

Metro Investment Report

Former LAWA Commissioner Ponders LAX's "New Vision" — Is It Visionary?

The fate of the Los Angeles regional economy is tied, for better or worse, to the viability of Los Angeles International Airport (LAX). Because of that, the plans for modernization/expansion do not merely impact those immediately surrounding the site, but citizens from throughout the basin and into Orange County. With that in mind, some are questioning L.A. Mayor Jim Hahn's recent announcement to alter the much maligned LAX Masterplan. Former-LAWA Board Member Lee Kanon Alpert is one of those people. MIR is pleased to present this candid interview with Lee who offers a knowledgeable perspective on the past, present and future of LAX, the continuing challenges that LAWA faces and an analysis of what must happen throughout the region if we hope to continue to deal with our share of air transit.

Lee, you served as one of Mayor Riordan's appointees to the Los Angeles World Airports (LAWA) Board. What are your observations of the goals and objectives of the new Hahn Airport Commission? What would be your priorities if you still were an Airport Commissioner?

Clearly the first challenge is funding. In previous years the airport was flush with income generated from landing fees, vendor fees, restaurants, shops, stores and parking. But with the incidents of 9/11 and the stoppage of flights, the airport has lost—and continues to lose—an enormous amount of revenue, while its huge expenses continue, which dramatically reduces its available resources.

The second challenge will be the physical reconfiguration of the airport.

There was an inordinate amount of money spent on the Masterplan—conceptual designs, public outreach and compliance with the regulatory requirements to the tune of approximately \$70 million. There was a reason for that plan being drawn. And that reason was simple: The airport was built to handle 20-30 million people less than what it's currently handling. That has created an enormous traffic burden, operational burden, environmental burden and safety burden.

You mention revenue as your initial challenge. Some critics of LAWA have suggested that the massive revenues that once flowed into LAWA masked the professional incompetence of LAWA executives. You were there. Give our readers your thoughts on the management capacity at the airport, its strengths and weaknesses.

Much of the management team presently employed at LAWA is extremely qualified and highly competent. For example, Paul Green, the Chief Operating Officer, is probably one of the finest managers at any airport anywhere in the world and Lydia Kennard, the General Manager, is extremely well educated and knowledgeable. Others vary in their skill and strength level just as in any organization. But as with anyone who is effectively a political appointee, as our General Manager, they have to respond to the directions and vision—or lack thereof—of the person who has the ability to hire and fire them and in this case that's the Mayor.

Does that have an impact? Sure. It has a significant impact. Under the Riordan-era Commission the management of LAX was very supportive of the

modernization/expansion plan and you'd see the entire management team strongly supporting those efforts. Now that Jim Hahn has become Mayor and has a directed staff to take a totally different focus, you see the management of the airport rapidly moving in a completely different direction.

As a businessman, that tells me that the managers of this facility don't have the ability to manage or make their own decisions based upon what in their professional judgement is necessary to best operate LAX. Ultimately these professionals can't guide the airport system towards what is best not for the politicians, but for LAX, the City and the region.

Why don't you talk about Mayor Hahn's new plan for LAX? Are you satisfied that the proposed alternative now being urged is responsive to what you learned was necessary to meet future demand? What precisely should be the benchmarks for judging any new proposals?

The only plan in place is to make sure that the Riordan-era Masterplan does not move forward and there is little if any modernization/expansion. That means everything stays the way it is with minimal changes in growth. And if it stays the same, no one is helped, not the travelers, not the residents, not the City, not LAX, no one.

The only semblance of a plan that I've heard from the Mayor's office is to move some of the runways closer to the terminals, as opposed to expanding them (which could be disasterous) and most recently to move some modernization/expansion eastward as a means of modifying the security and safety issues. Those issues of safety and security would have been taken under any circumstances. Nothing in that 'plan' deals with the significant issue of increased

volume, increased traffic and those issues that will impact LAX and the community which all believe will naturally occur whether we like it or not, since only the FAA can really control growth in either passengers or flights.

Blend that answer with your second priority. Reportedly, the land-side operations at LAX have the weakest management team. Yet, congestion impacts bedevil the airport's plans for expansion. Give our readers your assessment of that aspect of LAX operations.

Again, many of the problems that people attribute to management really have to do with the politicization of the management system, the City's governance structure and the power—or lack thereof—of the LAWA staff.

Those fundamental challenges combined with the real difficulty that LAX faces with its overall physical configuration create an impossible circumstance and the perception of poor management. It's very difficult for an airport built to effectively handle a specific number of people to cope with almost twice that number, particularly when those numbers are in the tens of millions. The capacity just isn't there, the roads aren't built to handle it, the terminals are too small and the parking facilities aren't adequate. It gets to a point where even if you have the best team in the world they're not going to be able to accomplish the goal of making the facility flow smoothly. That being said, like any large corporation, there are those that are wonderfully strong in their competency and focus and of course there are those who have lesser skills.

Lee, because of the factors you mention, there's always been some tension between LAWA, the City of L.A. and the Federal Aviation Administration. Again from your experience, address the source of those disagreements. And what do you see the future holding in terms of collaboration?

I would hope that the 9/11 incident

would encourage the municipal airports, the operating entities, the Commission and the FAA to realize that they must work collaboratively. The issue of security exemplifies the inability of the municipal airports and their governing bodies to "get along" with the Feds. There is a balancing act that must take place between the for-profit airlines and the public sector and that hasn't happened. Frankly everybody seems to be passing the buck. An example of this is the antiquated and incompetent security system under which our nation's airports (including LAX) have operated for decades while other countries have learned from past terrorist acts and threats.

Are you then making the argument that LAX is as well-managed post-9/11 as the other airports in the country?

From the people that I continue to visit with in management, on the staff, on the Commission and those that do business with the airport and fly in and out of LAX regularly, LAX is not only as safe as some of the airports, but is even safer now than it was pre-9/11 and has adopted more stringent precautionary measures than other similar facilities throughout the country.

Let's jump to the vendor issue. There's great concern and cries of anguish from the vendors since 9/11 at LAX. Do you have any thoughts, recommendations or comments about what ought to be done?

When we approved the rate structures—the minimum guaranteed dollar amounts that concessions would pay per year—we voted based upon a system of access to all shops for all who visited the airport. The foot traffic for business was phenomenal, the parking was incredibly busy, etc. The difficulty most vendors now face is that a majority of their businesses are located behind the security screening where now only ticketed passengers can travel. That has dramatically reduced the foot traffic and revenue. That's a reality that LAX and the concessionaires must deal with, a

changed environment and opportunity to maximize revenue. And because of it, the existing paradigm and minimum guarantee concept of contracting must be altered, even if it means a reduction in the operating income of LAX. If not, the businesses will close and in addition to the other difficulties LAX currently has, there will be a total loss of revenue from these vendors, many of whom are minority vendors financially successful for the first time in their lives. The only other option is to relocate, at great expense, the screening facilities so you hit the vendor's facilities before going through screening or reopening to all the airport beyond the screening areas.

The issues that LAX must respond to—our economy, security and infrastructure investment—are not just city issues, they are regional in nature and impact. Yet the City is the one with much of the authority to deal with them. MIR carried an interview with Supervisor Don Knabe re: the resurrection of the Southern California Regional Airport Authority. How do you perceive that effort? And is there a regional answer?

The only chance Mayor Hahn's stated opposition to the modernization/expansion plan to reconfigure the airport and not increase the size has to succeed is with a regional approach, which encourages airlines to reroute planes to Ontario and Palmdale. Yet as of now, despite many significant efforts by LAX and its administration to do exactly that (long before the Mayor came on board) none have ever been successful.

One of the major reasons it has been unsuccessful is the Federal Noise Ordinance, adopted in the early '90s which—in addition to dealing with noise and other environmental issues—prohibited local municipalities—like L.A.—from placing caps (restrictions) on the number of flights and the number of annual passengers that fly into Southern California airports. If a plane was directed here by the airline, as long as it's a non-

emergency situation, we've got to accept it. Only the Feds can control these issues. That in and of itself is devastating to our ability to control the growth. However, if that wasn't bad enough, in that same legislation, the Feds also allowed airports, which already had previously placed restrictions on the number of flights and passengers to be grandfathered in and continue to have those caps in place.

For example, Long Beach Airport, which has an enormous amount of unused capacity, had a cap precluding it from accepting more air traffic beyond a certain level. John Wayne Airport did as well. LAX had no such cap and now cannot impose one. So LAX, the Airport Commission, the City of L.A., the County of Los Angeles and even the State have no power or authority to restrict the number of flights and passengers that come into LAX and therefore force them to land elsewhere.

So, if you're an airline, why would you establish another facility and fly into Ontario or Palmdale when you could minimize your costs and fly all your planes into one facility? I can't criticize the airlines for doing that, it makes perfect business sense. Why double your facilities, your maintenance yards, your employee base and your security systems when you don't need to do so? Additionally, as a passenger, why would you want to fly into those smaller airports when the cost of tickets is substantially less going into LAX, when there are minimal transportation systems to and from those airports available? You can now see the plight of LAX and other major airports and until forced to do so, no airline is going to duplicate facilities at another air facility, particularly with their current financial issues.

I must say that what is most frustrating to me while serving on the Commission is that I've heard Maxine Waters, Jane Harman and many of our federally elected officials all vigorously criticize the growth and impact that LAX has had on the community. But what I haven't seen, ever, is with that

criticism a plan that will make restrictions work. I've never seen one Legislator introduce legislation to either remove the cap on Long Beach and/or John Wayne, or enable LAX, other airports, municipal governments, etc., to place restrictions on the number of flights and passengers that come in. I have not seen the visionary plans by those elected to public office that would enable a workable and effective plan to build a viable plan of air transportation in the country. It's easy to criticize and point fingers, while more difficult to make good things happen.

Let's face it. The City of Los Angeles is truly one of the great cities of the world. And it doesn't take a genius to figure out that when you increase population, business, desirability to be here and the need for goods and services, somebody's going to provide them and there will be increased air traffic. And if the airlines or any other business can agglomerate all their facilities at one place, they're going to use it as much as the market will allow.

Lee, let's conclude with one last question. To date, the City has spent \$70 million on the Masterplan and countless millions on ancillary operating and business contracts. Now that you've left the Airport Commission, how much scrutiny would you suggest we as citizens give the Airport Commission's decision-making process?

We should be paying as much attention to the contracts and information that goes to the Airport Commission as possible.

Commissioners are not fulltime. They generally only have one meeting per week and they are required to review huge volumes of documentation each week. That's a tremendous burden for unpaid Commissioners with full time professions and/or jobs to deal with. So, the more eyes the better. As a Commissioner, did I have the opportunity to go through and evaluate every contract that came to me as I would for my law firm

clients? No, of course not. It simply would have been a monumental task. So we read what we can and pick and focus on certain issues assigned by our Commission President, Department General Manager, or those that interest us, try to review the rest and rely heavily on the Department, the staff and in some instances the public comment to help us and make sure that we are fulfilling our mandates. We do the best we can with the time permitting in this important and complex Commission.

That increased scrutiny applies to the press as well. The press scrutinizes the high profile issues—the Masterplan, labor, airport picketers, etc. But as a business lawyer, I understand that the devil is in the details—the mundane things like basic service agreements, specific provision of the contracts and the RFP process itself. Those are where a bulk of the airport income and expenses are borne, yet that is where the media has appeared to be the most lacking. Without that intervention by the public and the media, I believe things can and will fall through the cracks, most often not intentionally. We will also miss the outstanding agreements that are entered into which benefit LAX and the community for which the Commission, the Department and its staff should receive praise and congratulations. So, it cuts both ways and should.

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