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THUNDER IN THE DESERT: COMMERCIAL AIR TRAVEL AND TOURISM IN LAS VEGAS, 1959-2001

by

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ABSTRACT

Thunder in the Desert: Commercial Air Travel and Tourism in Las Vegas, 1959-2001

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This thesis carefully examines the relationship between the commercial air travel and tourist industries in Las Vegas, especially highlighting their unprecedented growth in the second half of the twentieth century. It not only provides an accurate historic account of both industries, but clearly delineates the dependence of tourism on commercial air service as the primary source of transportation to Las Vegas.

While the thesis's overarching theme focuses on commercial air travel and tourism, it also contains a set of subthemes, one of which highlights the symbiotic relationship of the commercial air travel industry with the Strip "mega-resorts," and the air charter and junket industries, such as Warren Bayley's Hacienda Airlines (Chapter 2). A second significant subtheme that the thesis explores, is the impact that airline deregulation had on Las Vegas, especially noting the remarkable increase in the number of air carriers providing service to Las Vegas, and the explosive growth in McCarran

Airport's passenger volume. The epilogue provides a future outlook for both industries in addition to summarizing all of the themes presented throughout the discussion.

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PROLOGUE

Like the hotel and the train before it, the airplane quickly became a vital component of western tourism. Following the transition period between the Wright brothers' epic flight in 1902 and the technology developed during World War II, the airline industry was born. The nation witnessed the birth of the age of modern air travel in the United States when President Calvin Coolidge signed the Air Commerce Act on May 20, 1926. Of course it took many years before the airplane seriously rivaled the automobile and bus as the preferred way to travel to distant destinations, but tourists and business passengers recognized the former's advantages.[1] As an alternative to spending numerous hours driving in their cars or riding on uncomfortable and crowded buses, Americans gradually embraced airplanes as the more comfortable means to reach their destinations. In many parts of rural America, like Alaska, airplanes were the only way to travel until modern highways finally arrived.

Even though air travel became even more popular after World War II, it nevertheless experienced a number of setbacks, including lack of airport funding. The reasons for this problem were numerous. First, airport construction was expensive, especially for poor towns in places like the South or smaller cities with a meager tax base. Second, these facilities consumed large amounts of valuable land, which drew the opposition of local real estate developers, frequently resulting in protracted litigation as well as disputes over the use of convenient domain. In addition, local residents complained about the noise. But, political and business leaders pushed forward with construction plans, because they realized how important these projects would become to the local economy. While there was some construction in larger cities during the 1920s,

the Great Crash and subsequent depression dramatically cut back on building budgets. Fortunately, Franklin Roosevelt's New Deal, with its emphasis on relief spending, financed a renaissance of airport and highway construction through the PWA, WPA, FERA, CWA, and other alphabet agencies. Of course, demand had been diminished by the nation's spiraling unemployment rate. In the 1930s, many families had little disposable income and vacation time, which, in addition to expensive airfares, limited their travel plans.

Soon after the war ended, travel and tourism boomed. Record numbers of passengers filled airport terminals nationwide, forcing airlines to offer more flights. Newer, larger, and faster aircraft transported a more affluent traveling public to destinations in half the time that it usually took by automobile, bus, or train. By the 1970s, thousands of tourists boarded flights to cities throughout the country, especially to resort meccas like Miami Beach, Orlando, Honolulu, and Las Vegas, which also benefited from this trend. In 1948, four airlines (Bonanza, Western Air Express, TWA, and United) transported 35,106 passengers to Las Vegas. Eleven years later, that number increased to a staggering 959,603.[2] Then in the 1960s, thanks to the Sunbelt boom, credit cards, and the democratization of casino gambling, Americans began flocking to the "resort city of lights" in the desert.

Before tourism became the cornerstone of southern Nevada's economy, Las Vegas had been a small, western railroad town periodically convulsed by labor unrest. In 1922 for instance, a Union Pacific strike paralyzed the city's economy. It suffered a second blow when vengeful railroad executives moved the town's repair yards and their valuable payrolls to Caliente in the mid-1920s.[3] In 1929, the community revived from nearly a decade of recession when the federal government funded construction of Boulder Dam, a massive public works project that transformed Las Vegas from a desert whistlestop to a vibrant tourist center.

While America suffered in the early 1930s, southern Nevada boomed. In 1931, construction of Hoover Dam began and the project eventually required over 5,000 employees who, with their families, temporarily contributed to southern Nevada's growing economy. The dam also attracted thousands of tourists who came from various regions of the country to witness this massive undertaking. It continued to boost local coffers until 1935, when construction ended, and many of the workers left town. While tourists still flocked to the site by the thousands to see this man-made wonder, Las Vegas businessmen and other promoters struggled to boost tourism to offset the loss of population. They tried golf tournaments, boat races on newly-formed Lake Mead, and even invented the annual Helldorado Rodeo. But, it became increasingly obvious in the late 1930s that gambling was the answer.

In 1931, the state legislature had voted to re-legalize the pastime. Until the late 1930s when California operators like Guy McAfee came to town, the casinos were mostly small operations run by local hoteliers. But, the industry grew during World War II when thousands of soldiers and defense workers flocked to Las Vegas to try their luck. The 1940s also witnessed the birth of the Strip with the opening of the El Rancho Vegas in 1941 and the Hotel Last Frontier a year later. By war's end, Busgy Siegel was finishing the Fabulous Flamingo, with its luxurious carpeting, lavish chandeliers, spacious rooms, and premier entertainment. The Thunderbird, and later in the 1950s, the Desert Inn, Sands, Sahara, and myriad other resorts appeared to pose an increasing threat to Fremont Street in the battle for the nation's growing number of tourists. As the casino city's appeal grew, so did the popularity of air travel, and the two eventually forged a symbiotic relationship that was profitable to both industries.

Prior to the 1950s, transportation played a key role in feeding tourists to these establishments. The automobile, bus, and train were the most popular conveyances delivering people to Las Vegas. Angelenos drove or rode 300 miles through the Mojave

Desert heat to experience the unique gambler's paradise in Las Vegas. But, in the 1950s and 1960s, as airlines began offering affordable fares and flew spacious, air-conditioned aircraft, thousands of tourists switched to air travel. By the 1980s and 1990s, as mega-resorts sprouted along the Strip, and gambling gained national and international popularity, and as increasingly affluent Americans traveled more frequently than ever before, air travel surpassed all other modes of transportation except for the automobile.

This thesis explores the development of air travel and tourism in Las Vegas from 1959 to the beginning of the twenty-first century. In particular, it will focus on the close relationship between the casino industry and airlines. Chapter 1 traces the development of McCarran International Airport, and describes its role in uniting commercial air travel and tourism during the 1950s, 1960s, and in later decades. Chapter 2 emphasizes the importance of charters and junket airlines as air carriers that brought a new class of tourists to Las Vegas in the late 1950s, 1960s, and 1970s. This trend also provided an opportunity for some hotels to develop a profitable addition to their resort operations. The third chapter focuses on the central role played by America's major commercial airlines as vital transportation institutions which by the 1970s, began annually delivering millions of tourists to Las Vegas. Finally, chapter four examines the explosion of the city's tourist industry in the 1980s and especially the 1990s, and how McCarran Airport and the airlines adjusted to this growth, while at the same time, promoting it.

Notes

[1]Ellis L. Armstrong, Suellen M. Hoy and Michael C. Robinson eds., "Airways and Airports," *History of Public Works in the United States 1776-1976* (Chicago: American Public Works Association, 1976), 187-216, 190. For more on airports in major cities see Stanley Cohen "Dallas/Ft. Worth to Open World's Largest Airport this Month," *Consulting Engineer* 41 (September 1973), 72-81, and Adele Schwartz "Airports - Patterns of Progress: Dallas/Ft. Worth" *Airline Management* (April 1973), 30-31. For more on airlines see Arnold Briddon, Ellmore Champie, and Peter Marraine eds. *FAA Historical Fact Book: A Chronology, 1926-1971*, Washington D.C., 1974, and Henry Ladd Smith's *Airways: The History of Commercial Aviation in the United States*, New York, 1942. Also see Donald Whitnah *Safer Skyways: Federal Control of Aviation, 1926-1966* (Ames, Iowa), 1966.
[2]*Las Vegas Sun*, March 5, 1960, 5.
[3]Eugene P. Moehring, *Resort City in the Sunbelt* (Reno: University of Nevada Press, 2000), 10.

INTRODUCTION

THE EARLY YEARS

The roots of aviation in Las Vegas lie deep in the city's past. Less than two decades after the Wright Brothers' inaugural flight, local residents discussed the possibility of building an airport to supplement their train station and the approaching highway from San Bernardino. On Thanksgiving Day, 1920, local resident Robert Hausler (a former army pilot) opened Anderson Field (the field was on the Anderson family's property) soon after the first recorded plane landed in town.[1] Anderson Field lay just three miles south of Las Vegas, and consisted of one graded dirt landing strip, and a water tank (today located approximately in the Sahara and Las Vegas Hilton parking lots).[2] This primitive airport had been used by local and military pilots until 1926, when Western Air Express began scheduled passenger service to Las Vegas.

Events moved quickly once brothers Leon and Earl Rockwell purchased the field from Hausler in April, 1926 (renaming it Rockwell Field). Just one month after the deal, the first Western Air Express Douglas M-2 mail carrier landed there. The airline's founder, Harris M. "Pop" Hanshue, a former automobile dealer in Los Angeles, had created the company in 1925 to exploit a lucrative federal government airmail contract (Civil Air Mail Route #4) transporting mail from Los Angeles to Salt Lake City with Las Vegas as a fuel stop.[3] The city's location was ideal, because it enjoyed favorable weather and provided a safe place for an airstrip where pilots could takeoff and land. Though Western Air Express primarily flew mail, it was not long before the company began carrying passengers. On May 23, 1926, Ben Redman and J.A. Thompson were the first passengers to fly on the airline.[4]

While city residents welcomed the Rockwells' airport in 1926, finding private funds to upgrade and maintain it became increasingly difficult. In 1928, the brothers leased the field to the city for one year, and after the lease expired, they sold the airport.[5] Coincidentally at that time in 1928, P.A. "Pop" Simon, a local businessman, had been developing an airport eight miles northeast of Las Vegas as a base for Nevada Air Lines, which promised to offer daily flights between Las Vegas and Reno. But the deal collapsed, leaving Simon with an airport and a few general aviation tenants.[6]

While searching for a new airport, Hanshue decided it would be more economical for his airline to operate out of a company-owned field than to rent private facilities. Thus, he struck a deal with Simon in November 1929, agreeing to lease the airfield for 20 years. By 1932, Rockwell Field had become an insignificant small facility for general aviation pilots while Western Air Express Field emerged as the city's main airport.[7]

Vern Willis, a ticket agent and station manager for the airline in 1940, remembered that the facility had a terminal "that was 20 feet by 40 feet, containing a coffee shop, some small offices, a radio room, a ticket counter, and a weather station in an adjoining building with a water tower on its roof."[8] It also contained eight or nine slot machines that often brought in more revenue than airline ticket sales. In fact, the terminal's gambling revenues were so high that airline personnel "had to empty them three or four times a day."[9] With Western Air Express offering four daily flights between Los Angeles and Salt Lake City, and with other commercial airlines entering the market, and flying larger aircraft such as DC-3s and Constellations, airport expansion became critical. In the late 1930s, the city, with financial support from Roosevelt's New Deal, tried to buy the facility, but Western Air Express blocked the deal.[10]

A few years later, war accomplished what negotiators failed. Following the outbreak of war in Europe, the United States army had been searching for a gunnery field to train its pilots for the war. On October 5, 1940, the city of Las Vegas agreed to lease the field to the Army Air Corps, resulting in an airport for joint military/civilian use. On

January 25, 1941, the Air Corps signed a lease extension and received $340,000 from the Civil Aeronautics Board for improvements that included one 4,000 foot-long, east-west runway, a 5,900 foot-long, north-south runway, as well as a third landing strip, grading, drainage, and hangars.[11]

The town also gained another field during the war. In 1942, George Crockett, an aviation enthusiast from Unionsville, Missouri, arrived in town seeking land for a dirt airstrip, his flight school, and air tour business he intended to open. Crockett expressed interest in purchasing Western Air Express Field, but quickly changed his mind when he discovered that it cost $500 per acre. He leased 640 acres south of town off the Los Angeles Highway (today the Strip) from the Department of Interior at a rate of $10 a year for 20 years. Because the government offered lucrative contracts to flight schools to train pilots for the war, Crockett leased $35,000 worth of machinery including eight airplanes, aircraft tools, and other equipment from Sioux Skyways, a commercial air carrier (going out of business) in Sioux Falls, South Dakota. But in order to receive a Civilian Pilot Training (CPT) contract from the government, he needed a hangar. Because he did not have enough money to pay for a hangar, he had to sell three airplanes and borrow $4,500.[12]

Crockett literally built his airport from scratch. He spent days grading the airport's gravel runways and struck a deal with a contractor and purchased an old construction shack for $1,800, in addition to three adobe walls and second-hand lumber for building a terminal and hangar. He also had a well filled with water, but nothing to use as a pump until he acquired an old diesel engine for $1,200 to pump running water. Also, a gas company gave him an old Texaco truck to be used for fueling airplanes.[13] On January 1, 1943, he inaugurated Alamo Field, an airport consisting of three runways, a terminal building, flight school, rental car business (U-Drive it cars), a motel (the Beacon Inn), and a complimentary shuttle service to town for pilots.[14] Despite

Crockett's intention of building a facility for primarily general aviation, the field quickly became one that would serve all commercial airlines.

In 1946, the army closed its training base and ended its partnership with Clark County. But, in 1947, as the Cold War escalated, the newly-created United States Air Force, with the support of Senator Pat McCarran, announced its intention of establishing a permanent base at the old site. The stumbling block of course, was the need to share runways with commercial flights. Following a series of discussions with Pentagon officials and McCarran, local and political business leaders decided that air force payrolls and supply orders dictated that the county build its own public airport. Clearly, the airlines supported this move. Throughout the war, Western Airlines (Western Air Express became Western Airlines in March 1941 just one month after Western Air Express Field was renamed McCarran Field), TWA, Bonanza, and United had complained about how military traffic gave them little space to operate. So, to please both the air force and commercial carriers, the Clark County Board of Commissioners, in consulting with the City Commissioners, entered into agreement with Crockett to purchase his airport for $125,000.[15] In addition to the sale, the county also included in the contract, a thirty year lease for him to remain on the field as a fixed base operator. After completion of the deal in 1948, all commercial airlines relocated to Alamo Field while the air force continued operating out of its base, which, in 1951, was re-named Nellis Air Force Base. To be sure, preparing Alamo Field for commercial operations was expensive. In addition to $850,000 in federal airport funds to help finance the $1.5 million needed for the project, the county proposed a $750,000 bond issue.[16] Despite opposition from some local residents, the bond issue passed. On December 19, 1948, the county renamed Alamo Field for Senator Pat McCarran, who had not only helped to secure this facility, but also the original army gunnery base, and the Basic Magnesium defense factory in what became Henderson.[17]

From the outset, the new airport was clearly inadequate for the increasing passenger volume and air traffic in Las Vegas. Only a year after its opening, commercial airlines carried 42,724 passengers, a number far exceeding what the relatively small facility could handle.[18] Even though the airport possessed three paved runways that were night lit, an air traffic control tower, and a weather station, it was simply too small for the number and size of aircraft operating there daily. As more hotel construction boosted air travel, pressure mounted on airport officials to expand their facility. As the Sands, Sahara, and other plush resorts appeared on the Strip in the 1950s, passenger volume continued to soar at McCarran. In fact, by 1955, nearly half a million passengers walked through the airport's gates, forcing airport manager John Metten and his planning staff to draw up plans for expanded runways, taxiways, and terminal facilities. By 1959, the crunch was so great that Metten and county officials decided that their only recourse was to build a new and much larger public airport off Paradise Road.

Notes

[1]Frank Wright, "Desert Airways: A Short History of Clark County Aviation, 1920-1948," (Henderson: Clark County Heritage Museum, 1993): 1-26, 3.
[2]*Las Vegas Review-Journal* (19 December 1948),1b. Also see Elizabeth Harrington's article, "A History of Aviation in the Las Vegas Valley," *Nevadan* (22 August 1976),4,5. Note that in 1920, Randall Henderson's Curtiss JN-4 was the first aircraft to land in Las Vegas.
[3]Frank Wright, "Desert Airways: A Short History of Clark County Aviation, 1920-1948," 5.
[4]Elizabeth Harrington, "A History of Aviation in the Las Vegas Valley," 5.
[5]Frank Wright, "Desert Airways: A Short History of Clark County Aviation, 1920-1948," 8.
[6]Ibid.
[7]Ibid., 10.
[8]County Commission Airport Summary, "McCarran 2000: Reflections of the Past" 18-38, 18.
[9]Ibid.
[10]Eugene P. Moehring, "Public Works and the New Deal in Las Vegas, 1933-1940," *Nevada Historical Society Quarterly* XXIV (Summer 1981): 121-123.
[11]Eugene P. Moehring, *Resort City in the Sunbelt* (Reno: University of Nevada Press, 2000), 32.
[12]Edward Churchill, "How to Build an Airport," *Western Flying*, (April 1976): 36-38, 38. Also see Frank Burnham's "In the Crockett Tradition," *Flying*, (October 1955): 20-28 with continuation on 78, 28, 78. Crockett executed the land agreement under the Federal Airport Act of 1928.
[13]Ibid.
[14]Ibid.
[15]Ibid.
[16]Frank Wright, "Desert Airways: A Short History of Clark County Aviation: 1920-1948," 24. Also see the *Las Vegas Review-Journal* (19 December 1948), 1b.
[17]Ibid.
[18]*Las Vegas Sun* (13 December 1957), 1.

CHAPTER 1

A NEW AIRPORT IS BORN

In the late 1950s, increased air traffic and terminal congestion caused by tourist growth in Las Vegas left airport officials with few options. The county had already spent well over one million dollars grading and paving ramps, repairing runways and taxiways, and combating passenger congestion. Over $600,000 had been spent on runway extension and lighting alone. By the end of 1959, the airport handled 959,603 passengers and 99 flights per day.[1] These figures led County Commissioner Clesse Turner to conclude that "the combination of lack of space to accommodate jets and a bad airport location, made it prohibitive to enlarge the present [terminal] building."[2] *Review-Journal* editor Al Cahlan pointed out the need for a new facility by claiming that "the present facilities are completely unfit for the class of people we are getting to come to Las Vegas and the increasing number of airlines serving this community have brought obsolescence so far as accommodations are concerned."[3] Passenger growth was simply overwhelming. Cahlan argued that "since the airport was constructed, air travel into Las Vegas has mushroomed to a point where, this year, it is probable that traffic will reach the one million per year mark." Expansion was thus essential to Las Vegas' future.[4] He pointed out that "in the next ten years, practically every major airline will have changed over to jets.... The feeder lines, will have to convert to some sort of turboprops.... When that time comes, air traffic will soar tremendously."[5] His prediction was correct.

In 1959, the introduction of jet aircraft completely transformed the air travel industry and forced Clark County to build a larger facility. For three decades prior to the

1959 delivery of the Boeing 720B, 707, and the Douglas DC-8 to airlines, passengers had to travel on slow, noisy, propeller-driven aircraft.[6] Although these airplanes were certainly faster than automobiles, trains, or boats, they still took hours, with all the fuel stops, to deliver passengers to their destinations. The turbojet shortened travel time and allowed passengers to extend their vacations. Anthony Sampson, author of *Empires of the Sky: Politics, Contests, and Cartels of World Airlines*, explained how "the jet transformed the entire economics and sociology of air transportation, making travel not only faster, but more reliable and cheaper, opening it up to a mass market."[7] Obviously, airlines and casino executives could hardly wait for the arrival of these planes.

Airport managers, however, were not as enthusiastic. McCarran Airport Director Gordon Miles remembered when the United Airlines Boeing 720B first landed at the airport in February 1960. Company officials invited Miles onboard for a tour of the plane's spacious and luxurious interior and took him on a brief flight over part of the Grand Canyon. He recalled how it turned out to be a "bit of a circus," because McCarran Airport had not yet been equipped to accommodate such a large and heavy aircraft.[8] With more jets forecast to serve Las Vegas, the airport had to reinforce runway pavement (for weight), and extend runway lengths because jets needed longer takeoff distances, especially on hot afternoons due to reduced engine output and lift. The airport also had to widen taxiways, expand terminal space, and enlarge the gates. In August 1960, United advertised "first class and custom coach" non-stop jet service from New York and Chicago to Las Vegas."[9] But the new planes did not alleviate McCarran's air traffic and terminal congestion problems; they only added to them. Still, the advent of jet service in 1960 increased community support for airport expansion and the bond issue.

According to new airport plans, the dome-shaped facility, when finished, would consist of two-two story buildings. The first would contain airline ticket counters, offices, and baggage carousels. The second, a 90,000 square foot hexagonal-shaped satellite structure, would house a restaurant, cocktail lounge, shops, a nursery,

concessions, and 16 gates for jet aircraft with provisions for enlargement to accommodate 24 aircraft."[10] The ground floor of both buildings would contain airline sales counters, a baggage claim area, car rental counters, a newsstand, and a barbershop. As an added feature for passengers and taxi and bus drivers, a large canopy provided shade by covering the front entrance of the main terminal.[11] Airport planners and developers also wanted to build an air traffic control tower with the most advanced radio, radar, and tele-communications equipment, a fire station at the base of the tower, and a parking structure with 1,400 automobile spaces.[12] To implement these plans, airport planners and officials asked voters to pass a crucial $5 million bond issue for airport expansion.

Initially, the bond issue had few supporters. Boosters were concerned that voters would not approve it because a $6 million issue for local schools had already been passed, and the likelihood of voters approving the allocation of more taxpayer dollars for airport expansion was doubtful. Airport manager Gordon Miles even noted the opposition of many resort casino executives to the move, because "when the airport was on the west side, all hotels felt that they had a decent shot at the tourists.... With the new location, some of the operators felt that the traffic would be diverted away from their hotels."[13] In fact, some casino owners on the south end of the Strip demanded that the county pave Bond Road (today Tropicana Avenue) from the airport directly to their part of the Strip. One concerned hotel owner even argued that "any move that would divert traffic from [our end of the] Strip would certainly be detrimental to our entire economy."[14]

On the eve of the vote, these casino owners held a meeting to discuss how to pressure the county into building Bond Road. County engineers responded that construction of such a road would be useless because the Strip was already overcrowded and a new road would only add to the congestion. County Commission Chairman Harley Harmon, a Las Vegas resident himself, contended that appropriating $50,000 for a one-

way highway out of airport parking connecting to the south end of the Strip was a waste of money. Having realized that the county rejected their argument, the casino owners backed away. But in the early 1960s, after much political maneuvering, they received their road.

The casino owners were not the only ones who expressed opposition to the proposed new airport. Some local residents vociferously objected to the entire project, calling it "a white elephant basking in the sun."[15] However, despite opposition from some tax-weary residents and many casino executives, on March 17, 1960, the bond issue passed.

Voters' approval for construction of the new airport could not have come at a better time. McCarran officials knew that after consolidating all of the commercial airlines at Alamo Field, the annual passenger volume would skyrocket, and thus fuel the need for further expansion. Just a few days before voters voted on the bond issue, the Las Vegas Chamber of Commerce overwhelmingly supported the measure by a vote of 12 to 1 (the one who voted against the measure owned a hotel). One member justified his vote for expansion by claiming that "the increase of Las Vegas air travel is dependent on the construction of a new terminal building and other improvements at McCarran Field."[16] Another argued that expansion was vital "to keep up with the jet age of transportation."[17]

Even County Commissioners were convinced that they made the right decision by moving the airport to Paradise Road. Despite the expense, they knew that Las Vegas needed a new facility to accommodate mushrooming tourists and jet aircraft. The new McCarran would do that. According to chief architect John Replogle of Welton, Becket & Associates, "the new McCarran facilities have been designed for the convenience of the jet-age air traveler.... We have tried to provide [him] as efficient service on the ground as he usually receives in the air."[18]

The major problem that county commissioners faced was the cost, especially in a city and state where taxpayers were known for their parsimony. Everyone knew that construction of the new airport and improvements to the old one would be expensive. In a 1957 airport study, airport planning and developer Leigh Fisher & Associates had estimated that a new facility would cost $3,865,000. Further expansion of the existing facility, they claimed, would easily exceed $2.5 million.[19] The study even warned that "expansion of existing facilities would be limited by space at the current site."[20] Alamo Field would gain 12 gates, however, there would be no additional room for further expansion.

After voters approved the crucial bond issue, construction began immediately. Contractors lengthened runways, widened taxiways, and enlarged the terminal for general aviation and charter aircraft (this was for McCarran Airport located at the old Alamo Field). They also built a new jetport, runways, taxiways, and a ramp at the new location (today Paradise Road and Russell Road) only for commercial airline use. The new McCarran Airport opened on March 15, 1963.

When workers completed construction of the latter, the cost was far more than they originally projected, $4.5 million (not including the cost of improvements at the old airport).[21] The airport also had to purchase $1.25 million worth of land for future development.[22] County Commissioner Harley Harmon informed residents that federal airport funding would pay for a majority of the expense but the rest had to be borne by the taxpayers.

In its first year, the new airport handled over 1.5 million passengers and averaged 128 flights a day. Six airlines served McCarran including Pacific Airlines and Delta. In 1967, the passenger volume doubled, and more jet aircraft appeared at the gates. After four years of operation, Las Vegas was booming. Caesars Palace opened in 1966, and Kirk Kerkorian's plans for the enormous International Hotel (later the Las Vegas Hilton) promised to inundate the Strip with even more visitors. So, after only four years of

operation, McCarran was already inadequate. As a result, Airport Manager Earl Taylor (who replaced Gordon Miles in 1965), and his staff began planning for further expansion. Their plan called for doubling the size of the terminals, lengthening the runways, widening the taxiways, and adding 36 more gates.[23]

In 1968, the Boeing 727's arrival demonstrated why the airport had to be expanded. With a seating capacity for 155 people (far more than the maximum capacity of any propeller driven aircraft) and a gross landing weight of 188,000 pounds, it became the most popular commercial jet (replacing many smaller aircraft) at McCarran. By decade's end, wide-bodies made their appearance in Las Vegas. In 1969, a Boeing 747 test airplane landed at the airport, inaugurating the arrival of still another jet age.

Completion of the expansion project in 1974 (which began in 1968) carried with it a hefty price tag of $30 million. This time, county commissioners found a new funding source to avoid antagonizing local residents every time the airport needed addition facilities. Bonds were sold that cost the taxpayers nothing. As early as 1966, the airport was finally able to pay for its own expenses, because it made a tremendous profit by leasing the gates, ticket counters, and baggage carousels to commercial airlines, as well as terminal space to concessions (slot machines also brought in significant revenue). This was essential because the metropolitan area's population base was still relatively small at that time (about 100,000 people), making it difficult for the county to rely on taxpayers as an additional source of funding for expensive airport projects. The airport had to support itself, and it largely did.

But, as the passenger volume continued to soar, it quickly became clear that even the $30 million expansion project was inadequate. Residents and journalists criticized the new airport for still being too small. They argued that increased airport air traffic would only contribute further to the terminal congestion. They were right. With the passenger volume expected to easily reach ten million by 1980, Taylor and his staff hired Landrum & Brown (in 1972), a consulting firm to design plans to alleviate McCarran's

traffic problem for the next two decades. In its 1976 executive summary, the firm urged the airport to immediately purchase 3,000 more acres of land for further runway extension, more taxiways, and a strengthened apron for heavy jets (at the new airport). It also recommended that the airport acquire additional property for construction of a new terminal, runways, and taxiways for general aviation and charter operators (at the old airport).[24]

In 1976, Taylor hired TRA, another airport consulting company, to conduct a study. In its 1979 executive summary, the firm recommended construction of a third runway at the new airport, terminal expansion to include three satellites, and a people - mover system.[25] Planners for TRA and Landrum & Brown clearly recognized the need for immediate expansion. As one report asserted, "the terminal building is now burdened with more passengers and airplanes than it can comfortably accommodate.... Every part of the facility is overcrowded, from ticketing and baggage areas to coffee shops and restrooms."[26] Both studies also predicted that by 1995, "passenger loads would exceed 30 million and the number of commercial aircraft seeking to use the airfield would more than double."[27] TRA won the contract and began construction in 1980.

After protracted discussion, the county commissioners voted in 1979 to begin work in 1980 on "McCarran 2000," a multi-phase process designed to equip Las Vegas with a large enough airport to handle 20 million tourists by the end of the century. Phase I of the new "McCarran 2000" masterplan called for the construction of a new parking facility, an automated transit system for passengers, a new crash/fire/rescue building, a new air traffic control tower, and upgraded facilities. Phases two and three included terminal expansion, still more gates, another parking garage, new taxiways, satellite buildings for international arrivals, and lengthened runways, as well as a third runway.[28]

Obtaining funds for this enormous project was not easy. Completion of the first phase cost a staggering $278 million. As a result, airport management and county officials struggled to sell enough bonds to cover the cost. But they had, because the

projects were essential to modernizing the facility. For example, since the airport utilities were antiquated and operated well beyond their capacity, officials had to build a new tunnel for the facility's expanded infrastructure. John Solomon, McCarran Airport Aviation Director, explained how it took several years for contractors to "construct a new tunnel to access power lines for heating and cooling systems, a water system, sewer and gas lines, as well as communication lines."[29] Though work was supposed to begin in 1982, the results of the 1978 federal deregulation of the airline industry brought so many new carriers to Las Vegas so quickly, that it forced the airport to start sooner.

Deregulation brought added traffic, despite the drag created by New Jersey's legalization of gaming in Atlantic City in that same year. In 1980, Las Vegas' passenger volume exceeded ten million. Airport expansion continued and in 1985, the airport completed Phase I. Robert Broadbent replaced Solomon as Airport Director in the following year, and oversaw the commencement and completion of Phase II. By 1990, the "C" gates had been built to help accommodate Southwest Airlines' rapid expansion of service. Plans immediately went forward to implement Phase III, which included "D" gates (completed two years ahead of schedule in 1998, adding 28 more gates), more parking (a $77 million, nine story structure), a second air terminal for international and charter flights (a $35 million, 183,000 square-foot facility with eight gates), and new executive terminals for Signature Flight Support, Eagle Canyon Airlines, and other corporate and air tour operators. Ambitious officials also planned to extend the three existing runways, and construction of a fourth with a full instrument approach and lighting system (built in 1991, costing the airport $81 million).[30]

Work was completed on these projects just in time, because over 33 million people passed through McCarran International Airport before century's end. And forecasters see the number surging higher as Las Vegas surpasses Mecca, the world's leading tourist destination. Indeed, the Las Vegas Convention and Visitor Authority expects that number to increase to 55 million by 2012. By that time, the airport's 98

gates will be unable to accommodate the proposed increase in air traffic. According to planners, realistically, 120 to 125 are needed.[31]

As the twenty-first century dawned, McCarran International Airport had become the vital link between commercial air travel and tourism in Las Vegas. It provided the necessary means to ensure a continuous flow of vacationers coming to the city. Because the passenger volume rose -- at times almost exponentially between the 1940s and the 1990s -- airport expansion became crucial to the city's future economy. As early as 1979, the study by TRA pointed out how "air traffic in Clark County multiplied at a far greater rate than the national average... This traffic represents economic vitality to the Las Vegas community... and it will be to the advantage of the entire county to cultivate and facilitate the increase."[32] Therefore, as tourism continued to grow, McCarran International Airport played a greater role in an era when commercial air travel finally became the preferred means of transportation for many Americans.

Notes

[1]*Las Vegas Review-Journal* (25 August 1960), 6.
[2]*Las Vegas Review-Journal* (3 March 1960), 3.
[3]*Las Vegas Review-Journal* (25 February 1960), 6.
[4]Ibid.
[5]Ibid.
[6]*Las Vegas Review-Journal* (18 November 1960), 24. Note that in 1957, Bonanza Airlines acquired Fairchild F-27A turboprops that were pressurized, air-conditioned, and flew at cruise speeds in excess of 300 miles per hour.
[7]Anthony Sampson, *Empires of the Sky: The Politics, Contests, and Cartels of World Airlines* (New York: Random House Press, 1984), 105.
[8]McCarran Airport Director Gordon Miles, interview.
[9]*Las Vegas Review-Journal* (25 August 1960), 6.
[10]*Las Vegas Review-Journal* (25 February 1960), 5.
[11]Ibid.
[12]*Las Vegas Review-Journal* (17 March 1960), 2.
[13]County Commission Airport Summary, "McCarran 2000: Reflections from the Past," 18-38, 22.
[14]*Las Vegas Review-Journal* (24 November 1957), 3.
[15]County Commission Airport Summary, "McCarran 2000: Reflections of the Past," 18-38, 22.
[16]*Las Vegas Review-Journal* (3 March 1960), 3.
[17]Ibid.
[18]*Las Vegas Review-Journal* (17 March 1960), 2.
[19]*Las Vegas Review-Journal* (13 December 1957), 1.
[20]Ibid.
[21]Ibid., 2.
[22]Ibid.
[23]*Nevadan Las Vegas Review Journal* (11 April 1976), 4.
[24]Landrum and Brown Executive Summary, April 1976, V-2, V-3.
[25]TRA Consultants Executive Summary, October 1979, 1. Note that it was common for the airport to hire several firms to conduct airport expansion studies, and the highest bidder won the contract.
[26]Ibid., 5.
[27]Ibid., 4.
[28]Ibid., 1.
[29]County Commission Airport Summary "McCarran 2000: Reflections of the Past," 18-38, 34.
[30]*Las Vegas Review-Journal* (3 July 1995), 1b.
[31]America West Airlines, *Las Vegas Business* (30 June 2000), 3.
[32]TRA Consultants Executive Summary, October 1979, 5.

CHAPTER 2

FIRST CLASS JUNKET AIRLINES FOR COACH CLASS TRAVELERS

When we think of tourists flying to Las Vegas, Reno, and other casino cities today, we normally think of passengers deplaning off a regularly scheduled flight which they booked for the standard fare offered by American, Delta, or some other commercial airline for that destination. But there is another side to the air transport business, which for over forty years has played a significant role in the gambling business. As early as 1959, the Las Vegas Chamber of Commerce reported that 151,173 passengers who flew to Las Vegas arrived on charters or private flights.[1]

These so-called "junkets" not only contributed significantly to volume in the passenger transportation industry, but also represented a new marketing niche for the hotel business. No other junket airline in Nevada epitomized this more than Warren "Doc" Bayley's Hacienda Airlines, which he began in 1959 to feed tourists and gamblers to his Hacienda Hotel. With eight airplanes flying between Las Vegas and destinations in California, New York, and Hawaii, and scores of people waiting to make reservations on the inexpensive flights, Hacienda Airlines quickly became the most successful junket carrier in Nevada.

Traditionally, junket deals were only available to high rollers. Gambling resorts showed little interest in offering these packages to the lower ends of the market. As Mark Skidmore pointed out in his study of the industry, "each junketeer was a male over the

age of 21, working in a profession where he earned an annual salary exceeding $30,000."[2] Skidmore also noted an additional prerequisite: each junketeer had to establish a minimum $2500 line of credit with the casino. In return they received a complimentary hotel room, meals, beverages, and a show ticket. In *Big Julie of Vegas*, author Edward Linn provides a similar description of a junket in the section where he described a group of doctors, lawyers, and other professionals, who flew from New York to Las Vegas on a chartered United Airlines DC-8. At the casino, each of them spent hundreds of dollars and in return, received coupons for complimentary beverages, a buffet, and show tickets.[3] Though Skidmore and Linn argue that junkets only catered to wealthy customers, the two authors were unaware that a junket airline market for moderate and lower income travelers had already been established.

Before Hacienda Airlines even began, other junket carriers had been flying people to Las Vegas for almost twenty years. These junkets were popular and contributed a hefty increment to hotel profits. In 1942, the Hotel Last Frontier bussed many of its customers to town, but it shifted to airplanes in the following year because highway travel was too slow. By contracting with various air charter services in Los Angeles, the hotel was able to transport more people daily. William J. Moore, general manager and co-owner of the Last Frontier, negotiated an arrangement with these carriers that allowed him to offer his guests a package deal "at a very reduced price" that included a room, a number of meals, and transportation to and from the airport. Customers arrived in Los Angeles from Detroit or Dallas on commercial airlines, and then boarded a charter plane operated by a local air charter service to Las Vegas.[4] In a reminiscence, Moore claimed that the Last Frontier pioneered charter airplane promotions, and created a new niche in the Las Vegas travel market that "attracted a lot of people" to town.[5]

One of the air services in Southern California with which the Last Frontier contracted was Los Angeles Air Service (LAAS), owned and operated by a young entrepreneur named Kirk Kerkorian. His fleet consisted of a Douglas DC-3, a twin-

engine Cessna, and a single engine Beechcraft.[6] Though the LAAS flew people from Los Angeles Municipal Airport to many different destinations on the West Coast, the most common was Las Vegas, where Kerkorian also did a lot of business with Moore. In 1950, Kerkorian moved his operation to the Lockheed Air Terminal in Long Beach, where he competed with forty other junket airlines. He struggled for a while until he pleased his customers by upgrading his service by purchasing a four-engine Douglas C-54. After spending $28,000 to retrofit it and refurbish the interior, Kerkorian's flights were always full.[7] As a result, he quickly became a contender with the other junket airlines, and in the process learned a lot about the casino city he would someday help transform.

Despite his success, young Kerkorian never matched the success that Warren Bayley enjoyed with Hacienda Airlines. This carrier began in 1959 when Henry Price, who already was a hotel promotions staff member and owner of an air charter service in Burbank, asked Bayley if he would be interested in flying moderate and low income Southern California gamblers and tourists to the Hacienda. Price explained that he operated weekly flights to the Showboat and Thunderbird hotels where managers complained about not having enough available rooms to accommodate weekend crowds. Bayley immediately accepted Price's offer on condition that Price would provide flights on weekdays and weekends. Hacienda Hotel Manager Richard Taylor recalled Bayley saying that "if 32 people in Los Angeles are willing to fly to Las Vegas on a weekend, then there certainly must be 32 more willing to come on a weekday."[8]

Bayley's intuition proved correct. In 1959, he launched the resort's Hacienda Flight Division with a fleet of two DC-3s, each capable of seating 32 passengers, one DC-4 for 77 passengers, and five Constellations that seated 80 passengers each. According to Taylor, Bayley's flights were so popular that customers had to book their reservation three or four weeks in advance.[9]

At the time when Bayley began his operation, the Dunes Hotel, his major competitor, had been providing daily junket flights for several years from Los Angeles, Long Beach, and Burbank with a single DC-3. One $24.95 ticket entitled a guest to a tour of the luxurious palace resort, lounge entertainment, show tickets, cocktails, a buffet dinner, a bottle of the Dunes Gold Label Champagne, and free limousine service. Tourists wanting a room paid $8 more per night on weekdays, and $13 more during weekends and holidays.[10] The existing Dunes model was important, because it convinced Bayley that operating his own airline was feasible.

Once Bayley's service began, he wasted little time in appointing Henry Price as manager of Hacienda's flight division to oversee flight operations. Like the Dunes, Bayley began with one airplane when he leased a DC-3. Increasing passenger traffic soon convinced Price to urge Bayley to buy a larger airplane and abandon leasing. Bayley purchased a DC-4, and spent $95,000 to completely refurbish it with comfortable seats and a piano bar.[11] He even provided entertainment en route. Bayley hired Dick Winslow, a former Hollywood actor, as his in-flight entertainer. Winslow, who played tunes and sang popular songs during the flights, conceded that his music was secondary to his primary responsibility: calming nervous passengers who had never flown before - - a common problem in the 1960s.[12] Other "shows" on these flights included young, attractive women modeling fashions for the passengers. Contrary to rumor and claims in the *Green Felt Jungle* that these ladies performed a striptease, they actually never did, although they wore lingerie that was risqué for the time.[13]

For $27.50, a Hacienda Airlines passenger received $5 in chips, a buffet dinner, a bottle of champagne, membership to a golf course lit at night (where each guest had a chance to win $5,000 for a hole-in-one), a ticket for the show at the New Frontier (a resort which Bayley had earlier purchased a 90 percent share), and limousine service. Guests also received a tote bag with the Hacienda logo as a souvenir of their experience. While at the hotel, guests also enjoyed complimentary glasses of champagne. If a guest

wanted to stay overnight, they paid $35.50; weekend packages cost $9 more.[14] Those traveling on long-distance flights could stay five or six days with the same amenities for $188.50.[15]

Bayley offered low fares, and he frequently advertised his airline in Los Angeles newspapers and on highway billboards. His innovative management team even came up with the idea of printing flight schedules on the inside of matchbook covers that were dispensed from cigarette vending machines all across the West. This gimmick was an ingenious promotion tactic. Thanks to innovative advertising, Bayley's carrier booked thousands of gamblers into Las Vegas.[16]

The resort's flight schedule and range of destinations was impressive. Hacienda Airlines offered daily flights from Los Angeles, Long Beach, Santa Ana, Burbank, San Francisco, and San Diego to Las Vegas using DC-3s and Constellations. Longer-range flights from Dallas, St. Louis, Chicago, New York, Detroit, and Honolulu required use of Bayley's DC-4 and Constellations. In a 2000 interview, Boyd Michael, Hacienda Chief Pilot and Director of Pilot Training, outlined a typical weekly crew schedule to demonstrate the size of Bayley's operation and ominously, how it competed with the major airlines in many of the same cities. He recalled that on a Friday afternoon a DC-4 crew would leave Burbank Airport for Las Vegas, continue to St. Louis, and terminate in Chicago. The crew had a layover on Saturday, and then on Sunday would leave with a partial load from Chicago to St. Louis, where they would load more passengers before heading to Las Vegas for even more passengers before terminating in Honolulu. For the DC-3 junket flights, a crew would leave Long Beach Airport and fly to Los Angeles, then Burbank before landing in Las Vegas. Constellation crews flew primarily from Las Vegas to St. Louis, Detroit, Chicago, New York, Dallas, and Honolulu. The airline also operated flights from San Francisco to Las Vegas twice weekly. According to Michael, a DC-3 crew flew five roundtrips per day between San Francisco and Las Vegas. By 1961, Hacienda Airlines ran seventy flights a week.[17]

Bayley soon found himself the owner of a sizable airline. In 1962, the appraised value of his fleet was between $1 and $2 million.[18] Earlier, in 1961, Bayley had purchased 25 additional Constellations from TWA. The transaction also included thirty-eight extra engines, twenty-five extra propellers, and $3.5 million worth of spare parts and tools. At that time, it was the largest purchase by any air service operator in Nevada history and would have put the value of his fleet much higher.[19] But because of growing financial difficulties related to problems with the Civil Aeronautics Board (CAB), he never took delivery of those Constellations. Had he done so, his fleet would have exceeded 30 airplanes and his service would have more than tripled the capacity of the hotel's guest capability. In addition to purchasing these planes, Bayley paid $35 million for six jets including a Boeing 707 from TWA. One Convair 880 and the Boeing 707 were scheduled for delivery in April 1962.[20] He intended to use these aircraft for nonstop service from Las Vegas to Honolulu, New York, Chicago, and Miami. But once again, because of Bayley's problems with the CAB, these jets never appeared on the flight line.

Bayley's only maintenance base for his aircraft was at Long Beach Air Terminal where a staff of 62 mechanics tended to his fleet. He wanted to move his entire operation to Las Vegas, but his fear of prompting a lawsuit or complaint from the commercial airlines discouraged him from doing so. Had Bayley moved to the casino city, his reduced operating costs would have allowed him to fly even more passengers from Southern California and the East to southern Nevada. The move also would have pumped an estimated $520,000 into Southern Nevada's economy annually from the maintenance payroll alone. In addition, Bayley would have contributed another $1.5 million in payrolls for his flight crews.[21]

Despite its contribution to Las Vegas tourism and profitability, Hacienda Airlines faced an uncertain future. In 1960, Hacienda Airlines delivered more than 70,000 passengers to McCarran Airport with projections for 120,000 in 1961.[22] The success of Bayley's enterprise, however, sparked much growing resentment among the

commercial airlines. His bargains drew so much traffic to his airline that it prompted TWA, United, and other commercial airlines serving Las Vegas to file numerous complaints with the CAB, accusing Bayley of engaging in unfair competition. In 1960, they filed a formal complaint with the CAB also claiming that Bayley's airline was operating without a certificate.[23] United, TWA, and the others also filed a complaint in 1960 against the Dunes, which offered free flights in its DC-3. The complaint alleged that the Dunes' operation also lacked a certificate. In 1961, after CAB pressure, the Dunes canceled its air service to avoid expensive litigation. Hacienda Airlines became the next CAB target.

A year and a half after Bayley began his airline, on August 12, 1960, the CAB issued an order to close it down. CAB examiner Richard Walsh's investigation concluded that Bayley's carrier violated the Federal Aviation Act by operating "package tours" without an operations certificate.[24] Hacienda General Manager Richard Taylor countered by arguing that the airline "provided air transportation free of charge solely for guests of the Hacienda in Las Vegas and thus was not engaged in carrying passengers for compensation or hire and did not need a certificate."[25] Hacienda attorneys filed numerous appeals and even obtained a federal injunction on May 5, 1961, which blocked the CAB from enacting and enforcing its order. The court allowed the airline to operate its long-range flights under Federal Aviation Regulations Part 42, which permitted ten flights a month from any city in the United States to Las Vegas.[26] This order decreased the number of the airline's long-range flights, but still allowed it to continue normal flights.

Hacienda Airlines executives and attorneys reemphasized to CAB officials that their airline did not require a certificate because it was a charter service and not a scheduled airline. However, the CAB insisted that because the carrier operated like a commercial airline with a flight schedule and charged customers money for package deals, it needed an operating certificate. So, after the agency rejected their argument,

Hacienda attorneys filed a second application for a certificate (Bayley had filed a previous application, which the CAB had not reviewed). Later, the lawyers conceded that when the airline began in 1959, for a brief time, customers bought tickets, but once the Hacienda offered package deals, passengers no longer had to buy tickets. They essentially flew for free. The package amount that they paid was equal to the value of an airplane ticket.

Of course, there was another powerful argument against the federal government using its regulatory power to shut down this business. As Taylor observed, the Hacienda generated a tremendous amount of new business for Las Vegas - - a point that the resort's attorneys and promoters emphasized. Taylor also stressed that the airlines showed consistent increases in passenger volume.[27] Hacienda attorney John Preston Jr. asserted that the operation was not "for hire" and was only a "business promotional device."[28] But, the commercial airlines' opposition continued. On June 6, 1961, Hacienda Airlines was forced to deplane and enplane its entire fleet at the Las Vegas Airmotive Terminal (at the old McCarran Field) because of complaints by Bonanza Airlines that "the ramps were getting overcrowded for the commercial airlines."[29]

In the end, the CAB sided with the airlines. CAB attorney Robert Toomey again argued that the Hacienda operated illegally without a certificate and cautioned that other resorts would follow suit if allowed to do so. He asserted that an increase in competition would be detrimental to the commercial airlines. Toomey recalled in 1960 how the CAB "adopted its examiner's findings that Las Vegas Hacienda Inc., and Henry Price, manager of Hacienda's Flight Division had operated as a common carrier for compensation between California and Las Vegas without CAB authority in violation of the Federal Aviation Act."[30]

As the CAB intensified its pressure on Bayley, his resort competitors did little to support him. Despite the increased tourism that Bayley's carrier awarded Las Vegas, the other resorts in town overwhelmingly supported the CAB's decision. One anonymous

casino executive poignantly asked: "What incentive will the airlines have to boost Las Vegas when we fly a minimum of three thousand passengers a month for free?" He further cautioned that "we are also going to be in trouble if we couple booze with gambling and gimmick-style promotions and toss in $5 for lure.... That puts us in a class of 'Sin City USA,' an identification we have successfully avoided for five years."[31] The Strip hotels opposed any changes affecting their traditional practice of catering to opulent customers. In fact, they even opposed new CAB-sanctioned competition.

As a result of concerted pressure from commercial airline attorneys and growing criticism from Strip hotels and local newspapers, lawyers for the CAB went to a California Court of Appeals seeking an order to permanently shutdown Hacienda Airlines. On January 17, 1962, they emerged victorious, but the Hacienda immediately appealed to the California Supreme Court. Taylor predicted that his operation would continue, because, as he put it, the courts would recognize "that the CAB was influenced by major airlines" and that Hacienda Airlines was not violating the law.[32] However, on May 21, 1962, the Supreme Court justices upheld the lower court's decision and ruled that "the Hacienda program, while different, still required a Certificate of Convenience and Necessity."[33] On May 26, the Hacienda once again appealed to the court, but the justices reaffirmed their decision and ordered the Hacienda to cease operations by July 10.

This represented a major defeat for Bayley. In an address to company employees, he reported that although it was the hotel's position that Hacienda Airlines did not require an operating certificate, an application for one had been filed by the hotel with the CAB since 1960, but after two and a half years, it was still pending. He also expressed his concern that the loss of his airline could damage his resort's business. "Unless we find relief in some manner," he warned, "the effect on the hotel will be unknown as we have had flight customers from the beginning, and therefore have no yardstick by which to measure business after our flights are curtailed."[34]

While one might expect that at least some Las Vegas resort owners would finally unite around Bayley, this was not the case. Instead, they continued to support TWA, American, and the other commercial airlines. Specifically, the resort community criticized Bayley for targeting moderate and lower-income customers rather than high rollers. Las Vegas hotel executives contended that wealthy people traditionally spent more money gambling and were more representative of the type of image the resorts should promote. This criticism echoed loudly in the local newspapers where columnists such as Paul Price criticized Bayley for not catering to wealthy gamblers, and argued that as a result of these "free flights," commercial airlines would lack incentive to expand their fleets and markets and any new airlines serving Las Vegas would follow suit.[35] Price sharply criticized Bayley for blatantly disregarding the damaging effects that his junket airline had on commercial service by slowing its development and growth.

In retrospect, Taylor noted that as a result of the widespread success of Hacienda Airlines and its parent hotel, few Strip resorts liked Bayley's "new ideas" and pressured him to shut down his airline and cancel the "Hacienda Holiday."[36] But, Bayley purposely avoided catering to the wealthy, Taylor explained, because he would have had to hire big name celebrities such as Frank Sinatra, Sammy Davis Jr., and others who would have demanded extravagant salaries in addition to receiving large commissions from their overpriced tickets. Bayley wanted his hotel rooms to be affordable and sought to promote a family atmosphere. He preferred that a moderate and lower-income clientele fly on his airline and enjoy themselves at his hotel without feeling pressured to spend exorbitant sums of money. Bayley felt that his hotel's location at the beginning of the Strip near the airport, would attract families heading north on the highway in their automobiles. The resort's pool, go-cart track and other attractions would lure them in and the bargain prices would induce them to extend their stay. Obviously Bayley's marketing strategy and market niche were remarkably different from those of his Strip competitors and may have threatened some of them.

The Hacienda's troubles did not end with the Supreme Court's order to cease operations. In September 1962, Blatz and Standard, two Southern California airlines, faced disciplinary action from the CAB for operating flights to Nevada casinos, including the Hacienda, without CAB approval. Standard Chief Executive Officer Shields B. Craft's airline had been charged with "taking part in various pooling and working agreements with the Hacienda Hotel, a resort hotel found to have operated an air service between Los Angeles and Las Vegas without CAB authority."[37] According to one newspaper, Standard had apparently violated regulations for several years. A Standard attorney denied that his airline did business with the Hacienda, though he later conceded that occasionally some of the Hacienda pilots had been hired on just like other airline pilots.[38] For their part, the commercial airlines charged that Standard wanted to convert its individual ticket service into a charter operation, which CAB regulations prohibited. The CAB charged Blatz with "repeatedly violating civil air regulations by failing to charge fares specified in its tariffs by providing service to persons to whom it had not sold tickets, and by operating flights without authority to several Nevada cities under arrangements with gambling casinos." According to the CAB report, the airline had agreements with casinos to fly their patrons to Reno, Searchlight, Hawthorne, Winnemucca, and Tonopah.[39]

The demise of the Hacienda Airlines pleased the commercial airlines, the Strip hotels, and the local press. The junket airline had been an unwanted competitor, especially for the commercial airlines. But, for the Hacienda management and hotel employees, it marked the end of a spectacular operation that powered the hotel's early success. The shutdown was briefly overshadowed on December 28, 1964, when Bayley collapsed in his office and died from a massive heart attack at the age of 64.[40] Among those who attended his funeral were Governor Grant Sawyer, Senator Howard Cannon, and Hollywood actor Gene Autry. His death appeared in newspapers across the country. Richard Taylor remembered Bayley as a visionary and "one of the last 'silver tongued'

salesmen and promoters who was the backbone and the driving force that made the Hacienda a success."[41]

Bayley's junket airline and his promotion of package deals laid the foundation for the junket business to Las Vegas in the late 1960s and early 1970s. In addition, it served as a model for later hotel junkets offered by MGM, Hilton, Caesars Palace, and Circus Circus in association with both charters and commercial airlines. In fact, the business grew to such an extent in the 1970s and 1980s that in 1993, McCarran airport officials had to build a separate charter terminal to handle the increased passenger volume. Today, one is overwhelmed by the myriad deals offered by airlines and hotels alike on the Internet and in travel sections of Sunday newspapers. Brochures announcing low airfares and inexpensive rooms regularly appear in travel magazines to entice tourists into booking a glamorous weekend trip to Las Vegas. Typical is American Airlines, which touts its "Fly AAway" travel packages to Las Vegas that include airfare, hotel accommodations, and meals for one reasonable price. Southwest, America West, United, and Las Vegas-based National Airlines also offer package deals from many cities in the United States.

But for all of their criticism of Doc Bayley and his airline in the early 1960s, both the commercial airlines and Las Vegas' modern resorts later adopted his *modus operandi* of air travel to Las Vegas for moderate and low-income travelers. In some of Las Vegas's efforts in recent years to promote itself as a family destination, Circus Circus, Excalibur, and other resorts that cater to the lower-end markets are building upon a tradition that Warren Bayley helped establish at both his hotel and his airline almost a half century ago.

Notes

[1]*Las Vegas Review-Journal* (24 May 1960), 1. Note that the *Las Vegas Review-Journal* published a morning and evening edition. The articles cited in this essay are entirely from the evening edition. Also, many of the newspaper articles that I have cited in my essay are compiled in Richard Taylor's *History of the Hacienda Hotel as Reported by the Las Vegas Review-Journal and the Las Vegas Sun* (Las Vegas: Beehive Press, 1986). The book was reprinted in 1989 and a supplemental paperback edition was published in 1990.
[2]Mark Skidmore, "Gaming Junkets in Nevada," (Las Vegas: University of Nevada Las Vegas, 1990), 27. This master's thesis contained numerous inaccuracies. Larry Alan Walters "A Study of Gambling Junkets within the US Gaming Industry," (New York: Cornell University Press, 1979) also argued that junkets exclusively catered to the wealthy. However, his thesis too contained inaccuracies.
[3]Edward Linn, *Big Julie of Las Vegas* (New York: Walker Press, 1974), 3.
[4]Elizabeth N. Patrick, Interview with William J. Moore, (Reno: University Press, 1981), 22.
[5]Ibid.
[6]Dial Torgerson, *Kerkorian: An American Success Story* (New York: Dial Press, 1974), 76.
[7]Ibid.
[8]Ibid.
[9]Ibid.
[10]Dunes Hotel advertising pamphlet, publication date unknown.
[11]George Stamos Jr., *Las Vegas Review Magazine* (12 August 1979), 7. Note that this magazine is an editorial insert in the Sunday edition of the *Las Vegas Review-Journal*.
[12]*Las Vegas Sun* (14 February 1991), A32.
[13]Ed Reid and Omar Demaris, *The Green Felt Jungle* (New York: Trident Press, 1963), 50. For Bayley's ownership share of the Hacienda and New Frontier Hotels, see p. 224 and 228.
[14]*Las Vegas Sun* (14 February 1991), A32.
[15]*Los Angeles Herald Examiner* (12 July 1962), A16.
[16]Hacienda General Manager Richard Taylor, interview.
[17]Boyd Michael, Hacienda Airlines Chief Pilot and Director of Flight Training, interview.
[18]*Los Angeles Herald-Examiner* (17 October 1962), D1.
[19]*Las Vegas Review-Journal* (23 October 1961), 2.
[20]*Las Vegas Review-Journal* (6 November 1960), 32.
[21]*Las Vegas Review-Journal* (23 October 1961), 2.
[22]*Las Vegas Review-Journal* (5 May 1961), 5.
[23]Specific airlines that filed the complaint were not mentioned
[24]*Las Vegas Review-Journal* (24 May 1960), 1.
[25]Ibid.
[26]*Las Vegas Review-Journal* (23 October 1961), 2.
[27]*Las Vegas Review-Journal* (11 November 1961), 1.
[28]Ibid.

[29] *Las Vegas Review-Journal* (6 June 1961), 5.
[30] *Las Vegas Review-Journal* (15 August 1960), 1.
[31] Paul Price, *Las Vegas Sun* (16 June 1960), 4.
[32] *Las Vegas Review-Journal* (17 January 1962), 1.
[33] Hacienda Hotel Shareholder's Stock Report: Corporate Address (31 December 1961), 4.
[34] Ibid.
[35] Paul Price, *Las Vegas Sun* (16 June 1960), 4.
[36] Richard Taylor, *Southwest Aviation Report* (April 1993), 7.
[37] *Las Vegas Review-Journal* (13 September 1962), 1.
[38] Ibid.
[39] Ibid.
[40] George Stamos Jr., *Las Vegas Review Magazine* (12 August 1979), 8.
[41] Ibid.

CHAPTER 3

A NEW HORIZON: THE IMPACT OF DEREGULATION ON COMMERCIAL AIR TRAVEL IN LAS VEGAS

In 1938, the federal government invoked regulation on the airline industry following a congressional hearing addressing consumer complaints about safety, substandard service, and an overall lack of organization.[1] By establishing a well-defined set of rules for airlines to follow, the government hoped to restore public confidence in commercial air travel. As a result, Delta, United, TWA, and other commercial air carriers complied by restructuring their maintenance and safety programs as well as their operating procedures. They also improved the quality of their in flight service, and occasionally lowered airfares to appease the traveling public. Although the airlines made significant progress by implementing these changes, they still had to contend with other equally troublesome issues.

For years, commercial air carriers primarily flew to large cities, inconveniencing customers by requiring them to drive long distances. Also, because regulation limited the number of airlines serving relatively few destinations nationwide, some air carriers dominated certain markets, especially at hub airports such as Denver, Chicago, and St. Louis. As a result, they were able to establish their own fares, making air travel unaffordable for many Americans. Although regulation prevented airlines from charging customers unreasonably high prices and mandated federal approval for any airfare changes, still only those customers who could afford them, flew. But after World War II,

when Americans enjoyed more disposable income and vacation time, their travel interests increased and as a result, airlines had much difficulty meeting the demand. Consequently, many air carriers had to lease larger and more efficient airplanes to replace the smaller and less economic ones. Common commercial airline propeller-driven aircraft, such as the Constellation and Douglas DC-3, gave way in the 1960s to jets like the Boeing 727 and Douglas DC-9, which had longer fuel ranges, flew at faster speeds, and reduced travel time by at least fifty percent. Soon, those jets were replaced by more efficient ones such as the Boeing 737 (for short-hauls), and the wide-bodied Douglas DC-10 and Boeing 747, which could transport dozens more passengers longer distances, at a lower cost per passenger mile. But, operating these aircraft proved to be expensive, and as a result, airlines raised fares, which quickly ended the surge. Thus, in order to stimulate demand, in the mid 1960s, airlines had to reduce their fares by as much as 50 percent.[2] Once again, customers took advantage of the low prices, and the passenger volume soared. This was the trend throughout the 1960s and much of the 1970s. But, Congress realized that the airline industry needed change that would end these market fluctuations and provide market stability. The only way to accomplish this was to increase competition. One government report confirmed that "Congress was convinced that increased competition would benefit the airlines and the public."[3]

In October 1978, Congress passed the Airline Deregulation Act, which revolutionized the airline industry. After forty years of federal oversight, the law suddenly gave airlines the freedom "to decide where they would fly and what fares they would charge."[4] It also opened new markets, allowing airlines access to the abundance of passengers in second and third-tier cities never served before by any commercial air carrier. Customers no longer had to drive to larger cities to catch their flights, a practice which frequently discouraged many from flying. Deregulation also allowed new air carriers to penetrate established markets and undercut their competitors by offering lower fares.

Deregulation initially created chaos in the industry. Some carriers like Pan Am and Eastern went bankrupt. Others, like United, Delta, and American thrived by obtaining more gates by purchasing more jets or by acquiring or merging with regional and new carriers. In some places like Minneapolis, one airline nearly monopolized the airport, but in other cities this was not the case. As TWA Las Vegas Station Manager Duane Busch explained, there was a "massive explosion [in passenger volume] and many airlines just could not handle it."[5] But, unlike many of these larger cities where major airlines nearly monopolized the airports, Las Vegas was unique.

Just a year and a half after deregulation, the number of commercial airlines serving Las Vegas had increased from seven to seventeen. Many new air carriers jumped at the opportunity to enter the lucrative southern Nevada market. By offering low fares, they hoped to attract many middle and lower-income customers, a market whose value had been demonstrated by Doc Bayley's Hacienda Airlines. While some political leaders and casino executives worried about using the airport to target low-income passengers, there was little they could do but adjust. And they did. Circus Circus and Excalibur pioneered the new low-income market niche of the 1980s and 1990s. Together, the airlines and Strip hotels began to tap a market that Fremont Street and the bus companies, as well as Doc Bayley and William J. Moore, had exploited for years.

Because so many tourists in the 1980s and 1990s booked flights on airlines such as Southwest, America West, Reno Air, United, and United Express, Las Vegas became a low-yield market for the leisure traveler as a result of competition and discounted airfares. At the same time, the city embraced another profitable market, business travel. According to recent statistics, over ten percent of the Las Vegas market accounted for business travelers and locals.[6] For Southwest and some other commercial air carriers, both markets proved to be quite profitable, but for others, they were not. Take the case of TWA, which offered eleven daily flights from Las Vegas in the 1970s, but reduced its flights in the 1980s because it found international markets and domestic long-range

routes, such as those from San Francisco to JFK, to be much more profitable. This was especially true for TWA, whose fleet consisted mostly of wide-body Lockheed L-1011s and 747s, which could carry more than 300 passengers.[7] Other airlines including Delta and American also followed suit, but unlike Trans World, they maintained their same number of flights serving Las Vegas before deregulation. United even increased its flights, because it was one of the largest airlines in the world and its sheer volume of business allowed it to absorb low profits in the Las Vegas market.[8]

By the late 1980s, with McCarran's passenger volume surpassing 17 million and mega-resorts sprouting along the Strip, Las Vegas became an even more attractive venue for tourists. This proved even more true in the 1990s when the passenger volume doubled and more mega-resorts appeared. With more seats available, airlines watched their flight loads significantly rise and resort hotel owners saw their rooms fill up. Thanks to their discount packages, the airlines helped to reinforce this trend. Western Airlines, for instance, offered its "Las Vegas Bonus" fare where customers flew round trip from Los Angeles to Las Vegas for $54 (with restrictions).[9] Other airlines also offered similar fares and cheap package deals that attracted thousands of customers. Southwest and America West Airlines, for instance, began serving Las Vegas in the early 1980s, and they quickly dominated the market by offering competitive fares just as Western and Hughes AirWest had done in the 1970s. But, the new companies employed different marketing strategies.

Known as an airline with "no frills," Southwest immediately challenged the dominance of America West, United, Delta, and the other air carriers serving McCarran. According to Susan Davis, a sales representative for Southwest, the airline catered to all customers without targeting any specific class. By offering two for the price of one fares, and bonus rewards for the number of trips flown, Southwest developed a large and broad clientele.[10] With 169 daily departures and arrivals (soon to be over 200, which will allow Las Vegas to surpass Phoenix as the most popular destination within the Southwest

system), the airline with the motto "fun, low fares, and frequency," amassed large profits from the Las Vegas market. Davis points out that the airline "tried to target 'young minded' travelers, but catered to all passengers.... So there really was no specific focus on any type of passenger."[11] The airline also strategically focused on a "short haul" market where the average flight did not exceed a 500 mile radius nor a flight time of more than one hour. It was also careful to protect its interests by refusing to enter the reservation systems of the major carriers, helping to save it from the experience of Pan Am and Braniff, which saw many of their reservations pirated by airlines that controlled the system. Southwest also prided itself on entertaining its customers while en route and promoted vacation-type destinations. In addition, the airline innovated many methods for rapid turnarounds, deplaning and enplaning passengers in as little as 15 minutes by not assigning seats. Southwest's popularity among tourists eventually made it the sole tenant at McCarran's "C" Concourse by the late 1990s (an unintentional result of other airlines occupying the "D" Gates).

In contrast, America West attempted to focus on the business traveler. As the airline's marketing manager Jennifer Myers noted, "because the airline catered to the business traveler, it provided more flights in certain markets that proved to be more profitable."[12] To accomplish this, America West scheduled a majority of its flights to depart from Los Angeles, Phoenix, Las Vegas, and San Francisco, so business travelers could easily make connecting flights to eastern destinations. Myers explained that "the airline had a complex system, more so than passengers just flying to Las Vegas to stay there.... Las Vegas was primarily a connecting airport for a majority of America West's older passengers."[13] The airline also created a niche by scheduling many of its flights in the evening and late at night ("red-eye flights"), because those times proved to be the most profitable. However, if the business passenger market proved to be more profitable than the leisure traveler one, the airline began scheduling more day flights to accommodate the business traveler.[14] According to Myers, America West's strategy was

to observe a geographic region to see which airline was the most dominant and what their strategy was. America West would then move in and offer competitive fares and provide amenities that the other carriers did not provide in order to capture the lion's share of the market.

Adopting a similar philosophy to that of America West was Michael Conway, Chief Executive Officer of National Airlines, Las Vegas's "hometown airline," which also catered to the business traveler, but in a different market. By offering inexpensive transcontinental flights from Las Vegas to eastern United States cities such as Philadelphia, Chicago, and New York, Conway believed that he would attract more business travelers (and tourists) than his competitors. For instance, passengers could fly round trip on National from Las Vegas to Miami for $238.[15] Because Las Vegas was such a popular destination for air travelers and a city that attracted more businesses, Conway felt that it was the ideal base for his airline. He contended that "for a true hub-and-spoke market to be successful, the hub of the operation must be a strong destination in and of itself."[16] Also, by using one type of aircraft like Southwest, he kept the airline's maintenance to a minimum.

But, the air carrier quickly went into the red after its first year and a half in business. Aside from opening on a later date than projected, rising fuel prices consumed much of the airline's capital. In fact it accounted for over forty percent of the air carrier's operating expenses. Other airlines also felt the sting from high oil prices. On a similar note, part of Conway's operation included flights from San Francisco and Los Angeles to Las Vegas, short-haul routes that were not economically sensible for Boeing 757s. With massive debt and insufficient capital from financial backers to support the airline, National officials filed for bankruptcy in 2000.

Of course, commercial airlines were not the only carriers affected by deregulation. Years before the historic passage of that legislation, the Frontier and Hacienda hotels enjoyed business from customers arriving on charter flights. In the

1960s and 1970s, United Airlines was the leading commercial air carrier offering charter flights to Las Vegas. Using DC-8s with seating capacities ranging from 127 to 184 seats (the airline later used wide-bodied DC-10s with seating capacities exceeding 300), in 1977, the airline transported over 55,000 passengers of all types to Las Vegas. In fact, seven years earlier, the airline built its own charter terminal on the far east side of McCarran Airport.[17] After deregulation, United found itself competing with dozens of other charter air carriers, including Sun Country and America Trans Air, which also flew wide-body aircraft to Las Vegas from numerous cities across the nation. This dramatic revolution stemmed from deregulation, which permitted charter airlines to fly many of the same routes as the scheduled commercial airlines. As a result, McCarran Airport planners and managers had to alter their expansion plans to allow for construction of a separate charter terminal as well as more passenger gates to handle the increased volume of charter and regular passengers.

Like the jet in the 1960s, deregulation in 1978 changed the entire commercial air travel industry. For forty years, the CAB had regulated destinations served by airlines, often spawning heated court battles as the air carriers fought for the most lucrative markets. By invoking regulation, the federal government prevented unfair competition and kept any outside carriers from entering markets served by commercial air carriers. It also contended that regulation would "alleviate Congressional concern over safety and an airline's financial health... because many of them were near bankruptcy and service was often unreliable."[18] Thus, the federal government firmly believed that regulation was appropriate for the airline industry. The airlines also supported regulation because it kept out unwanted competition, thus allowing United, TWA, and other carriers to control certain markets.

By 1999, air travel had become the most popular mode of transportation for tourists to southern Nevada. It is "the lifeblood of Las Vegas," claims Busch. "Without it, the city would not enjoy even half of the revenue that tourists bring." But the golden

age of air travel to Las Vegas really began in the 1990s when the passenger volume skyrocketed. Between 1980 and 1990, it doubled from 10 million to 20 million. Six years later, it surpassed 30 million and will undoubtedly hit 40 million by 2002 or 2003.[19] With continued improvements in aircraft technology, including larger and more efficient planes, the passenger volume at McCarran will increase as long as the themed mega-resorts built by entrepreneurs Steve Wynn, Kirk Kerkorian, Sheldon Adelson, and others, continue to draw tourists.

Notes

[1]United States Government Document, *Airline Regulation, 1-5, 1.*
[2]Ibid., 2.
[3]Ibid.
[4]Ibid.
[5]TWA Executive and Station Manager Duane Busch, interview.
[6]Interview with McCarran Airport Director of Aviation Randall Walker
[7]TWA Executive and Station Manager Duane Busch, interview.
[8]United Airlines Station Manager Marvin Frisk, interview.
[9]*Las Vegas Review-Journal* (6 December 1978), 1a.
[10]Southwest Airlines Marketing Representative Susan Davis, interview.
[11]Ibid. Note that Southwest is considering making Las Vegas a base, which will result in increased employment for customer service agents, flight attendants, and pilots. See *Las Vegas Sun* (28 August, 2001), 3c.
[12]America West Airlines Marketing Manager Jennifer Myers, interview.
[13]Ibid.
[14]Ibid.
[15]*The Herald* (26 January, 2000), 1.
[16]*Airways* (October 1999), 29-35, 30.
[17]Roger Tyndall, *United Airlines in Las Vegas*, (unpublished research paper), 7,11,12.
[18]United States Government Document, *Airline Regulation*, 1.
[19]Las Vegas Convention and Visitor Authority, Las Vegas Marketing Bulletin, Volume 27, Number 112, 1-28, 19.

CHAPTER 4

A NEW LANDSCAPE: MEGA-RESORTS, TOURISM, AND FREQUENT FLYERS

With an expanding passenger volume, and explosive population growth in the Las Vegas Valley primarily as a result of mega-resorts appearing along the Strip in the late 1980s and 1990s, Las Vegas quickly entered a new age. Having earned a reputation as a city filled with crime, corruption, and vice, especially in the second half of the twentieth century, Las Vegas finally rid itself of its infamous past and became a city dedicated to serving tourists and residents of lower, middle, and upper classes. Historian Hal Rothman points out that "only a generation ago, in the late 1970s and early 1980s, Las Vegas retained its stigma as a sleazy home of tawdry sex and mobsters....Cleaned up, Las Vegas was what we [Las Vegans] wanted it to become."[1] This "new" Las Vegas not only emerged as a modern gambler's paradise with high-tech gaming venues, but also as a resort town with themed attractions and entertainment for tourists, families, and city residents. Former *Washington Post* journalist Pete Earley announced in a 2000 publication that "the 'old' Las Vegas was dead and a 'new' Las Vegas had risen."[2] He was right.

In the late 1980s and 1990s, Las Vegas joined Miami, Orlando, and Phoenix, as resort cities which experienced unprecedented population growth largely because of tourism. However, Las Vegas was unique in that it experienced such remarkable growth in a shorter period of time. As Rothman explains, "while Las Vegas became the fastest growing city in the nation during the 1990s, its population doubled and then nearly

doubled again as its physical expanse exploded all over the desert."[3] Contributing to this remarkable growth were the thousands of tourists who daily passed through McCarran's gates, and hundreds of others who crowded sidewalks, filled the casinos, shopped in upscale stores, and dined in gourmet restaurants showcasing a variety of international cuisines. During this period, the town witnessed nothing short of a transformation, as Las Vegas reinvented itself again, thanks to mega-resort entrepreneurs Steve Wynn, Kirk Kerkorian, Barron Hilton, and others. These hotel icons began a popular trend that permanently changed Las Vegas from the small "resort town in the desert," it had been for years into a booming international destination.

Since the late 1940s, Strip hotels attracted thousands of tourists by simply appealing to those who wanted to try their luck at the gaming tables. Aside from the Del Webbs and the Thomas Hulls, organized crime figures also owned many of these properties, and they made millions by creating relatively small, but elegantly decorated casinos with cheap shows, comped drinks, nicely appointed rooms, and a pool that added to the lure. However, in the late 1960s and early 1970s, control of these resort hotels gradually changed hands when large corporations came to town and bought them up. Prior to the revision of the Corporate Gaming Act in 1969, new casino owners routinely underwent investigation by the Nevada Gaming Commission before they were issued a gaming license. The purpose of this process was to limit the number of corporations entering the gaming industry and preventing them from controlling it.[4] However, once the act was passed in 1969, the corporate presence in Las Vegas increased because only key casino executives were investigated. This dramatically changed the entire gaming and hotel industry on the Strip as it increasingly came under corporate control.

In the 1970s and 1980s hotel icons such as Kirk Kerkorian, Barron Hilton and others transformed the Strip by building enormous high-rise structures containing thousands of rooms, large casinos, and a plethora of fine dining and entertainment

options. Though a large number of smaller properties had already been established, these magnificent structures quickly dominated the hotel industry in Las Vegas because they drew such large crowds with their amenities and features. But the Strip would grow even larger. In the late 1980s and 1990s, that trend changed when these properties gave way to enormous, billion-dollar mega-resorts that drew more crowds, heavily contributed to a population explosion, and completely changed the resort hotel industry.

In 1989, mega-resort pioneer Steve Wynn's Mirage inaugurated this new trend. Four years later, Kerkorian, who sold his MGM Grand Hotel to Bally's in 1984, and left town for several years before returning, built a new 5,000 room MGM Grand to challenge Wynn's Mirage. In the meantime, William Bennett, owner of Circus Circus Hotel (he and an associate had purchased it from Jay Sarno in 1974), a lower-end property, built a more elegant resort for guests, the 4,100 room Excalibur, which opened in 1990. Circus Circus followed this up with the middle-income Luxor in 1993, and finally the company's upscale resort, the Mandalay Bay, six years later. These and other themed resorts attracted millions of tourists, over 46% of whom flew to Las Vegas in 1999 on commercial and charter flights.[5]

Indeed, the hotels and commercial airlines have enjoyed a symbiotic relationship for decades, and it has only grown with time. In 1989, Las Vegas hotels reported an 89.8% occupancy rate and just over 17 million air travelers passed through McCarran's gates. In 1993, the number of hotel guests increased by three percent and the passenger volume increased to over 22 million.[6] Certainly this growth can be partly attributed to more mega-resorts appearing along the Strip. In a recent interview, McCarran Airport Director Randall Walker agreed that the airlines enjoyed a symbiotic relationship with hotels. He explained how each hotel room generated approximately 350 passengers annually, and he expected that number to remain the same or increase so long as McCarran continued to feed large numbers of tourists to The Mirage, Caesars Palace,

Bellagio, and other mega-resorts. But, as this study shows, whenever the Strip hotels added more rooms, the airport had to expand, and this remained the case into the twenty-first century.

In January 1980, when TRA received the contract for airport expansion, it planned for a facility that would accommodate 20 million passengers by 2000.[7] The first phase of "McCarran 2000," the most elaborate and expensive airport expansion plan in the city's history to date, included terminal expansion by 1.5 million square-feet for 12 baggage claim carousels and 18 gates. It also called for an expanded parking structure with 1,500 more parking spaces, new cargo facilities, an enlarged air traffic control tower, and an elaborate airport roadway extension program that included a connection to a freeway (Interstate 215). All of this cost the airport $287 million, a price far exceeding initial projections. Fortunately, tax exempt bonds paid for the project, supplemented by landing fees, passenger facility charges, retail rental space, and parking and slot machine revenue.[8] But, the project's cost was not the only problem. Statisticians predicted that McCarran would reach 20 million passengers by 2000, but the airport reached that milestone in 1990! Because the planners greatly underestimated the increase in tourist volume, phases two and three of "McCarran 2000" had to begin immediately.

Those plans called for more airline ticket and rental car counter space, an expanded baggage claim area, and an enlarged parking structure to nine stories with the capacity to accommodate 6,500 automobiles and commercial vehicles (in addition to a remote parking site for overflow). The plans also included construction of two more satellite concourses, the "C" gates for Southwest Airlines, and "D" gates for United, American, Delta, and other airlines. Planners also wanted to build an international terminal with eight gates for use by Japan Airlines, Mexicana, Canadian, Air Canada, and other international carriers. With many of these foreign airlines flying wide-body aircraft to McCarran, especially Boeing 767s and DC-10s, the airport needed to lengthen

and reinforce its existing runways and build a third one paralleling the north-south runway 1-19 (completed in 1988), as well as a fourth paralleling the east-west runway 7-25 (completed in 1991 and extended in 1997).[9]

Airport planners and officials hoped that these additional facilities would be sufficient until plans could be drawn for a comprehensive expansion plan in the twenty-first century. Fortunately, the "D" concourse provided 26 more gates, enough to relieve commercial aircraft from having to wait for an available gate. Also it allowed space for more concessions, stores, restaurants, slot machines, and other revenue producers.

The airport also financially benefited from the Foreign Trade Zone (FTZ), which allowed international importers duty-free storage and assembly of foreign products. It also "provided substantial savings on duties, fees, and excise taxes."[10] Though some critics viewed this as potentially scandalous, the FTZ was not only beneficial to the airport, but also the city in that it helped diversify the metropolitan area's economy and benefited the resorts by easing the pressure to raise gaming taxes. More importantly, the FTZ stimulated free trade, increased cargo business, and enticed businesses such as Douglas Aircraft, Levi Strauss, Service Merchandise, and other import companies to move their headquarters to Las Vegas.[11] But once again, rapid growth created space problems. Despite the airport plans for enlarged FTZ facilities, they were still inadequate. By the late 1990s, officials realized that further expansion would be necessary as the passenger volume steadily surged toward McCarran's maximum capacity of 55 million travelers.

In 1999, planners conducted a study and concluded that the construction of a second major airport would be necessary to alleviate McCarran's air traffic and terminal congestion problems. In a letter to the Chairman on the House Transportation and Infrastructure Subcommittee on Aviation, Randall Walker clearly showed the airport's desperate need for additional land. He explained that there were over 550,000 aircraft

operations annually in an airport whose maximum capacity was 705,000, a figure that would be easily reached by 2010. Walker then estimated that without expansion, the average flight would be delayed by at least 20 minutes, costing commercial and charter air carriers over $1,000 per delayed flight.[12] Because Las Vegas was a low-yield market, he feared that the added expense might discourage airlines from offering more flights to Las Vegas and encourage them to seek more profitable markets. Walker also observed that the airport had already reached its 2,400 acre capacity with only enough room for "short and mid-term growth."[13] He noted that during peak periods, Las Vegas air traffic controllers handled over 120 hourly arrivals and departures, and any additional flights would saturate the system.

In 2001, with federal funds becoming available for a new airport near Ivanpah and the help of influential Nevada senators Harry Reid and John Ensign, airport officials devised a new plan to secure additional monies for McCarran to alleviate its congestion, and prepare the facility to handle its maximum capacity. The centerpiece of "Vision 2020" is a new airport south of Las Vegas. Despite opposition from environmentalists who argued that arrival and departure routes crossing over the Mojave National Preserve would cause excessive damage (which an extensive $1 million airport planning study proved wrong), the county received approval from the federal government to purchase 6,500 acres of land (30 miles south of the Las Vegas Valley) from the Bureau of Land Management for $13 million. When construction of the new airport is complete, it will handle cargo and international flights, in addition to overflow of scheduled commercial flights to McCarran. Dennis Mewshaw, planning manager for Clark County Department of Aviation, estimates that two to four million passengers will pass through the new airport's gates by the end of its first year in operation. The first phase of construction, which is slated to begin in 2005, includes a terminal building, two runways, and surface parking at a price tag of $1 billion.[14]

In addition to the new facility in Ivanpah, other stages of the plan include more airline ticket counter space and baggage claim carousels at McCarran's main terminal. A third wing will be added to the "D" Concourse (which will provide eleven more gates), and construction of a third terminal (including its own parking garage, ticket counters, and baggage claim facilities) with fourteen gates, eight of which will be reserved for international air carrier use. The airport will also build an off site 80,000 square-foot facility for all rental car companies (to make space available for the new baggage claim carousels), and a new control tower.[15]

Future phases of the plan also include provisions for the improvement of other Clark County airports. To handle more private planes and air tour carrier services, North Las Vegas Airport will receive a third runway, a new apron, more hangar facilities, and a new air traffic control tower. Henderson Executive Airport will be funded for construction of a new terminal building, a second runway, a new apron, and more shade hangars.[16] The plans also include construction of a fourth terminal at McCarran (where Signature Flight Support is currently located) providing ten more gates, and a fifth wing to be added to the "D" Concourse, which will provide nine more gates, allowing the airport to meet its goal of 120 gates. Excluding the new airport, all of the additional expansion outlined in "Vision 2020" is estimated to cost $1.26 billion. According to Hilarie Grey, public affairs manager for the Department of Aviation, federal airport improvement funds and airport revenue will finance the project in addition to bond issues.[17]

Airport officials and the County Commission desperately needed the land in Ivanpah. McCarran Airport had no further room for significant expansion of any kind. Had the federal government not approved the land purchase, the consequences would have been far reaching throughout southern Nevada. Without future passenger growth, Las Vegas' economy would have plateaued. Because commercial air carriers bring so

many tourists to town each year, without airport expansion to meet the demand, airport officials would have to limit the number of flights serving McCarran, which would seriously financially impact the airport, city, and hotels.

Had this happened, it would have been a disaster, because increased flights serving Las Vegas have gone hand in hand with the construction of the Mirage, second MGM Grand, Bellagio, the Venetian, Paris, and the other mega-resorts that have displaced their 1950s-era predecessors on the Strip. Moreover, Steve Wynn's impending reincarnation of the old Desert Inn will undoubtedly trigger a rippling effect across the entire north Strip. Already, Frontier Hotel officials are making plans to demolish that resort to make way for a spectacular successor. At the same time, the Boyd Group is pondering several options to prepare their Stardust property for the crowds that the Desert Inn's water-themed venue will bring. In addition, the owners of the small arcades, restaurants, and shopping centers that separate these hotels from the Riviera, Circus Circus, and the Sahara are also preparing to demolish their buildings to provide land for one continuous line of attractions that will finally allow the north Strip to challenge its southern competitor for tourist revenue. All projections indicate that, despite the threats of Indian casinos, Internet gambling, and fundamentalist Christian opposition, Las Vegas will continue to grow into the early decades of the twenty-first century. But if the experiences of Reno and Atlantic City have taught Las Vegas' leadership anything, it is that the presence of a modern, high-capacity jetport is the essential foundation for a growing resort city.

Notes

[1]Hal Rothman, *Neon Metropolis: How Las Vegas Started the Twenty-First Century*, Introduction, 5, forthcoming from Routledge, 2002.
[2]Pete Earley, *Super Casino: Inside the New Las Vegas* (New York, Toronto, London: Bantam Books, 2000), 17.
[3]Hal Rothman, Neon Metropolis, 12.
[4]Hal Rothman, *Devil's Bargains*, 287.
[5]Las Vegas Convention and Visitor Authority, Las Vegas Marketing Bulletin, Volume 27, Number 12, 16.
[6]Ibid.
[7]Bechtel Civil, Inc. McCarran International Airport Historical Report:1981-1987, 1.
[8]TRA Executive Airport Summary 1979.
[9]TRA Consultants McCarran International Airport Master Plan Summary, October 1979, 2.
[10]First Interstate Bank, Nevada Development Authority "Las Vegas Perspective," *Las Vegas Review - Journal* (1995), 44.
[11]County Commission Airport Summary, "McCarran 2000: Reflections of the Past,"47.
[12]McCarran Airport Director Randall Walker's letter to the Chairman of the House Transportation and Infrastructure Subcommittee on Aviation (October 5, 2000). Included in the letter is a study done by the FAA determining how costly delays at McCarran will impact the commercial airlines.
[13]Ibid.
[14]National Airlines "In Business Las Vegas Special Report," (August 10, 2001), 5a, 6a.
[15]Ibid., 2a, 3a. Note that construction of Terminal 3 will require Russell Road to be moved north, consequently forcing the demolishing of 440 residences. Also, the airport plans to build a second control tower to specifically handle aircraft taxiing from the "D" gates due to blind areas caused by the concourse's unique "x-shape" design.
[16]Clark County Department of Aviation Summary: "Vision 2020," 27, 30.
[17]National Airlines "In Business Las Vegas Special Report," (August 10, 2001), 2a.

EPILOGUE

For decades, southern Nevada has heavily relied on tourism as its major source of revenue. Since the early 1930s, millions of tourists and conventioneers came to the area, lured by Las Vegas' continuing ability to reinvent itself. In the 1960s, the low-rise resorts of the postwar era gave rise to Caesars Palace, The International, and a new generation of plush hotels. Many of these properties, in turn, were replaced in the 1980s and 1990s by the spectacular mega-resorts that have made the Strip an international destination, supported by the equally impressive expansion of commercial air travel.

The latter played a pivotal role in southern Nevada's tourist industry by annually transporting millions of passengers to Las Vegas. In 1999, commercial and charter airplanes passed the automobile as the most popular means of transportation to Las Vegas. Statistics also indicate that airlines were responsible for the sizable increase in the number of guests occupying hotel rooms during the 1980s and early 1990s. Despite a slight decrease in the mid to late 1990s, overall room occupancy was up over the previous decade. In fact, projections from the Las Vegas Convention and Visitor's Authority forecast this growth to continue well into the first half of the twenty-first century. Surely McCarran's passenger volume will certainly reach 40 million by 2001 or 2002, and its maximum capacity of 55 million within the next five years.

Thanks to improvements in aircraft technology, especially the jet engine, commercial airlines enjoyed a larger clientele. With speeds nearly twice those of their predecessors, jet aircraft cut travel time by at least half, hauled more passengers, and expanded air travel markets nationwide. Jets were especially useful for long-range flights, which made air travel accessible and affordable for easterners to fly to Las Vegas for business or pleasure.

Before Atlantic City emerged in 1978 as a competitor to Las Vegas, many Americans had never seen a casino. And while Atlantic City's gambling revenues still remain higher, that city has not matched Las Vegas in entertainment, shopping, or mega-resorts, partially because it has no regularly scheduled airline flights, only charters. Other casino cities, such as Reno, have also suffered because of limited airline service.

Following the recent merger between American Airlines and Reno Air (the carrier offering the most flights out of Reno as well as between Reno and Las Vegas), the former totally ended all of its flights from Reno to Las Vegas. This awarded Southwest a stronghold in the market (with 12 daily flights) over America West and United (offering 1 daily flight each). Even worse was American's decision to end all service to Reno, which had a devastating impact on the city's tourism. Lake Tahoe suffered as well from this decision. One of the reasons for American's action is that none of these casino cities have even approached the profitability that the Las Vegas markets offer commercial airlines. McCarran's 800 daily arriving and departing flights bares clear testimony to this fact.

History clearly indicates that any significant cut in air travel would damage southern Nevada's tourist industry, which, in turn, would cripple the region's economy. This proved especially true after a devastating terrorist attack on the eastern United States forced the FAA to ground all commercial flights nationwide. On September 11, 2001, terrorists hijacked four commercial jets, using them as weapons to cause widespread destruction and death. Two of the jets, an American 767 and United 757, crashed into the upper floors of World Trade Center in New York, causing both towers to catch fire. Within minutes, the two structures collapsed, resulting in the deaths of over 5,000 workers. The third jet, an American 767, slammed into the west wing of the Pentagon, causing billions of dollars in damage to the building, and claimed a total of 189 lives. The fourth jet, a United 757, crashed just outside of Pittsburgh, killing all 44 of the aircraft's occupants.[1]

The FAA's grounding of all commercial flights spawned a massive ripple-like effect across the country as thousands of airplanes cluttered airports, millions of passengers were stranded, and airlines lost billions of dollars. Cargo businesses such as UPS, Fed Ex, and the United States Postal Service also experienced enormous financial setbacks. Las Vegas also felt the economic backlash of the FAA's mandate, especially when thousands of Strip hotel workers were laid off because the decline in tourism.

With the airlines grounded and not bringing any customers to Las Vegas, officials from Caesars Palace, Paris, Bellagio, and other mega-resorts, reported that within one week, room occupancy had declined by as much as 60%, and estimated gaming revenue losses to be in the tens of millions. As a result, hotel executives ordered the laying off of thousands of employees. They also canceled shows because of so few ticket sales. Retail shops in the Forum, Desert Passage, and Showcase Mall reported enormous revenue losses. And taxicab companies laid off hundreds of drivers after business dropped by at least 50%. Las Vegas went into recession.[2]

After the FAA lifted their mandate on September 18, 2001, the airline and tourist industries in Las Vegas still have not fully recovered. Planes leave the gates with half of the passenger seats filled, despite the airlines' desperate attempts to lure more customers by offering round-trip fares anywhere within the United States for less than $100. The Strip hotel room weekend occupancy rate has rebounded to 80%, but shows little sign of reaching its 95% average anytime soon. Show ticket sales are up, but auditoriums still have many empty seats. Retail revenue is increasing, but sales are sluggish.[3]

The terrorist attack on September 11 clearly delineates the dependency of tourists on commercial air travel to Las Vegas. Without air carrier service, tourism would decline so much, that it would indeed, damage the city's economy. But, with airlines offering cheap fares, and the federal government taking appropriate measures to ensure safer skies for the traveling public, millions of tourists will return to Las Vegas. Again the thunder will boom in the desert.

Notes

[1]*Las Vegas Sun* (11 September, 2001), 1a, 3a, 7a
[2]*Las Vegas Review-Journal* (29 Septmber, 2001), 7b.
[3]Ibid., 1b, 7b.

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