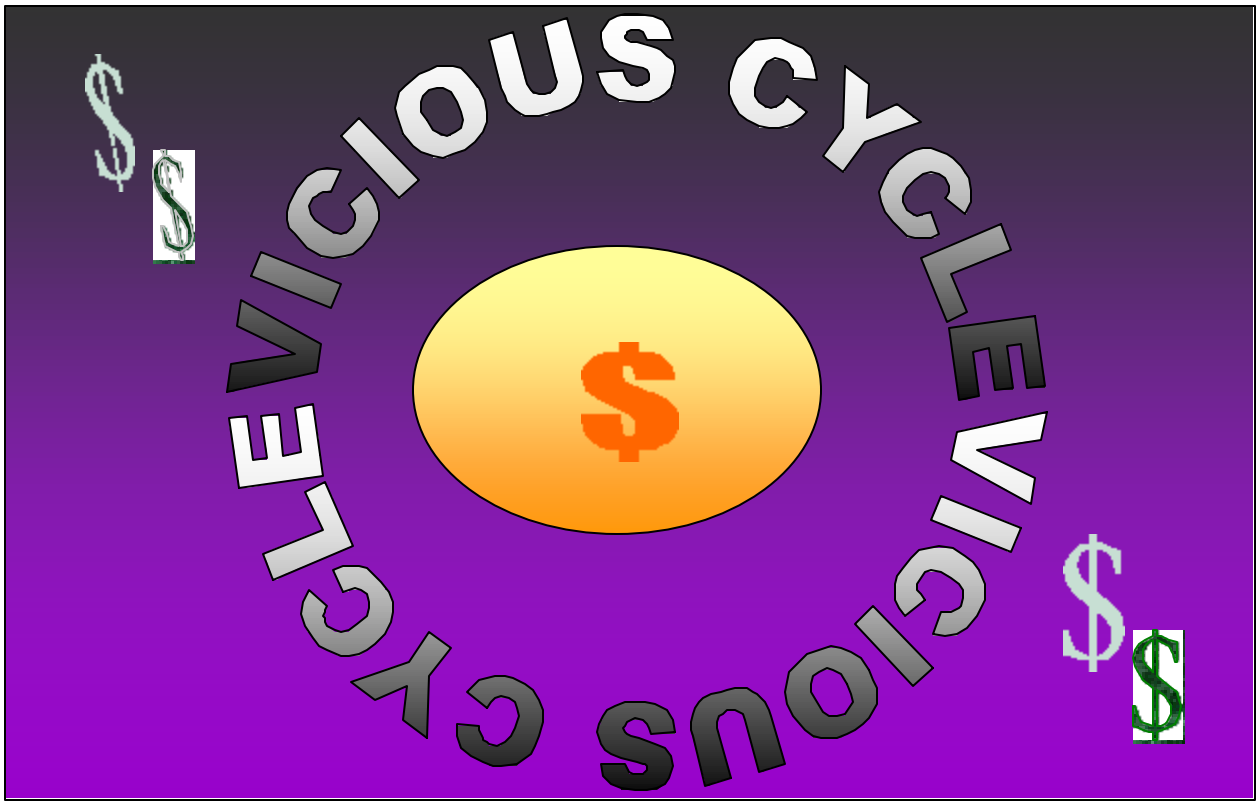


by Peter Martin and Alan Martin

# Avicious cycle

Report Prepared by:
**Peter Martin and Alan Martin**

Date: October 30, 2003

# *A VICIOUS CYCLE: HOW CAN THE GOVERNMENT JUSTIFY EXPANDING AIRPORT CAPACITY TO SOLVE AN OVERCAPACITY PROBLEM?*

Executive Commentary

**The U.S. government has established a "pre-emptive strike" policy on airport expansions that threatens the well-being of its citizens without sufficient scientific and economic proof to justify such probable horrendous damage. Why? This report examines this question in detail, considering both the air transport industry and the interactions of its partners, along with the "enablers", big business, politicians, and government agencies.**

The supposed government protectors of the citizens include the FAA, the US-EPA, and Congress, all of which are ineffective due to well-funded airline industry's lobbies and political contributions. As a result, airlines and airports' growth and profitability is the priority, *not* citizens' health, safety, welfare, quality of life and pocketbook.

The airline industry is provided with numerous subsidies. For example: the industry is exempt from paying state fuel taxes and it is refunded federal fuel taxes, it receives direct payments from the government, there is no compensation to victims of healthcare illness and costs due to pollution, etc. Even with all the subsidies and support from the government, this privately owned industry will have lost over $26 billion during 2001, 2002, & 2003; and, cumulatively, has lost money ever since its inception.

**This is a problem of gargantuan proportions, one that is shackling other efficient modes of transportation, while, at the same time the "in control" airline industry is failing the very people it purports to serve.**

There are viable solutions for the need to expand transportation and increase economic growth, such as world-class high-speed rail, teleconferencing using high speed Internet service, fast ships, and "Wayports". Unfortunately, the government has put constraints on them and has provided limited funding for high-speed rail to ensure it will not be competitive against the airline industry. Why is this, when it is well known that in Europe and Japan, high-speed rail works? Why is it that European inter-modal transportation systems are perhaps decades ahead of the U.S., with healthy associated research and manufacturing capabilities in place? How is it that the airlines/airports can continue to destroy and pollute the environment resulting in millions of innocent victims annually, while our government looks the other way?

The numbers show existing airports are not major economic engines in driving future growth; why then is Washington pushing massive system expansion?

It's all about money.

**This report's goal is to provide the reader with a solid basis of understanding of the many issues, and to challenge the reader to become more educated on the major airline/airport pollution and health issues confronting them and to ask questions of their government representatives.**

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# A VICIOUS CYCLE: HOW CAN THE GOVERNMENT JUSTIFY EXPANDING AIRPORT CAPACITY TO SOLVE AN OVERCAPACITY PROBLEM?

Executive Summary

Ironically, the government is massively expanding airport capacity in order to solve an overcapacity problem in an attempt to "fix" the aviation industry's financial problems. The telecommunications industry also had a problem in overcapacity. However, in contrast to the aviation industry, the telecommunications industry has suffered through numerous bankruptcies, reduction in industry capacity, and has allowed supply and demand to get back into balance.

1) **Overcapacity of the Air Transportation Industry:**

**The airline industry lost $7.7 billion in 2001, $11.3 billion in 2002, and is estimated to lose over $7 billion in 2003 much due to overcapacity problems. The industry had serious financial problems prior to the tragic events of September 11, 2001.**

2) **Cost of Expanding Just One Airport:**

**The estimated cost to complete just the infrastructure, in order to expand capacity at Chicago's O'Hare Airport, is currently estimated to be $16 billion. This number increases to $32 billion, when it includes the interest expenses over the next 20 years. Moreover, hundreds of other airports nationwide are also earmarked for expansion.**

3) **Money for Expansion:**

**The federal and state governments are running very large deficits and the air transportation industry is losing billions; many of the largest airlines are in bankruptcy or at risk of bankruptcy. Therefore, a key question is: *where is the money for expansion coming from*?**

4) **Some of the "Air-pork" (subsidies) the Air Transport Industry Receives:**

- **The sum of money that the airline industry avoids paying by forgoing state taxes and receiving its refunded federal taxes is estimated to be**
- **$7.4 billion a year, an amount that consumers would have to pay at the pump for purchasing the same quantity of gasoline as the airliners.**

- **Pollution from airports result in increased healthcare costs. For example, it is estimated that for O'Hare Airport in Chicago, this amount is approximately $7.045 billion per year for just cancer. This calculation does not take into consideration all of the related respiratory illnesses and other airport-poisoning diseases from all the airborne pollution created by the aircraft and airport.**

- **There is no tax loss or socio-economic compensation to surrounding areas for lost taxes from homes and business destroyed for expansion, such as Bridgeton in St. Louis or impending O'Hare expansion impacts on Bensenville, Elk Grove, etc.**

- **Millions of homeowners receive no compensation for unhealthy noise levels forced upon them, resulting in a diminished quality of life and property values.**

- **There is no compensation for the world's population for the jet contrails' and chemical exhaust that significantly contribute to global warming and other weather impacts.**

- **The Air Transportation Association is currently looking for U.S. taxpayers to pay roughly $4.0 billion per annum for security costs.**

- **Senator Charles E. Schumer (D-N.Y.) is pushing to outfit civilian airplanes with technology to protect against shoulder-fired missiles at an estimated cost of $7 to $10 billion, costs airlines should bear, not the taxpayers. It appears right now the taxpayer will most likely pay this bill, since the airlines are expected to lose billions in 2003.**

- **Congress provided airlines $5 billion in cash and up to $10 billion in loan guarantees in the year 2001.**

- **Before leaving Washington this summer recess (2003), lawmakers agreed to fund the FAA and related aviation programs for the next four years under *The Vision 100-Century of Aviation Reauthorization Act* (H.R. 2115). Both the House and Senate must vote on the package in**

**the fall of 2003 (CR 108-240). Funding for the FAA totals $31.276 billion and the Airport Improvement program totals $14.2 billion. The grand total is $45.476 billion funding. As reported by the *Associated Press*, in early fall, the bill has now grown to $60 billion!**

- **Taxpayers are also responsible for part of the airline restructurings, via unaffordable pension benefits. US Airlines has already dumped its $1.7 billion pilot pension liability into the lap of the federal Pension Benefit Guaranty Corp. It's only a matter of time before other airlines use the same maneuver to dump their unfunded pension liabilities onto taxpayers, which, collectively, are presently $19 billion.**

- **Airport capital improvements for the direct benefit of airlines (e.g., gates and terminals) are financed by municipal bonds created by the airport authority in order to provide reduced interest rates for the airlines due to the municipal "backing" of the debt.**

- **Great amounts of taxpayer funds are expended to provide airport and aviation related infrastructure and development (e.g., roads, bridges, drainage, research and development of aircraft, fuels, technology, etc., all to the benefit of the airlines).**

5) **The Least Sustainable Form of Transport and the Impending World Oil Shortage:**

- **The air industry, of all industries, soaks up a significant portion of the world's oil supply and, at some point soon, will cause an extreme imbalance in the "supply/demand" equation.**

- **World oil production today is 74 million barrels per day. Increased global economic activity only serves to increase demand and bring forward the date of peak production capacity. At a 3% growth, peak world supply and demand will reach equilibrium in the year 2006 at levels of 80 to 90 million barrels a day.**

**The EIA recently (late 2002) stated that by 2022, oil demand would reach 119 million barrels a day. This demand-supply shortfall will create a very large increase in oil prices, resulting in a big increase in airline passenger fares, cargo and possibly postage costs.**

6) **<u>One Of The Many Purposefully Oft-Repeated Air Industry Distortions Is That Airports In General And Chicago's O'Hare Airport Specifically Are The Primary "Economic Engines" Of Cities' Growth. HOWEVER...</u>**

- **Between 1990 and 2000, O'Hare flights grew only 12.22%**

**During this same period, overall net earnings increased 74% in Chicago and the State of Illinois's gross product increased 69.4%. The small increase in O'Hare flights could not account for such large increases in economic growth in the region. If anything, the flight increases were a result of the growth, rather than a major cause.**

7) **<u>How the Airline Industry has Achieved Such a Special Status: Always Share with the Powerful Decision Makers, also known as "AIR-PORK":</u>**

**Senator Tom Daschle's wife, Linda, was once appointed Deputy Director of the FAA. According to the Office of the Secretary of the Senate, these three companies—American Airlines, Northwest Airlines and Boeing are represented by Linda Daschle (as of Jan. 11, 2002).**

**Another company, L-3 became the latest in a long line of federal vendors who preferred to hustle the referees, rather than play by the rules – and turned to happy hustler Linda Daschle to plead its case. This "pillow talk strategy" proved remarkably effective: soon after Linda was put on the L-3 payroll, her supportive spouse helped broker a shady deal in Congress that forced the FAA to purchase one scanner from L-3 for each one it bought from Invision, the rival company. Lucky Linda's lobbying firm, Baker, Donelson, Bearman & Coldwell was the recipient of close to half-a-million dollars from L-3, while the rest of us are now saddled with sub par scanners – and a heightened risk of being blown out of the sky by undetected explosives.**

The <u>Chicago Sun-Times</u> (Robert C. Herguth and Chris Fusco) on October 23, 2003 reported that O'Hare has proven lucrative for Governor of Illinois Blagojevich and his family. **O'Hare Airport has proven to be an economic engine for Governor Blagojevich serving as a $1 million dollar source of campaign cash, as well as fertile ground for jobs and contracts for his family and friends.**

The <u>Chicago Sun Times</u>, October 30, 1998: Airlines are awarding new routes and fare cuts to the states of key lawmakers at a time when airlines are being threatened with new regulations.

The airline industry has made significant charitable contributions to certain health organizations (e. g. American Cancer Society, American Lung Association, etc.). These organizations get strategically put in a position where, if they come out against airport/aircraft pollution e.g., O'Hare, they could lose these contributions ("graymail"). We hope the readers will inquire on the amount contributed by the airline/travel industries to these charities and other environmental organizations.

8) **Lost Freedom of the Media:**

American Airlines' total revenue in the year 2000 was $19.7 billion, of which $221 million was spent on advertising expenses. The airline industry earned $328 billion in revenues during 2000; using the same ratio of advertising to total revenue of American Airlines, the industry spent roughly $3.5 billion on advertising. **The United States is a democracy with supposed freedom of the press. However, the newspapers, radio, and television companies have become so dependent upon the huge cash flow from airline advertising that a great deal of negative aspects about these clients are suppressed. These denials are compounded by airline influences on other "big business" interests through organizations such as the Chamber of Commerce, which, in turn, help influence the media through its advertising dollars.**

9) **Airport Pollution Monitoring Suppressed and Denied:**

**Jack Saporito, Executive Director of The Alliance of Residents Concerning O'Hare, Inc. (AReCO), on February 26, 2003 asked the U.S. Environmental Protection Agency (US-EPA) for reconsideration of its denial of AReCO's September 6, 2002 request to expand the testing for pollutants, because the existing monitors are either not monitoring the correct pollutants, are insufficient in number, and/or are not placed to correctly monitor O'Hare Airport's ground and/or aircraft emissions. [Denial in November 2002 by EPA Region V Administrator Tom Skinner.]**

**Per Medill News Service, by Holden Frith and Dominika Idzkowski, April 17, 2003: the US-EPA said monitoring around O'Hare is a matter for the Illinois EPA. The Illinois EPA spokesman, Dennis McMurrary stated, "There's no funding. Look at the state's budget situation at the moment. I don't think there would be much funding available for more monitoring." Yet, the Illinois EPA appears to have dropped opposition to the massive expansion of O'Hare flights with erroneous claims and distorted statements such as "...all of the environmental groups dropped their opposition…" (See: IEPA letter to U.S. Senator Durbin dated 8/20/02.)**

10) **Massive Delays Manufactured During Summer of 2000:**

It was a loss of the operational controls (flight caps) that led to the massive delays in the summer of 2000.

The High Density Rule (Slot Rule) governing airport slots was established in 1969 to address congestion and delays.

The Department of Transportation warned Congress in 1995 that if Congress took away the High Density Rule, which controlled the numbers of landings and takeoffs at O'Hare, Washington Regan-National and New York's Kennedy and LaGuardia, it would create massive delays throughout the system. Shortly thereafter, Congress started to add flights and also remove the operational and management controls to those airports, resulting in the expected massive delays originally projected.

Further confirmation from the field is from Craig Burzych, a veteran O'Hare controller who, as president of the National Air Traffic Controllers Association union at the airport, confirmed that "…and the lifting of flight caps created huge delays at O'Hare last year." (Daily Herald, 11\11\01.)

11) **Expansionists' Policy: "If the law won't let us, we'll change the law":**

**A decision made by a state appellate court successfully restricted Chicago from purchasing land for the expansion of O'Hare by citing the Illinois Aeronautics Act. In a retaliatory effort by powerful expansionists, "the O'Hare expansion bill" was passed by the Chicago-controlled General Assembly, and subsequently signed by the (also Chicago controlled) Illinois governor. The purpose of the "expansion bill" is to make certain that key provisions of the Illinois Aeronautics Act are irrelevant, thus making expansion possible by placing total control in the hands of the airport owner and operator, Chicago.**

**What about state and federal agencies, which are to protect the public?** The possible protectors of the citizens include the FAA, the IL-EPA, US-EPA, and Congress. The IL-EPA reports to Illinois' Chicago-controlled Governor...enough said. Airline lobbies neutralized the US-EPA many years back by effectively placing all airport pollution responsibility in the hands of the FAA. The FAA's "clients" are the airlines and airports, not citizens, and this priority is maintained by continuing FAA lobbying and the "revolving door policies" that circulate key regulators back and forth with the airline/airport industry.

Congress is likewise controlled by heavy lobbying from "big business" (e.g., Congress has long ago ceased its role of serving the terribly impacted citizens that live around airports). Only a very few independent thinkers, such as Illinois U.S. Senator Peter Fitzgerald or U.S. Representative J. Hyde, attempt to stand in the way of the majority of steam-rolled congressmen/women and powerful committee chairman, chairpersons, bought and paid for by airline/airport cash.

The net result is that instead of pursuing a course of building modern, efficient Wayports in non-congested locations (thus saving the taxpayer countless billions of dollars, and having great opportunities to help solve massive unemployment in poorer neighborhoods, e.g., proposed Peotone Airport and Chicago's Southside), money is poured into maintaining the political status quo and expanding existing airports located in the middle of heavily populated areas. This guarantees increased pollution and health problems for decades to come for millions of adults and children living in the surrounding areas.

Another example is Lambert airfield in St. Louis; after destroying a major portion of the town of Bridgeton in order to add another runway, the airport is now in the process of requesting another $100 million in federal dollars of "assistance". At the same time, American Airlines is in the process of deserting the airport and thus eliminating the need for the runway!

12) **Solutions:**

**The American citizens and their government can either wait for transportation disaster to arrive in the next couple of decades or they can start to take positive, corrective actions now.**

**The airline/airport industry must be reined in, while re-directing attention to providing a more balanced, inter-modal U.S. transportation system. Some solutions include:**

***World-class high-speed rail:***

High-speed rail (greater than 150 mph) needs to be implemented and optimized for all regional travel between cities spaced about 500 miles apart. Suggested routes include: Chicago to St Louis, Detroit, and Minneapolis; Los Angles to San Francisco; and Boston to New York to Washington DC. The U.S. Government Accounting Office goes further, advocating a national high-speed rail system to reduce air and ground congestion and many of the problems mentioned in this report.

**Preliminary findings show that a high-speed train system creates more jobs, attracts more business and is more conducive to smart land use policies than**

**the other two alternatives.** In California, a high-speed train system will create 450,000 new jobs — **more than twice the amount projected under the option of expanding freeways and airports.**

**"There is no reason to believe that similar results would not be seen in Illinois, with a High Speed Rail alternative creating at least 400,000 jobs as compared to the (Chicago estimated) 195,000 jobs created via O'Hare airport expansion."**

***Teleconferencing:***

Large advancements are being made due the high speed Internet access. For instance, per Andy Ihnatko, Chicago Sun-Times technology reviewer, Apple iChat has flawlessly integrated multimedia into the chat model. It also offers a possible mainstream role for videophones and telephony-via-Internet. iChat's video quality is outstanding: it is full-screen at near-VHS quality, and with a high frame rate that eliminates the choppy nature of video-over-Internet.

***Wayports:***

Wayports are new airports located in outlying areas and optimized for inter-modal transportation interconnects, pollution and noise control, security, passenger comfort and convenience and cargo handling. "Wayport" concepts should be emphasized, with these airports handling much of the transfer-only passenger traffic, leaving the originating/terminating traffic and the most profitable routes to the older, inner-city airports.

***Fast ships****:*

Fast ships are defined as ships that are twice as fast as the current ships that are currently under development. **The Royal Commission on Environmental Pollution reported that the carbon dioxide emission and fuel use for marine freights are 40 to 400 times less than the emission and use for air transportation.**

***Financial:***

See: "Solutions" on page # 30.

13) **Other Research Resources**:


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Report Prepared by: Date: October 29, 2003
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## Full Report

# A VICIOUS CYCLE: HOW CAN THE GOVERNMENT JUSTIFY EXPANDING AIRPORT CAPACITY TO SOLVE AN OVERCAPACITY PROBLEM?

Ironically, the government is massively expanding airport capacity in order to solve an overcapacity problem in an attempt to "fix" the air transportation industry's financial problems. The telecommunications industry also had a problem in overcapacity. However, in contrast to the air transportation industry, the telecommunications industry has suffered through numerous bankruptcies, reduction in industry capacity, and has allowed supply and demand to get back into balance.

## Overcapacity of the Air Transportation Industry

On February 21, 2003, J.P. Morgan analyst Jamie Baker stated that, "A shut down of United Airlines might be the industry's best-case scenario, because the airline industry is struggling with overcapacity (too many flights)." He expects the industry to absorb between 40% and 45% of United's flying capacity.

Another reduction in demand that could hit Chicago's O'Hare Airport and other major airports hard is American and United airlines "de-hubbing". Both of the airlines have already experimented with de-hubbing. The current hub and spoke business model has failed. It is defined as a failed business model because the industry has lost $7.7 billion in 2001; $11.3 billion in 2002 and is estimated to lose well over $7 billion in 2003, for a total of over $26 billion. Note: The industry had serious financial problems prior to the tragic events of September 11, 2001.

As reported by Chris Woodyard, USA TODAY, on August 12, 2003 Continental CEO Gordon Bethune and Northwest Airlines CEO Richard Anderson spoke at a National Business Travel Association convention. They stated that planes are jammed this summer (2003), but most are packed with vacationers who typically pay low fares. Hopes are fading that the business travelers, who are accustomed to paying more, will be back in greater numbers in the fall. Lacking them, the airline industry is slashing fares to keep planes full, but is still losing money.

Bethune said the industry has "so much overcapacity, you don't see the benefit" even if the economy made a big improvement. He also stated "The future of the airline industry is clear: If demand doesn't pick up, airlines will have to continue cutting costs."

**Some of the Scare Tactics Used to Push Growth at any Cost:**

1) One argument made by a strategist working for a politician running for Senate in September 2003 was that if an airline like US Airlines were to go under, major portions of the East Coast would lose a key portion of its air travel infrastructure. This is just not true. Check with any major brokerage airline analyst at Goldman, Bear, J.P. Morgan or UBS and they will tell you how it would really work. Profitable routes are always fought for immediately by the remaining airlines, because it allows them to grow their business profitably.

   What mega airline companies desire is dominating certain airports to reduce competition, so they can charge higher fares ("Fortress Hubs"). O'Hare is dominated by American and United, Minneapolis is dominated by Northwest, and the list goes on and on. The ability for a more efficient airline to break into a major market airport would be extraordinary.

2) Small town U.S.A. is losing air service: Since September 11 terrorist attacks and a weak economy have reduced the demand for air travel. Moreover, local residents have fueled the trend by driving to larger urban airports for cheaper flights.

   The question is: how can spending tens of billions of dollars to expand mega-airports in such areas as Chicago, Boston, Seattle, Atlanta, etc. bring back air travel to the small communities? Let us remember the major local and federal government budget deficits, airlines losing billions and people cutting back air travel because of the lack of growth in the economy. Everyone will agree there is only so much money that can be spread around to subsidize air travel. More money spent on the mega-airports, will mean less for the smaller airports.

   The Department of Transportation's Essential Air Service Program, which provides subsidies to small communities, for example, pulled the plug on Ottumwa's airport in Iowa in September 2001 because the per-passenger costs exceeded the ceiling of $200. It seems the **money is going to the politically connected and powerful in big cities and not the small communities.**

## Cost of Expanding Just One Airport

For example, the cost of the entire Chicago O'Hare Airport expansion project, including infrastructure is estimated to be between $16 billion and $20 billion. The higher estimates may be low, considering Chicago's Mayor Daley's original estimate for the new terminal program "World Gateway" at O'Hare was $1 billion and it is now estimated at $3.7 billion to build per the City of Chicago. Another Mayor Daley public works project, Millennium Park, was originally projected to cost $150 million, and as of November 8, 2002 per the Neighborhood Capital Budget Group, the cost is now estimated to be $370 million with a completion date of December 2003.

In his book, "Megaprojects and Risk," which studied multibillion-dollar construction projects worldwide, Brent Flyvbjerg found that about 9 out of 10 projects went over budget, with many running 40% over original estimates. He concluded that sponsors of such projects systematically underestimate costs and environmental impacts, and overestimate revenues to win approval of their projects. This has certainly been Chicago's Mayor Daley's history, as noted in the previous paragraph.

Mayor Daley's other trick is to break projects expenses up and then claim they are separate projects that should not be added together. This explains the major difference in the $6.6 billion quoted by Mayor Daley to build the expansion at O'Hare and the $16 billion estimated below without financing and interest expense, which brings the total project to $32 billion, excluding any cost overruns.

Estimated cost excluding financing fees and interest expense per Robert McCoppin at the Daily Herald, August 14, 2003 who highlighted the analysis done by Infrastructure Management Group, Inc.:

| | | |
|---|---|---|
| Airfield infrastructure for relocation of utilities and electrical, water, sewer, and fuel lines: | $ | 0.5 billion |
| World Gateway program: | | 3.7 |
| Capital improvement program: | | 2.1 |
| Expenses for nighttime pay and security costs: | | 2.7 |
| Related road improvements | | 2.3 |
| Cost to build runways (estimated from stated total cost estimate of almost $16 billion) | | 4.7 |
| Sub-total | | $16.0 |
| Estimated interest expense over 20 years* | | $16.0 |
| Total first 20 years | $ | 32.0 billion |

* During the week of August 11, 2003 the interest rates Chicago received were between 4.59% and 5.75%, with maturities between 10 and 31 years on a net financing of $986 million (part of which will go directly for O'Hare expansion, part to other O'Hare infrastructure improvements and the remaining portion to debt refinancing) to help finance the start of the O'Hare Airport expansion (most likely issued $1 billion in bonds with $14 million in issuing and insurance costs to improve bond rating). For estimating purposes, let's use 5.00% over 20 years. 5% times 20 equals 100%, which means the amount of interest paid over 20 years equals the amount financed. Moreover, the bonds will have to be refinanced at a undetermined rate when the bonds mature, because it is a pretty safe bet that the airline industry, which has lost billions of dollars since it came into existence in the 1940s, will not generate excess cash flow to retire the bonds.

## Where is the Money Coming from if the Airline Industry is Losing Billions and State & Federal Governments are Running Large Deficits?

1) The Wall Street Journal on Feb. 21, 2003 estimated a deficit of $2.3 billion for the State of Illinois (spending growth 1990 - 2002, 61%).

2) The New York Times reported on October 21, 2003 that the federal deficit for October 1, 2002 through September 30, 2003 was $374 billion. Joshua B. Bolten, director of the White House's Office of Management and Budget cautioned that the deficit was still likely to exceed $500 billion in the 2004 fiscal year ending September 30, 2004. The federal government deficit for the 2002 fiscal year was $157 billion.

3) The Air Transport Association (ATA) reported on January 27, 2003 that the airlines lost $7.7 billion in 2001 in 2001, and then estimated a loss of over $9 billion in 2002 (actual loss for the 10 largest U.S. carriers was a record $11.3 billion, as stated by James May, president of ATA on Feb. 25, 2003) and is projecting a loss of $7 billion in 2003.

4) Part of the cost of building the airports will come from the airline passenger fees ($4.50 per ticket) and the issuing of airport bonds (which they have to pay back). The real question is where will the bulk of the funds come from and who pays for it in the end since the airline industry has not generated any cash flow on a cumulative basis since its existence in the 1940s?

## Money for Expansion: Where Can the Money be Coming From??? Why all the Secrecy???

Chicago's Mayor Daley sealed a $2.9 billion deal with the airline industry that will help herald the expansion of O'Hare. Daley claims the cost of the entire O'Hare project at $6.6 billion. However, other sources believe that the $6.6 billion statement represents the cost of the runways alone; after factoring in new roadways, terminals and other infrastructure, the

expansion plan would end up costing closer to *$16 billion, and possibly at least $20 billion*. This total excludes all the financing charges for issuing the debt and interest expense.

That leaves the vast majority of the cost with no funding, since United and American, two of O'Hare's major tenants, are in terrible financial condition. United has already filed bankruptcy, and although American has avoided bankruptcy to date, it is not much healthier. After sealing his $2.9 billion deal, Daley and the city said nothing about funding to fill in the gap. It is hard to believe that O'Hare's major tenants can provide the remaining balance due to their financial position.

Why all the secrecy from Mayor Daley on the financing of O'Hare Airport and the actual cost? It is because the money for expansion is going to come out of the taxpayers' wallets. And that's something that Mayor Daley doesn't want the people to know.

## Some of the "Air-pork" (subsidies) Air Transport Industry Receives:

1) **Airlines pay almost no fuel taxes, unlike other forms of transportation.**

**Federal excise taxes:** The Federal excise taxes range from 18.4 to 24.4 cents ((18.4+24.4)/2 = 21.4 average) per gallon for highway users. The meager 4.3 cents of federal excise taxes on airline fuel is returned to the airlines via a "trust fund."

**States impose their own fuel taxes**. The state of Illinois imposes 19 cents per gallon on highway gasoline and 21.5 cents on diesel ((19+21.5)/2 = 20.25) and none on jet fuel.

The reason for worldwide non-taxing of Aircraft Fuel is because of an interpretation of Article 24 in the 1944 Convention on International Civil Aviation, which is administered by the International Civil Aviation Authority - ICAO (part of United Nations Organization). Critics claim there is no such interpretive restriction, at least for domestic flights.

The Air Transport Association reported a national jet fuel consumption of 17,839,126,707 gallons in 2002, based upon reports filed by airlines to U.S. Department of Transportation. The combined federal taxes of 21.4 cents plus state taxes of 20.25 cents equals 41.65 cents of tax per gallon of gas that ordinary U.S. citizens must pay.

**This subsidy is equal to .4165 times 17,839,126,707 = $7,429,996,273 in forgone tax revenue in the U.S. from commercial aircraft <u>every year</u>.**

In the UK, the air transportation industry tax exemptions were worth 7.5 billion pounds ($12 billion dollars) in 2000. In 2002 every single UK person earning 25,000 pounds ($40,000 dollars) per annum will pay 557 pounds ($891 dollars) income tax to meet the costs of air transport's tax exemptions.

It would also seem that since each barrel of oil (which makes 42 + 2.2 of processing gain gallons of petroleum products) produces 19.5 gallons of gasoline and only 4.2 gallons of jet fuel, along with many other petroleum products. It would only seem reasonable that since you can make 4.6 times more gasoline per barrel of oil that it would be significantly cheaper than jet fuel.

Note: The cost of commercial jet fuel to end users as of June 2003 was $0.90 cents a gallon, while, at the same time, automobile gasoline was $1.558 (all types) according to the EIA.

2) **Pollution and increased healthcare Costs** (please refer to http://www.areco.org/ for numerous studies on airport/airplane pollution and health complications):

**Per Laura Mecker, Associated Press writer, November 12, 2002, Air Pollution-Medical Costs Linked**. Laura Mecker found hospital admissions for respiratory problems were, on average, 19 percent higher in the 37 areas with the highest air pollution, compared with 37 areas with the least amount of pollution in the Chicago area. Controlling for demographics and health factors, the **researchers found Medicare would have saved an average of $76.70 per person in inpatient care and $100.30 in outpatient care for every drop of 10 micrograms per cubic meter in particulate air pollution**.

R.E. Ruthenberg, after completing his Lake Breeze study[1], stated, "**O'Hare operations today emit thousands of tons of noxious material into the air annually...enough to fill 120 football stadiums 100 feet deep...and this all moves through our neighborhoods and into our homes."** Data from both the state of Illinois and the U.S. Environmental Protection agencies shows that O'Hare aircraft alone emit more *volatile organic compounds* than those from all Illinois electric power plants combined, with Carbon Monoxide emissions as much as 60% of that total. Adding the associated ground, mobile, and stationary emissions would at least double that percentage.

Moreover, air toxins associated with O'Hare Airport raise the risk of cancer 100 times greater than the federally acceptable level, which is one cancer patient per one million people. **Higher than average cancer incidence rates account for 800 new incidences of cancer each year for residents in just eight of the scores of communities downwind from O'Hare. The increased cancer incidences account for 400 extra deaths per year - the equivalent to one 747-plane crash and killing everyone aboard.**

**An alternate calculation on just the additional healthcare costs relating to cancer alone:**

R.E. Ruthenberg's *Investigation of the Cancer Incident Rates in 98 Surrounding*

[1] Ruthenberg, R.E. "The "Sea-Breeze" Or Lake-Breeze Effect And Impact On Pollution Concentrations/Dispersions From Sources Such As Airports," 6/6/02.

*Communities in Cook County and DuPage County* (see: www.areco.org) shows that the Illinois average yearly rate of cancer incidence is approximately 0.4% of the population while that of the surrounding area of O' Hare is substantially higher at between 0.6 to 0.8 percent.

It is reasonable to say that airport pollution is proportional to the number of flights. Assuming a linear relation between cancer incidence rates and pollution concentrations and the expansion proposal's claim of an 77.8 percent increase in flights from 900,000 to 1.6 million per year after completion, there would be an additional 1.6 percent increase in cancer cases in the surrounding communities if all incidence increase was attributed to the increased airport operations.

Using this information and the population estimate for O'Hare surrounds (20 mile radius, from another AReCO report; population = 7.04 million), the following estimates for additional cancer expenses expected as a result of the expansion:

0.778*0.4%*1/100*7.04M=21,908 cases per year.

The American Cancer Society states in its "Cancer Facts and Figures 2002" that the average direct medical cost per cancer patient is $75,000 per year. Thus, the yearly cost impact, without any medical cost inflations considered, for cancer incidences alone is 21,908*$75,000=$1.7B/year!

To some, this may not seem a large number. But remember that this $1.7B/year "cancer mitigation cost", if imposed on the airport, would be 85 times larger than what O'Hare lauds loud and far for their "noise mitigation" program (about $20M/year for home and school noise insulation improvement) and this is only one of the thousands of airports in the United States. Also, if the many other pollution related disease costs (for asthma, cardiovascular, pediatric disease, acute disease of airport employees, etc.) are similarly factored in, the total costs might be up to one or two orders of magnitude greater than the calculated $1.7B! Additional unfunded billions are also accountable to current airport operations (the above calculations only relate to costs of expansion of existing operations).

3) **No tax loss or socio-economic compensation** is provided to surrounding communities like Bensenville, which stands to lose a minimum of 533 homes. In addition, Elk Grove, Des Plaines, and Bensenville stand to lose 100 businesses for property taxes. The **annual loss of property taxes will run into the millions**. Furthermore, **the loss in homes and business will have a significant negative effect on remaining businesses and the loss in school taxes could bankrupt the schools, libraries, and other public services.**

4) **Millions of homeowners receive no compensation yet for unhealthy noise and air pollution forced upon them, resulting in a diminished quality of life and property values.** The pro-expansionist/pro-airline argument that "You moved there, so you knew what you were getting yourself into" is very lame. Many people who are currently affected had moved into quiet areas that previously had no flights or a limited number of flights. However, due to

increases in jet flights, night flights and changed flight patterns, noise and pollution impacts them heavily now. Furthermore, most people have no idea how bad the pollution is because the government, newspapers, and broadcast medias have basically refused to acknowledge and investigate the problems in order to inform the public.

The industry's FAA "acceptable" noise level threshold of 65 db DNL puts 5 Chicagoland communities out of compliance at current air traffic volume.

While the airline industry will argue that the 65 decibel level is relatively benign, having a full daytime exposure to 65 decibels of noise is more than a mere annoyance - it can cause elevated blood pressure, higher propensity to stroke, heart attack, hypertension, and miscarriages. Moreover, heart disease is one of the USA's highest killers; adding noise to the mix only makes an extreme health liability increase. Note: The United States Environmental Protection Agency, along with the World Health Organization, and most, if not all, other notable authorities state that airport noise harms human health at a much lower 55 db DNL.

5) **Global warming from jet contrails**. Researchers found that the clouds spawned by jets lower peak daytime temperatures and raise the lowest nighttime readings. The diurnal temperature range rose sharply on Sept. 11, 2001 and fell again on September 14 when commercial flights resumed. The United States General Accounting Office estimates that jet engine emissions may account for about 3 percent of greenhouse gases and because they are emitted directly into the upper atmosphere they have significantly more harmful effects than ground based emissions. **Global warming causes weather to be more volatile, causing flooding (as temperatures rise, weather becomes less stable and more water is driven into the atmosphere) and drought in other areas, resulting in the loss of tens of billions of dollars. Many scientists believe that something catastrophic could happen as a result, if this phenomenon is not already occurring.**

6) **James May, the president of the Air Transport Association (which represents American Airlines, United Airlines, and other major carriers) has requested that the U.S. pay some of the $4 billion airlines face for security each year.** Airline passengers should have to pay a fixed fee for security, an idea similar to charging drivers toll fees on highways; only the air carriers themselves and/or the passengers should pay for the privately owed airline expenses, not the entire general United States population.

7) **Congress provided the airlines with $5 billion in cash and up to $10 billion in loan guarantees after the September 11, 2001 attack. Note: t**he industry had serious financial problems prior to the tragic events of September 11, 2001.

8) **As reported by <u>Aviation and Environment News</u>, August 2003: Before leaving Washington for their summer recess, lawmakers agreed on a measure to fund the FAA and related aviation programs for the next four years. Both the House and Senate**

**must vote on the package in the fall of 2003; the result of a conference committee meeting to reconcile differences between their two versions is:**

***The Vision 100-Century of Aviation Reauthorization Act (H.R. 2115 – CR 108-240)*** **would provide FAA with $7.591 billion in fiscal year 2004; $7.732 billion fiscal year 2005; $7.889 billion for fiscal year 2006; and $8.064 billion fiscal year 2007 (total for four years is $31.276 billion) for salaries, operations, and maintenance.**

The Airport Improvement Program (AIP) would receive $3.4 billion for 2004; $3.5 billion for 2005; $3.6 billion for 2006; and $3.7 billion for 2007 (total for four years is $14.2 billion) to fund grants for airport planning and development and for noise compatibility planning programs. The grand total of the "AIR-PORK" bill is: $45.476 billion.

Leslie Miller from the Associated Press, September 25, 2003, "Privatizing Towers Stalls FAA Bill," reported that the bill has now grown to $60 billion.

9) **The Wall Street Journal, April 18, 2003, "The Airlines Wage Escalator": Taxpayers are also responsible for part of the airline restructurings, via unaffordable pension benefits. US Airlines has already dumped its $1.7 billion pilot pension liability into the lap of the federal Pension Benefit Guaranty Corp. It's only a matter of time before other airlines do the same; airlines collectively face unfunded pension liabilities of as much as $19 billion.**

10) **Airport capital improvements for the direct benefit of airlines e.g., gates and terminals are financed by municipal bonds created by the airport authority in order to provide reduced interest rates for the airlines, due to the municipal "backing" of the debt.**

11) **Senator Charles E. Schumer (D-N.Y.) is pushing to outfit civilian airplanes with technology to protect against shoulder-fired missiles at an estimated cost of $7 to $10 billion, security costs the airlines and their passengers should pick up, not the taxpayers. It appears right now the taxpayer will most likely pay this bill, since the airlines are losing billions and refuse to increase fares to cover the costs. The reason they refuse is because when you increase fares, you will have less passengers and thus less revenue. So why not get the government/taxpayer to pay the bill, rather than the air passengers and keep all the additional revenue for your own private corporation?**

12) **Great amounts of taxpayer funds are expended to provide airport related infrastructure e.g., roads, bridges, drainage, etc., all to the benefit of the airlines.**
**On top of the above facts, the airline industry is the least sustainable form of transportation. The reason is that there are limits to worldwide oil production.**

**The Least Sustainable Form of Transport and the Impending World Oil Shortage**

**Please refer to the following book to further confirm the comments below: Hubbert's Peak: *The Impending World Oil Shortage* by Kenneth Deffeyes. Deffeyes makes a very convincing case that global oil production could peak between the years 2004 – 2007. It's worth noting that by 2004 most of the world's oil fields will be half depleted. Normally, when an oil field has been 50% depleted, the production rate slows.**

**World oil production today is 74 million barrels per day. Increased global economic activity serves to increase demand and bring forward the date of the peak production capacity. At 3% growth, peak world supply and demand will reach equilibrium in the year 2006 at levels of 80 to 90 million barrels a day, which is estimated to be world peak production.**

A low 1% increase in global GDP would make the year 2016 the peak year for production and at a 2% growth rate, peak production occurs in 2011. [Facts from "The World Oil Supply Report 2002 — 2050" by petroleum geoscientist and former oil company international exploration manager Dr. R. Smith and published by Douglas -Westwood Limited.]

**The Energy Information Administration (EIA) recently forecasted (late 2002) that by 2022 oil demand would reach 119 million barrels a day. This inability to produce the 119 million barrels a day would result in the need to ration the 80 to 90 million barrels by price, resulting in a big increase in airline passenger fares, cargo and possibly postage costs.**

How much fuel is used by aircraft worldwide? Per ATA in 2000, the World operated 17,912 aircraft and the US made up 8,142 of these planes for a total of 45.5 %.

Commercial aircraft in the US that year used 17,839,126,707 gallons of jet fuel and excluding military aircraft, an estimated 39,206,871,883 gallons of jet fuel was used globally (most likely understated because U.S.A. commercial aircraft are newer and more fuel efficient than the world fleet.

The calculations above do not include the world's military, general aviation, police and other aircraft, (It is difficult to estimate the totals, but for national security, this usage will not decline, nor would high-speed rail or video conferencing be suitable substitutes), as well as such aircraft as helicopters.

**<u>One Of The Many Purposefully Oft-Repeated Air Industry Distortions Is That Airports In General And Chicago's O'Hare Airport Specifically Are The Primary "Economic Engines" Of Cities' Growth. HOWEVER...</u>**

Let's take a closer look at the number of increased flights compared to population growth and economic growth of the region.

| | 1990 | 2000 | Percentage Increase |
|---|---|---|---|
| O'Hare Flights * | 810,000 | 909,000 | 12.22 |
| Number of Jobs – Chicago, IL** | 3,880,047 | 4,445,146 | 14.56 |
| Gross State Product (in mm's) for IL** | $275,846 | $467,284 | 69.40 |
| Net earnings (in 000's) – Chicago – IL** | $119,938,433 | $209,469,741 | 74.46 |
| Population – Cook County*** | 5,105,067 | 5,376,741 | 5.32 |
| Population – DuPage County*** | 781,666 | 904,161 | 15.67 |
| Combined Population | 5,886,733 | 6,280,902 | 6.70 |
| Air Travel – domestic (per mile)**** | 13.43cents | 13.41cents (2001) | -0- |
| Consumer Price Index (all items)**** | 130.7 | 177.1 (2001) | 35.50 |

* - From O'Hare Airport
** - From Bureau of Economic Analysis
*** - From FAIR – Immigration fact sheet
****- From Air Transport Assoc.

***<u>The numbers clearly show that O'Hare is not the "economic engine" of the Chicago region.</u>*** **O'Hare flights grew only 12.22% between 1990 and 2000. This can be accounted for by the combination of the population growth of 6.7% along with the airlines maintaining ticket prices at 1990 price levels, in spite of the Consumer Price Index increasing 35.5%.**

**Economists credit *the diverse economic base* located in the Midwest for the net earnings increase in Chicago of 74.46% and the State of Illinois' gross product increase of 69.4%. Certainly a 12.22% growth in O'Hare flights cannot take credit for this major increase in economic growth in the region. If anything, the flight increases were a result of the economic growth rather than a major cause.**

**<u>A reasonable person might think that what has been described above in this paper in the airline industry is not possible in the United States of America where there is freedom of the press and elected representation. How has the Air Transport Industry Achieved Such a Special Status: *Always Share with the Powerful Decision Makers! aka; "AIR-PORK"*</u>**

1a) On September 20, 2002, the Aviation Integrity Project held a news conference in Chicago to assert that the airlines – specifically United and American – and business executives who are behind the O'Hare Airport expansion have contributed $3.2 million since January 1997 to key lawmakers in Washington. According to their research, Senator Durbin has received $109,000; Rep. Bill Lipinski (D-ILL), who has been a key sponsor of O'Hare expansion legislation, garnered more than $129,000; Rep Mark Kirk, a Highland Park Republican received $44,700 during his 2000 run for Congress; House Speaker Dennis Hastert, a Yorkville Republican, received $27,500; Democratic Senator Tom Harkin of Iowa collected $40,500 since 2000. The list goes on and on.

1b) The Chicago Sun-Times on October 23, 2003 (Robert C. Herguth and Chris Fusco) that O'Hare has proven lucrative for Governor of Illinois Blagojevich and his family**. O'Hare Airport has proven to be an economic engine for Governor Blagojevich serving as a $1 million dollar source of campaign cash, as well as fertile ground for jobs and contracts for his family and friends.** His wife's brother, Rich Mell, was just promoted at O'Hare and given a $6,000-a-year raise to $62,000 annually.

Christy Webber Landscapes, meanwhile, was awarded a $9,999 no-bid "emergency" contract two years ago to handle landscaping at O'Hare until a more permanent contract was awarded, said Chicago aviation spokeswoman Monique Bond. "But that didn't happen, so the maintenance continues, we had other things that required attention… and we had to pay for that" she said. So the firm – which employs Blagojevich's sister-in-law, Deborah, has done yard work for the governor's North Side home and donated more than $13,000 to his campaign fund – saw that $9,999 no-bid "emergency" contract become $157,000, officials said.

1c) **Senator Daschle, Minority Senate Leader (who calls for more O'Hare runways without concern for health hazards and safety problems), has long been tied to the aviation industry lobby.** Typical of the nepotism and corruption involved with virtually every aspect of the aviation industry, Daschle's wife, Linda, was once appointed Deputy Director of the FAA. Moreover, according to the Office of the Secretary of the Senate, these three companies: American Airlines, Northwest Airlines, and Boeing are represented by Linda Daschle (as of Jan. 11, 2002, she was employed as a lobbyist).

**As stated in "Power on the Potomac: It's a Family Affair" by Arianna Huffington, dated March 6, 2003: Back in 2000, a company called L-3 Communications had a big problem that needed fixing: the FAA had given the thumbs down to the firm's line of airport baggage scanners, preferring a more accurate bomb-detecting device made by a rival company (according to one FAA official, L-3 scanners were "mechanically and operationally inferior"). A decent, responsible business would have gone back to the drawing board, accepting the government's decision as a subtle hint that it should consider making a better product --- especially given the sacred trust of safeguarding air travel. Instead, L-3 became the latest in a long line of federal vendors who**

**preferred to hustle the referees rather than play by the rules – and turned to happy hustler Linda Daschle to plead its case.**

**This "pillow talk strategy" proved remarkably effective: soon after Linda was put on the L-3 payroll, her supportive spouse helped broker a shady deal in Congress that forced the FAA to purchase one scanner from L-3 for each one it bought from Invision, the rival company. Lucky Linda's lobbying firm, Baker, Donelson. Bearman & Coldwell, was the recipient of close to half-a-million dollars from L-3, while, the rest of us are now saddled with sub par scanners – and a heightened risk of being blown out of the sky by undetected explosives.**

1d) On September 15, 2002 Eric Krol, Daily Herald political writer, posted the following: "The push to get the expansion of O'Hare through Congress is being greased by well-timed campaign contributions and a phony public relations effort cooked up by civic leaders whose companies hold $217 million in airport contracts." Imagine the favors politicians are keeping track of if they can hand out contracts worth $16 billion dollars (note: Scott Fawell kept track of all favors done by former Illinois Governor Ryan and his office, including getting low number for car license plates).

1e) The Chicago Sun-Times, October 30, 1998: Airlines are awarding new routes and fare cuts to the states of key lawmakers at a time when airlines are being threatened with new regulations. On the same day this month, Northwest Airlines announced dramatic fare decreases in South Dakota, home state of Senate Minority Leader Tom Daschle and inaugurated jet service to Gulfport, Miss., near Senate Majority Trent Lott's hometown, and Duluth, Minn., which is represented by the House Transportation Committee's senior Democrat, Jim Oberstar. United announced new flights to the Dakotas. Daschle said, "I certainly wouldn't deny that my role and my position has been factor in the decisions that they have made."

1f) Larry Margasak from The Associated Press on Jan 22, 2002: "Lobby Groups Bankroll Congress Trips". The Sept. 11 attacks didn't stop members of Congress from traveling at the expense of special interest groups. Lawmakers were treated to an aviation industry meeting in Hawaii.

1g) By Jonathan D. Salant, Associated Press, October 15, 2002: From January 2001 to August 2002, the entire airline industry contributed $3.9 million to federal candidates and the political parties, according to the Center of Responsive Politics. In addition, the industry spent more than $23 million to lobby Congress between Jan. 1, 2001 and June 30, 2001, according to disclosure forms filed with the House and the Senate. The amount represents the salaries and expenses of industry employees and outside lawyers who talk to Congress and the executive branch about airline issues. During the previous 18-month period, the industry spent $20.1 million.

1h) There are reports that companies are being threatened to be black listed if they do any work on Peotone or work against the O'Hare expansion – for example, the top 40 consulting groups in Chicago. It's the same iron-fist attitude Chicago Mayor Daley generally uses. When he had just started pursuing gambling in May 2003, it was reported in bold headlines in the Chicago Sun-Times that he warned the alderman that anyone who opposes the move would not receive any of the tax proceeds if it gets approved.

2) The Airline Industry has made significant charitable contributions to certain health organizations (e.g., American Cancer Society, American Lung Association, etc.). These organizations are now in a position where if they come out against O'Hare and its pollution & resulting health problems, they could lose these contributions ("graymail"). They then reason out that the lost contributions would limit all the other good they can do with these contributions from the airline industry, so they will not fight. We hope the readers will inquire on the amount contributed by the airline and travel industries to these charities and also other large environmental organizations, both in Chicago and nationally.

## Lost Freedom of the Media

American Airlines's total revenue in the year 2000 was $19.7 billion, of which $221 million was spent on advertising expenses. The airline industry reported $328 billion in revenues during 2000; using the same ratio of advertising to total revenue of American Airlines, the industry spent roughly $3.5 billion on advertising. This figure excludes travel advertising from hotels, travel resorts, etc.

**The United States is a democracy with supposed freedom of the press. However, the newspapers, radio, and television have become so dependent upon the huge cash flow from airline advertising, that many negative aspersions about these clients are suppressed. The results include denial of valuable information to the public, congressional and health decision makers, and other interested groups. These denials are compounded by airline influences on other "big business" interests through organizations such as the Chamber of Commerce, which in turn help influence the media through their advertising dollars.**

## Airport Monitoring Suppressed and Denied

**An important aspect of getting at the truth of airport/aircraft pollution is continuous area monitoring for the presence and concentrations of toxic pollutants, as well, as, "bubble modeling"[2]. In most airport cities, such as the Chicago area, monitoring is**

[2] Since one cannot easily measure an airport/aircraft operation's emissions both on and off airport property as you would other sources such a smokestack, Bubble Modeling is a concept incorporated to measure or limit emissions

**either non-existent or woefully inadequate. This allows debates to go on ad infinitum about whether the airport/aircraft are "significant" polluters and what exact pollutants are being emitted. Ineffective monitoring allows inept FAA simulations (computer model results) to go relatively unchallenged by factual measurements.**

**Jack Saporito, Executive Director of The Alliance of Residents Concerning O'Hare, Inc. (AReCO), on February 26, 2003 asked the U.S. Environmental Protection Agency (US-EPA) for another reconsideration of his request on September 6, 2002 to expand the testing for pollutants because the existing monitors are either not monitoring the correct pollutants and/or are not placed to correctly monitor O'Hare Airport's ground and/or aircraft emissions. This was after being denied in November by EPA Region V Administrator Tom Skinner.** For the record, it was at AReCO's request that the Chicago O'Hare Air Toxic Monitoring Program be implemented, and AReCO pointed out to the Illinois Environmental Protection Agency (IEPA) that in fact, in the planning stages of this limited-duration event, the monitors were going to be placed in the wrong places and were too close together. What AReCO is looking for the EPA or Illinois EPA to do is model all airport and aircraft associated operations both on and off airport property and to structure a program on these results that would include long-term monitoring for over 200 known airport-related toxics and an epidemiological study in order to protect the public's health.

**From the <u>Medill News Service</u>, by Holden Frith and Dominika Idzkowski, April 17, 2003: the US-EPA said monitoring around O'Hare is a matter for the Illinois EPA. The Illinois EPA spokesman Dennis McMurrary stated, "There's no funding. Look at the state's budget situation at the moment. I don't think there would be much funding available for more monitoring." Jack Saporito responded, "I find that despicable. They can find money for everything else, but they can't find money to protect the health and welfare of millions of citizens in Illinois. I'm really disturbed, because Chicago's own studies confirmed that O'Hare is the state of Illinois' largest toxic polluter."**

**Further, the Illinois EPA appears to have dropped opposition to the massive expansion of O'Hare flights with erroneous claims and distorted statements such as "...all of the environmental groups dropped their opposition…" (See: IEPA letter to U.S. Senator Durbin dated 8/20/02.)**

## <u>Massive Delays Manufactured During Summer of 2000</u>

It was a loss of the operational controls (flight caps) that led to the massive airport delays during the summer of 2000.

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once all the sources that must be included in the "Bubble" are defined. For example, all air carriers, specific airport activities, associated highway and road emissions, hotel and rent a car operations, etc.

The High Density Rule (limiting the number of flights that can come in and out during a one hour period) governing airport slots was established in 1969 to address congestion and delays.

The Department of Transportation warned Congress in 1995 that if Congress took away the High Density Rule which controlled the numbers of landings and takeoffs at O'Hare, Washington Regan-National, New York's Kennedy, and LaGuardia, that it would create massive delays throughout the system. Shortly thereafter, Congress started to add flights and also remove the operational & management controls to those airports, resulting in massive delays as expected.[3]

Another of the major causes of "delays" at O'Hare, and elsewhere is the airline corporations' over-scheduling of flights (e.g., 62 flights scheduled in one 15-minute block of time for one O'Hare runway last spring, when one take-off usually requires around one minute). Other causes include failure to adequately examine other methods of reducing "congestion" and delays such as re-instating the High Density Rule, outlawing over-scheduling, other demand management controls, and requiring O'Hare's tenants to run fewer connecting flights out of the airport.

Further confirmation from the field is from Craig Burzych, a veteran O'Hare controller who is president of the National Air Traffic Controllers Association union at the airport, confirmed that "…and the lifting of flight caps created huge delays at O'Hare last year." (Daily Herald 11\11\01.)

## Expansionists' Policy: "If the law won't let us, we'll change the law"

**Here is just one example:**

**A decision made by a state appellate court on June 2, 2003 successfully restricted Chicago from purchasing land for the expansion of O'Hare by citing the Illinois Aeronautics Act, which necessitated O'Hare to receive approval from the Illinois Department of Transportation for the expansion plans. In a retaliatory effort by powerful expansionists, "the O'Hare expansion bill" was passed by the now Chicago-controlled General Assembly, and signed into law. The bill aimed at making certain key provisions of the Illinois Aeronautics Act irrelevant, by placing total control in the hands of the airport owner and operator, Chicago.**

[3] A 1995 U.S. Department of Transportation *Report to Congress: A Study of the High Density Rule*, May 1995 shows that if operations were to increase above 155 per hour at O'Hare, massive delays throughout the whole airport system will ensue; such has been the case. The problem at O'Hare Airport is that there are too many landings and takeoffs scheduled at the same time. The airport also has physical restrictions.

**Typical of Mayor Daley and the city of Chicago, the current law has been changed so that they can get what they want. State Rep. Barbara Flynn Currie stated, "There's not going to be a decision by the state Department of Transportation because we just took that decision-making authority away."**

## What About State and Federal Agencies, Which are to Protect the Public?

The potential protectors of the citizens include the FAA, the US-EPA, and Congress. Air transport lobbies neutralized the US-EPA many years back by effectively placing all airport pollution responsibility in the hands of the FAA. The FAA's "customers" or "key stakeholders" are the airlines and airports, not citizens, and this priority is maintained by continued FAA lobbying and the revolving door policies that circulate key regulators back and forth with the airline/airport industry.

The FAA's bias is abundantly apparent both in its ongoing actions (with support from the Department of Transportation) and in the numerous "Record(s) of Decision" (ROD's) and court case arguments put forth by them in airport expansion battles across the country. Their disregard for the environmental issues is clearly seen in the most current FAA strategic plan draft (2004-2008) where environmental protection is merely a sidebar to the goal of capacity expansion.

The US-EPA, like many government agencies, has excellent technical capabilities, either internally or externally contracted. In the case of aircraft/airport pollution though, authority/responsibility limits and/or current (and past) administration pressures directed at favoring polluters hamstring these capabilities.

Congress is likewise controlled by heavy lobbying from "big business" e.g., Congress has long ago ceased its role of serving the terribly impacted citizens that live around airports. Only a very few independent thinkers, such as Illinois U.S. Senator Peter Fitzgerald or U.S. Representative Hyde J. Hyde, attempt to stand in the way of the majority of steam-rolled congressmen/women and powerful committee chairman/ chairpersons, brought and paid for by airline/airport cash.

The net result is that instead of pursuing a course of building modern, efficient airports (Wayports) in non-congested locations (thereby saving the taxpayers countless billions of dollars and having great opportunities to help solve massive unemployment in poorer neighborhoods, e.g., proposed Peotone airport and Chicago's Southside), money is poured into maintaining the political status quo and expanding existing airports located in the middle of heavily populated areas. This guarantees increased pollution and health problems for decades to come for millions of adults and children living in the surrounding areas.

Another example is Lambert airfield in St. Louis; after destroying a major portion of the town of Bridgeton in order to add another runway, the airport is now in the process of requesting

another $100 million in federal dollars of “assistance”. At the same time, American Airlines is in the process of deserting the airport and thus eliminating the need for the runway!

## Solutions

There are solutions, such as high-speed rail, teleconferencing using high speed Internet service, fast ships, and "Wayports". Unfortunately, the government has put constraints on them and has provided limited funding for high-speed rail to ensure it will not be competitive against the airline industry. Why is this, when it is well known that in Europe, Japan and other countries, high-speed rail works? Why is it that European inter-modal transportation systems are perhaps decades ahead of the U.S., with healthy associated research and manufacturing capabilities in place? **How is it that the airlines/airports can continue to destroy and pollute their environments inhabited by millions of innocent victims while our government looks the other way?**

**It's all about money.**

**The American citizens and their government can either wait for a transportation disaster to arrive in the next couple of decades, or they can start to take positive, corrective actions now.**

**The airline/airport industry must be reined in, while re-directing attention to providing a more balanced, modern, inter-modal U.S. transportation system. Some solutions include:**

1) ***World-class high-speed rail***:

High-speed rail (greater than 150 mph) needs to be implemented and optimized for all regional travel between cities spaced about 500 miles apart. Suggested routes include: Chicago to St Louis, Detroit, and Minneapolis; Los Angeles to San Francisco; and Boston to New York to Washington DC. The United States Government Accounting Office goes further, advocating a national high-speed rail system to reduce air and ground congestion and many of the problems mentioned in this report. (Long-Term Capacity Needed Despite Recent Reduction in Flight Delays [GAO-02-185] and also, Intercity Passenger Rail: Issues for Consideration in Developing an Intercity Passenger Rail Policy [GAO-03-712T].)

Note: Europe and Japan have world-class high-speed rail operations that run at 150 miles an hour. Moreover, China recently put out a bid for a high-speed rail project connecting Beijing and Shanghai, a 1,300 kilometer project that will cost in excess of $12.5 billion.

Modern new train cars run at 110 - 125 mph on upgraded, existing track.

Trains are environmentally superior to car and plane travel. **The Royal Commission on Environmental Pollution reported that carbon dioxide emissions and fuel use are 20 to 200 times higher for air than rail transport. This is a very significant reduction in pollution.**

By Thomas Kepple, *Unclog highways with high speed rail*, Feb. 13, 2003, The Providence Journal: Rail beds already crisscross the United States, and the cost of replacing existing track to accommodate high-speed trains would be a fraction of what we're already spending on airports, highways, and the maintenance of the interstate system. For a short trip, high-speed rail is faster. **Moreover, with few exceptions, one does not need to worry about a train being used as a missile to destroy high-rise buildings or nuclear power plants.**

On Wednesday, June 25, 2003, the analysis – one of the largest and most comprehensive of its kind ever undertaken — was conducted by Cambridge Systematics, Inc., and presented to the California High-Speed Rail Authority Board.

**The preliminary findings show that the high-speed train system creates more jobs, attracts more business and is more conducive to smart land use policies than the other two alternatives. The high-speed train option provides the greatest opportunity for job growth by improving travel options and accessibility for Californians. According to the report, a high-speed train system will create 450,000 new jobs — more than twice the amount projected under the option of expanding freeways and airports** — with the greatest employment spike projected for the Central Valley.

"A recent Economic Effects Analysis of the proposed California High-Speed Rail system demonstrates that implementing that system will create more than twice the number of jobs as compared to expansion of the existing airport and highway infrastructure. **There is no reason to believe that similar results would not be seen in Illinois, with a High Speed Rail alternative creating at least 400,000 jobs as compared to the (Chicago estimated) 195,000 jobs created via O'Hare airport expansion."** [Reference: Cambridge Systematics preliminary report to the California High Speed Rail Authority Board, June 24, 2003, as reported on the Business Wire, June 25, 2003]

2) ***Teleconferencing***:

The telecommunications industry has already laid fiber optics all around the country. What the government should do is help finance "the last mile problem" in order to make high speed Internet connections a reality at a reasonable cost. The reduction in healthcare costs though Medicare alone, as a result of the reduction in air pollution, would more than pay for this project.

Large advancements are being made due the high speed Internet access. For instance, per Andy Ihnatko, Chicago Sun-Times technology reviewer, Apple iChat has flawlessly integrated multimedia into the chat model. It also offers a possible mainstream role for videophones and telephony-via-Internet. iChat's video quality is outstanding: it is full-screen at near-VHS quality, and with a high frame rate that eliminates the choppy nature of video-over-Internet.

3) ***Fast ships***:

Fast ships are defined as ships that are twice as fast as the ships that are currently under development. **The Royal Commission on Environmental Pollution reported that the carbon dioxide emission and fuel use for marine freights are 40 to 400 times less than the emission and use for air transportation.**

4) ***Wayports*:**

"Wayport" concepts should be emphasized; these airports could handle many of the passengers who are merely using the airport as a transfer point to get to another destination, as well as freight and cargo business. This will open landing slots for the more profitable originating/terminating traffic at the older, inner-city airports. (See: Long-Term Capacity Needed Despite Recent Reduction in Flight Delays [GAO-02-185] and also, Intercity Passenger Rail: Issues for Consideration in Developing an Intercity Passenger Rail Policy [GAO-03-712T].)

If more airport capacity cannot be avoided, expansion should be built on the fringes of major population areas, where large protective environmental buffers can be implemented around the airport. The land surrounding the airport should only have commercial buildings that support the airport and travelers, with the remaining land being used for farm and wildlife. Moreover, Wayports can be connected to the established airports and downtown of a particular city by way of high-speed rail.

5) ***Financial:***

5a). Radically increase congressionally driven funding and research for new or improved modes of transportation.

5b) Instead of establishing "Centers of Excellence" under the FAA, as is underway, establish Centers of Transportation Excellence in various states, such as Illinois, where substantial research infrastructure already exists e.g., Argonne National Labs, universities such as Illinois Institute of Technology, etc. In particular, set an objective to become the leading country in high-speed rail technology within 25 years. Structure and fund the centers to take maximal advantage of all spin-off technology applications.

5c) Begin reducing airline/airport subsidies in favor of other transportation modes.

5d) Enact legislation that establishes 50% of all collected PFC (passenger facility charges) to be placed into *new* airport trustfunds, rather than the current practice of only using PFC's to maintain and expand *existing* airports.

5e) Allocate a portion of an airport's PFC collections to any expansion related road and highway expansion requirements. Alternately or in addition, begin to apply appropriate federal fuel taxes to airlines and allocate a portion of that revenue to expansion roads/highways/bridges/etc. [Note: The oft-quoted "Chicago Convention does not allow, by treaty, collection of fuel taxes" appears to have no basis in fact.]

5d) Enact legislation that establishes aircraft landing fees in some proportion to both noise and chemical emissions and number of aircraft. Establish higher nighttime landing fees.

Distribute these fees to local airport health organizations and communities to help offset costs/insurance charges and increase related medical research.

5f) Transfer funding and authority for environmental protection enforcement from the FAA to the US-EPA. Increase funding to state EPA and health departments for increased airport-aircraft pollution research, monitoring, epidemiological studies, etc.

5g) Fund and establish the US-EPA as the official U.S. representative to the ICAO on environmental matters (the official member of their CAEP committee) (ICAO-Committee on Aviation Environmental Protection), leaving the FAA as the member representative on all other air transportation matters.

## Other Research Resources


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Author’s Note: Chicago’s O’Hare Airport was used as an example in this report since most all other airports can be benchmarked, using it as an example.