

Talktrans/Zero Expansion Comments  
Concerning the Report  
“Recommendations Regarding The Future Operation  
and Development of the Reliever Airport System”  
Prepared by: Reliever Airports Task Force January 10, 2006  
www.talktrans.com  
transportationtalk@yahoo.com  
talktrans1@mn.rr.com

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To: The Metropolitan Airports Commission Management and Operations Committee

Dear Sallye, (sdouma@mspmac.org)

On behalf of talktrans/zeroexpansion please make these comments available to all MAC Management and Operations Committee members for the MAC Management and Operations Committee meeting of Tuesday, January 10, 2006 and please include these comments in the agenda/minutes for the January 10, 2006 MAC Management and Operations Committee meeting.

**Zero Expansion / Talktrans Response to Reliever Task Force Recommendations**

**Preface:**

These comments are in two different sections. The first section comments about the entire scope of the report. The second section focuses on specific sections of the report and proceeds generally in a sequence matching the pages of the report.

**General Comments on “Recommendations Regarding The Future Operation and Development of the Reliever Airport System” prepared by the Reliever Airports Task Force, January 10, 2006**

The Full MAC Commission should not ratify the report entitled “The Recommendations Regarding the Future Operation and Development of the Reliever Airport System” nor move forward on any of its recommendations because of the report’s lack of information on the reliever system and current and future air traffic. Further study is required to provide a more detailed and informative analysis.

Specifically, the report fails to answer 2 of the 5 questions the task force was supposed to investigate and answer: (1) What role do the reliever airports serve? and (2) What capital improvements are necessary? The only thing the report does is provide an economic description of benefits and costs of the reliever airports, which does not answer these questions.

**1. What Role Do the Reliever Airports Serve?**

The report completely fails to examine this question by merely providing the language of MAC’s mission statement and enabling legislation. A definition of a reliever airport does nothing to describe the actual state of the function of these airports in the Twin Cities. The report begs the question of what function these airports are serving. Are the airports serving recreational, business or flight training? How will those operations change in the future? Only with an accurate description of current operations at these airports can a complete analysis take place as to whether the role of the reliever airports is changing and necessary.

For example, the report describes Flying Cloud Airport as a “corporate “ hub, however, according to MAC data, only 3% of operations at FCM are business jet operations. *Even with the proposed capital improvements at Flying Cloud, MAC predicts that the number of corporate use will increase only by 5%.* The proposed expansion therefore will not benefit 92% of users of FCM who do not require a longer runway for their use of Flying Cloud. The FEIS for the expansion of Flying Cloud shows that the increase of 5% will not create a substantial stream of revenue, which is implied in the report.

<b>MAC’s estimated Activity</b>	<b>1999</b>	<b>2010 (with expansion)</b>
<b>Total Operations</b>	234,475	302,982
<b>Business Jet Operations</b>	5,876 (3% of all operations)	24,440 (8% of all operations)

The report does not describe the current state of GA traffic at MSP, which is essential for an analysis of the role of relievers. For example, in 1997, there were about 60,000 general aviation operations at MSP (12% of MSP operations). In 2002, general aviation operations at MSP decreased to 25,075 (6% of MSP operations). There are no individually owned GA aircraft based at MSP. Many GA operations at MSP connect passengers to commercial flights. Therefore, “congestion” from GA traffic at MSP is currently non-existent, and GA traffic will not be completely eliminated at MSP no matter how many relievers there or how significant capital improvements are invested.

Moreover, the report is disingenuous when describing a decline in GA traffic as resulting from 9/11/2001. The report fails to provide an accurate picture of how GA traffic has significantly declined at the relievers in the last decade.

Number of operations

<b>Year</b>	<b>Airlake</b>	<b>Anoka</b>	<b>Crystal</b>	<b>Flying Cloud</b>	<b>Lake Elmo</b>	<b>St. Paul Holman</b>
1990	67,980	215,000	189,910	227,408	66,950	190,333
1994	82,500	199,000	185,991	238,838	71,000	145,834
2004	58,108	132,144	98,600	155,850	54,200	131,800

Number of based aircraft at reliever airports

<b>Year</b>	<b>Airlake</b>	<b>Anoka</b>	<b>Crystal</b>	<b>Flying Cloud</b>	<b>Lake Elmo</b>	<b>St. Paul Holman</b>
1987	153	406	345	565	150	168
1997	179	441	327	482	210	203
2003	190	490	263	463	237	159
2004	163	482	265	451	239	159

Moreover, the report fails to mention that both FAA and MAC predictions on future operations at the reliever airports have been consistently wrong by greatly overstating the number of operations that would take place at the relievers. At the very least, the report should compare predicted operations with actual operations for the last decade.

**2. What capital improvements are necessary?**

The report provides no analysis on this question at all. It merely states that all proposed improvements should take place. This is the greatest error of the report.

For example, in regards to the proposed expansion at Flying Cloud to lengthen the runway, MAC's own consultant found that studies of comparable airports show that lengthening FCM runways will not result in increased operations. According to MAC's "Flying Cloud Airport Expansion Technical Report: Activity Forecasts 1999" **none of the seven comparable reliever airports studied for comparison of a runway extension from 4000 to 5000 feet had an increase in operations attributable to lengthening the runway.** Even though none of these comparable airports had any increase in operations from lengthening the runway, MAC did not investigate whether there was any effect whatsoever on the size of the aircraft using the extended runways. At the very least, this report should investigate in great detail whether the expansion at Flying Cloud is warranted. MAC should investigate whether the lengthening of the comparable airports' runways resulted in larger-sized jet traffic at all.

Furthermore, the report fails to provide any legal analysis as to whether several proposed sources of revenue for reliever funding are feasible. Some proposed sources of revenue may be prohibited under the law. MAC's plan to develop airport land for non-airport use may be beyond its capacity under its enabling legislation and constitute revenue diversion. Moreover, the report fails to mention the conclusion and analysis of its consultant, which concluded that non-airport development at Flying Cloud was impossible. MAC's plan to charge different fees based on types of aircraft at MSP may be discriminatory in violation of grant assurances. Since adequate funding is the major concern regarding the continuation of the reliever system, the report should not be ratified without such an analysis.

Finally, the report omits any discussion on alternatives to capital improvements at reliever airports that may have the same effect without substantial investment as noted by Northwest Airlines and others. A report without such a discussion is disingenuous and useless as a real analytical tool.

**Specific Comments to specific areas in the "Recommendations Regarding The Future Operation and Development of the Reliever Airport System" report prepared by the Reliever Airports Task Force, January 10, 2006.**

This section is organized primarily in the sequential page order of the report.

**Page 4, under "What Role do the Reliever Airports Serve?"** - "It is the mission of the MAC to provide capacity relief for MSP by meeting General Aviation needs." The FAA, the GAO and the CBO all agree and state that reliever airports do not provide relief capacity to major hubs. Reliever Airports and their General Aviation traffic neither relieve, nor do they cause congestion at major airports like MSP. The causes of airport congestion at hubs like MSP are systemic to the hub and spoke system. Delays, usually caused by weather at one or more hubs, have a domino effect that ripple throughout the system. Any costs of "delays" at a hub that have been used in this report to calculate the "benefit" of relievers simply do not exist.

**Page 6, under "What is the Proper Number, Size and Location of Airports?"**, bullet point 10, sub-point 4, "The forecast assumes that Eclipse, or similar Very Light Jet type aircraft will enter the active fleet in 2006 and reach a total of 4,600 aircraft by 2015." – This is an unsupported assumption about aircraft that have not been built and whose average per aircraft cost will be in the neighborhood of \$1 million. It assumes a \$4.6 billion dollar private investment in aircraft over a nine year period – a projection that even industry experts won't assume.

In 2005, the Teal Group's, nationally recognized aviation analyst Richard Aboulafia, vice president of analysis for The Teal Group, said "the current market is sound, but there is more potential for a downturn than an upturn and talk of continued growth is premature because of uncertainties about the cost of fuel, interest rates associated with deficits, the long-term strength of the U.S. economy and the health of corporate profits. As a result, it is not possible to predict sustainable growth confidently during the forecast period, and

there is at least a 20-30% chance of a recession in the near term, according to Aboulafia.” Aviation Week & Space Technology, Teal Group Bizjet Market Forecast Cautious,05/08/2005 08:36:56 PM,By Edward H. Phillips.

Areas mentioning the use of **Public Subsidies/Taxes/Funding**:

- On page 4 - MAC refers to subsidization as a “contribution of MAC funds to subsidize a portion of capital improvements.”
- Page 7, MAC states, “with the matching portion funded by concession revenues from MSP.”
- On page 8 - “The Task Force does not recommend a MAC-led effort to redirect personal property taxes to the MAC.”
- On page 8 – “The Task Force studied the potential for more appropriate levels of State Funding...”
- On page 9 – “The Task Force recommends MAC be aggressive in seeking federal discretionary funding directly for Reliever Airport projects.”
- On page 11 - “Included in Reliever Airport expenses are the following: Administrative allocation from MSP.”
- On page 12 – “The following revenue can offset these expenses: Grant money (federal and state reapportionment)”.

MAC should identify exactly where these funds come from, and how much funding is required from each source. Fees paid by the public for MSP use should not be redirected to the Reliever Airports, which do not serve the transportation needs of the greater public. Taxes paid by the public should not go to support GA airports – where the public derives little to no benefit. GA airports are for private airport owners and operators who can generally afford to own an aircraft. This report should be about making the Reliever Airports more self-sustaining not about how to get more public tax dollars to continue subsidizing the relievers.

**Page 7, under “What Capital Improvements are Necessary?”**, paragraph 3, “entire cost of constructing the area” should read “entire cost, increased annually to reflect the consumer price index, of constructing the area”. This would reflect a more business-like approach to paying for improvements. Also on pages 14, 15 and 16 under Revenue Opportunities. Can we just assume that anytime “fees” are mentioned that these “fees” would increase annually at the rate of inflation using the consumer price index or some other objective scale to raise prices? It would be a mistake to not adjust all fees annually.

**Page 8, under “What are Realistic Capital Funding Sources?”**, under sub-head A. Personal Property Taxes, paragraph 2 – “Tenants often argue these taxes (referring to personal property taxes) should be redirected in their entirety to the MAC since airport tenants derive little benefit from the entities that currently receive the money.” This statement should be removed in its entirety from this report. Using this line of reasoning – no-one would pay property taxes – because almost everyone could say that they receive little personal or business benefit from property taxes. Tenants at airports are like cabin owners with lakefront property. Convenient access to a facility (or lake) costs more. Property taxes on lakefront property cost more and property taxes on airport property should cost more.

**Page 10 under “Building Area Assessments/Development Fees”**, paragraph 3. “The fee could be implemented immediately upon modifications to the forms, but would apply only to those who entered into leases in newly constructed building areas.” -- There is no explanation here why the fee couldn’t also be applied to older leases that come up for renewal and why there isn’t language in the current leases that would allow MAC to change current leases “at will” and to charge additional fees “as necessary.” If not, current lease language should be changed so MAC can change leases “at will” and charge additional fees “as needed”.

**Page 10 under “Waiting List Fees”**, paragraph 2. “The fee is proposed to be \$500 and would apply toward the first year’s building area assessment once a lease is issued to the tenant. The fee is refundable at any time at 50% of the originally deposited amount.” There are three issues

here. First, the waiting list fee is too low – these phantom “waiting lists” have been used over the past fifty years to justify everything from new hangers to new runway expansions. If the owner-operator is serious about needing a new hanger, a \$5,000 waiting list fee is reasonable – especially if the fee applies to the first year assessment. The fee is only a prepayment on something they will eventually have to pay for anyway. Second, this fee should be non-refundable. Again, these phantom lists have been used in the past to justify extraordinary outlays of capital at considerable costs to everyone involved. Serious fees usually reflect serious commitments. Owner-operators who buy million dollar jets with costs of \$2,000 just to fill up the fuel tanks, shouldn't have a problem with a \$5,000 waiting list fee that in all actuality is just a prepayment on their lease or assessment. Finally, the fee should increase annually by at least the rate of inflation.

**Page 12 - “Reliever Airport Benefits”**. It should be stated here again that contrary to MAC's beliefs, the GAO, CBO and the FAA have all stated several times in recent years that reliever airports and their General Aviation traffic neither relieve, nor do they cause congestion at major airports like MSP. The causes of airport congestion at hubs like MSP are systemic to the hub and spoke system. Delays, usually caused by weather at one or more hubs, have a domino effect that ripple throughout the system. There is no such thing as a “delay cost” that is attributable to General Aviation and Reliever Airports.

**Page 12** - The report states that MSP is forecast for operational growth of 60% between 2004 and 2020, which is 16 years, while the turbine sector of General Aviation is forecast to grow by 7,000 aircraft in nine years. What's missing is that we aren't told that the 7,000 aircraft figure represents a national figure. 7,000 aircraft split between the 5,000 plus public general aviation facilities is 1 to 2 total aircraft per airport in nine years, hardly a reason to expand any relievers. MAC says those types of aircraft need 5,000 ft runways but the industry says that most VLJ's will be able to land on a 3,000 foot runway. What is also not mentioned is the inconsistency of this 7,000 aircraft figure with the 4,600 figure mentioned on page 6.

**Page 16 - Development Opportunities within Airport Property --** MAC's business consultants have told them that there is not sufficient land on airport property to consider non-airport related development due to strict federal land-use restrictions. MAC has not identified where such land exists at FCM, St Paul Holman Field or at any other Airport. According to FAA policy, use of airport land for non-airport related businesses is Revenue Diversion and against FAA policy. Yet MAC suggests policies that are against FAA rules in order to generate money to make the relievers self-sufficient (Revenue Diversion). MAC is also not mandated to be in the development business in order to make revenue to keep the reliever system self-sustaining.

**Page 19 – Conclusions** - Although earlier in the report various user fees were introduced as recommended ways to increase revenue, most of them never made it to the recommendation stage. The primary users should always and consistently be considered as the primary source of funding for Reliever operations and Capital Improvement Programs especially at facilities that cater exclusively to private owners and operators.

**“Economic Impact Analysis of the Reliever Airport System – October, 2005”** an attachment to this report. Suffice it to say that this report is only as good as the “self-administered surveys”, “interviews with airport managers”, “a figure...was finally chosen”, “visitor spending...was estimated”, “assumptions and estimates...could be sharpened” and other comments littered throughout this report and pointing to the self-benefiting manner in which this report was put together. Considering the source (“conducted by the businesses located at the reliever airports”) of much of the data used in this report, we can only conclude that the report has little credibility.

**“Economic Analysis Report of the Reliever Airport System - December, 2005”** another attachment to this report. Again this is another opportunity to present a balanced economic picture of the Reliever Airport system which fails almost before it begins. The Reliever Airport system has been steadily losing operations for the last ten to fifteen years. Instead of

acknowledging this loss and basing its projections on this continuous downward trend, this report chose a "flat forecast" for the next 20 years.

**Closing Airports-**

The economic indicators from the Wilder report reveal that the relievers will have a net operating deficit past 2011. MAC's assertion that it would be costlier to close the relievers is unsupportable.

- Proceeds from land sales have not been considered in the report.
- The sale of land for instance at FCM would be significant despite the pay-back for FAA grants, which is minimal.
- MAC has totally eliminated any research or analysis that would show that closing some of the relievers is an economic alternative with an upside.

Talktrans/Zero Expansion  
www.zeroexpansion.com www.talktrans.com  
transportationtalk@yahoo.com

Vicki Pellar Price - Talktrans

Mark Michelson - Zero Expansion

Recipient list:

MAC Contact Person: Sallye Douma,  
Email: [sdouma@mspmact.org](mailto:sdouma@mspmact.org)

MAC Contact Person: Jenn Unruh  
Email: [JUnruh@mspmact.org](mailto:JUnruh@mspmact.org)

Tim Anderson at MAC  
[TWAnders@mspmact.org](mailto:TWAnders@mspmact.org)

MAC Commissioner Vicki Tigwell  
[Vicki.tigwell@mspmact.org](mailto:Vicki.tigwell@mspmact.org)

MAC Commissioner John Lanners  
[Jlanners@skypoint.com](mailto:Jlanners@skypoint.com)

Jon Larson at EQB  
[Jon.Larsen@state.mn.us](mailto:Jon.Larsen@state.mn.us)

Chauncey Case at Metropolitan Council  
[chauncey.case@metc.state.mn.us](mailto:chauncey.case@metc.state.mn.us)

Governor Tim Pawlenty  
[tim.pawlenty@state.mn.us](mailto:tim.pawlenty@state.mn.us)

MN State Representative Erik Paulsen  
[rep.erik.paulsen@house.mn](mailto:rep.erik.paulsen@house.mn)

MN State Representative Maria Ruud

[rep.maria.ruud@house.mn](mailto:rep.maria.ruud@house.mn)

MN State Senator David Hann

[sen.david.hann@senate.mn](mailto:sen.david.hann@senate.mn)

Eden Prairie Mayor Nancy Tyra Lukens

[ntyra-lukens@edenprairie.org](mailto:ntyra-lukens@edenprairie.org)

Councilmember Brad Aho

[baho@edenprairie.org](mailto:baho@edenprairie.org)

Councilmember Philip Young

[pyoung@edenprairie.org](mailto:pyoung@edenprairie.org)

Councilmember Ron Case

[rcase@edenprairie.org](mailto:rcase@edenprairie.org)

Councilmember Sherry Butcher

[sbutcher@edenprairie.org](mailto:sbutcher@edenprairie.org)

Eden Prairie City Manager Scott Neal

[sneal@edenprairie.org](mailto:sneal@edenprairie.org)