



NEWS LETTER

SOUTH METRO AIRPORT ACTION COUNCIL

Fall 2008 ~ Legislative Forum Edition

FALL FORUM 2008:

MSP EXPANSION AND THE AIRLINE MERGER

Welcome legislators and other guests!

Legislators are interested in our views about the future of MSP and its contributions to Minnesota economic development. Recent legislative committee hearings examined the extent of past subsidies and incentives to Northwest Airlines, including a \$270-million loan backed by bonds and more recent lease and landing fee reductions plus revenue-sharing by the Metropolitan Airports Commission. That is the most current, but not the only, discussion topic.

How about future airline services and fares, operational safety, environmental regulation, and jobs and economic development at Minneapolis-St. Paul International Airport (MSP) after the Delta/Northwest Airlines merger?

Previously, SMAAC questioned if MSP expansion matched expectations for competitive air service, economic growth, safety, and environmental management. We testified at the November 13 legislative hearing that "MSP (airfield, gate, ramp, and terminal) expansion has morphed into expansion of Northwest's 'fortress hub' with fewer competing airlines, much higher fares compared to non-hub cities, more noise and pollution, and peak-hour congestion at a small airfield.

"The aftermath of the merger will likely limit State economic development, considering the limited options." according to SMAAC President Jim Spensley. "Delta is either going to move business activities and reduce local flight service or they are

going to outsource high tech maintenance jobs, coerce union wage and benefit reductions, raise fares, and seek more government support with less regulation. Neither alternative is attractive, but MAC and the Legislature need to tread carefully between them." Or is there an alternative?

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ANNUAL MEETING

The South Metro Airport Action Council is a Chapter 501(4) (c) not-for-profit association (Corporation). SMAAC is operated by its Board of up to nine Directors, with three Directors ordinarily elected each year to a three-year term.

Two years ago, By-Laws and Articles of Incorporation were amended to hold the Annual Meeting in November or December so that Directors' terms would correspond to the calendar (and fiscal) year.

However, the By-Laws were not amended as to the length of Directors' terms, so this is the first year that all terms will expire at year's end. Because of this, and also because of resignations, there are four vacancies on the present Board and as of January 2009, three of the five current Directors terms will have expired.

So this year, several Board members are needed urgently, and it is extremely important that a representative Board is elected and provisions are made for continuing our important activities. This summer, SMAAC celebrated its 40th Anniversary and adopted an ambitious and important new Mission Statement.

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WHERE GOES MSP NOW?

By Jim Spensley, President

We've been discussing the Delta/Northwest merger with elected officials for a long time. We don't think it is a good idea to continue with a single airline controlling so many gates or operating MSP as an over-large hub with 155 flights at peak hours criss-crossing over our homes.

We're glad Representative Oberstar and Senator Klobuchar paid attention and opposed the merger. But we're disappointed the Justice Department "found" that the merger would *enable Delta to compete more with low-fare airlines*, and the FAA "found" that *air traffic control at MSP was safe enough*, even with rates well above the design limits expressed in the federal Record of Decision for MSP Expansion (1998).

Now the issue is renewed in Minnesota, but well after MSP was transformed into a "fortress hub." Delta acquired the three Northwest hubs (MSP, Detroit, Memphis) to go with their other hubs (Atlanta, Cincinnati). At a legislative hearing in St. Paul November 13, Delta General Counsel Ben Hirst added, as a debate point, Salt Lake City as a "Delta hub".

In My Opinion

As usual, Hirst spoke as if no airline would offer service here without tax breaks, incentives, loans and other goodies. Salt Lake City had not been mentioned before; Hirst was hoping the Legislature would believe Delta has its choice of airports that would gladly subsidize a hub and welcome congested airspace.

But at least some note was made at the hearing about just how many goodies are being handed out to Northwest now. I doubt that friends for any big airline can be found in other cities better than our Governor and Airport Commissioners.

We've been saying for years that the MAC helped Northwest Airlines change airport expansion into hub expansion. The *ying* of this had been more good airline and airport jobs here, some because of connecting passengers; the *yang* has been always high fares and a single employer.

Many jobs were already cut here; remember the maintenance bases closed at MSP and those planned for Duluth but never built?

The effect, if not the intent, of various appointments to the MAC was to make deals with Northwest, and lessen regulation and supervision. The result is a busier, costlier and stick-with-Northwest airport. If this doesn't change, jobs will be lost or down-graded, but fares will stay high. If even a few more hub flights are packed into MSP, there will be much more pollution and noise and even less safety.

Delta can take over here for awhile and "work out" what businesses and jobs they have to promise or threaten to move. And who would pay for helping out Delta? Local business travelers, tourists coming to Minnesota, and whoever parks, hires a taxi, rents a car, or eats at MSP would pay.

We believe the Legislature and the MAC should be talking about how much commerce and how many jobs would be gained if MSP were safer and fares were more competitive compared to non-hub cities.

And I tell you all clearly: much more analysis went into inspecting the I35W bridge than has gone into determining the safety of high rates at MSP. Something needs to change at MAC, in St' Paul, and in Washington.

SMAAC's Legislative Agenda:

The Legislature should prohibit further gate expansion at MSP's Lindbergh Terminal for safety, environmental and economic reasons.

Most, if not all, airport commissioners should be elected or selected by the Legislature in a more open way.

More Legislative audits and oversight is needed on the MSP capital improvements program.

~~ SMAAC News Letter: After the Fall Forum ~~

Minneapolis, MN - December 2, 2008

NO FURTHER CONCESSIONS TO DELTA/NORTHWEST

Citizens and labor representatives urged state legislators to act to prevent Delta Airlines' request to re-negotiate terms of the original \$270-million loan, lease, and revenue-sharing agreements more favorable to the airline. In covenants associated with the loan, Northwest agreed to maintain its Headquarters and other business activities in Minnesota.

The MAC later made airport lease concessions in 2000 and 2005 tied to the same covenants. And in 2007, MAC further lowered leases and landing fees and agreed to share revenue from parking, restaurant, and other MSP concessions with Northwest and other airlines here.

Last May, it was revealed that later changes to the agreements limited penalties for breach of the loan agreement to repaying the outstanding balance of the loan over a period of months (rather than years).

The balance of the loan in November 2008 was \$245-million. Repaying this amount was a liability known before the merger, yet Delta announced its Headquarters would be in Atlanta, violating one of the covenants. However, Delta testified that it *planned to revise the agreements*.

SMAAC BOARD: MORE AIRLINES MEANS MORE EMPLOYERS AT MSP.

"We believe the Legislature and the MAC should be talking about how much commerce and how many jobs would be gained if MSP were safer and fares were more competitive compared to non-hub cities."

President Jim Spensley said. "Too much safety is being given up and too little economic benefit is being gained by continuing to subsidize a too-large hub at MSP." Northwest's hub is subsidized by passengers, bond-holders, and taxpayers.

New airlines haven't come to MSP since expansion. Southwest's announcement that it will offer flights to Chicago Midway next Spring is welcome, but the service is less than the previous ATA and AirTran service.

The panelists agreed that Northwest's fee concessions and revenue-sharing deals, and its gate leases and flight schedules, should not be turned over to Delta without Delta

keeping all of the covenants. Senator Scott Dibble (DFL, Minneapolis) said that negotiations with Delta about its Minnesota jobs and flight operations must, and will, involve the Legislature.

"Certainly, more transparency by MAC and more oversight by the legislature and state departments is needed," Sen. Dibble remarked, "as the breach of the loan covenants demonstrates." He thanked SMAAC for mentioning alternatives to subsidizing a fortress hub at MSP for Delta Airlines. "I think the trade-off based on Northwest promises was less advantageous to the State than advertized," Dibble continued, "and watering down the indirect benefits – jobs and tax revenue – is crazy."

Even though the MSP hub would be restored to its 2007 size or larger if fuel costs are lower or passenger demand recovers, Delta will have eliminated key airport and air crew jobs at MSP and related jobs in Eagan. As Delta strives to cut \$1 billion in annual costs, either its hubs will be consolidated in non-union States, or each hub will be operated with fewer workers -- and of these, fewer will be American workers.

Delta may plan to remain dominant and high-priced in this market by re-negotiated agreements with MAC to continue operational patterns and high rates at MSP even as the airline, the FAA, and the MAC reduce training, staffing and other costs.

"This outcome is less safe," Spensley warned, "and may have profound negative effects on state economic development, through continued high fares, more service reductions, outsourced high-tech maintenance and flight attendant positions, or forced wage concessions."

Representative Frank Hornstein (DFL Minneapolis) agreed. He introduced bills on airport governance requiring more openness and accountability by the MAC.

In the last session, reform bills were heard in Committees but did not reach the floor. Next session, more opportunities to attach reform provisions to major bills may occur because of the merger and economics.

The climate may have changed in the Legislature. The recent hearings showed benefits to the State were brittle and subject to revisions by the MAC without consultation or oversight.

SMAAC News Letter: After the 2008 Fall Forum

Legislators to Try for a Greener Airport

For several years, SMAAC has objected to the MAC's capital improvements plan and environmental review processes. A special law [MS 1988 Chapter 664] limits reviews of MSP capital projects' environmental impacts during construction and after completion. The annual Assessment of Environmental Effects (AOEE) replaces the usual EAW or EIS procedure. Rather than requiring project-by-project compliance with State and local environmental regulations and holding public hearings, a single, short Hearing Examination is held.

No project, large or small, clean or dirty, -- even a few built for environmental purposes -- has been found to have a risk of significant environmental impact (good or bad) at an AOEE since 1998. Not including expansion projects covered by the 1998 FEIS, hundreds of millions of dollars have been spent at MSP for construction projects since 2002.

Several projects created serious problems: wetlands were destroyed and watershed boundaries were changed or penetrated without watershed district permits; calculations of ground water effects from a dewatering project were inadequate and caused a public protest; deicing fluid retention and recovery failed and the Pollution Control Agency investigated, leading to a fine; fuel was leaked in excess of 40,000 gallons and not reported to PCA, resulting in another fine; and a storm sewer excavation collapsed in a storm causing massive erosion, never rectified.

MAC employs a fairly large environmental engineering staff but claims only *general compliance* with the Minnesota Environmental Protection Act. Since SMAAC began questioning the AOEE findings after the fuel leaks and glycol emissions incidents, the staff-prepared AOEE report has become thicker. Staff represents that "no significant environmental impacts" means that *good management and mitigation of impacts makes the risks of harm* not significant enough *for an EAW*.

SMAAC holds that it would be better if MAC did not evaluate its own engineering calculations, preventative measures during construction, permit applicability and conditions, and the adequacy of mitigation measures.

We also believe that MSP contractor compliance with environmental standards is *budget limited*, and internal audits and inspections would be more available if these were sufficiently frequent and detailed to ensure that environmental standards were upheld.

Senator, Patricia Torres-Ray (Minneapolis) appealed for more grass-roots pressure on environmental committee members to heighten chances for passage of bills changing the AOEE process. A citizen petition for an EAW on the main runway reconstruction project was filed after the 2006 AOEE refused to order an EAW. Although the Minnesota Environmental Quality Board ordered a hearing, the EQB refused a request that Met Council or Hennepin County conduct the investigation and hearing. Insanity is *repeating behavior but expecting a different result*, but the review was assigned to the MAC.

Senator Jim Carlson (Eagan) said that some chemical, probably aviation fuel, has reacted with aluminum mail boxes in his District. He noticed this in neighborhoods under flight paths for new Runway 17-35, and found more corrosion under the flight paths of R12L-30R. A PCA air quality monitoring site installed downwind found no significant differences in air quality compared to other areas in the Metro, according to Senator Dibble. Jim Spensley said that air quality monitoring was discussed at a SMAAC Forum, but only a few pollutants can be detected and quantified in the atmosphere because of limited budgets for analysts and instruments.

Newly-elected Representative Mike Obermueller (Eagan) said that people correctly complained that there were more overflights than expected from R17-35 operations.

Flight Attendants Seek Help

Rene Foss, a member of the Association of Flight Attendants-CWA, and Janette Rook, the union Vice President, warned the legislators that "this merger could be used to break our contract, eliminate our union and destroy our collective bargaining rights."

Foss and Rook urged lawmakers to "use your influence to persuade Delta management to remain neutral" in a election to determine whether Delta's non-union cabin attendants want a joint union. They said that if the Union is broken, or if the local union is forced to make contract concessions here, Delta will out-source flight attendant jobs to foreign nationals.

Northwest Airlines already outsources maintenance and overhaul of its aircraft to contractors in Asia. Northwest also did not renew maintenance facility leases at MSP and reduced certified-mechanic staffing levels here. SMAAC previously noted that Northwest said, during the 1996 Dual-Track debate, that its MSP maintenance facilities were crucial and too expensive to move to a new airport.

Forum: MSP Expansion and the Airline Merger

[Continued from the front page]

Our Forum will continue and extend matters raised in legislative hearings about Delta's assumption of Northwest Airlines covenants regarding business activities in Minnesota. Northwest agreed to keep certain flight operations, businesses and jobs in Minnesota. In return the State provided financing, and the Metropolitan Airports Commission now shared airport revenues and conceded reduced lease and landing fees.

Delta Airlines recently announced it would locate the Corporate Headquarters of the combined airlines in Atlanta, a violation of the covenants, but wanted to re-negotiate terms and conditions of loan, lease, and airport revenue-sharing agreements.

Tourists and business travelers would likely face continued high or increased fares, as well as service reductions, more frequent delays and service interruptions. So would local families.

Northwest unions are concerned because MSP operations might be severely cut back, wages cut, and work rules changed. Union representatives attending the Forum will express their concern that Delta Airlines will interfere with union organizing and collective bargaining.

SMAAC is investigating – with no cooperation from airlines, FAA, or the MAC – if and how expansion and high rates contributed to accidents and collisions since the new runway opened at MSP.

Airport operational safety indicators, near-misses and runway incursions, are up at major hubs, even though events were under-reported. FAA re-authorization has been held up in Congress, and continuing resolutions delay FAA support and equipment contracts and limit staff training and replacement.

At the same time, airport expansions and FAA air traffic control changes allowed airlines to increase bank sizes and schedule more operations, even at already congested peak hours.

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<http://quiettheskies.org>

MINNESOTA SHOULD BARGAIN HARDER WITH DELTA AIRLINES

SMAAC testified (November 13 and April 29, 2008) that renegotiating Northwest Airlines' loan and other agreements with Delta raises serious economic issues.

Northwest agreed to keep Corporate Headquarters, major hub operations, businesses and jobs in Minnesota.

SMAAC said MSP expansion as it has proceeded with the Northwest agreements did not match State expectations for competitive air service, economic growth, safety, and environmental management at MSP. What would make up for moving the hundreds of Headquarters jobs while failing those objectives?

SMAAC's complete testimony is at our website.

SMAAC WANTS MAC TO CONDUCT AN EIS FOR 2009 RUNWAY PROJECT

SMAAC wrote to the commission's current Assessment of Environmental Effects (AOEE) hearing. President Jim Spensley also appeared specifically to request an Environmental Impact Statement (EIS) for the Runway 12R-30L (north parallel) re-construction, planned as a \$17-million+ project for 2009.

SMAAC said that an EIS for a similar project in 2007 was passed over twice by the MAC. Citizens had petitioned for a separate review, asking the Minnesota Environmental Quality Board to assign the review of the MSP project to a different county or metro agency because of a conflict of interest. They did not.

SMAAC cited numerous activities that showed a "possible significant environmental impact" was *anticipated* but denied by the MAC without completing an Environmental Assessment Worksheet (EAW).

"This is evidence," Spensley said, "that an EAW or EIS was required by the Environmental Protection Act for both runway projects to alert neighbors, watershed districts and other interested parties and agencies. Perhaps internal management is adequate, perhaps not. Specifics were not presented to the AOEE and cannot be properly reviewed."

MAC staff did a lengthy rebuttal for the next (December 3) meeting. The staff comments contradict earlier statements and show the 2007 project spent heavily for erosion control, dust suppression, and debris disposal -- for a project formally found in two open hearings to have *insignificant risks of pollution or environmental harm*. Go figure.

ANNUAL MEETING

[Continued from front page]

We need volunteers for the Board and for help for special events and ongoing business.

This is also a time that new and different interests and abilities are needed, including youthful enthusiasm and vigor, more than experience or tenure as a SMAAC supporter. We are hopeful that one or two brand-new Members will be elected to the Board.

Acting as nominating committee, the current Board of Directors proposes the following:

For terms expiring in 2011:

(Nominee)

(Nominee)

(Nominee)

For Terms expiring in 2010:

(Nominee)

(Nominee)

For Terms expiring in 2009:

Dick Saunders

(Nominee)

Carry-over Directors:

Jim Spensley, term expires 2009

Ron Lischeid, term expires 2010

Other Current Directors

Dick Saunders

Gerry D'Amour

Russell Schroedl

MISSION STATEMENT

SMAAC works as a coalition of citizen-members and community organizations to:

Promote long-term economic growth in Minnesota through more transparent decision-making at MSP, by supporting all responsible domestic and international providers of reliable air passenger and cargo service, by seeking more airline competition and low-cost air service, and by alerting citizens to unfair airline marketing practices, sweetheart contracts and monopolistic cartels;

Advocate locally and nationally for air and ground safety for airport workers and travelers at and around Minneapolis-St. Paul International Airport;

Seek vigorous enforcement of environmental regulations and minimize ground, water, air and noise pollution, and to suggest Federal and State legislation when needed for this purpose;

Monitor and report the policies and actions of the Metropolitan Airports Commission to increase community awareness of aviation and airport issues, and also the policies and actions of the Federal Aviation Administration and other involved governmental entities.

Adopted May 21, 2008