

**ONTARIO INTERNATIONAL AIRPORT AUTHORITY
COMMISSION MEETING**

MINUTES

Monday, August 5, 2013

The regular meeting of the Ontario International Airport Authority was held on Monday, August, 2013 in the City Council Chambers at Ontario City Hall, 303 East "B" Street, Ontario, CA.

Notice of said meeting was duly given in the time and manner prescribed by law.

CALL TO ORDER

Commission President Wapner called the Ontario International Airport Authority Commission meeting to order at 10:02 a.m.

ROLL CALL

PRESENT: Commissioners: Jim W. Bowman, Lucy Dunn,
Ronald O. Loveridge, Gary Ovitt
and Alan D. Wapner

ABSENT: Commissioners: None

Also present were: Executive Director Chris Hughes, and Assistant Secretary Vicki Kasad.

CLOSED SESSION

Hearing no requests to speak from the public, President Wapner adjourned the meeting to Closed Session at 10:02 a.m., for discussion of the following:

- GC 54956.8, CONFERENCE WITH REAL PROPERTY NEGOTIATORS
Property: Ontario International Airport, 2900 East Airport Drive, Ontario;
Authority Negotiator: Executive Director or designee; Negotiating parties: Los Angeles Mayor or his designee; Under negotiation: Price and terms of payment.

RECONVENE IN PUBLIC SESSION

The Ontario International Airport Authority Commission meeting was reconvened in public session at 10:33 a.m.

The Pledge of Allegiance was led by Secretary Loveridge.

CLOSED SESSION REPORT

President Wapner advised that there was no reportable action from the Closed Session discussion.

PUBLIC COMMENTS

None.

DISCUSSION/ACTION ITEMS

1. Approval of Minutes

Approved the Minutes for the meetings of the Ontario International Airport Authority of June 3, June 17 and July 1, 2013, as on file with the Secretary/Assistant Secretary.

MOTION: Moved by Commissioner Dunn, seconded by Vice President Ovitt Dunn and carried by unanimous vote to approve the Minutes as presented.

2. Presentation: ONT Performance Decline Since 2010

Executive Director Hughes introduced a video depicting the physical decline of the airport, noting that its physical condition contributes to the perception of the community.

Bob Hazel, representing Oliver Wyman, commented on the 2010 white paper report which looked at the airport's weak performance, noting high operating costs and the LAWA decision to focus primarily on LAX at the expense of ONT. He indicated that in the two years since that report, not much had changed, but there was some new information about the trends, which were cause for serious concern. He stressed that being a high cost provider was a critical issue for a secondary airport, and indicated that medium hub average performance does not explain ONT's performance. He detailed the declines in the 2010 report and up to the present, noting that it continues to diminish through the end of the year. He added that in January and February, 2014, Southwest Airlines will reduce the number seats by 9.2% and 11% respectively, which is another real reason for concern. He explained that if this downward spiral continues, ONT will fall below two million passengers between 2020 and 2025 and an additional 8,000 jobs and \$430 million in regional activity will be lost.

Mr. Hazel explained that travelers need frequency and at an airport such as ONT with high costs the problem only continues to get worse. He indicated that ONT's flight schedule is increasingly less attractive to business travelers, and the high operating costs are not declining sufficiently to keep pace with the passenger reductions. He noted that there is actually an increase in operating costs per passenger due to the fixed costs. He projected that the CPE in 2013 will likely return to the 2010 level of 13 and increase to 15 by 2018.

Commissioner Bowman noted the photographs and inquired how much money would be needed to counteract the downward spiral. Mr. Hazel indicated there was no precise number, but the costs were estimated to exceed \$10 million to create a low enough structure and create a marketing campaign. Commissioner Bowman questioned the declines in the 2010 white paper report. Mr. Hazel reported that from 2007-2010 there was a loss of 10,100 jobs and \$500,000,000 a year; and if we decline to two million passengers there will be a further loss of 8,000 jobs and \$430,000,000 loss a year.

President Wapner commented that this is extremely disturbing because people's lives are involved who relocated to the area, and stressed that this was nearly 20,000 people who were having to change their lives. He noted the photos of the airport and indicated he wanted to get them to the Los Angeles representatives and ask if they had any other facilities in such deplorable condition. He indicated that it was obvious that that had not done anything to maintain the facility, as it had only become more run down than before. He indicated that they had issued a plan which included an effort to bring down the cost of doing business, but they had not implemented that strategy. He commented that people were finding it difficult to work with LAWA, and suggested that this was a case of intentional mismanagement. He indicated that he would like photos of the old terminal and the new terminal, showing the current volume of passengers. He stressed that he wanted them to see how ludicrous it was that the airport was doing less business than when we gave it to them. He further stressed that it was being projected to have fewer than two million passengers when it was built for twenty four million passengers. Mr. Hazel concurred that he has grave concerns for the future of the airport.

Commissioner Bowman inquired if Mr. Hazel had done research on any other airports with part time managers. Mr. Hazel indicated that he had not.

Commissioner Dunn inquired if we owned the airport right now, would the recommendation be to shut it down or privatize it. Mr. Hazel indicated that he was surprised that the charges are so high and debt service is very low, and responded that the situation was fixable. He indicated that airports with serious cost issues usually have very high debt, so these costs are inconsistent with the operations. Commissioner Dunn commented that allowing an asset to deteriorate like this becomes criminally negligent.

Vice President Ovitt noted that the Inland Empire population is continuing to increase and showing signs of rebounding and questioned the status of tourism in Southern California. Michael Krouse, President, Ontario Convention Center & Visitors Bureau, indicated that it has increased throughout the region. Commissioner Dunn indicated that there were 230 million visitors in California and about \$106 billion into the economy, with Disney being the largest employer. Vice President Ovitt commented that he thought it appeared to be doing very well and questioned the flight volume levels in San Francisco and San Diego. He suggested that the LAWA operated airports were not taking advantage of the increasing tourism factors. Commissioner Bowman concurred that there was a lack of attentiveness and stewardship to the airport.

President Wapner noted the numbers issued by Los Angeles last month, and indicated as they were stated, there is no competition in the Southern California market. He also commented that Torrance was running ads to draw business from Ontario o Torrance.

Secretary Loveridge inquired into the background of Oliver Wyman. Mr. Hazel indicated that they are a management consulting firm, representing about 75% of the airlines around the world and many airports; and he personally was previously Vice-President of U.S. Airways.

Secretary Loveridge addressed an article in the Los Angeles Times today, which suggested a downward or death spiral and questioned the tipping point for an airport of this size. Mr. Hazel indicated that there had not been an airport of this size fail in the past, so it was difficult to speculate on that tipping point.

Secretary Loveridge further questioned the question of urgency. Mr. Hazel indicated that it gets worse as we lose more markets, because fewer people think of Ontario with less schedules, so we want to stop the loss as soon as possible.

President Wapner questioned the tiers of airports for the sake of benefits, controllers and TSA; and as far as take offs and landings. Mr. Hazel indicated that the next class down for ONT would be a small hub, but indicated he was not aware of the different funding provided by FAA for small vs. medium hubs. Executive Director Hughes indicated that he would look at the negative issues of becoming a small hub airport.

President Wapner thanked Mr. Hazel for his report. He commented on where we go from here, suggesting that there would be continuing negotiation attempts with L.A., continuing efforts to solicit legislative support, pursuit of all strategies for control, working to build a relationship with Mayor Garcetti, and finding out who the new airport executive director will be.

Secretary Loveridge questioned how the Wyman report would be used and if it would be available on the website and sent to other elected officials. Executive Director Hughes indicated that it would go public today, noting that with the last report there was a speaking tour to Chambers of Commerce and other elected officials; which this time could include the video footage.

ADJOURNMENT

President Wapner adjourned the Ontario International Airport Authority Commission meeting at 11:30 a.m. to the next regularly scheduled meeting on Monday, September 2, 2013.

Respectfully submitted:



ASSISTANT SECRETARY

APPROVED:



ALAN D. WAPNER, PRESIDENT
ONTARIO INTERNATIONAL AIRPORT AUTHORITY