

January 2012 Update- All things Aviation:



If you'd like additional information, please contact the City of Newport Beach.

JOHN WAYNE AIRPORT – NOVEMBER and DECEMBER STATISTICS

Airline passenger traffic at John Wayne Airport increased in November 2011 as compared to November 2010. In November 2011, the Airport served 705,465 passengers, an increase of 2.1% when compared to the 690,859 passenger traffic count of November 2010. Meanwhile, commercial aircraft operations decreased 1.9%, while Commuter aircraft operations decreased 27% when compared to the levels recorded in 2010. The statistics also demonstrate that based upon the levels reported the Average Daily Departures (“ADD”) in November equated to 110.06. By comparison in November of 2010 the number of ADDs was 113.5. As reported last month ADDs for October were 111.5.

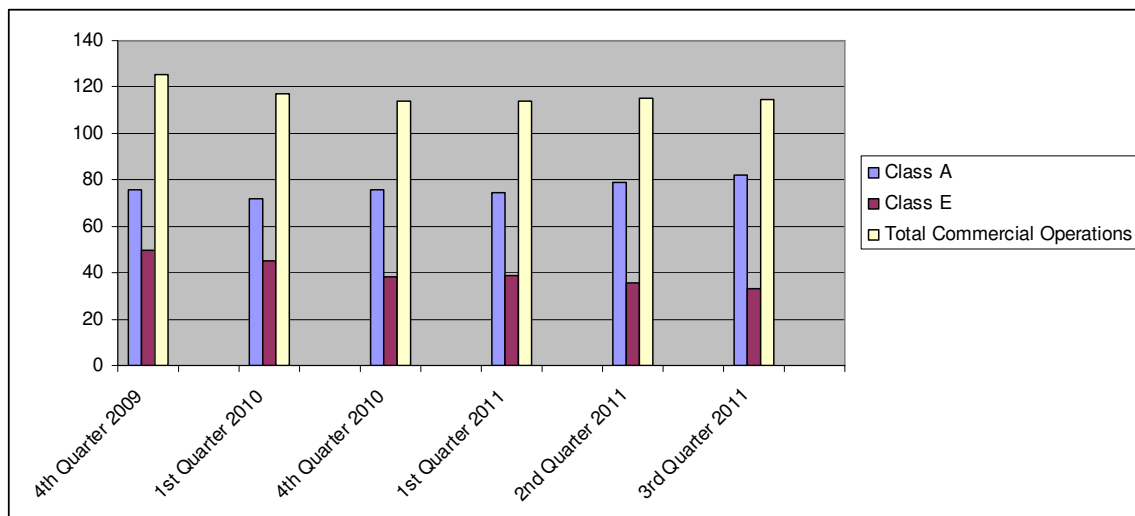
December statistics also demonstrated that Airline passenger traffic at John Wayne Airport decreased in 2011 as compared to 2010. In 2011, the Airport served 697,512 passengers, a decrease of 2.9% when compared to the 718,571 passenger traffic count of 2010. Moreover, Commercial aircraft operations decreased 3.6%, while Commuter aircraft operations decreased 24.3% when compared to the levels recorded in 2010. Total aircraft operations decreased in 2011 as compared to the same month in 2010.

JWA served 8.6 MAP or 1.2 MAP below the allowable MAP pursuant to the JWA Settlement Agreement, or 20% below the current allowable MAP. The December figures also demonstrated that the annual ADDs were on average 113.48 for 2011, while the December 2011 figures disclosed that the ADDs for the month were 109.17 ADDs as compared to 114.22 for 2010.

JWA Quarterly Noise Reports¹ ADDs

As part of the JWA quarterly noise reports, released December 14, 2011, the number of departures is broken down by number of departures for each of the carriers. (The statistics for the Average Daily Departures (ADDs)). The ADDs for the quarter equates to 114.83 ADDs of which 33 ADDs are exempt and 81.83 are Class A, ADDs. The following is also a breakdown comparison over a period of time:

	4th Qtr 2009	1st Qtr 2010	4th Qtr 2010	1st Qtr 2011	2 nd Qtr 2011	3 rd Qtr 2011
Class A	75.73	71.76	75.77	74.7	78.97	81.83
Class E	49.55	45.04	38.45	39.12	35.95	33.00
Total:	125.28	116.81	114.22	113.82	114.92	114.83



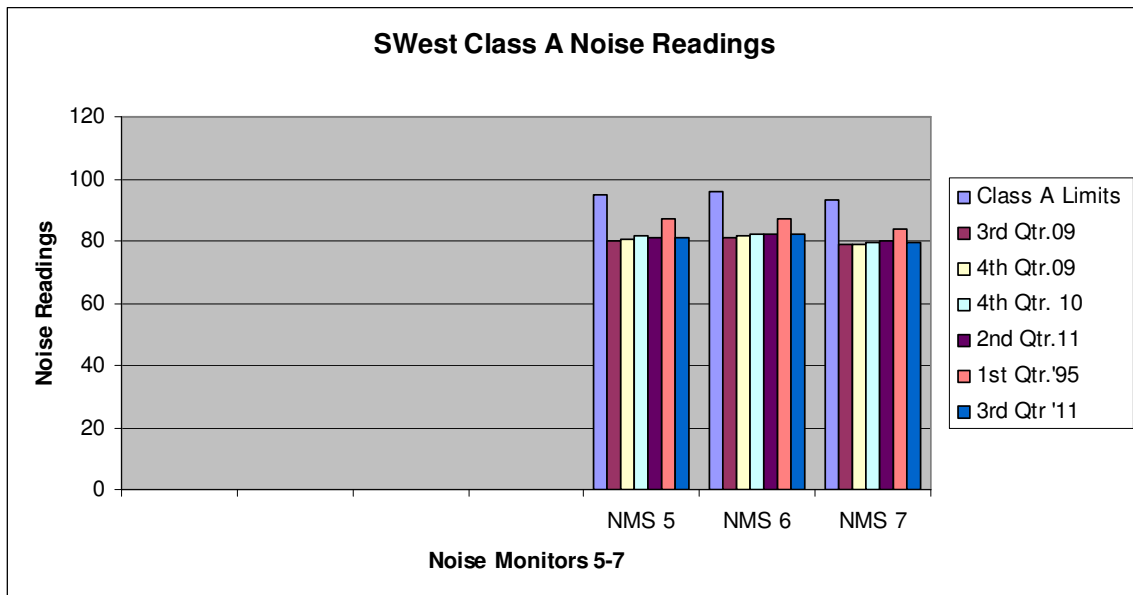
¹ Some of this information is duplicative of last month's report, but certain questions were raised and so additional information has been added.

It should be noted that pursuant to the JWA Settlement Agreement, there are 85 Class A aircraft ADDs plus the right to allot 2 of the 4 Cargo Slots to the Class A Carriers, if not utilized by the Cargo Carriers, which has been the case for the last few years. Pursuant to the County's Access Plan for 2012, there are 82.494 Class A ADDs as opposed to 87.391 Class A, Adds for 2011. Meanwhile the Total Seat Allocations of 11,735,392 + for both years and above the 2011 MAP was 8.6 MAP. The MAPCAP was established principally to limit the number of departures by Class E aircraft. The passenger service level is a function of three factors: (i) the number of operations; (ii) the seat configurations of the aircraft in the fleet; and (iii) passenger load factors.²

Noise Comparison for Southwest Airlines

Also what follows is a comparison of the SENEL noise levels at Noise Monitors 5-7 over a period of time, which incorporates the noise data from 3rd Qtr. 2011:

	NMS 5	NMS 6	NMS 7
Class A Limits	94.6	96.1	93
3rd Qtr.09	80	81.2	78.7
4th Qtr.09	80.7	81.7	78.8
4th Qtr. 10	81.8	82.4	79.4
2nd Qtr.11	81.1	82.2	79.9
1st Qtr.'95	87.2	87.1	83.8
3rd Qtr '11	81	82	79.3

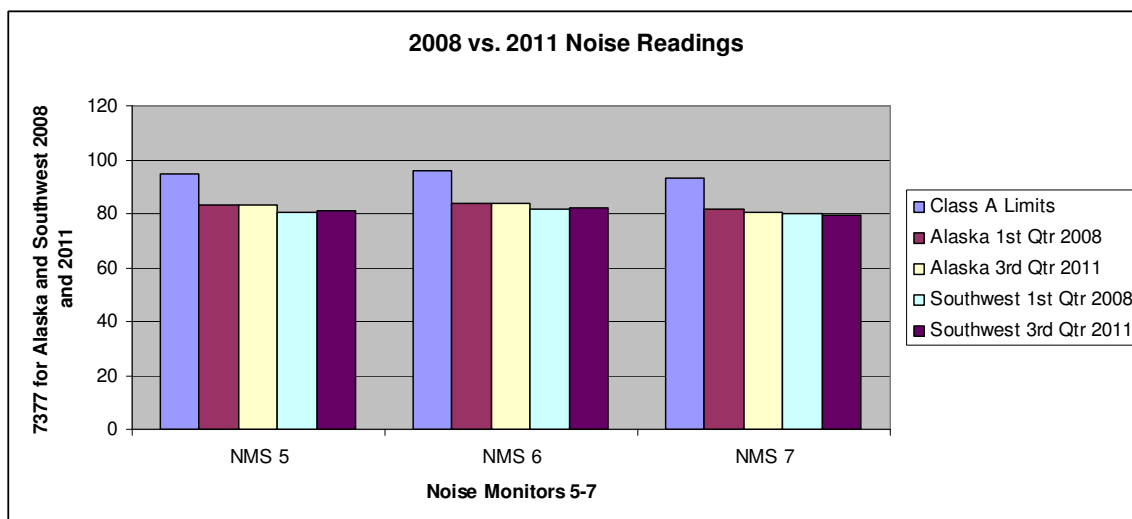


² See load factor figures discussed later in this report for the airline industry as a whole.

Comparison of 2008 and 2011 Noise Readings

A review of the recent 3rd Qtr Noise Reports also allowed for a comparison of the Single Event Noise readings at the noise monitors 5-7. The Noise Monitor Readings of two airlines utilizing 7377s- Alaska and Southwest demonstrated the following:

	NMS 5	NMS 6	NMS 7
Class A Limits	94.6	96.1	93
Alaska 1st Qtr 2008	83.5	83.8	81.6
Alaska 3rd Qtr 2011	83.2	84	80.4
Southwest 1st Qtr 2008	80.8	81.4	79.9
Southwest 3rd Qtr 2011	81	82	79.3



Noise as you may recall from past aviation reports is expressed logarithmically, such that doubling of noise energy results in an increase of 3dB, e.g. 80dB + 80dB = 83dB. An increase of 3dB is barely perceptible to the human ear and an increase of 10dB approximates to a perceived doubling of noise level. This means that a large amount of acoustic energy reduction is required to produce a significant perceptible difference in noise.

The Region

LAX and Ontario

Los Angeles International Airport saw a 3.7 percent increase in passengers in November. Year-to-date LAX traffic was up 5.2 percent. Meanwhile, LA/Ontario Airport traffic was down by 5.6 percent in November and by 5.3 percent for the first eleven months of 2011. Meanwhile in an attempt to turn things around, the city of Ontario is making a \$50 million bid to take back its airport, which has been owned and operated by the group that runs LAX for more than 25 years.

Long Beach Continues to Rebound

With load factors hovering around 82%, commercial operations continue to rebound for 2011. In November the passenger traffic increased 5.3% for the same period in 2010 and 4.2% ahead of the numbers for 2010. In December Long Beach showed an increase of 3.1% for the month and 4.1% for the year of 2011.

American Airlines to close operations in Burbank

The effects of the American bankruptcy are continuing to be felt, as AA announced that as of February 9, it will cease operations at Burbank airport.

The Airlines

Meanwhile, Southwest airlines continues to fly high as higher ticket prices and more passengers boosted Southwest Airlines to a \$152 million fourth-quarter profit despite a significant jump in jet fuel prices. At the same time the airline announced that does not plan to increase capacity or expand its fleet in 2012. As if to follow suit, as reported on January 16, 2012, the rest of the major airlines began a round of fare hikes, their first of 2012, according to Farecompare.com.

The American Bankruptcy

The American bankruptcy continues to reverberate throughout the industry and rumors continue to circulate about possible acquisition partners, namely US Airways and recently Delta, all three of which are current carriers at JWA.

The Airline Industry for November

For the industry, traffic was up a little (0.3 percent), capacity was down more (-1.3 percent) and loads were up nicely (1.5 percentage points) for November 2011. The increased load factors help explain why unit revenues (revenues per available seat mile) showed healthy increased in November. For those airlines serving JWA see the following load factors (the table below is based on their *national figures only*):

Load factors	2011	2010	Change
Alaska	86.4%	83.9%	2.4
American	82.3%	80.5%	1.9
Delta	81.7%	80.1%	1.6
Frontier	87.6%	80.8%	6.8
Southwest	81.6%	80.2%	1.4
United	81.6%	81.5%	0.1
US Airways	83.8%	80.6%	3.2
US Airways Express	74.7%	73.1%	1.7

The New Realities of Air Travel

A continuing theme that has been repeated throughout 2011 appears will continue for the foreseeable future. Competition is decreasing, fares are rising and airlines are adjusting routes (and charging extra fees) in ruthless calculations to extract the greatest possible revenue per mile flown. As stated by Michael Boyd, the president of the consulting company Boyd Group International sums up the phenomenon succinctly. "The cost of flying airplanes across the sky has eclipsed the ability to support it at many communities," he said in a recent forecast. In 2012, he predicts, airlines will accelerate the mothballing of smaller 50-seat jets, the workhorses for connecting service between many midsize airports, and even some big ones. Many airlines will continue shrinking overall capacity and trimming domestic routes in 2012. During the first quarter of the New Year, American will "ground some planes and resize our network," the company's chief executive, Thomas W. Horton, recently told employees. In addition, John P.

Heimlich, the chief economist of the trade group Airlines for America, said, "Capacity reduction is one of the steps the industry is taking to preserve profitability."

While, North American carriers are in a benign environment, as they have seen yield and load factor improvements as a result of tight capacity management, which has improved profitability to \$2.0 billion (up from the previously forecast \$1.5 billion. None-the-less, the bankruptcy filing of American Airlines indicates that the region faces intense competitive challenges as well.

Key factors facing the industry:

Demand: Passenger demand is expected to grow by 4.0% (down from previously forecast 4.6%), while cargo is expected to show flat growth (down from the previously forecast 4.2% expansion).

Yields: Passenger and cargo yields are expected to remain flat in 2012. While this is unchanged for cargo, passenger yields were previously forecast to grow by 1.7%.

Fuel: Fuel costs are relatively unchanged from the previous forecast at \$198 billion. That is based on oil at \$99 per barrel (against a previous forecast of \$100 per barrel).

Revenues and Costs: Industry revenues are expected to grow by 3.7% to \$618 billion. This will be outstripped by cost increases of 4.5% to \$609 billion.

Another FAA Shutdown?

While partisan disputes over airline union provisions, along with the shortened holiday congressional calendar and distractions related to the high profile payroll-tax break debate, reduced the likelihood that a multi-year FAA reauthorization would pass by January's deadline accordingly the House did extend FAA reauthorization until the end of February as expected to work out their disagreements.