aircraft interior services, aircraft parts, aviation accessories, and flight instruction. Because of its readily accessible location and nearby accommodations, the airport has traditionally been the site of numerous aviation conventions. With the exception of about 100 annual air taxi operations, the College Park Airport serves a combination of private pilots and fliers who use their aircraft to conduct business.

A.1 Cost of Operational Restrictions

In the year 2000, College Park Airport recorded 19,798 total operations. Of this total, 12,378 were local operations and 7,420 or approximately 37.5 percent were itinerant operations. Data furnished by the airport show that at the end of 2000, 69 aircraft were based at the airport. By September 11, 2001, the number of based

⁷ This is strictly an assumption to account for the financial losses for which we had no data and could not account for. The true loss may be higher or lower than this assumption.

⁸ All hourly wage rates for government employees were increased by 32.45% to account for all fringe benefits. This fringe benefits factor was derived from Table 4-5, page 4-22, Economic Analysis of Investment and Regulatory Decision--A Guide, FAA-APO-98-4, January 1998.

aircraft had grown to 87 flown by 250 pilots. In contrast, only 22 aircraft and 50 pilots remained by February 19, 2002, the date that operations resumed. As of August 31, 2002, thirteen aircraft had returned raising the total to 35 airplanes based at the airport.

Table 1 shows aircraft operations data for the CGS airport for the base period of year 2000 and for the period that it has been open, February 19, 2002 to August 31, 2002; this latter data have been annualized. The FAA assumes that the number of operations annualized from 2002 data remains constant for the two years examined by this analysis.

**Table 1
College Park Airport
Operations Data**

	Base Period Year 2000	(2/19/02- 8/31/02) Annualized	Operational Change	Percentage Change
Local GA	12,378	2,400	(9,978)	-80.6%
Transient GA	7,220	0	(7,220)	-100.0%
Military	100	50	(50)	-50.0%
Air Taxi	100	0	(100)	-100.0%
Total	19,798	2,450	(17,348)	-87.6%

The data maintained by the Maryland National Capital Park and Planning Commission and airport management revealed that by March 2002, total airport revenues had declined by 79 percent. The moratorium and operational restrictions have also adversely impacted the earnings of businesses dependent on airport traffic.

The cancellation of special events has also decreased airport revenues. Since 1973, the College Park Airport has held an annual air show. The show attracted 50,000 persons and provided \$60,000 yearly to the airport. Conventions, such as the annual assembly of Aircoupe and Luscombe owners, have also been discontinued. The revenues stemming from the conventions totaled \$20,000 in 2001. Since January 2002, the airport has lost \$12,500 in revenues from the closing of the gift shop, removal of vending machines, and the decline in the sale of navigation charts and pilot supplies.

Table 2 below compares gross revenues from February 19th to August 31st, 2001, with the latest available data listed for the same period in 2002. As of August 31st, this airport had been open 194 days of a possible 202 days since the rule

began.⁹ Thus, the FAA annualized the 2002 data by multiplying by 1.85,¹⁰ and assumed that the revenues derived during the period examined in 2002 stays the same for the two years examined by this analysis.

As shown in Table 2, the College Park Airport and the surrounding community have experienced approximately \$731,700 or an 81 percent decline in revenues. This annualized revenue loss was increased by a factor of 20 percent to account for revenues losses not included in the analysis. Thus the estimate of losses to College Park Airport associated with complying with the operational restrictions SFAR-94 is \$1.62 million for each of the two years examined by this analysis;¹¹ this table also shows this revenue data annualized. This revenue data is divided between airport revenues and other revenue.¹² The FAA does not have historical data on revenue growth at this airport. Accordingly, the FAA will assume no annual change in revenue from either the base period or the contrast period.

⁹ There were no operations for the first six days of the rule, from February 13 to February 18, 2002.

¹⁰ This was calculated by dividing 194 days into 359 days, taking into account that the airport was not open the first six days of the rule.

¹¹ This was calculated by dividing 194 days into 359 days, taking into account that the airport was not open the first six days of the rule.

¹² Due to the lack of data, Table 2 does not include items such as the reduction in taxes paid by the airport and its tenants, the impact on employment, or an assessment of the reduction of personal income in the airport's community.

Table 2
College Park Airport
Revenue Data

	Gross Revenues				Annualized Dollar Change	Percentage Change
	Base Period (2/19/01-8/31/01)	Base Period Annualized	Contrast Period (2/19/02-8/31/02)	Contrast Period Annualized		
Fuel Sales	\$59,700	\$110,400	\$21,100	\$39,000	(\$71,400)	-64.7%
Parking Fees	\$47,600	\$88,100	\$18,400	\$34,000	(\$54,100)	-61.4%
Transient Parking	\$3,900	\$7,200	\$0	\$0	(\$7,200)	-100.0%
Conventions/shows	\$80,000	\$148,000	\$0	\$0	(\$148,000)	-100.0%
Airport Total		\$353,700	\$39,500	\$73,000	(\$280,700)	
Avionics Services	\$11,000	\$20,400	\$0	\$0	(\$20,400)	-100.0%
Major Airframe	\$15,300	\$28,300	\$0	\$0	(\$28,300)	-100.0%
Major Power Plant	\$13,200	\$24,400	\$0	\$0	(\$24,400)	-100.0%
Local Purchases	\$660,000	\$1,221,000	\$132,000	\$244,200	(\$976,800)	-80.0%
Misc. Sales	\$12,500	\$23,100	\$0	\$0	(\$23,100)	-100.0%
Other Revenue Total		\$1,317,200	\$132,000	\$244,200	(\$1,073,000)	-81.5%
Total Annual Revenue	\$903,200	\$1,670,900	\$211,000	\$317,200	(\$1,353,700)	-81.0%
plus 20 percent					(\$1,624,400)	

A.2 Cost of Security Procedures Program

As shown in Table 3, the cost to the College Park Airport and its pilots of complying with the security provisions of this rule will be approximately \$347,700 per year. This table shows the security costs divided between those incurred by the airport (\$181,500) and by the pilots (\$166,200); it also shows which costs only occur once and which are annual costs.

Table 3
Security Procedures and Program Costs
College Park Airport

	Cost	Occurrence
Security Program Preparation	\$0	one-time
Security Program Maintenance	\$500	annual
Security Program Modification	\$200	annual
Airport Briefing Preparation	\$0	one-time
Airport Physical Sec. Provisions	\$180,800	annual
Airport Total	\$181,500	
Pilot Security Briefing	\$0	one-time
Pilot Fingerprinting	\$0	one-time
Security Documentation	\$0	one-time
Flight Plan Filing	\$166,200	annual
Pilot Total	\$166,200	
SECURITY COST TOTAL	\$347,700	

The security requirements imposed by the SFAR and their compliance costs are listed by category as follows:

Airport – Total airport security related costs sum to \$181,500, which are more than 2 times the airport’s anticipated annualized revenue.¹³

Airport Security Program Preparation: The SFAR requires that the airport prepare a security program and that the TSA approve the program. This airport prepared their security program during the first year of SFAR 94; accordingly, there will be no preparation costs in the two years examined by this analysis.

Airport Security Program Maintenance: An approved security procedures program must be maintained and shown to TSA personnel as required. The airport is presently dedicating one hour of labor per month to this task. Thus, the annual cost of this requirement is 12 hours x \$45.00 or about \$500.

Airport Security Program Modification: The TSA may request that security procedures be modified. This task is estimated to take 4 hours annually at a cost of approximately \$200 (4 hours x \$45.00).

¹³ As shown in Table 2, known revenues sum to \$73,000. Increasing this sum by 20% increases total anticipated revenues to \$87,600. With total airport security costs of \$181,500, these costs are 249% of known revenues and 207% of total anticipated revenues.

Airport Briefing Preparation: The SFAR requires airport managers to prepare a security briefing for airport employees and pilots. The College Park airport prepared this briefing in the first year of this SFAR, so no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Airport Physical Security Provisions: As described in Section II above, Paragraph 4(a)(5) specifies that the airport's security procedures contain a description of the procedures the airport will use to monitor the security of aircraft. To comply, the airport established procedures to safeguard the aircraft on its premises at all times. College Park Airport is open seven days a week for 15 hours a day from 7:00 am to 10:00 pm. Two security coordinators are required to cover the 15-hour day. The two new security coordinators were transferred at no cost from other airport jobs. (These jobs had become partly inactive as a result of the reduction in air traffic activity.) The Maryland-National Capital Park and Planning Commission furnishes security during non-operational hours; the cost of providing security personnel and vehicular support is \$55.00 per hour. The 9 non-operational hours per day is equivalent to about 274 hours per month.¹⁴ Thus, the annual cost of after-hours security is approximately \$180,800 per year or 274 hours x \$55.00 per hour x 12 months. Propeller locks were purchased in the first year of this SFAR, so the FAA anticipated no additional costs for this requirement. Thus, the total cost complying with the security provision of this paragraph is about \$180,800.

Pilots - Total pilot security-related costs sum to \$166,200.

Pilot Security Briefing: Subparagraph (3)(b)(3) requires that pilots and airport management attend a briefing acceptable to the Under Secretary; the requirements of this briefing are discussed in Section II above. The FAA and TSA assume that all covered pilots were briefed during the first year of this SFAR, and that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Pilot Fingerprinting: Persons seeking to operate to and from the affected airports will need to go to a specified location to get fingerprinted. The FAA and TSA assume that all covered pilots were fingerprinted during the first year of this SFAR, and that no new pilots will need to be fingerprinted. Accordingly, projected costs equals \$0.

¹⁴ Nine hours times 365 days in a year equals about 3,287 hours. Dividing this by 12 equals about 274 hours per month.

Submission of Specific Security Documentation to the TSA: As described in Section II above, pursuant to Paragraph 3(b)(1), each person seeking to operate to and from the affected airports will need to go to a specified location to submit fingerprints and other required identification data. The FAA and TSA assume that all covered pilots that needed to submit documentation submitted this documentation during the first year of this SFAR. Accordingly, projected costs equals \$0.

Flight Plan Filing: As described in Section II above, paragraph 3(b)(9) requires that, prior to departure, each pilot file an IFR or VFR flight plan. This requirement is causing pilots to spend additional time on the ground and in the air. Before the SFAR 94 flight restrictions, 95 percent of pilots did not file flight plans, and those pilots who filed did so infrequently.

Pilots filing a flight plan must first call the Leesburg AFSS and subsequently contact Departure Control at DCA to receive a transponder code. After landing at another airport, prior to returning, these pilots are required to repeat the procedure above. Factors contributing to ground delays include the time to complete the flight plan, radio frequency congestion from the AFSS and Departure Control, and delays in obtaining a transponder code. Information furnished by the airport reveals that pilots are routinely experiencing on average an additional hour of delay on the ground to comply with this requirement.

Pilots returning to the airport are also experiencing flight delays. The airport's management estimates that 25 percent of flights are spending an additional 30 minutes in the air as a result of the operational restrictions. Factors contributing to flight delays include radio frequency congestion from the AFSS, frequency modifications, and changes in airspace jurisdiction dictated by wind direction and the active runway at DCA. These delays cause additional aircraft operating and passenger time costs. The College Park Airport recorded an average of 200 monthly operations for the six-month span from February 19, 2002, to August 31, 2002. The FAA assumes that the number of operations per month will remain constant, which would result in 2,400 annual operations. The additional costs of ground and in-flight delays are analyzed separately as follows:

Ground Delays - The value of a passenger's time is \$31.10 per hour.¹⁵ The average load factor for a four seat aircraft is 43.7 percent or 1.75 occupants, so that the hourly value of passenger time per flight applied in this calculation is \$54.43 or \$31.10 x 1.75. The average on the ground delay is 1 hour. Therefore, the

¹⁵ *Economic Values for Evaluation of FAA Investment and Regulatory Programs*, Report No. FAA-APO-98-8, June 1998 - Table 1-1.

cost of ground delays at College Park Airport is estimated to be approximately \$130,600 (2,400 operations x \$54.43 x 1 hour average delay per operation).

In-Flight Delays – The hourly operating cost of a four seat, piston driven, single-engine general aviation aircraft is derived by adding the cost of fuel and oil consumption and the aircraft’s variable maintenance cost. The cost of operating a four seat general aviation aircraft is \$64.00 per hour.¹⁶ Using the same value of a passenger’s time and the average load factor defined above, the hourly value of passenger time applied in this calculation is \$54.43 or \$31.10 x 1.75. Adding the aircraft operating cost and passenger time yields a value of \$118.43, so that \$118.43 is the hourly cost of an in-flight delay. On the basis of these values, the cost of delays experienced by pilots at College Park Airport is estimated to be about \$35,500 per year (2,400 annual operations x 0.25 x \$118.43 x 0.5 hour delay).

Accordingly, the combined cost of ground and in-flight delays attributed to the flight restrictions is estimated to be approximately \$130,600 plus \$35,500, respectively, per year, summing to \$166,200.

A.3 Aggregate Costs

Complying with the requirements of SFAR-94 will cost the College Park Airport an estimated \$1.97 million annually over the span of February 13, 2003 to February 13, 2005. This sum is comprised of \$1.62 million in lost revenue and \$347,700 in security program costs.

B. Potomac Airfield Airport (VKX)

The Potomac Airfield is a small privately owned airport located in Fort Washington, Maryland. Numerous businesses located at the airport provide a range of aviation services. These include passenger terminal and lounge facilities, fuel services, hangar facilities, parking, pilot supplies, aircraft maintenance, aircraft parts, aviation accessories, aircraft rentals, and flight instruction. The businesses located at the airport have traditionally attracted general aviation pilots seeking a broad scope of aviation services. The airport’s location has made it highly desirable for fliers visiting the Washington Metropolitan area. Moreover, because of its proximity, the airport has traditionally attracted many pilots from Andrews Air Force Base. The Potomac Airfield Airport serves the needs of private fliers and pilots who use their aircraft

¹⁶ *Economic Values for Evaluation of FAA Investment and Regulatory Programs*, Report No. FAA-APO-98-8, Table 4-7.

for business purposes. The pilot population resides largely in the surrounding Maryland counties.

B.1 Cost of Operational Restrictions

In 2000, the MAA recorded 52,925 total operations at Potomac Airfield Airport. Of this total, 98 percent or 51,866 were local operations and 1,059 or 2 percent were itinerant operations according to Maryland DOT data. The airport furnished financial and operational data for the eight-month period of January 1, 2002 to August 31, 2002; however, only the time from February 19, 2002 through August 31, 2002 are relevant to this analysis. These months of financial and operational data have been adjusted to show an assumed annual total.¹⁷

The MAA data disclosed that at the end of 2000, 112 aircraft were based at the airport. By September 11, 2001, the number of based aircraft had grown to 118, flown by 400 pilots. When operations were resumed on February 19, 2002, only 60 aircraft and 150 pilots remained at VKX. As of August 31, 2002, eighteen aircraft had returned raising the total number of airplanes based at the airport to 78, with the number of pilots had increased to 223. Table 4 shows operations data for VKX for the base period, year 2000 and annualized data taken from the first 8 months of 2002. Activity declined by approximately 80 percent. The FAA assumes that the number of operations annualized from 2002 data remains constant for the two years examined by this analysis.

**Table 4
Potomac Airfield Airport
Operations Data**

	Base Period Year 2000	(2/19/02- 8/31/02) Annualized	Operational Change	Percentage Change
Local GA	51,866	10,500	(41,366)	-79.8%
Transient GA	1,059	0	(1,059)	-100.0%
Military	100	0	(100)	-100.0%
Air Taxi	unknown	0	---	---
Total	53,025	10,500	(42,525)	-80.2%

Table 5 below compares gross revenues for 2000, to the latest available data shown by as for the eight-month period of January 1, to August 31, 2002 and annualized; this data is divided between airport revenues and other revenue.

¹⁷ As with College Park, this adjustment is made by dividing the financial and aircraft operations data by 194 days and multiplying the results by 359 days, which equals 1.85.

The FAA assumed that the revenues derived during the period examined in 2002 stays the same for the two years examined by this analysis. As stated above, this data has been adjusted to estimate an annual total.

**Table 5
Potomac Airfield Airport
Revenue Data**

	Gross Revenues			Annualized Dollar Change	Percentage Change
	Base Period (1/1/00-12/31/00)	Contrast Period (2/19/02-8/31/02)	Contrast Period Annualized		
Fuel Sales	\$210,600	\$105,000	\$129,500	(\$81,100)	-38.5%
Aircraft Storage Fees	\$206,000	\$105,000	\$129,500	(\$76,500)	-37.1%
Airport Total	\$416,600	\$210,000	\$259,000	(\$157,600)	-37.8%
Flight Instruction	\$87,000	\$22,000	\$27,100	(\$59,900)	-68.9%
Aircraft Maintenance	\$175,000	\$85,000	\$104,800	(\$70,200)	-40.1%
Aircraft Rental	\$344,000	\$87,000	\$107,300	(\$236,700)	-68.8%
Local Purchases	\$941,000	\$94,100	\$116,100	(\$824,900)	-87.7%
Misc. Sales	\$14,500	\$2,200	\$2,700	(\$11,800)	-81.4%
Other Revenue Total	\$1,561,500	\$290,300	\$358,000	(\$1,203,500)	-77.1%
Total Annual Revenue	\$1,978,100	\$500,300	\$617,000	(\$1,361,100)	-68.8%
plus 20 percent				(\$1,633,300)	

Certain data regarding the induced economic impact of the airport in the local economy were not available at this time. In particular, Table 6 does not include the decrease in taxes paid, the impact on employment, or any assessment of the reduction on personal and business income in the airport's community stemming from the subject flight restrictions.¹⁸ If these impacts were included, the magnitude of the negative economic effect of SFAR-94 would increase substantially. The sum in Table 6 was increased by a factor of 20 percent to

¹⁸ Airport managers and operators of airport-related businesses estimate that local purchases by the airport and its tenants as well as local purchases from the airport have declined by approximately 90 percent.

compensate for revenues losses not included in the analysis. Thus, the estimate of losses associated with complying with the operational restrictions SFAR-94 is \$1.63 million for each of the two years examined by this analysis. The FAA does not have historical data on revenue growth at this airport. Accordingly, the FAA will assume no annual change in revenue from either the base period or the contrast period.

B.2 Cost of Security Procedures Program

As shown in Table 6, the estimated cost to Potomac Airfield Airport and its pilots of complying with the security provisions of this rule will be approximately \$411,000 over each year that SFAR-94 is in effect. This table shows the security costs divided between those incurred by the airport (\$63,100) and by the pilots (\$347,900); it also shows which costs only occur once and which are annual costs.

Table 6
Security Procedures and Program Costs
Potomac Airfield Airport

	Cost	Occurrence
Security Program Preparation	\$0	one-time
Security Program Maintenance	\$500	annual
Security Program Modification	\$200	annual
Airport Briefing Preparation	\$0	one-time
Airport Physical Sec. Provisions	\$62,400	annual
Airport Total	\$63,100	
Pilot Security Briefing	\$0	one-time
Pilot Fingerprinting	\$0	one-time
Security Documentation	\$0	one-time
Flight Plan Filing	\$347,900	annual
Pilot Total	\$347,900	
SECURITY COST TOTAL	\$411,000	

The requirements imposed by the SFAR and their compliance costs are listed by category as follows:

Airport – Total airport security related costs sum to \$63,100, which is about 20% of the airport’s anticipated annualized revenue.¹⁹

Airport Security Program Preparation: The SFAR requires that the airport prepare a security program and that the FAA approves the program. This airport prepared their security program during the first year of SFAR 94; accordingly, there will be no preparation costs in the two years examined by this analysis.

Airport Security Program Maintenance: The assumptions for the airport security program maintenance were described above in the section for College Park. The airport is presently dedicating one hour of labor per month to this task. Thus, the annual cost of this requirement is approximately \$500 (12 hours x \$42.00).

Airport Security Program Modification: The TSA may request that security procedures be modified. This task is estimated to take 4 hours annually and cost about \$200 (4 hours x \$42.00).

Airport Briefing Preparation: The SFAR requires airport managers to prepare a security briefing for airport employees and pilots. This airport prepared this briefing in the first year of this SFAR, so that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Airport Physical Security Provisions: The requirements for the airport physical security provisions were described above in the section for College Park. To comply, the airport must establish procedures to safeguard the aircraft on its premises at all times. Potomac Airfield Airport operates from 6:00 am to 10:00 pm seven days a week. Providing security for the 16-hour day required the addition of three security coordinators. Airport management provides security coverage when the security coordinators are not on duty. Each security coordinator works an 8-hour shift five days a week at a pay rate of \$10.00 per hour, or \$20,800 per year. Thus, the annual cost of adding three new security coordinators is \$62,400 (\$20,800 salary x 3 employees). Moreover, the rule requires that, when not in use, aircraft located at the airport be equipped with propeller locks. Propeller locks were already purchased in the first year of this SFAR, so the FAA anticipated no additional costs for this requirement. Therefore, the cost of complying with the security provision of this paragraph is \$62,400.

¹⁹ As shown in Table 5, known revenues sum to \$259,000. Increasing this sum by 20% increases total anticipated revenues to \$310,800. With total airport security costs of \$63,100, these costs are 24.4% of known revenues and 20.3% of total anticipated revenues.

Pilots – Total pilot security-related costs sum to \$225,500.

Pilot Security Briefing: The requirements for the pilot briefing were described above in the section for College Park. The FAA and TSA assume that all covered pilots were briefed during the first year of this SFAR, and that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Pilot Fingerprinting: Persons seeking to operate to and from the affected airports will need to go to a specified location to get fingerprinted. The FAA and TSA assume that all covered pilots were fingerprinted during the first year of this SFAR, and that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Submission of Specific Security Documentation to the TSA: The requirements for the submission of specific security documentation were described above in the section for College Park. The FAA and TSA assume that all covered pilots submitted this documentation during the first year of this SFAR.

Flight Plan Filing: The requirements for flight plan filing were described above in the section for College Park. This requirement is causing pilots to spend additional time on the ground and in the air. Prior to the flight restrictions imposed by SFAR-94, 98 percent of pilots at Potomac Airfield Airport did not file flight plans. Those pilots filing flight plans did so infrequently. Pilots filing a flight plan must first call the Leesburg AFSS and subsequently contact Departure Control at Andrews Air Force Base to receive a transponder code. After landing at another airport, prior to returning, these pilots are required to repeat the procedure above. Pilots are not allowed to call ATC while in the air. Obtaining AFSS and ATC clearance requires two telephone calls that routinely take 15 to 20 minutes. Factors contributing to ground delays include the time to complete the flight plan, radio frequency congestion from the AFSS and Departure Control, and delays in obtaining a transponder code. Information furnished by the airport reveals that pilots are routinely experiencing on average an additional 30 minutes of delay on the ground to comply with this requirement.

Pilots returning to the airport are experiencing flight delays. The airport's management estimates that 20 percent of flights are spending an additional 15 minutes in the air as a result of the operational restrictions. Prior to landing, aircraft must obtain clearance from approach control. Andrews Air Force controls Potomac Airfield Airport's traffic. The Air Force base processes fewer flights than DCA. As such, in-flight delays at Potomac Airfield Airport are less frequent. Factors contributing to flight delays include radio frequency congestion from the AFSS and unexpected frequency changes. These delays encompass additional aircraft operating and passenger time costs. The Potomac

Airfield Airport recorded an average of 875 monthly operations for the period from when the airport reopened to August 31, 2002. The FAA assumes that the number of operations per month will remain constant. This would result in 10,500 total annual operations.

The additional costs of ground and in-flight delays are analyzed separately as follows:

Ground Delays— As described above in the discussion for College Park, the hourly value of passenger time applied in this calculation is \$54.43 or $\$31.10 \times 1.75$. The average on the ground delay is 30 minutes. Therefore, the cost of ground delay at Potomac Airfield Airport is estimated to be about \$285,800 ($10,500 \times \54.43×0.5 hour delay).

In-flight Delays— As described above in the discussion for College Park, the hourly cost an in-flight delay is \$118.43. Thus, the cost of delays experienced by pilots at Potomac Airfield Airport is estimated to be approximately \$62,200 per year ($10,500$ annual operations $\times 0.20 \times \$118.43 \times 0.25$ hour delay).

Accordingly, the combined cost of ground and in-flight delays attributed to the air traffic restrictions is estimated to be approximately \$347,900 (\$285,800 plus \$62,200) over the one-year duration of the rule.

B.3 Aggregate Costs

Complying with the requirements of SFAR-94 will cost the Potomac Airfield Airport an estimated \$2.04 million annually over the span of February 13, 2003 to February 13, 2005. This is comprised of \$1.63 million in lost revenue and \$411,000 in security program costs.

C. Washington Executive /Hyde Field Airport (W32)

Washington Executive/Hyde Field Airport is a small privately owned airport located in Clinton, Maryland. The airport largely serves the needs of private fliers and pilots who occasionally fly for business reasons. These pilots reside in the surrounding Maryland counties. A broad array of aviation and flight services is located on the airport's premises. These businesses provide fuel services, hangar facilities, parking, pilot supplies, aircraft maintenance and modification, aircraft parts, aviation accessories, aircraft rentals, flight training, and sightseeing tours. Pilots based at Hyde Field and other airports have traditionally used the businesses at the airport. The airport's location has made it highly desirable for fliers visiting the Washington Metropolitan area. This

airport was closed longer than the other two. Operations resumed at Hyde Field on March 2, 2002.

However, on May 17, 2002, the airport was closed again because of a security violation. The airport reopened on September 28, 2002. As a consequence of the two closings, and the short interval since the latest reopening, only limited financial and operational data were accessible from the airport and its tenants.

C.1 Cost of Operational Restrictions

In the year 2000, the Maryland Aviation Administration recorded 38,000 total operations at Washington Executive/Hyde Field. Of this total, 91 percent or 34,580 were local operations and 3,420 or 9 percent were itinerant operations. The airport furnished limited financial and operational data for the eight-month period of January 1, 2002 to August 31, 2002. Since the September 28th reopening, the airport has furnished an additional two weeks of financial and operational data, starting on September 28 and extending to October 12, 2002. Thus, in the 8 months and additional 2 weeks, the airport operated for 92 days. The FAA multiplied the financial and operational data by 3.97 to annualize the data.²⁰

The data furnished by the airport show that at the end of 2000, 116 aircraft were based at the airport. By the September 11, 2001, date of the first closing, the number of based aircraft had not changed. About 400 pilots flew the 116 aircraft. When operations resumed on March 2, 2002, only 22 aircraft and 70 pilots remained. By the second closing on May 17, 2002, 22 additional aircraft had returned raising the total number of airplanes based at the airport to 44. Approximately 40 pilots had returned by the second closing date raising the number of pilots at the airport to 110, or 28% of the pre-September 11 level.

Table 7 shows the activity at Hyde Field for a base period, year 2000 and an annual estimate for the period covered by this rule. Activity is projected to decline by 55 percent. The FAA assumes that the number of operations annualized from 2002 data remains constant for the two years examined by this analysis.

²⁰ This is calculated by dividing 365 days by 92 days. The TSA used 2.35 for estimating costs for the first year; this was obtained by adding the remaining 124 days to the 92 days with data and dividing that total by 92 days.

Table 7
Washington Executive Airport/Hyde Field
Operations Data

	Base Period Year 2000	Annual Projected Period	Operational Change	Percentage Change
Local GA	34,580	17,000	(17,580)	-50.8%
Transient GA	1,900	0	(1,900)	-100.0%
Military	760	0	(760)	-100.0%
Air Taxi	760	0	---	---
Total	38,000	17,000	(21,000)	-55.3%

The airport's management estimated that by May 17, 2002, total airport revenues had declined by more than 80 percent. Fuel sales for 2000 totaled \$180,000. Fuel sales were \$48,000 for the 8 months from February 13th to September 27, 2002. Despite the airport's closure, some fuel sales continued because of special permit operations. Between the September 28th reopening date and October 12, 2002, the airport sold an additional \$1,500 in fuel. Thus, the combined total in fuel sales over the eight and a half-month period is \$49,500. To take into account the special permit fuel sales, the FAA estimated the annualized fuel sales by multiplying by 3.33, rather than by 3.97,²¹ so that estimated annual fuel sales were \$164,800. As such, fuel sale revenues have dropped from \$180,000 in 2000 to \$164,800 annually for the projected duration of the SFAR.

To calculate aircraft landing fees, the FAA considered two approaches. As noted above, the number of pilots is down by 72%, from 400 to 110, so, by this approach, landing fees should be down by 72% from the 2000 level of \$180,000, yielding \$50,400. However, given actual fees of \$51,000 from the time that this airport was been open through October 12, 2002, an annualized total of \$50,400 makes no sense. An alternative approach is to multiply \$51,000 by the aforementioned 3.97, yielding \$202,500, but that would put the projected annualized total for a restricted Washington Executive/Hyde higher than the actual total in 2000. Without better data, the FAA decided to estimate aircraft landing fees by taking the average of these two approaches, resulting in projected fees of \$126,500.

The revenue data for Table 8 is divided between airport revenues and other revenue. It does not include the reduction on taxes paid, the impact on

²¹ For the first year of operations, due to this additional fuel sale, the TSA annualized the fuel sale revenue by multiplying by 2, rather than by 2.34. The FAA used the approximately same ratio to annualize the fuel sales for the entire year by multiplying by 3.33 rather than by 3.97.

employment, or any assessment of the reduction in personal and business income in the airport's community related to the subject flight restrictions, as well as these other continually changing factors. Also excluded is financial information from departed tenants and airport service providers. Table 8 compares gross revenues for 2000 to the latest available data collected for the period of February 19th to October 12, 2002. Barring any further difficulties the airport will have been open about seven months by the end of the SFAR's effective date of February 13, 2003.²² As Table 9 shows, much of the financial information is not available and few conclusions can be drawn from the paucity of data.

²² Through October 12, 2002, the airport was open for 92 days. There are an additional 124 days from October 13, 2002 through February 13, 2002, equaling a total of 216 days, so if the airport stays open continuously from October 13, it will have been open a little over 7 months.

Table 8
Washington Executive Airport/Hyde Field
Revenue Data

	Gross Revenue			Dollar Change	Percentage Change
	Base Period (1/1/00-12/31/00)	Projected Period (2/19/02 - 10/12/02)	Projected Period annualized		
Fuel Sales	\$180,000	\$69,900	\$164,900	(\$15,100)	-8.4%
Aircraft Storage Fees	\$180,000	\$51,000	\$126,500	(\$53,550)	-29.8%
Landing Fees	\$500	\$0	\$0	(\$500)	-100.0%
Airport Total	\$360,500	\$100,500	\$291,300	(\$69,200)	-19.2%
Flight Instruction	n/a		n/a	---	---
Major Airframe Service	n/a		n/a	---	---
Major Powerplant Service	n/a		n/a	---	---
Charter Flights	n/a		n/a	---	---
Sightseeing Flights	n/a		n/a	---	---
Misc. Sales	\$12,500	\$0	\$0	(\$12,500)	-100.0%
Other Revenue Total	\$12,500	\$0	\$0	(\$12,500)	-100.0%
Total Annual Revenue	\$373,000	\$100,500	\$291,300	(\$81,700)	-21.9%
Average cost at College Park and Potomac				(\$1,516,400)	
Total				(\$1,598,100)	

The cost of compliance for the Washington Executive Airport has been adjusted to compensate for the lack of financial data. The operational and managerial disruptions created by the closings have made a substantial amount of financial data inaccessible. To offset this shortcoming, the average of the estimated costs of the operational restrictions incurred by the two other airports has been added to the cost of compliance for the Washington Executive Airport. The similarities in size, operations, and geographic location of these airports add credibility to the extrapolation of financial losses.

Data for fuel and miscellaneous sales were available at all 3 airports. Thus, the extrapolations from the other two airports need to be adjusted; they were subtracted from the College Park and Potomac financial loss totals yielding annual losses (including the 20% adjustment) for all other costs of \$1.51 and \$1.52 million, respectively, averaging \$1.52 million. This figure needs to be added to the calculated estimated operating loss of \$81,700. Therefore, the estimate of losses associated with complying with the operational restrictions of SFAR-94 for the Washington Executive Airport/Hyde Field is estimated to be \$1.60 million for each of the two years examined by this analysis. The FAA does not have historical data on revenue growth at this airport. Accordingly, the FAA will assume no annual change in revenue from either the base period or the contrast period.

C.2 Cost of Security Procedures Program

As shown in Table 9, the estimated cost to the Washington Executive Airport and its pilots of complying with the security provisions of this rule will be about \$641,900 annually. This table shows the security costs divided between those incurred by the airport (\$78,600) and by the pilots (\$563,300); it also shows which costs only occur once and which are annual costs. These requirements and their compliance costs are listed by category below:

**Table 9
Security Procedures and Program Costs
Washington Executive Airport/Hyde Field**

	Cost	Occurrence
Security Program Preparation	\$0	one-time
Security Program Maintenance	\$500	annual
Security Program Modification	\$100	annual
Airport Briefing Preparation	\$0	one-time
Airport Physical Sec. Provisions	\$78,000	annual
Airport Total	\$78,600	
Pilot Security Briefing	\$0	one-time
Pilot Fingerprinting	\$0	one-time
Security Documentation	\$0	one-time
Flight Plan Filing	\$563,300	annual
Pilot Total	\$563,300	
SECURITY COST TOTAL	\$641,900	

Airport – Total airport security related costs sum to \$78,600, which is about 23% of the airport's anticipated annualized revenue.²³

Airport Security Program Preparation: The requirements for the airport security program briefing were described above in the section for College Park. This airport prepared their security program during the first year of SFAR 94; accordingly, there will be no preparation costs in the two years examined by this analysis.

Airport Security Program Maintenance: The requirements for airport security program maintenance were described above in the section for College Park. The airport dedicated one hour of labor per month to this task. Despite the closing, the airport continued to perform this task. Thus, the cost of compliance over the 12-month interval from March 2, 2002 to February 13, 2003 is about \$500 or 12 hours per year x \$40.00 per hour.

Airport Security Program Modification: The TSA may request that security procedures be modified. Three hours of a manager's time was dedicated to this effort at a cost of about \$100 or 3 hours x 40.00.

Airport Briefing Preparation: The requirements for the airport briefing preparation were described above in the section for College Park. This airport prepared this briefing in the first year of this SFAR, so that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Airport Physical Security Provisions: The requirements for the airport physical security provisions were described above in the section for College Park. Washington Executive is open seven days a week from 7:00 am to 10:00 pm. Providing security for the 15-hour day required the addition of three security coordinators. Airport management provides security coverage when the new security coordinators are not on duty. Each new security coordinator was scheduled to work an 8-hour shift and five days a week. The pay ranged from an unloaded rate of \$10.00 to \$15.00 per hour. Using \$12.50 as the average rate of hourly compensation yields a weekly salary of \$500. The 3 coordinators provide coverage for 120 hours, while the airport is open 105 hours a week, so there is some overlap. Over the course of a year, the cost of the security coordinators will be \$78,000 (3 x 8 hours x \$12.50 x 52 weeks).

Moreover, as with the other airports, when not in use, aircraft at the airport be equipped with propeller locks. To comply with this provision individual pilots

²³ As shown in Table 8, known revenues sum to \$291,300. Increasing this sum by 20% increases total anticipated revenues to \$349,600. With total airport security costs of \$78,600, these costs are 27.0% of known revenues and 22.5% of total anticipated revenues.

purchased 80 propeller locks; these propeller locks were purchased during the first year of this SFAR, so there will be no additional costs. Thus, the cost of complying with the security provision of this paragraph is \$46,500.

Pilots – Total pilot security-related costs sum to \$563,300.

Pilot Security Briefing: The requirements for the pilot security briefing were described above in the section for College Park. The FAA and TSA assume that all covered pilots were briefed during the first year of this SFAR, and that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Pilot Fingerprinting: Persons seeking to operate to and from the affected airports will need to go to a specified location to be fingerprinted. The FAA and TSA assume that all covered pilots were fingerprinted during the first year of this SFAR, and that no new pilots will need to be briefed. Accordingly, projected costs equals \$0.

Submission of Specific Security Documentation to the TSA: The requirements for the submission of specific security documents were described above in the section for College Park. The FAA and TSA assume that all covered pilots submitted this documentation during the first year of this SFAR. Accordingly, projected costs equals \$0.

Flight Plan Filing: The requirements for flight plan filing were described above in the section for College Park. Pilots departing from and returning to the Washington Executive Airport must call the AFSS and ATC. This requirement is causing pilots to spend additional time on the ground and in the air. Prior to the flight restrictions imposed by SFAR-94, 95 percent of pilots at Washington Executive Airport did not file flight plans. Pilots filing a flight plan must first call the Leesburg AFSS and then contact Departure Control at Andrews Air Force Base to receive a transponder code. After landing at another airport, prior to returning, these pilots are required to repeat the procedure above. Pilots are not allowed to request clearance while in the air. Obtaining AFSS and ATC clearance requires two telephone calls that routinely take 15 to 20 minutes. Factors contributing to ground delays include the time to complete the flight plan, radio frequency congestion from the AFSS and Departure Control, and delays in obtaining a transponder code. Information furnished by the airport reveals that pilots experienced on average an additional 30 minutes of delay on the ground to comply with this requirement.

Pilots returning to the airport are experiencing flight delays. The airport's management estimates that 20 percent of flights are spending an additional 15 minutes in the air as a result of the operational restrictions. Prior to landing,

aircraft must obtain clearance from approach control. Andrews Air Force controls Washington Executive Airport's traffic. The Air Force base processes fewer flights than DCA. As such, both ground and in-flight delays at Washington Executive Airport are less frequent. Factors contributing to flight delays include radio frequency congestion from the AFSS and unexpected frequency changes. These delays encompass additional aircraft operating and passenger time costs. The airport recorded 7,300 operations during the eight-months from January 1, 2002 to August 31, 2002. Despite the fact that the airport was closed, some special permit operations continued. Since its September 28, 2002 reopening through October 12, 2002, the airport has recorded 1,200 additional operations. Thus, the combined number of operations is 8,500 or 7,300 plus 1,200. When annualized, the 8,500 operations yields 17,000 flights (8,500 x 2).²⁴ The additional costs of ground and in-flight delays are analyzed separately as follows:

Ground Delays – As described for the other two airports, the hourly value of passenger time per operation applied in this calculation is \$54.43 or $\$31.10 \times 1.75$. The average on the ground delay is 30 minutes. Therefore, the cost of ground delay at Washington Executive Airport is estimated to be approximately \$462,700 (17,000 operations x \$54.43 x .5 hour delay).

In-flight Delays – As described above for the other two airports, the hourly cost of an in-flight delay is \$118.43. Twenty percent of operations experience in-flight delays that average 15 minutes (or .25 hours). On the basis of these values, the cost of in-flight delays experienced by pilots at Washington Executive Airport is estimated to be about \$100,700 (17,000 annual operations x 20% x \$118.43 x .25 hour delay).

Therefore, the combined cost of ground and in-flight delays attributed to air traffic restrictions is estimated to be approximately \$563,300 (\$462,700 plus \$100,700), for the projected period of February 13, 2003 to February 13, 2005.

C.3 Aggregate Costs

Complying with the requirements of SFAR-94 will cost the Washington Executive Airport/Hyde Field an estimated \$2.24 million annually during the period that SFAR 94 is in effect. This figure is comprised of \$1.60 million in lost revenue and approximately \$641,900 in security program costs.

²⁴ Taking into account the fact that some special permit operations continued, the FAA annualized the number of flights by multiplying by 2 rather than by 2.34

D. Costs to the Government

This rule will impose costs on both Federal and state governmental agencies.

1. A security specialist at TSA will mandate periodic modifications to each airport's security procedures as well as check over airport's compliance with these mandates. This will happen, on average, twice a year, taking a total of two hours each time. Assuming one-way postage costs of \$5 per package, total costs sum to about \$600.²⁵

2. Flight service station specialists will need to file the flight plans. Assuming 5 minutes per plan and assuming 29,900 flights per year as shown in Tables 1, 4, and 7, annual costs sum to approximately \$112,600.²⁶

3. An airport inspector at TSA will inspect each airport on a monthly basis. It will take an average of nine hours, including travel, to inspect the three airports. This inspector will need to liaison with the state government law enforcement agency involved in the program, which will add another hour at one of the airports per inspection. In addition, this inspector will need to fill out airport inspection forms for each airport inspection, taking another hour. Hence, the annual total time needed for this inspector sums to 156 hours. With travel costs estimated at \$60 per inspection, total annual costs sum to about \$9,100.²⁷

4. As mentioned above, there will be a state government law enforcement agency involved in this program and an employee will need an hour per TSA inspection to coordinate with the TSA airport inspector. Total annual costs sum to approximately \$500.²⁸

Hence, total annual governmental costs sum to approximately \$122,900.

²⁵ For each airport, the security specialist will need two hours twice a year, so the total for all airports is 3 airports x 2 times/year x 2 hours x \$45.62, or \$547. Total postage costs sum to \$30 (3 airports x 2 times/year x \$5 per mailing).

²⁶ The total flights include 2,400 from College Park, 10,500 from Potomac, and 17,000 from Washington Executive/Hyde. Hence, 29,900 flights x 5 minutes filing per flight x \$45.21/hour equals \$112,648.

²⁷ The hourly costs for the inspector sum to \$8,410 and are the product of 156 hours times \$53.91. Total travel costs are \$720 (\$60 x 12 inspections per year).

²⁸ This is calculated as the product of 12 inspections per year x 1 hour per liaison x \$45.62.

E. Total Costs

Annual costs sum to \$6.38 million as shown in Table 10:

Table 10 - Total Annual Costs

Entity	Cost of Security	Cost of Operational	Total Costs
College Park	\$347,700	\$1,624,400	\$1,972,100
Potomac Airfield	\$411,000	\$1,633,300	\$2,044,300
Washington Executive/Hyde	\$641,900	\$1,598,100	\$2,240,000
Total Cost to the airports	\$1,400,600	\$4,855,800	\$6,256,400
Government Agencies			\$122,900
Total Cost per year			\$6,379,300

Costs will be spread out over three calendar years because the SFAR 94 extension will start on February 13, 2003 and last for two years. As shown in Table 11, the two-year costs sum to \$12.76 million (\$11.44., discounted):²⁹

Table 11 - Total Costs

Year	Costs	Discount Factor	Discounted Costs
2003	\$5,610,288	0.9346	\$5,243,260
2004	\$6,379,300	0.8734	\$5,571,928
2005	\$769,012	0.8163	\$627,742
	\$12,758,600		\$11,442,930

IV. ANALYSIS OF BENEFITS

This final rule is intended to provide an increased level of safety and security against the threat of airborne terrorist attacks. The primary benefit of the rule

²⁹ With the rule's effective date starting on February 13, 2003, only 10½ months, or 87.9% of the annual costs are applied to 2003, 100% of the annual costs are applied in 2004, and only the first month and a half, or 12.1% are applied in 2005.

will be enhanced protection for the vulnerability of a significant number of vital government assets in the National Capital Region. The temporary security provisions and flight restrictions contained in this rule are an integral part of the effort to identify and defeat the threat posed by terrorists.

For the past two decades, the major goal of aviation security has been the prevention of in-flight bombings and acts of sabotage. Thus, the major line of defense against an aviation-related criminal or terrorist act has been the prevention of an explosive or incendiary device from getting on board an airplane. The February 1993 attack on the World Trade Center (WTC) raised public awareness that the scope of the foreign terrorist threat in the U.S. was more serious and technically more sophisticated than previously thought. The ensuing investigation revealed that foreign terrorists operating in the U.S. are capable of building sophisticated explosive devices and covertly carrying out their plans. The attacks of September 11, 2001, introduced the specter of terrorists using civil aviation aircraft as a missile against civilian targets, government control centers, political targets, and economic, and/or socially prominent assets. This raises concern regarding the vulnerability of critical government and military facilities to the threat of terrorism. National security demands that a terrorist strike within the National Capital Region must be taken into consideration.

The experience of the past 30 years combating acts of air piracy confirms that the losses associated with aircraft bombings and hijackings are identifiable, measurable, and confined. The cost of a catastrophic terrorist act against a civilian aircraft can be estimated in terms of lives lost, property damage, decreased public utilization of air transportation, etc. A terrorist attack using a weapon of mass destruction on an urban area would inflict casualties and property damage on a far greater scale than any act perpetrated against a commercial aircraft. If successful, the economic impact would be enormous and in many ways incalculable as demonstrated by the September 11, 2001, attacks, for which the economic costs will not be fully realized for several years. However, even if such an attack failed, there would be a direct economic cost of reduced travel and tourism due to individuals' perceptions of safety and security.

The rule's objective is to reduce the risk that an airborne terrorist attack initiated from an airport moments away from vital national assets will occur. Such an act could entail the delivery of a biological, chemical, radioactive, or conventional explosive weapon via a small general aviation aircraft. The cost of a major act of terrorism against a nationally prominent target or critical government infrastructure is extremely difficult to quantify. Dependent upon the target and extent of damages, etc., this type of terrorist act would have far reaching

economic consequences and long lasting social and/or political implications. As such, losses associated with such an act are virtually impossible to estimate. The following analysis describes an attempt at quantifying some of the elements involved with the impact of a small general aviation aircraft within the National Capital Region. This is intended to allow the reader to judge the likelihood of benefits of the rule equaling or exceeding its cost. The FAA recognizes that such an impact may not cause substantial damage to property or a large structure; however, it could potentially result in an undetermined number of fatalities and injuries and reduced tourism.

The FAA is unable to predict which target or location such an aircraft would crash into. In a worst-case scenario, a general aviation aircraft could be flown into the dome of the Capitol Building. While the destruction of the aircraft is almost certain, it is not known to what extent the dome or the building would be damaged. The approaching speed of the attacking aircraft, use and detonation of additional explosive material on board the aircraft, the building materials and infrastructure of the target, and point of impact are all factors that contribute to property damage, fatalities and casualties. In addition, fatalities and casualties could number into the thousands in the case of a direct attack. According to the Capitol Visitor Center website, as many as 18,000 individuals visited the Capitol Building each day during peak season, and this does not take into account those who work or do business in the Capitol Building on a daily basis when Congress is in session. Due to the number of unknowns involved in a terrorist attack in the National Capital Region, the economic cost due to fatalities, casualties and property damage are inestimable.

In addition, there would be the potential loss of revenue from a decrease in travel and tourism resulting from a terrorist incident in the nation's capital. This negative impact that a terrorist attack, successful or not, would have on tourism is quantifiable. The heightened state of alert that follows a terrorist strike is typified by halted public tours, obstructed streets, off limits public buildings, closed down landmarks, and increased public apprehension. After the September 11th attacks, tours at the Capitol Building were curtailed and tourism as a whole declined. A terrorist attack specifically against the nation's capital would draw significant national and international media attention. The adverse publicity would weaken consumer confidence and further discourage travel and tourism to the Washington, D.C. Metropolitan area. The U.S. National Park Service and the District of Columbia Government's Office of Planning and Economic Development cite that tourism is the number one private sector industry in the region. An estimated 22 million visitors come to the Washington

Region each year. The District’s Office of Planning and Economic Development estimates that, in 2001, visitor expenditures averaged about \$116.00 per person.³⁰

Assuming that each person spends \$116 per visit, multiplying this times 22,000,000 tourist yields \$2.552 billion as the annual contribution visitors make to the Washington, DC economy. Based on the experience of September 11, 2001, the FAA believes that a decline of three percent is a conservative estimation as to the decline in overall tourism. Three percent of the \$2.552 billion would result in a \$76.56 million decline in revenues to the District of Columbia economy.

The FAA believes that the casualty and property loss added to the estimated \$76.56 million revenue decline from reduced tourism could easily be in the hundreds of millions of dollars.

This SFAR was promulgated on February 13, 2002 and will last for 3 years. Accordingly, these benefits need to be applied over this 3-year period. This analysis looks at the costs and benefits of the SFAR extension, for the final two years of this SFAR, so the benefits calculations need to be examined for this two-year period, meaning that only two-thirds of the \$76.56 million can be applied to this rule; benefits sum to \$51.04 million (\$45.78 million, discounted). Table 13 assumes an equally likely chance that this incident will be avoided during any time over the 3-year period:³¹

Table 13 - Total Benefits Calculations

Year	Benefits	Discount Factor	Discounted Benefits
2003	\$22,443,616	0.9346	\$20,975,342
2004	\$25,520,000	0.8734	\$22,290,156
2005	\$3,076,384	0.8163	\$2,511,245
	\$51,040,000		\$45,776,744

V. COMPARISON OF COSTS AND BENEFITS

The cost of this rule is estimated to be \$12.76 million (\$11.44 million, discounted). This cost needs to be compared to the possible unfortunate consequences that could occur if a terrorist attack using a small general aviation aircraft is carried

³⁰ By way of confirmation, in a 2002 press release, the Canadian Embassy cited that in 2001, 197,000 Canadian citizens visited Washington, D.C. Canadians spent \$43.0 million or \$218 per person while in the nation’s capital.

³¹ Given an equally likely chance that this incident could occur any time during the SFAR’s life, the benefits of avoiding such an incident in any given year is one third of \$58.34 million, or \$19.45 million. With the rule’s effective date starting on February 13, 2003, 87.9% of the annual benefits are applied to 2003, 100% in 2004, and 12.1% in 2005.

out against a public facility or congested public assembly area located within National Capital Region.

Using conservative assumptions, the FAA estimates that the costs of an airborne attack could equal \$51.04 million in terms of fatalities, injuries, the destruction of the airplane, and reduced tourism. Two-thirds of these costs can be counted as the benefits for this SFAR extension, and they need to be contrasted with the cost of implementing SFAR-94 for all three airports, which is estimated to be \$12.76 million (\$11.44 million, discounted). The FAA concludes that the benefits vastly outweigh the costs.

VI. COMMENTS

Only those comments that deal directly with economic issues are dealt with in this section. A total of 16 commenters raised various economic issues.

- 1) One commenter praised the FAA in implementing procedures that placed the least hardship, financial and operational, on users. They went on to state the procedures in SFAR 94 were more amenable than other security alternatives mentioned in the rule.
- 2) Nine commenters stated that the ban on transient aircraft at the three affected airports was overly restrictive and is strangling business at, on and near the affected airports, by reducing fuel sales, aviation-related sales, maintenance sales, etc. Commenters noted that transient operations were the “lifeblood” of these three airports.
- 3) Five commenters stated that the only thing this rule does is impose unreasonable burdens on the airports, the businesses reliant on the airports, and individuals who use or did use the airports. Additionally, their statements included the assertion that unless these restrictions were lifted, then the aviation-related businesses near and at these airports could move or shut down completely and, possibly, the airports themselves could be destined for closure. One commenter specifically noted that College Park was forced to cancel four fly-in conventions due to this rule.
- 4) One commenter stated this rule is a de facto unfunded federal mandate.

FAA Response:

- 1) The FAA appreciates the commenter addressing how this rule as it stands is the “best” solution compared to the alternatives. These alternatives include completely shutting down the three airports, employing full-time law

enforcement personnel, and requiring aircraft to land at portal/gateway airports for inspection and screening before continuing to College Park, Potomac, and Washington/Hyde Airports.

2) The FAA believes discontinuing the ban on transient aircraft would defeat one of the purposes of the SFAR, which is knowing who is entering and exiting these three airports. The same or a similar type of screening process, which vetted the pilots based at the three airports, would also have to be done for all transient pilots and their aircraft. This would be extremely costly for all involved due to the background checks and briefings that are necessary for clearance to fly to and from these three airports. Additionally, it is unknown how many, if any transient pilots at all, would be interested in such a program that requires them to undergo background checks and security briefings on their own time. Unless it was economically viable to create such a program and a significant number of transient pilots participated, the FAA cannot foresee where such a program would provide the economic relief sought for fuel sellers, aviation maintenance shops, etc.

One commenter, in particular, noted that his firm in Providence, RI, ceased doing work in Washington, DC, because of this rule. Prior to September 11th, his firm flew into CGS and traveled downtown via the Metro. Since this rule went into effect, his firm has canceled all work in Washington due to the inability to make quick trips, as commercial air carriers' schedules do not allow for quick in-and-out trips of the DC area. His firm is amenable to being vetted if the fingerprinting could be done in Providence and the security briefing could be done over the phone or in Providence, unless access to CGS were allowed for such matters. At this time the FAA has not determined if a program to do this type of vetting makes sense and is financially viable.

Another commenter stated that College Park Airport's survival hinged on bringing back transient aircraft or else be endangered by a high-rise dormitory plan by the University of Maryland. This comment is outside the scope of this rulemaking. In addition, this comment talks about hypothetical possibilities that have not yet occurred, which the FAA cannot comment on. Additionally, the same commenter states that CGS revenues for March 2002 compared to March 2001 are down 77%, five full-time jobs had been lost, tenant-based population has decreased 60% and the fuel sales have decreased by 68%, which is partially because of the ban on transient operations. The FAA realizes that this SFAR has had a significant impact on businesses affiliated with these three Maryland airports. However, the FAA, in conjunction with Federal security and intelligence agencies have determined that the SFAR restrictions must remain in place at this time in order to reduce the vulnerability of the metropolitan Washington DC area has priority in this matter.

3) Although the FAA realizes this rule adversely impacts the three airports, its users and its complementary associate businesses, much of the losses to the three airports could be reflected in increased revenues at other GA airports outside of the TFR as businesses and individuals move to them. Two commenters emphasized how this rule financially hurts the three airports while doing nothing to prevent a future terrorist attack. The FAA understands and acknowledges the financial hardship the SFAR is imposing and these are addressed in the regulatory evaluation. However, due to the location of these airports relative to the Washington DC area, the FAA, together with other federal agencies, have determined that extension of this SFAR is necessary to reduce the vulnerability of the region to terrorist attack.

4) The FAA is regulated by the Unfunded Mandate Reform Act, 2 USC 1501-1532. This Act requires agencies to discuss specific impacts of unfunded mandates in excess of \$100 million or more. This rule does not impose this type of unfunded mandate. The FAA, relying on intelligence information and input from federal security agencies, is extending this rule, which was an alternative to a more restrictive option of closing the airspace in the Washington D.C. region to all general aviation traffic.

VII. FINAL REGULATORY FLEXIBILITY DETERMINATION

A. Regulatory Flexibility Determination

The Regulatory Flexibility Act of 1980 (RFA) establishes “as a principle of regulatory issuance that agencies shall endeavor, consistent with the objective of the rule and of applicable statutes, to fit regulatory and informational requirements to the scale of the business, organizations, and governmental jurisdictions subject to regulation.” To achieve that principle, the RFA requires agencies to solicit and consider flexible regulatory proposals and to explain the rationale for their actions. The RFA covers a wide-range of small entities, including small businesses, not-for-profit organizations and small governmental jurisdictions.

Agencies must perform a review to determine whether a proposed or final rule will have a significant economic impact on a substantial number of small entities. If the agency determines that it will, the agency must prepare a regulatory flexibility analysis as described in the Act.

However, if an agency determines that a proposed or final rule is not expected to have a significant economic impact on a substantial number of small entities, section 605(b) of the 1980 RFA provides that the head of the agency may so

certify and a regulatory flexibility analysis is not required. The certification must include a statement providing the factual basis for this determination, and the reasoning should be clear.

For this SFAR, the small entity group is considered to be small general aviation airports (Standard Industrial Classification Code [SIC] 4581 - Airports, Flying Fields, and Airport Terminal Services). The small entity size standards criteria involving airports defines a small airport as one with annual revenues of less than \$5 million. In addition, all privately owned, public-use airports are considered small.

Three airports are affected by this rule. The College Park Airport is owned and partially funded by two Maryland Counties, Montgomery and Prince Georges. The 2000 census discloses that the combined population of the two counties is approximately 1.7 million. As such, the College Park Airport is not a small entity. Both the Potomac Airfield Airport and Washington Executive Airport/Hyde Field are privately owned and considered small in this analysis.

As a basis for comparison among small airports, the FAA examined the revenue base for all Part 139 small airports. Small general aviation airports are not required to have security programs; only those airports that have scheduled service are required to have such a program. Air carrier airports are funded from tax revenues and generally have greater aviation traffic activity than general aviation airports and airports without scheduled service. The two small airports subject to SFAR-94 are not supported from tax revenues, as the revenues that sustain the two airports are derived solely from the pilots who use the airports. The estimated annual cost of compliance, based on known costs and revenues for the Washington Executive Airport is \$290,700 and the burden on the Potomac Airfield Airport is \$220,700;³² they increase to \$333,100 and \$252,200 when the anticipated airport revenue losses are increased by 20%, as discussed above. These costs are considered burdensome because they are well in excess of one percent of the median annual revenue of small airport operators (one percent of the annual median revenue for small operators is \$28,000). Therefore, the FAA

³² As discussed above, the revenue losses and security costs are broken down between those incurred by the airports and those incurred by other entities. The costs applicable here are only those incurred only by these airports. For Potomac, revenue losses are \$157,600 (Table 5) and security costs are \$63,100 (Table 6), summing to \$220,700. For Washington Executive/Hyde, revenue losses are estimated at \$212,100 and are calculated by summing \$69,200 (Table 8) with the average of airport-only costs from Tables 2 (College Park) and 5 (Hyde) excluding fuel and landing fees. These revenue losses are \$209,300 and \$76,500, respectively, resulting in an average of \$142,900. With security costs (Table 9) at \$78,600, the cost of compliance sums to \$290,700.

has determined that the rule will have a significant economic impact on a substantial number of small entities.

B. Regulatory Flexibility Analysis

Under section 603 (b) of the RFA (as amended), each final regulatory flexibility analysis is required to address the following points: (1) reasons why the FAA considered the rule, (2) the objectives and legal basis of the rule, (3) the kind and number of small entities to which the rule will apply, (4) the reporting, record keeping, and other compliance requirements of the rule, and (5) all Federal rules that may duplicate, overlap, or conflict with the rule. The FAA will perform an analysis for the two small airports impacted by this rule.

Reasons why the FAA considered the rule— The catastrophic events of September 11, 2001 introduced the awareness that terrorists will use civil aviation aircraft as a missile or possible carriers of biological, chemical, radioactive and/or conventional weaponry against civilian targets. The airports affected by this rule are located within a few minutes flight from vital civilian and military control centers. This final rule recognizes that the terrorist threat is changing and growing and that extraordinary steps must be taken to safeguard vulnerable critical national assets and counter the increased threat level.

The objectives and legal basis for the rule— The objective of the rule is to restore operations at the affected airports while attempting to counter the threat of a possible terrorist airborne attack carried out against vital national assets located within the National Capital Region. The Legal basis for the rule is found in 49 U.S.C. 44901 et seq. Both the FAA and the TSA must consider, as a matter of policy, maintaining and enhancing safety and security in air commerce as its highest priorities (49 U.S.C. 40101 (d)).

The kind and number of small entities to which the rule will apply— The rule applies to two small general aviation airports subject to SFAR-94. Private fliers and some pilots who occasionally operate their aircraft for business reasons use the two airports.

The reporting, record keeping, and other compliance requirements of the rule— As required by the Paperwork Reduction Act of 1995 (44 U.S.C. 3507(d)), the FAA has submitted a copy of these sections to the Office of Management and Budget (OMB) for its review:

-- Paragraph 4. Airport Security procedures, Subparagraph (a) requires the two airports to modify or submit the security procedures program at the request of the TSA as well as maintain their security program. The cost and time required for these activities is estimated to be \$672 at Potomac, taking 16 hours, and \$600

at Washington Executive/Hyde, taking 15 hours for a total of \$1,272, taking 31 hours.

All Federal rules that may duplicate, overlap, or conflict with the rule – The FAA is unaware of any Federal rules that duplicate, overlap, or conflict with this rule.

OTHER CONSIDERATIONS

Affordability analysis – The extent to which a small airport can “afford” the cost of compliance is directly related on the availability of income and earnings. The small airports subject to this rule generate income to sustain their operations from landing fees, tie-down charges, rent and other compensation paid by airport tenants, fuel sales, flight school instruction, sightseeing rides, aircraft rentals, and miscellaneous local sales. All of these sources of income are influenced directly by the number of operations at the airport. The reduction in operations experienced by the airports as a consequence of the flight restrictions in place before and after this rule became effective is significant.

The decrease in operations corresponds directly to the decline in working capital at the airports. Working capital is defined as the excess of current assets over current liabilities. The financial strength and viability of a business entity’s financial strength is substantially influenced by its working capital position and its ability to meet its short-term liabilities. As fixed-base operators and pilots have relocated to other airfield, revenues have continued to decline. Besides laying-off staff, without other sources of revenue, the airports are unable to implement offsetting cost-saving efficiencies that could ameliorate the loss of income.

At this time, there is no comprehensive source of information available that would account for a total financial picture of these airports. There is also no information about the airports’ ability to obtain credit. The only evidence is limited to the fact that the airport and its tenants generated revenues in previous years and were able to pay their taxes. As such, it can be assumed that these small entities were generating sufficient revenues to meet tax and other obligations; however, the costs of complying with SFAR-94 are very high relative to the current revenues reported by the airports. As discussed for both airports, the security costs alone are more than 20% of the projected revenues, \$63,100 out of total airport revenue of \$259,000 at Potomac and \$78,600 out of total airport revenue of \$291,300 at Washington Executive Airport/Hyde Field.

The financial impact of the flight restrictions in place before the effective date of SFAR-94 is significant relative to the size of these airports. The reopening of the airports has not improved the financial posture of the airports. The May 17, 2002

temporary closing again of Washington Executive Airport/Hyde Field imperiled the survival of this airport. The complex and burdensome flight restrictions now in place are intimidating and have caused many private pilots to relocate to other airports. On the basis of the above, the FAA considers that the rule will threaten the viability of the impacted airports.

Competitiveness analysis – Airports located further away from the DCA VOR/DME are not subject to the security provisions and air traffic restrictions now in effect for Potomac Airfield Airport and Washington Executive Airport/Hyde Field. These airports offer a convenient alternative location for pilots seeking to avoid costly operational restrictions and security requirements. The availability of these airports has contributed to reducing the competitiveness of the affected airports. Pilots flying into the airports covered by this SFAR face additional costs in filing flight plans which they would not have at alternative airport; these costs sum to \$347,900 annually (\$33.13 per operation) at Potomac and \$563,300 annually (\$33.14 per operation) at Washington Executive Airport/Hyde Field.

Business Closure – The FAA is unable to determine with certainty whether the two small airports significantly impacted by this rule will remain open. On the basis of the Affordability Analysis provided above, the FAA considers that the rule will threaten the viability of the impacted airports.

ALTERNATIVES

This rule was brought about by the need to restore operations at the affected airports while providing increased protection against the threat of a terrorist strike to the Nation's capital. The FAA found that the urgent need to provide relief made the use of advanced notice impractical and contrary to public interests. The fact that the rule is in effect reduces the number of options to be examined in this analysis; meanwhile, the FAA and the TSA is considering all comments and reviewing other alternatives. Moreover, both agencies believe that any change to the security requirements or air traffic restrictions would be the equivalent of revoking the rule and increasing the vulnerability of the National Capital Region. Thus, the FAA has examined the following three alternatives.

Alternative 1 - Rescind the rule immediately – This alternative would provide immediate relief to the airports by removing security provisions and restoring former air traffic control procedures and air space configurations. Implementation of this alternative would facilitate the return of pilots who, for the sake of operating simplicity and reduced flying costs, relocated to other airports. This would be the least costly option. The FAA believes that the threat

of terrorists using aircraft as missiles must be guarded against. This makes this regulation necessary until such time that this threat is neutralized.

Conclusion: Rescinding the rule would increase the vulnerability and diminish the level of protection now in place to safeguard vital national assets located within the National Capital Region. This alternative is rejected because it would compromise the security of vital national assets and increase their vulnerability.

Alternative 2 - Status Quo – Under this alternative, the FAA and TSA would maintain the present security and air traffic operational restrictions. The annual cost of compliance for the affected airports totals \$511,400;³³ they increase to \$585,400 when the anticipated airport revenue losses are increased by 20%. The rule ensures that any aircraft operating to and from the affected airports and transiting the restricted area specified in the SFAR has been properly identified and cleared.

Conclusion: This alternative is preferred because it balances the security concerns against the impact on the three airports and related businesses.

Alternative 3 - Close Airports Permanently – Under this alternative, the FAA would completely close the three airports to all aviation operations. This would effectively close all aviation-related businesses at or near the affected airports. They would be forced to move to other airports or close their businesses permanently. All pilots who have aircraft permanently based at the airports would also be forced to move their aircraft to other locations, thereby imposing moving costs, including new hanger, tie-down, storage fees, etc. Workers at the airports would be forced to seek employment at one of the other general aviation airports in the Washington Metro area. This is the most costly option.

Conclusion: This alternative is not preferred because it causes the greatest financial burden on the airports, their tenants and aviation-related businesses, and individuals who work or store aircraft at the three affected airports.

VIII. INTERNATIONAL TRADE IMPACT STATEMENT

The Trade Agreement Act of 1979 prohibits Federal agencies from engaging in any standards or related activities that create unnecessary obstacles to the foreign commerce of the United States. Legitimate domestic objectives, such as safety, are not considered unnecessary obstacles. The statute also requires consideration of international standards and where appropriate, that they be the basis for U.S.

³³ As discussed in Part A above, the Regulatory Flexibility Determination, this is the sum of \$220,700 at Potomac and \$290,700 at Washington Executive Airport/Hyde Field.

standards. In addition, consistent with the Administration's belief in the general superiority and desirability of free trade, it is the policy of the Administration to remove or diminish to the extent feasible, barriers to international trade, including both barriers affecting the export of American goods and services to foreign countries and barriers affecting the import of foreign goods and services into the United States.

In accordance with the above statute and policy, the FAA has assessed the potential effect of this final rule and has determined that it will have only a domestic impact and therefore no affect on any trade-sensitive activity.

IX. UNFUNDED MANDATES REFORM ACT

The Unfunded Mandates Reform Act of 1995 (the Act) is intended, among other things, to curb the practice of imposing unfunded Federal mandates on State, local, and tribal governments.

Section 202(a) (2 USC 1532) of Title II of the Act requires that each Federal agency, to the extent permitted by law, prepare a written statement assessing the effects of any Federal mandate in a proposed or final agency rule that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more (adjusted annually for inflation) in any one year; such a mandate is deemed to be a "significant regulatory action." Section 203(a) of the Act (2 U.S.C. 1533) provides that before establishing any regulatory requirements that might significantly or uniquely affect small governments, an agency shall have developed a plan under which the agency shall: (1) provide notice of the requirements to potentially affected small governments, if any; (2) enable officials of affected small governments to provide meaningful and timely input in the development of regulatory proposals containing significant Federal intergovernmental mandates; and, (3) inform, educate, and advise small governments on compliance with the requirements. With respect to (2), Section 204(a) of the Act (2 U.S.C. 1534) requires the Federal agency to develop an effective process to permit elected officers of State, local, and tribal governments (or their designees) to provide the input described.

This final rule does not contain a significant federal intergovernmental/private sector mandate. Therefore, the requirements of Title II do not apply.