



U.S. House of Representatives
Committee on Transportation and Infrastructure

Washington, DC 20515

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September 21, 2012

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TO: Members, Aviation Subcommittee

FROM: Honorable Thomas E. Petri

SUBJECT: Field Hearing on the "Economic Impact and Future Management of Ontario International Airport"
Thursday, September 27, 2012 at 1:30 P.M. in the City of Ontario, City Hall.

PURPOSE

To discuss the economic impact of and future plans for the LA/Ontario International Airport.

HISTORY OF LA/ONTARIO INTERNATIONAL AIRPORT

LA/Ontario International Airport (Ontario Airport) dates back to 1923, when a landing field was established on land leased from the Union Pacific Railroad. In the 1940's, in order to accommodate the war effort, the airport was updated from a dirt field to a modern airfield with concrete runways, an air traffic control tower, and an instrument landing system. In the 1950's, the airport grew in the postwar boom. Three major aircraft plants including Lockheed, Douglas and Northrop had facilities at the airport.

In 1967, the Los Angeles City Department of Airports co-signed a joint powers agreement with the City of Ontario and the airport became part of Los Angeles' regional airport system. In 1985, ownership of Ontario Airport was transferred to the Los Angeles Department of Airports (now called Los Angeles World Airports or "LAWA"). At that time, the City of Los Angeles paid \$58,329.58 to Ontario to settle various obligations remaining from the 1967 Joint Powers Agreement (JPA). LAWA is the current owner and operator of Ontario Airport.

CURRENT OPERATION OF LA/ONTARIO INTERNATIONAL AIRPORT

Ontario Airport (ONT) is a medium-hub, full-service airport with commercial jet service to numerous U.S. cities. The airport is located in the Inland Empire, approximately 35 miles east of downtown Los Angeles. Ontario Airport's service area includes a population of six million people living in San Bernardino and Riverside Counties and portions of north Orange County and east Los Angeles County.¹ In 2011, 4.5 million passengers used the airport and 419,523 tons of air freight were shipped through the airport.² The airport currently has 61 daily departures to 14 nonstop destinations in the U.S. and Mexico. Passenger airlines servicing ONT are AeroMexico, Alaska, American, Delta, Southwest, United/United Express, and US Airways.³

Ontario Airport is the center of a developing freight movement system that includes the airport, two railroads, four major freeways, and an expanding network of freight forwarders.⁴ The airport is also less than 50 miles from Los Angeles and Long Beach Harbors.⁵ Ontario Airport is served by several U.S. air freight carriers, including FedEx and UPS.⁶

According to a 1992 study, Ontario Airport has an annual economic impact of \$5.4 billion.⁷ Of this, \$413 million is generated by aviation activity on or near the airport, \$1.5 billion is generated off-airport by expenditures related to the use of aviation services, and \$3.5 billion is generated by money that is re-spent and circulated through the local economy. According to LAWA, the airport authority that currently operates Ontario Airport, more than 7,690 jobs are directly attributable to and located on the airport. An additional 55,000 jobs, spread throughout the region, are indirectly attributable to the airport.

A review of FAA data for Ontario Airport indicates that over the last decade passenger enplanements and cargo landed weights have declined. As is reflected in the tables on the next page, the largest drop in passenger enplanements was between 2007 and 2011—a 34 percent drop. Between 2008 and 2011 enplanements dropped 24 percent and between 2006 and 2011 passenger enplanements decreased 33 percent. The Federal Aviation Administration forecasts Ontario Airport will reach 6 million total passengers (enplanements and deplanements) by 2030.

¹ Los Angeles World Airport Website, http://www.lawa.org/welcome_ont.aspx?id=88

² *Id.*

³ *Id.*

⁴ Los Angeles World Airport Website, http://www.lawa.org/welcome_ont.aspx?id=88

⁵ *Id.*

⁶ *Id.*

⁷ The Economic Impact of Ontario International Airport: Final Report, Wilbur Smith and Associates, published by City of Los Angeles Department of Airports, 1992.

Ontario International Airport Passenger Enplanements:⁸

Calendar Year:	Passenger Enplanements:
2000	3,197,795
2001	3,168,975
2002	3,092,677
2003	3,089,025
2004	3,291,726
2005	3,158,935
2006	3,404,361
2007	3,473,272
2008	2,998,110
2009	2,416,872
2010	2,380,881
2011	2,271,458

Ontario International Airport Cargo Landed Weight (lbs):⁹

Calendar Year:	Cargo Landed Weight (lbs):
2000	2,439,691,772
2001	2,582,804,587
2002	2,887,626,050
2003	2,675,116,110
2004	2,651,706,962
2005	2,687,742,160
2006	2,801,537,034
2007	2,788,665,658
2008	2,699,776,864
2009	2,336,057,158
2010	2,241,182,912
2011	2,313,849,963

FUTURE OPERATION OF LA/ONTARIO INTERNATIONAL AIRPORT

Currently, there is an effort underway to transfer ownership of Ontario Airport from the City of Los Angeles to a new airport authority made up of representatives of the City of Ontario, the County of San Bernardino, and other stakeholders. According to proponents of this effort, Los Angeles obtained Ontario Airport through a transfer of

⁸ FAA's Passenger Boarding (Enplanement) and All-Cargo Data for U.S. Airports, 07/03/2012, http://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/index.cfm?year=all.

⁹ Id.

governance that provided for allocation of particular costs, but did not involve any payment tied to the actual value of the airport itself.¹⁰

On August 28, 2012, the San Bernardino County Board of Supervisors unanimously approved the creation of a new airport authority. This followed Ontario City Council approval of a new airport authority on August 22, 2012. The OIAA currently is comprised of the following members:

- City of Ontario Council Member Alan D. Wapner
- City of Ontario Council Member Jim W. Bowman
- County of San Bernardino Fourth District Supervisor Gary Ovitt
- City of Riverside Mayor Ronald O. Loveridge
- Orange County Business Council President and CEO Lucy Dunn

Currently, the new joint powers authority has no control over Ontario Airport, but the city has submitted a proposal to Los Angeles for local control of the airport. Specifically, in April 2011, the City of Ontario presented Los Angeles with a financial offer of \$250 million to transfer control of the airport. The April 2011 offer includes an upfront payment of \$50 million for complete dissolution of the 1967 Joint Powers Agreement; the opportunity to fund eligible Los Angeles International Airport (LAX) projects with up to \$125 million of future passenger facility charge (PFC) collections at Ontario Airport; the assumption of \$75 million in Ontario Airport debt and grant obligations; the indemnification of any and all liabilities; and job protection for current Ontario Airport employees. Los Angeles is considering the offer and negotiations between Ontario and Los Angeles are ongoing.

FEDERAL AVIATION ADMINISTRATION REVIEW OF AIRPORT TRANSFERS

Transfers of airport authority and ownership are local decisions to be decided at the local level. The role of the Federal Aviation Administration (FAA) is to make a determination on the eligibility of the new airport sponsor. The FAA will conduct a review to determine whether the new airport sponsor is legally, financially, and otherwise able to assume and carry out the certifications, representations, warranties, assurances, covenants and other obligations required of sponsors, which are contained in the Airport Improvement Program (AIP) project application and grant agreements forms. The new sponsor must also demonstrate to the FAA that they have the authority to act as a sponsor, and must submit an opinion by its attorney addressing the sponsor's legal authority to act as a sponsor and carry out its responsibilities under the grant agreement.¹¹

¹⁰ Set Ontario Free, <http://setontariofree.com/faq>

¹¹ FAA Order 5100.38A

*Grant Assurances to be reviewed by FAA for compliance by the new airport owner:*¹²

- The airport owner will give assurance satisfactory to the Secretary that good title to the property will be acquired (Assurance 4. Good Title).
- The review is intended to ensure that the new airport owner does not surrender by contract its capability to sufficiently control the airport in order to carry out its commitments to the Federal government. FAA is looking to identify any terms and conditions of the arrangement, which could prevent the realization of the full benefits for which the airport was constructed, or which could develop into a restriction on the sponsor's ability to meet its Federal obligations (Assurance 5. Preserving Rights and Powers).
- Any lease or agreement granting the right to serve the public on the premise of an airport so obligated should be subordinate to the authority of the owner to establish sufficient control over the operation to guarantee that patrons will be treated fairly (Assurance 5. Preserving Rights and Powers).
- The owner is obligated to the Federal Government to ensure that the facilities of the airport are made available to the public on fair and reasonable terms without unjust discrimination. (Assurance 22. Economic Non-Discrimination).
- The previous airport owner has not granted an exclusive right for the use of the airport (Assurance 23. Exclusive Rights).
- The review looks to ensure that the airport owner maintains a fee and rental structure for facilities and services that will make the airport as self-sustaining as possible, in accordance with 49 U.S.C. Section 47107 (Assurance 24. Fee and Rental Structure).
- Disposition of airport revenue conforms to Federal policy (Assurance 25. Airport Revenue).¹³

*Documents new airport owner is required to submit to FAA for review and approval:*¹⁴

- A copy of the public agency's enabling legislation or act that gives it the authority to operate and own the airport.
- If operation and management of airport is to be conducted by another party, a copy of the executed or draft Operation and Management Agreement.
- Proof of Good Title, including a copy of executed deed and tract information.
- If a new sponsor has purchased the airport from a previous FAA Sponsor, an executed copy of the Assumption agreement, including a list of transferred grants.
- A copy of the applicant's attorney's legal certification that the applicant meets the legal requirements to carry out the certifications, representations, warranties, assurances, covenants and other obligations required of sponsors which are contained in the AIP project applicant and grant agreement forms.
- The applicant's audited financial statements for the most recent fiscal year.

¹² FAA White Paper to Aviation Subcommittee, September 2012.

¹³ Use of Airport Revenue Policy 64 F.R. 7696, February 16, 1999.

¹⁴ Id.

- Copies of the Exhibit A map, the Airport Layout Plan, and a Land Inventory map identifying grant acquired land.
- Proof of the approval of other government agencies if applicable. As a general rule, the name of the approving agency and date of approval is sufficient.
- Copy of the Part 139 Application for Certificate, amendments to Airport Certification Manual/Airport Certification Specifications if applicable.
- A copy of the compatible land use plan, including zoning laws and the airport's powers to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft.
- A copy of the new sponsor's Airport Management and Organization Plan.
- As necessary, any documentation required pursuant to the *National Environmental Policy Act of 1970* (NEPA) and applicable NEPA regulations.

WITNESSES

Panel I

Honorable Alan D. Wapner
Member, Ontario City Council and Member of OIAA Board

Honorable Gary Ovitt
County Supervisor, San Bernardino County and Member of OIAA Board

Mr. Miguel Santana
City Administrative Officer, City of Los Angeles

Panel II

Honorable Ronald O. Loveridge
Mayor, City of Riverside and Member of OIAA Board

Honorable Dennis Zine
Member, Los Angeles City Council

Ms. Lucy Dunn
President and Chief Executive Officer
Orange County Business Council and Member of OIAA Board

Mr. John Husing
Vice President, Economics & Politics, Inc.