

January 2014 Update- All things Aviation:



If you'd like additional information, please contact Newport Beach City Manager Dave Kiff at dkiff@newportbeachca.gov.

John Wayne Operations

Year End

JWA reported the final results for 2013. Total number of passengers reported was 9.23 MAP, an increase of 4.2% over 2012. Breaking the numbers down further, the ADDs for 2013 were 115.03 vs. 113.83 for 2012. Of the ADDs, international comprised 5.23 ADDs for 2013 and 3.12 ADDs for 2012. Of the passenger levels for 2013, 4.3% of the total was comprised of international passengers. In just reviewing the month of December, there was an increase of 7.3% over December 2012. However, December 2013 ADDs were 108.32 versus 112.40 in 2012, which translates to higher load factors for the carriers. Of the total ADDs and passenger counts, 5.26 ADDs in December can be attributed to international passengers which accounts for 4.3% of the total MAP for the month.

November

Airline passenger traffic at John Wayne Airport decreased in November 2013 as compared to November 2012 by -1.6%. Year to date the figures at the airport were +4.0%.¹ November ADDs for 2013 were 108.65 vs. 114.37 for 2012. All commercial

¹ Of the 4% increase over 2012, 45% of the 4% increase for total through November can be attributed to international growth, i.e., 144,957/321,129; this also appears consistent with year end numbers above.

operations for November 2013 vs. 2012 were -5%. Of the ADDs, the international flights accounted for 4.98 ADDs or 4.5% of the total ADDs. Also in November of 2013, of the total of all of the passengers, 3.4% can be attributed to international passengers; and of the decrease in total passengers, i.e. 11,769, for the month of November, 41% of that decrease, i.e. 4791 can be attributed to the decrease of International travel.

JWA Releases Passenger Survey

In December, JWA released the results of its 2013 Passenger Survey. For those of you who wish to visit the entire survey you can view it at www.ocair.com. Highlighting some of the results as follows:

Reasons for Selecting JWA

Ninety-two percent of telephone survey respondents report that they choose to fly out of JWA because of its convenient location, while eighty-four percent of intercept respondents indicated convenient location as the primary reason for selecting JWA for their flight. Meanwhile the reasons for selecting airports other than JWA are flight schedules and costs. The other airports most often used are in order: LAX; Long Beach; Ontario. To view the entire survey visit the JWA website at: www.ocair.com.

Update on the John Wayne Airport Settlement Agreement Amendment - Environmental Impact Report No. 673

The County of Orange/John Wayne Airport (the County) is currently preparing an Environmental Impact Report (EIR) for the proposed John Wayne Airport Settlement Agreement Amendment.² The County released the Notice of Preparation (NOP) on October 1, 2013, and held a scoping meeting on October 17, 2013, to solicit comments on the content and scope of the EIR. Airport staff and the consultant team are in the process of reviewing the NOP comments and are working on the four key technical studies proposed for the EIR (air quality, aviation, noise and traffic).

² To refresh the preferred alternative for CNB is: Term: 2030; Curfew: 2035; ADDS: Status Quo 2020; 95 Class A-ADDS thereafter; Cargo- Status Quo; MAP: Status Quo through 2020; 11.8 MAP through 2025; 12.2 or 12.5 MAP through 2030 depending upon levels of service between 2021 and 2025.

In accordance with the Memorandum of Understanding (MOU) approved by the settlement parties, the County continues to work with the City of Newport Beach, Stop Polluting Our Newport (SPON) and the Airport Working Group (AWG) regarding preparation of the Draft Environmental Impact Report (DEIR). With respect to the remainder of the process, a DEIR presenting the results of the environmental analysis is expected to be published and made available for public review and comment in the first quarter of 2014. Following the public comment period, the DEIR and responses to comments are anticipated to be presented to the Board of Supervisors for consideration in the summer of 2014.

Airports in the Region

Long Beach –Year End Results

December passenger results for Long Beach showed a decline of -2.9% in passenger traffic versus December of 2012. The airport served 229,635 Passengers during the month. At the same the airport ended 2013 -8.3% for the year serving a total of 2,942,873 passengers for the year. The airport throughout the year consistently showed average load factors of 87% for the major carriers, Alaska; Delta; JetBlue and US Airways. The airport averaged approximately 35.75 ADDS for Commercial and Commuter Operations, through November a decrease of -3.8% versus November 2012.

LAX

Los Angeles International Airport saw a 2.29 % increase for November with 5.1 MAP being served; year to date the airport is 4.26% ahead of this time last year. Year to date through November LAX has served 60.9 MAP. As noted last month Los Angeles is on pace to be the nation's fourth busiest airport in 2013, according to statistics released by the Bureau of Labor Statistics; behind only Atlanta, Chicago-O'Hare and Dallas/Ft. Worth; LAX is one of only a few of the large airports where traffic has increased from the year before.

ONT

Ontario saw a -5.28% decline for the month of November and year to date is -8.92% versus 2012. The airport served 334,172 passengers in October. Year to date ONT has served 3.6 MAP. Meanwhile, airlines have announced they will reduce scheduled seats by 7.2 percent January 2014, by 11.2 percent next month and by 6.1 percent in March, according to the Ontario International Airport Authority.

Senator Weighs in on Ontario

Sen. Dianne Feinstein has asked Los Angeles to play nice with Ontario on the issue of L.A./Ontario International Airport. However, Feinstein doesn't take a stand on the recent lawsuit filed by Ontario, which seeks to wrest control of the airport from Los Angeles World Airports (LAWA), which has operated the facility since 1967. As long as L.A. continues operating the airport, she only wants the sides to work together better to attract new air service.

But can any amount of working together reverse the fortunes at the airport, which has lost more than 40 percent of its passenger traffic since 2007? Not really, says Michael Boyd, a Colorado-based consultant. Boyd says airlines simply do not like the economics of Ontario's airport and claims it is not a high-yielding area. "Ontario's decline is not because of LAWA," Boyd told me. "LAWA does not have that much power. It has everything to do with the fact that air service is not growing. And that part of the L.A. basin isn't growing Name me one airline that wants to go there? There aren't any that want to add more service. It's just economic reality." Boyd said he expects consultants are telling Ontario officials otherwise, that the airport can grow and attract new service. But he said is skeptical. "There will be consultants that will tell them that," Boyd said. "But the question is what airlines are you looking for? Delta has been and gone to Atlanta. Southwest has been there but they are not expanding. Alaska is going into other types of markets like San Diego and Salt Lake. Unfortunately, too many communities get mislead into thinking they ... can get more service."

Battle to Modernize LAX

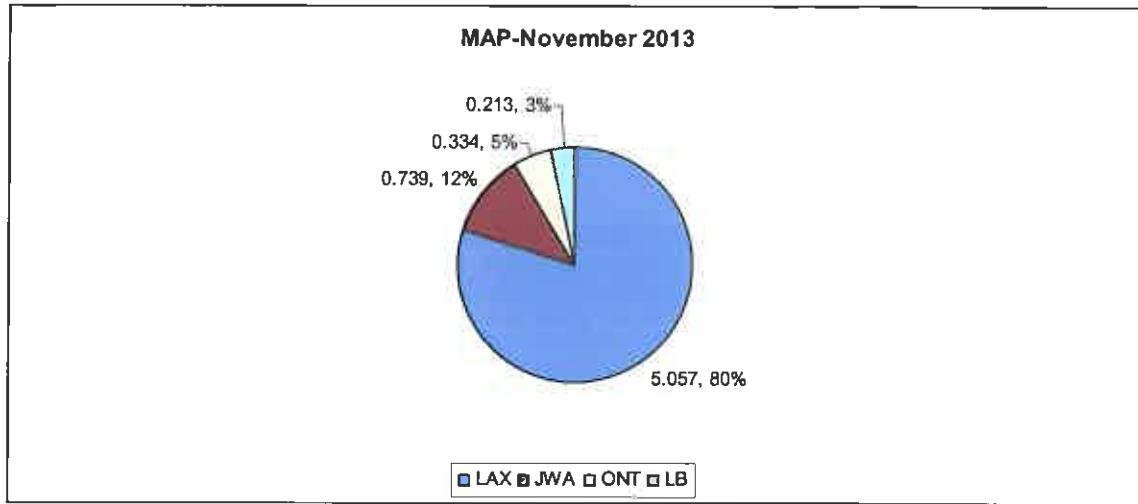
Recent comments by LAX airport director Gina Marie Lindsey regarding the position of airlines and their potential push back against two ambitious ground transportation projects important to L.A. Mayor Eric Garcetti and other city officials have stirred the pot. What Ms. Lindsey expressed was that the airlines don't necessarily want an Automated People Mover or a Ground Transportation Center, mainly because they'll have to pay for them, either directly or indirectly. Meanwhile, others have stated that - "Ground transportation improvements at the airport are absolutely essential for the passengers, the airport and the airport neighbors.

Bob Hope Airport Numbers Continue to Drop

The number of passengers traveling through Bob Hope Airport dropped by almost 8.6% in October compared to a year earlier, continuing a downward spiral that's plagued the airfield the prior four months and most of the year. So far this year, the airport has handled almost 3.19 million passengers, an almost 5.7% slide from a little more than 3.38 million the same period last year.

(See Comparison on the following page)

Comparison November 2013 by Airports



Airport	LAX	JWA	ONT	LB	Total
MAP	5.057	0.739	0.334	0.213	6.343

With all of the passenger numbers having been reported through November 2013, the above represents a comparison of the local airports. When comparing the totals for the same airports in 2012, i.e. LAX; SNA; LGB; ONT, the total in 2012 was 6.282 MAP for the month of November versus 6.343 MAP in 2013 or an increase of .0097. LAX has shown the greatest Southern California volume increase in 2013 and it has done so at the expense of most of the region's smaller domestic airports as carriers consolidate their operations, a theme which has been repeated here consistently. Moreover, when compared to the banner year of 2000 and counting all of the Southern California airports, travel has crept to within approximately 1 percent of where it had been.

Congressman calls for SMO air pollution investigation

Congressman Henry Waxman, D-Santa Monica, is calling on air quality officials to investigate a claim by scientists that there are high levels of ultrafine particle pollution around Santa Monica Airport. A study released last week by scientists from UCLA and

the California Air Resources Board suggested that ultrafine particle levels were between four and 37 times higher in the area downwind of SMO than in neighboring areas. Research on particulate matter pollution indicates it can cause a range of health impacts, including premature death, heart attack, irregular heartbeat, aggravated asthma and decreased lung function.

In the letter to South Coast Air Quality Management District Executive Officer Barry Wallerstein, Waxman said he has “long been concerned” about air pollution at SMO and its impacts on those living near or working at the airport.

Helicopter Noise

Rep. Adam Schiff (D-Burbank), along with Reps. Brad Sherman, Henry Waxman, Tony Cardenas and Alan Lowenthal, wrote to the chairman and ranking member of the Transportation Housing and Urban Development Appropriations Subcommittee, urging them to include a provision on helicopter noise in any final appropriations bill. That provision would direct the Secretary of the Department of Transportation and Federal Aviation Administration to address helicopter noise issues in the skies over Los Angeles County. "While we are continuing to work with the FAA on voluntary measures, we have to take an 'all of the above' approach to solving the very real issues caused by helicopter noise for homeowners and residents," Schiff said. "It's my hope that this provision will be included in any final appropriations bill, and give the federal agencies a sense of the urgency residents feel to bring about meaningful relief from the scourge of unbridled helicopter noise."

The proposed provision states that, in part, the secretary would “evaluate and adjust existing helicopter routes above Los Angeles, and make adjustments to such routes if the adjustments would lessen impacts on residential areas and noise-sensitive landmarks.” The secretary would also analyze whether helicopters could safely fly at higher altitudes in certain areas above Los Angeles County, according to the proposed provision. Also, the secretary would work with local “stakeholders” to develop a more comprehensive noise complaint system.

Helicopter Noise Rules Make their way into Federal Spending Bill

As a result of the efforts noted above, legislation that could mandate noise-abatement helicopter routes in the Los Angeles basin was inserted last-minute into the 1,582-page, \$1 trillion federal spending bill signed by President Obama late last week. Sen. Dianne Feinstein and Rep. Adam Schiff, both California Democrats, sponsored a rider that calls on the FAA to develop mandatory helicopter noise-abatement regulations and routes within one year if voluntary measures fail to quell citizen complaints. The FAA is currently working on voluntary measures with major stakeholders and plans to issue a progress report in the coming weeks. The legislation signed into law exempts parapublic flight operations, including police and EMS, which comprise the majority of helicopter flights in the area. Helicopter noise has long been a hot-button issue in local Los Angeles congressional races, but standalone legislation aimed at the problem, most recently the “Los Angeles Residential Helicopter Noise Relief Act,” has not advanced through congressional committees. Of course aviation groups were quick to denounce the provision. The Professional Helicopter Pilots Association branded it “mistimed, misplaced, misworded and an egregious example of congressional trickery gone awry.”

Here is the actual language of the legislation:

“SEC. 119D. The Secretary shall (1) evaluate and adjust existing helicopter routes above Los Angeles, and make adjustments to such routes if the adjustments would lessen impacts on residential areas and noise-sensitive landmarks; (2) analyze whether helicopters could safely fly at higher altitudes in certain areas above Los Angeles County; (3) develop and promote best practices for helicopter hovering and electronic news gathering; (4) conduct out-reach to helicopter pilots to inform them of voluntary policies and to increase awareness of noise sensitive areas and events; (5) work with local stakeholders to develop a more comprehensive noise complaint system; and (6) continue to participate in collaborative engagement between community representatives and helicopter operators: Provided, That not later than one year after enactment of this Act, the Secretary shall begin a regulatory process related to the impact of helicopter use on the quality of life and safety of the people of Los Angeles County unless the Secretary can demonstrate significant progress in undertaking the actions required under the previous proviso.”

Aviation 2014

There was an extensive briefing presented by the BoydGroup International Consulting Group recently released concerning the aviation industry for 2014. Here are some of the highlights:

Airliner Demand: Re-fleeting, not necessarily traffic demand;

Airline Consolidation: In North America, the major airline consolidation process is pretty much over. Although Alaska may be in play.

US Enplanements: Glacial growth; Airlines are not adding meaningful capacity. Passenger volume isn't the planning imperative. Neither are the "needs" of a given community.

NextGen: All The Hype About NextGen Is Just That. Hype.

Airline Economics will continue to dominate routes.

The Four Major Carriers will dominate, each with their own strategy.

To view the entire report go to:

<http://www.aviationplanning.com/Aviation%20Predictions%20-%202014.phtml>

Also in a recent interview Boyd has suggested that smaller and midsize airports like Burbank, Long Beach and Ontario have little control over what airlines serve them. Airlines are not growing. "With the stabilization and consolidation of the airline industry, the expansion of airline brands is essentially over. Fighting for share has been replaced by "turf control."

AIRLINES

Alaska reported a 6.5 percent increase in traffic on a 4.5 percent increase in capacity compared to December 2012. This resulted in a 1.7-point increase in load factor, to a record 88.0 percent. Alaska also reported 85.5 percent of its flights arrived on time in December, compared to the 83.3 percent reported in December 2012. For the full-year

2013, Alaska reported a load factor of 86.1 percent and carried a record 19.7 million passengers.

United reported that unit revenue, an important measure called passenger revenue per available seat mile, rose as much as 12.5 percent in December from a year earlier as the later Thanksgiving in 2013 shifted some holiday traffic into December. At the same time their 4th Quarter results also increased as a result of higher fares and lower fuel prices, a theme for many of the carriers³.

Newly merged American Airlines Group on reported unit revenue rose about 9 percent at American Airlines and 12 percent at US Airways in December.

Southwest Airlines this week reported unit revenue rose between 14 percent and 15 percent from the same month in 2012. At the same time their 4th Quarter results also increased as a result of higher fares and lower fuel prices, a theme for many of the carriers.

Delta Air Lines Inc reported a 10 percent rise in unit revenue for December this was attributed to higher fares and growing traffic demand. The view in the investment community is that reining in growth will give airlines more power to raise fares. Delta expanded flying just 1 per cent last year. It said it expects to grow 2 per cent to 3 per cent in the upcoming quarter.

Santa Monica v. the United States

For those of you interested in following the saga of the City of Santa Monica and their suit against the US and the FAA etc. al., regarding the ownership and operation of the Santa Monica airport can follow the progress and issues involved in the litigation at: <http://www.santamonicanext.org/airport-lawsuit/>

³ The managed capacity model appears to predominate with the key carriers.