



Aerial view of the Southern California region, 2002

Like the Ripples in a Stream

From a vantage viewpoint way up in the control towers of Los Angeles World Airports' facilities, the physical impacts of airports on the surrounding areas are obvious. Airports are the centers of activity with thousands of airline workers, ground transportation providers, caterers, food and retail concessionaires, maintenance workers, security personnel and aircraft workers. On the airport perimeter, thousands more workers at hotels, restaurants, conference centers, freight forwarders, car rental agencies, and hundreds of small businesses rely on airport operations.

Not so obvious is the impact LAWA's airports have on the Southern California region. The four airports are like a giant mass dropped into water, its effect flowing out like ripples.

The six-county Los Angeles metropolitan region encompasses over 38,000 square miles, about the size of the state of Ohio. Over 15 million people reside in the region, making it the second largest population center in the U.S. If the Los Angeles region were a separate country, it would rank as the 11th largest economy in the world, between Spain and India with a gross regional product of nearly \$500 billion. From 1970 to 1997, the region grew rapidly by six million people at the same time that 2.8 million new jobs were created.

The Southern California Association of Governments

(the federally mandated Metropolitan Planning Organization for six counties) forecasts that the demand for passenger service in the region will almost double from 80 million annual passengers in 1997 to 157 million annual passengers by 2020. Demand for air cargo services will grow at the rate of nearly eight percent per year to 8.9 million annual tons.

The growth of aviation is vital to the regional economy. In 1938, when Southern California was coined, "the Detroit of aviation," local aircraft factories employed 3,831 workers with a monthly payroll of \$465,000. The first in-depth economic study of LAX was made in 1970, reporting a \$3.3 billion annual impact on the area's economy and generating 101,688 jobs.

Today, more than \$60 billion of the Southland's annual economy and more than 400,000 jobs (one out of every 20) are directly tied to LAX. Of particular significance to the region's economy is that every passenger brought to the region through LAX will spend an average of more than \$500 during a stay.

At Ontario International Airport, a 1992 study found the airport contributes \$5.4 billion annually to the regional economy, supports 61,000 jobs and generates \$246 million in state and local taxes each year. The study reported that each visitor spends an average \$400 per stay.

A 1999 economic impact study found Van Nuys Airport contributes over \$1 billion annually to the Southern California economy, supports over 10,000 jobs and generates an annual earnings impact of nearly \$273 million. The airport also generates \$73 million in state and local taxes annually. The study determined that each visitor spends an average \$309 per stay.

Surprisingly to many people, while LAWA's airports contribute significantly to the regional economy, they are self-supporting—receiving no local or state funds, and deriving revenues for its operations from sources such as aircraft landing fees, property leases, and fees for food/beverage and retail concessions and parking.

In 1952 for the first time in its history, LAX's finances went into the black—with a net income of \$185,701. The airport's profitability continues today.

Fifty years later in 2002, Standard & Poor's Ratings Service gave its highest rating ever ("AA") for a U.S. general airport revenue bond to LAX, citing the airport's "solid financial shape, exceptionally low debt burden, and strong management that maintained the airport's liquidity and strong debt service." S&P also said the airport's air carrier diversity is a plus because it is not reliant on the fortunes of one or two airlines.

From the 1930s to the 1980s, manufacturing was a leading component of the region's economy. While the region remains an important manufacturing center, the Southern California economy began shifting to Information Age sectors during the 1990s, including: services, high-technology, tourism, entertainment and international trade. These industries rely heavily on telecommunications and aviation services, in particular, international air freight and passenger services.

Through LAX and ONT, the nation's leading exports and imports, including semiconductors and electronic components, computers, biomedical instruments, film and music products, aircraft and aerospace products, perishable produce and apparel are processed. Air cargo at these two airports, like passengers, have become principal contributors to the Southland's and America's economy.