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Subject Initial Questions on City of Chicago's 8/15/05 BCA Submittal

Hi Shawn -

I hope this finds all well with you. As we discussed this morning, we are in the process of reviewing the Benefit Cost Analysis (BCA) that was submitted to the FAA yesterday afternoon. As our review continues, we have identified three preliminary questions. Please provide answers to the following:

- 1) Exactly how is the segment fare being calculated?
- 2) What is the criteria for selecting the tickets actually used in the calculations?
- 3) Are trips on foreign carriers incorporated into this estimate? If so, how (since the DB1A database doesn't include any submissions by foreign carriers?)

Finally, as we discussed this morning, we would like the City to provide a narrative that outlines the assumptions and sensitivities used in the preparation of this analysis.

If you have any questions or need any additional clarification, please let us know. We are prepared to discuss the above questions at your convenience.

Thank you.

Rich

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## Talking Points For the O'Hare OMP BCA

- For the FAA to render a determination on whether this project is cost beneficial, the FAA will need a revised comprehensive “analysis document” that describes in detail the new approach that has been described by GRA and adopted by the CITY.
- Because this approach uses a very different methodology for calculating benefits than the earlier BCA, it is important that the analysis document describe why this approach is appropriate for application at O'Hare.
- At a minimum the new analysis document must address the following issues:
  1. Compilation of cost estimates for OMP Phase-1 (includes all costs related to Phase 1, i.e. LOI eligible and ineligible). The detailed cost estimates should be prepared in a similar format as was done for the Total OMP program. This compilation must include the Lima-Lima taxiway costs. These costs can be made part of the BCA as an appendix.
  2. Relationship between travel time savings and the construction phase of the project (i.e., why won't travel time savings not be negatively impacted during construction).
  3. Relationship between passenger growth and any potential landside delay that would tend to offset the travel time savings associated with Phase 1.
  4. Detailed discussion of the assumptions used in the new methodology (e.g., derivation of the base case average fare, aviation forecast activity – including any changes in assumptions from the prior analysis, elasticity coefficients, and value of passenger time).
  5. Discussion of why these assumptions are reasonable.
  6. Inclusion of average travel times used to derive the full price of travel under the proposed project. This data should then be used to determine whether the money fare difference between the base case and phase one is reasonable. Some discussion on why this difference is reasonable should also be provided.
  7. Sensitivity analyses should be expanded to include examination of the effects of changes in travel times (possibly taking into account items 2 and 3), various TAFs (the spreadsheets may already do this, but its not well documented), the possible failure of United, and construction costs. In general it would be desirable to undertake tests that vary multiple attributes simultaneously in order to better ascertain the sensitivity of the BCA results to the input assumptions.

8. Narrative description of the existence of downstream benefits.

- The bottom line is that the new analysis document should be at least as comprehensive as what was submitted in the Benefit-Cost Analysis Summary -- Chapter 4 -- of the LOI. The new analysis document should include narrative and supporting tables addressing: BCA methodology, aviation activity forecasts, project costs, project benefits, simulation modeling, and benefit-cost comparisons (including extensive sensitivity analysis), and recommendation.