



<http://www.latimes.com/news/local/la-me-lax8jan08,1,7730909.story?coll=la-headlines-california>

LAX plan could increase number of flights

The city's airport agency is considering acquiring terminals from carriers in an effort to increase the number of flights from low-cost airlines.

By Jennifer Oldham
Times Staff Writer

January 8, 2007

Hoping to increase capacity and lower fares, the city's Airport Commission will consider as early as today spending up to \$154 million to take over several terminals at Los Angeles International Airport so it can offer more airplane parking spots to low-cost carriers.

For years, airlines such as Southwest have vied for more gates at LAX. But five carriers, under long-term leases, control a majority of airplane parking places at the aging facility, leaving the city's airport agency unable to accommodate multiple requests by other airlines to add flights. More than 60 passenger airlines currently offer service at LAX.

To receive those long-term leases, airlines used bonds to finance improvements to most terminals. The terms of the leases, airport officials say, allow the airport agency to take control of the terminals if it buys back the bonds. The agency is proposing that it pay the balance on the bonds for Terminals 2 and 5.

"I do believe it will increase competition at the airport and produce immediate gains in nonstop service and, particularly where new service is by low-cost airlines, produce lower fares for Los Angeles-area consumers," said Samson Mengistu, deputy executive director for administration and finance at the city's airport agency.

Los Angeles World Airports, the city agency that operates LAX, said in reports to the commission that it would use cash and credit to repay the bonds.

At least one airline was heavily lobbying as late as Friday to postpone the matter until a meeting between the two sides could be scheduled. Even if the commission agrees to a delay, airport officials indicated they were committed to taking control of their facilities.

The agency said the move shouldn't come as a surprise to the airlines, particularly Delta, which was notified in a Bankruptcy Court filing last year that the agency planned "as soon as possible" to end the airline's Terminal 5 lease.

Delta said Friday it's concerned about the effects a terminal takeover plan by the city might have on Delta's operations at LAX, including new international service.

Over the last several months, Delta has met with Los Angeles World Airports and the mayor's office "to discuss our significant international expansion plans into Mexico and Latin America from Los Angeles International Airport," said Anthony Black, an airline spokesman. "Our goal remains to work with LAWA and the commission to understand their intent."

The organization representing carriers that operate in Terminal 2 declined to comment Friday.

If the takeover proposal is approved by the commission, it's likely to exacerbate already tense relations between the airport agency and airlines at LAX. Commissioners voted recently to double maintenance fees paid by carriers, leading them to lobby the City Council to review the increases. The agency relies on landing fees and terminal rents and charges, along with receipts from concessions and parking, for most of its funding.

In what it now calls an outdated arrangement, the agency controls only 3 1/2 of the nine terminals at LAX. The proposal on today's commission agenda is expected to be the first wave of a broader push to regain control of all of its facilities.

Financial analysts applauded the move, saying that unlike other, roomier major airports, the 3,586-acre LAX is unable to expand and is already operating at 40% above capacity, forcing it to find other ways to accommodate more flights. The terminal takeover proposal also comes as officials continue to debate a long-term plan — already 12 years and \$150 million in the making — for modernizing LAX.

"In the past they looked at trying to develop a whole new airport, and that was somewhat controversial and the community didn't support it," said Jessica Soltz Rudd, an analyst at Fitch Ratings in San Francisco. "To gain capacity and increase utilization of the airport, they really need additional terminal space, and this is the way to do it."

Debt that the city's airport agency might incur to pay back the bonds on Terminals 2 and 5 would be less than the cost of building a new facility and eventually would be offset by higher terminal rents and fees paid by airlines that use those facilities, officials said. Increased fees also would help pay for airport upgrades, they added.

Taking control of its terminals also would allow the agency to prevent airlines from hoarding aircraft parking spots. Several airlines don't use some of the gates they lease at LAX efficiently, analysts said, adding that those spots would be better operated by carriers that want to offer more flights.

Operating Terminal 2 would also give the city the ability to upgrade gates there to serve the huge Airbus A380 and other new large aircraft that will be entering service in the coming years. That facility is one of the few locations at LAX where the 555-seat A380 could be handled without costly modifications, officials said.

Modified gates are crucial for international carriers concerned that LAX won't have enough parking spaces for the A380 by 2010, when many of the planes will be in use. The first such flight to LAX is expected in 2008.

LAX is unusual in its lack of control over most terminals. Most major airports operate the majority of their facilities, giving them greater flexibility over their flight mix and where to place airlines. Like airports nationwide, LAX funded terminal improvements in the 1980s — when there were fewer passengers and fewer airlines — through long-term agreements with several carriers that gave the carriers control over a majority of the airport's gates. But those leases have expired at many major airports, allowing those officials to take control of their terminals.

"As other major gateway airports experienced, and we at LAX are experiencing now, those agreements created barriers to new airlines and reduced competition among carriers," airport officials wrote in response to questions from The Times. "Clearly, this method of managing airports is out of date and does not reflect today's aviation environment."

The terminal takeover plan is just one thorny issue likely to face Executive Director Lydia Kennard's successor at Los Angeles World Airports. Kennard announced last week that she is leaving at the end of the month, and officials are searching for a successor.

The mayor's office and commissioners are interviewing several candidates for the job, including: Patty Tubert, a former city attorney and one of Kennard's four deputies (Tubert operates the agency's real estate and economic development group.); Susan Kurland, a former associate administrator for airports at the Federal Aviation Administration; and Robert Gilbert, a former consultant on then-Mayor James K. Hahn's modernization plan.

*

jennifer.oldham@latimes.com

Copyright 2007 Los Angeles Times | [Privacy Policy](#) | [Terms of Service](#)
[Home Delivery](#) | [Advertise](#) | [Archives](#) | [Contact](#) | [Site Map](#) | [Help](#)

PARTNERS:

