

**Statement**

**Of**

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**National Air Transportation Association**

**Before the**

**Metropolitan Airport Commission**

**Hearing on**

**Proposed Changes to Ordinance 107**

**May 7, 2012**  
**Lindbergh Conference Room**  
**6040 28th Avenue South**  
**Minneapolis, MN 55450**

Chairman Boivin and Members of the Commission,

I appear before you today as the president and CEO of the National Air Transportation Association (NATA). NATA, the voice of aviation business, is the public policy group representing the interests of aviation businesses before the Congress, federal agencies and state governments. NATA's 2,000 member companies own, operate and service aircraft. These companies provide for the needs of the traveling public by offering services and products to aircraft operators and others such as fuel sales, aircraft maintenance, parts sales, storage, rental, airline servicing, flight training, Part 135 on-demand air charter, fractional aircraft program management and scheduled commuter operations in smaller aircraft. NATA members are a vital link in the aviation industry providing services to the general public, airlines, general aviation and the military. NATA's Airline Services Council (ASC) represents local, regional, state and international aviation services providers that operate at 425 airports in 67 countries. ASC member companies are an integral component of the national air transportation system offering a broad range of airline- and airport-related services, including aircraft refueling. NATA member companies operate business at several of the Metropolitan Airport Commission's (MAC) airports.

The proposed changes to Ordinance 107 represent a significant increase in the cost of doing business and operating aircraft from the MAC's reliever airports. The complexity of the proposed changes to Ordinance 107 prevent a simple assessment of cost; however, the removal of the reverse sliding scale, addition of landing fees and a fuel flowage fee all represent additional cost at the airports where they are newly imposed. The removal of the reverse sliding scale for percentage rent alone represents an increase of between 25% and 50% depending on a facility's gross revenue. Since the MAC has not provided data on the assumptions used in developing these proposed changes, it is difficult for the affected business to estimate the final cost these changes will have.

The MAC finds itself in the reasonably unique position as the sponsor of a system of airports as opposed to an individual airport or several independent airports. Managing a group of airports as a system brings with it special benefits as well as added challenges. From the standpoint of setting airport rates and charges, the MAC has approached this task from a system-oriented viewpoint, recognizing that, although directly less profitable, certain services and facilities provide a less easy to measure benefit to the entire system. In its 2011 Comprehensive Annual Financial Report, the MAC summarizes this policy, noting, "In order to promote and encourage the efficient use of facilities at all MAC airports...MAC has implemented a policy of subsidizing its reliever airports."<sup>1</sup> While the MAC uses the term "subsidize," I believe it more accurate to view this policy in terms of overall benefit to airport users and the local community.

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<sup>1</sup> Page 11

The MAC has recognized that it can create more efficient and effective use of its system of airports by treating these airports as part of a system rather than as individual self-sufficient entities.

Current Federal Aviation Administration (FAA) policy fully recognizes a sponsor's ability to adopt this type of system.<sup>2</sup> It is vitally important for the commission to understand that its policy of managing the relievers as part of an airport system rather than as standalone airports is permitted. NATA would be pleased to assist with any communications with the FAA were the commission to have any concerns in this area.

Before proceeding, I believe the MAC must consider the effects that raising the cost of utilizing reliever airports will have on the entire airport system. The general aviation industry, the primary users of the reliever airports, has been particularly hard hit by the economic state of the nation, with reductions in hours flown and total fleet size over the past five years. The airports operated by the MAC have seen a decrease in general aviation traffic of over 23% from 2005 to 2010<sup>3</sup>. However, despite these reductions in general aviation traffic, the revenue collected by the MAC from the reliever airports has increased by 11% over the past 3 years.<sup>4</sup> This increasing revenue being derived from a smaller number of operation shows that the cost burden for the aircraft using the reliever airports is already increasing. With the proposed changes to Ordinance 107, the MAC is now considering a dramatic increase in that cost burden. The increase arising from the proposed changes would be both indirect, through the increased rates and charges paid by aeronautical service providers, and direct, through the addition of landing fees being imposed at two of the reliever airports.

The changes proposed by the MAC are complex, both in substance and effect. Not just are the amounts of the fees changing but the scope and method of collecting those fees is changing as well. With such a complex system of changes, it can be very difficult to forecast results. However, in light of the local decrease in general aviation traffic and the current national economic picture, NATA fears these changes may produce the unintended result of driving traffic away from the MAC's reliever airports. Such a result would be catastrophic as it would erase the recent gains in revenue and threaten the ability of the existing aeronautical service providers to stay in business. As the sponsor of an airport system, the MAC must also consider what impact driving traffic away from the relievers might have on the Minneapolis/St. Paul (MSP) airport. In making the reliever airports a less attractive option, more general aviation traffic may utilize MSP, increasing congestion and costs.

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<sup>2</sup> *Policy Regarding the Establishment of Airport Rates and Charges*,  
[http://www.faa.gov/airports/airport\\_compliance/](http://www.faa.gov/airports/airport_compliance/)

<sup>3</sup> 2010 MAC Comprehensive Annual Financial Report, page 70

<sup>4</sup> MAC Income Statements 2009-2011

Aside from direct costs to the MAC from a decrease in or change in utilization of airports by general aviation traffic, the commission must consider the impact upon the businesses that call the reliever airports home. A further reduction in general aviation operations threatens the ability of these companies to continue to be successful. Reduction in traffic would likely lead to reductions in staff, and less capital available for investment in equipment, facilities and facility maintenance, all of which have a negative long-term impact on the MAC and its airports system.

NATA is not without understanding in regard to the MAC's issues relating to the reliever airports rates and charges. According to the March 23 letter to MAC airport tenants, the reliever airports are expected to experience a \$2 million deficit at the conclusion of 2012. This \$2 million deficit represents approximately 0.8 percent of the MAC entire operating expenses<sup>5</sup>. The proposed changes to ordinance 107 to address this deficit will have very little benefit to the MAC's overall bottom line, but risk significant impact in general aviation jobs and traffic at a moment when our economy is in the earliest of stages of recovery.

I firmly believe that highlighting issues without offering solutions does little to benefit anyone. NATA believes that the problems relating to the reliever airports highlighted by the proposed changes to Ordinance 107 are solvable and that the best path forward is a cooperative one that involves both the commission and the businesses that operate at the MAC's reliever airports. I ask this commission to put these changes on hold and create a committee consisting of MAC staff, reliever airport business representatives and airport users that can review these issues and make suggestions on solutions that address the commission's concerns. Such a committee would exactly represent the good faith effort that the FAA suggests when airport sponsors are considering changes to rates and charges policy:

*Airport proprietors should consult with aeronautical users well in advance, if practical, of introducing significant changes in charging systems and procedures or in the level of charges. The proprietor should provide adequate information to permit aeronautical users to evaluate the airport proprietor's justification for the change and to assess the reasonableness of the proposal. For consultations to be effective, airport proprietors should give due regard to the views of aeronautical users and to the effect upon them of changes in fees<sup>6</sup>*

Up to this point, some of the reliever airport businesses have had little access to the data that underlies the reasoning behind the proposed changes to Proposition 107. Some only received the actual financial statements relating to the reliever airports just last week.

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<sup>5</sup> Based upon 2011 figures, MAC 2011 Budget Book

<sup>6</sup> Policy Regarding the Establishment of Airport Rates and Charges, page 4

Without access to all the data and information underpinning the MAC's proposal, these businesses lack the ability to fully assess the proposed changes. Additionally, the creation of such a committee would give the commission time to investigate fully the effects of increasing the cost of doing business and utilizing the reliever airports would have on the entire airport system, especially the possibility of increased congestion at MSP.

Through such a committee, the MAC would provide the opportunity for the full vetting of the issues affecting all stakeholders and promote the eventual acceptance of whatever course of action is chosen by the commission. NATA stands ready to assist in the process in any way possible. Thank you for your time and consideration of these comments.