

**December 2011 Update- All things Aviation:**



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

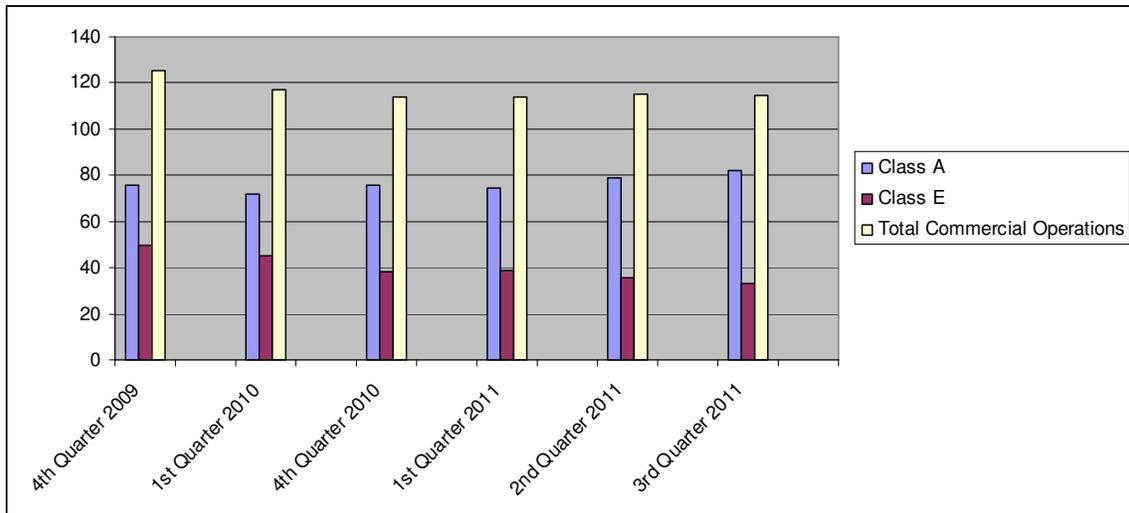
**JOHN WAYNE AIRPORT - OCTOBER STATISTICS**

Airline passenger traffic at John Wayne Airport decreased in October 2011 as compared to October 2010. In October 2011, the Airport served 726,513 passengers, a decrease of 0.8% when compared to the 732,106 passenger traffic count of October 2010. At the same time commercial aircraft operations decreased 2.8%, while Commuter aircraft operations decreased 10.5% when compared to the levels recorded in October 2010. Based upon the levels reported the Average Daily Departures (ADD) for October equate to 111.5 ADDs.

**JWA Quarterly Noise Reports**

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:

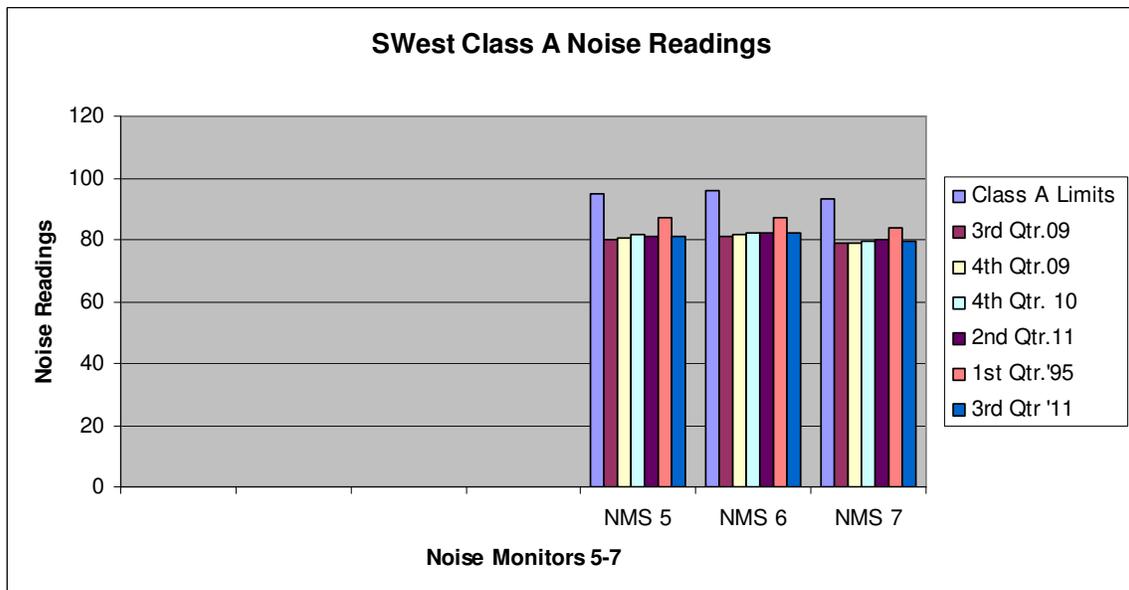
|         | <b>4th Qtr 2009</b> | <b>1st Qtr 2010</b> | <b>4th Qtr 2010</b> | <b>1st Qtr 2011</b> | <b>2<sup>nd</sup> Qtr 2011</b> | <b>3<sup>rd</sup> Qtr 2011</b> |
|---------|---------------------|---------------------|---------------------|---------------------|--------------------------------|--------------------------------|
| 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                         |



### 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 3<sup>rd</sup> Qtr. 2011:

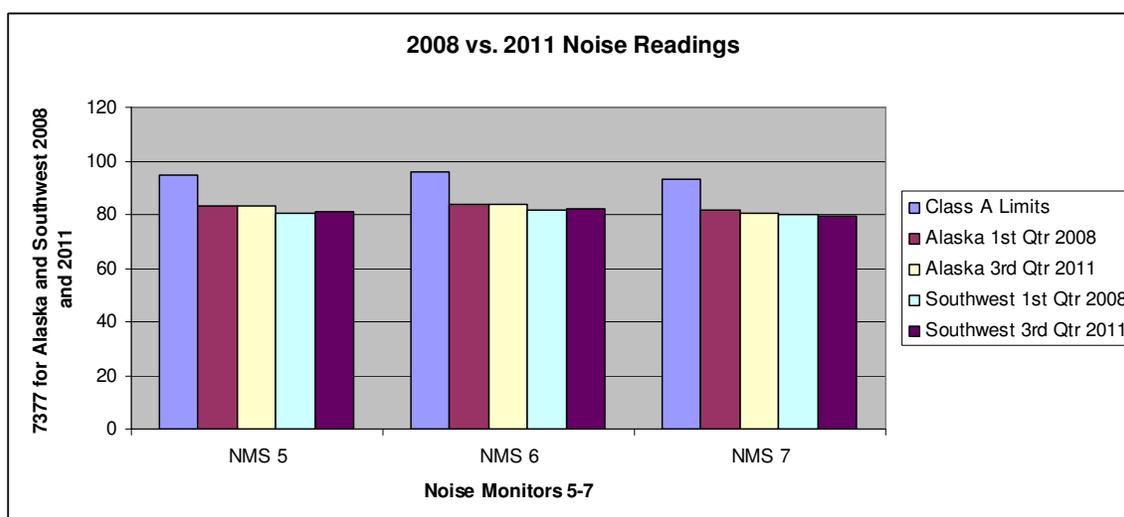
|                    | NMS 5 | NMS 6 | NMS 7 |
|--------------------|-------|-------|-------|
| Class A Limits     | 94.6  | 96.1  | 93    |
| 3rd Qtr.09         | 80    | 81.2  | 78.7  |
| 4th Qtr.09         | 80.7  | 81.7  | 78.8  |
| <u>4th Qtr. 10</u> | 81.8  | 82.4  | 79.4  |
| 2nd Qtr.11      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



### Comparison of 2008 and 2011 Noise Readings

A review of the recent 3<sup>rd</sup> 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  |



### The Loading Bridges at New JWA Terminal

A question which has been addressed previously but has been asked once again is the question about the number of gates at the airport and the Settlement Agreement. The Riley Terminal has twenty (20) bridged passenger gates for commercial passenger service. Two smaller terminals, one at the north end (Gates 1A, 1B, and 1C) and one at the south end (Gates 22A, 22B and 22C) of the Riley Terminal are available for commuter passenger service. The Settlement Agreement makes reference to twenty (20) loading bridges. A jet bridge (also termed portal, loading bridge, aerobridge/airbridge, air jetty, jetway, passenger walkway or passenger boarding bridge) is an enclosed, movable connector which extends from an airport terminal gate to an airplane. A gate is

an entry way, which may or may not have a loading bridge. You can move around loading bridges but not gates. Gates are not loading bridges.

What causes some confusion at first glance is that there is a loading bridge at Gate 21, due to the numbering of the loading bridges which starts at Gate 2 through Gate 21 (i.e. 20 gates). Gates 1A, 1B and 1C, and Gates 22A, 22B and 22C are commuter carrier gates which are all ground loaded from the ramp. Hopefully this will put this issue to rest.

### **Congressmen want review of Ontario International**

Two California congressmen have urged U.S. Transportation Secretary Ray LaHood to have the Federal Aviation Administration take action to reverse the severe decline at L.A.-Ontario International Airport. Reps. Jerry Lewis (R-Redlands) and Ken Calvert (R-Riverside) also wrote to Los Angeles Mayor Antonio Villaraigosa, demanding that Los Angeles World Airports, which operates Ontario, take immediate steps to either improve business at the airport or turn over control to Inland Empire officials. Ontario had been one of the fastest-growing regional airports in the nation. Now, it is one of the fastest declining, having lost a third of its passengers since 2007. Flights have been reduced by 47% and destinations by 60%.

#### *ONT continues to tumble*

Passenger traffic at LA/Ontario International Airport fell by 10.27 percent for the month of October. Year to date, ONT volume was off by 5.25 percent. On December 15, the Los Angeles World Airports Board discussed the closing of one of the main terminals at Ontario, which has some additional grave consequences.

#### *LAX Continues to Improve*

Meanwhile LAX showed an increase of 2.74% in service levels for October 2011 vs. October 2010 and for the first ten months of the year, service levels are up 5.35%.

### **Long Beach Airport Traffic**

In October, Long Beach Airport passenger levels increased by 5.1%. At the same time for the first ten months through October, Long Beach served a total of 2,601,177 passengers. The tally was 4.7 percent ahead of the same period in 2010. Their statistics

also show a slight increase in their load factor. Meanwhile on Tuesday December 13, Long Beach Airport officials asked the City Council for approval Tuesday to move forward with an airfield geometry study and airport strategic plan to address the future more effectively.

### **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    |

### **American Airlines Files for Bankruptcy Protection**

On November 29, 2011, American Airlines filed for Chapter 11 Bankruptcy protection. As they announced -"American Airlines, the nation's third-largest carrier, has filed for Chapter 11 bankruptcy reorganization, seeking the same route out of high debt and costs that many of its major rivals have taken in the past decade."

Some travelers may eventually see fewer American flights at their airport. The incoming CEO said American would probably reduce its flight schedule "modestly" while restructuring in bankruptcy court. But that would continue a strategy in place at

American and other airlines in response to high jet fuel prices. As discussed in the city's October update, American Airlines currently operates at JWA and pursuant to the recently adopted access plan accounted for thirteen (13) regularly scheduled ADDs.

The American Airlines bankruptcy demonstrates the challenges that an uncertain economy, changing federal budget priorities, volatile fuel costs, new technologies, an aging population, and an ever-changing regulatory environment presents for any airline and/or airline facilities to sustain themselves.

### *The Airline Industry*

The foregoing brings in the perspective what has occurred in the last ten years, in the US market. The USA has lost:

- TWA who merged with American in 2001 after 76 years of flying
- National Airlines a three year old Las Vegas based carrier disappeared in 2002
- Pan Am III which operated under the iconic name from 1998-2004
- Aloha who ceased operations in 2008 a week after going into Chapter 11 ending a 62 year history
- Northwest who merged in 2008 with Delta after 82 years of operations
- Independence Air 2006
- Delta Express which operated from 1996 to 2003 then became Song and was folded into Delta in 2006
- America West/USAir who took on US Airways name in 2007 in that merger
- MaxJet 2007 after two years of operation
- ATA (**American Trans Air**) in 2008 after 31 years of flying
- EOS who ceased passenger operations in 2008 after four years of flying- currently operate charters only
- Skybus who came and went in less than a year 2008
- Ted, a United low cost carrier was merged back into parent company in 2008 after seven years of operations
- Midwest Airlines who became part of Frontier in 2010
- Continental who are currently merging with United
- AirTran who are currently merging with Southwest

With only one new carrier operating (Virgin America), the result has been a reduction in airline competition in the USA at the large mainline carrier end and the low cost carrier end. The country now has the big four (United, Delta, American and US) and then Alaska, Frontier, JetBlue and Southwest with the aforementioned Virgin nibbling around the edges, although Southwest can reasonably be considered as part of the big

four+ in light of the AirTran merger. What the future may bring is an unknown however some analysts see can see further consolidation with one of the big four going. However it may mean that more and more airports will have fewer domestic operators for a few years.

### *US Airways-AA Combination?*

American Airlines, which is slipping farther behind beefed-up rivals United and Delta, could find strength through a merger with US Airways. That idea has been floated before. But it's more likely now that American's parent company, AMR Corp., has filed for bankruptcy protection, some analysts say. American will use the bankruptcy process to reduce debt and cut costs that made it untouchable. American and US Airways declined to comment on whether they would consider a merger, or have talked about it. History suggests they will, at least that is what some analysts are now speculating. US Airways currently has 6.73 ADDs under the 2012 Access Plan; American 13.

US Airways CEO Doug Parker — whose company is the product of a merger during bankruptcy — is a longtime advocate of such combinations. His airline has approached rivals several times over the years about potential tie-ups. In April, Parker said that if United, Delta or American wanted to make a deal, his was the last one left among the biggest airlines.

"They made a run at Delta (while it was in bankruptcy), they made a run at United ... and you can bet that they'll make a run at American in the (bankruptcy) court," said Gordon Bethune, who as CEO led a turnaround at Continental Airlines in the 1990s and was hired by Delta creditors to assess the US Airways takeover bid.

### *Other News*

Delta Airlines meanwhile is also repeating its prediction that it will cut 2012 flying by 2 to 3 percent; and predicts an \$800 million dollar profit for 2011.

Southwest Airlines has placed a massive order for 208 Boeing 737s and which includes 150 of the new 737 Max, which has a more fuel-efficient engine. Southwest Airlines Co. has bought more 737s than any other airline. Boeing says Southwest is the first customer to finalize an order for the 737 Max. Including this order, Southwest will receive the first 737 Max in 2017. Recent reports at JWA show that the 737 still predominates at the airport.