

## **June 2012 Update- All things Aviation:**



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

### **JOHN WAYNE AIRPORT APRIL 2012 STATISTICS**

JWA passengers increased in April 2012 as compared to April 2011. In April 2012, the Airport served 727,523 passengers, an increase of 0.7% when compared to the April 2011 passenger traffic count of 722,815. At the same time commercial aircraft operations decreased 0.8%, while Commuter aircraft operations decreased 23.7% when compared to the levels recorded in April 2011. Commercial ADDs for the month of April 2012 were approximately 113.38 vs. 115.43 for the same month last year.

For the first four (4) months of 2012 the ADDs at JWA were 110.59 while during 2011 the ADDs were 114.29, while the total number of passengers for the first four (4) months were about the same, 2.697 MAP for 2012 and 2.706 MAP for 2011 a difference of only -0.3%. Also note, as reported later in this report that pursuant to the quarterly noise reports for the first quarter of 2012 the ADDs were 109.67. By way of comparison in 2011 the ADDs for the year were 113.46 of which 78.15 were Class A and 35.31 were Class E.

## Quarterly Noise Reports-JWA

Pursuant to the quarterly noise reports released by JWA on or about June 14<sup>th</sup>, the ADDs for the first quarter were 109.67 ADDs. Of the total number of ADDs, 37.09 were Class E and 72.58 were Class A, ADDs. Here is a comparison for the first quarter in 2010-2012:

First Qtr. Of Year	Operations	ADDs	MAP
2012	19,960	109.67	1.969
2011	20,503	113.91	1.984
2010	21,013	116.74	1.986

## Noise Comparisons

### Class A Aircraft Single Event Noise Comparisons-Southwest Airlines 1<sup>st</sup> Quarter 2010-2012 at Noise Monitors 4-7.

SWest A 1 <sup>st</sup> Qtr 2012	NMS4	NMS5	NMS 6	NMS 7
1st Qtr 2012	82.0	81.5	82.3	79.8
1st Qtr 2010	84.4	83.4	83.8	80.4
1st Qtr 2011	82	81.8	82.3	79.7
Noise Limits	94.1	94.6	96.1	93

### Class E Southwest Airlines 1<sup>st</sup> Quarter 2010 - 2012 at Noise Monitors 4-7.

S West E 1 <sup>st</sup> Qtr 2012	NMS 4	NMS 5	NMS6	NMS7
1st Qtr 2012	81.9	81.2	82.1	79.6
1st Qtr 2010	84.4	83.6	83.8	80.2
1st Qtr 2011	81.7	81.3	81.8	79.2
Noise Limits	86	86.6	86.6	86

*American Airlines*

<b>AA-Class A-738</b>	NMS5	NMS6	NMS7
1 <sup>st</sup> Qtr 2011	88.4	88.4	84.7
3/10-4/30/2010	88.4	88.5	84.6
3/10-4/30/2011	88.3	88.8	85.5
1st Qtr 2012	87.8	88.6	85.2
Noise Limits	94.6	96.1	93

  

<b>AA-757</b>	NMS 5	NMS 6	NMS 7
1 <sup>st</sup> Qtr 2011	86.5	86.6	83.8
3/10-4/30/2010	86.7	86.9	83.9
3/10-4/30/2011	86.3	87.7	84.4
1 <sup>st</sup> Qtr 2012	85.8	87.0	83.5
Noise Limits	94.6	96.1	93

*Airlines seat capacity*

According to a recent analysis conducted by USA Today and based upon the Official Airline Guide for May 2012 and as reported by the airlines the average daily seats on departure at JWA to domestic airports for May 2012 was 14,891 or -2.6% when compared to May of 2011.

*Annual Report from JWA*

In June 2012, the airport released its annual financial report, which can be accessed on their webpage at <http://www.ocair.com>. The bottom line is that the airport is financially very healthy.

*RAWLZ Departure*

The design of the proposed RAWLZ, departures for flights west of Las Vegas, has been delayed until early March 2013.

## **Follow-Up on JWA Settlement Agreement**

Last month the City provided an extensive discussion of the JWA Settlement Agreement in response to a request. In response to a follow-up question-it is true that the Settlement Agreement has been amended on eight separate occasions, including the last extension of the Settlement Agreement. The County was under no obligation to amend and/or extend the Settlement Agreement. The most notable amendments included a response to: (a) a new FAA Advisory Circular (AC 91-53A) that established specific criteria for close-in and distant noise abatement departure procedures; (b) changes in the location and/ or type of equipment used to monitor commercial air carrier noise levels on departure; (c) air cargo carrier requests for access. In addition and most importantly the reaction to the Airport Noise and Capacity Act (ANCA) which, in relevant part, requires FAA "review and approval of proposed noise or access restrictions" on Stage 3 aircraft, the City and County successfully lobbied Congress to "grandfather" the JWA Settlement Agreement.

### *Delta Loses an Engine*

A Delta Airbus A319 jet departing from John Wayne Airport lost one of its two engines Saturday, June 2nd immediately after take-off, but landed safely at Los Angeles International Airport. The flight was airborne just after 8 a.m. local time, when one of its engines flamed out. The captain of the stricken jet immediately declared an in-flight emergency and the jet diverted to LAX.

### **Southwest Airlines-International Service**

With Southwest Airlines now offering service from JWA to Mexico City and Cabo San Lucas, beginning June 3, it is a new adventure for the airline. Southwest, which flies more domestic passengers than any other U.S. airline, is going international. The airline is picking up AirTran's flights to Mexico and the Caribbean after buying its rival last year. It's getting a new reservations system to handle overseas bookings and is seeking to build an international terminal at Houston's Hobby Airport, where it says it could ultimately add 25 flights abroad a day. Meanwhile at home at JWA Airline an

airline spokesperson stated: "We're going to see how those markets in Mexico perform, then we're looking at expanding," she said. "Right now, we're pleased with the booking, pleased with the customer response, and we intend to see where the customers want to go besides these destinations."

### *United's Response*

Southwest's actions meanwhile had additional impacts on the airline industry as United Airlines immediately announced plans to cut 1,300 Houston jobs and reduce flying in Houston after losing a fight to block Southwest Airlines Co. from adding international flights at Hobby Airport.

United uses Bush Intercontinental Airport to funnel passengers between U.S. destinations and to Latin America. On Wednesday, May 30, 2012, the city council ignored United's protests and voted to let Southwest offer international flights from Hobby Airport if it will pay the \$100 million cost of adding new gates and a customs facility.

Building an international presence is a significant shift for Southwest, which flew to success by focusing on reliable, low-fare service within the U.S. And it's another sign that the one-time niche carrier is increasingly competing on the same turf as the big network airlines, the so-called legacy carriers, such as United, Delta and American. "Flying into more congested markets, now trying to go overseas it seems like they're becoming a legacy carrier," says Basili Alukos, an airline analyst at Morningstar. But, he adds, if Southwest can replicate its domestic network and success internationally, "I think there's a lot of opportunity there. " Having a footprint beyond the U.S. was a key reason Southwest decided to buy AirTran, says Bob Jordan, Southwest's executive vice president and chief commercial officer. Meanwhile Southwest reported load factors for May 2012 of 81.3 %, compared to 82.7% for 2011. Year to date, their load factor is 78.7% compared to 79.6% for 2011.

### *Delta Enters the Fray*

Delta also seems to be interested in the Mexican and Central American Markets. On June 4, 2012, Grupo Aeromexico (Mexico: AEROMEX.MX) received \$65,000,000, from Delta Air Lines Inc. as part of Delta's investment in Mexico's flagship airline's capital stock; thus strengthening its financial position, confirming its expansion project and creating the leading airline alliance in the Mexico-U.S. market.

### *American Shines Despite Bankruptcy*

American Airlines and its regional partner American Eagle saw a slight increase in passenger traffic in May and beat other airlines on a key revenue measure. AMR Corp., which is operating under bankruptcy protection, said Friday that revenue per available seat mile increased by 7.3 percent in May. The company credited solid demand, rising prices and fewer empty seats on international flights. AMR's gain compared with increases of up to 6 percent at Delta, US Airways and Southwest, and roughly flat at United. Investors and airline analysts watch the statistic closely as an indicator of airlines' ability to raise fares and fill most of their planes. American showed an increase of load factors for May to 83.5% and increase of .8% over May of last year. Airlines reduce capacity mostly by offering fewer flights or using smaller planes. Last month, American cut capacity while Eagle, which uses smaller aircraft, increased its flying very slightly.

### *US Airways May Merge with American*

In a related matter, US Airways announced it would seek regulator approval for a merger with AMR Corp, the parent company of American Airlines, by filing paperwork with federal antitrust regulators as early as July. US Airways believes that securing regulatory approval for a proposed deal would eliminate a key element of uncertainty. US Airways has expressed an interest in a merger since January. American filed for Chapter 11 bankruptcy in November. US Airways and American currently both serve JWA. If the US Airways/American merger occurs the carriers serving JWA will be seven(7): AirTran/Southwest; Alaska; Delta; Frontier; United; West Jet and American/US Airways.

Despite the efforts of US Airways, American is still pushing for a stand-alone plan.

## **Fuel Prices and the Airlines**

Despite a barrage of negative publicity, most airlines are doing fine. And with oil prices tumbling in late May below \$90 a barrel in New York for the first time in seven months, their prospects just got a little brighter. Fuel has long been one of the industry's biggest costs, typically second only to personnel outlays. So just as the industry gears up for peak summer travel, the commodities market is handing over a timely windfall. July crude-oil futures in New York closed at \$89.91 a barrel May 23rd, topping off a stunning 14% retreat in less than a month. This comes on top of strong spring bookings for the industry. A note from Deutsche Bank Wednesday points out that consolidated-passenger-unit revenue for U.S. airlines rose 8.4% in April from a year ago, better than most analysts expected. This follows a 6.7% increase in February and an 8.2% increase in March. Momentum clearly has been building. At the same time, years of industry consolidation and seating-capacity cuts have finally made it possible for airlines to jack up fares and make them stick. These higher prices and lower costs raise the likelihood of top-line revenue growth for many carriers, which will help them pay for all the new, more fuel-efficient jets they've ordered.

## **LAX and Ontario Performance for April**

LAX continues to recover in 2012. LAX for the year is 5.44% ahead of the same time last year for Domestic and International. In April it was 2.58% ahead of April last year. At the same time Ontario continues to struggle. Overall through the end of April it is -7.91% for the month versus last year and -7.09% for the year. Recently Los Angeles World Airports Board of Airport agreed to lower terminal rental rates for airlines at L.A./Ontario International Airport. They voted to maintain current landing fees and to lower the rental rates by 8 percent by dipping into the organization's reserves. At the same time, LAWA will spend \$4.6 million on advertising and public relations for LAX in the next year; for ONT, \$142,000.

### **Long Beach Performance**

For the third straight quarter, Long Beach Airport has recorded the lowest average airfares in California and ranked No. 2 nationally, behind Atlantic City, N.J. According to the U.S. Department of Transportation's latest quarterly report, the average round-trip domestic fare out of Long Beach was \$229 in the final quarter of 2011. That ranks well below the national average of \$368 over the same span. Of the mix of airlines operating at Long Beach, a good portion offer shorter flights to Oakland or San Francisco. For example, JetBlue, which Snyder said has the lion's share of flights at Long Beach, has refocused its flights to be short haul.

ONT's average ticket price was \$327, just above Long Beach and Burbank, which averaged \$298. ONT was an affordable option only when compared to John Wayne, where tickets prices averaged \$359. Ontario has long billed itself as home to low-cost carriers while John Wayne caters to legacy carriers or airlines that fly greater distances on average than at ONT.

### **Bullet Train Battles Opposition**

Central Valley farm groups filed a major environmental lawsuit against the California bullet train project, while Orange County transportation leaders urged state officials to shelve the \$68-billion proposal until improvements can be made to the existing passenger rail system. A preliminary injunction to block rail construction planned for later this year was requested in Sacramento County Superior Court by the Madera and Merced county farm bureaus, along with Madera County and additional plaintiffs. The project is already facing other suits, and still more agricultural interests in the Central Valley are gearing up to add to those battles. Also in a recent turn of events, attempts to eliminate the right to challenge environmentally the bullet train have been deleted by the governor.

At the same time certain interests in Orange County voiced their opposition as the Orange County Transportation Authority board questioned the project's claims of profitability, its ambitious construction schedule and what officials characterized as a speculative finance plan that may never secure enough money to build even the first sections the 520-mile network. Board members wrote that the state would be better off



improving conventional passenger service and filling holes in current rail corridors before more work is done on the 200-mph system between San Francisco and Los Angeles, with an eventual spur to Anaheim.

*Others Voice Strong Support*

Lucy Dunn and Reed Royalty noted that, “As representatives of a coalition of Orange County civic and business leaders, including the Anaheim Chamber of Commerce, Anaheim Ducks, Anaheim/Orange County Convention and Visitors Bureau, Angels Baseball, Association of California Cities-Orange County, Disneyland Resort, Honda Center, Orange County Business Council, OCMoves, OCTaxpayers Association and Support Our Anaheim Resort, we take exception to the April 6 editorial, ‘Cool toward idea of ARTIC in Anaheim.’ Here are the facts: ARTIC has been planned for more than 15 years as a shared vision to provide Orange County a regional intermodal (a transportation hub with a variety of mobility choices: bus, taxi, train, shuttles, bikes and cars) center and centerpiece of the Los Angeles-Orange-San Diego Corridor – the second-busiest commuter rail corridor in the nation. Ridership through population growth is expected to increase significantly over the next few decades. ARTIC is also planned to provide future interregional rail connections to Ontario International Airport, which is important to travelers' needs for alternatives to John Wayne Airport and LAX. Orange County Transportation Authority has approved the project after more than 25 public hearings and votes. The Anaheim City Council unanimously voted to reaffirm its support for the project earlier this year.”