

# City of Long Beach

## GUIDING PRINCIPLES FOR LONG BEACH AIRPORT

(January 25, 2005)

### PURPOSE

The purpose of the Guiding Principles for Long Beach Airport is to provide elected officials, management and staff with guidelines for making future decisions.

#### 1. ENVIRONMENT

Identify and minimize cumulative toxic pollutants and aircraft noise in neighborhoods and other affected areas.

#### 2. PUBLIC INVOLVEMENT

Improve public involvement in Long Beach Airport operations and infrastructure projects that impact the community.

#### 3. HEALTH

Identify and minimize the cumulative impacts from Long Beach Airport that adversely affect the health of our community.

#### 4. SAFETY

Promote a safe facility that recognizes the inherent risks associated with locating an airport in an urban area.

#### 5. LAND USE

Support an environment that attracts and retains airport related businesses that serve the traveling public and that is compatible with the needs of the surrounding community.

#### 6. MITIGATION

Identify mitigation measures that address the negative impacts of the airport and airport related activities to surrounding communities including homes, schools and businesses.

#### 7. FINANCIAL IMPACT

Financial plans for airport improvements should include appropriate contributions from airport users to minimize the City's exposure to a fluctuating industry.

#### 8. LEGISLATION

Establish a community-government partnership by taking a proactive position on understanding, preserving, protecting and defending the city of Long Beach noise ordinance.

9. AIRPORT MARKETING EFFORTS

The Airport shall not actively engage in marketing efforts to fill any airline slots without specific policy direction.

10. AIRPORT IMPROVEMENTS

Ensure that any improvements to Long Beach Airport will preserve those neighborhoods negatively impacted by airport activity, protect the existing noise ordinance, support the financial self-sufficiency of the airport, and provide measurable economic benefits to the City, its residents and businesses, while protecting residents and local businesses.

City of Long Beach  
 Transportation Infrastructure Committee  
 Long Beach Airport Community Issues and Recommendations  
 January 13, 2005

<b>MEANINGFUL PUBLIC INVOLVEMENT</b>
Potential loss of property value.
Public wants actual "say so" in decisions, not just public comment periods
Guiding Principles need to reflect 2010 Strategic Plan created by the whole community
AAC received more negative comments re: project than positive and these were not reflected in the AAC recommendation
AAC recommendation did not reflect majority of speakers (opposition)
Impacted residents need to be compensated w/ \$, double paned windows etc.
LB impacted residents do not benefit from LGB, majority of users are from Orange County and Los Angeles. They come and go, do not shop and stay in Long Beach
Lets citizens decide on LGB facility, ie "Green Light Initiative" in Newport Beach
Direct City staff on how to interpret the strategic plan
"Participation" is not strong enough in the Guiding Principle titled Public Participation
There should be a cultural return to the community at the airport, such as a museum

<b>PRESERVE AND DEFEND THE EXISTING NOISE ORDINANCE</b>
The biggest threat is a challenge to the noise ordinance.
Defend the noise ordinance. Set up a defense fund
Need to assess our exposure to the noise ordinance being challenged, it's better to know that now
Need to prepare data/research that would deter or defend any challenge to the noise ordinance
Office space, meeting rooms, circulation areas should not be able to be converted into holdroom space
Any increase in facility size will bring in more flights
Larger terminal facility will attract more airlines, and more daily flights
More aircraft parking gates will allow for more flights
Spare aircraft parking could be used for something else
Defense of the noise ordinance is most important. Terminal improvements create excess capacity which could weaken the ability to protect the ordinance.
The City may become obligated to expand the facilities if airlines are required to invest
No marketing of the 25 commuter slots.
No more aircraft parking slots. Expanding the holdroom and parking for cars is okay.
Jet Blue wants to defend the noise ordinance, but they cannot legally set up a defense fund now, only if it is legally challenged

<b>IDENTIFY AND ADDRESS HEALTH AND ENVIRONMENTAL IMPACTS</b>
EIR must be expansive, comprehensive, study all aspects and impacts to residents
Environmental study should specify how additional flights will negatively impact education, health, etc.
In the environmental study, look closely at the impacts on children, adults and the elderly
Surrounding communities suffer from noise and inconvenience. Residents should receive funding now for double-paned windows as a good faith effort before any expansion.

City of Long Beach  
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<b>IDENTIFY AND ADDRESS HEALTH AND ENVIRONMENTAL IMPACTS (cont.)</b>
Need to know long term impact to health from LGB
Need to consult further with outside 'experts' about the EIR scope of work (i.e. Joan Greenwood)
The airport does not pay its own way - it is not free. There are health costs, increases in traffic and higher maintenance costs
The environmental study should look at the impact of the 405 Freeway, health issues
The environmental study should look at the crud that comes from airplanes
Environmental study should demonstrate the nexus between the airport and downtown hotels
EIR should evaluate where people drive from to get to Long Beach. Residents should not subsidize others flying "cheap"
Delete "exposure to" in the Guiding Principle titled Environment
Scope of the EIR should be as large and comprehensive as they can make it. The EIR must satisfy the public's concerns.
Pollution from 405 fwy is greater in 1 day than LGB airline activity produces in 1 year

<b>A BALANCED APPROACH: QUALITY OF LIFE</b>
Quality of life in Long Beach is the #1 priority.
City must be concerned about the overall quality of life if LGB adds more flights
Need to balance needs of business community with impacted residents
Need to define what can be fixed without building the whole project
Commuter terminal should be built in phases, only after actual demand
Never permit any neighborhood to be sacrificed on the altar of economic benefit
2004 elections showed that neighborhoods come first
Find common ground between the airlines and the community - Jet Blue supports the preservation of the noise ordinance, they just want improved facilities.
LGB is much more than just 41/25 commercial flights, General Aviation and other business interests want and need balance
Non airline tenants have long standing at LGB, committed
LGB needs upgrades, protection from the rain, better food options, more conveniences
Keep the airport the way it is.
Balance - Airlines have a 30-day notice, but other businesses have long term leases, e.g. manufacturing, general aviation, etc.
Airport has "minimum standards" that were last looked at in 1998. Need to improve and raise the standard.
The terminal proposal should reflect unbiased recommendations - it does not include comments from the general public
Incrementalism - some modernization and enhancement is needed now
Do not expand or modernize the airport. Maintain its charm, ease, access
Support fixing the infrastructure and preserving the building, but not adding gates. Keep it quaint.
Supports an upgrade, not an expansion.
Work with the FAA to get a local GPS system for Long Beach for auto landing accuracy

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<b>A BALANCED APPROACH: QUALITY OF LIFE (cont.)</b>
Safety in operations for pilots & aircraft is essential and should not be compromised, Pilots are as concerned about safety as people living near the airport.
Air travel is one of safest modes of transportation
Make sure that changes in air travel since 9/11 are factored into the proposed plans
LGB here first, why is Council locating more residential near Airport (Douglas Park)
City Council needs to be consistent in it's policy, recruited airlines & now trying to run them away
LGB should not market 25 commuter slots, at all
Current facilities are adequate
City's policy re: Airport is the problem, need more specific direction for staff to follow
Airlines and terminal tenants believe that additional space is needed in all areas. Only want decent and adequate
LGB decisions should not sacrifice one community for another
Size & current ease of access are part of LGB charm
Desire to maintain cultural and historical significance of LGB
City needs a long term plan for LGB

<b>ECONOMIC BENEFITS AND COSTS</b>
Economic impacts of the airport need to be proven
Expand Long Beach business opportunities within the noise ordinance
Clearly demonstrate the connection between expanding the terminal and improving economic development for the City.
Create an "Urban Development Zone" composed of the airport and the surrounding noise contour so that all property taxes would be limited to that zone, not the general fund. Perhaps provide those properties with some tax relief as well
Develop a strategy for land use to maximize the economic return to the community
City should not assume all of the financial responsibility for facilities
Users should take responsibility - airlines should invest in improvements
Pro-Airport and airlines. Long Beach is a jewel of an airport. City needs the airport for economic benefit and convenience
Take a comprehensive look at environmental and economic impacts long term, beyond 10 years.
LGB revenues stay at airport, no general fund benefit
Airline leases only for 30 days, could leave any time
JetBlue would like a three-year rather than a 30 day lease, but LGB cannot accommodate due to space restrictions
LGB costs the City in terms of street repairs, infrastructure support, etc.
JetBlue has been and continues to be willing to make a financial investment in LGB
LGB is not a 'gateway' to Southern California, Disneyland etc.



Economic Development Commission  
City of Long Beach, California

January 13, 2005

To: Council Member Tonia Reyes Uranga, Chair  
Council Member Rae Gabelich  
Vice Mayor Jackie Kell  
Transportation and Infrastructure Committee  
Long Beach City Council

Re: Guiding Principles for Long Beach Airport

The role of the Long Beach Economic Development Commission ("EDC") is to advise and make recommendations to the City Council on matters affecting economic development within the City.

We have reviewed the draft Guiding Principles for Long Beach Airport Marketing and User Responsibilities to be discussed at your public meeting on January 13, 2005.

The EDC is concerned that the financial and economic benefits of airport operations to our City have not been adequately recognized or considered in preparing this key document which is potentially to be used in evaluating the airport modernization project and future airport usage.

In his recent *Long Beach Report to the Community, 2003-2004*, City Manager Gerald Miller references the significance of the 2010 Strategic Plan ("2010 Plan") as a basis for policy making today, and the future. He points out that the 2010 Plan reaches out to the entire community as an imperative to achieving our vision for the future:

Staff recommendations for airport modernization were intended to support the specific goals of the City's 2010 Plan. Specifically, the 2010 Plan under goals for the Airport stated:

Goal 1: Encourage business development based on our strengths.

- Develop a strategy for land use at the Airport that maximizes the economic return to the community.

Goal 3: Balance business growth and neighborhood needs.

- Expand Long Beach Airport business opportunities, but only within existing noise ordinances.
- Take a leadership role with the Southern California Association of Governments to address future airport capacity needs of the region - maintaining noise and environmental limits at the Long Beach Airport.

The draft Guiding Principles seem to focus primarily on the needs and concerns of the surrounding neighborhoods and does not consider the fiscal impact and

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cc:

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economic benefits that continued airport operations have on Long Beach's long-term business growth and workforce development. The Long Beach Airport and the authorized flights under the existing noise ordinance provide substantial direct and indirect economic benefits to the City, its residents and local businesses. The airport also provides an important employment base for the City. The EDC believes that the Guiding Principles should recognize the business development and land use goals for the airport that were set forth in the 2010 Strategic Plan, and should also set forth its recognition of the City's Airport Noise Compatibility Ordinance and the permitted flights thereunder.

We believe the airport represents a positive financial and economic benefit for the City of Long Beach and its residents. It is our understanding that an Airport Economic impact study is expected to be released in February, 2005, which will provide detail and updated facts and information regarding the economic benefits of the Long Beach Airport. It is our belief that the results of this study should be considered by the City Council when making its ultimate decision regarding the modernization of the Long Beach Airport terminal.

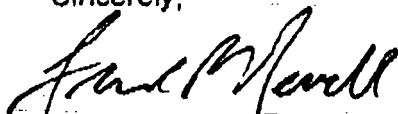
As you move forward in making a final recommendation to Council, we encourage you to acknowledge the vital importance of the airport to the economic sustainability of the whole city. In doing so, we suggest the guiding principles be expanded to include following language supporting the goals of the 2010 Plan:

"Economic Impact: Establish airport terminal improvements and modernization plans to sustain and foster the fiscal and economic benefit of the Long Beach Airport and related business opportunities to the City of Long Beach, its residents and businesses. The terminal improvements and modernization and future airport usage should be consistent with the City's 2010 Strategic Plan objectives to expand Long Beach Airport business opportunities within existing noise ordinances."

"Land Use: As set forth in the City's 2010 Strategic Plan, develop a strategy for land use at the airport that maximizes the economic return to the community."

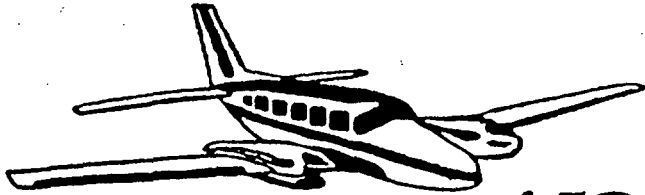
We understand that there are environmental, health, safety, and other issues which the Transportation Subcommittee and the City Council may want to incorporate into its "Guiding Principles," but the EDC urges that any "Guiding Principles" ultimately adopted should remain consistent with the City's 2010 Strategic Plan, and consider the economic benefit and impact of the Long Beach Airport.

Sincerely,

  
FRANK R. NEWELL  
CHAIR

  
DEBRA WINTER  
CHAIR, AIRPORT SUB-COMMITTEE

cc: Gerald R. Miller, City Manager



# LONG BEACH AIRPORT ASSOCIATION

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January 25, 2005

Long Beach City Council  
Transportation & Infrastructure Committee  
333 W. Ocean Blvd.  
Long Beach, California 90802

Tonia Reyes Uranga  
Chair, 7th District

Jackie Kell  
Member, 5th District

Rae Gabelich  
Member, 8th District

Chair & Committeemembers:

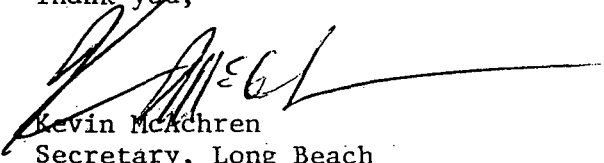
While "Establishing Guiding Principles for Long Beach Airport Marketing and User Responsibilities" may be a worthy long-term goal, we believe the immediate responsibility of the City Council should be to move forward with the scoping of an EIR study to insure that much-needed terminal facilities are built in a timely manner. The Airport Advisory Commission, at the direction of the Council, looked extensively at this issue for nearly a year, conducting hours of public hearings in fifteen sessions; the Council has the Recommended Plan and needs to get the EIR process moving! Since the primary, overriding issue of "how many flights and at what noise limits" was decided, by ordinance, on an 8 - 1 vote of the City Council in 1996, the process of building modern, adequate facilities to accommodate those flights should not be drawn out any further.

While other issues can be looked at concurrently with the EIR process, the EIR study is all about the physical buildings, aircraft parking areas, and vehicle parking structures; and not about issues such as numbers of flights, including commuter flights, which have already been decided and committed to ordinance. Regarding those other issues, we take exception, for instance, with item 6 of your January 13 Committee agenda, entitled "Mitigation". "Identify mitigation measures that address the negative impacts of the airport and airport-related activities to surrounding homes, schools, and businesses." How about looking at some positive impacts of the Airport including economic enhancement, job creation, and convenient transportation facilities for the citizenry? It appears that your "Guiding Principles" may already be skewed toward an anti-airport bias.



Please, for the City as a whole, move the EIR process forward, with the Recommended Plan for terminal facilities, so we can have an Airport which the entire community can be proud of - and adequately served by!

Thank you,



Kevin McChren  
Secretary, Long Beach  
Airport Association

(For the Board of Directors)

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January 17, 2005

Hon. Tonia Reyes Uranga  
Councilmember, City of Long Beach  
Long Beach City Hall  
333 W. Ocean Blvd., 14<sup>th</sup> Floor  
Long Beach, CA 90802

Dear Councilmember Reyes Uranga:

On January 5, 2005, the City Council conducted a two-hour workshop on Airport Terminal Expansion. City staff's presentation took all but 8 minutes of the workshop time. While the City Council has received detailed information from the proponents of Airport Terminal Expansion, the Council was not given an opportunity to hear from the three Airport Advisory Commissioners who voted against the proposed Airport Terminal Expansion project.

Like many others, we support Airport terminal improvements that make the Airport more attractive and convenient and we feel it is important to come to closure on a proposed terminal sizing. However, the proposed Airport terminal expansion plan is critically flawed in many ways that should be fixed before a Notice of Preparation is accepted by the Council. If City staff is not directed to make changes so a consensus can be achieved on these issues, once the EIR process begins the City will be moving forward with a bad project and lose its negotiating position with the airlines and the FAA. The residents of Long Beach will be the losers.

It is not unreasonable to support *modest* growth at the Airport, and some growth can occur while protecting our Noise Ordinance. The proposed plan falls short of doing this. ***Our recommendation: Give direction to Airport staff to improve the plan to reach consensus, then bring it back for Council consideration.***

In short, there are at least 18 important reasons to reject the proposed Airport Expansion plan:

**1. The proposed expansion is oversized.**

The current proposal would replace the current 34,570 square foot permanent facility (plus 23,750 square foot temporary buildings) with two terminals totaling 133,243 square feet. In total, this plan would add 98,000 square feet of *new* construction. The size and scale of the proposed project is simply not justified.

All 41 commercial slots are currently taken. Commuter slots (which are available, but have not been requested by any airline) could increase passenger counts by 22%. Why increase the permanent facility by 380%, when we expect a *maximum* passenger increase of 22%?

**2. The need for larger facilities is overstated.**

Most people agree that the Airport terminal facilities are adequate to handle the existing passenger volume, except during peak times, which are generally in the morning and evening when the airlines schedule most of their flights.

Even on weekend evenings, when peaks are expected, the Airport is not always crowded. *Beachcomber* reporter Cindy Frye attended a tour scheduled by Airport staff on a busy summer weekend night to prove how bad the congestion is. She wrote:

“. . . the tour did not give what airport staff was hoping would be a true taste of the cattle-like environment it claims exists during peak times. For what was supposed to allow for a glimpse of the overcrowded conditions at the airport, this tour failed miserably.”

(*Beachcomer*, “Airport Tour Falls Short,” by Cindy Frye, June 11, 2004, attached.)

The situation at LGB is not dire. In fact, passengers love the convenience of the smaller Long Beach Airport. In a recent J.D. Power and Associates “Airport Satisfaction Survey,” Long Beach received higher ratings than any other airport in California:

2004 Global Airport Satisfaction Index Study  
(J.D. Power and Associates)

<u>AIRPORT</u>	<u>Score (1,000 point scale)</u>
Long Beach (LGB)	696
Burbank (BUR)	695
San Diego (SAN)	678
San Francisco (SFO)	652
San Jose (SJC)	618
Los Angeles (LAX)	614
Oakland (OAK)	614

This data, released by J.D. Power and Associates on December 6, 2004, includes responses from 9,000 passengers from October 2003 to November 2004. (See Press Release, attached.) Our point is simply that rumors of a crisis at LGB are somewhat overstated.

We understand the benefits of newer, better, and more comfortable terminals, however, there is no immediate need to expand the terminals since passengers seem to like LGB the way it is. Expansion proponents should be honest with the Council – larger facilities might be desirable, but are not absolutely necessary. More importantly, Airport staff should take the time to do this right.

**3. Increasing the size of LGB could make it less convenient.**

LGB is not the terrible airport that some would make it out to be. In fact, LGB is a favored airport because it is small and convenient. Parking is convenient. For those departing, the walk from the ticketing counter to gates is short. For those arriving, the walk from the gates to baggage claim area is also short.

Which do travelers prefer more – short walks to gates or lots of concession options? We do not know the answer, but we do know that doubling or tripling the size of the Airport will affect the convenience many passengers now enjoy.

**4. A *bigger* terminal is not necessarily a *better* terminal.**

One of the key attractions of LGB is the two-story historical art deco terminal, which totals about 30,000 square feet. The proposed permanent facility will be more than three times this size.

One of the strongest arguments in favor of Airport expansion is that it will improve the aesthetics and attractiveness of the terminals. Is this true? Is bigger, necessarily more attractive? If the new terminals are bulky and box-like (as depicted on page 17 of the handout given to the Council at the January 4, 2005 workshop), there will be no aesthetic improvement.

Will the massive scale of a 98,000 square foot expansion dwarf the existing historic terminal? Will there be art inside or outside the holdrooms? While there is potential for aesthetic improvements, the Airport staff has not provided any visual renderings showing the scale or design of the proposed new facilities. The public doesn't need detailed drawings, but it might gain public support if we could see what Airport staff believes the new Airport would look like.

**5. There is no need for two-story Airport terminals.**

The proposed Airport expansion plan includes two-story facilities. There has been repeated public criticism of two-story facilities, as people fear two-story buildings would eventually lead to passenger "ramps" to load and unload planes, like at LAX and other larger airports.

To date, there has been no satisfactory explanation for the need for two-stories. While we believe in the sincerity of Airport staff's statements that they do not intend for second-floor holdrooms, we also know that things can change over time. To assuage legitimate public fears, there should be no two-story element of any Airport expansion.

**6. The proposed expansion plan does not prevent future space problems.**

As noted above, to the extent LGB has a problem with space, it is the result of "peak time" crunches. The shortage of space at the Airport is, in part, due to the airlines' scheduling decisions. For example, during the first 30 minutes of Airport operations, there are 6 scheduled departures, and 2 arrivals. During the last 30 minutes, there are 4 departures, and 4 arrivals.

If all 41 commercial flights authorized under the Noise Ordinance were spread evenly throughout the day, there would be no more than 3 landings and 3 departures *per hour*. And there would be plenty of terminal space.

Has the City done anything to prevent peak hour problems? One airline representative suggested that airlines would be violating anti-trust laws if they coordinated efforts to spread arrival or departure times evenly throughout the day. However, could the City do something to prevent peak hour problems? For example, if LGB established peak hour "impact fees" tied to costs which doubled landing fees for airlines that chose to schedule more than two flights during one hour period, this might have the effect of flights being spread more evenly throughout the day. We certainly do not suggest this as a "cure" to the peak hour problem, but only to show that there may be other ways to solve peak hour problems besides a massive 98,000 square foot expansion.

What if LGB is expanded and more flights are added to the peak hour times? The holdrooms will still be packed and the Airport expansion will not have solved anything. We need to strategically approach this problem.

**7. The proposed plan does not look at new airport innovations.**

Perhaps the biggest criticism of the current expansion proposal is that it is based on "industry averages" derived from looking at how airports were built 10, 20 or 30 years ago. Airports operate differently today, and will continue to change in the next few years.

Before the 9/11 attacks, non-ticketed visitors could travel past security checkpoints and wait inside restaurants or shops for family members or friends to arrive. As a result, many airports designed pre-9/11 have terminals and holdrooms that now look like "ghost towns."

Modern-thinking airports are looking for ways to expand curbside check-in, which has grown in popularity in recent years. Some airports have announced in recent months they are looking at creating "cell phone" parking lots where family and friends and wait for arrivals to call them by cellphone for pickup. LGB currently offers free wireless internet access ("Wi-Fi"), but the current expansion plan does not mention how it would capitalize on this technology.

The current proposal does not include any innovative ideas to make LGB a better, newer airport. Rather than preparing for the future, the proposed plan strives to make LGB more like a pre-9/11 "industry average" airport.

**8. Why build two holdrooms when one could be more efficient?**

The proposed Airport expansion plan would build 2 new permanent holdrooms instead of 1. Of course, this means that concession space will be separated. This also means there will be 2 separate security check point areas. The plan also calls for 2 baggage claim areas, instead of one. Is this the most efficient use of space?

Having one holdroom instead of two would certainly be a more efficient use of space. When there is congestion at one side of the airport, passengers could sit in empty seats near unused gates. Under the current plan, this could not happen as passengers would be limited to their own terminal while seats in the other terminal may be empty. Again, there should be more thought put into this plan.

**9. Proposed office space is unnecessary.**

This expansion plan unnecessarily puts meeting rooms, airline offices, and government offices into the terminals. The space for airline offices is proposed to be increased from 2,000 square feet to 10,000 square feet. With the increased use of ticketless travel and kiosk ticketing, however, airlines are using *fewer* employees at terminals.

The Airport expansion proposal would also increase TSA offices from 3,600 to 13,500 square feet. This is *in addition* to the doubling of security screening area being proposed. While we understand the City's desire to accommodate TSA's request for more space (TSA has not mandated additional space), it is not clear whether all of TSA's offices need to be inside the terminals. In fact, other airports (e.g., Orange County) have offices outside the terminals and bring their screeners to the terminal for shift changes.

There is no compelling reason for a 500% increase in airline offices and 375% increase in TSA offices inside the terminal. This is especially true when there is so much vacant office space in the close vicinity of LGB.

**10. Increase in gates will increase capacity.**

The proposed plan increases the number of terminal gates from 8 to 11 (37% increase) and the number of airplane parking positions from 10 to 15 (50% increase).

Airport staff suggests that the number of gates and airplane parking positions controls Airport capacity. We do not completely accept this point, because common sense tells us that holdroom size, security checkpoint throughput, and other sizing decisions also affect total passenger capacity.

However, even if staff is correct, why would Long Beach increase the number of gates and airplane parking positions? A spokesman for JetBlue challenged City staff's premise, stating that JetBlue could turn a gate 10 times in a day. He concluded that just 10 gates would allow 100 flights, theoretically.

100 flights is not our idea of "controlling" capacity. We think that a common sense approach to controlling capacity is not to merely limit the number of gates, but to make the entire terminal facility appropriately sized. Over-sizing the terminals, in the hopes that we can control capacity by limiting the number of gates, is unacceptable.

**11. The proposed plan does not forecast what the new Airport capacity might be.**

Long Beach residents have been told that the current Airport terminals were only designed to accommodate 15 daily flights. That is why we need to expand the facilities.

However, if the current terminals were designed for 15 daily flights, and now accommodate 41 daily flights, *how many flights would terminals built for 41 flights accommodate?*

To some, the math is simple. Long Beach handles 41 commercial flights with the existing 58,000 square foot terminals. (Average of 1400 square feet per flight.) Wouldn't expanding the terminals to 133,000 square feet mean the new terminals could handle at least 95 flights? Airport staff has refused to address what the new capacity of the proposed facilities would be, probably fearing how the public would take such news. However, increased capacity is a legitimate concern and without securing the Noise Ordinance (see below), the City is unnecessarily opening itself up to arguments that more flights will be coming.

**12. This expansion plan sends the message that Long Beach wants more flights.**

Within Long Beach, everyone seems to agree there should be no increase of flights (beyond the 41 commercial and 25 commuter flights provided for in the Noise Ordinance). Some expansion proponents argue that growing the Airport does not necessarily mean more flights.

Outside of Long Beach, the perception will be very different. Media reports of Long Beach expansion (if expansion plan is approved) will undoubtedly focus on the City's plan to *double* to *triple* the size of its terminals.

While residents in Los Angeles and Orange County are trying to limit airport growth, it will appear that Long Beach actually wants more flights. The growing popularity of a regional airport plan concept will focus attention on LGB. Our neighbors will undoubtedly rejoice at the thought that Long Beach is alleviate the congestion at LAX and John Wayne.

Is Long Beach ready to explain to the media and its neighbors that expanding its terminals will not lead to expanding flights? Airport staff has ignored statements from national and regional sources that LGB will grow beyond its Noise Ordinance by 2010. How can Airport staff continue to do this once Long Beach voluntarily expands its terminals? At a minimum, Long Beach should get assurances from regional airport officials that they understand LGB will not be taking more flights before moving forward with the proposed expansion plan.

**13. Airport expansion could jeopardize the Noise Ordinance.**

Long Beach is fortunate to be one of the few cities in the nation with an Airport Noise Ordinance recognized under Federal law. However, as Airport Manager Chris Kunze puts it, "it is not a matter of *if* our Noise Ordinance is challenged, but a matter of *when*." Indeed, Long Beach is 0 for 1 when it comes to litigation with airlines: the City's first Airport Noise Ordinance (which limited flights to 15) was *invalidated* by a Federal court a decade ago.



The new ordinance has not yet been challenged. Currently, there is no incentive to challenge the Noise Ordinance to get more flights as holdroom space is so limited.

Airport staff does not dispute the fact that building too large a terminal could create an incentive for an airline to challenge our Noise Ordinance. Staff simply believes that the proposed plan is not large enough to trigger a challenge. We believe it is.

How big is too big? That is the issue. Clearly, the smaller the terminal the less the incentive to challenge the noise ordinance; the larger the terminal, the more incentive.

**14. If the Noise Ordinance is successfully challenged, the effects would be devastating to Long Beach neighborhoods.**

What happens if LB's Airport Noise Ordinance is invalidated? Legally, the City could not limit commercial flights. Long Beach would lose its local control over the number of flights and the hours of operation (curfew). There could be far more flights over Long Beach neighborhoods – day and night.

A dramatic increase in flights would not just harm some residents in some neighborhoods – it would eventually be a citywide catastrophe. Pollution and traffic would increase. When home prices in the flight path drop, the effect would ripple across other neighborhoods.

Long Beach should not expand its terminals at all until there is a strategic look at how we could protect the Noise Ordinance. The current Airport Terminal Expansion plan adopts a “head in the sand” posture and shows great indifference for those living in the flight path.

**15. The expansion plan does not anticipate litigation defense.**

Before agreeing to expand the Airport, the City could insist that all air carriers serving Long Beach Airport sign an agreement not to challenge the Airport Noise Ordinance. The City of Long Beach had such an agreement as a result of the litigation with the airlines in the 1990's, however, the agreement expired on January 1, 2001.

Also, the City could set aside funds or establish a funding source to pay for litigation to fight any legal challenge to the Airport Noise Ordinance. This can be done through a litigation defense fund (money set aside as part of the Airport Enterprise Funds), and other ways. These, and other simple measures, should be put in place *before* the City moves toward any Airport expansion.

**16. If LGB is expanded, will FAA find it is "unreasonable" to refuse additional flights?**

Proponents of Airport expansion have noted that FAA grant assurances require Long Beach to "reasonably accommodate" air carriers. Proponents have argued that the FAA could challenge a decision not to expand as failing to provide "reasonable accommodations."

However, the City's legal counsel Mike Gatske has correctly pointed out that the City is only required to reasonably allocate the facilities it already has. Removing existing terminal space might be "unreasonable," but the FAA has never even argued that failure to build new terminal space is an unreasonable act.

Once the terminals are expanded and there is additional capacity at LGB, it will be harder for Long Beach to fight additional flights. We may look "unreasonable" to the FAA or a judge by not making room for other more flights and passengers.

**17. The current plan puts taxpayers at risk.**

The airlines that benefit from Airport expansion should pay for it up front. Assistant City Attorney Mike Mais correctly noted at your January 4, 2005, workshop that, since the City is not legally required to expand its terminals, it could require up front funding by the airlines as part of an agreement to expand.

The expansion plan approved by the AAC majority would leave the City, i.e., its taxpayers, holding the bag if there is a downturn in airport activity. The history of airlines at Long Beach Airport is one of boom, then bust. We had 41 flights back in the 1989, but then service declined to 13 or 14 flights for many years until 2001.

Also, the airline industry is currently in turmoil. The Air Transport Association, an airline industry trade group, estimates that U.S. air carriers will lose \$5 billion this year, the fourth straight money-losing year since 2000. (*San Francisco Chronicle*, November 16, 2004.) Airport revenues in the U.S. have increased 7.8% a year on average since 2004, but airport operating expenses have risen 9.5%. (*San Jose Mercury*, November 3, 2004.)

Successful low cost airlines, even JetBlue Airways, are being hit hard. For example, low cost airline ATA filed for Chapter 11 bankruptcy in October 2004. While it is still currently profitable (unlike some airlines), JetBlue's quarterly profits reportedly dropped from \$29 million a year ago, to \$8 million. (*San Francisco Chronicle*, November 16, 2004.) We hope JetBlue and other airlines have great success at LGB, but want to make sure Long Beach residents don't pay the price if they do not.

**18. Requiring up-front funding will lock-in airport tenants.**

Up front funding for terminals at LGB is not a new concept. The temporary terminals at LGB, approved by the City Council in August 2002, were completely paid for by JetBlue to accommodate up to 41 commercial flights. Its financing arrangement with the City required JetBlue to front all costs, and the cost of construction would be paid back to JetBlue via rent credits over the next 36 months. The risk of JetBlue (or any other airline) leaving LGB, would not fall on taxpayers.

Requiring Airport tenants to pay for terminal construction will also ensure stable tenancy at LGB. JetBlue is on a 30-day lease with the City, as are the other airlines. What if JetBlue leaves Long Beach, because it gets a better deal from LAX or John Wayne Airport? What if one or more of the airlines using Long Beach Airport files for bankruptcy?

When JetBlue agreed to pre-fund the temporary terminals and receive rent credits for 36 months, it essentially became locked into LGB for three years. If JetBlue left, it would be walking away from its investment, which everyone knew it was unlikely to do. The City can and should require the benefiting airlines to enter into an agreement with the airlines before initiating the draft EIR, while there is an incentive for the airlines to work with the City's funding needs.

**CONCLUSION**

To a large extent, the issue of Airport expansion thus far has only showed two sides. On one hand, there are those opposed to *any* Airport expansion. They would rather see the airlines operate in cramped quarters than increase the size by even one square foot.

On the other hand, there are those who think 'the bigger, the better.' Such people are not concerned about the neighborhoods affected by the Airport and support the 380% expansion of permanent facilities.

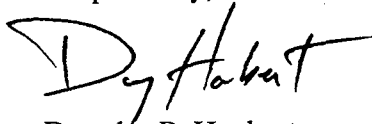
We think, however, the vast majority of Long Beach residents actually support a third position: grow the Airport modestly, and in a way that protects, rather than risks, the Airport Noise Ordinance. City staff must take the time to get the project done right for the sake of the entire City. After incorporating the concerns in this letter, we think a consensus plan can be achieved and presented for Council approval.

This letter represents our personal opinions, forged after many hours of listening to the public debate and the facts. We represent the minority of the AAC. The AAC majority accepted staff's recommendations verbatim – without offering a single change. While we see the

Letter re: Airport Expansion  
January 17, 2005  
Page 11

controversy over Airport expansion from a different viewpoint than does the rest of the AAC, we think our views are just as valid and should be considered by the Council.

Respectfully,



Douglas P. Haubert

Respectfully,



Bruce Alton

Respectfully,



Carol Soccio

cc: Hon. Beverly O'Neill, Mayor  
Gerald R. "Jerry" Miller, City Manager  
Chris Kunze, Airport Manager

## Airport Tour Falls Short

By Cindy Frye

The last time I visited Long Beach Airport was when Win Air was flying. The now defunct airline had a direct flight to Sacramento, which accommodated my son when he traveled to Long Beach. Now he either flies into LAX or drives.

Since then I have been reporting on the proposed enhancements to the city's decades-old Art Deco facility. Not having any reason to go to the airport for the past five or so years, I decided I should revisit the site. So I recently took advantage of a "behind-the-scenes" tour city staff conducted on Friday, June 4. And I must say, of what I remember, not that much has changed in five years. And according to many, not that much has changed in the past 40 years.

About 30 "concerned citizens" attended the 8 p.m. tour, along with airport personnel and a few members of the Airport Advisory Commission. The appointed nine commission members have been given the task of assessing the scope of an Environmental Impact Report for facility enhancements, plus a

new multi-level parking garage and a few additional aircraft parking pads. The commission is scheduled to make its recommendations to the City Council sometime in July.

During special monthly study sessions conducted by the AAC, outside consultants, city staff, officials with airport vendors and the airlines — JetBlue Airways in particular — have insisted that additional space is desperately needed to accommodate 3.9 million yearly passengers, along with airport, airline and Transportation and Safety Administration personnel. Predictions are the number of yearly passengers could increase to 4.2 million passengers, however, putting an additional strain on the current facility.

Using FAA-guided rules, the consulting firm, HNTB, has calculated that to accommodate 4.2 million passengers under industry standards the facility should be 243,745 total square feet. To address the airport's land-locked site, however, HNTB recommends that to adequately accommodate the

Continued on page 12

Page 12

June 11, 2004

38,000 Copies Distributed Biweekly

## Airport Tour Falls Short

Continued from page 1

current 41 commercial flights and an anticipated future 25 commuter flights a permanent facility should be at least 150,000 square feet in covered, enclosed space, which includes the existing terminal and permanent holdrooms. The existing enclosed terminal and permanent holdroom buildings are 46,120 square feet.

Because of the amount of people on the tour, we broke up into three groups. My group began the tour at the ticketing area inside the front of the terminal. The line of passengers leading up to the JetBlue counter was wound tightly inside the restraining ropes, making our passing precarious, as other passengers tried to pass with luggage in tow. Yet, when we came back through the same area about 30 minutes later after viewing where the airlines perform their operations, the ticketing area was empty.

After my group of eight traveled up to the second level of the terminal in the only elevator (one member was in a wheelchair so we had to go up in two trips) we were

ushered down a narrow hallway to a room about 6 feet by 10 feet in size overlooking the runways.

Here is where we were told JetBlue conducts its "operations." The one-man room was so small only two people at a time could peek inside. Yet downstairs, behind the ticket counter, JetBlue had a room large enough to accommodate its 60 or so employees who had access to four or five computers. We were informed the airline also had a trailer off Pad 7 that was used for a breakroom. Looking around it was evident the rooms were cramped and appeared pretty time worn.

After going through the security scanning process at about 9 p.m., our group walked through the main terminal. I was surprised to see just a few people milling around; most outgoing and incoming passengers were gone. The city's curfew for arriving or departing flights is 10 p.m. What I did find interesting, however, was the claim by our tour guide, Dave Sansenbach, chief of airport security, that the lull in passenger traffic was unusual and most times the holdrooms on busy

nights, especially on the weekends, are typically standing room only.

Our group then ventured outside behind the terminal, where the South and North temporary holdrooms are located, along with 10 aircraft pads. Only a handful of passengers occupied either of the rooms, but nearly full JetBlue airplanes sat waiting to taxi out for takeoff. One incoming plane was waiting on the runway for its turn at a pad.

The consultants are recommending that to accommodate the current and anticipated increase in passenger loads, which includes filling the 25 now-empty commuter slots, six pads should be added.

Directly behind the terminal, inside temporary white tents, conveyor belts used for scanning luggage by TSA personnel were still. Since most flights were boarded and waiting for takeoff, our group didn't get a chance for a firsthand look at the scanning process. Again, the tour didn't give us what airport staff was hoping would be a true taste of the cattle-like environment it claims

exists during peak times. For what was supposed to allow for a glimpse of the overcrowded conditions at the airport, this tour failed miserably.

During a presentation at the May 27 AAC study session, Robert Land, JetBlue's vice president for government affairs, stressed that the airline does not want the allocated slots at

the airport to change and it wants to protect the city's noise ordinance.

Nonetheless, JetBlue, along with the other airlines, wants to properly accommodate their passengers, Land said. "We just want a facility that can handle the current operations," he said. "The current trailer park of facilities does not make a good impression on anyone or anything," he said. He explained that the first impression of Long Beach by way of the airport is "very important to East Coast people" coming to town for conventions or other activities. "Coming in is great," he said, "going home is



Beachcomber Photo by Cindy Frye

**THE MAIN HOLDROOM** at LGB at 9 p.m. on a Friday is empty except for security personnel. A public tour during the evening of June 4 did not show what airport staff claim is usually a room packed with passengers during peak traveling times such as on the weekends.

terrible, getting herded through gates and temporary facilities. The last impression is important, too," Land said.

The final AAC study session is scheduled for June 17 at 6 p.m. at Long Beach Energy, 2400 E. Spring Street. The commissioners will determine if the airport does indeed need enhancements despite objections from local activists and many living near the airport or if it can continue to accommodate the air traveling public as it currently stands. For more information, call Sharon Diggs-Jackson at (562) 570-2636.

**CONTACT: Michael Greywitt (805) 418-8000, West Coast  
John Tews (248) 267-6800, East Coast**

**J.D. Power and Associates Reports:  
Most Passengers Do Not Take Advantage of Express Check-In Options at the Airport**

Hong Kong, Singapore, Calgary and San Antonio Airports  
Rank Highest in Passenger Satisfaction in Their Respective Segments

**FOR IMMEDIATE RELEASE: December 6, 2004**

**WESTLAKE VILLAGE, Calif.**—Although checking in for a flight at the airline's main counter takes significantly longer than curbside service or self-service kiosks, less than one-quarter of passengers take advantage of either of these express check-in options, according to the J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup> released today.

The study, now in its fifth year, measures airport satisfaction in three segments: large (30 million or more passengers per year), medium (10 million to less than 30 million passengers per year) and small (less than 10 million passengers per year).

While overall satisfaction is higher among passengers who check in at curbside, online and at self check-in kiosks, a majority (59%) of passengers check in at the main counter, which takes an average of 19 minutes. Just 18 percent use a self check-in kiosk, which averages 8 minutes, while 10 percent check in at curbside, which averages 13 minutes. While many airlines now allow passengers to obtain their boarding pass through the Internet, currently only 5 percent of passengers use this option.

"Time is a prime commodity in the travel industry, and is a major factor in influencing customer satisfaction with airports," said Linda Hirneise, partner and executive director of travel industry research at J.D. Power and Associates. "Even though faster options are often available to expedite the check-in

(Page 1 of 3)

process, passengers either aren't aware of them or just aren't yet comfortable using them. The check-in process has the greatest impact on overall airport satisfaction. Airports need to make sure these options are available to passengers and to continue to promote their time-saving benefits."

Wait times at security checkpoints have increased 15 percent, from an average of 13 minutes in 2003 to 15 minutes in 2004. By segment, the average wait time at large airports is 16 minutes, 15 minutes at medium airports and 13 minutes at small airports. Washington-Dulles, Denver and Los Angeles are among the airports with the longest security wait times, while Singapore, London-Gatwick and Sydney have some of the shortest waits.

The study also finds that satisfaction is much higher with airports that provide an environment where passengers can multi-task. This includes services such as a wide selection of eateries and restaurants, access to business centers, wireless Internet connections and abundant shopping. More than one-half (54%) of passengers purchase food at the airport, while 37 percent shop at retail stores.

"Since September 11, safety, check-in options, security checks and the time it takes to go through the entire airport experience have forever changed the airport passenger experience," said Hirneise. "The keys to improving airport satisfaction across the globe require improving passenger facilitation, managing wait times and providing an environment where airport passengers can be productive."

Hong Kong International Airport (HKG) ranks highest in passenger satisfaction among large airports, performing particularly well across all key measures of airport satisfaction. Three U.S. airports follow in the ranking: Orlando (MCO), Denver (DEN) and Dallas/Fort Worth (DFW), respectively.

Singapore's Changi International (SIN) ranks highest among medium-sized airports for the third consecutive year and receives the highest overall passenger satisfaction score in the study by a significant margin. Singapore is followed in the rankings by Pittsburgh (PIT), Cincinnati-Northern Kentucky (CVG) and Portland (PDX), respectively.

Overall satisfaction is significantly higher for passengers opting for small airports, where wait times and passenger facilitation are generally more manageable. Calgary (YYC) and San Antonio (SAT) rank highest in a tie among small airports. Calgary performs particularly well in terminal facilities and retail concessions, while San Antonio receives particularly high ratings from passengers for the security check. Calgary and San Antonio are followed in the rankings by Austin (AUS), Boise (BOI) and Indianapolis (IND), respectively.

The 2004 Global Airport Satisfaction Index Study is based on responses from more than 9,000 passengers who took a flight between October 2003 and November 2004. Respondents were surveyed in six different languages and each evaluated up to two different airports.

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NOTE: Three charts follow.

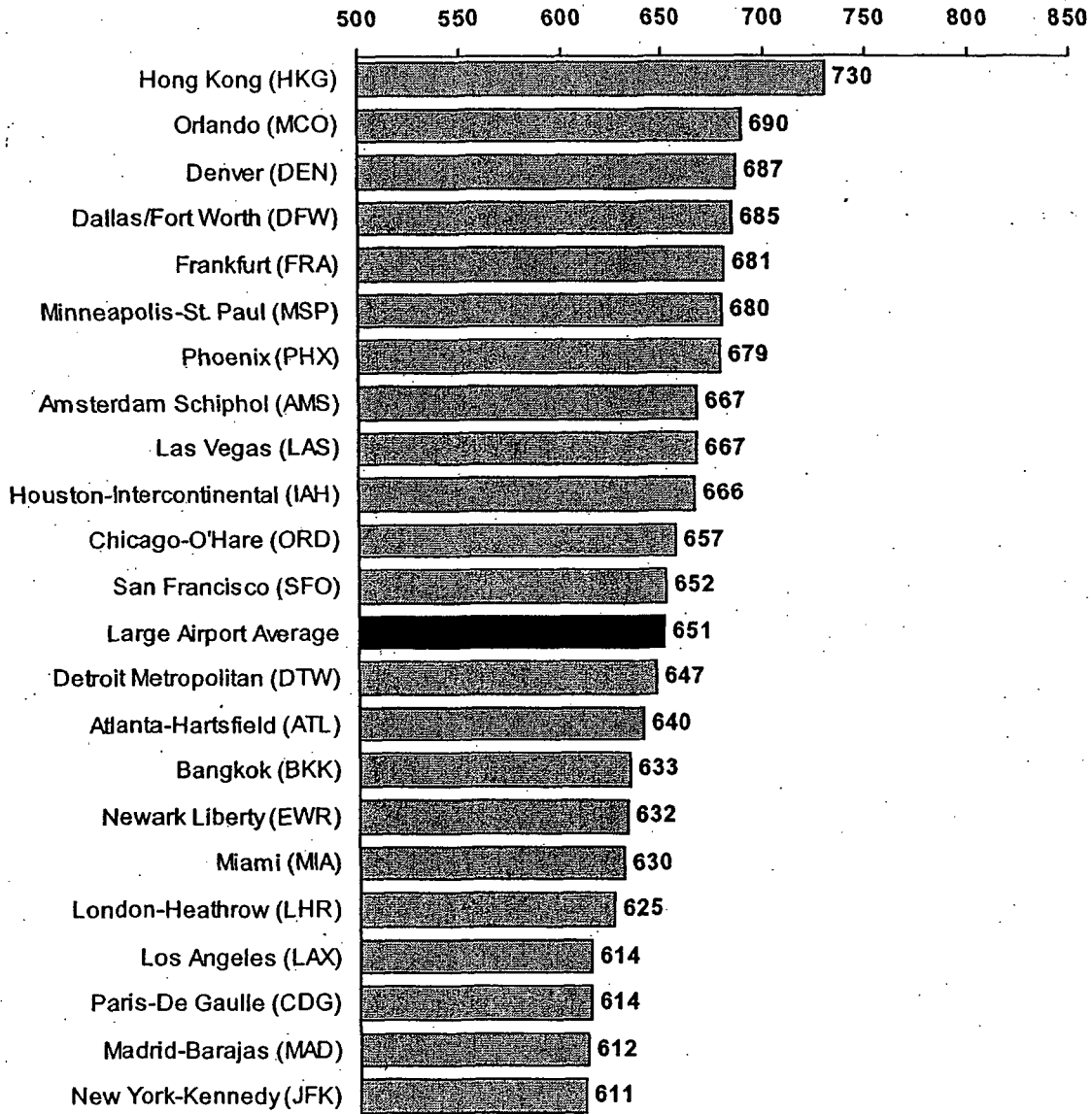


# J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

## Large Airport Ranking

(30 million passengers or more per year)

Overall Passenger Satisfaction Index Score  
(Based on a 1,000-point scale)



NOTE: Tokyo-Haneda (HND) is included in the study but is not ranked due to insufficient sample size.

Source: J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

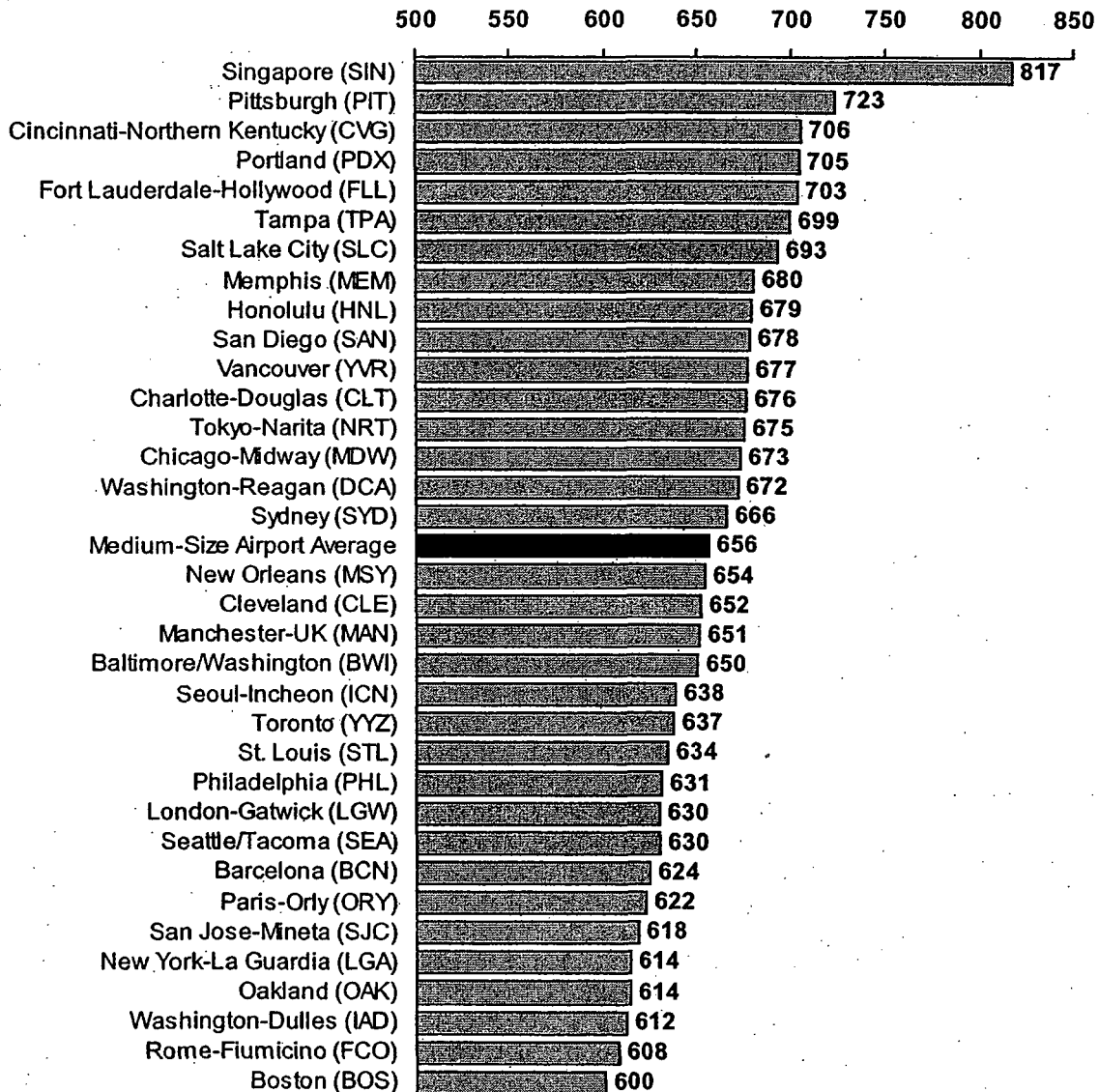
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# J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

## Medium-Size Airport Ranking

(10 million to less than 30 million passengers per year)

Overall Passenger Satisfaction Index Score  
(Based on a 1,000-point scale)



NOTE: Cancun (CUN), Dubai (DXB), London-Stansted (STN), Melbourne-Australia (MEL), Mexico City (MEX), Milan-Malpensa (MXP), Munich (MUC) and Zurich-Unique (ZRH) are included in the study but are not ranked due to insufficient sample size.

Source: J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

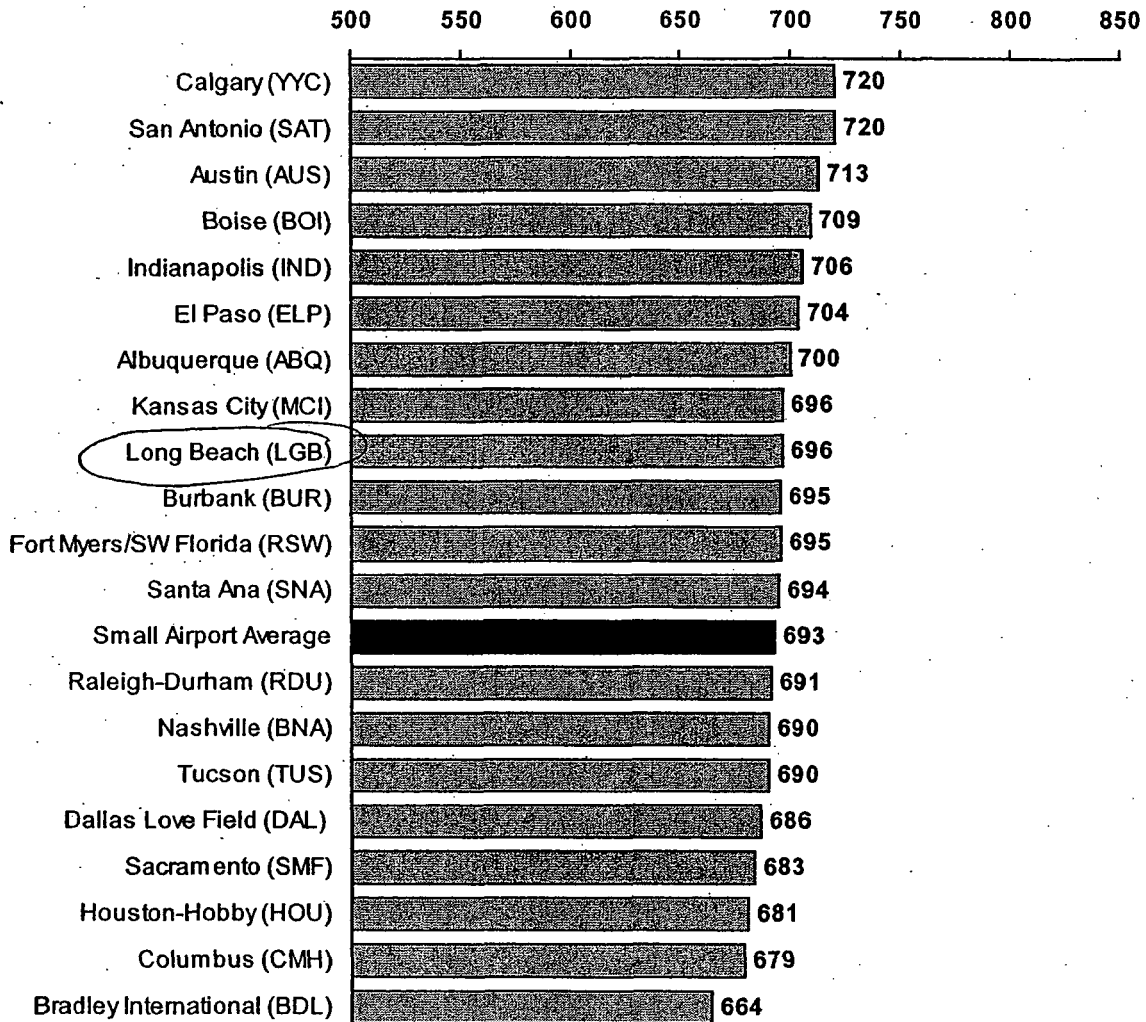
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# J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

## Small Airport Ranking

(Less than 10 million passengers per year)

Overall Passenger Satisfaction Index Score  
(Based on a 1,000-point scale)



NOTE: Birmingham-UK (BHX), Manchester-US (MHT), Milwaukee (MKE) and Tulsa (TUL) are included in the study but are not ranked due to insufficient sample size.

Source: J.D. Power and Associates 2004 Global Airport Satisfaction Index Study<sup>SM</sup>

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*San Jose Mercury News (California) November 3, 2004 Wednesday MO1 EDITION*

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San Jose Mercury News (California)

**November 3, 2004 Wednesday MO1 EDITION**

**SECTION:** BU; BRIEF; Pg. 4

**LENGTH:** 140 words

**HEADLINE:** TURBULENT TIMES

**BODY:**


**Airports** operate like non-profit corporations. If they earn a profit, they tend to use it for improvements or return it to airlines through lower landing fees. If they get into financial trouble, they boost those fees.

Nationally, **airport** operating revenue over the past four years has increased 7.8 percent a year on average, according to the credit rating firm Fitch. But **operating expenses** have risen 9.5 percent, partly due to the increased security costs.

Airlines are borrowing more than in the past. Their long-term debt per passenger boarded has risen steadily from \$59.10 in 2000 to \$80.14 in 2003, according to Fitch.

Since the airline industry's deregulation in 1978, more than 130 airlines have gone bankrupt. Yet no **airport** over that period has defaulted on its general revenue bonds.

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Terms: "airport" and "operating expenses" and date geq (07/12/2004) ([Edit Search](#))

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*The San Francisco Chronicle NOVEMBER 16, 2004, TUESDAY,*

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## **San Francisco Chronicle**

The San Francisco Chronicle

NOVEMBER 16, 2004, TUESDAY, FINAL EDITION

**SECTION:** BUSINESS; Pg. E1

**LENGTH:** 1360 words

**HEADLINE:** Singing the fuel blues

**SOURCE:** Chronicle Staff Writer

**BYLINE:** David Armstrong

**BODY:**

Airplanes are packed and **airport** security lines are teeth-grindingly long, but at least travelers have had one comfort these past few years: Air fares on many routes are cheaper than they've ever been, held down in part by the rise of low-cost carriers such as Southwest Airlines and JetBlue Airways.

But aviation industry analysts say frequent fliers should strap themselves in for a bumpy ride. Stubbornly high jet fuel prices that dramatically lift operating costs for airlines have recently prompted airlines around the world to add fuel surcharges to their ticket prices, and even penny-pinching discount carriers may have to follow suit.

So far, major low-cost carriers such as Southwest and JetBlue have avoided surcharges, which have modestly raised ticket prices at major network carriers such as American Airlines, the world's largest airline, and United Airlines, the second largest. But some analysts say pressure to raise fares is bound to prove irresistible to holdouts.

"Higher air fares are a reality, and they are coming to an **airport** near you, and they are coming soon. They have to," said Henry Harteveltdt, principal analyst in the San Francisco office of Forrester Research.

"Excursion (round-trip) fares from San Francisco International to New York Kennedy will be in the \$300 to \$450 range," Harteveltdt said, referring to fares that now average \$50 to \$150 less.

After labor, fuel is the second-highest expense for airlines, accounting for about 15 percent of operating expenses. U.S. carriers have slashed the amount of money they spend on labor, amid often-tense negotiations with workers, only to see their fuel costs soar. American, for example, has said it will spend \$1.2 **billion** more for fuel this year than it expected.

Even low-cost carriers, which have risen to grab 25 percent of market share and to be seen as invincible, are feeling the pain.

ATA Airlines filed for Chapter 11 bankruptcy last month, citing fuel costs as a major reason for its inability to function. America West, the nation's second-largest low-cost carrier and eighth-largest carrier overall, lost \$47.1 million in the third quarter of this year.

Such losses have continued to mount even though the airline industry as a whole has filled 76.8 percent of available seats so far this year, cresting at more than 80 percent during the peak summer months.

Rising fuel prices are one big reason for the continuing losses, especially for airlines that failed to hedge fuel purchases. Hedging refers to the practice of locking in a specific and, the airlines hope, low rate for future bulk purchases.

American, which did not hedge large amounts of fuel, charges an extra \$15 each way for fuel on domestic flights and \$25 each way for overseas flights because of crude oil price surges that went as high as \$55 per barrel several weeks back. In 2003, the price of crude averaged \$30.53 per barrel.

It closed at \$46.87 on Monday.

United, the dominant carrier at San Francisco International **Airport**, introduced a \$10 fuel surcharge for one way on domestic flights last year, then raised it to \$15 in August. United Chief Executive Officer Glenn Tilton, a former oil company executive, has said the bankrupt carrier cannot hedge fuel purchases in large quantities because it has difficulty securing credit.

The fuel crisis has an international dimension, too. Commercial air carriers as far-flung and diverse as British Airways, Air France, Cathay Pacific Airways and Qantas Airways have slapped fuel surcharges on tickets. Singapore Airlines imposed a fuel surcharge this spring, then raised it last week.

The fuel price crisis has not kept top-tier low-cost carriers in the United States from making money -- at least so far.

The nation's largest low-cost carrier, Southwest, the dominant airline at Oakland International **Airport**, has shrewdly created fuel hedges. It bought 80 percent of its fuel for 2004 at \$24 per barrel, roughly half the average price for this year. Southwest earned \$119 million this year in the third quarter, a historically lucrative quarter that encompasses the summer travel season. That's up 12.4 percent from \$106 million profit in the third quarter of last year.

Partly thanks to strong hedging, Southwest has no plans to impose a fuel surcharge or fee, spokeswoman Linda Rutherford said. "We don't fee our passengers to death," she said. "We have significant fuel hedging in place for 2005, and we are working on hedging fuel for 2006 and 2007."

That's not the case with JetBlue, the stylish, all-economy-class, New York carrier with a growing presence at Oakland and Long Beach **airports**. It earned \$8.4 million in the third quarter, down from \$29 million last year.

"The combination of a continued weak pricing environment, record-high fuel prices and the impact of four major hurricanes in many of our Southern markets made for a very challenging quarter," said JetBlue's CEO, David Neeleman, spreading the blame for the weaker performance.

Some other low-fare carriers lost money outright. For example, America West, which made \$32.9 million in the third quarter of 2003, bled \$47.1 million in the same quarter this year. The Phoenix carrier said it paid \$1.18 per gallon for fuel in the past quarter, 39.5 percent more than during the same quarter last year.

The fuel conundrum has created an aviation paradox: While airlines are experiencing high

load factors -- the percentage of seats filled -- they haven't been able to raise fares enough to make money on the tickets they're selling.

Fuel surcharges, which so far run \$10 to \$15 on one-way domestic flights and \$25 to \$50 on one-way international flights, are too small to make many travelers sit up and take notice.

But while fares are starting to rise, they are rising from record lows. The technology and consulting firm Unisys Corp. estimates that U.S. air fares fell by 20 percent from 2000 to the middle of this year. Thus, the airline industry is not yet benefiting much from the modest upward bump.

The **Air Transport Association**, an airline industry trade group, predicts U.S. carriers will **lose \$5 billion** this year, the fourth straight money-losing year since 2000, when the economy began to slump.

Oil prices are not the only factor hurting airlines, said Harteveltdt, the Forester Research analyst. Overly ambitious route expansion, purchases of pricey new planes and failed attempts to rewrite business plans play a role, too, he said. As an example of the latter, he cited ATA's blunted stab at transforming itself from a low-fare vacation airline to a cushy business-flier airline with a first-class cabin.

Still, as long as fuel costs remain high and fares remain low, most airlines will not make money, analysts say. And fuel costs may not fall much anytime soon.

"Even if fuel comes down by around 20 percent from the 50s (dollars per barrel), actual fuel costs will be higher in 2005 due to lower/no hedge positions going forward and much lower costs in the beginning of 2004. We view fuel as part of the yield pressure (on) the industry," Citigroup Smith Barney analysts wrote in an industry note last week.

For the most part, analysts back off from forecasting specific fares, citing the difficulty of knowing what fuel prices will be in, say, a year, or what the overall business climate and security situation will be. But airline-watchers agree about the direction fares are headed in the months to come: Up.

---

#### Coping with high aviation fuel prices


Here are some steps commercial airlines are taking to counter rising fuel prices:

- Imposing fuel surcharges on fares
- Carrying less fuel on long-haul and international flights to reduce weight
- Flying at slightly lower speeds to reduce burn rate of fuel
- Buying jet fuel in parts of the country where prices are lower
- Taxiing on the runway with one engine

Source: Air Transport Association E-mail David Armstrong at [davidarmstrong@sfchronicle.com](mailto:davidarmstrong@sfchronicle.com).

**GRAPHIC:** PHOTO: CHART, PHOTO: Johnson Asibour fuels a Continental passenger jet at Denver International **Airport** before its flight to Houston. / Matthew Staver / Bloomberg News, CHART: Crude oil prices / The Chronicle

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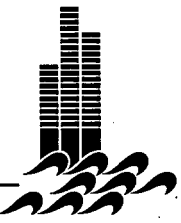
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