
Introduction

In 1943, the Minnesota Legislature created the Metropolitan Airports Commission (MAC) to own and operate airports in the Twin Cities region. The Twin Cities' airport system has changed significantly in the past 60 years, accommodating more flights, passengers, and air cargo.

Following the terrorist attacks of September 11, 2001, some legislators questioned whether MAC did enough to constrain its spending and assist Minnesota-based airlines. Legislators discussed possible changes in MAC's structure, including the possibility of making MAC a state agency. The 2002 Legislature made no changes, but in April 2002 the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate MAC. We asked the following questions:

- **Where does MAC get its revenues, and how does it spend them? How did MAC respond to the financial distress in the airline industry following September 11? How do the Minneapolis-St. Paul Airport's costs and concessions revenues compare with those at other large airports?**
- **What commitments regarding airport noise followed the Legislature's 1996 decision not to build a new airport? Have these commitments been kept? How accurately has MAC projected future levels of airport noise, and what implications have these projections had for residents' eligibility for noise mitigation? How does MAC's noise mitigation program compare with those at other airports?**
- **What has MAC done to support Northwest Airlines while trying to foster competition at Minneapolis-St. Paul Airport? What impact can MAC have on Northwest Airlines' financial well-being?**
- **How is MAC held accountable for its actions? Does MAC receive sufficient external oversight? What are the merits of possible changes to MAC's governance structure and the methods by which its commissioners are appointed? Is there sufficient opportunity for input into MAC decisions?**

To conduct the evaluation, we examined a variety of MAC documents, including budgets, bond prospectuses, noise mitigation plans, airline agreements, competition plans, and meeting minutes. We also interviewed MAC staff and MAC commissioners, and we attended MAC meetings. To compare the Minneapolis-St. Paul Airport's finances with other large airports, we relied primarily on information from the Federal Aviation Administration regarding spending levels and airline rates and charges.

To help us evaluate issues related to airport finance, governance, and noise, we interviewed representatives of various organizations: the Federal Aviation Administration, Minnesota Legislature, Metropolitan Council, state finance and transportation agencies, local governments, Minnesota-based airlines, and advocacy groups. We also conducted several surveys. We conducted phone surveys with officials at 22 airports to collect financial information and better understand how they responded to the events of September 11.¹ For most airports, we supplemented the survey data with information we obtained from their financial statements. We conducted phone surveys with officials at 21 airports regarding their noise mitigation programs.² In addition, we solicited comments about MAC's performance and governance structure from airlines that are members of MAC's Airport Affairs Committee for the Minneapolis-St. Paul Airport.³

We reviewed management literature regarding airport governance structures, and we collected information from web sites and other existing sources regarding the governance structures of 40 large airports. We reviewed Minnesota laws pertaining to MAC's governance, and we compared these provisions with those for state agencies and other metropolitan agencies.

Our review of MAC's finances focused largely on the Minneapolis-St. Paul International Airport, which accounts for most of MAC's revenues and expenditures. We gave little attention to issues regarding the other six airports that MAC operates. We did not evaluate the adequacy of specific airport services provided by MAC employees (such as snowplowing or building maintenance) or by vendors (such as concessions or taxi services).

Some legislators have questioned whether the Minneapolis-St. Paul Airport has sufficient capacity to meet the region's long-term needs. Nevertheless, we did not examine the adequacy of MAC's airport facilities because (1) MAC is still implementing airport expansion plans mandated by the 1996 Legislature, which decided not to authorize construction of an airport at a new site, and (2) MAC officials told us that, in the near future, they intend to once again examine long-term projections of airport capacity.

Chapter 1 of this report provides background on MAC and the Twin Cities airport system. Chapter 2 examines MAC's finances, including a review of recent trends and comparisons with other airports. Chapter 3 discusses MAC's efforts to increase airline competition at the Minneapolis-St. Paul Airport, as well as its efforts to retain Minnesota airline jobs. Chapter 4 examines MAC's noise mitigation program, and Chapter 5 examines possible changes to MAC's governance structure.

¹ We selected a geographically-balanced sample of 17 large hub airports. We also contacted five smaller airports that we were told had made budget cuts following September 11, 2001. We collected information in July through September 2002, and we received responses from all 22 of the airports we contacted.

² We contacted the 20 airports with the largest number of enplanements in 2000. We also contacted two smaller airports that we heard had significant noise mitigation programs. We received responses from 21 of the 22 airports during August through November 2002.

³ In July 2002, we surveyed representatives of all 24 airlines on the Airport Affairs Committee; 11 responded.