

International Aviation Club

"There are no atheists in foxholes or...

Why a little faith in the future can move armies and airports."

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A very wise person once cautioned me that, "A good time to keep your mouth shut is when you're in deep water."

The water is pretty deep at LA World Airports--and here I am, with my mouth wide open, talking with you all. Obviously, I haven't learned to listen to very wise people.....at least with any kind of useful consistency.

But, on rare occasions, a wise notion breaks through....catches my eye and gets filed away for a time when I might retrieve it. In contemplating my remarks today, I was reminded of something said by George Clemenceau, France's 85th Prime Minister. At the conclusion of World War I, it occurred to him that, "war is a series of catastrophes that results in a victory".

Will it surprise anyone in this room when I confess that the Prime Minister's words of war seemed to apply rather nicely to the rebuilding of an airport?Didn't think so.

Rebuilding anything really big, expensive and complicated under the proprietary gaze of dozens of 'owners'...most of whom are not naturally inclined to agree to the time of day....can give rich, new meaning to the idea of conflict.

So when (name) asked me for a title for my remarks, thoughts of faith in dicey circumstances came to mind. And so here I am suggesting that, despite the accepted wisdom...despite the bleak views of our economic engines....despite the fact that I work in a region where consensus is by no means a naturally occurring phenomenon....here I am before you to say that this is a perfectly good time to do the impossible.

I quote the American Heritage Dictionary: "Faith is the belief that does not rest on logical proof or material evidence".

LA World Airports faces amazing challenges. Knew this when I accepted the Mayor's invitation to lead LAWA 16 months ago. Despite overwhelming counsel *against* taking this job, from many good friends—and even just acquaintances -- in the industry, I made the intellectually indefensible decision to join LA World Airports.

Intellectually indefensible..... but the right thing to do. And it is here that faith gets something of a work out. Let me explain...

- Why this is an unprecedented , historically pivotal time, for LA World Airports...
- How the confluence of improbably negative circumstances can actually enhance opportunity...

- What it will take to appropriately “seize the day” during this pivotal time, and...
- WHY the “intellectually indefensible” thing to do, may be exactly the *right* thing to do.....*right now!*

LAWA has decades of historical inaction: constant planning, no maintenance, no facility replacements, no building.

Much of that inaction was driven by a culture that has turned regional politics into a contact sport. LA is a really a collection of cities each operating with a powerful sense of its own distinct character and political power.

In the past 20 years this Balkanized sense of self caused the City’s core infrastructure to remain largely untended. Normal maintenance and reinvestment at LAX did NOT happen. There was always another “master plan” on the horizon making facility repair & replacement appear as an expenditure with very short term value.

While I am delighted to say that, today, this posture of self supporting inactivity has fallen into some disrepute, years of suspended animation have left the second largest gateway airport to America – LAX—in abysmal condition with 1960s airfields and well worn 1980s terminals.

I am not going to spend time describing the sad conditions of the airfields, terminals, and business sophistication of the airports. That’s old news.

Instead, I would like to focus on an incredible opportunity.

This is a pivotal time....precisely because of a unique confluence of problems and opportunity.

What are those problems? And just where does opportunity fit in the mix?

It's a pivotal time because, on the one hand, the political stars are aligned for perhaps the first time in decades:

- Mayor wants to put significant resources into making the gate way to the city reflect the fabulous, diverse, edgy city that Los Angeles is.
- City Council is tired of being embarrassed about their airport and universally supports modernizing LAX – 15-0 vote to support Bradley West.
- Even the perennially warring business and labor communities have decided that, on this issue, something's got to give.
- Incredibly committed and experienced Board of Airport Commissioners determined to fix LAX

Interestingly enough--the challenges are equally impressive:

- LAX has a history of contentious litigation with a major part of its customer base (airlines) -

generally difficult to do big things when customers are suing.

- Several long-term leases severely limit the airports' ability to control five terminals and thereby undercut flexibility to equally spread costs of the capital improvement program.
- A dedicated group of employees experienced in "planning" but not "building"
- A needs assessment that is staggering—over \$12B.
- And oil skyrocketing to \$150/barrel driving the biggest economic crisis the industry has ever seen – and for folks who weathered 9/11 and SARS, this is a very sad commentary.
- And lastly, the biggest economic crisis in the U.S. since the Great Depression making air travel a luxury

Not the greatest environment in which to launch a huge capital investment program that doesn't *expand* the airport, but simply *builds replacement gates and repairs the terminals and replaces infrastructure*.

So, from a very parochial, "let's whine about life" perspective: one could easily indulge the thought that, on balance, the really rotten set of circumstances have trumped the constructive elements of hope.

Frankly, I thought the political and institutional capability issues were daunting enough. Adding economic challenges to the mix makes this an amazing hill to climb.

Yet, it is absolutely imperative that we find a way to get to the top of this hill. We must succeed or we will miss this unusual window of opportunity and lose for a long time the chance to remake LAX into the gateway the world expects it to be.

And here is where I will show, if you promise not to tell, the ace that I have conveniently placed up my sleeve.

While Los Angeles has been churning through its seasons of creative invention, political paralysis, self analysis and reinvention, the world has not lost interest in its desire to stop by and say hello, do a bit of business and check out this thing called LA.

Among the world's most powerful consumer brands, 'LA' remains one of the most compelling and evocative. The world continues to remind us that it wants to beat a path to LA's door.

In the past 18 months LAX has gained more foreign flag service than any other US airport. As of this month, LAX ranks 2nd to JFK in gateway passengers. This creates some compelling arithmetic for a City hungry for the kinds of cash borne in the wallets of world travelers. In LA, international visitors represent about 20% of the total but deliver about 33% of all visitor spending.

Taking a more rigorous look at this ace up my sleeve, one can see that the demand from the international traveler has some exciting specifics....LAX ranks 6th in the number of European passengers entering the US....ranks 3rd from Latin America.....and 1st (by a huge proportion) among those from Asia visiting the US.

Take a look at the globe. When it comes to picking the perfect site for access to the international aviation industry.....if LA didn't exist, we'd have to invent it.

I've been told that the Asia economy has something of a future, notwithstanding the news of the day. No airport on the planet is in a better position to participate in that future than LAX.

So you can see that in these troubled times, I've discovered faith....with a secret set of trainer wheels. International aviation wants LAX to prosper...even if LA, itself, has occasionally revealed some ambivalence on the subject.

Smack in the middle of a sane assessment of what truly remains a long list of daunting challenges, I sense a world of travelers invested in our success.

OK, OK, call it a matter of faith. But I believe that, LA has aligned itself to deliver, even in these worst of times, a premier international airport. And remember the ace up my sleeve....did I mention that every new, daily, transoceanic flight to LAX delivers \$630 million to the region's economy?

Furthermore, I believe that precisely because these times are tough, the promise of success has a unique power that better times couldn't possibly evoke.

I am sure that many of you recall the advertisement Ernest Shackleton placed in the London Times one cold day in January 1908: "Men wanted for hazardous journey. Low Wages, bitter cold, long hours of complete darkness. Safe return doubtful. Honour and recognition in event of success"

Yes, I believe that adversity enhances the appeal of opportunity. It can weld employees and a community together. Shared difficulties, on the march to a common goal, have a way of driving ingenuity. Each small, incremental achievement is made all the more sweet.

Eddie Rickenbacker, famous American "Ace of Aces" – racecar driver, fighter pilot, once said "Aviation is proof that, given the will, we have the capacity to achieve the impossible." We're going to test that at LA World Airports.

I'm sometimes accused of wanting too much too fast....of having impossible goals and expecting far too much from people.

But ordinary people can accomplish incredible things if the goal is clear, if the passion is great, and the teamwork is seamless. All it takes is a bit of faith....and an ace up a sleeve.