

Minneapolis-St. Paul International Airport (MSP) Long-Term Comprehensive Plan Update

INTRODUCTION: MSP expansion authorized under the 1996 Minnesota law was completed in 2009. During the development, a new North-South runway (R17-35) and various taxiways and other airfield improvements were implemented to "... increase the annual capacity¹ of MSP by 25% compared to 1995." Expansion at MSP resulted from a hurried decision to abort the Dual-Track Studies that for eight years before had compared expansion with building a new airport in Dakota County.

At first glance, established airlines, airline leased facilities, runway capacity, and location in the Metro core favored expanding MSP. But many, including the Minnesota Public Lobby, believed a new and larger airport would be a better long-term solution. SMAAC was critical of the comparisons of cost and benefit, primarily because Federal noise abatement program funding was assumed for MSP expansion and no consideration was given to the re-developed value² of the MSP site after operations were moved to a new airport. These omissions biased the 1996 Legislature's decision to expand at the small (5.3 square mile) urban MSP site.

The planned cost of expanding MSP, \$2.6 to \$2.8 billion, was not realized because of schedule delays (due to the 2001 terrorist attacks) and significant additions³. As the Legislature had limited expansion to projected need based on economic forecasts for the year 2020, it would have been prudent for the State to more closely monitor the various capital projects and financing compared to the expansion goals and provisions in law.

A long-term comprehensive plan (LTCP) being floated by the Metropolitan Airports Commission (MAC) would continue expansion at MSP with additional capital costs of \$2.5 billion in the next two decades. The sum of these exceeds the \$4.2 billion direct cost estimate for a much larger new airport.

The LTCP projects local passenger demand in 2020 and 2030 as *less than the basis in the 1996 law and the FEIS/ROD*. Objectives for the year 2020 as set by the Legislature are redefined in the LTCP.

SMAAC is concerned about plans being floated by the airports commission and Delta Airlines for more expansion at MSP. One serious concern is the disjointed schedule, whereby MSP peak-hour operations will be increased, either per hour or for more hours daily, before FAA can possibly deploy improved ATC or sufficient ground safety system improvements. Even the preposterous claims for Next Gen development, capabilities, and deployment would not be timely.

¹ Airport capacity is difficult to define, either in terms of flights or passengers. Annual flight capacity is usually given as the maximum possible hourly rate times the hours the airport is open during a year. Annual passenger transport capacity would be flight capacity times the average number of seats per aircraft. Nevertheless, a fair explanation of Legislative intent was to support 25% more local passenger capacity annually.

² Legislators should consider the economic growth, tax revenue, and lease income realized by the public in Denver. The nearly \$9 billion cost of the new Denver airport and redevelopment of the Stapleton Field site was fully recovered in less than a decade, with continuing economic and public revenue benefits in the two to three billion dollar range.

³ Forty-four more regional gates were added to the Lindbergh Terminal in 2002; construction of the LRT tunnels and stations increased expansion costs due to redesign and unforeseen delays; and Federal noise and pollution mitigation funds were less than need (MAC supplemented with about \$400 million in local funds.).

SMAAC sees four possible outcomes if the LTCP expansion proceeds as, or nearly as, proposed:

1] The plan is implemented, without 2] or 3] happening, and around 2025 MAC “discovers” that more passenger capacity is still needed for Minnesota economic growth. With six to seven billion dollars by then sunk in capital costs, several square miles of south Minneapolis would be condemned for another runway⁴.

2] The LTCP is started and more gates are built at the Humphrey Terminal. But afterward Delta downsizes at MSP -- reduces gate-use agreements, or moves the hub or goes bankrupt. This leaves 60 or 70 unused gates as well as insufficient revenue for debt service, and also leaves FAA and TSA with surplus staff and equipment.

3] There is a crash at or near MSP by any airline, but more likely Delta, and all demand for MSP flights declines steeply: having the same consequences as above.

4] Expansion is instead limited at MSP and planners start looking at alternatives including a) upgrading Rochester or somewhere for bad weather instrument use as an alternate airport; b) planning a second Metro airport for the hub with airline benefiteres bearing a fair share of the costs, and using MSP for local need; or c) a new airport away from the densely populated cities (paid for in major part by redeveloping MSP, as in Denver).

It would be prudent for the Legislature to consider when a new or second airport will be needed for economic benefit, environmental protection, and public safety: if not before 2030, then when? A more open and inclusive process for gathering information, projecting needs, and planning for capital improvements and commercial operations is needed. Legislative oversight of the MAC is divided among several committees, public hearings and directed studies are rare, and reporting cycles do not allow enough timely review of MAC plans, finances, or contracts.

While it is valuable to know what MAC plans, the LTCP is not likely to be useful for programming MSP capital budgets because of the limitations of the need projections – and because the plan was written with alternatives to be selected by the MAC acting independently. Along with the LTCP, MAC is approving its 5-year Capital Improvements Plan and 2010 projects budget for MSP. MAC would revive projects that were postponed or abandoned because of Northwest Airlines’ bankruptcy (2005) and merger with Delta (2008).

At least five things about MAC, Delta, and MSP operations concern MSP neighbors and the Legislators who have studied the issues. These are closely connected to the Long Term Comprehensive Plan for MSP that extends the expansion horizon to 2030 and revises capital improvement goals for 2010-2020. The first three have been noted by legislative committees in narrower contexts, and the other two have been contentious neighborhood issues for years.

The questions are:

Are the projected finances reasonable?

Will MSP provide enough fairly priced air services for State economic growth?

Will MSP be safe considering the planned number of aircraft present at peak hours?

Will the increased noise and pollution be mitigated?

Should decision-making and State contracts with Delta Airlines and other users continue to be delegated in whole or in part to appointed bodies?

Some of the questions have not been asked. Some have been incompletely answered. Some have been evaded. *The correct answers are “no,” or “probably not.”* It is crucial that the Legislature evaluate the capital improvements and expanded operations at MSP and plans for the future considering again the economic growth and environmental protection needs of the State for more reliable, more fairly priced, and less harmful air services.

⁴ The Agreement between MAC, binding the State as well, and Minneapolis prohibiting a 'third-parallel-runway' expires in 2030.

SECTION 1: ARE THE PROJECTED FINANCES REASONABLE? While MSP is funded by its users, it is *comparatively inexpensive for airlines and comparatively expensive for Minnesota travelers*. Since the Northwest/Republic merger, MSP has been a major hub for a single dominant airline, with more than 50% of its capacity serving connecting passengers. In other words, over half of the public money invested for capital improvements and expansion *do not directly benefit the Minnesota travelers who are paying for them*.

The State and the MAC struck various bargains with Northwest Airlines (now Delta Airlines) regarding use of MSP as a major hub. The airports commissioners should have been the stewards of these agreements. Instead, they made the MAC a business partner of the hub airline. More than half of the revenue from airlines, facility leases and landing fees is associated with the Delta/Northwest hub, creating a dependency. *Planning for continuance of the hub for 20 years is assuming more about Delta's management and intentions than about the State's economic needs*.

Studies over two decades have consistently shown that local air fares here are 30 to 40% higher than for passengers starting a similar-length trip at non-hub airports.⁵ This is a steep business-travel tax, whatever it is called.

Northwest Airlines was to offset part of the original expansion cost because so much MSP capacity is used for connecting passengers. But the offsets were reduced by negotiation several times, and became insufficient – a *de facto* subsidy of Delta/Northwest that interferes with airline competition in a very large regional market. Delta Airlines is currently losing market share, its labor problems are unresolved, and other merger issues include flight schedules, hub airports, fleet mix, and use of subsidiary and contract regional operators. If Northwest ever was a decent partner with Minnesota, that is no longer the case.

The basis for the 1996-2009 expansions at MSP resulted from economic predictions in the Dual-Track Studies (1987-1995). The basis for the LTCP is a limited consulting contract with economic forecasts limited to airline industry sources and Delta's plans and hopes. Reasonable oversight by the Legislature would not only verify the applicability of the data used but also compare the State's demographic and economic forecasts as in the Dual-Track Studies.

The State's financial status and bond ratings are related in several ways to the issuance and retirement of the \$2 billion plus airport revenue bonds outstanding and the issuance of new debt for airport improvements. It is appropriate that a more representative body should approve the need basis using the best available data. Also of concern is the source of and useful horizon for State and Metro economic forecasts.

SECTION 2: WILL MSP PROVIDE THE SERVICE NEEDED FOR STATE ECONOMIC GROWTH? As a result of controlling most of the seats departing MSP, Delta/Northwest maintains fares much higher here than flying from comparable non-hub cities. Delta/Northwest and affiliates may be the only available service or routinely block economy seats to increase sales in business class. This much control of seat supply masks demand and makes national airline trends unreliable as predictors here.

The planned MSP lacks assurance of adequate local passenger capacity. In fact, the MAC now projects less local capacity in 2030 than the Legislature specified for 2020. For small businesses where travel is an essential element, emerging Minnesota firms are disadvantaged compared to competitors in non-hub cities.

Our major firms are national and international in scope, but the high cost of commercial air fares here limits locating many of their functions in the State⁶.

⁵ Studies of actual airfares by airport or by airline are difficult for any number of reasons: airline data is self-reported by point-of-sale and by ticket; airlines advertise low fares but limit how many seats per flight will be sold at cut rates; airline competition is transient; etc. However, certain boarding and revenue information must be reported. See Appendix A.

MSP capital improvement projects for 2010-14, and 2015-20 should be subject to the 1996 law limiting expansion to stated 2020 goals. Expansion after 2020 is unauthorized unless the 1996 law is amended. In particular, the costs of hub operations for 2005 to 2020 were to be offset by other Northwest Airlines economic contributions and related tax receipts. MSP operating revenue was instead from airline fees paid and passed on to the local consumer by higher fares; local suppliers of goods were cut out and local employees and other suppliers of services, outsourced.

Consumer choice and market competition produces air service promoting business departures and tourism arrivals. Choice includes date of purchase and time of travel. The market at MSP is segregated by Delta's blocking local reservations while discounting connecting fares. It would be better for local travelers if all passengers had a choice of airlines for their travel, that is, competition for connecting departures as well as arrivals. Free market competition would reduce fares all around, including local business fares.

More airlines deserve a level playing field in the MSP market, including access to passengers connecting at MSP. If United and American move to Humphrey, there will be less competition for Delta and more competition for Alaska, Frontier, Southwest and Sun Country. High fares for some cities served by these larger airlines will remain. Most of the "spoke cities" connected to the hub will be served by Delta /Sky Team only, with very high fares.

The need for more service by competing airlines could be more quickly realized using the gates and slots made available by recent Delta schedule reductions, rather than building more gates at a higher capital cost without increasing revenue from gates in the interim (2010-2013). The 2010 LTCP projects are being separately approved.

Adding gates at Humphrey while vacating gates at Lindbergh is just churning: not much change in passenger capacity or fee revenue results until after the gates are built at Humphrey, the Lindbergh incumbents move (away from access to the hub's connecting-passengers for continuing service revenue). The new infrastructure would be no value *if the hub⁷ and other local service are not actually increased*, but there is no Delta commitment to do so.

SECTION 3 WILL MSP BE SAFE AT PEAK HOURS? In 1996, MAC testified that a new runway was essential to safe operations supporting (local) passenger capacity congruent with projected economic needs in 2020. MSP Executive Director Jeff Hamiel told the Legislature that use of airport facilities varied greatly depending on the time of day, reflecting passenger preferences for arrival and departure times not only here in the Twin Cities but for connecting passengers. He said that the "patterns of use would be continued," meaning that the increased capacity possible with an additional independent runway would not be needed full time, only at hours of "high airline demand."

Safety is not entirely in State or MAC control. MAC caters to the Delta Airlines hub by adding gates supporting larger banks and higher peak-hour rates. While it is clear that FAA systems development, staff training and replacement, and ATC system maintenance and upgrades were neglected from 2001 to 2008, rates and runway use at MSP were increased anyway. Air traffic control procedures once thought to be unsafe or at least more risky were adopted⁸. Rates also increased locally for "temporary construction" projects. "Backward" use of the new runway was increased compared to the FEIS/ROD plans by three orders of magnitude in 2007 and 2009, and there is a residual effect allowing much more frequent use of the new runway backward by airline initiative and FAA cooperation.

⁶ As a Federal issue, there is a cartel among the major hub airlines – It seems that Delta will not to compete with United at O'Hare and Denver in return for United moving to Humphrey, and so forth at other hubs.

⁷ At a fortress hub, the hub airline manages sales and reservations toward a surplus of arriving seats and a shortage of departing seats, because the hub airline has competition for service through other hubs and no competition for originating service to spoke only cities.

⁸ FAA has rate standards for commercial runways, nominally 30 to 40 mixed operations (some arrivals, some departures) depending on runway length, other airport facilities

While it is clear that airline operations -- especially the trend toward subsidiary or contract regional operators -- are financially strapped, involve less-well-trained air and ground crews, outsourced maintenance and frequently modified schedules, peaks at MSP are slightly higher and slightly longer. That the number of daily flights is less than in 2005 is not relevant to safe operations; safety is less as the peak-hours schedules and ground congestion increase.

Also, because of delayed FAA reauthorization and funding, air traffic control systems and equipment upgrades and additions at MSP lag need. Recent reports of overly cozy relationships between FAA and airlines have been borne out at MSP in several incidents. Northwest pilots requested authorization to take-off via R35 because R30R was being cleared of snow, and notwithstanding the policy against R35 departures, their request was granted (and became a precedent). In the 2009 delay of a Continental flight diverted to Rochester by the MSP Tower, two similarly diverted Northwest flights were cleared for MSP. We doubt these are unusual events.

These safety and congestion concerns are realistic. Until better air and ground traffic control technology is developed and deployed by FAA, capital investment at MSP should be rate-conservative and safety-directed. That is, adding gates at Humphrey Terminal increases ground traffic for the same number of daily flights by increasing the average taxi length to the runways (if the new runway is not routinely used backward); it is a risk without a gain.

These projects show a tacit agreement by MAC that ground traffic improvements are for Delta/Sky Team hub expansion: first move 8 to 10% of operations to the other terminal (and away from peak-hours); second, increase Delta/Sky Team optional lease/use of vacated gates; third, add more Lindbergh gates if hub operations are increased; and, fourth -- and tardily, re-design aircraft circulation around Lindbergh. But MAC both anticipates, prematurely, that the present air traffic control systems are OK and improvements will be timely and that Delta Airlines' will maintain its major hub beyond the 2012 expiration of most of the old Northwest Airlines Lindbergh Terminal gates leases.

NextGen cannot be assumed to function much better than current airport air traffic control (which is the NextGen back-up). Significantly higher rates with equal or better safety may not be forthcoming, and certainly will not be deployed at MSP by 2015.

Ground traffic safety improvements, such as sensor systems for coordinated ground tracking of all aircraft, vehicles, pedestrians, birds and animals, and wind-blown debris are unlikely to be developed and deployed; Security systems are unlikely to be added for peak-hour processing of passengers, employees, baggage, and airport/airline employees.

The airlines will probably not be investing heavily in new avionics and ground communications systems⁹.

d) If the unlikely events above should occur, the taxiway bridges and other improvements for circulation, more emergency service facilities, more deicing, more temporary aircraft parking, and additional runway instrumentation will be necessary.

These matters are being debated in legislatures and Congress, and most key decisions are, at best, far downstream¹⁰.

⁹ The airlines, through the Air Transport Association and other lobbyists, are fiercely opposing adopting the standard in-cockpit GPS and communications equipment that is needed for NextGen.

¹⁰ FAA released an update to its NextGen Implementation Plan on January 30, 2009. The agency is developing commitments with airlines on avionics for the "mid-term" phase of deployment in 2018.

Source: <http://www.faa.gov/about/initiatives/nextgen/2018/>

SECTION 4: WILL INCREASED NOISE AND POLLUTION BE MITIGATED? MAC noise exposure maps¹¹ always understate noise and exclude other important public impacts, such as air pollution, greenhouse gas emissions, or, near the airport, fuel and deicing chemicals that pollute watersheds beyond the airport properties.

Even the MAC, using airline projections, expects a big increase in noise and air pollution if MSP is expanded¹². The MAC, however, has no actual noise compatibility plan beyond the current sound insulation program under the settlement of lawsuits, and it is uncertain how or if Federal funding from passenger-facility charges (PFCs) can be applied. MAC Chairs Tigwell and Lanners stated publically that no more noise abatement and mitigation was planned after completion of the Extended Sound Insulation Program, as litigated and settled.

Citizens have repeatedly petitioned the MAC and MPCA for public environmental assessments (EAW/EIS) of MSP projects and operations. Several lawsuits were brought by citizens and cities to redress deficiencies and delays in noise mitigation¹³.

Policy decisions should clearly take more than noise exposure into account. Recent studies of noise and pollution impacts prove that public health suffers near airports, including higher incidence of stroke, heart disease, and serious accidents. Asthma and other respiratory diseases are more acute. School performance suffers near major airports¹⁴.

Again, approving expansion as in the LTCP either drastically understates the public costs and impacts or states the intention to ignore them:

SECTION 5: SHOULD AIRPORT DECISION-MAKING BE DELEGATED TO APPOINTED BODIES?

Only with the need established can expansion needs, options, and details be planned. The LTCP scenario for MSP negates findings relating the hubbing factor, local fares, and economic needs to flight capacity and facilities. Our view is that fewer alternatives, fewer risks, and incomplete need analysis accompanies the LTCP, and too few agencies, elected officials, businesses, and citizens were consulted to formulate plans 20 years ahead.

We doubt it is coincidental that MAC is floating the expansion plan this year or that the Met Council is being used as the foil for approval. Met Council and MAC members are primarily appointed by the Governor. The current Governor is beholden to Northwest/Delta for campaign contributions. The MAC reduced Delta/Northwest's offset requirements -- set in the mid-90's -- several times, and the Delta/Northwest commitments to offset hub-expansion costs is now far below expectations when the decision to expand MSP was made and approved (1996, 1998).

More Lindbergh Terminal gates require re-defining safe capacity at peak hours. If even possible, higher hourly rates *without compromised safety or security* depend on costly and unlikely events beyond MAC's pay grade. The LTCP depends on extremely unlikely assumptions about Federal funding for advanced air and ground traffic control systems; timely Federal funding and deployment of airport security systems for handling large passenger and baggage flows in two locations; and, improved systems operations by Delta and other airlines (even though Delta has reduced staffing at MSP). Surely an elected body would be less gullible.

SMAAC has suggested reforms in Metropolitan airport management, see Appendix B. **Something should be changed.**

¹¹ The MAC published estimates of day-night average per flight noise (DNL) that show the 65 DNL area will grow by 50%, and the 60 DNL area by 55%.

¹² Ibid.

¹³ See Appendix B, *SMAAC Legislative Briefing*, Environmental Regulation Problems

¹⁴ The studies are too numerous to cite individually, but over a dozen reports in the last five years can easily be found online

CONCLUSIONS AND RECOMMENDATIONS: Details of the 20-year capital improvement plan are too vague or veiled by contingent revisions to analyze. This may have been purposeful and intended to re-establish the MAC's authorities after the Legislature intervened with the Dual-Track Studies and the 1996 law imposing conditions on MSP Expansion.

In particular, changing the 2020 goals and continuing expansion afterward must be considered a proposal to the Legislature and the State needing more than casual review. *If MSP can be made safe for higher rates, the overall cost would exceed the cost of a much larger and safer new airport (and certainly would less *the re-development value of MSP*).*

MSP expansion will have cost two or three times the cost of a second airport by 2020. Since there would still be a compelling need for IFR capacity, the equivalent of a second airport is needed now in bad weather but not part of the LTCP through 2030. The State would be wiser to improve the Rochester airport, without a Delta subsidiary managing it, as a bad weather alternative.

At least three aspects of the MSP expansion to date should be audited: consistency with State transportation plans, completion of FEIS tasks and compliance with environmental regulations, and if projected needs for air service and economic growth were met. The LTCP does not provide for environmental assessments, perhaps because there is no documented baseline. The LTCP accepts tremendous uncertainty about the Delta hub, including investments and revenues, jobs and tax revenues (and loan repayment) reduced through the merger, with no guarantees by Delta Airlines. Because these changes are inconsistent with the 1996 law, and because the results of the \$3.2 billion expansion of MSP have not been audited, a series of hearings or a similar process should be established by law to assure that the proposed LTCP is consistent with State needs and goals.

Given that economic gains from headquarters, hub operations, crew basing, and other hub-airline businesses and employment offset capital investments were part of MSP expansion, **taxpayers deserve to know how much the Delta hub is being subsidized.**

Various operational and safety questions are raised by terminal expansion and modification, and these unaddressed issues should be ventilated and coordinated. The Federal Aviation Agency (FAA), the Transportation Security Administration (TSA), and the Environmental Protection Agency (EPA) are yet to be involved. **Smaller chunks of time and capacity need to be reviewed separately and sequentially.**

In particular, both air and ground traffic patterns would be changed by adding gates at the Humphrey Terminal, by moving larger airlines from Lindbergh Terminal to Humphrey Terminal, by modifying vacated gates at Lindbergh Terminal for different aircraft, by adding gates, and by re-designing and re-developing taxiways and ground movement. The highest cost project in the LTCP by far is re-locating the entry road and building taxiway bridges over the new road for access to the SE end of R12R-30L. **This expensive plan reveals that MAC seeks to not only retain, but also increase, the Delta hub.**

Between 2012 and 2022, airline fees and leases covering debt service costs for more gates -- before they are needed -- may not accrue in the next decade as neither Delta expansion nor more airline competition at MSP is assured. The Legislature should note that local passengers and the Minnesota economy pay disproportionate air fares and airport fees, passed-on by the airlines for MSP capital assessments and operational fees.

There is even less economic offset compared to the 1996-2009 hub expansion, and MAC and the State were unable to hold the hub airline to even written offset guarantees. **Experience should have proven that being "in business with" the hub airline is risky.**

For additional information, see <http://quiettheskies.org>.