

the o'hare modernization

PROGRAM

By Roderick R. Drew

the city of Chicago, centrally located in the United States, has served as both a boat and rail hub before evolving into the premiere air transportation hub in the nation. Thanks to the presence of Midway International and O'Hare International Airports, Chicagoans have boasted about being home to the "World's Busiest Airport" since John F. Kennedy occupied our nation's highest office.

While a number of airports across the country have increased capacity by building new runways, O'Hare's last runway project was completed in 1971. Now, following more than 30 years of discussion about adding new runways at O'Hare, the city of Chicago is preparing to move forward with the O'Hare Modernization Program- the solution to the problem of delays and congestion at O'Hare International Airport and the most anticipated airport improvement project in the world.

O'Hare is the economic engine that drives the Chicago region's economy, contributing 450,000 jobs and \$38 billion in annual economic activity. That is why Illinois Governor Rod Blagojevich calls O'Hare the "economic jewel of the state."

O'Hare set an all-time record in flight operations in 2004, with more than 992,000 operations- the third consecutive year that O'Hare has eclipsed its all-time mark. However, the world's busiest airport also holds the dubious title of the "nation's most delayed airport."

Following a summer of intolerable delays at O'Hare, Congress held hearings on the growing problem in early 2001. At those hearings, Congress mandated local leaders to come up with a solution – or risk government intervention. Three years



O'Hare Airport is the last remaining dual hub airport in the country. Both United and American Airlines have hub operations at O'Hare.

later, delays at O'Hare once again focused national attention on the inefficiencies of the airport, an issue that was summed up best by U.S. Transportation Secretary Norman Mineta when he stated, "O'Hare flight delays are clogging our national airspace system and inconvenience the traveling public."

In an effort to mitigate delays, Mineta and Federal Aviation Administration (FAA) Administrator Marion Blakey orchestrated three rounds of agreements with the air carriers servicing O'Hare that voluntarily reduce flights during peak travel times through Spring 2008. Over the long-term, flight restrictions are anti-competitor and anti-consumer because they limit competition, give flyers fewer options and lead to increased fares. Flight restrictions also adversely affect the economic impact of O'Hare on the region's economy.

We know now what we knew in 2001- the ultimate solution to the problem of delays and congestion at O'Hare is the O'Hare Modernization

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MAINTAINING THE AVIATION CROSSROADS OF NORTH AMERICA

O'Hare is the economic engine that drives the Chicago region's economy, contributing 450,000 jobs and \$38 billion annually. The "world's busiest airport" set an all-time record with more than 992,000 operations in 2004. However, O'Hare is also the nation's most delayed airport because it has reached critical capacity. Since 2001, intolerable delays have infuriated passengers, spawned congressional hearings and led to federal intervention to voluntarily reduce peak hour flights through early 2008. While short term help is needed, the long term solution to the problem of delays and congestion is the O'Hare Modernization Program- a \$6.6 billion program that reconfigures O'Hare's outdated runway system and creates a 21st century airport.

Program (OMP)— announced by Chicago Mayor Richard M. Daley on June 29, 2001.

REDUCING DELAYS

Reducing delays at O'Hare can only be accomplished by modernizing the airfield itself. The airport is prone to delays because of its outdated intersecting runway configuration, designed before the era of modern jets. While the airport operates relatively smoothly during good weather, during certain weather conditions air traffic controllers are forced to remove an arrival runway – reducing O'Hare's arrival capacity by one-third and creating delays that impact the entire nation. The O'Hare Modernization Program will modernize the airport's intersecting runways into a modern, parallel configuration, allowing O'Hare to meet the capacity needs of the region well into the future.

By incorporating a parallel configuration, the OMP will substantially reduce delays and increase capacity at the airport. In fact, the FAA's own analysis of the program has found that in 2018, delays at O'Hare will decrease from today's average of nearly 18 minutes to less than six minutes per flight. More importantly, O'Hare will

By modernizing O'Hare, the region will realize a number of tremendous economic benefits. Two independent studies have found that the OMP will create at least 185,000 jobs and pump an additional \$18 billion in economic activity into the region's economy each year.

The OMP will also save air passengers and the airlines a combined \$750 million annually in reduced delays. The benefits of modernizing O'Hare far outweigh the costs; that is why the airlines have signed a \$2.9 billion agreement in 2003 to launch the program.



The O'Hare Modernization Act was signed into law by Illinois Governor Rod Blagojevich on August 6, 2003. Among those present at the bill signing were U.S. Speaker of the House J. Dennis Hastert, then U.S. House of Representatives member William Lipinski, and Chicago Mayor Richard M. Daley.

As part of the funding for the OMP, the city of Chicago submitted a \$300 million funding request to the FAA. The \$300 million is a reasonable amount to seek from the federal government given the importance of O'Hare to the national aviation system and the need for delay reduction at O'Hare. The federal money would be disbursed over a number of years, so the FAA will be able to fund other airport projects across the country.

experience significantly reduced delays while accommodating a forecasted demand of 1.2 million flights – an increase of more than 200,000 flights annually. The city of Chicago believes that the new configuration will be able to accommodate up to 1.6 million flight operations, providing the Chicago region with adequate capacity well beyond the foreseeable future.

With six east-west runways, the future airfield takes advantage of the prominent east-west wind direction in the Chicago region. That is significant because planes take off and land into the wind.

It is interesting to note that parallel runways are not unique- it is a proven configuration that we know operates safely and efficiently. Many of O'Hare's competitors are currently operating parallel runway configurations similar to our proposed airfield.

For example, Atlanta's Hartsfield Jackson has four parallel runways and is currently constructing a fifth parallel runway. Dallas-Ft. Worth International has five parallel runways and plans for a sixth. Parallel runways will allow O'Hare to remain competitive.

An example of Chicago successfully competing with other major cities happened two years ago when Boeing launched a nationwide search for a new headquarters. The finalists were Denver, Dallas, and Chicago – cities with large hub airports that can move people and goods rapidly. Boeing chose Chicago because of its central location, the ability to reach most destinations in the world on a single flight, its unmatched quality of life, and the excellent workforce.

In October 2004, oil giant British Petroleum PLC announced that it would spin off its \$13 billion petrochemical operation and make Chicago its global headquarters. Chicago and Houston were the finalist cities for the headquarters. The company's chief executive said Chicago won because of a

variety of advantages, including its central location, “diverse environment” and proximity to local universities.

Chicago also pitched BP on airline connectivity. According to World Business Chicago Executive Director Paul O’Connor, “We did a head-to-head comparison between us and Houston. Without O’Hare, we lose.”

Unless O’Hare is modernized, we will lose the opportunity to lure more companies, trade shows, conventions, and tourism to our region, all of which create jobs.

PAYING FOR THE PROGRAM

One of the most commonly asked questions is how the city of Chicago will pay for the program given the seemingly precarious financial state of the airline industry. No local or state tax dollars will be used to fund the OMP. Like most projects of this magnitude, the OMP will be constructed and financed in phases.

The OMP will be paid for by users of the airport with revenues generated at the airport. This includes general revenue airport bonds backed by airport revenues such as terminal rents, landing fees, parking and concession revenue as well as Passenger Facility Charges (the \$4.50 ticket tax for every flight originating from O’Hare) and federal Airport Improvement Program grants.

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In addition, O’Hare issued an Official Statement on the health of the airport in advance of going to the bond market in August and December 2003. The Official Statement included a sensitivity analysis that assumed United Airlines would go out of service in December 2003. The analysis showed that while operations would dip in the very short term, passenger and air traffic would return to today’s levels in about three years. It is interesting to note that the August 2003 bond issuance for O’Hare debt was snapped up by more than 50 institutions in less than an hour – a testament to Wall Street’s confidence in the long-term strength of O’Hare.

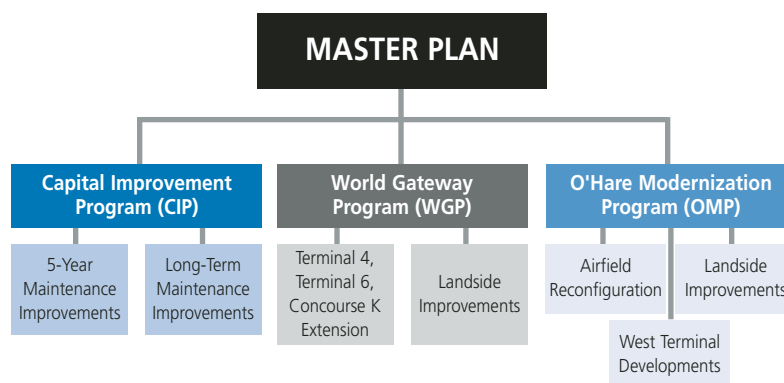
O’HARE’S MASTER PLAN- FLEXIBLE TO FIT THE FUTURE GROWTH OF THE AIRPORT

The O’Hare Modernization Program is one component of the city of Chicago’s Master Plan for O’Hare Airport, which was submitted to the FAA in 2004. A master plan represents all that could be developed at O’Hare over the next 20 years. It out-

lines projects and funding sources that will allow the airport to meet future demand and gives airports and airlines flexibility to determine which projects move forward and when, based on demand.

There are two other components of the O’Hare Master Plan in addition to the O’Hare Modernization Program:

- O’Hare’s on-going Capital Improvement Program includes maintenance projects such as runway repairs and terminal and security enhancements. O’Hare would need it regardless if any other projects are built. This is not unique; all airports have capital improvement programs. O’Hare’s Capital Improvement Program is \$4.1 billion.
- O’Hare World Gateway Program was announced in 1999 and allows the airport the flexibility to build extra terminals when they are needed. The cost of the World Gateway Program is \$2.6 billion.



O’Hare’s Master Plan includes the \$6.6 billion (in 2001 dollars) O’Hare Modernization Program; the \$4.1 billion Capital Improvement Program; and the \$2.6 billion (in 1999 dollars) World Gateway Program that builds terminals on the east side of the airport.

The first phase of the OMP features \$2.9 billion in improvements, including: Planning, environmental studies, and preliminary engineering for the entire OMP. The first phase also features detailed engineering and construction for three runway projects:

- New northern runway 9L/27R
- Extension of Runway 10L
- Relocation of Runway 10C/28C, and
- Other enabling projects needed to build the three runways.

These projects represent 65 percent of all airfield work for the entire OMP.

MINIMAL IMPACT TO EXISTING OPERATIONS

One key to the success of the OMP is to have a minimal impact to existing O’Hare flight operations. O’Hare modernization critics have falsely claimed that the city’s plan to rebuild O’Hare may actually degrade the airport’s safety. They believe

that the construction phase will cause constant disruptions to pilot and controller procedures and routines and thereby substantially boost the possibility of serious errors and inconvenience the traveling public.

It is worth pointing out that the first runway to be built as part of the program will be constructed almost entirely landside – and therefore has virtually no impact whatsoever on existing flight operations. Additionally, construction is constantly underway at O'Hare for a variety of capital improvement programs. As is now the case, it will take a coordinated effort among the Chicago Department of Aviation, Federal Aviation Administration, the OMP, and O'Hare's air traffic controllers to minimize the impact construction will have on existing flight operations. O'Hare has some of the finest air traffic controllers in the world. They have adapted to O'Hare's current configuration, and they will adapt to the future airfield while ensuring that it operates safely during construction.

SUSTAINABLE DESIGN AND CONSTRUCTION

The city of Chicago strives to be a leader in sustainable design and construction. To that end, we have developed the OMP Sustainable Design Manual as an integral part of the overall design and construction standards, and it supports Chicago's ongoing efforts toward sustainable development.

We will continue to work to make O'Hare more environmentally friendly by going even further to incorporate concepts in sustainable design and construction methods – implementing Mayor Daley's vision of making Chicago one of the greenest cities in the world. The many greening programs in Chicago make it a city where people really want to live, work, and raise a family. They help us attract new employers and visitors, which keeps our economy strong and helps ensure a brighter future for everyone.

One sustainable design benefit to the OMP is the wetland mitigation program. We are replacing 150 acres of low quality wetlands on airport property with more than 400 higher quality passive recreation wetlands in the Des Plaines River watershed.

Wetlands also serve as natural flood control, slowing and filtering rainwater during storms. This is important because the Des Plaines Watershed is



According to the draft report, O'Hare's current intersecting runway configuration is the primary constraint on operations at O'Hare. The FAA also rules out the use of other airports as a viable solution to meeting the projected airport capacity needs of the region.

FAA REGULATORY PROCESS

The FAA's regulatory process is the last remaining step before construction on the OMP can begin. Once the FAA completes its regulatory process, which is expected in September 2005, we will break ground immediately and all the delay reductions, capacity enhancements, and economic benefits associated with the OMP will be realized.

It is ultimately the FAA's decision as to whether the OMP moves forward, and we are encouraged that they have recently pledged to an "extremely aggressive" federal review schedule for this project. We will continue to work with the FAA while they complete their regulatory process. However, it is clear to the federal government, bi-partisan political leaders, and the business community that the long-term solution to the problem of delays and congestion at O'Hare is to add capacity at the airport. In fact, at the O'Hare Delay Reduction Meeting with the airlines in August 2004, FAA Administrator Marion Blakey said, "Let's be clear. We all know the long-term solution is more capacity at O'Hare – more pavement."

NEW TERMINAL CREATES IMPROVED ACCESS TO O'HARE

The O'Hare Modernization Program reconfigures the airport to allow for a new terminal complex, including new roadway systems, to be developed on the west side of the airport.

The western terminal will include up to 60 gates, a parking facility, a secure automated people mover system, and could also include a Metra and CTA Blue Line train station. Travelers will finally be able to access O'Hare from the west side of the airport, park or get dropped off, then catch a flight or hop on a train – all without driving around to the east side of the airport as is required today.

A secure people-mover system will transport ticketed passengers arriving at the western terminal throughout the airport. This system will be available to all passengers regardless of the air carrier they are flying.

The city of Chicago has also been working with DuPage County, the Illinois State Toll Highway Authority, and the Illinois Department of Transportation on regional road improvement issues for the past year. This includes protecting a 300-foot corridor on airport property for a bypass road that could eventually connect with I-90 and I-294 and the extension of the Elgin-O'Hare expressway into the airport.

It is important to note that these roadway projects have been on the state of Illinois' drawing board for many years and remain under their jurisdiction. These projects are priorities for the city of Chicago. The Speaker of the House, Dennis Hastert, DuPage County, the Illinois State Toll Highway Authority, and the Illinois Department of Transportation have formed an alliance with the city of Chicago, that for the first time, increases the region's effectiveness in competing for scarce federal highway dollars. This unprecedented cooperation, under the leadership of Speaker Hastert, makes it more likely that these projects will be implemented.

CONCLUSION

O'Hare is the economic engine that drives the region's economy. The FAA estimates that demand for O'Hare will continue to grow as evident from the record number of flights experienced at the airport last year. But, the airport has reached critical capacity.

Growth is inevitable at O'Hare. By doing nothing to modernize the airport, the state of Illinois, the city of Chicago and the region will lose flights and passengers to major metropolitan areas with large hub airports such as Dallas-Ft. Worth, Atlanta, and Denver. The OMP will allow O'Hare to meet that growth efficiently.

The cost and scope of the OMP has not changed since it was announced in 2001. But the cost of doing nothing at O'Hare is much greater. At stake are the Chicago region's economic prosperity and the efficiency of the national aviation system.

That is why the city of Chicago remains focused on the task at hand and continues to work diligently so that benefits of the OMP are realized. Because of this hard work, the OMP enjoys broad bipartisan support from the political, labor and business communities, because they understand the importance of maintaining the region's role as the aviation crossroads of North America.

Most importantly, delay-weary air passengers demand an end to chronic delays and congestion at O'Hare. Mayor Daley's vision, the O'Hare Modernization Program, will create a 21st century airport that will meet forecasted demand for the region well into the future.



The O'Hare Modernization Program will reconfigure O'Hare into a modern, parallel runway configuration that substantially reduces delays and increases capacity well into the future. Once it is complete, O'Hare will have six parallel runways, a new terminal complex on the west side of the airport, and an automated people mover system to move passengers between terminals.