



ARSAC Alliance for a Regional Solution to Airport Congestion
322 Culver Blvd., #231 Playa del Rey, CA 90293
www.regionalsolution.org 310-641-4199

March 15, 2013

via email: mzimmerman@ceo.lacounty.gov

Mr. Martin K. Zimmerman
Acting Senior Assistant Chief Executive Officer
County of Los Angeles Chief Executive Office
745 Kenneth Hahn Hall of Administration
Los Angeles, CA 90012

Dear Mr. Zimmerman:

ARSAC, the Alliance for a Regional Solution to Airport Congestion, thanks you for the opportunity to provide input to your report concerning Los Angeles World Airports (LAWA) regionalization efforts.

The transfer of the Palmdale Regional Airport (PMD) lease to the City of Palmdale currently in progress and the proposed transfer back of Ontario International Airport (ONT) to the Ontario International Airport Authority demonstrate what is very clear: current LAWA management have shown they cannot competently operate a multiple airport system and that LAWA has failed in its commitment for regionalization. Other entities, namely, the City of Palmdale and City of Ontario and County of San Bernardino have stepped forward to make their hometown airports into vibrant, successful regional airports. We support local control of ONT and PMD so long as LAX remains constrained and does not expand or move runways closer to LAX area neighborhoods.

ARSAC is extremely dissatisfied with LAWA's blatant disregard for its commitments to effect airport regionalization pursuant to Sections VII "Regional Airport Working Group" and VIII "Regional Strategic Planning" of the Stipulated Settlement Agreement. To resolve this problem, ARSAC will be invoking its rights under Section XIII, "Enforcement of this Settlement". ARSAC will be sending LAWA a "Right to Cure" letter before the end of the month to address LAWA's deficiencies in Regionalization and other issues. We hope that the County of Los Angeles will join us in this effort.

Question #1: What is your organization's assessment of Los Angeles World Airport's regionalization efforts?

ARSAC gives LAWA a "Fail" grade for regionalization. LAWA initially made an effort at regionalization and when singular efforts to create a Regional Work Group and marketing of Ontario International Airport and Palmdale Regional Airport failed, LAWA appeared to have taken an attitude of "oh well, we tried, let's check the box that we made the effort." After those efforts, LAWA purposely undermined any further possible regionalization efforts by surrendering the PMD operating certificate to the Federal



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Aviation Administration (FAA) and did not include ONT in the renewal of the Los Angeles Tourism Board air service marketing contract in 2011. The surrender of the FAA airport operating license will set back City of Palmdale's efforts to be able to operate PMD by a few years. LAWA has also neglected ONT. Only after the SetONTario Free campaign was started, which ARSAC endorses, did LAWA make conscious efforts to reduce overhead costs at ONT and re-added ONT to the LA Tourism Board air service marketing contract for LAX and ONT. Much like the invention of the light bulb, regionalization is not a one-time effort; regionalization must be an on-going, pro-active effort to achieve success. LAWA's belief that regionalization would occur by osmosis and that using percentages of handling Southern California's air traffic as a metric are fallacies. Regionalization will only become successful through hard work and actual passenger and cargo numbers, not percentages.

Re-cap of selected LAWA regionalization efforts

Regional Working Group. Other than attempting to revive the Southern California Regional Airport Authority (SCRAA), we know of no efforts by LAWA to form a Regional Working Group with "the FAA, Southern California Association of Governments (SCAG), the Counties of Los Angeles, Orange, Ventura, Riverside and San Bernardino and airport operators in Southern California." (Stipulated Settlement Agreement, Section VII.)

Southern California Regional Airport Authority (SCRAA). LAWA did facilitate revival of SCRAA. SCRAA held several meetings and decided to disband. LAWA does not appear to have made other efforts after that to ask the other parties in the Regional Working Group to consider "the feasibility of entering into a joint powers agreement to create a regional airport authority and/or supporting legislative efforts to create such an authority." (Stipulated Settlement Agreement, Section VII.)

Financial and Operational Control of ONT and PMD. LAWA is about to violate the last sentence of Section VII of the Stipulated Settlement Agreement by transferring control of ONT and PMD to their respective cities. ARSAC is willing to support an amendment to the Stipulated Settlement Agreement to affect these transfers in exchange for other concessions from LAWA.

Regional Strategic Planning Initiative (RSPI). Under Section VIII of the Stipulated Settlement Agreement, LAWA was to develop an annual Regional Strategic Planning Initiative to encourage passenger and cargo growth at ONT and PMD. LAWA was supposed to prepare the first RSPI by December 31, 2006. As a result of ARSAC's California Public Records Act request in 2012, we learned that LAWA only produced one RSPI in March 2007. After producing one late RSPI, no other annual RSPI appear to have been published. LAWA has provided two PowerPoint presentations to the Board of



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Airport Commissioners (BOAC) on regionalization, but in no way do these presentations meet the criteria required in the Stipulated Settlement Agreement for the RSPI.

Marketing of ONT. Through the outstanding leadership of then-LAWA Air Service Marketing Director Mark Thorpe, ONT was re-branded LA/Ontario International Airport and the creative “Fly Ontario Instead” advertising campaign was launched in 2007. ONT also became home to ExpressJet’s largest base. When the economy soured in 2009 and ExpressJet withdrew from being a direct carrier and retrenched solely as a contract carrier for the major airlines, ONT began to see a decline in airline service. LAWA appeared to pay little attention to the decline in passengers until the City of Ontario began raising the issue with LAWA. After some time, LAWA did begin to address reducing overhead costs. In what appeared to be a retaliatory move, ONT was not included in the 2011 renewal of the air service marketing contract given to the Los Angeles Tourism Board. Later, ONT was re-added to the Air Service Marketing contract.

Marketing of PMD. PMD is a prime example of LAWA’s one-time efforts on regionalization. Again, through the great leadership of Mark Thorpe, LAWA did secure a \$900,000 Federal Small Community Air Service Development Grant for PMD and put together the Wheels Up Palmdale Coalition which raised a total of \$5 million in monetary and non-monetary support for PMD air service. While United Airlines was the successful bidder for the subsidized service, United pulled the plug on the service once the subsidy ran out. Instead of learning from the failure of United Airlines to capitalize on the PMD market, LAWA surrendered PMD’s airport operating certificate to the FAA and thereby stymied the City of Palmdale’s efforts to operate and market PMD.

The United Express service failed at PMD because United:

1. Did not offer introductory low fares to stimulate the local market. As a result of non-competitive fares, passengers who should have been using PMD continued to leak out to Burbank Airport and LAX.
2. Had inconvenient connection times in San Francisco (up to a 4 hour wait) for return flights into PMD.
3. Replaced regional jets with turboprops. While the aircraft change doubled frequency to four daily flights, there is a “turboprop avoidance factor” in the flying public. This usually results in a 50% drop of passengers when a jet aircraft is replaced by a turboprop on a route.
4. Waited too long to get onto the U.S. General Services Administration’s “City Pairs” program. If United had the PMD-San Francisco route on the City Pairs approved list, then they would have been able to tap into the largest possible customer base in the PMD catchment (marketing) area- the U.S. Government. PMD is the closest commercial airport for Edwards Air Force Base, one of the largest USAF bases in the U.S. and also the FAA and defense contractors Lockheed Martin, Boeing and Northrop Grumman at PMD/Air Force Plant 42.



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What makes this story even worse, as we have learned from people at United and LAWA, is that United used its bid on the PMD subsidy contract to give it leverage on its LAX terminal lease negotiations as a result of United's Chapter 11 bankruptcy filing. United unsuccessfully tried to use bankruptcy to shed debt related to its leases on LAX Terminals 6, 7 and 8.

Office of Regionalization. LAWA did create an Office of Regionalization and hired former Newport Beach Assistant City Manager Peggy Ducey to lead this office. After a few meetings with the Petitioners (County of Los Angeles, Cities of Culver City, El Segundo and Inglewood and ARSAC), Ducey's contract was not renewed for some time. After her contract was renewed, meetings resumed. Ms. Ducey was making some progress in working with the Disneyland Resort to see if they could help support regionalization by having their guests fly in and out of ONT. Ms. Ducey had put together a report on her findings, but the report has never been made public. After Ms. Ducey's contract ended the second time, the Office of Regionalization was dissolved.

The Petitioners were encouraged by Ms. Ducey's work and in an effort to push for more progress more quickly, sent a letter to LAWA (attached) requesting a meeting to share the Petitioners' specific ideas for regionalization. There was no response to the letter. When confronted with the existence of this letter at a BOAC meeting in December 2011, LAWA Executive Director Gina Marie Lindsey denied having received it. The Petitioners re-sent the letter two times and to this day have not received a response.

ONT Master Plan. While not a part of the Stipulated Settlement Agreement, LAWA abandoned the ONT Master Plan efforts in 2006. LAWA has never disclosed why this Master Plan was stopped. The County of Los Angeles should ask for this information.

PMD Master Plan. While not a part of the Stipulated Settlement Agreement, LAWA abandoned the PMD Master Plan efforts in 2005. LAWA has never disclosed why this Master Plan was stopped. The County of Los Angeles should ask for this information.

Air Service Marketing Director. While not a part of the Stipulated Settlement Agreement, LAWA eliminated this position after Mark Thorpe took a similar position with Dallas/Fort Worth Airport in December 2011.

ONT management. Surprisingly, for such a large airport, LAWA only has Jess Romo as a part-time manager for ONT.

ONT Federal Inspection Services. ONT has facilities for U.S. Immigration and Customs Enforcement (ICE). LAWA does not appear to have advocated strongly for better ICE staffing for ONT to support additional international flights to south of the border. LAWA may not have followed up on Korean Air's interest in ONT for future service. Korean Air had requested the visit to ONT.



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Question #2: Do you have recommendations to further facilitate and promote regionalization in Southern California.

ARSAC strongly believes that a robust network of regional airports is required to meet Southern California's future airport capacity needs. Regional airports such as ONT and PMD are essential to provide access in and out of Southern California especially in cases where operations at LAX are interrupted by natural and man-made calamities. ARSAC suggests the following to make regionalism a reality in Southern California:

1. LAWA needs to implement Metro's initiative to connect ground transportation to Southern California airports. LAWA should pro-actively work with Metro, Metrolink, California High Speed Rail Authority and other bus transit agencies to bring public transportation to the passenger terminals at LAX, ONT and PMD. Modern, world class airports have public transportation built into the passenger terminals or within a short walking distance of the terminal. As we have learned from the International Air-Rail Conference that was held in Los Angeles, using shuttle buses to get from the train or tram into the airport results in a drop off of the number of passengers who want to use public transportation to the airport. With the California High Speed Rail going to ONT and PMD, LAWA should offer space for a train station underneath or next to the passenger terminals. XpressWest, which plans to operate a Las Vegas to Victorville high speed line, should be offered station space to encourage XpressWest to extend the line to PMD. LAWA should also support the Gold Line extension to ONT and a Metrolink stop at ONT. Good examples of multi-modal airports with trains, trams and busses include Amsterdam, Frankfurt, Hong Kong, and Tokyo-Narita.
2. ONT and PMD marketing efforts made public. LAWA should make public ONT and PMD marketing reports, marketing materials and appointment books for air service development conferences such as "Routes" (www.routesonline.com) and Airport Council International's "JumpStart". By disclosing this information, the public can see how effectively LAWA has attempted to market these airports.
3. LAWA needs to update the air service marketing studies for ONT and PMD. These critical studies were last updated in 2004 for ONT and in 2001 for PMD with the PMD report commissioned and paid for by the County of Los Angeles.
4. ONT Destination Marketing. The areas around ONT have good amenities to support conventions such as airport hotels and convention center, Ontario Mills Mall, Cabazon outlets/Morongo Casino, etc. A locally controlled entity in the Ontario area should lead this effort.



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5. Creative thinking. Amusement park operators and tour operators should be approached about using their buying power with the airlines to fly their guests in and out of ONT and PMD. A good example is the Disneyland Resort. Likewise, Pleasant Hawaiian Holidays, principally owned by the Auto Club of Southern California (which also owns the Auto Clubs of Hawaii and Texas among others), could fly their Hawaii-bound passengers who leave near ONT and PMD to help support regionalization.

6. Transfers of ONT and PMD to local control. ARSAC supports local control of ONT and PMD. Again, we support local control of ONT and PMD so long as LAX remains constrained and does not expand or move runways closer to LAX area neighborhoods. ARSAC believes that the Stipulated Settlement Agreement must be amended with concessions from LAWA to affect these transfers of control to avoid having LAWA violate the Stipulated Settlement Agreement. If LAWA no longer owns or controls ONT and/or PMD, then LAWA may not have an incentive to actively support regionalization. Nonetheless, LAWA should remain legally committed to participating in and supporting airport regionalization in Southern California.

Please contact us if you have any questions. We look forward to working more closely with you.

Sincerely,

Denny Schneider
President
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Vice President
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ATTACHMENT: Regionalization meeting request letter



April 15, 2011

Mrs. Valeria Velasco
Chairman, Regionalization Committee
Los Angeles Board of Airport Commissioners
1 World Way
Los Angeles, CA 90045

Ms. Gina Marie Lindsey
Executive Director
Los Angeles World Airports
1 World Way
Los Angeles, CA 90045

Re: Request for Meeting About Regionalization of Airport Demand – *El Segundo, et al. v. City of Los Angeles, et al.*, Riverside County Superior Court Case No. RIC 426822 – Settlement Agreement, §§ VII and VIII

Dear Mrs. Velasco and Ms. Lindsey:

This letter is submitted on behalf of co-Petitioners City of Inglewood, City of Culver City and Alliance for a Regional Solution to Airport Congestion (“ARSAC”) (“Petitioners”) for the purpose of clarifying the intent of Petitioners with respect to sections VII and VIII of the Agreement entered into between the parties in settlement of *City of El Segundo, et al. v. City of Los Angeles, et al.*, Riverside County Superior Court Case No. RIC 426822 (“Settlement Agreement”), which governs Respondent City of Los Angeles’ (“City”) and Los Angeles World Airports’ (“LAWA”) duties and obligations with respect to “regionalization” of air passenger demand. This letter is a follow up to the meeting of March 3, 2011, at which LAWA set forth its view of its “regionalization” obligation. This letter sets forth Petitioners’ original and continuing intent with respect to “regionalization” and some proposals for achieving that goal in a more effective and expeditious manner.

I. THE DEFINITION OF REGIONALIZATION

As a threshold Issue, it was Petitioners’ understanding from the outset that regionalization was to be a “proactive redistribution of a portion of Southern California’s aviation demand to unconstrained airports in the Southern California region other than LAX, in order to achieve a more equitable and proportional allocation of airport growth and aircraft operations among the airports, reduce congestion, increase safety, and minimize vehicle miles traveled, with consequent benefits to

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both the environment and the economy.” What Petitioners believe to be the agreed upon scope of the definition is not now, nor ever was intended to be, a passive, supply and demand based model where, when traffic at LAX increases sufficiently to create increased costs, either directly or through negative externalities, or impacts, passengers independently decide to use other available airports. Rather, true regionalization is a result oriented process, conducted in close collaboration with co-Petitioners, the success of which is to be measured by growth in the absolute numbers (not percentages) of air passengers using other airports. The function of regionalization, in the most fundamental sense, is to stop the “leakage” of passengers from other airports in Southern California to LAX and to proactively promote the use of other airports that are legally and physically unconstrained, such as Ontario (“ONT”) and Palmdale (“PMD”).

Further, there are a number of immediate options available to LAWA and co-Petitioners to effectuate regionalization. First, redirecting passengers to other airports can be accomplished, at least partially, through enhancing ground transportation options to those airports. This process should begin by working with ground transportation providers to make receptor airports into regional transportation hubs for all modes of transportation for passengers and cargo. Its goal should be to provide passengers with a robust variety of convenient ground transportation options, including rail and airport bus transport. Its objectives should include, by way of example: (1) direct terminal access for rail and/or mass transit centers within a short walk of the passenger terminals; (2) additional fly-a-ways such as those already established pursuant to the provisions of the Settlement Agreement; (3) lower shuttle/taxi/livery fees for outlying airports than for LAX to encourage demand; and (4) encouragement to ONT and PMD area hotels, to offer “park/stay/fly” packages.

Finally, LAWA and Petitioners should start working together more actively to develop a campaign to promote other unconstrained airports, to assure sufficient regional airport capacity before air travel fully recovers from its recent downturn and LAX returns to a level approaching the ceiling mandated by the Settlement Agreement of 78.9 million air passengers a year. LAWA should also engage other entities on a cooperative basis to advance the interest of regionalization. Redirecting passengers and cargo will depend, at least partially, on the public’s awareness of the availability of transportation options at other airports. Toward that end: (1) air service marketing studies dating back 10 years in some cases should be updated; (2) airlines should be engaged in determining the primary features and benefits that would make other airports more attractive including reduction in costs; and (3) if airlines already have been so engaged, LAWA should make regular reports on the outcome of discussions and steps taken toward meeting airline and passenger needs.

In summary, this letter summarizes, but by no means exhausts, the options open to LAWA. It is no secret that Petitioners have not been satisfied with the slow pace of LAWA’s regionalization efforts to date. However, Petitioners are confident that by taking prompt, affirmative action toward the above goals, and others developed by our joint efforts, LAWA can promptly and effectively achieve the regionalization objectives mandated by the Settlement Agreement. The first step in this process is to abandon the passive approach articulated at the last regionalization meeting, and schedule another meeting of the parties at which programs to meet the goals and objectives set out

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in this letter can be reviewed, discussed and approved, and at which Petitioners may share specific recommendations and programming for achieving regionalization.

Petitioners look forward to working with LAWA toward realizing our collective commitment to regionalization, and to a meeting toward that end no later than the first week of May 2011.

Sincerely,

A handwritten signature in cursive script that reads "Barbara E. Lichman".

Barbara E. Lichman, Ph.D.