

Runway Funding Still Falls Short: FAA Offers \$61 Millions– Less Than One Third of Port's Request

Port of Seattle plans for funding current work on the third-runway project were subjected to a severe jolt on July 21, when the Federal Aviation Administration decided to make a supplemental grant of only \$61.9 million, rather than the \$198.1 million requested by Sea-Tac officials on March 25. (The *Seattle Times* article mis-stated the amount of the request by \$20 million.)

If the grant survives Congressional scrutiny, the Port will need another \$130.7 million in cash just to cover the runway contract for 2004 and 2005. Airport staff are projecting net airport income for 2004 and 2005 in a total amount of \$97.5 million, meaning that at best, the Airport must find another \$33.2 million. That assumes that all the net income can be applied to the runway project, which is not realistic. The Port has not identified any revenue source that can cover this shortfall.

Work in 2006 and 2007 (when the project is supposed to be complete) will require another \$575 million, according to the most recent estimates by the Airport's financial staff. Contrast that with the \$133 million in net Airport income expected in those years.

At present, the Port plans to borrow the money needed to complete the work, hoping that the costs can be passed on, in future years, to the tenant airlines in the form of much-higher landing fees and rentals for terminal space. The airlines have responded that they cannot afford these much-higher costs. For further details, see the article, "Port Financial Staff Has No Concrete Plan For Financing Third-Runway Construction" in our previous newsletter.

Handy End-Run

The Port did not seek "new" funding. Rather, the request was for an amendment to an earlier, 1997 "letter of intent" (LOI). This was a handy way to evade the FAA's updated rules about cost-benefit analysis, issued in 1999. Those rules are more rigorous than the rules in effect in 1997.

The amendment to the earlier LOI only expresses an intent to obligate funds from future budget authority, & is not a binding commitment for funding. Whether the Port can borrow money against this amended LOI is unclear.

The Airport claimed in its paperwork to the FAA that the runway's cost had escalated for two major reasons. First, costs went up because "Puget Sound salmon were listed under the Endangered Species Act in 1999", requiring planners to spend almost another year on their plans. The second factor was costs of "permit delays". The Port claims that

Why Does the Third Runway Cost So Much?

The history of the Sea-Tac third-runway project is one of ever-increasing costs. A project that was originally supposed to cost \$229 million (the 1992 figure) has now ballooned to more than \$1.1 billion – with no guaranty against more increases. This does not take into account hundreds of millions that must be paid as interest on borrowed money. What has gone wrong? Is there any end in sight to these huge over-runs?

In asking the Federal Aviation Administration for another \$198.1 million in grants, the Airport presented its latest statement of what still must be provided for the project, amounting to \$767,980,000. The Port has already spent approximately \$377 million.

Current estimates place the cost of constructing the embankment at \$430 million. When the embankment is done, the Port must then build the actual runway. Including the various taxiways to serve the runway, that element will cost \$182 million (well above costs at other airports, by the way). Navigational aids, including FAA facilities, are estimated at \$67.5 million.

The Port complained long & loud to the FAA that they had been hit with unexpected costs because of environmental issues.

The largest single new environmental item is a system of underground vaults to divert & hold rainwater for release into local streams during the late-Summer drought season. The estimate for this feature is \$64.7 million. The Port blames this on "more stringent Federal Clean Water Act permit conditions". It would be more accurate to say that the Port presented grossly inadequate plans to the State Department of Ecology, plans that wouldn't do the job. The law, the regulations, the water-quality standards were unchanged. If completed, the runway project would create hundreds of acres of new impermeable surfaces, which will divert rainfall away from the local creeks. These streams are already impacted by existing urban developments, so the Summer stream flow levels are quite low. Diverting more water could be fatal, so State and federal environmental standards require that the Airport find ways to keep the stream flows at safe levels in the Summer drought. The Port & its consultants consistently treated this issue as negligible, proposing cheap, ineffective "solutions" in the first two permit applications. In the third application, the consultants came up with the underground vaults. The problem should have been recognized at the start of the process, & dealt with in a straight-forward manner.

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these delays caused an over-run of \$55 million. Of course, those assertions are unfounded. Salmon had little or nothing to do with the Port's self-created difficulties. The real problem is that from start to finish the Port seriously underestimated the costs of most major elements of the runway project, & consistently failed to recognize the need to meet State water-quality standards as they are written – at every step, they chose the least expensive possible way to proceed, & made unrealistic assessments of what they needed to do.

For example, for no known reason, the Port & its consultants underestimated the amount of runway-impacted wetlands by a factor of two. So their original water-quality mitigation plans were completely unsatisfactory. Even after that mistake was corrected, the Port's revised plans still failed to provide adequate protection for local aquatic resources. In fact, the Port had to try three times before they could come up with mitigation plans that satisfied the Department of Ecology. And that third attempt was not good enough to get past the Pollution Control Hearings Board, or our state's Supreme Court.

Even at this very late date, the Port refuses to comply with existing legal requirements to send its industrial wastewater to the County's plant at Renton for treatment before the wastewater is discharged to Puget Sound. They claim to have the resources to build a \$1.3 billion part-time runway, but they say that they do not have the resources to build a simple pipeline from SeaTac to Renton & to pay the County's established fees for treatment of polluted waters from the existing runways.

This sort of planning inevitably causes difficulties later on. Known problems are ignored, cost estimates are based on wishful thinking, but according to the Port, it's always somebody else's fault when the Airport comes face to face with the expensive realities. This is particularly ironic, in view of the fact that in the 1980s most observers, including Port staff, recognized that expansion of Sea-Tac Airport would run into extremely costly environmental problems & was therefore impractical.

Two Problems and An Elephant in the Living Room

The Port of Seattle made a big deal with the press this past month about receiving a promise of a future \$61.9 million grant from the FAA for the third runway. "Wow, this means that we are all set to build," the Port spin implied, as if this was all the money they need.

But, there are three problems with the Port's wow-ee spin:

- They *applied* for \$198.1 million, saying it was mostly for environmental requirements, but they were only *promised* \$61.9 million. So what got funded and what is now unfunded? And who will pay for the unfunded parts?
- They haven't actually received the grant. It still has to be approved in Congress, which may not be a dead certainty
- Even the \$198.1 million doesn't begin to fund all the costs that the Port knows about but has not officially included in its cost estimates

Problem 1: What's Unfunded? Who Pays for All That?

What got funded and what's now unfunded? That's the very question the Port's latest spin was designed to cover up. The Port did not give any details, and the local press didn't ask. The editors of this column were

The third runway site is outside the Airport's 1992 boundary. To provide room for the runway, the Airport had to expand westward, & had to acquire hundreds of single-family homes & dozens of business properties in what is known as the Westside, nearly 500 parcels in all. The Port also needed more land to meet FAA safety requirements at the ends of the runway. Somehow, staff did not make a proper estimate of the fair market value of all this real estate. Its estimate was \$185.5 million. But the Port ended up paying \$ 270.2 million, an error of more than 32 %. This can only be called a major planning error. Another planning error involves mitigation for filling wetlands. As most readers will know, Sea-Tac Airport is on high ground, in an area with various small lakes, ponds, peaty wetlands, and streams that drain off into the Green River to the east and directly into Puget Sound, on the west. The general area west of the existing runways contains many acres of wetlands. One early consultant's report warned that an accurate survey might show as much as a hundred acres of wetlands. But the Port decided to plan as if there were only 10 acres of wetlands that would be destroyed by the runway, & it planned its mitigation work on that assumption. The mitigation involves rather expensive activities – building new, artificial wetlands, in particular. In fact, however, the project impacts more than 20 acres of wetland, & mitigation costs went up accordingly, from an original estimate of \$8.6 million, to \$74.6 million – they underestimated by 867%!

told that the information going to the Congress from the FAA is secret from the public until the Congress has dealt with it! (Like it wasn't the public's money.) So we wish we could tell you, but it's a deep, dark secret.

Who will pay for the unfunded costs? We don't know that either, but we are guessing it won't be the Airport. Unlike other businesses, the Airport does not treat pollution control as a cost of doing business. It never budgets for the costs of damages to the neighbors from Airport operations. It has never paid for a single major environmental measure from Airport income. It uses only FAA or State grants, or increased property taxes—anything to shove its own costs onto someone else. If unable to do that, it dumps the problem on the neighbors. The neighbors have two options: pay the costs themselves or live with the mess. This is how the Port deals with noise pollution, air pollution & associated health problems, depression of property values, pollution of local aquatic resources, surface-transportation SNAFUS—you name it.

This approach is called cost-shifting. The Port is very good at it, helped along by weak federal & state laws, weaker enforcement agencies, not to mention a local press that rarely, if ever, raises the obvious, inconvenient questions about costs. Cost shifting begins with totally inadequate cost estimating systems. It continues with a total absence of independent cost/benefit analysis. And it ends, of course, with Portspin.

Problem 2: Will Congress Really Approve?

The Port's spin on the \$61.9 million letter of intent makes it sound like the Port had already received cash. In the real world, it is not certain they will actually *get* all or any of this. A Congressional committee must first approve the LOI, then, next year the new Congress must appropriate the money.

In 1999, after a lot of pressure (some it from the Congress) FAA adopted a requirement that all its project grants be subject to a rigorous cost-benefit analysis, in accordance with carefully prescribed procedures. However, the Port and FAA did no such cost-benefit analysis on this latest application for more third-runway money. Both know perfectly well that a real cost-benefit analysis of this project wouldn't hold water for ten minutes.

Instead, they tried to circumvent the rules by claiming this was an "amendment" of their 1997 grant. It remains to be seen whether the Congress will let them get away with this scam. Granting this application would render the new procedures moot, because almost every airport in the country has had been given grants at some time in the past. So, just ask for an amendment to your grant from 1991—or 1941—& away you go, with no pesky cost-benefit analysis. Cute, isn't it?

...And the Elephant in the Living Room

And what about that elephant in the third runway's living room: the three *billion* dollars in unfunded damages to the neighbors identified by the State-funded study in 1997, but overlooked by the Port ever since? When the inevitable class-action suit against the Airport happens, will the FAA fund the Port's costs? Can the Port cover those with its insurance or its income? Do they even have a plan beyond trying to pretend the elephant ain't there and issuing press releases calling the neighbors bad names.

Oops: Another Elephant

Right now, Airport income is used only for expanding the Airport or making it plusher. But even here, there are unfunded costs. Port planners are gambling on a projected massive increase in income from the fees from airlines—just to pay for the expansion *without* dealing with mitigation for the neighbors, & only covering a portion of the environmental costs. It's revealing to note that Alaska Airlines says it's in favor of the runway, but that it's opposed to paying its share of the costs—Alaska wants the Federal taxpayers to pick up the tab. It seems that Alaska is learning the fine art of cost-shifting.

The Port also seem to counting on Sea-Tac becoming a hub airport, attracting lots of new business—and new revenue. But looked at honestly, this won't work. The most efficient airline at Sea-Tac, Alaska, says it can't live with the proposed new fees. The "Big Six" American airlines (locked into the hub-&-spoke system) are all in bankruptcy, just coming out of it, or thinking how helpful a good bankruptcy would be for them. The hub airlines are in bad shape and getting worse. The hub system is broken beyond repair. As the hub airlines go under, they will drag the hub airports with them. And note, point-to-point airlines like Southwest

are canceling flights out of Sea-Tac because of the high landing fees. Sea-Tac is pricing itself right out of the market. No airline is compelled to serve Sea-Tac. No airline is compelled to lose money on Sea-Tac operations just to make the senior Port staff & our inattentive Port Commissioners look good. Won't happen.

So, it does come down to doing a real cost/benefit analysis, as the law would normally require, which includes ALL the costs and doesn't "pad" the benefits. Rather than issue another warped press release, the Port should stop with the Portspin and level with everybody. With a shortfall in FAA funding of \$137 million, how much higher must the Port fees to airlines, or local real-property taxes, or both, to cover the remaining costs of the runway? What's the plan for dealing with damage to the neighbors' property? Or is the Port content to risk enormous damage lawsuits from neighbors? Has management considered that the Port itself is headed toward financial ruin, even a municipal bankruptcy?

Those who hoped the FAA meant business about subjecting boondoggles to real cost-benefit analysis are watching this application with interest. In the meantime, the Port is desperately trying to hide the true costs of this runway. And the folks who gave their credit card to the Port will be the last to know.

Sea-Tac Not Ready for A380

In mid-July, San Francisco International Airport (SFO) announced that it had acquired full airfield & terminal certification from the FAA to allow the Airbus A380 superjumbo aircraft to use the Bay Area facility. Sea-Tac Airport, which aspires to be a world-class airport, competing with New Denver and with airports in Los Angeles & the Bay Area, is not ready to handle the 380.

SFO expects the A380 to be operational in 2006, when Singapore Airlines (the launch customer for the 380) begins using it on flights between California & East Asia (probably to Seoul and Hong Kong). Los Angeles appears to be lagging behind SFO in its preparations, but management there is aware of the challenge.

The A380 has two passenger decks, & therefore will work most efficiently with special two-tier gangways – not to be found at Sea-Tac – and with two-level gate seating areas, also something not provided at Sea-Tac, or planned. The great wingspan of the plane requires wider gates. If not, each 380 will take up two gates. Sea-Tac has no such gates, & has no plans to provide them.

Major world airports (Frankfort, Paris, and of course SFO) are preparing for this aircraft with new, wider gates, & enhanced passenger facilities. One problem for Sea-Tac is that the existing area for international arrivals cannot possibly handle a full passenger complement for a 380. In a typical three-class conformation, the aircraft will seat 555 passengers.

At Frankfort, Terminal 2, which opened in October 1994, was designed from the outset to handle the A380 & other "New Generation Large Aircraft". The terminal can handle five 380s and three B 747-400s simultaneously. The older Terminal 1 is to undergo minor modifications at two of its piers to accommodate the 380.

While the most easterly Sea-Tac runway, after a planned extension to 12,500 feet, will be long enough for the 380, the runway is not strong enough to accommodate routine traffic of this very heavy aircraft. (The final weight is in question, but will certainly exceed one million pounds, perhaps reaching 1,100,000 pounds.

How can Sea-Tac claim to be a world-class airport when it will not be able to handle world-class aircraft?

Eight-Day Hearing Exposes Weaknesses In Pollution Permit for Sea-Tac Airport

Always seeking to avoid its responsibility for polluting local streams, the Port of Seattle argued strenuously before the Pollution Controls Hearings Board (PCHB) in late July that neither Lake Reba nor the Northwest Ponds are "waters of the State" entitled to full legal protection from Airport-generated pollution.



C.A.S.E. attorney Rick Poulin looks on while Ass't Attorney General Joan Marchioro examines a witness before the Pollution Control Hearings Board, during last month's hearing on the most recent NPDES permit for Sea-Tac Airport.

Pending before the PCHB were appeals against the Airport's NPDES (or "sec. 402") permit issued by the Department of Ecology in September 1993. The Port appealed its permit first. C.A.S.E. (joined by the Airport Communities Coalition) then filed a cross appeal, seeking stronger controls on Airport pollution. Puget Soundkeeper Alliance then filed its own appeal.

Members of Citizens Against Sea-Tac Expansion (C.A.S.E.) in attendance at the hearing are optimistic that the Board will rule against the Port on several critical points, especially the status of Lake Reba. C.A.S.E. appealed against Ecology's failure to designate Lake Reba as waters of the State. While the Port claims that the lake is an artificial construction built by the Port, testimony at the hearing established the existence of a natural pond on the site, long before the Airport was built. Lake Reba is the result of excavations in an existing streambed in a wetland to increase the storage capacity of that pond.

C.A.S.E. observers also report that Assistant Attorney General Joan Marchioro, representing Ecology, made a compelling case in support of Ecology's designation of the Northwest Ponds as waters of the State. The ponds lie in an historic wetland – local roads by-passed the area, no-one farmed it, and three streams met there.

A Billion-Plus To Create Pollution, But Not a Dime for Treatment

The third overarching issue was additional treatment for polluted waters discharged from the Sea-Tac industrial wastewater treatment plant into Puget Sound. At present, the IWS treatment plant at the south end of the Airport removes petroleum by-products from the run-off, but there is no treatment to remove any of the other regulated pollutants in the wastewater. Especially troubling is the failure to deal with de-icing fluids. The partially-treated effluent is discharged into Puget Sound at a depth of 178 feet at a point 1400 feet offshore. These discharges are toxic, without exception. In 1994, Ecology granted a permit giving the Port 10 years to comply with the law and stop the discharges. That deadline has now passed, but the toxic discharges continue.

By April 1998, the Port's consultants had recommended that the wastewater be sent for *full* treatment at the approved Metro treatment facility at Renton, before discharge into waters of the State. State and Federal law require polluters to use "all known, available, and reasonable treatment" ('AKART') to reduce industrial pollution. Treatment of industrial wastewater at publicly-owned treatment plants is a routine part of AKART. The design for the pipeline was to have been completed by August 15, 2003.

The Port missed the August 15, 2003, deadline and then missed the June 30, 2004 deadline. The Port of Seattle advanced several spurious reasons for not complying.

- The Metro plant at Renton does not have the capacity to handle this new load. Not so, testified a responsible Metro official; we can handle it.
- The cost of treating the effluent is unreasonable. But the testimony from Metro was that they would charge the Airport their standard rates, based on the pollutants to be removed.
- Building the pipeline from SeaTac to Renton is much too expensive. On cross-examination, counsel for C.A.S.E., Rick Poulin, asked the Port's financial expert if it were true that the Port figured it could pay out \$1.1 billion for the runway. Answer: Actually, \$1.3 billion. But the Port cannot afford to pay a few millions to build the pipeline or to pay the established treatment fees? The Port's attorneys erupted with a storm of objections. "No further questions," said Mr Poulin.

A fourth major issue was the timing for future anti-pollution work at the Airport. As noted above, a prior permit had established the date of June 30, 2004, as the deadline for the Airport's compliance with the "AKART" requirements. The new permit granted the Port an additional three years to come into compliance, with an open-ended provision allowing further extensions into the indefinite future. C.A.S.E. noted several other instances where the Airport was granted unreasonably long periods of time to deal with water pollution, where the permit failed to require interim reports, as well as other irregularities.

A written ruling from the Board is not expected until Fall.

PSRC workshop

The eighth annual Puget Sound Regional Council workshop to review compliance with PSRC Res. A-96-02 (which gave planning approval for the Sea-Tac third runway) is scheduled for 7 p.m., Wednesday, October 20. For the first time, this event will be held in the airport communities, at the Highline School District's board room, 15675 Ambaum Boulevard SW, Burien.

Larry Corvari, RCAA president, said "We welcome the action of PSRC in bringing this review to our communities, and scheduling the workshop outside of normal working hours. We are concerned that there seems to have been no progress since last year's workshop in one critical area, planning for a new regional airport that can actually meet the needs of the travelling public."

Ecology Must Follow Supreme Court Order, ACC Tells Pollution Board

Airport Communities Coalition (ACC) has filed an appeal of Ecology's most recent revised sec. 401 certification & accompanying order, dated 7 June 2004. ACC maintains that that paperwork does not fully incorporate & satisfy the conditions laid down by the Supreme Court in its opinion filed on 14 May. ACC has also moved for a stay on fill activity until the hearing before the Pollution Control Hearings Board.

After a telephone conference last week, the Board decided to defer action until late August. The Board wants another conference at that time.

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