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GOVERNOR'S TASK FORCE
ON
DUAL TRACK AIRPORT PLANNING PROCESS

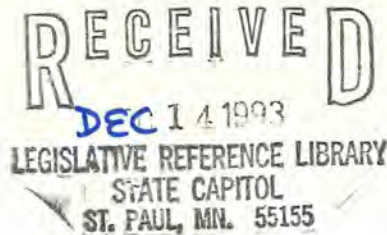
FINAL REPORT

September, 1993

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September 30, 1993

Governor Arne Carlson
State of Minnesota
Capitol Building
St. Paul, MN 55155



Dear Governor Carlson:

At your direction, the Governor's Task Force on Dual Track Airport Planning has met on ten occasions over the past few months to review the three charges assigned to the group. These charges are as follows:

1. Do current projections of future airport traffic properly incorporate the effects of changes in the airline industry, including changes at Northwest Airlines?
2. Is it feasible to shorten the dual track planning process so that a final report and recommendations can be made to the Minnesota Legislature by January 1, 1994 or January 1, 1995 instead of the current deadline of July, 1996?
3. Can a technically sound report be prepared if the Task Force decides to shorten the time frame with a new deadline for completion?

In reviewing these charges, the Task Force considered information related to the process of preparing aviation forecasts, assessing capacity at Minneapolis-St. Paul International Airport, the schedule for completion of the planning studies, and the relationship of the prospective environmental review process to the overall work program. Input to assist the Task Force in its deliberations was provided by the staff of the Metropolitan Airports Commission and the Metropolitan Council. This information demonstrates that the dual track process is an iterative process that requires constant reviews for any indications of a need to change either the direction, timing or completion of the technical work in order to adequately compare the alternatives of expanding the current airport or developing a replacement airport in Dakota County. In addition to the staff input, the Task Force heard testimony from Northwest Airlines, the Minnesota Environmental Quality Board, then from members of the public at a separate meeting. This information was also taken into account by the Task Force in developing their Findings and Recommendations.

The Task Force has concluded that the Dual Track Airport Planning Process is a technically complex effort, requiring significant commitment and resources on the part of all involved in its completion. The inherent uncertainties in the airline industry have been acknowledged in the forecasting process, however as a result of these uncertainties, the Task Force feels that the Dual Track Process should continue, at least until a new site has been located within the Search Area and a development plan for a new airport has been completed. Concurrently, the

capability of the existing airport to accommodate additional aircraft traffic should be accelerated to ensure an adequate comparison of the costs and benefits and their respective impacts on the economic development policies of the State of Minnesota.

Our second recommendation is that the current dual track airport planning process should be retained with a completion date of July, 1996 for the recommendation to the Legislature. Any shortening of the planning process would require major revisions to the environmental review process. These revisions would limit public and agency review opportunities prior to a legislative decision. The airport planning process cannot be expedited for completion by January, 1994 or January 1995 if an adequate analysis is to be completed.

The recommendations of the Task Force related to the three charges, and recommendations related to general issues discussed by the Task Force follow:

AVIATION ACTIVITY FORECASTS

1. The individual alternative scenarios previously identified should be aggregated into logical sets of future alternatives for further evaluation. The grouping of scenarios will help to understand the cumulative impact of potential changes in factors affecting the forecasts.
2. As substantive changes occur in the airline industry prior to the completion of the planning process, the forecasts should be re-evaluated or revised on a continuing basis. As new demand forecasts are developed, they should be evaluated against future airport and airline capacity estimates.
3. A forecast scenario should be developed to evaluate the potential impact of the termination of airline service by Northwest Airlines.
4. The impact of open skies in Europe should be monitored for impacts on both the domestic and international segments of the airline industry. Attention should also be given to changing conditions in bi-lateral agreements with Asian countries.
5. Special emphasis should be given to projections of growth in cargo and international activity to determine their relative significance upon the existing airport or a new airport.
6. The forecast process should consider the potential impact of other new airports, such as Denver, as they come on line, and the potential impacts of such development projects as those underway at Chicago and Detroit. The process should also take into account changes in hubbing systems and Stage 3 aircraft as they are introduced.
7. The planning process should assess the impacts of each airport proposal, including the no-build alternative, on economic development. It should also determine whether the airport should be used as an economic development tool.

8. The planning process should assess the economic impacts of the development costs of each airport option, and should clearly propose approaches for payment of these costs.

TIMING OF PLANNING PROCESS

1. The Dual Track Airport Planning Process should be continued, at least to the point of selecting a site within the Dakota Search Area and development of a plan for an airport on that site. A comparison of the costs and benefits of the proposed site and development of Minneapolis-St. Paul International Airport should be prepared to serve as the basis for a recommendation to the Legislature.
2. The current Dual Track Airport Planning process schedule should be retained, with a completion date of July, 1996 for the recommendation to the Legislature.

GENERAL ISSUES

1. The airport planning process should address offsite environmental concerns at both Minneapolis-St. Paul International Airport and the proposed new airport site on a comparable basis.
2. The potential for landbanking should be evaluated as an ongoing part of the planning process, and should be included in the environmental analysis for comparison with the options of developing Minneapolis-St. Paul International Airport or developing a replacement airport. Pros and cons of this approach should be clearly identified as part of this analysis.
3. The Metropolitan Council, the Metropolitan Airports Commission, and affected communities should take strong action to protect development options (north-south runway, west terminal) at Minneapolis-St. Paul International Airport.
4. Safety is an integral part of airport operations, and should be evaluated for the two development options currently under study. This analysis should relate to both onsite and offsite factors.
5. The comparative analysis of the two development options should identify and evaluate both onsite and offsite costs as well as financing mechanisms, and should clearly indicate the impact of development costs on Northwest Airlines and other operators in terms of competitive factors.
6. Capacity of the existing airport site should be re-evaluated, with the variables that affect airport capacity clearly identified. Technological changes that will affect airport and airline capacity should be taken into account in this analysis and evaluated for future benefits. The analysis should also take into account the environmental capacity of the existing airport.

7. The cost of development of new airport facilities on military operations at MSP should be determined and included in the overall comparative analysis.
8. The airport planning process should be revised to allow opportunities for the Legislature to review critical decisions that affect future directions of the process. The lack of Legislative checkpoints between the initial legislation and the final recommendation to the Legislature does not provide a sufficient level of legislative involvement.
9. Ground access impacts beyond the airport boundaries should be evaluated for each option.
10. The impact of each airport development option on future economic growth and viability of the State of Minnesota should be determined and included in the analysis of the options. This analysis should include consideration of any lost economic opportunities related to implementation of either option.
11. The impact of airport development on accomplishment of the economic development goals contained in the 1992 Economic Blueprint undertaken by the Minnesota Department of Trade and Economic Development should be determined to ensure a healthy, growing and competitive Minnesota economy in the world marketplace.
12. The forecast process should consider the potential impacts of future changes such as implementation of high speed rail service and technological advances in the area of telecommunications.
13. The planning process should determine whether the new airport will shift the center of gravity of the metropolitan area, and whether potential shifts could be mitigated by land use planning.
14. The planning process should identify any limitations on economic development that may result from either development of a new airport or continued expansion of Minneapolis-St. Paul International Airport.
15. If airport development is undertaken in order to stimulate continued economic growth, the State should determine if the expected growth is compatible with goals for the State and metropolitan area.

These recommendations were approved by the Task Force with one dissent at a meeting on August 24, 1993, and are transmitted on their behalf. Representative Wagenius has prepared her own comments which are attached as Appendix 1.

Sincerely yours,


Richard P. Braun
Chair

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SECTION 1

MEMBERSHIP, CHARGE TO TASK FORCE, AND PRELIMINARY ASSESSMENT

A. MEMBERSHIP

On April 30, 1993, Governor Carlson announced the formation of a Task Force to review various aspects of the Dual Track Airport Planning Process being conducted by the Metropolitan Airports Commission and the Metropolitan Council. This action was based on an evaluation of the planning process carried out by the Office of the Legislative Auditor in which questions were raised about elements of the work that led up to the establishment of the Dual Track Process. While recognizing that the agencies were dealing with issues raised by the Legislative Auditor's report, Governor Carlson felt that the process itself should be reviewed to ensure that "... in the short term ... the dollars supporting this process are being spent in the most cost effective way..." and that "... in the broader sense ... the dual track process is structured to deliver meaningful data as soon as possible about our region's future airport needs."

The Task Force was Chaired by Richard Braun, Director of the Center for Transportation Studies at the University of Minnesota. Other members of the Task Force were:

Peter Gillette, Commissioner-Minnesota Department of Trade and Economic Development

Teresa Lynch, Minnesota House of Representatives

Connie Morrison, Minnesota House of Representatives

Dottie Rietow, Chair-Metropolitan Council

Martha Robertson, Minnesota Senate

Hugh Schilling, Chair-Metropolitan Airports Commission

Jean Wagenius, Minnesota House of Representatives

B. CHARGES TO TASK FORCE

The charges to the Task Force by the Governor were very specific and covered three areas:

1. Do current projections of future airport traffic properly incorporate the effects of changes in the airline industry, including changes at Northwest Airlines?
2. Is it feasible to shorten the dual track planning process so that a final report and recommendations can be made to the Minnesota Legislature by January 1, 1994 or January 1, 1995 instead of the current deadline of July, 1996?
3. Can a technically sound report be prepared if the Task Force decides to shorten the time frame with a new deadline for completion?

Each of these issues was to be discussed and considered by the Task Force with a response provided in each area.

C. PRELIMINARY ASSESSMENT

The Task Force was charged with providing a preliminary assessment of the Dual Track Airport Planning Process to the Governor by July 1, 1993. This assessment was approved by the Task Force on June 30, 1993, and transmitted by memo from Richard Braun to Governor Carlson. It identified the following initial conclusions regarding the charges to the Task Force:

Future Airport Traffic Projections

1. The Metropolitan Airports Commission (MAC) is developing a new set of airport forecasts, utilizing the best currently available information, to be completed in early July, 1993.
2. Four expert panels convened by the MAC and Metropolitan Council in late 1992 and early 1993 provided opportunities for early input from interested parties into the forecasting process, including Northwest Airlines.
3. The uncertainty inherent in long term forecasts is compounded by the changing conditions of the airline industry and NWA in particular.
4. The MAC has developed a complex and competent forecasting process which takes into account a wide variety of aviation and socioeconomic assumptions, as well as changes in the global economy.

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5. The new projections take into consideration changes in the airline industry and include different alternative scenarios for various critical factors such as profitability and level of connecting activity (hubbing ratio).
 6. Northwest Airlines is rethinking some of the assumptions used by MAC, which were based on previous NWA information, and intends to generate additional comments.

Dual Track Airport Planning Process Timetable

1. A customized environmental timetable for the Dual Track Airport Planning Process was designed by the Environmental Quality Board, the MAC, and the Metropolitan Council, to streamline environmental review throughout the process. The environmental review process defined for dual track planning activities virtually controls the length of the overall process. A broadly based environmental review process includes addressing issues such as safety requirements, economic impacts, etc. Any shortening of the process would require major changes in environmental review activities.
2. As of July 1, 1993, the Task Force has not reached any final conclusions regarding the consequences of shortening the dual track airport planning process timeframe from its current deadline of July, 1996 to January, 1995, but is certain the process cannot be completed by January, 1994.

The Preliminary Assessment also included a General Observation as follows:

The Dual Track Task Force is developing a list of issues that must be considered in a future analysis. This list will include concerns expressed through public testimony, letters submitted to the Task Force, and expressions by the members themselves.

Following the Preliminary Assessment, the Task Force continued to discuss the three charges from the Governor in order to come to a more complete set of Findings and Recommendations.

SECTION 2

SUMMARY OF MEETINGS

The Governor's Task Force on the Dual Track Airport Planning Process met on 10 occasions during the period from May 26 to August 24, 1993 in order to consider the three questions it was charged to review. A summary listing of the meetings, the subjects discussed at each meeting, and those materials made available for review and information by Task Force members at each meeting are included in this section of the report.

Meeting #1 - Wednesday, May 26, 1993

Agenda Items

Organizational Matters

- a) Introduction/Background of Members
- b) Governor's Charge to Task Force
- c) Preliminary Discussion of Public Input Process

Overview of Existing Legislation

History of Major Airport Planning in Twin Cities Area

Current Schedule for Completion of Dual Track Planning Process

Discussion of July 1 Preliminary Assessment

Materials

Historical Perspective on Major Airport Options in the Twin Cities Region - 1920 - 1989

Airport Capacity

Dual Track Planning Process Schedule for 1989 - 1996

Summary Report - Long-Term Comprehensive Plan, 1991

Dual Track Airport Planning Process, 1992

New Airport Site Selection Study, 1993

Environmental Review Procedures, 1993

Meeting #2 - June 1, 1993

Agenda Items

Review of Aviation Activity Forecast Development

Discussion of Forecast Input Assumptions and Scenarios

Discussion of Airport Capacity

Materials

Dual Track Forecast Process - Proposed Forecast Methodology, Assumptions and Scenarios

Aviation Activity Forecasts

Meeting #3 - June 11, 1993

Agenda Items

- List of Concerns
- Discussion of Airport Capacity
- Preliminary Discussion of Factors Governing Process Timetable

Materials

- Minnesota Department of Trade and Economic Development Economic Blueprint, 1992
- "A Better Way to Plan Airports" - Urban Land, March, 1993
- "New Airport Option Cries Out for a Reality Check" - St. Paul Pioneer Press, May, 1993
- "Monument" - Forbes, April, 1993

Meeting #4 - June 15, 1993

Agenda Items

- List of Concerns
- Presentation by Northwest Airlines - Kathleen Gaylord, Senior Corporate Counsel
- Presentation by Minnesota Environmental Quality Board - Gregg Downing , Environmental Review Coordinator

Meeting #5 - June 22, 1993

Agenda Items

- Public Testimony

Meeting #6 - June 30, 1993

Agenda Items

- Discussion - Contingency Planning Process
- Review of Future Work
- Discussion of Draft Report
- Summary of Public Comment and Input
- Discussion of Preliminary Assessment

Materials

- Preliminary Assessment
- Report to the Legislature - Annual Contingency Assessment - Major Airport Strategy, 1992

Meeting #7 - July 15, 1993

Agenda Items

Aviation Activity Forecast Update
Impact of 1995 Completion Date
National Airline Commission Update
Discussion of Final Report - Deferred to July 23, 1993 meeting

Materials

Forecast Update
Memo - Implications of January, 1995 Completion for Dual Track Airport Planning Process
Schedule for 1989 - 1996
Dual Track Airport Planning Process Schedule
Draft Final Report

Meeting #8 - July 23, 1993

Agenda

Discussion of Final Report

Materials

Draft Final Report

Meeting #9 - August 13, 1993

Agenda

Discussion of Final Report

Materials

Draft Final Report
"New Airport Site Selection Study" - May, 1993
"Summary Report - Long Term Comprehensive Plan" - December, 1991
"The Detroit Metro & Willow Run Flyer" - June, 1993

Meeting #10 - August 24, 1993

Agenda

Discussion of Final Report

Materials

Draft Final Report

SECTION 3

SUMMARY OF PUBLIC COMMENT

A key element in the discussions held by the Task Force was the input provided by the public. In order to facilitate this input, one complete meeting of the Task Force was devoted to providing the opportunity for all persons interested in the issues before the Task Force to provide their views and suggestions regarding potential recommendations. A number of statements were made by both individuals and representatives of organizations who have been involved in the process or who have followed its progress over the past few years. A summary of the comments provided at the meeting follows.

Spencer Schram, Bloomington Chamber of Commerce

Initially, the Bloomington Chamber of Commerce supported the dual track process. However, they are reconsidering based on changes within the airline industry and the impact technology has on today's business communications.

How do you develop reasonable forecasts with the rapidly changing state of the airline industry?

Will the final report define inadequacies of the current airport facility?

How will major improvements to the existing ground transportation system be funded?

Significant financial impact outweighs benefits of a new facility.

Should consider shortening the process.

In favor of extending Runway 4/22.

Senator Steve Murphy

Expressed opposition to the process.

Questioned appointment of the Task Force by the Governor.

Referred to issues addressed within the Legislative Auditor's report.

Current site is adequate; cost of relocating airport is too great.

Jan Del Calzo, on behalf of Mayor Fraser

Supported continuation of process.

Process must proceed based on equitable forecasts for each option and should not be "flawed."

Adequate airport facilities are critical.

Endorsed current timetable for process.

Steve Cramer, Minneapolis City Council

Supported continuation of process.

Referenced Legislative Auditor's report which did not endorse termination of the dual track process.

Capacity and economic development are the critical issues which must be addressed within this process.

Noise is not the deciding issue.

John Labosky, Minneapolis Downtown Council

Supported continuation of process.

Process is critical in defining and addressing Minnesota's economic issues.

Minnesota's role in the global marketplace must be considered and mandates the development of a state economic blueprint.

Larry Lee, Bloomington City Council

Supported termination of process.

Cost of the study has become disproportionate to any potential benefits.

The Metropolitan Council and Metropolitan Airports Commission have concluded that it is not feasible to shorten the dual track process by one year to January, 1995.

Businesses are deferring investment decisions pending a dual track decision.

Financial situation of Northwest Airlines and other commercial carriers indicate projections of future airport traffic should be revised downward.

The additional \$3 million to complete the dual track studies and considerable resources by local and regional governments to participate in the process could be used for other purposes if the study were suspended.

Wendy Wustenberg, SOAR

Supported termination of the relocation track of the process.

Submitted petition to halt the process signed by 3000 residents indicating their lack of confidence in the process.

Believes the process has not adequately considered Northwest Airlines; further, that the process to determine airport adequacy is flawed.

Advised that the Task Force consider three actions:

- 1) Consider testimony presented by Northwest Airlines at the June 15 Task Force meeting.
- 2) Condense the current study by eliminating the study of a new airport location - decision is too far off.
- 3) Discontinuation of the study of a new airport could reduce the current timeline; otherwise, continue process to insure quality economic and environmental analysis.

Mike Ryan, KDWA Radio - Hastings

Supported termination of process.

Believed the process is being politically driven and felt a conflict of interest exists among Task Force members.

John Bergford, Greater Minneapolis Chamber of Commerce

Supported continuation of process.

Feasibility of a condensed process should be based on whether the amended process would yield a quality report.

It is crucial that the issues of regional and community impacts be carefully examined with respect to the short and long-term economic growth and development patterns.

Will a new airport shift the economic center of gravity? Will the new airport require expansion of regional services? Will this result in significant overall unused capacity?

Believed the process could be shortened only if the regional and economic impact studies can be moved ahead and carried out in a quality manner so as to be useful in determining how the airport issue fits into an overall economic strategy for the entire region.

Gladys Brooks, Hennepin County, Minneapolis Office of World Trade

Supported continuation of process.

Stressed the need to make the Metropolitan Area an international area.

Development of MSP needs to continue and 24-hour airport operation is essential.

Statistics generated by the Office of World Trade should be considered as part of the dual track process.

Direct flight connections are critical to the enhancement of employment and local competition.

Commissioner Joe Harris, Dakota County Board of Commissioners

Supported termination of process.

Believed the Legislative Auditor's report raised questions and credibility of the process.

Need economic impact studies.

Mike Larson, SMAAC

Supported continuation of process.

Believed there is a need for a study focusing on the impact on MSP and the surrounding communities.

He asked that the following issues be addressed if MSP is expanded:

- 1) Will neighborhoods continue to be destabilized?
- 2) Will there be an increase in residential flight from the surrounding communities?
- 3) Will expansion of the present airport condemn residents financially unable to move to a future of increasing and constant noise pollution?
- 4) What will be the financial impact on property taxes and, therefore, on schools and public services?

Representative Morrison asked that future studies also consider these questions relative to the new airport site location.

John Brandl, Citizens League

Supported continuation of process.

It is imperative that this issue be studied on a long-term basis in which airport capacity and economic impact must be fully addressed and considered.

Expenditure of funds now is necessary to ensure a comprehensive study.

The airport planning process should assist in implementing an economic development strategy for the State of Minnesota as set forth by the Minnesota Department of Trade and Economic Development.

John Richter

Supported continuation of process.

Referred to other airports in which the air carriers did not support new airport facilities stating service continued to be provided at the new facilities.

Believed noise is a valid concern in the airport debate and stressed the need to minimize environmental impact during this process.

Sketches for the new airport are using the wrong runway layout.

Mayor Werner/Paul Hicks, City of Hastings

Supported termination of process.

It is imperative that the statistics projecting airline growth be fully reviewed and considered.

Advised that Northwest Airlines' June 15 testimony be strongly considered.

Recommended that legislation be introduced in the 1994 session to stop the dual track airport planning process and focus all efforts on expansion at MSP.

Opposed to landbanking.

Gloria Pinke, State Advisory Council - Airport Planning

Supported termination of process.

Believe landbanking will severely impact area on economic and social basis.

A technically sound report cannot be developed if the process is shortened.

Strongly opposed landbanking.

George Betzold

Letter in opposition to the dual track process was read into the record.

Tom Nesbitt

Supported termination of process.

Need to consider financial implications and economic impact of relocating military operations.

Supported focus on the development of MSP and strongly opposed landbanking.

No one has justified the need.

John Houston, FlyteLine Services

Supported acceleration of process.

Need to consider costs to tenants

Major decisions at Airlake Airport have also been deferred pending a decision on the dual track process.

Expand the existing site.

Should decide if new airport is needed prior to site selection.

A meeting of the Task Force was held to receive input from Northwest Airlines and the Minnesota Environmental Quality Board regarding the planning process. A summary of the comments received at this meeting follows:

**Kathleen Gaylord, Senior Corporate Counsel
Northwest Airlines**

"An Airline Perspective on Airport Planning"

The future of airport infrastructure and capacity enhancements is tied to the future of airlines and airport planning and forecasts must respond to the fundamental changes.

The 1990's will be a decade of regaining equilibrium. Currently, capacity to carry passengers within the United States far outstrips demand and it will take a few more years to restore the balance. The airline industry will be unlikely to embrace "greenfield projects and grand expansions" that will add capacity we simply do not need and cannot afford.

Major problems facing the U.S. airline industry result from problems over a 15-year period since deregulation and they must be addressed by the airlines themselves.

Staggering losses of recent years is attributed to the determination of airlines to follow a risky strategy to grow themselves unilaterally into complete networks, available to all domestic travellers and as many international travellers as possible. The imperative to build these networks has been so strong that airlines have pursued it despite economic conditions and the stubborn parallel determination of competitors.

Between 1980 and 1991 capacity exploded in which airlines borrowed heavily to finance new equipment purchases and committed to aircraft orders in 1990 and beyond worth hundreds of billions of dollars. This was based on the premise that the white-hot pace of industry expansion would continue.

Similar growth assumptions were factored into many of the airport planning forecasts as well. Is this the direction we will continue to follow? The tremendous growth of the 80's was neither economic or sustainable. The remaining capacity was filled by discounting to leisure travellers at fares that could not cover the airlines' fully allocated cost of capital.

The bubble burst with the recession, its attendant corporate restructuring and the very sluggish rebound which produced low levels of business activity and even lower levels of consumer confidence.

The Gulf War raised fuel prices and scared off international travelers. In addition, major recessions occurred in Australia, Japan and Europe.

The unprecedented series of economic body-blows to the airline industry in 1989, 1990 and 1991 quickly made clear the price of over-expansion resulting in disappearing airline profits as well as the disappearance of several airlines.

The industry retains excess capacity. In 1992 the economic crisis touched every airline.

Northwest has slashed its budget, reduced its workforce and continues discussions on a concessions package and debt restructuring. In order to survive in the new environment, every airline has made fundamental changes. Those changes will impact airport development.

Today most of the industry recognizes there is no profitable way to expand in the near term to universal scope which is a fundamental change in the structure of the industry, its direction and its needs for the future.

For the near and intermediate term, the domestic industry will have to live with less-than-universal scope, decide what expansions are absolutely necessary, and devise innovative solutions to achieve them.

Simple expansion through new hubs and attempts to displace others has turned out to be unprofitable. Building new airports, more and more internal growth, adding new planes and new fleets - these past strategies are changing.

Airlines are pulling back on the reigns to increasing domestic expansion and growth and urge forecasters and airport planners to take note of this trend. Focus must be made on the limited resources available to pay for major airport improvements. It's time to recognize that airlines cannot pay any more and continue to function.

The years ahead will see U.S. airlines recognizing that continuing overcapacity in the domestic industry demands a lowering of growth expectations. The 90's will be a decade of regaining equilibrium and making do with what we've got.

The domestic industry will be willing and eager to support airport improvements that maximize safety, utility and efficiency of existing airport and airways resources. This industry will be far less likely to embrace greenfield projects and grand expansions that will add capacity we simply don't need and can't afford in the foreseeable future.

The Metropolitan Airports Commission has done an excellent job of maintaining and improving the current airport. Airlines have no significant capacity problems with the current airport.

MSP, like any other major airport, is constantly being improved. Needed improvements would include improved facilities for international arrivals, more efficient security locations, and the extension of the crosswind runway. No airline is pushing for a new runway or a new terminal building at MSP.

The base forecast, particularly the regional forecast, may still be too aggressive. The airline industry is in a period of fundamental change.

The regression analysis used in the base forecast utilizes data from 1979 - 1990 - the period during which airline capacity exploded. Airlines have already significantly pulled back on orders and options for new aircraft in response to changing the growth strategies of the past decade. In addition, the correlation between employment growth and air travel demand in the 1980's, also, may not adequately predict the future. Business travel demand in the 1990's has been dampened by cost containment efforts, worldwide recession and new communication technologies, among other factors.

Airlines add air service where there is sufficient demand to justify the investment. New or expanded airport facilities, alone, will not result in additional air service.

**Gregg Downing, Environmental Review Coordinator
Environmental Quality Board**

**"Concerning Issues of the State Environmental Review Process Relating
to the Dual Track Airport Planning Process"**

Policy: No action is allowable which would cause "pollution, impairment, or destruction" of state "natural resources" unless there is no feasible and prudent alternative that is consistent with the reasonable requirements of public health, safety, and welfare and the state's paramount concern for the protection of its "natural resources." Economic considerations alone shall not justify the action.

Applicability to Dual Track Process:

- Since a major new airport or major expansion of the existing airport is likely to cause a material adverse effect on natural resources, the action would not be consistent with this basic state environmental policy unless there is no alternative that satisfies the "feasible and prudent" criteria. To be legally defensible, the decision to build a new airport or expand the existing airport must be supported by adequate documentation that the option selected is at least as "feasible and prudent" as other alternatives that could have been chosen.
- The legally accepted way to build such a record is to prepare an Environmental Impact Statement (EIS) pursuant to 116D.04 and the administrative rules promulgated by EQB pursuant to that statutory authority.
- The Dual Track statutory authorization contains no language suggesting that the Dual Track process is not subject to MEPA and MERA requirements.
- An EIS includes **economic, employment and sociological effects** of the action as well as environmental factors.
- The EIS must **precede decisions** since it is intended to aid in the decisions.
- The EIS requires extensive public involvement to assure that the technical analyses are comprehensive and accurate. It also promotes public acceptance of the results.
- The EIS contains the following three basic phases, each of which has an inherent public review component:
 - 1) Scoping - determining what to study
 - 2) Draft EIS
 - 3) Final EIS

MAC Approved Alternative Environmental Review Process

- EQB authorized by 116D.04, subd. 5a(g) to approve acceptable alternatives to standard EIS process. Alternative Environmental Review Process approved by EQB in March, 1992.
- Process is a **customized, four-stage sequence of EIS-equivalent studies** covering new site selection, new site layout selection, MSP expansion layout selection, and the ultimate choice among the new site, expansion, or any other alternative.
- Alternative process includes scoping, draft and final documents, and levels of public involvement and a timetable similar to normal EIS process.

- **EQB Involvement**

- 1) Approval of Alternative Environmental Review Process (March 1992)
 - 2) Will make determination of adequacy of EIS at end of fourth stage
 - 3) MAC to make presentation to EQB prior to scoping and determining adequacy of AED's and EIS - Board may recommend changes
- The approved environmental review process has four stages because the Dual Track decision-making process (from here on) has four remaining major decision-making points:
 - 1) Selection of the potential new site
 - 2) Selection of the layout for the new site
 - 3) Selection of the layout for the expansion of the existing airport
 - 4) The ultimate choice between the new site, the expansion or some other option
 - At each decision point, an irreversible choice between alternatives is made. To stand legal scrutiny later, each decision must be defensible against the "feasible and prudent" criteria.

Federal NEPA Environmental Impact Statement Requirements

- To satisfy federal requirements for a new or expanded airport, Federal Aviation Administration will need to prepare a federal EIS.
- The federal EIS will be officially begun only after the state decides to build a new or expanded airport. The FAA's EIS will incorporate information from all five stages of the state process.
- The issues that must be examined and the information that must be obtained are essentially the same for the federal and state processes.
- If the state should decide to take any shortcuts in its review, most likely the same information would need to be gathered for the FAA EIS.

SECTION 4

DUAL TRACK AIRPORT PLANNING PROCESS

The Task Force has been charged with addressing specific issues related to the Dual Track Airport Planning Process. In order to address these charges, it is necessary to develop a complete understanding of the airport planning process as laid out by the Minnesota Legislature. This section of the report is intended to provide the background necessary to understand the process.

In 1989 the Minnesota Legislature passed the Metropolitan Airport Planning Act. This legislation was intended to allow a decision to be made regarding future aviation investments in the Twin Cities. The legislation required the Metropolitan Airports Commission and the Metropolitan Council to initiate a multi-year planning process to review future aviation needs 30 years in the future and evaluate alternative ways to provide the facilities required to meet the expected demand. One approach to meeting these needs is to develop Minneapolis-St. Paul International Airport, while the other alternative is to develop a replacement airport to accommodate the same level of forecast aviation activity. The two primary alternatives to be evaluated under the terms of the legislation have led to the planning process being termed the Dual Track Airport Planning Process.

The two agencies are to complete a long and complex planning process designed to thoroughly evaluate the implications of each alternative, and to make a recommendation for future action to the Legislature. This recommendation is to be made, under the existing legislation, by July, 1996. The Legislature will then make the final decision regarding the future of aviation investments in the Twin Cities area.

In order to provide a forum at the state level for education, discussion and advice to the Legislature on those reports prepared for the Legislature by both the MAC and the Metropolitan Council, a State Advisory Council on Metropolitan Airport Planning was created. Membership on the State Advisory Council includes members of the Legislature, Commissioners of certain state agencies, representatives of the MAC and Metropolitan Council, representatives of the aviation industry and public members. Non-voting members include an FAA representative and a member selected by the Minnesota congressional delegation. The Council is co-chaired by a senator and a representative.

The planning process was designed to follow two separate paths during the early phases, with the paths coming together in the latter stages of the process in order to compare the pros and cons of the two approaches. The initial requirements of the legislation were for the two agencies to develop and execute an Interagency Agreement (by July 1, 1989) establishing the process and agency responsibilities for comprehensive and coordinated planning for major airport development. The second joint task was to prepare a Scope of Work Report (September 1, 1989) that would describe the general schedule and scope of work and topics to be addressed in the planning and study tasks.

Having completed these two initial joint tasks, the two agencies were then assigned specific responsibilities for segments of the analysis of the two options. The MAC was assigned the responsibility of evaluating the development potential of Minneapolis-St. Paul International Airport. This analysis was completed in the form of a Long Term Comprehensive Plan for Minneapolis-St. Paul International Airport. The plan was to describe aviation demand and air transportation needs, airport capacity limits and potential, facility requirements, a plan for physical development including financial estimates and a tentative development schedule, airport operational characteristics, compatibility with metropolitan and local physical systems, environmental effects, safety, and the effect on neighboring communities. The plan is to be for a 20 year period and is to address, in concept, needs for an additional 10 years. Completion date was January 1, 1992. The plan is to be updated prior to the recommendation to the Legislature.

The new airport side of the process is a joint responsibility of the MAC and the Metropolitan Council. Two initial steps were required of the Metropolitan Council: 1) a report was to be prepared on methods and legislative actions needed to protect a new airport search area from conflicting development, to protect and control development on land at and around a new airport site, and to inhibit land speculation and to reduce incentives for land speculation in the airport and all surrounding areas (February 1, 1990), and 2) a report was to be prepared on the general availability of land for an airport in and around the Twin Cities Metropolitan Area (December 1, 1990). The Metropolitan Council was also responsible for designating a search area for a potential replacement major airport (January 1, 1992). Concurrently with this work, the MAC was to prepare a New Airport Conceptual Design to be used by the Metropolitan Council in the search area selection process. The MAC was to complete a study of facility requirements, airport functioning and conceptual design (March 1, 1990). A conceptual design plan was then to be prepared based on this work (January 1, 1991). Once the Metropolitan Council had selected the search area, the MAC was then to select a specific site for an airport within the search area, prepare a Long Term Comprehensive Plan for an airport on the selected site, and prepare and submit for administrative review environmental documents needed for site acquisition.

While this work was being completed, the Metropolitan Council was responsible for completion of an analysis of policies for the reuse of MSP should a new airport be developed (January 1, 1993).

After the MAC has completed its work regarding the site for a potential new airport, the MAC and Metropolitan Council are to make a recommendation to the Legislature regarding either the acquisition and development of a new major airport or the modifications necessary at the existing airport to meet projected aircraft operations. The report is to address the effect of a new airport on the local, regional and state economies. The report must contain the recommendations of the agencies on financial planning and financing airport development. In addition, the report is to outline a method of capturing for public uses a portion of the revenue from development around the airport (July, 1996).

In addition to the specific tasks associated with the two options for airport development, the agencies were charged with providing annual reports to the Legislature. An annual contingency report is to be prepared by the Metropolitan Council in consultation with the Metropolitan Airports Commission. This document is to include an evaluation of trends in the aviation industry which may affect either the scope or timing of the dual track process and serves as a cornerstone of the overall process (February 15). Each agency is also required to submit to the Legislature an annual report on the results of the planning studies, the costs of these studies, and sources of revenue (February 15). These reports are submitted to appropriate legislative committees.

A flow chart (Figure 1) showing the major work elements in this process and a complete listing of the major elements of the Metropolitan Airport Planning Act (Table 1) are attached.

Dual Track Committees

During the planning process, a number of groups have been established to provide input and information to the Metropolitan Airports Commission and Metropolitan Council. A listing of these groups, the periods during which they met and their responsibilities follows.

Search Area Task Force (10/89 - 9/91)

The Search Area Task Force was formed by the Metropolitan Council to oversee the process of selecting a search area for a replacement major airport and to make a recommendation to the Council regarding this matter. The Task Force had broad representation and met monthly during its work. This group has completed its work.

Members

Richard Beens (Co-Chair)
Josephine Nunn (Co-Chair)
Liz Anderson, Metropolitan Council
Keith Boleen, Mankato Area
Vernon Boettcher, Anoka County (Anoka-Isanti-Chisago Candidate Search Area)
Beverly Boyd, Citizen
Wayne Burggraaff, Business Community
Steve Cramer, Local Govt. Official
Jan Del Calzo, Metropolitan Airports Commission

Marilyn Deneen, League of Women Voters
James Dommel, Business Community
Steve Empey, Dakota-Scott Candidate Search Area
Ted Furber, Business Community
Kathleen Gaylord, Airline Industry
Benjamin Griggs, Citizen
Edward Gutzmann, Business Community
Chilton Hagan, Isanti County (Anoka-Isanti-Chisago Candidate Search Area)
Larry Hamre, Scott County (Dakota-Scott Candidate Search Area)
William T. Harper, Sr. (Convention/Hospitality Industry)
Joseph Harris, Dakota County (Dakota Candidate Search Area)
Beverly Hauschild, Minnesota Society of Architects
James Hearon, III, Financial and Business Community
Phyllis Hiller, Citizen
Gene Hollenstein, Environmental Groups
James Jensen, Business Community
Mark Karnowski, Chisago County (Anoka-Isanti-Chisago Candidate Search Area)
John Labosky, Business Community
David Lawrence, Rochester Area
Kay Louis, Citizen
Tom Morin, Business Community
E. Craig Morris, Metropolitan Council
Roberta Opheim, Local Govt. Official
John Pidgeon, Local Govt. Official
Gloria Pinke, Dakota County (Dakota Candidate Search Area)
Mike Podawiltz, St. Cloud Area
Larry Sawyer, Business Community
Hugh Schilling, Metropolitan Airports Commission
John Tschida, International Business
Ray Waldron, Labor
Marcy Waritz, Citizen
Robert Worthington, Real Estate Development Community

MSP Airport Planning Task Force (2/91 - 8/91)

This group was formed by the MAC to provide a sounding board for work related to development of a Long Term Comprehensive Plan for MSP. It is a broadly based group composed of local, state, and metropolitan officials, representatives of the aviation industry and the business community. This group has completed its work.

Members

Commissioner Tim Lovaasen, Metropolitan Airports Commission (Chair)
Daniel A. Aberg, Executive Director - Northern Dakota County Chambers of Commerce
Richard Beens, Co-Chair - Contingency Planning Committee
George Benz, Minnesota Chamber of Commerce
John Bergford, Vice President-Public Affairs - Greater Minneapolis Chamber of Commerce

Scott Bunin, Chair - Metropolitan Aircraft Sound Abatement Council
John Tocho, Senior Planner, Dakota County
James D. Donoho, Minnesota District Air Manager - UPS
Phil Eckhert, Director of Planning - Hennepin County
Joe Finley, Transportation Advisory Board
Kathleen Gaylord, Senior Corporate Counsel - Northwest Airlines
Donald L. Groen, President - Bloomington Chamber of Commerce
Ed Gutzmann, St. Paul Chamber of Commerce
Tom Harren, Assistant Commissioner - State Planning Agency
Rick Hemmingsen, President - Burnsville Chamber of Commerce
John Kenealey, Executive Secretary - Richfield Chamber of Commerce
Charlie Kennedy, Noise Program Coordinator - Minnesota Pollution Control Agency
Jim Senden, Metropolitan Councilmember
Tom Rheineck, Senior Manager - Federal Express
John Riley, Commissioner - Minnesota Department of Transportation
David Swanburg, Air Force Reserves
R. James Thorne, Vice President, Properties - Northwest Airlines
Susan Von Mosch, Policy Analyst Division - Ramsey County
Major Lew Wolf, Minnesota Air National Guard

MSP Interactive Planning Group (3/91 - 7/91)

The Interactive Planning Group formed by MAC consisted of elected officials from communities adjacent to MSP including Minneapolis, St. Paul, Richfield, Bloomington, Eagan, Burnsville, and Mendota Heights. Its purpose was to help determine off-site impacts and potential mitigation measures for each MSP airport development proposal. This group has completed its work.

Members

Walter Rockenstein II, Chair
Neil W. Peterson, Mayor of Bloomington
Robert Long, St. Paul City Councilmember
Charles Mertensotto, Mayor of Mendota Heights
Daniel McElroy, Mayor of Burnsville
Steve Cramer, Minneapolis City Councilmember
Thomas Egan, Mayor of Eagan
Martin Kirsch, Mayor of Richfield

New Airport Site Selection Technical Advisory Committee (4/92 - Ongoing)

This Committee was formed by the MAC and consists of staff level representatives of those communities in, and adjacent to, the search area and agencies with an interest in the project or with review responsibilities in either the planning or environmental process. The Committee provides technical review and guidance during the site selection process. Meetings are held monthly.

Members

Nigel Finney, Deputy Executive Director-Planning and Environment, Metropolitan Airports Commission (Chair)
Duane Hebert, City of Inver Grove Heights
Jon Hohenstein, City of Eagan
Bruce G. Aslesen, City of Vermillion
Claudia Brumbaugh, FAA - ATCT
Tom Hansen, City of Burnsville
Gregg Downing, Environmental Review Coordinator - Environmental Quality Board
Paul Burke, U.S. Fish & Wildlife Service
Dennis Welsch, City of Apple Valley
Douglas Wise, Minnesota Dept. of Agriculture
John Tocho, Senior Planner - Dakota County
Dave Osberg, City Administrator - Hastings
David Swanburg, U.S. Air Force Reserve
Robert Huber, FAA Airports District Office
Lawrence McCabe, Mesaba Airlines
Kathryn Kramer, Minnesota Pollution Control Agency
Charles Swanson, Administrator - Washington County
Kathleen Gaylord, Senior Corporate Counsel - Northwest Airlines
Richard Theisen, Office of Aeronautics - Minnesota Dept. of Transportation
Tom Peterson, FAA MSP Air Traffic Control Tower
David Tincher, Airline Pilots Association
Clinton Hewitt, University of Minnesota
Franklin D. Benson, FAA Airports District Office
Rebecca Wooden, Minnesota Dept. of Natural Resources
Stephan Jilk, City Administrator - Rosemount
Karen Mogen, Mayor of Coates
Tom Majeski, Vermillion Township
Colonel Larry Burda, Minnesota Air National Guard
James Taylor, Aircraft Owners and Pilots Association
Ted Rockwell, US EPA
Lou Kowalski, US Army Corps of Engineers
Henry Tressel, Ravenna Township
Eugene Dohman, Hampton Township
Henry Pelne, Jr., Douglas Township
Richard Childs, Castle Rock Township
Eugene Rotty, Vermillion Township
Jeff Connell, Eureka Township
Commissioner Lowell Peterson, Goodhue County
Tony Foster, Minnesota Business Aircraft Association
Bruce Wagoner, FAA-MSP Air Traffic Control Tower
Chris Galler, City of Farmington
Robert Erickson, City Administrator - Lakeville
James Donoho, Minnesota District Air Manager, UPS
Dennis Gimmestad, State Historic Preservation Office

Jack Huber, FAA EnRoute Air Traffic Control Center
Jim Fitzpatrick, Marshan Township
Robert Acker, Aircraft Owners & Pilots Association
Connie Kozlak, Metropolitan Council

New Airport Site Selection Task Force (10/92 - Ongoing)

The Task Force was formed by the MAC, and is responsible for providing policy guidance to the MAC during the activities related to the selection of an airport site within the Dakota Search Area. The Committee membership is broadly based and includes representatives of the business community, local government, aviation industry, and citizen members. In carrying out its activities, it will review work completed by the Technical Committee. The Committee meets monthly.

Members

Commissioner Tommy Merickel, Metropolitan Airports Commission (Chair)
Commissioner Alton J. Gasper, Metropolitan Airports Commission (Vice-Chair)
Richard Beens, Co-Chair, Contingency Planning Committee
John F. Bergford, Jr., Minneapolis Chamber of Commerce
Scott Bunin, Metropolitan Aircraft Sound Abatement Council
Colonel Larry Burda, Minnesota Air National Guard
Joseph M. Finley, Transportation Advisory Board
Kathleen Gaylord, Senior Corporate Counsel, Northwest Airlines
Edward G. Gutzmann, MSP Re-Use Task Force
Commissioner Joe Harris, Dakota County
Lawrence McCabe, Mesaba Airlines
E. Craig Morris, Metropolitan Councilmember
Kevin Mulloy, Metropolitan Council - Minority Advisory Issues Council
Thomas Novak, Citizen, Dakota County
Gloria Pinke, Citizen, Dakota County
Tom Rheineck, Federal Express
Ray Rought, Office of Aeronautics, Minnesota Dept. of Transportation
Richard Theisen, Office of Aeronautics, Minnesota Dept. of Transportation
Ray Waldron, Minnesota Building and Construction Trades Council
John D. Williams, Minnesota Building and Construction Trades Council
Wendy Wiberg Wustenberg, Citizen, Dakota County

Contingency Planning Committee (9/89 - Ongoing)

The Contingency Planning Committee was formed by the Metropolitan Council at the beginning of the Dual Track Airport Planning Process. The Committee is responsible for preparation of the Annual Contingency Assessment required by the Metropolitan Airport Planning Act. The function of the Committee is to provide an annual assessment of the major factors that affect the scope and timing of the dual track process, to assess the need to update baseline forecasts, and to evaluate data relevant to understanding changes in the air transportation system. Membership of the Committee is broadly based, including

agency members, industry members, citizen members, and local government members. The Committee has recently been reconstituted. The Committee meets monthly.

Current Membership

Sally Evert (Chair), Citizen
Wayne Burggraaff, Business Community
Steve Cramer, Local Govt. Official
Marilyn Deneen, Citizen
Kathleen Gaylord, Aviation Industry
Benjamin Griggs, Citizen
Kevin Howe, Metropolitan Council
Nick Mancini, Metropolitan Airports Commission
Thomas Merickel, Metropolitan Airports Commission
Larry Lee, Local Govt. Official
Hugh Schilling, Metropolitan Airports Commission
Sondra Simonson, Metropolitan Council
Mary Smith, Metropolitan Council
Joy Robb, Citizen
John Tocho, Local Govt. Official

Original Membership

Jo Nunn (Chair), Citizen
Richard Beens (Vice Chair), Citizen
Wayne Burggraaff, Citizen
Steve Cramer, Local Govt. Official
Marilyn Deneen, Citizen
Dirk DeVries, Metropolitan Council
Carol Flynn, Metropolitan Council
Benjamin Griggs, Aviation Industry
Thomas Holloran, Metropolitan Airports Commission
Thomas Morin, Business Community
John Pidgeon, Local Govt. Official
Margaret Schreiner, Metropolitan Council

State Advisory Council on Metropolitan Airport Planning (12/89 - Ongoing)

This group was created by the legislation that initiated the Dual Track Airport Planning Process. The Council was created to provide a forum at the state level for education, discussion and advice to the Legislature on reports prepared by the two agencies. The Council is required to provide input and advice to the Legislature with specific review responsibilities indicated in the legislation. Membership is specified in the legislation, and includes members of the House and Senate, state agencies, metro agencies, and citizens. The Council meets at the call of the Co-Chairs (a member of the House and a member of the Senate). The Council has held 25 meetings and has reviewed ongoing planning activities in St. Louis, Denver, Dallas - Fort Worth, and San Francisco.

Members

Legislators

Representative Bernie Lieder (Co-Chair)
Senator Keith Langseth (Co-Chair)
Senator Carol Flynn
Senator William Belanger
Representative Dennis Ozment
Representative Jean Wagenius

Public Members

Suzanne Sandahl
John T. Richter
Dave Danielson
Eve Webster
Al Loehr
Gloria Pinke

State Agency Heads

Commissioner James Denn, Minnesota Department of Transportation
Commissioner Linda Kohl, State Planning Agency
Commissioner Charles Williams, Minnesota Pollution Control Agency

Metro Agency Representatives

Chairman Hugh Schilling, Metropolitan Airports Commission
Chair Dottie Reitow, Metropolitan Council
Commissioner Patrick O'Neill, Metropolitan Airports Commission

Aviation Industry Representatives

Kathleen Gaylord, Northwest Airlines
Mike Wright, Delta Airlines

Nonvoting Members

Frank Benson, FAA Airports District Office
Elaine Kienitz, Congressional Delegation Appointee

State Council Staff

Amy Vennewitz, Senate Research
Deborah Dyson, House Research

MSP Re-Use Task Force (9/91 - 10/92)

This group was created by the Metropolitan Council to provide oversight and guidance for the analysis of re-use scenarios for MSP in the event that a decision were made to relocate the airport to a site within the Dakota Search Area. This group has completed its work and has forwarded its recommendations to the Metropolitan Council for further review and action.

Members

Edward Gutzmann, President (Chair)
Roberta Opheim (Vice-Chair)
Liz Anderson
Steve Chavez
Henry Fisher
Kathleen Gaylord
Tom Harms
James Jensen
John Labosky
Wilbur Maki
Desyl Peterson
J. Michael Podawiltz
Regina Reed
William Reiling
Michael Robinson
Hugh Schilling
Margaret Schreiner
Stewart Stender
Mary Vogel
Ray Waldron
Steve Wellington
John Wheeler
Robert Worthington

Adjacent City Representatives

Neil Anderson - Minneapolis
Allen Lovejoy - St. Paul
Rick Geshwiler - Bloomington
Jim Prosser - Richfield
Jill Smith - Mendota Heights
Jon Hohenstein - Eagan

FAA Capacity Task Force-MSP (7/92 - Ongoing)

The Capacity Task Force was formed by the FAA to complete a capacity analysis of Minneapolis-St. Paul International Airport. The group consists of FAA personnel, aviation industry members, and MAC. The Task Force has been meeting on an almost monthly basis.

Members

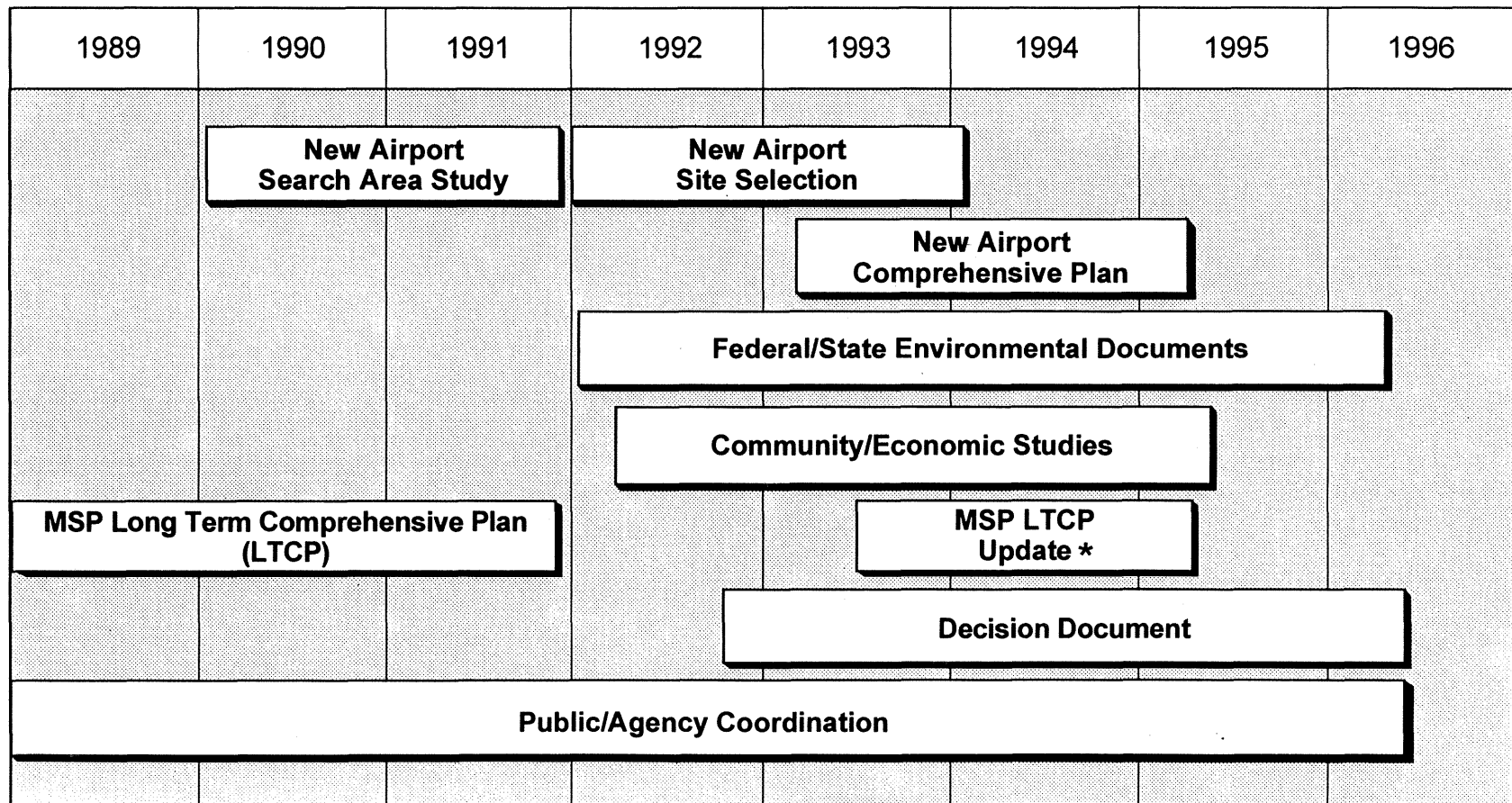
Ben DeLeon, FAA Great Lakes Region
Jerry Rojeck, FAA Great Lakes Region
Doug Powers, FAA Great Lakes Region
Jim McMahon, FAA Headquarters
Frank Soloninka, FAA Headquarters
Don Guffey, FAA Headquarters
John Vander Veer, FAA Technical Center
Darryl Stout, FAA Technical Center
Donald Sarkinen, FAA Airway Facilities Sector
Glen Orcutt, FAA Airports District Office
Frank Benson, FAA Airports District Office
Robert Huber, FAA Airports District Office
Gordon Nelson, FAA Airports District Office
Bruce Wagoner, FAA MSP Air Traffic Control Tower
Tom Petersen, FAA MSP Air Traffic Control Tower
Carl Rydeen, FAA MSP Air Traffic Control Tower
Cindy Greene, FAA MSP Air Traffic Control Tower
Bill Meyers, FAA MSP Air Traffic Control Tower
Nigel Finney, Metropolitan Airports Commission
Mark Ryan, Metropolitan Airports Commission
Raymond Rought, Minnesota Department of Transportation
Richard Theisen, Minnesota Department of Transportation
Amy Vennewitz, Senate Research
Jill Schultz, Senate Research
Deborah Dyson, House of Representatives Research
Mark Salmen, Northwest Airlines
Jay Hurley, Northwest Airlines
Debbie Johnson, Northwest Airlines
Paul McGraw, Air Transport Association of America
Phil Hogg, United Airlines
Robert Acker, Aircraft Owners and Pilots Association
Larry McCabe, Mesaba Airlines
John Kari, Metropolitan Council
Chauncey Case, Metropolitan Council

FIGURE 1

Dual Track Planning Studies



Proposed Schedule for 1989-1996



* To be based on revised forecasts (July, 1993)

TABLE 1**The 1989 Metropolitan Airport Planning Law Reports and
Planning Activities in Chronological Order**

<u>Deadline for Completion</u>	<u>Planning Activity or Report</u>
July 1, 1989	MAC-Council interagency agreement
September 1, 1989	MAC-Council scope of work report
February 1, 1990	Council amends Aviation Guide Chapter
February 1, 1990	Council report on site protection
March 1, 1990	Council report on long-range aviation goals
March 1, 1990	Council report on assumptions and methods for forecasting demand over next 30 years
March 1, 1990	MAC report on assumptions and methods for forecasts used to operate and develop current airport
March 1, 1990	MAC report on airport integration with state, national and international air transportation system
March 1, 1990	MAC report on conceptual design study for a major new airport
December 1, 1990	Council report on general availability of land in and around seven-county metropolitan area
January 1, 1991	MAC completes conceptual design plan for major new airport
January 1, 1992*	MAC adopts long term comprehensive plan for the current airport
January 1, 1992	Council designates a search area for a new airport
January 1, 1993	Council report on re-use of land at the current airport

January 1, 1996

MAC completes site selection for a new airport, comprehensive plan facility requirements, and environmental work for site acquisition

Until January 1, 1996

If constructing new runway or substantially expanded or relocated terminal, MAC must pass resolution, containing findings of facts and conclusions showing the construction is necessary and prudent

July 1, 1996

MAC-Council report making recommendations on site acquisition and on major airport development in the metropolitan area for the next 30 years

February 15, annually

Council prepares long-range assessment of air transportation trends and factors affecting major metro airport development

February 15, annually

Council and MAC each report on results of aviation planning activities, expenditures and funding sources

***Original legislation required January 1, 1991 completion date; amended date adopted during 1991 legislative session.**

SECTION 5

DISCUSSION OF CHARGES TO TASK FORCE

CHARGE #1: DO CURRENT PROJECTIONS OF AIRPORT TRAFFIC PROPERLY INCORPORATE THE EFFECTS OF CHANGES IN THE AIRLINE INDUSTRY, INCLUDING CHANGES AT NORTHWEST AIRLINES?

In 1989, as an initial part of the Dual Track Airport Planning Process, a set of aviation activity forecasts were prepared. These forecasts were to be used for evaluation of expansion needs at Minneapolis-St. Paul International Airport and to determine the scope of a potential replacement airport, currently proposed to be located in a Search Area in east-central Dakota County. The selection process that led to selection of this Search Area considered potential locations in a 14-county area.

The original forecasts were developed in 1989, based on data through 1988. Since that time, significant changes have taken place in the aviation industry in general and at Northwest Airlines (NWA) in particular. The industry has gone through the worst period of financial performance in its history, with losses over the past few years exceeding \$10 billion. A number of airlines have entered bankruptcy and ceased operation (Pan Am, Eastern) and others have filed for Chapter 11 protection (TWA, Continental, America West). The major carriers have all incurred significant losses and have entered into radical programs of deferring capital costs and reducing operating costs. All airlines have cancelled or deferred aircraft orders to the tune of billions of dollars in an effort to eliminate excess capacity from the system. Further, all airlines have taken action to ground aircraft currently in the fleet as a further indication of the excess capacity that has lead to financial problems.

In the Twin Cities, the financial condition of Northwest Airlines has, and continues to be a major concern. Since NWA is a significant portion of the ongoing activity at the airport, it is obvious that its future and plans are critical to forecasts of aviation activity. The debt incurred as part of the leveraged buyout of the company and overcapacity in the airline industry continue to plague efforts toward profitability and have led to cancellation of most outstanding aircraft orders and the need for employee concessions and debt restructuring to avoid a Chapter 11 filing. With approximately 80% of the air carrier activity, Northwest is indeed a major factor in the Twin Cities.

In addition to its overall dominance of the passenger activity, Northwest plays a significant role as a hubbing carrier in Minneapolis-St. Paul. At the present time, connecting passengers using the Twin Cities through the hub constitute approximately 51-52% of the traffic carried by NWA. Providing facilities for these passengers while providing facilities for origination and destination (O&D) passengers continues to be a challenge. Also of concern is the future of the hub. The investment in facilities necessary to allow the hub to operate would be of concern were NWA to significantly change its operation in the Twin Cities, particularly if the hub were to be downsized or eliminated. The airport currently accommodates approximately 754 average daily operations; of this total, 581 are by Northwest Airlines and 173 are by the other scheduled airlines. NWA has, however, committed to maintaining at least 30% connecting passengers at MSP as a covenant to the loan from MAC. Reduced hubbing would, however, have a critical effect on the overall planning process currently underway to evaluate airport development options.

FORECAST UPDATE PROCESS

In order to ensure that the updated forecasts were as comprehensive as possible, an extensive process was followed to develop the methodologies that would be used as well as input information. Expert Panels were used to the maximum extent possible to ensure that the full range of alternatives were considered and evaluated for applicability to the situation in the Twin Cities. Participants in the panels included representation from all aspects of the aviation community as well as those knowledgeable in socio-economic characteristics of the region and State.

Public Scoping Meeting

The process was initiated with a Public Scoping Meeting held on October 1, 1992. The purpose of this session was to provide an overview of the original forecasts, evaluate their performance to date, and provide an outline of the methodological approach to developing the revised forecasts. Major issues to be addressed during the forecast update process were also identified. Input from all interested parties in this process was encouraged, either on general issues or on specific aspects of the forecasting process.

Comments received from this session included the following:

1. A recommendation that forecast horizons be shortened, simpler models be used, and that emphasis shift from mathematical modelling to scenarios, judgement, and market segmentation.
2. A concern regarding the financial health of the airlines; this has resulted in employment cutbacks and deferral of aircraft orders.
3. The role of the airport as an economic development instrument should be considered.
4. The current system of hubbing may change over the years and should be considered.
5. The competitive framework within which Northwest Airlines must operate should be taken into account regarding connecting yields, competing hubs, schedule considerations, and market segmentation.

Expert Panels

The second step in the process was the convening of an expert panel to discuss methodological approaches to aviation forecasting. It was agreed that a consensus on the approaches that would be used to forecast the various elements of aviation activity was necessary before discussing the detailed information that would be used in the process. An Expert Panel was convened on October 29, 1992, to discuss forecast methodologies. A listing of participants in this panel is attached for reference. The panel consisted of persons knowledgeable in the subject including aviation, socio-economic and airline representation. Northwest Airlines was represented at this session and participated in the discussion. Among the topics discussed were the following:

General Methodological Issues

Frequent flyer passengers should be included in the forecast.

Business cycles, aircraft acquisition cycles, and financial cycles will have an impact on future activity levels and should be taken into account.

A Southwest type carrier could have an impact on fares, service and activity levels.

Air Carrier Originations Methodology

A single baseline forecast should be developed, with alternative scenarios used.

A straightforward regression equation should be used.

Yields for Northwest should be used rather than overall air carrier yields. Multiple yield scenarios should be used.

Quarterly data rather than annual data should be used in developing the regression equation.

Connecting Passenger Methodology

Northwest Airlines suggested using a 50-50 ratio of connections to originating passengers. This is a lower connecting rate than exists today.

The continuous hub concept is not much change from the 10 banks currently using the airport.

Current equipment orders indicate that there will not be any dramatic changes in current hubbing patterns.

Regional Passenger Activity Methodology

Regional traffic is almost all connections.

Flight frequency and aircraft size are very important in determining regional activity.

Northwest may make available information regarding plans for regional service to and from the Twin Cities. Most regional service is related to code-sharing activities by Northwest.

International Activity Methodology

The development of alternative scenarios is very important regarding international activity.

A key issue is where Northwest and KLM focus their international activity, Minneapolis-St. Paul or Detroit.

Cargo Activity

A top-down forecast may be more appropriate than a bottom-up forecast.

Following the general session regarding methodologies, two more detailed and specific Expert Panel sessions were held to assist in refining the forecasting inputs. On November 18, 1992 a panel was held to discuss aviation assumptions and on November 19, 1992 a panel was held to discuss socio-economic assumptions. Northwest Airlines was a participant in the Aviation Assumptions panel and provided significant and important input into the process. The following are the major findings from this panel:

General Issues

There are structural changes in the economy that may change travel patterns.

In developing a regression equation, only data in the post-deregulation period should be used.

Competing Technologies

Rapid rail will have limited impact due to only serving a few markets from the Twin Cities.

Maglev is the technology with the greatest long-term promise, but the Twin Cities are not viewed as an early candidate for this system.

Varying views exist regarding the impact of telecommunications; some studies indicate a reduction in travel whereas others indicate the potential for increased travel.

Air Carrier Yields

Over capacity in the industry will result in near-term softness in yields.

A major fuel tax (BTU) would have a major impact on yields.

O&D markets tend to be rational in terms of pricing structure, connecting markets are irrational.

Southwest Phenomenon

Service by Southwest has tended to double the market they serve, primarily by attracting new traffic.

Three potential markets for Southwest-type service are St. Louis, Chicago, and Kansas City.

Fleet Mix and Load Factor

600 seat jets will see only limited use at MSP.

National Noise Policy waiver to 2003 should be used as a conservative assumption.

Forecasts of average load factor should use 1991-1992 as a base.

Regional Carrier Activity

Faster turboprops and jets will expand the range of cities the regional carriers can serve.

Average aircraft size will continue to increase.

International Traffic

There are few markets from MSP that can support non-stop international service.

NWA and KLM decisions will be key in determining future activity.

Cargo Traffic

MSP is more likely to develop as an international air cargo hub than as a domestic air cargo hub.

The other major element of the forecasting process is the socio-economic inputs. A panel session to review these factors was held on November 19, 1992 with a wide range of local and national participants. The following is a summary of the discussions that took place at the session:

Population

The Twin Cities is experiencing in-migration from the surrounding states and from outstate Minnesota; to some extent this is being replaced by ethnic in-migration from other states.

Metropolitan Council population projections should be used in developing the new forecasts.

Employment

The Twin Cities' share of national employment is now at an all-time high.

Metropolitan Council forecasts of employment should be used.

Service Area

An eleven county area should be used as a basis for the socioeconomic projections used to develop passenger originations.

As a follow-up to the information developed at these three sessions, a final panel session was held on May 27, 1993. This panel reviewed the proposed inputs into the forecasting model, including population, employment, income, and yield, and the form of the model itself. Connecting rates were discussed, focussing primarily on the expectations of Northwest Airlines regarding their future plans. The discussion then turned to the issue of average aircraft size and enplaning load factor used to develop the forecast of aircraft operations.

The review of regional carrier activity was based on a revised forecasting methodology that attempted to segment the regional market into more sectors than had previously been attempted. Information developed from the previous panels was used as inputs into the revised process. Key issues related to the ability of the regional carriers to penetrate the traditional air carrier markets, and the extent to which this would occur. Historic markets will grow at one rate, however the new markets may grow at a very different rate depending on the degree of penetration that occurs. Assumptions regarding average aircraft size and enplaning load factor were then developed to forecast total operations.

International activity was reviewed in a separate study developed for the MAC. This study described an envelope of potential international activity within which MSP gateway traffic could evolve. The panel was of the opinion that a baseline forecast be developed without a significant increase in MSP gateway market share, but that an alternative scenario be developed to evaluate the impact of more aggressive growth.

The panel also discussed the value of completing a sensitivity analysis on various factors that play a major role in development of the forecasts. A total of 12 scenarios were agreed upon as representing the full range of alternatives that should be evaluated.

In addition to these formal panel sessions, meetings were held with Northwest Airlines personnel on a number of occasions regarding operating assumptions and general viewpoints related to the hub in the Twin Cities.

Revised Forecast

The findings of the panel sessions were used extensively to structure the forecast update. The process used to develop the air carrier passenger activity and operations forecast is shown on Figure 2. The process begins with development of the underlying socio-economic characteristics of the community that led to the number of passenger originations. The three factors that determine this number are population, employment and income. Forecasts of both population and employment were developed by the Metropolitan Council, however these numbers were expanded to an eleven-county base to conform to the recommendations of the Expert Panel. Since the Metropolitan Council does not develop income forecasts, a combination income forecast was developed which uses the Metropolitan Council population forecast with a per capita income forecast developed by the Bureau of Economic Analysis (BEA) to develop total income. Of these three factors, income is the most difficult to forecast since it may be subject to many factors over the forecast period. Tables 2-4 show each of these factors. In addition, the recommendations from the panel sessions regarding forecasting methodologies were taken into account in developing the forecasting equation.

The results of this process, including post-deregulation data and quarterly data led to a forecast of passenger originations for the year 2020. This period is used to be consistent with the requirements of the Metropolitan Airport Planning Act.

There was no clear consensus regarding yield (Table 5) at the Expert Panel Session. There were arguments that the need for airlines to restore profitability and finance new aircraft would require higher yields while others argued that excess capacity would prevent the airlines from exerting upward pressures on yield in the short-term. As a result of this disagreement, it was agreed that alternative scenarios should be evaluated to determine the impacts of differing assumptions. FAA growth rates were to be used as a basis for the forecast, while a high and low yield scenario would be used in the sensitivity analysis.

The next step in the forecasting process is to determine total passenger enplanements by developing the number of connecting passengers. The panels indicated that the best source of information regarding future connecting activity was Northwest Airlines. In 1991, connecting passengers were approximately 51% of total enplanements. Last fall, Northwest Airlines indicated a desire to reduce connections to 50% of total enplanements, and in early 1993 indicated a further change that would reduce connections to 45% of total enplanements. Northwest anticipates that they would achieve this reduction by limiting capacity growth at MSP to less than 1% annually and allowing originations to displace connections until the new ratio is achieved. The hub covenant agreed to by Northwest requires a minimum connecting ratio of 30%.

Aircraft operations are developed by relating average aircraft size and enplaning load factor to the total number of annual enplanements. In order to ensure that the forecasts used the most appropriate information, aircraft size was related to the plans of Northwest Airlines rather than to national averages. Northwest had indicated that over the next five to seven years the average number of seats in their aircraft would remain constant, and then would resume growth at the industry average. The average seats per aircraft for the other carriers are projected to increase at the FAA rate from the base year. Load factors for all airlines were projected to increase at the FAA growth rate. Table 6 illustrates this information for the forecast period.

Utilizing the process outlined above, revised forecasts of air carrier activity (Table 7) were developed. The forecasts show growth in originations and enplanements. The growth in originations is higher than in the previous forecast due to the higher socio-economic forecasts. The forecast of connecting passengers is lower than previously forecast due to the reduced connecting rate assumed for Northwest activity in the Twin Cities. While growth is expected in total passenger activity, the growth is forecast to be lower than that developed in the 1989 forecasts. Air carrier operations are forecast to increase, although at a lower growth rate than previously forecast. The reduction in operations is not as great as the reduction in passengers due to a lower average aircraft size. The forecasts are shown in the following table.

AIR CARRIER FORECASTS

<u>PASSENGER ENPLANEMENTS</u>	<u>1992</u>	<u>2020</u>
Originations	4,663,000	7,731,000
Connecting Passengers	<u>4,888,000</u>	<u>6,114,000</u>
Total Enplanements	9,551,000	13,845,000
 <u>AIRCRAFT OPERATIONS</u>	 242,900	 291,800

The assumptions used in developing the forecasts are likely to vary over the next twenty-seven years, and these variations could have a significant impact on the forecast results. For this reason, aviation activity should be monitored carefully during the remainder of the airport planning process and beyond 1996 to ensure that the forecasts reflect current conditions. One approach that can be used to determine the impact of these variations is to develop alternative scenarios in which the impact on the forecast of a variation in a critical assumption is evaluated. The following alternative scenarios were developed:

Scenario 1- High Economic Growth

Income and employment growth 50 percent higher than Metropolitan Council projections.

Scenario 2- Low Economic Growth

Income and employment growth 50 percent lower than Metropolitan Council projections.

Scenario 3- High Yield (Oil Price/Tax Shock)

This assumes a major oil price or fuel tax increase resulting in higher airline operating costs and yields. The fuel and oil components of airline operating costs are assumed to increase to 1981 levels and average airline yields are assumed to increase proportionately to total airline operating costs.

Scenario 4- Low Yield (Low Cost Entrant)

This scenario assumes that Southwest or another low-cost carrier begins serving MSP from other Southwest-type markets (medium-to-high density routes from low-cost airports). Other carriers reduce yields to compete. Average MSP yield falls in proportion to the number of originations going to the Southwest-type markets.

Scenario 5- High Yield Coefficient

The forecasting equation is re-estimated with the yield elasticity constrained to approximate the average of national levels. This increases the sensitivity of the forecast to airline fares and reduces the sensitivity of the forecast to socio-economic factors.

Scenario 6- Minimum Hub

This scenario assumes that the connecting percentage falls to the minimum level allowed by the Northwest hub covenant. (30%)

Scenario 7- Maximum Hub

This scenario assumes that the connecting percentage remains at existing levels.

Scenario 8- FAA Growth in Average Aircraft Size

Average seats per aircraft in the Northwest fleet using MSP are assumed to increase at the FAA projected domestic rate.

Scenario 9- High Regional Carrier Activity

This scenario assumes that Northwest Airlink continues to penetrate Northwest jet markets until Northwest Airlink operations equal 50 percent of Northwest jet operations.

Scenario 10- Low Regional Carrier Activity

This scenario assumes no further penetration by regional carriers into air carrier markets.

Scenario 11- Full Potential International Market

International activity at MSP rises to the potential levels estimated in the 1992 international forecast.

Scenario 12- Restructured Air Travel Demand

This scenario assumes a fundamental change in the relationship between the economy and the demand for air travel. This change has not been proven or even precisely defined. However, as a worst case it is assumed that business travel increases no faster than total metropolitan employment and non-business travel increases no faster than metropolitan population.

Regional airline activity at MSP and at other airports has been difficult to forecast, and actual activity has varied from previous forecasts to a greater degree than has air carrier activity. Based on the observations made at the expert panel sessions, a number of changes were made in the methodology used to forecast regional activity. The types of aircraft expected in the fleet in the future could change the areas which are served by the regional carriers, for example Comair is now providing service via a small jet to Cincinnati as a supplement to Delta Airlines. In order to develop the forecast, past sources of growth were evaluated on a market-by-market basis. Based on the history of service in these markets in the last decade, they were divided into the following seven categories:

1. Traditional Regional Carrier Markets: These are markets which had only regional carrier service to MSP in 1982.
2. New Regional Carrier Markets: These are markets which had no direct service to MSP of any type in 1982, but have added regional carrier service since that time.

-
3. Replacement of NW/RC Convair Markets: These are markets in which service by Republic and Northwest Convair turboprops was completely replaced by regional carrier service.
 4. Replacement of Jet Markets: These are markets in which jet service was replaced completely by regional carrier service.
 5. Supplementation of Jet Markets: These are markets in which regional carrier service is currently supplementing jet service.
 6. Canadian Markets: These markets currently comprise about 4 percent of the total regional carrier traffic.
 7. Other Markets: These consist of intermittent markets with no long-term regional carrier service history.

Although growth has occurred in the traditional and new regional carrier markets, the majority of current activity is due to penetration of former air carrier markets. Each segment of activity was, therefore, forecast separately.

The methodologies used to forecast each category (Figure 3 and Table 8) are as follows:

Traditional Markets: Project on the basis of a regression equation using Minnesota non-farm income, code-sharing and a factor representing the 1979-1981 period when not all regional carriers reported data.

New Markets: Assume that existing new markets will increase at the same rate as traditional markets. Future new markets are identified from the market study conducted during the 1989 forecast.

NW/RC Convair Markets: Since there has been no Convair service to these markets since 1988, no further penetration into this market is possible. These markets will grow at the average rate of other turboprop markets, as represented by the growth rate of traditional regional markets.

Former Jet Markets: Having been air carrier markets in the past, these markets are considered mature. It is, therefore, more likely that these markets will continue to grow at air carrier rates rather than at traditional regional carrier market rates.

For forecasting purposes, no distinction is made between future supplementation of air carrier markets and future replacement of jet markets. A distinction is made between those markets readily accessible using current turboprop equipment (350 miles or less) and those expected to be accessible using fast turboprops and regional jets (350 to 650 miles).

Potential Markets less than 350 Miles: Potential markets include current air carrier markets less than 350 miles distant but exclude very large markets such as Milwaukee or Chicago. MSP service to these markets is exclusively or almost exclusively by Northwest, therefore potential enplanements are assumed to increase at the same rate as unadjusted Northwest air carrier enplanements.

Potential Markets Greater than 350 Miles: The methodology is similar to that proposed for markets less than 350 miles distant, except that the enplanements per regional carrier aircraft are assumed to be greater. This reflects the fact that the new fast turboprop and regional jet aircraft are expected to be larger, in the 50 seat to 70 seat range. Reflecting the longer stage lengths, load factors are also assumed to be greater.

In addition to the Northwest air carrier markets identified for possible regional carrier replacement, additional markets, which currently have no nonstop service, have been identified. Based on existing origin-destination traffic and assuming the projected Northwest average hubbing ratio, it is estimated that at some point during the forecast period, Tulsa and some other markets would be able to support at least two flights a day by fast turboprops or regional jets.

Canadian Markets: Enplanements to Canadian markets are assumed to increase at the same rate identified for potential Canadian traffic in a study on international traffic at MSP performed in 1992.

The possibility of regional carrier penetration does not guarantee it will occur. Northwest Airlink needs to obtain the aircraft to serve these new markets and Northwest must be willing to relinquish these markets. The primary constraint on regional carrier expansion would appear to be Northwest's desire to cap Northwest Airlink departures at 50 percent of NW departures. Consequently, the recommended regional carrier enplanement forecast consists of the potential regional carrier enplanement projection combined with the 50 percent constraint.

The revised forecasts of regional activity indicate an increase in both passenger and aircraft activity, although the passenger forecast is for more growth than the operations forecast. Passenger activity is increased due to diversion from air carrier markets, while the passenger increase is somewhat offset in the operations forecast by a continued growth in average aircraft size. The following table summarizes the regional airline forecasts.

REGIONAL AIRLINE FORECASTS

	<u>1992</u>	<u>2020</u>
Passenger Enplanements	566,000	1,479,000
Aircraft Operations	85,900	116,000

Forecasts of international activity were undertaken in a separate study conducted during 1992. This was an update of a previous analysis of the potential for growth in international traffic in the Twin Cities. International passengers and aircraft operations are not a significant number in relation to the totals, however they provide access to world markets and for that reason are important. The study examined potential MSP gateway traffic that could be captured provided there were no bilateral restrictions and nonstop airline service was available. In effect, the study described an envelope of potential international activity within which MSP gateway traffic could evolve.

Northwest provides the only scheduled international service at MSP at present, although one flight is provided in cooperation with KLM. Northwest has continued to develop international traffic in Detroit while decreasing nonstop service in the Twin Cities. This has occurred due to higher profitability of flying the routes from Detroit. Additional information regarding the Minneapolis-St. Paul - Tokyo (NRT) route and the Detroit (DTW) - Tokyo route was requested from Northwest Airlines. This information was provided in a letter to the Task Force and indicated the following:

	<u>MSP-NRT</u>	<u>DTW-NRT</u>
Local Passengers	39	69
Load Factor	51%	81%

Northwest is continuing to monitor the need for non-stop service to Tokyo and to re-establishing service in the future.

Given this approach on the part of Northwest, and the reluctance of many countries to liberalize bilaterals, the forecast of international activity has used assumed long term growth rates, but no increase in service stimulation or MSP gateway share. An alternative scenario will be developed that assumes no bilateral restrictions and service stimulation to determine the potential for international activity with an aggressive approach to enhancing this aviation segment. International passenger enplanements are forecast to increase from 144,000 to 672,000 and operations are forecast to increase from 1,200 to 6,200.

The forecasting approach used for air cargo is more simplistic than the approaches to passenger forecasting. FAA national forecasts have been used to indicate overall industry growth; the Twin Cities share of the total market is then applied to the national growth rates. Air cargo has been a rapidly growing segment of aviation demand over the last few years, from 55,619 enplaned tons in 1972, to 176,917 enplaned tons in 1992; this trend is expected to continue in the future. The largest growth area has been the small package carriers such as Federal Express and UPS, however belly cargo carried by the scheduled airlines is also a significant factor. Aircraft operations associated with air cargo are forecast to increase from approximately 19,000 in 1992 to 41,000 in 2020.

In summary, the aviation forecasting process is technically complex and involves consideration of many factors including changes in the airline industry and socio-economic characteristics. The procedures followed in developing the revised forecasts have allowed for input and review by all segments of the aviation industry, including Northwest Airlines. The approach of establishing Expert Panels has been a key element in ensuring this input; meetings with Northwest Airlines have supplemented this information and provided insights into their proposed operations at Minneapolis-St. Paul International Airport. Tables 9 and 10 and Figures 4 and 5 show comparisons between the original and revised forecasts. Table 11 summarizes the forecasts for each of the alternative scenarios previously described.

The airline industry is continuing to change, and will do so for the foreseeable future. This situation leads to inherent uncertainties in developing activity forecasts, however the establishment of alternative scenarios is key to determining the potential range of future activity. The planning process is structured such that activity is continuously monitored in relation to the forecasts. Changes in either the timing or direction of the planning process can then be made as appropriate.

If no improvements are made at Minneapolis-St. Paul International Airport, the airport will not be able to meet the projected levels of demand shown in the current 2020 baseline forecast.

FORECAST EXPERT PANEL PARTICIPANTS

Forecast Methodologies Panel Session - October 29, 1992

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Aviation Assumptions Panel Session - November 18, 1992

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Socioeconomic Assumptions Panel Session - November 19, 1992

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Forecast Methodology and Scenarios Panel Session - May 27, 1993

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FIGURE 2

AIR CARRIER FORECAST PROCESS

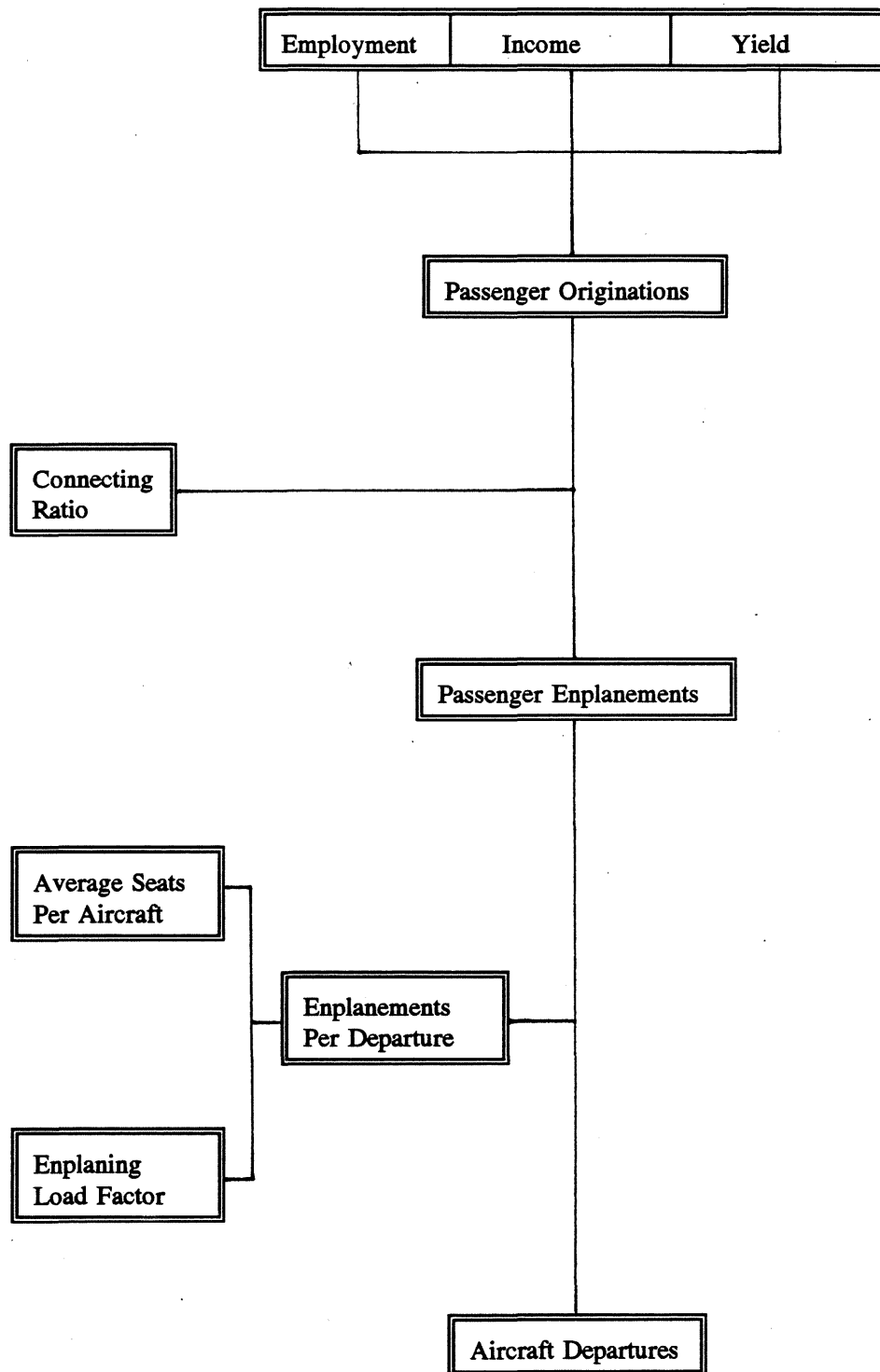


TABLE 2**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Projections of Metropolitan Area Population**

Year	<u>Bureau of Economic Analysis (a)</u>		<u>Metropolitan Council</u>	
	7 - County Definition	11 - County Definition	7 - County Definition (b)	11 - County Definition (c)
1990	2,300,700 (d)	2,477,100 (d)	2,288,721 (e)	2,464,124 (e)
1995	2,406,500	2,575,000	2,424,000 (f)	2,610,000
2000	2,499,300	2,676,000	2,560,000	2,756,000
2005	2,582,700	2,767,000	2,663,000 (f)	2,867,000
2010	2,660,300	2,851,000	2,765,000	2,977,000
2015	2,722,000 (f)	2,919,000 (f)	2,855,000 (f)	3,074,000
2020	2,783,900	2,986,000	2,945,000	3,171,000
(a)	Bureau of Economic Analysis, BEA Regional Projections to 2040 and County Projections to 2040.			
(b)	Metropolitan Council of the Twin Cities.			
(c)	Assumed to grow at same rate as 7-County forecast.			
(d)	Estimated population as of July 1.			
(e)	Census population as of April 1.			
(f)	Interpolated.			

TABLE 3**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Projections of Metropolitan Area Employment**

Year	<u>Bureau of Economic Analysis (a)</u>		<u>Metropolitan Council</u>	
	7 - County Definition	11 - County Definition	7 - County Definition (b)	11 - County Definition (c)
1990	1,548,085	1,621,508	1,295,000	1,371,200 (d)
1995	1,660,600	1,740,200	1,398,000 (e)	1,480,000
2000	1,753,600	1,838,100	1,500,000	1,588,000
2005	1,814,100	1,902,100	1,553,000 (e)	1,644,000
2010	1,848,200	1,938,300	1,605,000	1,699,000
2015	1,834,000 (e)	1,924,000 (e)	1,623,000 (e)	1,719,000
2020	1,820,600	1,910,000	1,640,000	1,737,000

- (a) Bureau of Economic Analysis, BEA Regional Projections to 2040 and County Projections to 2040. Assumed to increase at BEA projected rates from 1990 levels.
- (b) Metropolitan Council of the Twin Cities. Does not include self-employed or farm workers.
- (c) Assumed to grow at same rate as 7-County Metropolitan Council forecast.
- (d) Minnesota Department of Finance.
- (e) Interpolated.

TABLE 4

MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT

Projections of Metropolitan Area Per Capita Income

Year	Bureau of Economic Analysis				Adjusted	
	Non-Farm Personal Income (a)		Non-Farm Per Capita Income (b)		Non-Farm Personal Income (c)	
	(Thousands of 1987 Dollars)		(1987 Dollars)		(Thousands of 1987 Dollars)	
	7-County Definition	11-County Definition	7-County Definition	11-County Definition	7-County Definition	11-County Definition
1990	\$43,131,023	\$45,646,486	\$18,747	\$18,427	\$43,131,023	\$45,646,486
1995	48,070,900	50,929,800	19,975	19,779	48,420,470	51,622,050
2000	52,711,100	55,886,400	21,090	20,884	53,991,284	57,557,144
2005	56,816,000	60,273,200	21,999	21,783	58,582,494	62,451,487
2010	60,610,800	64,329,900	22,783	22,564	62,996,227	67,172,961
2015	63,763,000 (d)	67,698,000 (d)	23,425	23,192	66,878,532	71,292,789
2020	66,916,000	71,066,300	24,037	23,800	70,788,326	75,469,269

- (a) Assumed to increase at same rate as BEA projection of total personal income from 1990 base. Sourced from Bureau of Economic Analysis, BEA Regional Projections to 2040 and BEA County Projections to 2040.
- (b) Estimated by dividing non-farm personal income by projected BEA population.
- (c) Adjusted for Metropolitan Council population forecasts. Estimated by multiplying per capita income by Metropolitan Council forecast of population.
- (d) Interpolated.

TABLE 5**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Alternative Yield Projections for MSP
(Yields in 1987 cents)**

Year	FAA Growth Rate (a)	Boeing Growth Rate (b)	Consolidated Industry Growth Rate (c)	Profitable Airline Ind. Growth Rate (d)	Oil or Tax Shock Growth Rate (e)
1990 (f)	14.48	14.48	14.48	14.48	14.48
1992 (g)	13.51	13.51	13.51	13.51	13.51
2000	13.77	13.28	15.68	14.46	16.66
2005	13.87	12.76	15.80	14.56	16.78
2010	14.08	12.26	16.04	14.78	17.04
2015	14.29	12.26	16.28	15.00	17.29
2020	14.51	12.26	16.53	15.24	17.56

(a) Assumed to increase at FAA projected rate as reported in FAA Aviation Forecasts: FY 1993-2004.

(b) Sourced from Boeing Commercial Airplane Group, Current Market Outlook, 1993. U.S. domestic yields assumed to decrease 0.85 percent per year from 2000 to 2010. Boeing does not provide projections of domestic yields after 2000, but projects worldwide yields to decline 0.8 percent per year from 2000 to 2010. Yields assumed to remain constant after 2010.

(c) Assumes yields would be 14 percent higher than would be expected without consolidation.

(d) Assumes yields would be 5 percent higher than FAA yield projections.

(e) Assumes real jet fuel prices rise to the level of 3rd quarter 1981, increasing airline operating costs by 21 percent.

(f) Data Base Products, Inc., 1993.

(g) Estimated using 1992/1990 ratio of FAA yields.

Sources: FAA and Boeing Commercial Airplane Group

TABLE 6

MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT

Projected Domestic Air Carrier Enplanements Per Aircraft Departure

Year	Average Seats Per Aircraft (a)	<u>Northwest</u>	Enplanements Per Departure (c)	<u>Other Carrier</u>	Enplaning Load Factor (b)	Enplanements Per Departure (c)
		Enplaning Load Factor (b)		Average Seats Per Aircraft (d)		
1988	N/A	N/A	79.1	N/A	N/A	66.2
1989	N/A	N/A	80.5	N/A	N/A	64.2
1990	N/A	N/A	79.5	N/A	N/A	68.0
1991	140.9	56.6%	79.7	126.5	53.1%	67.1
1992	140.5	58.0%	81.4	127.7	53.1%	67.8
2000	143.9	58.0%	83.5	141.1	53.8%	75.9
2005	151.4	58.4%	88.4	148.5	54.1%	80.4
2010	154.8	59.4%	91.9	151.7	55.0%	83.5
2015	158.1	59.8%	94.6	155.0	55.4%	85.9
2020	161.4	59.8%	96.6	158.3	55.4%	87.7

(a) Assumed to remain constant through 1998, and then increase at FAA projected rate through 2015. Extrapolated at 2003-2015 rate thereafter.

(b) Assumed to increase from 1991-1992 average at FAA projected growth rate through 2015. Assumed to remain constant thereafter.

(c) Average seats per aircraft multiplied by enplaning load factor.

(d) Assumed to increase from 1992 level at FAA projected growth rate through 2015. Extrapolated at 2003-2015 growth rate thereafter.

Sources: FAA Aviation Forecasts: Fiscal Years 1993-2004 and FAA Long-Range Aviation Projections: Fiscal Years 2004-2015.

TABLE 7

MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT

Forecast Summary
(in thousands)

	1992	2000	2005	2010	2015	2020
Revenue Passenger Enplanements						
Air Carrier Originations	4,663 (a)	6,118	6,625	7,105	7,421	7,731
Air Carrier Connections	<u>4,888 (b)</u>	<u>4,848</u>	<u>5,248</u>	<u>5,624</u>	<u>5,872</u>	<u>6,114</u>
Air Carrier Enplanements	9,551	10,966	11,873	12,729	13,293	13,845
Regional Carrier	566	954	1,088	1,219	1,340	1,479
International	144	238	335	432	552	672
Non-Scheduled	<u>419</u>	<u>546</u>	<u>599</u>	<u>650</u>	<u>668</u>	<u>685</u>
Total	10,680	12,704	13,895	15,030	15,853	16,681
Aircraft Operations						
Scheduled Domestic Air Carrier	242.9	267.2	273.2	282.0	286.0	291.8
Regional Carrier	85.9	111.6	112.8	115.0	115.0	116.0
International Carrier	1.2	2.2	3.2	4.0	5.0	6.2
Non-Scheduled Passenger	5.8	6.8	7.1	7.6	7.6	7.7
Cargo	18.7	23.8	27.8	31.8	36.2	40.8
General Aviation	61.0	58.9	57.7	56.4	55.6	54.6
Military	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	418.5	473.5	484.8	499.8	508.4	520.1

(a) Estimated.

(b) Connecting ratio of 51% for 1992 and 44% for remainder of forecast period.

FIGURE 3

REGIONAL AIRLINE FORECAST PROCESS

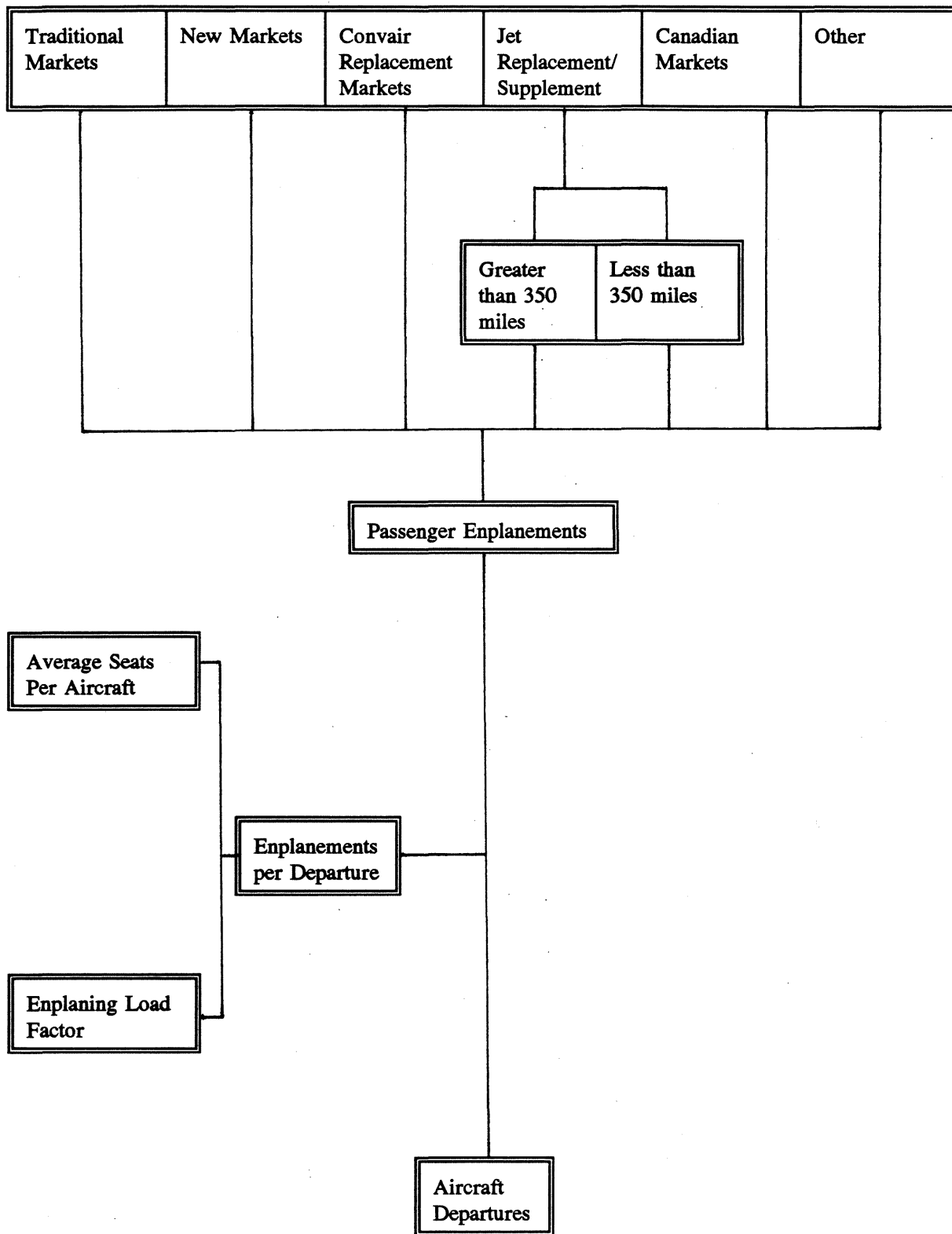


TABLE 8**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Projected Regional Carrier Enplanements Per Aircraft Departure**

Year	Average Seats Per Aircraft (a)	Enplaning Load Factor (b)	Enplanements Per Aircraft Departure	
			Total (c)	NW Airlink (d)
1988	23.7	57.0%	13.5	N/A
1989	24.3	57.7%	14.0	N/A
1990	24.4	54.5%	13.3	N/A
1991	24.9	52.2%	13.0	N/A
1992	24.5	53.8%	13.2	15.6
1993 (e)	24.3	49.5%	12.0	14.6
2000	31.8	53.8%	17.1	20.7
2005	35.9	55.0%	19.8	23.9
2010	39.4	55.6%	21.9	26.5
2015	43.2	56.1%	24.3	29.4
2020	47.4	56.7%	26.9	32.5

(a) Assumed to increase from 1993 at FAA forecast rate through 2004, and at half the projected 1992-2004 rate thereafter.

(b) Assumed to increase from 1992 at FAA projected growth rate through 2004 and at average annual projected 1992-2004 growth rate thereafter.

(c) Average seats per aircraft multiplied by average enplaning load factor.

(d) Assumed to increase at same rate as for total regional carrier.

(e) Extrapolated from data for January and February.

Source: FAA Aviation Forecasts: Fiscal years 1993-2004 and HNTB analysis.

TABLE 9**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Comparison Between Forecast Update and
Original Long Term Comprehensive Plan (LTCP) Forecast**

	Original Forecast (000s)	Revised Forecast (000s)
Air Carrier Originations	6,562	7,731
Connecting Enplanements	9,187	6,114
Total Air Carrier Enplanements	15,749	13,845
Air Carrier Operations	308.2	291.8
Regional Enplanements	1,145	1,479
Regional Carrier Operations	106.0	116.0
Total Airport Enplanements	19,627	16,681
Total Airport Operations	527.5	520.1

FIGURE 4

MSP DUAL TRACK PASSENGER FORECASTS (ORIGINAL VS. REVISED)

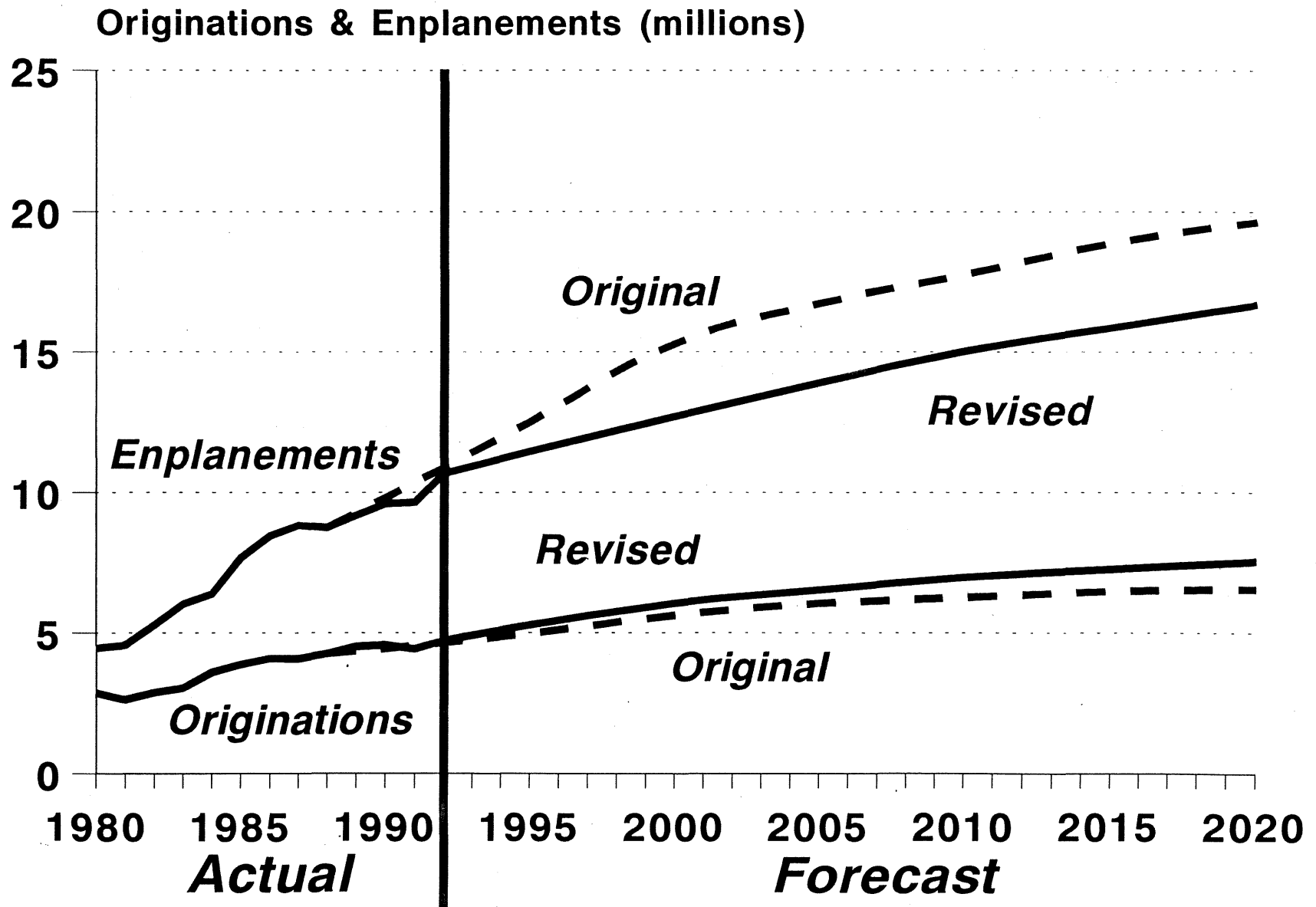


FIGURE 5

MSP DUAL TRACK OPERATIONS FORECASTS (ORIGINAL VS. REVISED)

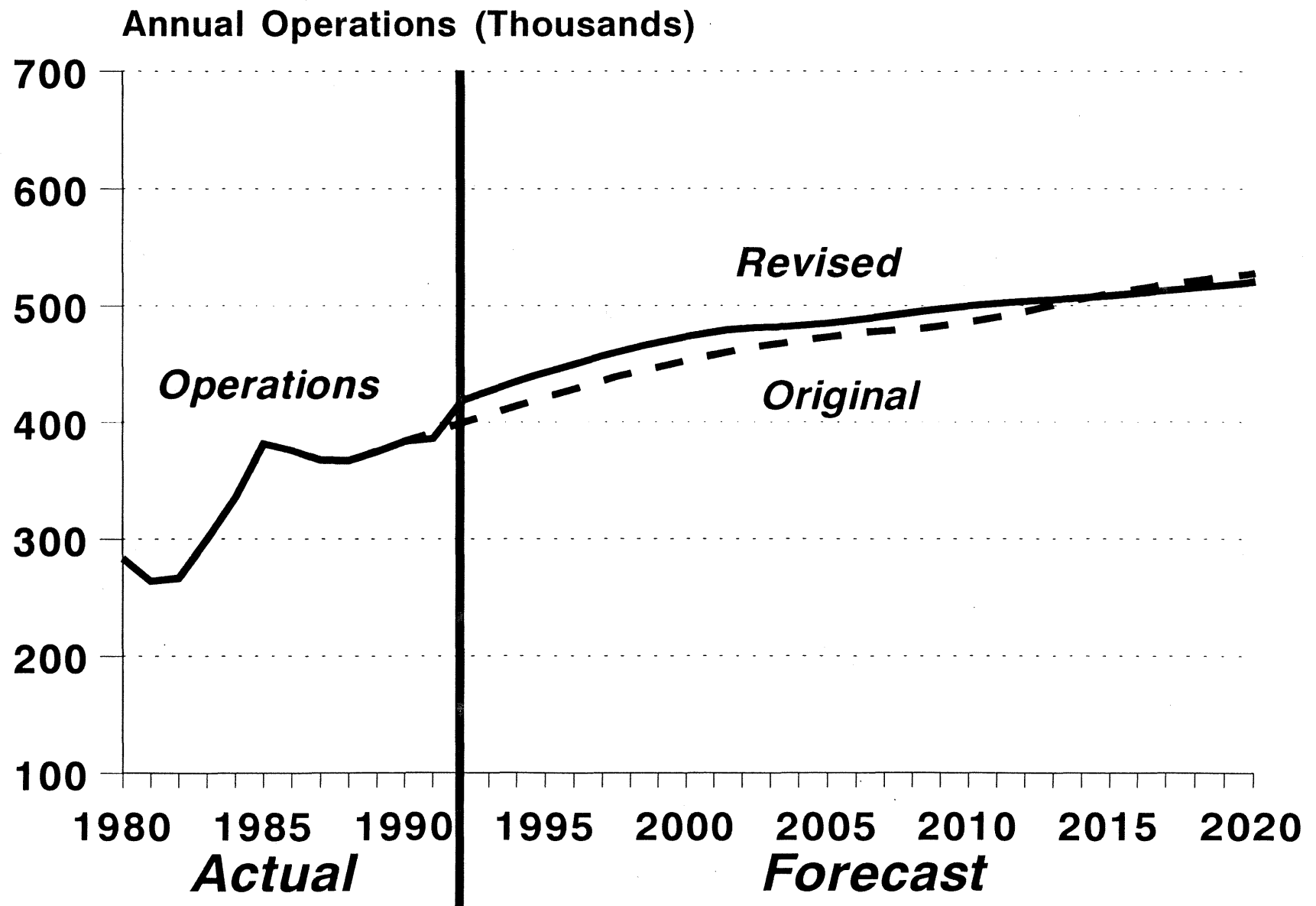


TABLE 10

**EXPLANATION OF DIFFERENCES BETWEEN FORECAST UPDATE
AND ORIGINAL LONG TERM COMPREHENSIVE PLAN FORECAST**

	EFFECT ON FORECAST*
AIR CARRIER PASSENGER FORECAST	
Revised Forecasting Equation	+ 11 %
Updated Socioeconomic Projections	+ 10 %
Updated Yield Projections	-2 %
Diversion to Regional Carrier	-2 %
Revised Connecting Ratio	<u>-25 %</u>
Net Change	-12 %
AIR CARRIER OPERATIONS FORECAST	
Revised Passenger Forecast	-12 %
Updated Enplaning Load Factor Projections	0 %
Updated Aircraft Size Projections	<u>+ 7 %</u>
Net Change	-5 %
REGIONAL CARRIER PASSENGER FORECAST	
Revised Forecast Methodology	-11 %
Diversion from Air Carrier	<u>+ 45 %</u>
Net Change	+ 29 %
REGIONAL CARRIER OPERATIONS FORECAST	
Revised Passenger Forecast	+ 29 %
Updated Enplaning Load Factor Projections	+ 5 %
Updated Aircraft Size Projections	<u>-20 %</u>
Net Change	+ 9 %

*Evaluated in 2020.

TABLE 11**MINNEAPOLIS-SAINT PAUL INTERNATIONAL AIRPORT****Sensitivity Analysis - Alternative Scenarios**

Scenario	Enplanements in 2020 (000s)	Operations in 2020 (000s)
1992	10,680	418.5
Base Case	16,681	520.1
Scenario 1: High Economic Growth	20,102	603.2
Scenario 2: Low Economic Growth	13,268	439.4
Scenario 3: High Yield - Oil Price/Tax Shock	15,079	482.6
Scenario 4: Low Yield - Low Cost Entrant	18,356	555.0
Scenario 5: High Yield Coefficient	16,261	509.8
Scenario 6: Minimum Hub	12,134	399.2
Scenario 7: Maximum Hub	18,969	575.4
Scenario 8: FAA Growth in Aircraft Size	16,651	500.8
Scenario 9: High Regional Carrier Activity	16,911	549.2
Scenario 10: Low Regional Carrier Activity	16,455	491.2
Scenario 11: Full Potential International Market	17,640	528.2
Scenario 12: Restructured Air travel Demand	12,758	429.4

CHARGE #2: IS IT FEASIBLE TO SHORTEN THE DUAL TRACK PLANNING PROCESS SO THAT A FINAL REPORT AND RECOMMENDATIONS CAN BE MADE TO THE MINNESOTA LEGISLATURE BY JANUARY 1, 1994, OR JANUARY 1, 1995, RATHER THAN THE CURRENT DEADLINE OF JULY, 1996?

CHARGE #3: CAN A TECHNICALLY SOUND REPORT BE PREPARED IF THE TASK FORCE DECIDES TO SHORTEN THE TIMEFRAME WITH A NEW DEADLINE FOR COMPLETION?

The final two charges to the Task Force, those dealing with timing and the ability to adequately complete documentation of the process with expedited timing, will be discussed together since the two issues are inter-related. The overall timing of the planning process is established in the 1989 Metropolitan Airport Planning Act; the completion date in the legislation is July, 1996. A series of intermediate dates must be met for various phases of the process. The work that must be completed over this period of time is complex and comprehensive, and requires the continued involvement of many participants.

The work effort can be divided into a number of discrete areas as shown on Figure 1 and the attached detailed schedule (Figure 6).

In order to review the implications for completion of the Dual Track Airport Planning Process by January, 1994 or January, 1995 a series of factors have been considered including the following:

1. Airport planning issues.
2. Environmental documentation.
3. Economic-community impact issues.
4. Infrastructure issues.
5. Decision Document.

Each of these issues must be evaluated in considering the potential acceleration of the planning process and the decision on future expansion of MSP versus the development of a replacement airport.

IMPLICATIONS OF JANUARY 1, 1994 COMPLETION DATE

Airport Planning Issues

A preliminary decision on a recommended site will be made in September, 1993 after completion of the technical analysis of the alternative sites. Following this preliminary decision, a series of public meetings and a public hearing are planned before a final decision is made by the Metropolitan Airports Commission in January, 1994.

The comprehensive plan for the new airport will be initiated after the final selection of the site. While there will be a reasonable level of confidence in the preferred site by January 1, 1994 a comprehensive plan will not have been prepared, therefore, detailed plans to address the layout of the airport, the design of its infrastructure (roadways, utilities, water treatment, etc.), and FAA approval of the new airport plan will not be available. As such, it will not be possible to develop a complete picture of the construction feasibility of the new airport and its total development cost.

The comprehensive plan for MSP will be updated based on revised forecasts of aviation activity. These forecasts were completed in July, 1993. It would not be possible to complete the update of the plan, obtain public input, and develop an Airport Layout Plan for FAA review prior to January 1, 1994. Also, the FAA Capacity Design Team Study, which is providing an independent assessment of MSP capacity, will not be completed until the end of 1993. A decision would, therefore, have to be made without the benefit of a revised and updated plan for MSP, or input from the FAA Capacity Study.

Environmental Documentation

The Alternative Environmental Process approved by the Minnesota Environmental Quality Board (EQB) includes a series of three Alternative Environmental Documents (AED's), which are EIS equivalents, to address (1) new airport site alternatives, (2) new airport layout alternatives, and (3) MSP development alternatives. A final EIS would then cover the best new airport option, the best MSP option, the no-build option, and other feasible options. The current schedule has been set to meet the requirements of these processes, with the minimum allowable public comment periods based on federal and state regulations. This environmental review process would have to be completely abandoned in order to meet the January 1, 1994 date. No further environmental review would be possible.

The environmental work performed for site selection purposes, and the environmental overview completed as part of the development of the MSP Long Term Comprehensive Plan (LTCP) would have to be used as the basis for determining the environmental acceptability of either of the airport options. This would fall short of any reasonable environmental review process, and would have very limited public and agency involvement.

Economic and Community Issues

An in-depth assessment of the economic benefits and costs of keeping the airport at its current location versus moving it to the Dakota Site will be undertaken after completion of detailed comprehensive plans for the two airports. There is little likelihood of completing any meaningful analysis of these economic issues prior to January 1, 1994. In addition, it would not be possible to make a reasonably accurate assessment of the financial feasibility of the new airport without a cost estimate for the site and infrastructure development. The mandate of the legislation to examine costs of, and funding sources for the new airport could be addressed only in a very limited and generic sense.

A major aspect of the current Dual Track work program is identification of the impacts on communities around MSP of a major expansion of that facility, and to address potential impacts on communities around the new airport site. This work should involve extensive coordination with the communities and their citizens. There would not be adequate time to complete a meaningful portion of this work for MSP prior to January 1, 1994. For the new airport, there would not be a comprehensive plan on which to base a community analysis, therefore no work could reasonably be accomplished.

Infrastructure Issues

Among the issues to be considered in making a decision on the airport option is the feasibility of making regional highway improvements, providing additional highway and river crossing capacity, providing adequate water treatment facilities, and providing other utilities to either airport site. This work will not be undertaken until 1995, using the two airport comprehensive plans as a basis. It is not possible to make an informed decision on the best airport option without considering the feasibility of providing for these infrastructure improvements.

Decision Document

Recommendations to the legislature by the Metropolitan Airports Commission and Metropolitan Council on the best airport option will draw on technical and environmental analysis from various study documents. There will be minimal time available to assemble the decision document, since work necessary for its preparation will not be completed until the end of the year. There will be no chance to hold public meetings and/or a hearing on the decision document. In addition, the time available for the State Advisory Council to review data from the technical and environmental documents and to conduct its process would be extremely limited.

In summary, the process cannot be expedited to a January 1, 1994 completion date if a technically and environmentally sound process is to be followed.

IMPLICATIONS OF JANUARY 1, 1995 COMPLETION DATE

Airport Planning Issues

Detailed comprehensive plans for both MSP and the potential new airport are expected to be completed in early to mid 1995. With some significant adjustments to the schedule, and acceleration and overlapping of work, adequate information on airport planning issues could be made available by the proposed January, 1995 target date.

Environmental Documentation

The present schedule includes an Alternative Environmental Process developed by the MAC and approved by the Environmental Quality Board (EQB). This process includes a series of Alternative Environmental Documents (AED's) that are intended to build a tiered environmental review process and to maximize opportunities for both public and agency review during the process. In order to meet a January 1995 completion date, this process would have to be abandoned and replaced with an alternative approach.

Two general options are available for use if the decision is made to expedite the process: 1) the EIS covering the best MSP alternative, the best new airport alternative, the no-build option, and other alternatives could be completed after a decision is made. The initial environmental work could be completed in time for a decision, but the decision would have to be conditioned on successful completion of the environmental review process. While this option would expedite a decision, time would still be required for completion of the environmental process prior to initiating any development action.

The second approach would be to replace the existing Alternative Environmental Process with a shortened process. An EIS would be initiated after selection of the new airport site, currently expected in January 1994. The EIS would include all alternatives for MSP identified in an accelerated Long Term Comprehensive Plan (LTCP) update process and a series of new airport alternatives that would be identified immediately following site selection. The level of detail for the alternatives would be quite different due to the amount of work that could be completed in each area and the fact that the LTCP for the new airport would not have been completed at this point in the process. The no-build and other alternatives would also be included in this document. Scoping and environmental analysis of the options would be addressed during late 1993 and 1994 in an accelerated manner with more limited public and agency input than is currently planned. This schedule would require the commitment of significant resources on the part of the MAC, the EQB, and others to complete the document on this schedule.

Economic and Community Impact Issues

The economic analysis and community impact analysis are both key components of the overall planning process. The analysis associated with the two airport options and the no-build option would need to be initiated in late 1993, once a site in the Dakota Search Area has been tentatively identified. The work would be based on the general site configuration in the search

area and on the best information available for the proposed development at MSP. The economic analysis of the two options, including development issues and regional growth options would have to be initiated as soon as a tentative site has been identified in the search area.

Financial analysis of the two approaches would also be expedited to meet the January 1995 completion date. Work on the expanded MSP option could be based on the update of the LTCP to be initiated in late 1993, however the analysis of the new airport would have to be based on more general information from the site selection process, with some additional information from the early phases of the detailed layout for the airport. This work must be started early enough in the process to ensure that adequate time is available to review potential funding sources and the economic impact on the airport users.

Infrastructure Issues

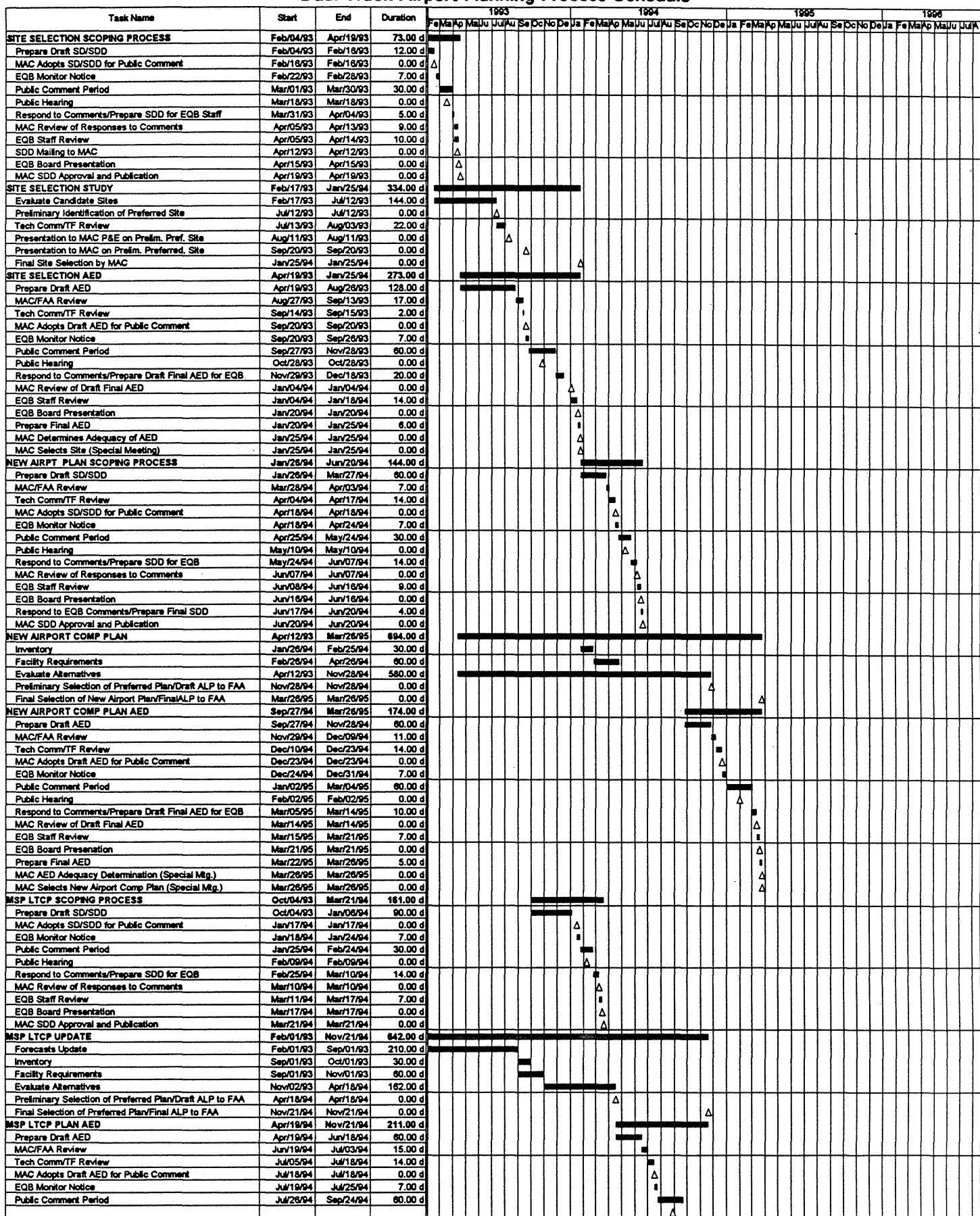
In order to meet the January, 1995 date, work on identifying highway, river crossing, and utility improvements and their feasibility would have to be accelerated to begin immediately. Commitments from various public agencies, including the Metropolitan Council and MnDOT would be necessary in order to accomplish these tasks on an expedited schedule.

Decision Document

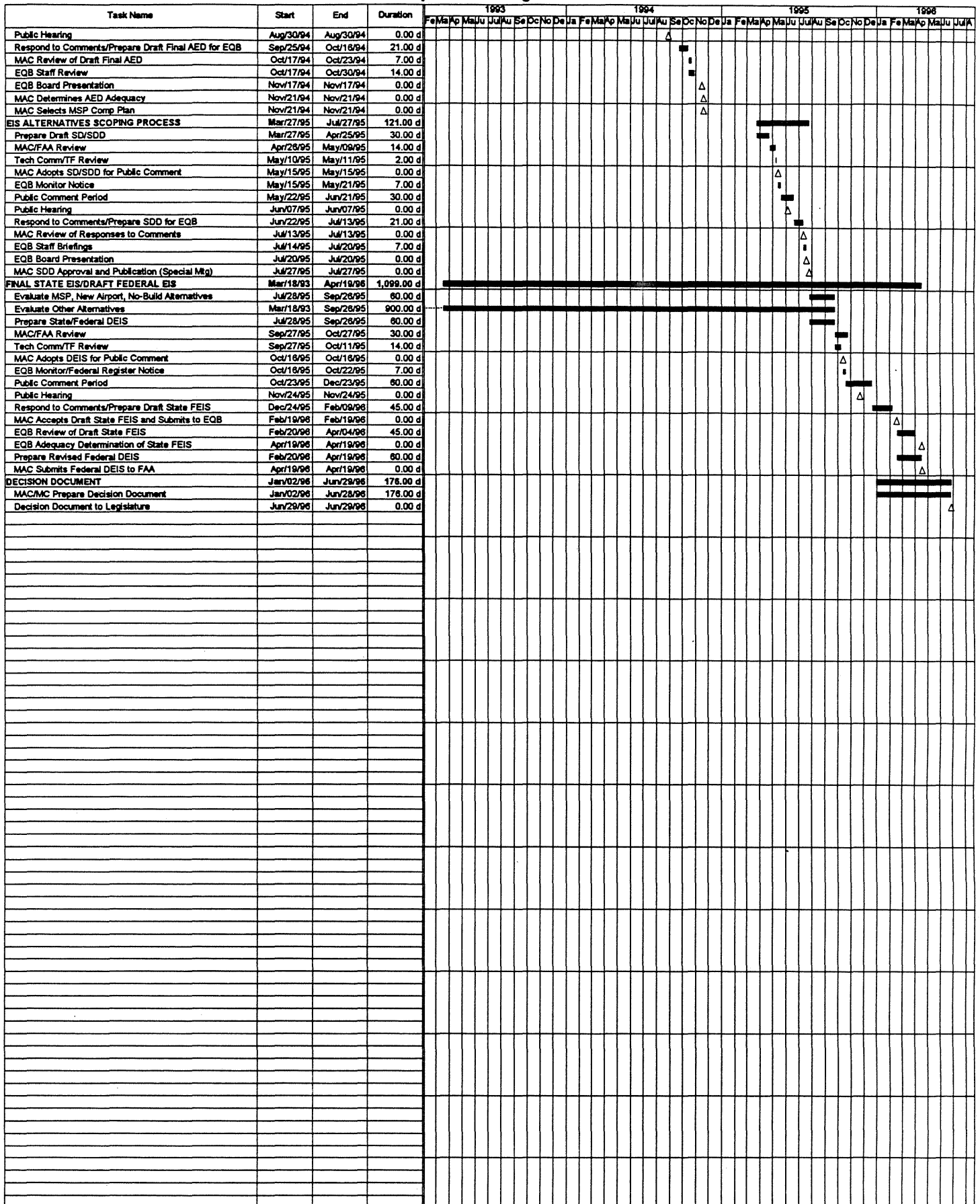
The Decision Document will transmit to the Legislature a summary of the analyses completed during the overall planning process, the recommendation for future action regarding airport facilities, and the rationale for this recommendation; as such, this document will draw on all elements of the study process including technical and environmental analyses. With an accelerated schedule, the Decision Document may not be as complete as under the longer time period, particularly in the area of environmental analysis.

In summary, the process could be expedited to meet a January 1995 completion date, however the environmental review procedures currently approved by EQB would have to be abandoned and replaced with an alternative approach. This action could severely limit agency and public input and review of this process. The most likely area of attack on a final decision, regardless of the nature of the decision, will be in the area of process, and the accelerated schedule is most vulnerable in this area.

FIGURE 6
Metropolitan Airports Commission
Dual Track Airport Planning Process Schedule



Metropolitan Airports Commission Dual Track Airport Planning Process Schedule



SECTION 6

FINDINGS AND RECOMMENDATIONS

Previous sections of this report have discussed the activities of the Task Force and the work that has been undertaken to address the three charges from the Governor. This section will identify the findings of the Task Force and recommendations for items and issues that should be addressed during the remaining elements of the Dual Track Airport Planning Process.

AVIATION ACTIVITY FORECASTS

FINDINGS

1. The Metropolitan Airports Commission has developed a set of updated aviation activity forecasts utilizing the best information available .
2. A series of Expert Panels were convened during the forecasting process to provide early opportunities for input from all affected parties.
3. Representatives of the aviation industry, including Northwest Airlines, participated in the panel sessions and had the opportunity to provide input and review the results of the work.
4. The aviation industry is continuing to undergo a series of changes that will affect future activity.
5. The forecasting process is complex and fluid, and takes into account a wide range of aviation and socioeconomic assumptions, including changes in the global economy.
6. The revised forecasts take into account changes in the airline industry, including forecasted changes at Northwest Airlines such as the hubbing ratio and average aircraft size.

-
7. A series of alternative scenarios have been developed to evaluate the impact of changes in critical input factors to forecast development.
 8. The alternative scenarios are designed to evaluate the impact of changes in a single input variable on the forecasts of passenger and aircraft activity. These changes represent a range of assumptions regarding the airline industry and socio-economic characteristics.
 9. The forecast scenarios do not include an evaluation of the impact of the termination of service by Northwest Airlines.
 10. The forecast scenarios include an option that considers the potential for service by a low-cost carrier such as Southwest Airlines and its impact on airport activity.

RECOMMENDATIONS

1. The individual alternative scenarios previously identified should be aggregated into logical sets of future alternatives for further evaluation. The grouping of scenarios will help to understand the cumulative impact of potential changes in factors affecting the forecasts.
2. As substantive changes occur in the airline industry prior to the completion of the planning process, the forecasts should be re-evaluated or revised on a continuing basis. As new demand forecasts are developed, they should be evaluated against future airport and airline capacity estimates.
3. A forecast scenario should be developed to evaluate the potential impact of the termination of airline service by Northwest Airlines.
4. The impact of open skies in Europe should be monitored for impacts on both the domestic and international segments of the airline industry. Attention should also be given to changing conditions in bi-lateral agreements with Asian countries.
5. Special emphasis should be given to projections of growth in cargo and international activity to determine their relative significance upon the existing airport or a new airport.

-
6. The forecast process should consider the potential impact of other new airports, such as Denver, as they come on line, and the potential impacts of such development projects as those underway at Chicago and Detroit. The process should also take into account changes in hubbing systems and Stage 3 aircraft as they are introduced.
 7. The planning process should assess the impacts of each airport proposal, including the no-build alternative, on economic development. It should also determine whether the airport should be used as an economic development tool.
 8. The planning process should assess the economic impacts of the development costs of each airport option, and should clearly propose approaches for payment of these costs.

TIMING OF PLANNING PROCESS

FINDINGS

1. The Dual Track Airport Planning Process is an ongoing and iterative approach to determining future aviation needs in the Twin Cities Metropolitan Area and for the State of Minnesota.
2. The airport planning process has been developed in order to meet the July, 1996 completion date currently in statute.
3. Under state law, the EIS should precede decisions since it is intended to aid decisions. The airport planning process is coordinated to ensure that environmental factors are an integral element of the decision-making process.¹
4. An Alternative Environmental Review Process has been developed for the airport planning process, and approved by the Minnesota Environmental Quality Board. This process is designed to expedite the environmental review process and to provide opportunities for public and agency input.
5. The environmental review process is a primary factor in controlling the length of time required for the airport planning process.
6. Any shortening of the planning process would require major revisions to the environmental review process. These revisions would limit public and agency review opportunities prior to a legislative decision.
7. The airport planning process cannot be expedited for completion by January, 1994 or January, 1995 if an adequate analysis is to be completed.

¹A summary of points related to the State environmental process follows page 52.

RECOMMENDATIONS

1. The Dual Track Airport Planning Process should be continued, at least to the point of selecting a site within the Dakota Search Area and development of a plan for an airport on that site. A comparison of the costs and benefits of the proposed site and development of Minneapolis-St. Paul International Airport should be prepared to serve as the basis for a recommendation to the Legislature.
2. The current Dual Track Airport Planning process schedule should be retained, with a completion date of July, 1996 for the recommendation to the Legislature.

ENVIRONMENTAL PROCESS SUMMARY

1. To be legally defensible under state law, the decision to build a new airport or expand the existing airport must be supported by adequate documentation that the option selected is at least as "feasible and prudent" as other alternatives that could have been chosen. The legally accepted way to build a defensible record is to prepare an EIS. An EIS includes economic, employment, safety, and sociological effects of the action as well as environmental factors.
2. Under state law, the EIS must precede decisions since it is intended to aid decisions.
3. The Environmental Quality Board approved a customized four-stage sequence of EIS-equivalent studies to meet the "feasible and prudent" standard. The current schedule has been set to meet the requirements of the four-stage sequence with the minimum allowable public comment periods based on federal and state regulations. The alternate EIS shortened the time that would have been necessary under a statutory EIS.
4. The current process includes a comparison of safety of passengers, airline personnel, and those on the ground; economic benefits and costs of keeping the airport at its current location versus moving it to the Dakota County site; and identification of the impacts on communities around MSP of a major expansion of that facility and potential impacts on communities around the new airport site. This work is included in the EIS.
5. It is not possible to make an informed decision on the best airport option without considering the feasibility of providing for infrastructure improvements. This study is planned.
6. The federal EIS will be completed only after the state decides to build a new or expanded airport. The federal EIS will use the same information as developed in the state environmental review process, but the FAA will independently evaluate information and reach its own conclusions about alternative choices and mitigation. The FAA's EIS will incorporate information from all five stages of the state process.

GENERAL ISSUES

RECOMMENDATIONS

1. The airport planning process should address offsite environmental concerns at both Minneapolis-St. Paul International Airport and the proposed new airport site on a comparable basis.
2. The potential for landbanking should be evaluated as an ongoing part of the planning process, and should be included in the environmental analysis for comparison with the options of developing Minneapolis-St. Paul International Airport or developing a replacement airport. Pros and cons of this approach should be clearly identified as part of this analysis.
3. The Metropolitan Council, the Metropolitan Airports Commission, and affected communities should take strong action to protect development options (north-south runway, west terminal) at Minneapolis-St. Paul International Airport.
4. Safety is an integral part of airport operations, and should be evaluated for the two development options currently under study. This analysis should relate to both onsite and offsite factors.
5. The comparative analysis of the two development options should identify and evaluate both onsite and offsite costs as well as financing mechanisms, and should clearly indicate the impact of development costs on Northwest Airlines and other operators in terms of competitive factors.
6. Capacity of the existing airport site should be re-evaluated, with the variables that affect airport capacity clearly identified. Technological changes that will affect airport and airline capacity should be taken into account in this analysis and evaluated for future benefits. The analysis should also take into account the environmental capacity of the existing airport.
7. The cost of development of new airport facilities on military operations at MSP should be determined and included in the overall comparative analysis.
8. The airport planning process should be revised to allow opportunities for the Legislature to review critical decisions that affect future directions of the process. The lack of Legislative checkpoints between the initial legislation and the final recommendation to the Legislature does not provide a sufficient level of legislative involvement.

-
9. Ground access impacts beyond the airport boundaries should be evaluated for each option.
 10. The impact of each airport development option on future economic growth and viability of the State of Minnesota should be determined and included in the analysis of the options. This analysis should include consideration of any lost economic opportunities related to implementation of either option.
 11. The impact of airport development on accomplishment of the economic development goals contained in the 1992 Economic Blueprint undertaken by the Minnesota Department of Trade and Economic Development should be determined to ensure a healthy, growing and competitive Minnesota economy in the world marketplace.
 12. The forecast process should consider the potential impacts of future changes such as implementation of high speed rail service and technological advances in the area of telecommunications.
 13. The planning process should determine whether the new airport will shift the center of gravity of the metropolitan area, and whether potential shifts could be mitigated by land use planning.
 14. The planning process should identify any limitations on economic development that may result from either development of a new airport or continued expansion of Minneapolis-St. Paul International Airport.
 15. If airport development is undertaken in order to stimulate continued economic growth, the State should determine if the expected growth is compatible with goals for the State and metropolitan area.

APPENDIX 1

Jean Wagenius
State Representative

District 63A
Hennepin County



Minnesota House of Representatives

COMMITTEES: ENVIRONMENT AND NATURAL RESOURCES; LOCAL GOVERNMENT AND METROPOLITAN AFFAIRS;
TAXES; CHAIR, STATE TAXES SUBCOMMITTEE; TRANSPORTATION AND PUBLIC TRANSIT;
LEGISLATIVE COMMISSION ON WASTE MANAGEMENT

September 30, 1993

Governor Arne Carlson
130 Capitol
St. Paul, Minnesota 55155

Dear Governor Carlson,

I am writing to share my concern about evidence of possible decreased hubbing activity by Northwest Airlines that would have an adverse effect on our state's economy, and to expressly disagree with the Task Force's recommendation that the legislature, rather than the executive branch, manage the dual track planning process.

First, one of the three specific questions you posed for the Task Force is to determine whether current projections of future airport traffic properly incorporate the effects of the changes in the airline industry including changes at Northwest Airlines. In the process of reviewing past and recently updated projections we discovered how remarkably close the very recent projections are to those made in 1989. However one of the assumptions used in the recently updated forecast troubles me sufficiently to want to bring it to your attention, and that is the hubbing ratio.

In 1991 MAC completed the long term comprehensive plan for the current airport and, to accommodate the projected growth, included among other things a new main terminal and an additional runway. The plan was based on 1989 projections that airport operations would increase from 375,000 in 1989 to 527,500 operations in 2020.

In 1992 total aircraft operations were 418,500, an increase since 1989 of approximately 5% per year. The recently updated forecast, projects a total of 520,100 operations in 2020. The 7,400 reduction in operations from the 1989 forecast represents a 1.4% decrease and is attributed to a decision to reduce hubbing by NWA that is not totally offset by a substantially larger increase in regional carrier operations than was originally projected.

At present, connecting passengers using the Twin Cities hub constitute approximately 51-52% of traffic carried by NWA. In October of 1992 NWA suggested using a 50-50 ratio of connections to the originations in developing forecasts. In early 1993 NWA indicated a desire to



reduce connections to 45% for the purpose of forecasting. It is the 45% that is used in the recently updated projections.

Hubbing has always been regarded as extraordinarily positive for this state both because of the large number of well-paying jobs required to maintain it and because it offers many more opportunities for our larger business community to reach customers and to ship cargo. Thus any loss of hubbing is a negative for our business climate. The loss may be able to be attributable to changes which will make NWA more profitable. On the other hand, our loss may be another state's gain. I am aware of your desire to maintain a healthy business climate and jobs for Minnesota and trust that you will aggressively monitor the situation. I have attached an article describing Detroit's plans for expansion because they are one of our most obvious competitors.

On page 54, "General Issues," the Task Force recommends that the planning process be revised to include additional legislative involvement. I believe it is ill-advised to recommend that the legislature attempt to administer a planning process.

The legislature is not equipped to manage a planning process; a planning process is clearly an executive function, something you demonstrated that you clearly understood when you changed MAC chairs. The legislature is, however, well able to set up a process designed to produce the kinds of information it will need to make a decision, oversee the planning process to the extent necessary to ensure that the work produced meets the legislature's needs and done in a timely manner, and finally to make the decision itself.

In the dual track planning legislation the legislature told the Metropolitan Council and Metropolitan Airports Commission what information would be needed to make an informed decision and set a time table for developing the information. The Metropolitan Council and the Metropolitan Airports Commission worked with the Environmental Quality Board to design a customized four-staged sequence of EIS equivalent studies to meet the statutory standard for an EIS. This customized EIS includes not just environmental factors but also employment, economic, safety, and sociological effects of both an expanded Minneapolis/St. Paul International Airport and a new airport. It actually shortened the time that would have been necessary under the state statutory EIS procedures. In the end, the legislature will have comparable information on both sites so it can make a rational decision.

The dual track statute also designated a state-wide advisory committee to oversee the process to ensure that the product was adequate and timely. The advisory committee has been attentive and the process is on track. The MAC and the Metropolitan Council have established numerous advisory committees to provide review, comment, advice and oversight. There is no lack of opportunity for citizens and legislators to become educated about the process and become involved in it.

If the legislature were to revise the process at this point it would virtually ensure a longer process because the customized EIS would have to be abandoned. Moreover it would be acting with insufficient knowledge. Indeed almost all of the "General Issues" are suggestions for additional information that should be developed before any decision is made. Most if not all these issues will automatically be covered by the EIS process but the listing serves as a good reminder of the need to develop the facts before making decisions.

While I do not believe that the legislature is equipped to manage a planning process, to the extent that Recommendation 8 serves to remind us how important it is for the legislature to become informed as the process proceeds, it is in order.

The significance of the infrastructure decision that the legislature will be making in 1997 can be seen from the figures. Based on projections that airport activity will increase to 527,500 operations in 2020 from 375,000 in 1989, the additional facility requirements contained in the long term comprehensive plans for Minneapolis/St. Paul International Airport are:

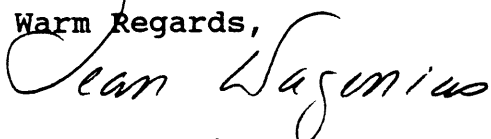
- 30 new gates (67 to 97)
- 1.4 million square feet of terminal space (from 1.5 MM to 2.9MM)
- 24,000 parking spaces (from 20,000 to 44,000)
- 33 acres of cargo space (from 56 to 89)
- 157 acres of maintenance facility (from 189 to 346)
- 1 independent north-south runway

The environmental capacity will be developed in the EIS.

The alternative will be the same capacity at a new site which will also accommodate growth beyond 2020.

Given the need for the legislature and the public to be educated about the economic development, safety and environmental issues involved in airport capacity planning, I suggest that the Commission and the Metropolitan Council provide planning issues forums to which all members of the legislature will be invited. In addition, the Commission and the Metropolitan Council should provide issues forums for the business community and public.

Warm Regards,



Jean Wagenius

Detroit airport to expand without asking NWA aid

Associated Press

Ann Arbor, Mich.

Wayne County officials have stopped begging Northwest Airlines to support their expansion plans for Detroit Metropolitan Airport and are moving ahead on a \$368 million international terminal.

For years, Northwest has called the shots on the airport's expansion. Northwest operates most of the passenger flights at the airport, which is its largest hub.

But the Egan-based airline's recent financial problems and a new airport tax that is expected to generate \$30 million a year have shifted the balance of power in the county's favor.

So instead of waiting for negotiations with Northwest over the scale of expansion at the airport, county officials said Friday that they are proceeding with planning for the international terminal. Northwest spokesman Jon Austin said the carrier was aware of the county's plans for the terminal.

"Northwest continues to enjoy good relations with the Wayne County government and the airports commission, and we continue to discuss with them the best ways to take the metro airport into the 21st century," he said Sunday.

The new terminal is part of the county's hoped-for expansion program, which also would involve a new domestic terminal and runways. Should Northwest fail to agree to pay its share of the expansion, the county could seek another carrier for the Detroit hub, said county Deputy Executive Mike Duggan.

"This plan is designed to make us independent of Northwest," Duggan said. "We may end up with an agreement with a different domestic carrier to build a hub in Detroit."

"Everything we do is on a negotiable basis. If a different carrier were to come in and indicate they wanted to pay for the terminal, the county has a legal right to negotiate with that carrier and reach an agreement."

Northwest acquired the Detroit hub in 1986 when it bought Republic Airlines.

Detroit Metro's international terminal now has six gates that are too small for jumbo jets. Each large plane requires three gates, Duggan said.

The new international terminal would have 15 to 25 gates, compared with 21 at Chicago's O'Hare Airport and 20 at Dallas-Fort Worth International Airport.

The county will commission a design for the international terminal next year, with construction beginning in 1994 and an opening in 1997 or 1998, Duggan said.

He said the county's announcement was unrelated to Northwest's agreement Thursday with its unions on a \$900 million cost-cutting plan designed to stave off bankruptcy.

Instead, he said it was based on the start Jan. 1 of a \$3-a-ticket charge, expected to generate \$30 million a year to repay bonds being sold to pay for airport improvements.

Those improvements include \$127 million in renovations to existing concourses.

