

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

The last project of the \$3.2 billion¹ MSP expansion authorized under the 1996 Minnesota law was completed in 2009. During the 11 to 13 year development, a new North-South runway (R17-35) and various taxiways and other airfield improvements were implemented to "... increase the annual capacity² of MSP by 25% compared to 1995." The planned cost of \$2.6 to \$2.8 billion dollars was not realized because of schedule delays (due to the 2001 terrorist attacks) and significant additions.

A long-term comprehensive plan (LTCP) being floated by the Metropolitan Airports Commission (MAC) would continue expansion at MSP with additional capital costs of \$1.3 billion in the next decade and \$800 million thereafter. The sum of these expansions, \$6.2 billion, exceeds the \$4.2 billion estimate for a much larger new airport deemed "too expensive" by the 1996 Legislature's decision to expand at the small (5.3 square mile) urban MSP site.

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. 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?

The LTCP is not a realistic guide for programming MSP capital budgets because of limitations in the need projections – and because the plan was written with alternatives to be selected by the MAC acting independently. While it is useful to *know what MAC wants, continued expansion authority*, it is clear that the 1996 law limited MSP expansion.

Along with the LTCP, MAC is approving its 5-year Capital Improvements Plan and 2010 projects budget for MSP. MAC proposes to revive projects that were postponed or abandoned because of Northwest Airlines' bankruptcy (2005) and merger with Delta (2008). In particular, revenues from hub operations, debt-service costs, re-payment of the State loan by Northwest/Delta, and other arrangements offsetting hub improvements were critically reviewed both years, causing the CIP reductions. The financial circumstances are no better now, and may be worse.

Three critical issues are raised by the proposed MSP improvements: Are the projected finances reasonable? Will MSP provide enough fairly priced air services for State economic growth? Will MSP be safe considering the number of aircraft present at peak hours? The answers are probably "No."

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 dominant airline. The State and the MAC struck various bargains with Northwest Airlines (now Delta Airlines) regarding use of MSP for that purpose. About half of the revenue from airlines, facility leases and landing fees, is associated with the Delta/Northwest hub. Planning for continuance of the hub for 20 years is assuming more about Delta/Northwest's management and intentions and less about State economic needs.

Northwest Airlines was to offset part of the original expansion cost because MSP capacity is used for connecting passengers. But the offsets were reduced by negotiation several times, and may be insufficient – a *de facto* subsidy

¹ The expanded "capacity" of MSP was fixed and according to preliminary designs and schedules the cost estimated in 1996 as \$2.6 billion. The actual cost and the actual expanded capacity together differ from the Legislative assumptions for bonding amounts and limits.

² Airport capacity is difficult to define, either in terms of flights or passengers. Annual flight capacity is usually given as the maximum 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.

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.

2. 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 may block economy seats to increase sales in business class. This much control of seat supply masks demand and makes trend projections unreliable. 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 State.

3. 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 Director Jeff Hamiel told the Legislature that airline demand for 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 use possible with an additional independent runway would not be needed full time, only at hours of “high airline demand.”

During construction of the new runway, in 2000, the Federal Aviation Agency (FAA) MSP Tower reduced or modified flight separations, leading to higher rates (operations per hour) using the main runways. Northwest Airlines began increasing its “bank” of airliners, nearly doubling hub operations compared to the 1995 peak-hour rate³ although major construction projects were ongoing at the airport. In effect, the possible daily operations increased to more than 3 times the 1995 daily use.

SMAAC pointed out that the revision increased MSP flight capacity more than the new runway. This also means that more airliners are flying closer together and taxiing further and faster at peak hours, without increasing Minnesota air service. There is evidence (including the May 2005 collision of two Northwest Airlines planes at MSP) that greater risks are being taken, potentially with tragic results. Airlines are already fragile boom-or-bust businesses, historically ruined by a major crash. Aviation safety is the domain of FAA and the airlines, but airport facilities have a role. More gates at MSP invite larger banks and higher rates, creating more ground congestion.

The Legislature and the public should also oppose any plan for further expansion of flight operations at MSP on an hourly, daily, or annual basis because of the serious additional impacts on public health, education, and the environment. . Adverse health and education impacts are exacerbated in a densely populated urban area.

Although emissions of pollutants are proportional to operations, they can be somewhat reduced, more contained and more economically mitigated at a larger site. In a rural area, operations can be more fuel-efficient: more gradual climbs and descents.

And, a wider debate is needed concerning authorities and policies. Should decision-making and State contracts with Delta Airlines and other users continue to be delegated in whole or in part to appointed bodies? SMAAC has long urged the Legislature to address these issues by amending current law to either change the process or specify the outcomes in more detail.

³ Passenger flight capacity sufficient to support 33 million local passengers annually – sometimes called ‘origin and destination’ passengers – implies 66 million total passengers using a ‘hubbing factor’ of 1:1. The terminal services were sized for 66 million less any that remained on aircraft while they were at the airport.