

Long Beach

BUSINESS JOURNAL

May 24-June 6, 2011

Airport Maintains 'Affordability;' Terminal Upgrades Turn New Corner

Costs Remain 'Lowest In California' Despite Rising Fuel Prices, Volatile Economy



Environmental health specialist Brad Thomas inspects a local restaurant's food products for correct food temperature, one of the most common violations at Long Beach restaurants. (Photograph by the Business Journal's Thomas McConville)

■ By **SEAN BELK**
Staff Writer

In a competitive climate where smaller regional terminals are losing traffic to big hub airports and large-scale modernizations have experienced increased costs, conditions at the Long Beach Airport may be the exception.

Despite recent concerns over rising fuel prices affecting the pocketbooks of both airlines and passengers, commercial and general aviation traffic through Daugherty Field has remained relatively "stable," said Airport Director Mario Rodriguez. Long Beach has been able to leverage against rivals Los Angeles International (LAX) and John Wayne airports with a reputation as one of the most affordable airports in the region, where customers actually "pay less for more convenience," he said.

"One of the advantages of operating out of here is we offer one of the lowest operational costs in the entire State of California," Rodriguez said. "We have not lost traffic to LAX, our load factors remain good, we remain stable and strong and we have the data to back it up. It isn't just pie in the sky, it actually is happening here."

Even moving forward with a \$146 million capital improvement plan – which includes a new terminal, boarding lounge and parking

garage – the airport still hasn't had to push added costs on to tenants, airlines or passengers, he said. The airport currently maintains the fifth lowest ticketed price in the country, according to a fourth quarter report by the U.S. Department of Transportation's Bureau of Transportation Statistics.

Although traffic is "slot regulated," meaning commercial airline traffic is limited by the city's enforced noise ordinance, Daugherty Field saw approximately 2.9 million commercial airline passengers in 2010, which is roughly twice the traffic of a decade ago, according to airport statistics. After Frontier Airlines officially left in April, the airport's air carrier slots remain full and are serviced by a total of five commercial airlines, each offering a diverse set of domestic flights, Rodriguez said.

Since the adoption of the city's noise ordinance in 1995, regulating the number of flights per day, excluding Military aircraft, more tenants have come under compliance over the years while engines become more energy efficient and technologically advanced, Rodriguez said.

JC Squires, CPA, the airport's manager of finance and administration, said noise complaints have dropped dramatically over the last three years, falling 55 percent since 2008 (8071 in 2008 compared to 3,579 complaints last year). "There's a

lot of information to the citizens and we think we provide a pretty good outreach," he said. "Planes continue to improve and we continue to work with the airlines on their good neighbor policies. The results are there."

'Net Positive' Growth

The airport strives to maintain a fiscally conservative approach to operations, much like a business, and has kept the modernization efforts under a strict "self sustaining" budget plan, while the airport has diversified revenue streams with its wide range of businesses, Rodriguez said.

With a slight increase last year in passenger traffic and general aviation activity due to the recovering economy, the airport was able to end Fiscal Year 2010 "net positive," with a surplus of about \$4.4 million. Revenues from general aviation flights and commercial airline passengers alone totaled \$18.1 million, according to airport staff.

"The airport is doing excellent," Rodriguez said. "Last year we exceeded our net positive revenue projections, although we always expected to be on the positive side, and as of this month, we are exceeding our net revenue projections again, so we are in very good shape."

With the price of jet fuel going up around the country, causing airlines to



Pictured from left are: JC Squires, CPA, manager of finance and administration for the airport; Mario Rodriguez, director of the Long Beach Airport; and Carolyn Carlton-Lowe, airport operations and facilities bureau manager. (Long Beach Business Journal photograph by Carlos Delgado)

surcharge ticket prices, Rodriguez said it's even more important to maintain low operational costs. He said Long Beach still charges airlines a low fee of only \$6.50 per passenger despite the average fee at airports throughout California being around \$9 per passenger.

Funding for modernizing facilities has primarily come from municipal airport bonds, grants and the passenger facilities charge (PFC), a fee paid for by passengers and regulated by the federal government. He said the fee has remained relatively low at \$4.50 per passenger and the government is aware, "this isn't the time to start raising fees."

General Aviation, FBOs

Improving customer service is also a hallmark to keeping intact the airport's diverse mix of tenants, which includes a wide array of aviation and aerospace operators, from Boeing's C-17 production line to corporate fixed based operators (FBOs), small aircraft sales operations, repair shops and flight schools.

General aviation operators have suffered possibly the most in recent years due to there being less discretionary dollars, and operators have had to either diversify services, make management changes or sell.

During the recession, general aviation flights decreased close to 25 percent at the Long Beach Airport, according to airport statistics (medical emergency flights are included in general aviation). However, Rodriguez said the aviation market appears to be at the bottom and it's only a matter of time before tenants bounce back again.

Last year, there were a total of 285,418

general aviation flights, which is a slight improvement from 2009, but still down from the airport's peak-year in 2007, when there were 371,126 flights, according to airport statistics.

Some general aviation tenants have expressed concerns over the airport's marketability, while corporate FBOs have been aggressively lobbying in Washington, D.C., to bring back on-demand federal customs checking for international corporate flights.

Still, lease rates for airport tenants remain the "lowest in the region," hovering around 30 to 64 cents per square foot where other airports charge anywhere from \$1.70 to \$2.60, according to

Rodriguez. In regards to any increase in rent to airport tenants, including Parcel J, along with the Daugherty Sky Harbor located on Spring Street, Rodriguez said the airport is expected to complete final negotiations within coming months with all leaseholders on new terms, which would then go to the city council for approval, possibly by summer.

Despite previous fears of a 20 percent hike in rates, he said any new rates would be "financially feasible" for both parties. "It would be negligent of us to raise rents up to a point where we drive people out of business," Rodriguez said. "So we want to make sure those two things are balanced."

Modernization Underway

Long Beach Airport's aggressive plan to modernize facilities and improve customer service is steadily moving forward this year. Major projects include a newly built, four-story, \$58.6 million parking garage, expected to hold 1,990 parking spaces when it opens in mid July, and a \$45 million modernized passenger concourse that includes centralized security screening, concessions and boarding lounge facilities, currently underway. Other upgrades include rehabilitating the historic terminal, and upgrading the air carrier ramps.

Last year, the Long Beach City Council named Temecula-based EDGE Development Inc. as the general contractor to the major passenger concourse and terminal project. The contractor is responsible for carrying out a project labor agreement with a requirement of 30 percent local hiring of subcontractors, among other stipula-



The Long Beach Airport's new \$58.6 million parking garage is expected to be officially completed and open in mid-July. The new structure provides convenience with 1,990 parking spaces, a new surface lot with 247 parking spaces and new roadways. (Long Beach Business Journal photograph by Carlos Delgado)

tions. The terminal improvement project would provide for roughly 350 jobs and is expected to be completed by May 2013.

The plan is not aimed at growing the airport, but rather to “elevate” the airport’s customer service capabilities of being convenient and relaxed, and to do so in a financially feasible way. The upgrades would replace the current trailers that have provided as the airport’s holdrooms and rent-a-car services, Rodriguez said. During construction and demolition of current buildings on the terminal, the airport is focusing on keeping passengers safe in newly constructed temporary holdrooms, he said.

“What we’re focusing in on now is not expecting huge growth, but we have to fix our customer service problems,” Rodriguez said. “Our main vision for the airport is to be as customer friendly as possible. We’re trying to exceed our customer’s expectations and we’re trying to do that with everything we do . . . it’s an enhancement that’s a positive for the entire airport.” ■

Long Beach Airport Passenger Traffic

(2011-2000)

Calendar Year	General Aviation*	Commercial Departing	Commercial Arriving	Commercial Totals	Commercial Load Factor
2011 (thru April)	94,609	446,803	463,361	910,164	75%
2010	285,418	1,488,869	1,489,557	2,978,426	79%
2009	265,930	1,455,070	1,454,237	2,909,307	79%
2008	310,351	1,457,209	1,456,717	2,913,926	79%
2007	371,126	1,458,128	1,448,428	2,906,556	85%
2006	343,255	1,385,366	1,372,996	2,758,362	80%
2005	323,454	1,523,812	1,510,220	3,034,032	84%
2004	310,321	1,470,620	1,456,253	2,926,873	79%
2003	309,422	1,445,547	1,430,156	2,875,703	80%
2002	333,662	731,279	722,133	1,453,412	74%
2001	348,275	295,786	291,687	587,473	68%
2000	366,246	312,165	325,688	637,853	56%

* Includes Life Flight medical emergencies

Noise Complaints (2010-2008)

2010 – 3,579 complaints 2009 – 6,371 complaints 2008 – 8,071 complaints

There’s been a 55.6% decline in the number of complaints over a two-year period.

Source: Long Beach Airport