

## **August 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 July 2013**

John Wayne Airport reported a 2.2% increase in passengers for July 2013 versus July 2012. The numbers appear to be consistent with the historic numbers at the airport. The 2%+ increase comes on the heels of a May increase of 7.8% and June of 3.4%., year over year. ADDs for July 2013 were 118.71 vs. 118.19 for 2012. Of the ADDs, the international flights accounted for 5.93 ADDs or 4.99%. Also in July 2013, of the total of all of the passengers, 5.3% can be attributed to international passengers; and of the increase in passenger, i.e. 17,792, for the month of July, 88% of that increase, i.e. 15,701 can be attributed to the increase of International travel. <sup>1</sup>

### **EIR/JWA Settlement Progress**

To bring you up to date on the progress of the extension of the Settlement Agreement, it is currently anticipated that the contracts to undertake the environmental phase of the settlement process will be taken to the Airport Commission on or about September 4 and to the Board of Supervisors on or about September 10, 2013.

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<sup>1</sup> The foregoing is consistent with a recent study regarding domestic travel. (see article on Hawaiian travel later in the newsletter.)

### *JWA to Begin Work on Expansion of Terminal C Parking Structure*

John Wayne Airport reports that it will soon begin work on an expansion of the Terminal C parking structure, which will add 1,500 close-in spaces by 2016. Originally plans for expansion were to be delayed but the airport announced that it had been determined to go ahead with expansion now because several rental-car companies had requested additional space for vehicles, which currently are limited to the lower levels of structures A2 and B2 across the street from the terminal.

### *GE/Naverus*

Once again, the local papers carried an article about the City's efforts regarding proposed departure path changes at JWA as a result of the analysis and proposals of GE/Naverus, a leading aviation expert. The latest newspaper reports repeated much of what had gone before. However, despite what has been repeatedly printed, the RNP procedures are in fact technically possible. As specifically noted by a spokesperson for GE, "Let me be perfectly clear about this," said Shapero, an official with GE Aviation. "It will happen." I believe all of us are mindful that technology continues to develop at an alarming pace.

There also appears to be some confusion on a related matter, as demonstrated by some of the comments regarding the article and specifically the close-in and distant noise abatement departure procedures implemented more than twenty (20) years ago pursuant to FAA Advisory Circular (AC 91-53A) and that established specific criteria for close-in and distant noise abatement departure procedures.<sup>2</sup> That procedure was developed specifically to address noise abatement and the existing noise monitor limits on NMS 1-7. The current GE analysis deals with a departure path as opposed to the specific issue of the noise abatement and the NMS limits established at NMS 1-7. One common thread of the two however is the fact that technology has changed dramatically in the last twenty (20) years.

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<sup>2</sup> This is the so-called cut back procedure as opposed to a change in the departure path.

### *Other Communities Complain*

It appears that other airport communities face similar noise problems as the communities that surround JWA, so stop if you've *heard* this all before. Residents surrounding the runways at Kennedy Airport, New York have complained with regards to the latest actions of the FAA. Unlike earlier departure routes that fanned outward and headed east, then north, the new departure paths look as slim as a feather. The route was tailored for planes equipped with new GPS-based precision navigation. But adhering to a narrower line often means that the same houses are flown over again and again. Under terms of the 2012 Congressional act funding the F.A.A.<sup>3</sup>, precision navigation can be exempt from extensive environmental studies if it is deemed to have no significant environmental impact, or to reduce fuel consumption, emissions and noise per flight. There are major disagreements over what constitutes "significant" impact. But gauging the noise has proved difficult. In fact a most recent report shows that the F.A.A. did not have the technology to track the noise of each flight.

What infuriated residents further was the fact that the FAA conducted a six-month test run last year — without telling the public. The change in procedures is all a part of the adoption of precision navigation coincides with another F.A.A. effort: redesigning the nation's airspace to improve efficiency and reduce delays. The F.A.A. said the projects were not related. But in its analysis of the airspace redesign, the Government Accountability Office noted that the agency failed to account for how loud precision navigation might be for some residents, saying the technology "*may have resulted in fewer people impacted by noise but to a greater degree.*" (emphasis added)

### **Airports in the Region**

#### *Long Beach July Swoon*

July proved once again to be a disappointing month for Long Beach Airport. Total passenger traffic was -3.1 % for the month versus July of 2012. At the same time year to date the airport is -9.0%. This is still at load factors of 88% for the major carriers, Alaska;

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<sup>3</sup> See CNB Newsletter- February 2012.

Delta; JetBlue and US Airways. The airport averaged approximately 41.4 ADDS for Commercial and Commuter Operations, through June.

### *JetBlue Service at Long Beach*

Meanwhile, JetBlue may expand service at Long Beach with international flights- perhaps to Mexico or South America. These same routes have proved beneficial to Southwest Airlines, at JWA. But for now, there's a problem. Long Beach lacks an international arrivals facility staffed by U.S. Customs and Border Protection officers. Until one is built, no major international expansion can occur. You will recall that a similar issue arose at JWA until the customs issue was resolved by the airport constructing the customs facility and providing a temporary subsidy to attract the airlines to fly from John Wayne. Additionally there is a corresponding problem for at Long Beach in that there is currently a limit of 41 available daily slots for large jet aircraft like the A320, A321 and Boeing 737. JetBlue has rights to 32 of those departures. The airport has an additional 25 slots for commuter planes, though the majority of those are unused.

It remains to see what the outcome for JetBlue may be, but it is clear that JetBlue which accounts for three (3) out of every four (4) flights plays a big part at the airport. JetBlue has recently cut some of its seasonal service in Long Beach to Las Vegas; Anchorage, Alaska; Oakland; Seattle; and Portland, Ore., to redirect aircraft to other markets where it's expanding. As a result, passenger traffic at Long Beach as noted above declined this year by nearly nine (9) percent, through July.

### *Ontario Airport- Another Study*

Another study reports what most people in the industry already know- there is a major decline in passengers at Ontario International Airport. The study further suggests that the decline is now so severe that the airport facility could reach a point where recovery may be impossible. The airport which at one time was considered one of the

best alternative metropolitan airports in the nation has lost close to 40% of its passengers since 2007. Unless Ontario can bring LAX to the bargaining table, it appears that Ontario will continue to generate a series of reports but little in the way of results.

### *Burbank Slides Again*

The number of passengers traveling through Bob Hope Airport slid again in June after slight increases in May and March, and the airfield is facing additional challenges as Southwest — its largest carrier — plans to cut five Saturday flights.

## **Airlines**

### *AA and US Airways Merger Challenged*

Not so fast said the Department of Justice and six attorney generals from six different states about the proposed American and US Airways merger. The Justice Department and attorneys general from six states and Washington, D.C. have sued to block the proposed \$11 billion merger between US Airways and Americans Airlines' parent company, saying the merger would threaten "substantial harm to consumers." Filing the suit in federal court in D.C., they say the merger would create the world's largest airline and "would substantially lessen competition for commercial air travel in local markets throughout the United States and result in passengers paying higher air fares and receiving less service."

The merger would create the nation's biggest airline. According to the latest Department of Transportation statistics, the two airlines together accounted for more than 21 percent the domestic market share. The current largest airline, Delta, had a market share of 16.3 percent.

According to the Department of Transportation the respective domestic share for the airlines is as follows:

American & US Airways 21.0%

Southwest & AirTran 17.9%

Delta 16.3%

United 15.1%

A comparison for JWA, utilizing only the first quarter of 2013 and based upon operations at the airport only shows as follows:

American and US Airways 15.7%<sup>4</sup>

Southwest & AirTran 43.4%

Delta 6.8%

United 16%

Meanwhile other airline experts have commented that without the merger the airlines won't survive. At the same time, Fitch Ratings a major credit rating service announced that their analysis concludes that the US government's lawsuit to block the proposed merger between US Airways and American Airlines could be "marginally positive" for airports if the move heralds the end of an industry-wide consolidation trend. If consolidation wanes, "airports will generally benefit as more carriers (and competition) increase the routes and require more services," They further added that, small, regional airports stand to benefit the most because they are at greater risk of airline service cutbacks after large carriers merge. Big international airports could also get a boost.

### *Load Factors Decrease*

The Department of Transportation in their quarterly report for 2013 reported that the domestic load factor of 82.8 percent declined from April 2012 as airlines increased domestic capacity. In addition the DOT reported noted that in April, Delta Air Lines carried more system passengers than any other U.S. airline. Southwest Airlines carried the most domestic passengers.

### *Hawaii and the Domestic Airline Market*

According to an airline industry consultant for the Hawaiian Tourism Authority Hawaii is not an attractive prospect for Southwest Airlines and other Mainland budget

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<sup>4</sup> The 15.7% can be broken down: AA 10.6%; US Airways 5%.

carriers at the present time. While many have heard continued rumors swirling about the idea for Southwest and other carriers to enter the Hawaiian market, certain conditions currently dictate against such actions. Southwest for one has put the idea on hold because of the complications associated with the AirTran merger. The consultant went on to say that with other airlines scaling back on service to Hawaii, it's unlikely that Southwest or other budget airlines will enter the market and further noted that the U.S. domestic market is mature, and there will be little growth this year and in the future.

*Is the Impact of Southwest Weakening?*

An economic/aviation study released August 22, has found that Southwest's ability to lower fares by its mere presence in a market has diminished over the past six years, weakening the argument that the carrier can play a key role in keeping prices in check despite a wave of mergers sweeping the airline industry. JetBlue, meanwhile, and ultra-low-cost carriers such as Allegiant and Spirit have shown a greater impact on lowering the average price of a ticket where they fly. Despite the study's conclusion, Southwest continues to dominate the JWA market.