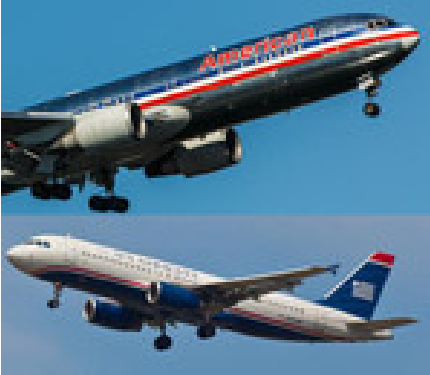


## **May 2013 Update- All things Aviation:**



If you'd like additional information, please contact Newport Beach City Manager Dave Kiff at [dkiff@newportbeachca.gov](mailto:dkiff@newportbeachca.gov) .

### **John Wayne Operations April 2013**

Airline passenger traffic at John Wayne Airport increased in April 2013 as compared to April 2012. In April 2013, the Airport served an increase passenger count of 5.1% when compared to April 2012. For those of you who keep a close watch on this information, the increase in international arrivals and departures accounted for an increase of 22,593 of the overall number of passengers or 61.4% of the total increase.<sup>1</sup> At the same time Commercial aircraft operations increased 3.8%, while Commuter aircraft operations increased 5.9% when compared to the levels recorded in April 2012. Also by comparison the number of ADDs for Class A and E were 117.71 for 2013 vs. 113.38 for April of 2012. Year to Date the breakdown of ADDs is 115.30 for the first four months of the year vs. 111.51 in 2012.

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<sup>1</sup> The total increase in passenger for April 2013 was 36,785 of which 22,593 represented an increase in the number of international passengers for the month of April. Overall international travelers represented 3.9% of the total for the month.

### *JWA Works to Attract Service*

A new group of local tourism and business leaders, known as The John Wayne Airport Air Service Task Force, are working with the airport to attract additional service to Orange County. While JWA once had a waiting list of airlines that wanted to provide service, over the past decade, fewer airlines are serving secondary airports such as Orange County's<sup>2</sup>. The airport is now actively courting airlines to provide service to new destinations. Although leisure travelers often say they would like to see direct flights to Hawaii, Orange County cities would like to see service that will bring more groups and businesses to their hotels and attractions, according to Gary Sherwin, chairman of the Orange County Visitors Association and a member of the task force. The group would like to see direct service from the metro Washington area to John Wayne in hopes that it could attract many of the business groups based in that area. It also would have the advantage of giving Orange County travelers nonstop access to the nation's capital.

### *Noise Abatement Committee Meeting*

For those of you interested in the quarterly noise abatement meeting, the next meeting is scheduled for June 12, 2013, at 2:00 PM. The Committee meets at the administrative offices of the airport located at: 3160 Airway, Avenue, and Costa Mesa.

### *Airport Commission Meeting*

The next Airport Commission meeting is scheduled for June 5, 2013, at 5PM. The Commission meets at the administrative offices of the airport located at: 3160 Airway, Avenue, Costa Mesa.

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<sup>2</sup> See discussions later on regarding Capacity Discipline and Fewer Routes. JWA showed a decrease overall of approximately 21 %. (105,391 vs. 83,322 Commercial Operations from 2007 vs. 2012); during the same period for JWA the ADDs for 2007 were 144.37 vs. 113.83 in 2012.

### *EIR Process Moves Ahead*

At last report the EIR process necessary for the extension of the John Wayne Settlement Agreement moves forward and appears to be on schedule for completion in early 2014. Currently the County is in the process of selecting the necessary contractors to perform the necessary work for the job.

### *JWA Announces New Program for International Travelers*

In early May, John Wayne Airport and U.S. Customs and Border Protection (CBP) announced that a Global Entry kiosk is now in operation for travelers arriving from international destinations. Global Entry allows expedited CBP clearance for pre-approved, low-risk travelers upon arrival in the United States. Global Entry members flying into Orange County can now take advantage of this program at John Wayne Airport.

### *GE/Nevarus*

The GE/Nevarus proposal continues to gather some interest in the local papers and there was another follow up story on or about May 4, 2013 regarding the possibilities of the design of the RAWLZ departure. Presently there has been no response from the FAA to the City's letter concerning the RNP design of the RAWLZ.

### **Airports in the Region**

#### *LAX and Ontario*

March and April were good months for Los Angeles International Airport. LAX showed a gain of +5.56% for the month of March 2013 over the previous year, and 3.29% for April over the same time last year. YTD, through April the airport is +3.16% ahead of last year. At the same time Ontario continued to stumble. March 2013 was -5.44% versus March 2012 and -8.43% for April and is -7.73% YTD over last year. Once among the fastest-growing regional airports in the nation, the passenger volume at Ontario has plunged from 7.2 million in 2007 to 4.2 million last year. The downturn has

prompted the city of Ontario and other Inland Empire officials to wrest control of the airport from Los Angeles, a battle which is continuing. On April 30, 2013, the Los Angeles County Board of Supervisors voted unanimously in support of transferring control of little-used Ontario International Airport, which is owned by Los Angeles World Airports, to the city of Ontario.. While Ontario serves multiple destinations, it has had a difficult time attracting passengers.

#### *LAX Modernization*

Shortly after the supervisors voted to support Ontario's bid for local control, the Los Angeles City Council approved a multibillion-dollar makeover at LAX, including a runway realignment to widen a taxiway for a new generation of jumbo airliners .Supporters of the modernization project at LAX say it is needed to keep the airport internationally competitive. LAX neighbors, however, have complained about traffic and noise associated with the region's No. 1 airport and threatened to sue the city.

#### *Cities Threaten LAX over Modernization*

The cities of Ontario, San Bernardino County and Culver City filed an appeal late Monday, May 20, of the Los Angeles County Airport Land Use Commission's approval of an LAX expansion plan. The move comes two weeks after the County, Ontario, Culver City and Inglewood demanded mediation with the city of Los Angeles over its approval of the LAX expansion. LA did not respond by the Friday deadline. No decision has been made on whether to sue, which would be the only recourse.

#### *Burbank Shows Improvement*

For the first time in more than three years, the number of passengers at Bob Hope Airport increased in March — even if it was by only a slight uptick. A total of 333,647 passengers passed through the airport in March, a 0.27% increase from 332,740 from the same time last year. The bump is due to a strong performance by Southwest Airlines,

which has the lion's share of the flights at the airport. Meanwhile YTD the airport is -6.8% vs. 2012.

### *Curfew Legislation Again Proposed for Bob Hope and Van Nuys Airport*

Congressmen Adam Schiff and Brad Sherman have again introduced legislation that would adopt a curfew for the Bob Hope and Van Nuys airports. The same congressmen first introduced the Valley-Wide Noise Relief Act in 2011 to force Bob Hope and Van Nuys airports to adopt curfews and minimize airport noise. The legislators attempted to attach the curfew legislation to reauthorization funding for the Federal Aviation Administration (FAA), but despite attracting bipartisan support, the measure failed to garner enough votes for passage. The latest push in Congress began after the FAA in 2009 rejected a 10 p.m. to 7 a.m. curfew at Bob Hope Airport, claiming that it would “create an undue burden on commerce.” The proposed legislation would clarify that both Bob Hope and Van Nuys airports should be exempt from the Airport Noise and Capacity Act, like other similarly situated airports were at the time of the bill’s passage in 1990. The newest proposal is very similar to the previously failed attempts at legislation.

### *Long Beach- March and April*

In March, Long Beach again saw a decrease of total passenger traffic of -12.5%, which load factors again continued to average 87%. At the same time the available seats in the market was likewise reduced by -13.6%. Year to date, through March, passenger traffic decreased by -8.4%. Some have asked what the reasons for this drop off at the airport. It appears, without knowing more, that the decreases are spread throughout each of the carriers and demonstrates the managed capacity of the carriers. April was somewhat similar to March for Long Beach airport. There was a decrease of -13.7% in total passenger traffic for the same month last year. YTD through April the passenger traffic has decreased -9.8%. Again, the available seats in the market have been reduced by -10.1% for the year.

## **Airlines**

### *American To Upgrade Fleet With Newer, More Efficient Aircraft*

Part of the fall out of the American-US Airways merger will be the eventual upgrading by American Airlines of its fleet of aircraft. By 2017, the fleet will go from one of the oldest in the industry to one of the newest by the acquisition of approximately 460 new aircrafts. One of American's most frequently maintained planes, the McDonnell Douglas MD-80, will be retired by 2018 in favor of more efficient and stylish models such as the Boeing 737-Max, which American will start receiving in 2017. As many of you know the MD-80 once a popular aircraft at JWA has for the most part been phased out. The Boeing 737- Max is a new family of aircraft being developed by Boeing Commercial Airplanes. The new family is based on the Boeing 737 Next Generation family, which it is to replace. It will be the fourth generation of the 737 family. The primary change is the use of the larger and more efficient engines.

The 737 MAX 7 is the replacement for the 737-700, and has a capacity of 126, while the 737 MAX 8 is a replacement for the 737-800 and has a capacity of 162. According to the most recent Quarterly Noise Reports from JWA, American has been operating principally the 737-800.

### *Southwest*

Not to be outdone, on May 15 Southwest Airlines will be the launch customer of Boeing's 737 MAX 7, the third version of Boeing's 737 MAX family, a revamped version of Boeing's 737, Southwest and Boeing announced. Southwest converted existing orders for 30 737s into orders for the 737 MAX 7, becoming the first customer for the aircraft. The first delivery is expected in 2019. At the same time, the airline also exercised options to add 737-800s to its fleet. It has unfilled orders for 180 737 MAX airplanes and 137 Next Generation 737s.

### *US Airways Continues to Thrive*

US Airways announced April and year-to-date 2013 traffic results. Mainline revenue passenger miles (RPMs) for the month were 5.3 billion, up 4.4 percent versus April 2012. Mainline capacity was 6.3 billion available seat miles (ASMs), up 3.2 percent versus April 2012. Mainline passenger load factor was 84.0 percent for the month of April, up one point versus April 2012.

### *Load Factors*

US traffic climbed 3.1% while capacity rose 2.6%, pushing load factor up 0.4 percentage point to 84.7%. The growth trend for the US domestic markets had been showing strong acceleration over the past several months in line with an improving economic outlook and consumer confidence, but in March there was little further progress in that trend with almost no change (0.1%) compared to February.

### *Leaner Airlines Mean Fewer Routes, Study Shows*

The results of the recent MIT study made public in early May will come as no surprise to people who have been paying attention to the changes in the airline industry. The MIT Study shows that from 2007 through 2012 that U.S. airlines cut the number of scheduled domestic flights by 14%. The number of seats offered fell by slightly less, as airlines pushed passengers onto bigger planes, says the study, which was prepared by MIT's International Center for Air Transportation. The cuts area a result of airlines eliminating less-profitable routes and focusing on more popular, high-profit routes, the reported noted. Many airlines also replaced multiple flights of small, 50 seat planes with one or two flights using larger, 76 seat planes.

*Locally, LAX lost 8.8% of their flights for the period of 2007-2012, while JWA showed a decrease overall of approximately 21 %. (105,391 vs. 83,322 Commercial Operations); during the same period for JWA the ADDs for 2007 were 144.37 vs. 113.83.*

### *Upgauging and Capacity Discipline*

Motley Fool also did a follow up on this trend for investors and noted the trend in "upgauging": replacing smaller planes with larger ones. Virtually every airline has become enamored with the potential cost benefits of switching to larger aircraft. They are almost always more fuel efficient and more labor efficient since they allow the airlines to spread costs over more potential passengers. From a passenger perspective, the upgauging trend could lead to lower ticket prices if the airlines pass most or all of their cost savings through to customers. This would obviously be a nice benefit for consumers. However, as the average plane size increases, airlines are likely to maintain *capacity discipline* by cutting back on the number of flights they offer. Small and medium cities are likely to bear the brunt of this industry shift, as airlines may offer fewer flights on larger planes rather than more frequent service on smaller aircraft. Consumers will be much less pleased with this change.

Most major airlines are participating in the above described trend. Jet Blue is expanding its fleet with larger aircraft. Alaska is retrofitting their planes to put more passengers on board; Southwest is doing both; Delta is buying larger planes to replace smaller ones that are being removed from service.

### *Airlines Profitability and Baggage and Other Fees*

U.S. airlines collected more than \$6 billion in baggage and reservation change fees from passengers last year — the highest amount since the fees became common five years ago. Passengers shouldn't expect a break anytime soon. Those fees — along with extra charges for boarding early or picking prime seats — have helped return the industry to profitability. Airlines started charging for a first checked suitcase in 2008 and the fees have climbed since. Airlines typically charge \$25 each way for the first checked bag, \$35 for the second bag and then various extra amounts for overweight or oversized bags.