

## Business Jet Owners Subsidized by Airline Passengers

JUNE 24, 2008

If you're feeling steamed at the airlines for how they've been treating passengers, you might want to save some outrage for those who fly on private jets, two advocacy groups suggest.

As most travelers endure long security lines, increasing flight delays and extra charges for checked baggage, they are helping subsidize far more elegant travel for a privileged few, according to a report to be released today by Washington-based organizations Essential Action and the Institute for Policy Studies.

In particular, the report contends, owners of private jets benefit from a disproportionate share of federal funds for airport improvements and don't pay their fair share of the cost of the air traffic control system. "The super-wealthy, private jet set are shifting the costs of their highflying indulgence on to the rest of us," said Robert Weissman, director of Essential Action and co-author of the report.

On top of that, because they bypass the security that everyday people have to put up with, private jet passengers can drive -- or be driven -- to their aircraft on the tarmac, have their unscreened luggage loaded directly onto the plane, and board with keys and Swiss army knives in their pockets and plenty of shampoo and bottled water in their carry-ons.

"Most people don't realize the privilege of flying private," said Chuck Collins, senior scholar at the Institute for Policy Studies. "This should be a wake-up call."

Selena Shilad, executive director of the Alliance for Aviation Across America, which represents makers, owners, and users of private jets, said the report unfairly attacked her members, most of whom, she said, are farmers, small-business people and charities.

The report, Shilad noted, endorses a Federal Aviation Administration proposal, supported by the airlines, to overhaul air-traffic-control funding in a way that would charge airlines less and private jet operators more. "We feel strongly that this so-called study holds no water and is just another airline-backed effort to justify a tax cut that would be paid for by farmers, ranchers, small businesses and other organizations that depend on general aviation around the country," she said.

Although the report backs the FAA funding proposal, airlines had no role in financing the study, Collins said. The study, from two groups known for taking egalitarian stands on such issues as income distribution, also calls for a luxury tax on the purchase of private planes and tighter security for passengers flying in them.

Among the report's findings:

- About \$2.2 billion of the \$7 billion in federal funds spent making capital improvements to airports over the last two years was used to fix up remote airports that primarily serve private jets, such as Sardy Field in Aspen, Colo., and the Napa Valley Airport in California.
- Private fliers avoid a variety of niggling fees that are added to the cost of a commercial ticket, such as a \$3.40 segment fee, a \$3 passenger facility charge and a \$2.50 security fee.
- Passengers on private planes usually avoid a 7.5% tax on the cost of airline tickets, which is used to fund air traffic control services.

The FAA proposed last year to shift traffic-control funding from ticket taxes to user fees and fuel taxes. The proposal has languished in Congress. "We sought the change for two reasons," said Ian McGregor, a spokesman for the FAA in Los Angeles. "One was to create a more stable source of revenue, the other was that it didn't seem fair that the commercial airline passenger should subsidize the business executive who travels on a private jet."

Private jets use about 16% of the air traffic control system's resources, but pay only 3% of its costs, McGregor said. Shilad disputed those figures, saying the FAA was manipulating the data. Since 1990 the number of private jets in service has more than doubled to more than 10,000, according to the FAA.

Source: Los Angeles Times, Kathy M. Kristof

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August 6, 2006

## My Other Vehicle Is a Gulfstream

By GUY TREBAY

Aspen, Colo.

WHETHER the joys of summer are riper for plutocrats than for the rest of us is always open to question. Would watermelon taste sweeter if you had a billion in the bank? Let me spit out this seed, check my bank balance and get back to you. As vacation season reaches its peak this month and millions of Americans jam the highways and skies seeking a precious portion of leisure, there is at least one way in which it becomes clear that the very rich are indeed very different from the rest of us.

That difference can be described in two simple words, almost magical to those who partake: flying private.

Just two decades ago, private aviation was exclusively the province of a global super-elite. That was before airline deregulation and 9/11 turned commercial air travel into the noisy, cramped, humiliating nightmare it is today. It was before the tech boom and hedge funds threw off bumper crops of multimillionaires. It was before innovations in the private aviation industry made it possible, first, for the ultrawealthy to use the time-share model known as fractional share ownership to enter the big leagues of private jet travel and, more recently, for the merely rich to buy into jet-sharing plans that are the deep-pocketed equivalents of a MetroCard.

"When I was young it was quite rare," said a society decorator in his early 50's. "Maybe you knew one older gentleman with a great deal of money who had his own jet."

Nowadays, private air travel has become so mainstream, relatively, that among the decorator's numerous young and well-heeled clients is a couple in their 30's whose Cessna Citation X encountered instrument problems in this mountain resort town not long ago, forcing the couple and their sons to board an airborne cattle-car to Denver. There, the clients' children, 4 and 6 — never having experienced a commercial airport — sat on the floor of the vast and bewildering concourse and wailed. And who among us, truly, has not at some point experienced a similar urge?

"Seven years ago, I was traveling a lot and I just got sick of the hassles," said Gavin Polone, a former Hollywood agent and now a producer whose credits include the cable television show "Curb Your Enthusiasm" and "My Super Ex-Girlfriend."

For Mr. Polone, the moment marking his decision to defect from the ranks of airborne hoi polloi was a trip he took from New York to Los Angeles. "I was in first class and there was a woman in business with a baby that screamed for five hours," he said. "And that did it."

Trans-Atlantic flights are now the only occasions on which Mr. Polone submits to commercial air travel's many indignities. "In North America, I only fly privately," he explained. "For me what's important is excluding myself from people who might bum me out."

Even at an elevation of 8,000 feet, in the bright light and thin air of a resort where A-frame fixer-uppers change hands for seven figures, avoiding bumper people and situations takes work. Thus Aspen has become one of the places most often cited — Nantucket, Mass.; Sea Island, Ga.; Sun Valley, Idaho; and Jackson, Wyo., are several others — on lists of the top American

destinations for people who long ago left behind the sad pretzel mix and microwave cookies of in-flight snack service, and the weary attentions of airline employees who so often wear the expression of doomed souls working off a karmic debt.

"We're always operating at the edge of full capacity," said Chad Farischon, the general manager of Trajen FBO Network, which operates the private jetport a short drive from the modest commercial airport at Aspen.

During peak times like winter break and again in August — a period when billionaires and Nobel laureates, destined for either the rigorous hiking trails of Maroon Bells or the equally strenuous Aspen Institute cocktail party circuit, descend in droves on the onetime mining town — so many aircraft vie for parking spots at Aspen airport that the overrun has to be shunted to nearby Rifle or Vail. "Jan. 2 this year, we had 150 aircraft that didn't get in," Mr. Farischon said.

By aircraft Mr. Farischon is referring not to self-piloted two-seaters but to multimillion-dollar machines like an Embraer Lineage 1000, a Citation X, or a Gulfstream IV or Gulfstream V, respectively the aeronautic versions of a Lexus or Mercedes-Benz. At least one of each was parked, chevron-fashion, on the tarmac one quiet recent Monday, as was a Boeing 727 retrofitted for private use.

As much as 80 percent of private air travel is now undertaken for leisure rather than business, say some in the industry. While private aircraft sales have risen lately, according to Dan Hubbard, the spokesman for the National Business Aviation Association, those increases must be measured against a years-long slump. "It's not that there are so many more planes being sold," Mr. Hubbard said. "It's that there are more options" for private flying to suit evolving consumer demand.

From the number of tan, fit people ambling through the clublike lounge at Aspen's private airport — wearing Chanel jeans and Franck Muller watches and accompanied by their dogs and children — the assertion is easy to credit. In contrast to the harried atmosphere of a commercial airport, here all is calm and clubby. Even the dreaded check-in procedure amounts to little more than identifying one's pilot from among the various uniformed personnel slouched in overstuffed chairs.

"No one checks anything," remarked Richard Edwards, an art dealer whose Baldwin Gallery in downtown Aspen and members-only Caribou Club are fixed points on a circuit of the celebrated and monied. Despite his ready access to friends' jets, Mr. Edwards tends to prefer commercial; he likes the anonymity.

Still, he has enough experience of private air travel to know that, among a certain segment of locals, the sense of entitlement to private air travel includes an expectation that interiors will be appointed with burled walnut fittings and seats of calf leather; that the in-flight entertainment will consist of a recent movie shown on a flat-screen TV, and not a seat-back viewing of "Scooby-Doo," and that the usual eternities spent in limbo on the tarmac will shrink to a 10-minute interval between buckling one's seat belt and reaching 34,000 feet.

"The Aspen resident is a very discerning client," said Ricky Sitomer, the chief executive of Blue Star Jets, which sells access to a private fleet. To get an idea of exactly how discerning, Mr. Sitomer produced a note from the butler of one Blue Star client, whose on-board meal requirements were detailed to an extent (Grey Goose vodka frozen two hours before flight; ice cubes made with Fiji water; filet mignon of precise cut and dimension; and Froot Loops, Lucky Charms and Cinnamon Toast Crunch for the kids) that would make the most demanding rock-star diva blanch.

The rise of private aviation is generally thought to have begun with the purchase by Warren E. Buffett, the Omaha investor, of NetJets in 1998. Under the NetJets scheme of fractional-share ownership, buyers purchase, say, a 16th of a Hawker 400XP for about \$400,000, or the same fraction of a Gulfstream 550 for roughly five times that amount, and then negotiate, much as time-share holders in a condominium might, for use of the plane. Then as now, fractional-share owners tended to be either large corporations or the ultrarich.

But as a certain group of Americans became richer and air travel became generally unpleasant, an appetite also developed for the fine perks of private air travel among what in the industry are termed "high net worth individuals," people who are merely, rather than obscenely, rich.

To accommodate this new market, a passel of companies were formed like Bombardier Skyjet, CitationShares, Sentient Jet, Le Bas International and Marquis Jet, an affiliate of NetJets, each pitching its own version of a surprisingly simple concept: sell access to a private jet without the necessity of buying one. The companies sell "jet cards," not much different from buying a Starbucks card.

"You call up and say you want to fly from X place to X place," explained Mr. Hubbard of the National Business Aviation Association. "They provide the equipment, swipe your card," and the hours disappear until one fills the card up again. For \$299,000. That is the cost of a representative 25-hour Marquis Jet card with ready access to a Gulfstream IV-SP, a jet that seats 13 and has a 4,600-mile flight range. That is enough for a trans-Atlantic flight, although a great many consumers use their hours to reach the dinky airports that are convenient to nothing except, as it happens, the finest golf course in the country.

"The sweet spot in private air travel is the entrepreneur," said Ken Austin, the Marquis Jet senior vice president for marketing. "There is a generation of younger people in their 30's and 40's who have a high disposable income, and they use it." Mr. Austin refers to these people as "the disposers."

For disposers who used Marquis cards to fly to Nantucket one recent Friday, the sticker shock of a \$9,000 round-trip price tag was apparently offset by the startlingly short time between wheels-up and the glorious moment when the jet hatch door opened to admit a salt-scented maritime breeze. "If you ever tried getting to Nantucket flying commercial, you know the stress alone could take years off your life," Mr. Austin said.

When David Brodie, the owner of an audiovisual production company, and his wife recently decided to celebrate their wedding anniversary in Nantucket, he used his Marquis Jet card to book a flight. "We were on the plane at 12," said Mr. Brodie, who lives in Fort Lauderdale. "And we were in our hotel in Nantucket at a quarter to three."

Whereas the wealthy of an earlier era may have preferred fiscal conservatism when it came to air travel — flying economy class as Mr. Buffett purportedly did for years — disposers apparently have as few qualms about circulating wealth as they do about the more disquieting aspects of private jet travel, grotesque fuel consumption being one.

"You don't have to be as rich as you and I once thought" to become a private aviation flier, said Alan Antokal, a seasoned jet card user. Mr. Antokal, a New England entrepreneur, manages his aviation cards as cautiously as he did the millwork and pottery businesses he sold for millions in 1998. "If today I'm going to go down to Florida, I can get on JetBlue for a hundred bucks," he said. "That's not necessarily what one does with 25 hours" of private-jet access.

"You do things that are lifestyle," explained Mr. Antokal, a passionate Boston Red Sox fan who flew to New York from Boston for a playoff game two years ago on a last-minute whim. "I went online and found tickets for me and my wife," he said. "I called Marquis and said, I want a plane for 3 o'clock and a plane to take me home." It was a thrilling ballgame for Mr. Antokal, and an expensive one. For seven hours in New York, he spent close to \$40,000. "Like the MasterCard commercial says, it's priceless," he said.

For Bob Beson, a Michigan entrepreneur who sold his call center business for \$80 million in 1999, the habit of flying private is variously practical, addictive and "spoiling to the highest degree." When Mr. Beson's son turned 21 last year, he used a jet card to book a birthday flight to Las Vegas to celebrate. Mr. Beson, the product of what he called a lower-middle-income

background in a Midwestern farming town, occasionally wonders, he conceded, whether he has succumbed to the “lifestyle of the rich and famous.”

“Sometimes when I’m writing the check” to Marquis for \$250,000, he explained, “I question myself.” But then he drives his car to the tarmac, boards the plane and “I don’t think about it anymore.”

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## Traveler Taxes Awarded to Small Airports

By BOB PORTERFIELD

SAN FRANCISCO - The federal government has taken billions of dollars from the taxes and fees paid by airline passengers every time they fly and awarded it to small airports used mainly by private pilots and globe-trotting corporate executives.

Some of these "general aviation" facilities used the federal dollars for enhancements such as longer runways and passenger terminals aimed at luring traffic, an Associated Press review has found. And the money comes with little oversight, and at the expense of an increasingly beleaguered air transportation system.

"They're making out like bandits," said Bob Poole, director of transportation studies at Southern California's Reason Foundation and author of several studies on air transportation costs. "It's not only that airline passengers are paying more than their fair share, but they're being overtaxed to give private jets a free ride."

Passengers pay as many as six separate taxes and fees on a single airline ticket, adding up to more than \$104 billion since 1997, the AP found. Yet these assessments often are overlooked by the millions who click the "buy" button to purchase tickets online, even though they can exceed 25 percent of the total airfare.

Travelers deal with more hassles than ever. In 2006, more passengers were bumped, their flights delayed or their bags lost than in 2005, according to the annual Airline Quality Rating report released earlier this month.

"What are people getting for their money?" said Kenneth Button, a professor of transportation at George Mason University's School of Public Policy and an expert on air transit taxation. "Delays are increasing. How can consumers make a sensible assessment on how the money is being spent? You need an abacus to figure out all the costs."

Congress will decide later this year whether to curtail the huge public subsidy for small airports, while pilots' associations, airport managers and other interested groups are fighting to keep it.

Ed Bolen, president of the National Business Aviation Association, which represents 8,000 operators of private jets and other aircraft, said all Americans benefit from the proliferation of small airports throughout the country. They aid emergency preparedness and critical services such as medical evacuations and mail delivery, he noted.

Without help from the federal government in the form of passenger taxes, many would be unable to survive, Bolen said.

"Not all aircraft are the same nor do they impose the same costs on the system," he said. "If we were grounded tomorrow, the system would cost the same."

Mark Cooper of the Washington-based Consumer Federation of America said the key question is whether passengers are paying for something and getting nothing in return.

"It costs me more to park my car at National Airport than it costs to park a corporate jet," he said.

The taxes and fees finance the Federal Aviation Administration and its air traffic control operations, as well as passenger and baggage screening, federal air marshals and police presence at the nation's commercial hubs.

Hundreds of smaller airports also are among the beneficiaries. These run the gamut from remote rural

airstrips serving crop-dusters and hobbyists, to "executive" airports serving corporate jets and exclusive resort destinations:

- J.T. Wilson Field in Somerset, Ky. got more than \$12 million since 2001, much of it through the influence of local Rep. Hal Rogers, a longtime Republican member of the House Appropriations Committee who uses the airfield for trips home. Wilson Field is home base to 26 small planes and one jet. Despite millions in improvements, including a passenger terminal, the airport has yet to see scheduled commercial service.

- California's Napa Valley Airport collected \$6.3 million in taxpayer dollars over the past two years, even though it mainly serves private jets and small planes in addition to being a pilot training base for Japan Air Lines.

- Sardy Field, in the ultra-rich mountain playground of Aspen, Colo., has received \$27.2 million in funding since 2005. While Aspen does offer service by major airlines, private jets and other general aviation aircraft make up the majority of its traffic, airport officials said.

- Austin Municipal Airport, about 90 miles south of Minneapolis, is home base for 25 small planes and three jets, at least two of which are owned by Hormel Foods, a Fortune 500 company with headquarters nearby. Since 2000, the airport received nearly \$16 million in federal funding. More than two-thirds of the takeoffs and landings are by small, private planes.

- Greenville Municipal Airport, on Maine's Moosehead Lake, received \$4.1 million over two years despite being the home airport to eight small planes and seeing fewer than 6,000 takeoffs and landings per year.

- Marion-Crittenden County Airport in rural Western Kentucky spent \$4 million in federal dollars over the past five years to transform and lengthen a grass landing strip into a 4,400-foot, paved runway capable of handling jet traffic. The upgrade began in earnest after Tyco Corp. pulled out of the region, taking 300 jobs with it.

James C. Johnson, a former FAA employee and pilot who chairs the local airport board, said the runway allows "corporate decision-makers to get in and out of here in a manner they like to travel."

"We're not saying money shouldn't be going to those airports," said John Heimlich, vice president and chief economist at the Air Transport Association, a trade group representing the airlines. "We're saying it shouldn't be our money."

Passenger taxes are collected in noncommercial aviation only in instances involving the fractional ownership of private jets, air charter operations and small commuter flights. Instead, it contributes to America's air transit infrastructure in the form of a fuel tax that covers just a fraction of the services it uses.

A study released in February by the FAA said it cost \$2.4 billion just to provide air traffic control for private and corporate planes in 2005. The industry contributed just \$516 million in fuel taxes that year.

Another \$500 million annually pays for weather forecasts and other preflight data for private pilots. These contribute to overall air safety, according to Andy Chebula, executive vice president for government affairs at the Aircraft Owners and Pilots Association, which represents more than 410,000 pilots and is lobbying heavily for retaining passenger taxes.

If private pilots have to start paying for such things themselves, they just won't bother, Chebula said.

Advocates of private and corporate aviation, which accounts for more than half of all air traffic, say the industry also costs far less to operate than commercial carriers, with their giant aircraft.

"A Cessna Citation doesn't require the same Air Traffic Control resources as a 747," said Mike Tretheway, a consultant to the National Business Aviation Association. "What's driving FAA costs are the airlines."

The main source of federal funding for small airports and airstrips is the Airport Improvement Program, which has distributed \$7.1 billion to airports of all sizes since 2005.

About \$2.2 billion of that went to small airports with little or no passenger service, many of them near popular recreation or tourist destinations. Most of that money was collected from commercial airline passengers.

Some airports have used AIP money to buy up surrounding property to create noise barriers between aircraft and neighboring residential areas. But an FAA audit found that six airports that used AIP funding for noise mitigation later sold the land and used \$82 million from the sales for unapproved purposes.

Other small airports have used their AIP money to extend and upgrade runways and taxiways for use by today's heavier private jets, which often is pitched as an incentive for local economic development.

The operators of Plattsburg International Airport, in upstate New York, used \$12 million in AIP funds to outfit the former Air Force base with better runways, a state-of-the-art landing system and a new terminal. These improvements helped lure aircraft engine manufacturer Pratt & Whitney, as well as the Department of Homeland Security and other tenants.

Former airport manager Ralph Hensel said Plattsburg also is hoping to lure commuter traffic from nearby growth-restricted Clinton County Airport, and possibly entice scheduled service by commercial carriers.

Scores of other small airports spent millions on runway extensions, lighting and updated landing systems that airport managers say were not specifically for the benefit of private jets and business aircraft, but do lend themselves to such uses.

Congress now is considering new approaches to financing the FAA before its funding expires Sept. 30. The House and Senate Aviation Subcommittees have been conducting hearings on the topic since February.

The FAA wants to scrap many existing passenger taxes and replace them with higher fuel taxes and user fees that would put more of the burden on noncommercial aviation.

"We will need to invest resources in order to make the transition to a new system that will significantly reduce operating costs and better serve our customers in the long run," FAA administrator Marion Blakey told a Senate subcommittee on aviation in February.

Pilots' groups, business aviation organizations and small plane manufacturers are fighting the agency's proposal.

Bolen, the National Business Aviation Association president, said the nation's entire aviation infrastructure is geared toward commercial air travel and cargo.

"It's like going out to dinner and somebody buys the most expensive stuff and then says, 'Hey, let's divide this up among all the diners,'" he said. "Who should pay for that?"

Commercial airlines support the proposed changes and say private aviation has been collecting huge taxpayer handouts that should go to airports that serve the general public.

"We're saying users should pay in proportion to their share of system use," said Heimlich, of the Air Transport Association. "The current system isn't priced rationally."

The scrutiny from lawmakers comes ahead of a planned overhaul of the nation's aging air transit system. Air traffic is predicted to grow by more than 25 percent over the next decade, and experts say the growth will be driven by a proliferation of smaller passenger planes and private jets.

The ambitious overhaul will replace existing ground-based radar with satellites and is expected to cost \$22 billion - maybe more.

The FAA's poor track record of containing costs is well-documented. For example, in 2003, the Government Accountability Office, Congress' investigative arm, reported the agency's ongoing efforts to modernize air traffic control and found the price tag had reached \$35 billion - nearly three times the original estimate of \$12 billion when the project began in 1981. Much of that money also came directly from airline passengers in the form of ticket taxes.

"Then was then, now is now," said FAA spokeswoman Laura Brown, adding that Blakey has drastically tightened FAA financial management since becoming agency administrator in 2002. "The way we manage programs is dramatically different."

Former Pennsylvania congressman James Coyne, now president of the National Air Transportation Association, said that doesn't negate the fact that the federal government has squandered aviation money over the past two decades.

"Certainly billions of dollars were wasted because of mismanagement," said Coyne, whose group represents charter, tour and commuter aviation operators and opposes eliminating passenger taxes. "Now, there must be some accountability."

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WILLIAM FULTON

## A New Urbanist's Dream



The successful airports of the 20th century were serious economic engines of the first order. Starting life as airstrips in the 1920s, they eventually became major travel hubs, typically surrounded by industrial buildings, convention hotels and even office complexes. Unlike the cities they serviced, however, they were distinctively suburban in nature: auto-oriented land hogs, built on the assumption that land was abundant and cheap.

The successful airports of the 21st century will be different. For one thing, they will have to operate within a crowded and increasingly urban fabric. It's unlikely that any brand-new airports will be built. Only two have been constructed in the past 40 years—in Dallas-Fort Worth and Denver. The future is likely to focus on incremental expansion—cramping more things in and around airport properties and working more closely with surrounding communities and jurisdictions to make airports compatible.

Which raises an interesting question: Why are airports so auto-oriented? After all, it's one of the few situations in American society where absolutely everybody leaves their car behind. All airline passengers spend a great deal of time as pedestrians. At an increasing number of airports, they become rail passengers, too, just to get from their gate to the terminal.

So, tens of thousands of people are traveling around and to airports without their cars every day. This ought to be a New Urbanist dream. And, according to airport experts, this is probably how airports will evolve in the decades ahead.

John Kasarda, the University of North Carolina business professor who coined the term "aerotropolis," says that in order to be economically successful in the future, airports cannot afford to follow the "spontaneous, haphazard" development pattern of the past few decades. Because airports are congested and running out of land—and because more and more of their patrons will be arriving without cars—these new, high-end business centers will have to be nodal and mixed-use. They may lack housing because of noise considerations, but they are going to have to provide air travelers with many business services in a compact setting—and these services will have to be easily accessible without a car. In other words, the successful 21st-century airport will be a New Urbanist economic engine.

As airports expand in crowded conditions, they are going to have to work more closely with their neighbors.

The key will be doing more comprehensive land use planning that involves areas within the airport's boundaries, as well as on property known in the airport business as "outside the fence."

Most airports are focused on "doing a plan that meets FAA regulations inside the fence," says consultant Mark Bowers, who has been working on a commercial development plan for Dallas-Forth Worth International Airport. DFW's plan was done in collaboration with four surrounding cities and is increasingly focused on the smart-growth approaches planners love. The DART Orange Line light rail to DFW is scheduled to open in 2013, and contains an important stop—Belt Line Road—just outside the fence. Bowers says that DART was originally imagining Belt Line as primarily a park-and-ride location, but now is reconsidering the possibility of a mixed-use center, one that would be easily accessible from the airport terminals, as well as from other nearby business centers such as Las Colinas, which also will be on the Orange Line.

DFW itself will focus on centralized business centers that provide "valet services," such as auto repair and dry cleaning. That way, travelers can drop their car and use their legs and various rail-transit lines to run their errands and get to the terminal.

The "aerotropolis" notion is partly dependent on the assumption that demand for air travel will continue to increase and there will be an ongoing need to expand airports in the future. Not everybody believes that this pressure will materialize. The recent climb in fuel prices has clearly dampened travel demand and put many airlines in a tough spot. Either they can increase prices significantly, thus cutting ridership, or they can eat the fuel cost, thus eliminating profitability.

It may well be that air-travel demand will level off as fuel prices continue to rise. But even if it flattens, airports will continue to serve as critical business hubs for the nation's economy. And that means the New Urbanist airport is likely to emerge.

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**To succeed, airports will have to provide travelers with many business services that are accessible without a car.**



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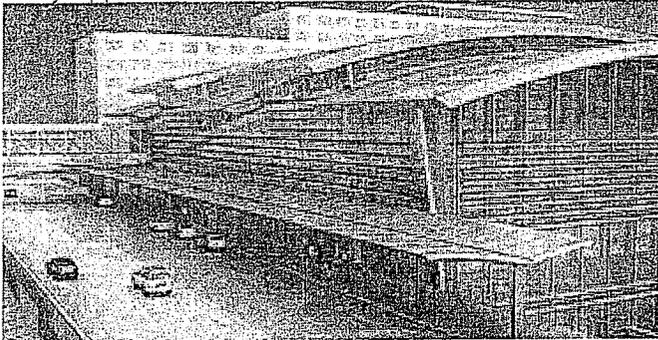
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# Airport launches giant expansion project

By Tony Bizjak - [tbizjak@sacbee.com](mailto:tbizjak@sacbee.com)

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An artist's rendering shows the new terminal, a four-story, steel-and-glass structure being built to replace the outmoded Terminal B. Sacramento International Airport

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After eight years of planning, Sacramento officials on Thursday ceremoniously launched what they say may be the county's biggest project ever – a \$1.27 billion expansion of Sacramento International Airport.

"This is going to be a fabulous front door" to the Sacramento region, airport executive Terry Schutten said during a groundbreaking event at the airport's Terminal B parking lot.

After eight years of planning, crews begin preliminary work next month on a four-story, steel-and-glass terminal to replace undersized and outmoded Terminal B.

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Airport director Hardy Acree said the expansion will establish the Natomas facility as the "airport of choice" for Northern California.

The project will be paid for by airport revenues, including airline fees and rents, parking fees, concession rents and passenger ticket surcharges.

Airlines have criticized the project as too large and expensive, and complain the timing is bad.

The airline industry is reeling from skyrocketing gas prices. In response, airlines have increased ticket prices and baggage fees and are reducing flights nationally, including some in and out of Sacramento.

But Sacramento County officials say the expansion is appropriate for a region expected to grow substantially in coming decades.

"You have to look forward 20 years," said Jimmie Yee, chairman of the county Board of Supervisors.

"You can't build a major project in the context of this month's news; you have to build in the context of decades," Supervisor Roger Dickinson added.

At the end of July, the on-site Host Airport Hotel will be closed and demolished to make room for the new terminal. Both terminals A and B will remain open throughout construction.

Some airport roads will be redirected next month to make room for the project, officials said.

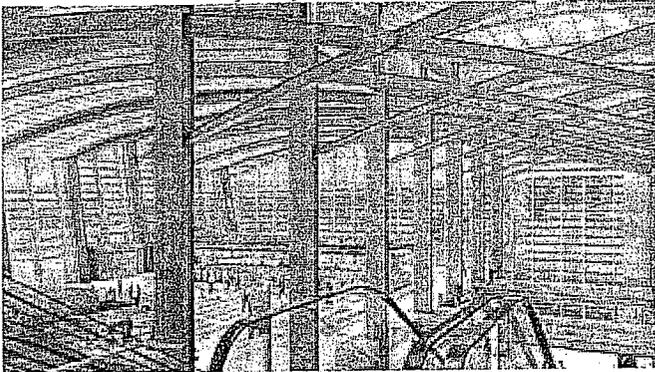
Crews will begin building new airplane parking spots early next month to replace space that will be eliminated when a new concourse is constructed.

The new terminal, which will house a mid-rise hotel, should be under construction by the end of the year.

The new terminal is projected to open at the end of 2011. The existing Terminal B then will be torn down.

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An artist's rendering shows the view from the third floor of the new four-story terminal being built to replace the outdated Terminal B. Both terminals A and B will remain open during the construction project. Sacramento International Airport

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Crews will begin building new airplane parking spots early next month to replace spots that will be eliminated when a new concourse is built. Sacramento International Airport

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