

Atlanta Metropolitan Aviation Capacity Study Phase II (AMACS 2)

BRIEFING TO:
GEORGIA DEPARTMENT OF TRANSPORTATION
INTERMODAL COMMITTEE

August 17, 2011

AGENDA

- Purpose
- Scope and Process
- Airport Sites and Study Overview
- ATL Context
- Airport Template
- Market Demand
- Order of Magnitude Cost Estimates
- Financial Feasibility

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AMACS 2 - Purpose

- The purpose of this study was to identify if there is one or more sites where it is feasible to build a second airport
- Would not replace ATL but could provide for growth of the origin & destination market which may not be able to be accommodated at ATL in the future
- The study did not determine if, when or where a second airport would be built

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AMACS 2 Scope and Process

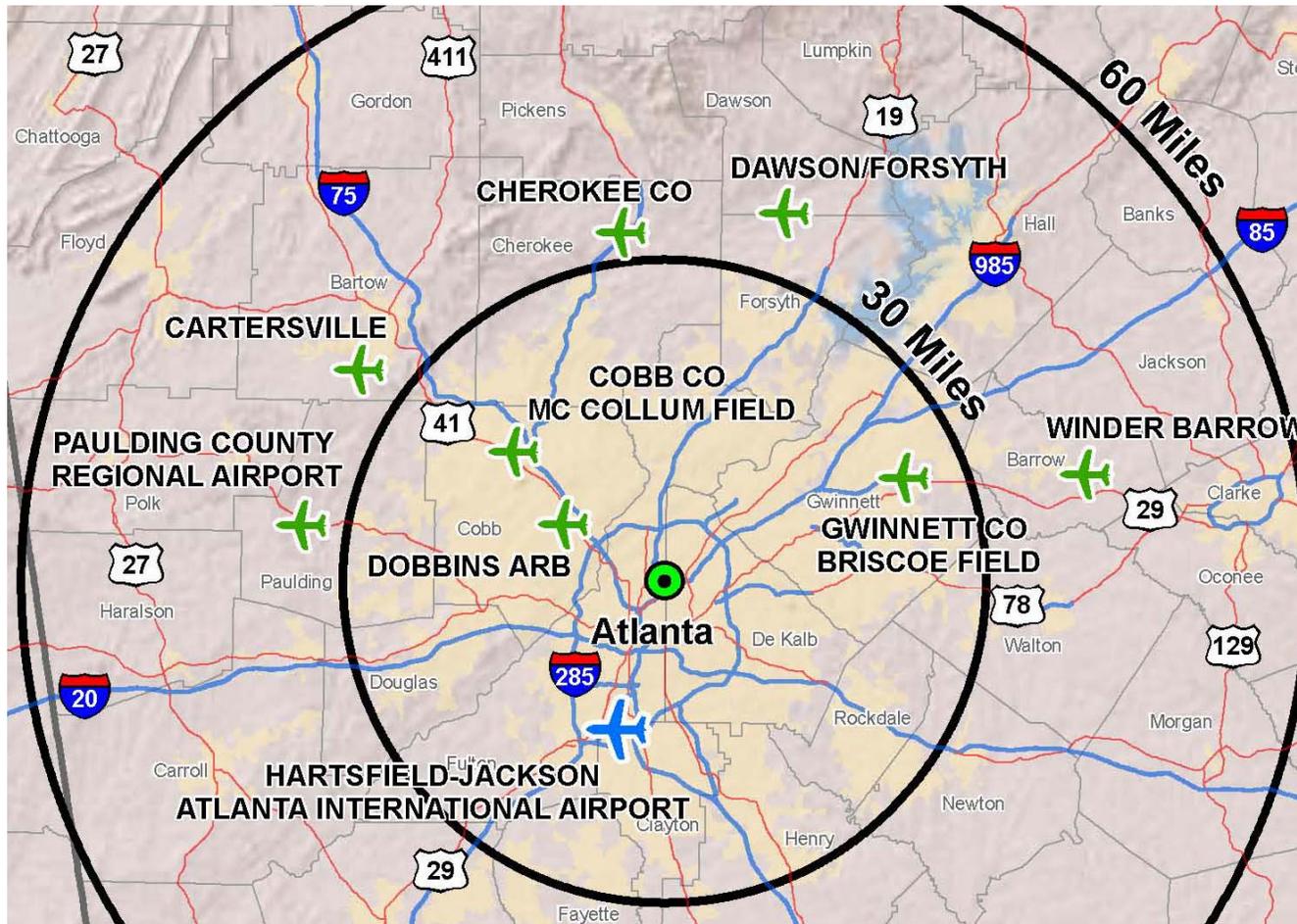
The study was a high-level review of the following key areas:

- **Aeronautical**
 - Site issues, airspace
- **Environmental**
 - Development/operating impacts
- **Market Potential**
 - Accessibility Analysis
- **Financial Feasibility**
 - Stand alone or assisted by ATL



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Sites Remaining for Detailed Comparative Review



8 sites

- 1 Previous site
- 1 Air Reserve Base
- 6 Existing GA sites

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Overview

- Aeronautical
 - Basic site plans were developed using the templates. Site issues were generally addressed through design measures resulting in development cost implications.
 - Airspace evaluation was qualitative based on airspace structures and ATC procedures.
- Environmental
 - Primarily qualitative review.
 - Noise contours developed using a consistent runway operating assumptions.

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Overview

- Market
 - Based on the relative accessibility compared to ATL, market potential demand was estimated.
- Joint Use (Dobbins ARB)
 - High-level evaluation of the potential joint use operations based on DOD/DOT policy.
- Financial
 - Order of magnitude development cost estimates were prepared – intended for comparative purpose.
 - Basic business model was developed to identify the challenges.

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ATL Context

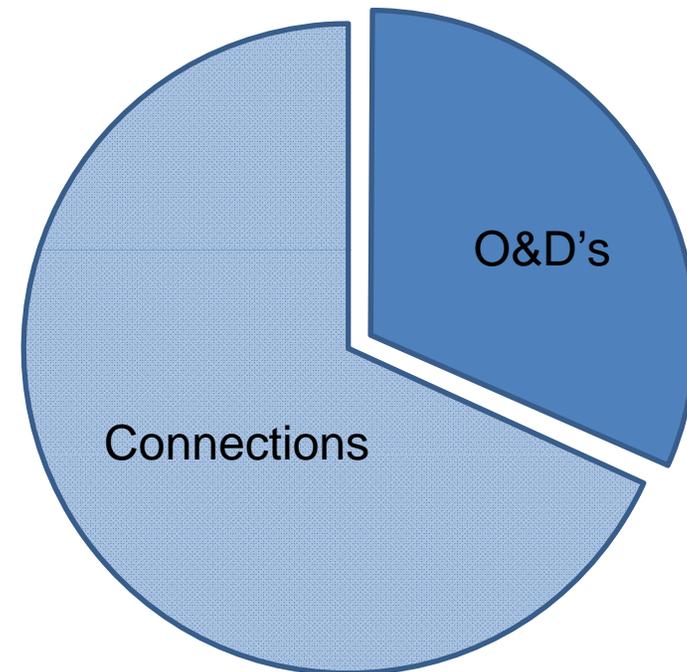
- The original AMACS focused on ways to reduce delays associated with the existing airfield at ATL.
- AMACS 2 was to explore supplemental sites as a potential solution.

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ATL Context

- A supplemental site can only compete for the local Origination & Destination (O&D) passengers, which isn't the whole pie.
- The rest are connecting passengers, which can **not** be 'transferred' to a supplemental airport.

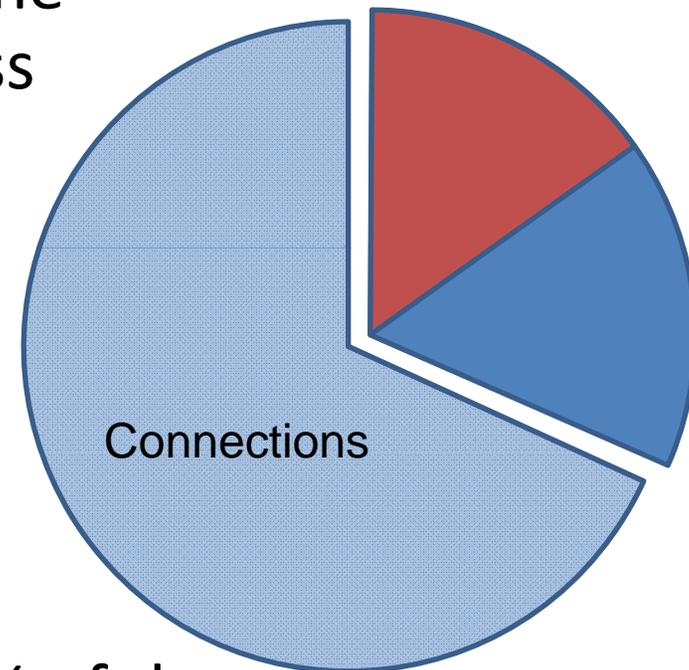
Domestic O&D is forecast to be 39 to 52 MAP in 2030



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ATL Context

- A supplemental site would need to attract about half of the region's O&D's to address the capacity shortfall of ATL in 2030.
- The experience of supplemental airports in other metro areas is not encouraging.
- Typically capturing 5-10% of the market.



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Range of Potential Scenarios

“High”

- Mix of business and leisure destinations with added frequencies, markets, and long haul flights
- e.g., Providence, Ontario, Hartford
- Before Southwest Airlines’ acquisition of AirTran, this or even higher scenario would be more likely

“Medium”

- Mix of business and leisure destinations
- e.g. White Plains, Islip, Colorado Springs

“Low”

- New airport would be used primarily for limited leisure service to Florida
- e.g., Rockford (limited service to leisure destinations)

“Zero”

- Supplemental airport may fail to attract significant traffic
- e.g., MidAmerica, Worcester,

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Estimated Market Demand

2030 Forecast

(in millions of annual passengers)

Airport Site	Low	Medium	High
Dobbins Air Reserve Base Cobb County Airport	1.2	2.3	5.0
Gwinnett County Airport Cherokee County Airport Dawson/Forsyth site	0.7	1.3	2.8
Cartersville Airport Barrow County Airport Paulding Northwest Atlanta Airport	0.3	0.6	1.3

Source: Oliver Wyman analysis.

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Development Cost Estimates

Costs vary on several key dimensions:

Comparative Cost Estimates (in millions – 2010 dollars)

AIRPORT SITE	Earthwork and Site Preparation	On-Airport Facilities	Land Acquisition, Environmental, Legal	Off-Airport Cost	TOTAL ORDER OF MAGNITUDE COST
Dobbins ARB	\$105	\$1,047	\$77	\$173	\$1,402
Gwinnett County Airport	\$471	\$1,522	\$215	\$230	\$2,223
Dawson/Forsyth	\$527	\$1,355	\$2	\$386	\$2,268
Barrow County Winder	\$174	\$1,438	\$62	\$612	\$2,224
Cherokee County Airport	\$883	\$1,506	\$100	\$127	\$2,516
Cobb County Airport	\$588	\$1,343	\$502	\$179	\$2,610
Paulding NW Atlanta	\$856	\$1,382	\$24	\$609	\$2,847
Cartersville Airport	\$1,025	\$1,463	\$75	\$445	\$2,933

Legend

- Highest Cost Site
- Above Average
- Below Average
- Lowest Cost Site

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Financial Analysis

- Possibilities Review – NOT Feasibility Review
- High Level and Long-Term Assessments
 - High level, fatal flaw business planning level
 - Rough-order-of-magnitude (ROM) estimates based on benchmarking with optimistic outlook
 - Development costs
 - Operating expenses
 - Commercial revenues
 - “Affordable” level of airline rates and charges
 - Aggregate financial feasibility over 30-year period
- GAP Analysis Rather than Coverage Forecast
 - Results look at “best case scenarios”
 - Risk assessment would be required if refined numbers were pursued

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Focus is on Small Airport Financial Structure

- Primary Funding Sources for Airports –
 - Bonds
 - Passenger Facility Charges (PFCs)
 - AIP Entitlement Funds
 - AIP Discretionary Funds
- PFCs and Entitlements based on passenger volumes

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Focus is on Small Airport Financial Structure

Funding Sources for Committed Projects (Large, Medium, Small Hub Airports)

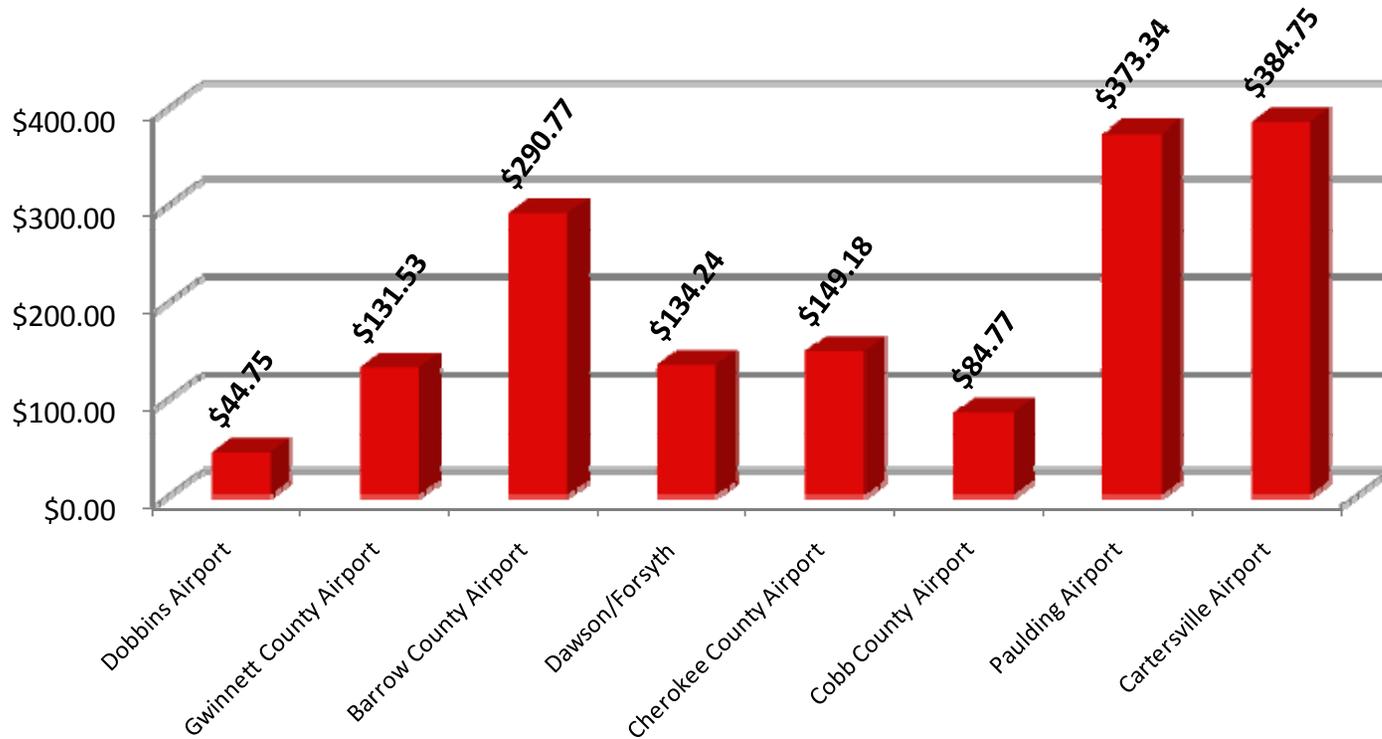
Airport Category	Bonds	PFC	AIP Enti.	AIP Dis.	Other	Total ¹
Large Hub	32.5%	22.8%	4.2%	13.7%	26.8%	100.0%
Medium Hub	31.5%	23.8%	12.3%	14.6%	17.8%	100.0%
Small Hub	3.5%	11.7%	26.4%	33.1%	25.3%	100.0%

Source: ACI-NA survey.

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Feasibility Analysis Results – High Forecast

Break-even CPE 2030 (2010 \$)



Competitive Target CPE is \$4.46 (2010\$)

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Challenges to Financial Feasibility

- Funding development with no pre-existing base and uncertain growth
 - Limited funding sources that are tied to passenger levels – AIP entitlement and PFCs
 - Financing on standalone basis requires proven market demand
- Maintaining affordability to attract carriers and low fares to attract passengers imposes very tight financial pressures
- Small airport economics for operating revenues & costs

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Summary Findings

Tier 1

- **Dobbins ARB** has the advantage of great accessibility and lower development cost but has challenges from an airspace and joint use perspective
- **Cobb County Airport** has great accessibility and is reasonably well situated from an airspace standpoint but has relatively high upfront development cost and environmental issues

Tier 2

- **Gwinnett County Airport** has significant site development issues as well as airspace issues
- **Cherokee County Airport** has significant site development issues.
- **Dawson/Forsyth Site** because it is a green site has fewer development issues however it is a more remote location

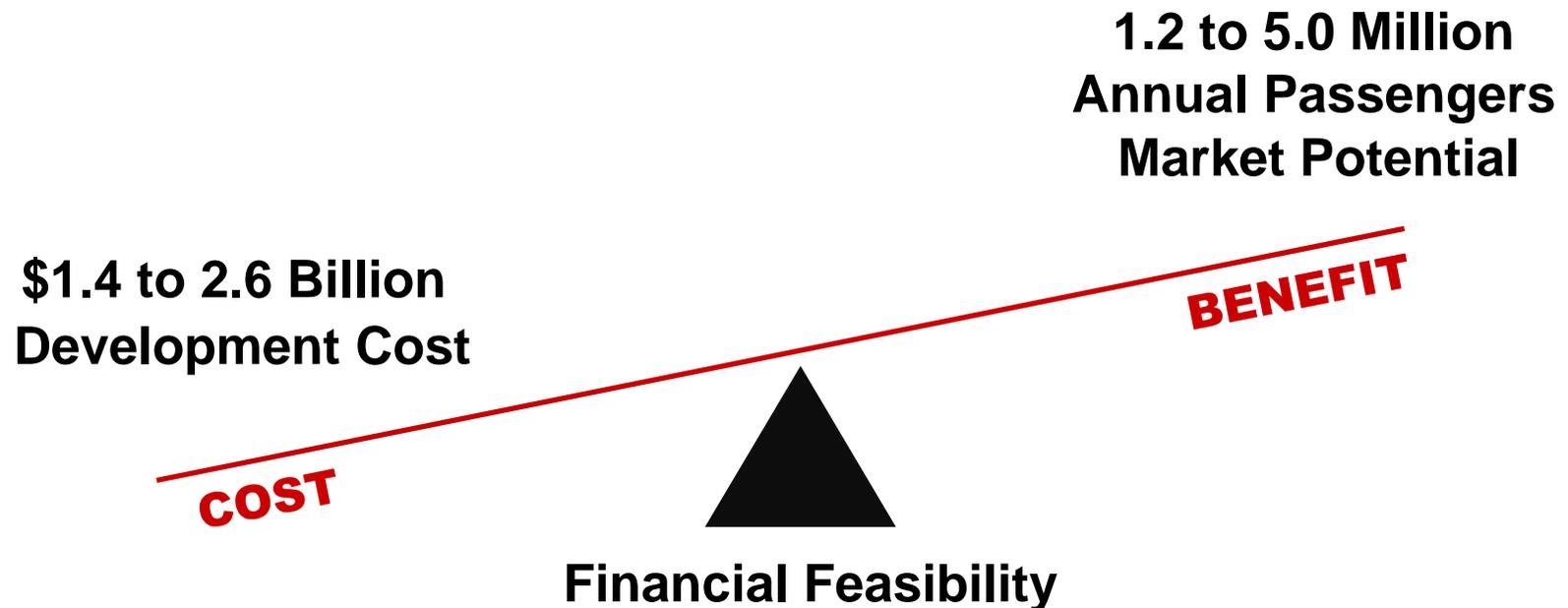
Tier 3

- **Barrow County, Cartersville and Paulding Northwest Atlanta Airport Sites** are challenged because of their remote locations

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Are There Feasible Supplemental Sites?

Based on what we know today, the cost and risk far outweigh the potential benefits



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Next Steps

- FAA will review the final document and determine if they would like to continue study of the issue at this time
- The City of Atlanta Department of Aviation will begin a Master Plan Update this Fall (2011) for Hartsfield-Jackson Atlanta International Airport
- Given the growing population of the region and the dynamic nature of aviation, the feasibility of a second airport for the region will need to be revisited periodically in the future

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THANK YOU

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