

# EXECUTIVE SUMMARY

The San Diego County Regional Airport Authority (SDCRAA), in cooperation with various local government agencies and the Tijuana International Airport (TIJ), has conducted a study examining the potential market demand for a cross-border facility. The terminal could allow for easier and faster border crossings for U.S.-based passengers wanting to use TIJ. The study also determined the impact of this demand on the air traffic projections for both San Diego International Airport (SDIA) and TIJ.

## KEY STUDY OBJECTIVES

- To determine the number of passengers that would use a cross-border facility if it were built.
- To identify major issues that would influence the interest and ability of passengers to use the cross-border facility.

## STUDY TASKS

- Task 1: Airports Capacity and Infrastructure.
- Task 2: Passenger Cross-Border Practices.
- Task 3: Research Findings on Potential Demand.
- Task 4: Impact of the Cross-Border Connecting Terminal (CBT) on Air Service Demand at SDIA and TIJ.
- Task 5: Overview of Potential Economic Impact of the CBT in the San Diego Region.

## RESULTS SUMMARY

- The number of passengers using TIJ from the United States will continue to grow significantly over the next 20 years *regardless* of whether a cross-border facility is developed.
- If an easy CBT does not exist, it is still estimated that 2,092,000 and 3,676,000 annual passengers would use TIJ to/from the United States in 2020 and 2030, respectively.
- The passenger demand that would be induced to use TIJ to/from the United States solely because an easy cross border connecting terminal exists is estimated at 1,110,000 and 2,732,000 annual passengers in 2020 and 2030, respectively.

- Therefore, with an easy cross border connecting terminal, a TOTAL of 3,202,000 annual passengers would use TIJ to/from the United States in 2020; in 2030 that number could rise to 6,408,000 passengers.
- Current United States users of TIJ are not limited to San Diego County. People fly out of TIJ from Los Angeles, Riverside, Orange and Imperial Counties because of the robust schedule to Mexican destinations. As the demographics of this region continue to evolve and the “border economy” continues to flourish there will be even greater demand for air travel to Mexico out of TIJ.
- Hispanics, younger people, city-dwellers, previous TIJ flyers and people with any knowledge of Spanish are largely more supportive of a CBT concept.
- Over 48% of respondents county-wide said they would “probably” use the CBT. Yet, when given a choice between using the CBT or Los Angeles International Airport (LAX) for a nonstop flight to Mexico people largely chose the CBT.
- Only after SDIA nears capacity would United States bound passengers be inclined to explore options like the CBT to fly to the US out of TIJ.
- TIJ is not likely to offer air service to any U.S. destination that is not already served by SDIA. The 2020 – 2030 air service forecast for TIJ to the U.S. reflects destinations that already have very high frequencies from SDIA: the Bay Area, Las Vegas, Phoenix, Denver and Dallas.

## **KEY TASK FINDINGS**

Following is a summary of the key findings for each of the five tasks.

### ***TASK 1: AIRPORTS CAPACITY AND INFRASTRUCTURE***

Under this task the IMG Team identified and analyzed the airport infrastructure and market issues that could impact (positively and negatively) the market demand for a CBT. The analysis included visual inspection of key airport facilities, interviews and discussions with airport staff and a review of TIJ's master plan study and SDIA's terminal development plan. A list of the issues is presented below:

**A. Issues at San Diego International Airport (SDIA) that could influence demand for a CBT**

- Having a single runway is the most limiting constraint at SDIA and the most likely to have an impact on future demand growth. Severe runway congestion at SDIA is anticipated to occur between years 2015 and 2022.
- The prohibition of takeoffs between 11:30 p.m. and 6:30 a.m. limits SDIA's ability to provide airlines with departure schedules that would allow air service to certain long-haul international and domestic markets.
- Terrain and man-made obstacles on the approach and departure procedures at SDIA combine to limit payloads for certain types of aircraft.
- Property under the control of SDIA is constrained by neighboring land development, environmental constraints and natural obstacles, which makes expanding airport capacity difficult and expensive.
- Availability of over 51 non-stop U.S. destinations and five international destinations out of SDIA could attract Mexican-based passengers to cross the border via the CBT.

**B. Issues at TIJ that could influence demand for a CBT**

- Passenger levels at TIJ's terminal building are nearing the facility's limit. The Airport Master Plan's demand forecasts show that demand will exceed capacity in certain areas of the passenger terminal building within the next three years.
- Current terminal facilities for international passengers at TIJ are inadequate and require major upgrades in order to satisfy International Air Transportation Association (IATA) requirements.
- Auto parking facilities are currently at 82% capacity.
- TIJ currently has ample airfield capacity. Current demand levels are at less than 60% of airfield capacity. Airfield delays and congestion levels are low at TIJ.
- Continued growth and availability of direct TIJ service to a variety of Mexican destinations continues to attract U.S.-based passengers to TIJ. Currently, TIJ offers non-stop air service to over 24 cities in Mexico.
- Several low-fare carriers operating out of TIJ offer lower fares to Mexican destinations than are available from airlines operating out of SDIA or LAX.
- TIJ has utilized only about 30% of developable land within the airport's property; therefore, space is available for new or larger facilities.
- There is direct passenger service from TIJ to Narita Airport in Tokyo.

## **TASK 2: PASSENGER CROSS-BORDER PRACTICES**

Under this Task, the IMG Team examined current cross-border practices used by passengers from the San Diego Region to fly out of TIJ. The assessment used available flight reservation data and interviews with airport staff, travel agencies, ground transportation companies and other relevant agencies on both sides of the border. Key findings are:

- Unlike SDIA, which serves only Los Cabos and Puerto Vallarta with non-stop flights, TIJ serves 24 non-stop destinations in Mexico.
- Fares out of TIJ to Mexican destinations have historically been lower than those at SDIA. The entrance of low fare carriers at TIJ has further increased the difference in fares.
- Ten of the Mexican destinations served from TIJ are not served from any other Southern California airport.
- Passengers cross the border because TIJ offers direct service to Tokyo, Japan, and will shortly offer service to Shanghai, China. Both flights could attract more U.S.-based passengers to TIJ.
- TIJ and SDIA are complementary rather than competing, with TIJ specializing in Mexico travel and SDIA specializing in U.S. travel.

## **TASK 3: RESEARCH FINDINGS ON POTENTIAL DEMAND**

Under this Task, the IMG Team conducted field research to assess the potential use of a cross-border connection. Field research included discussions with four focus groups represented by air travelers from the San Diego Region, telephone interviews of San Diego and Imperial County residents that currently use SDIA or TIJ, passenger surveys at SDIA and TIJ, and discussions with institutional users of both airports. The findings of this task are:

- *Usage of a CBT:* 38% of the polled passengers would use a CBT. This percentage could be as high as 48% if usage drivers were effectively marketed.
- *Usage drivers of a CBT:* Usage drivers included avoiding unexpected cross-border delays, cross-border traffic congestion, and the need to purchase auto insurance in Mexico.
- *Lower airfares at TIJ:* Airfare cost savings were of significant interest to the potential CBT users. The greater the airfare difference, the greater the potential of the CBT to attract passengers from outside San Diego and Imperial Counties.

- *Travel flexibility out of TIJ:* Demand for a CBT will increase if TIJ offers travel flexibility compared to SDIA, including:
  - 24-hour daily flight availability.
  - Availability of non-stop flights to more Mexican destinations.
  - International routes to more destinations.
- *Increase in levels of congestion at SDIA and LAX:* As congestion levels increase at LAX and SDIA, demand for the CBT will also increase.
- *Concerns about the City of Tijuana and the TIJ Environment:*
  - *Prior use of TIJ:* Prior TIJ experience and perceptions of Mexico and the City of Tijuana have a major impact on the attitudes of travelers toward a CBT.
  - *Concerns about security/safety:* Potential users would be more attracted to a CBT if procedures and systems follow U.S. standards, and U.S. institutions operate the CBT.
  - *Comfort Level with Mexican flag airlines:* Passengers expressed lower comfort levels with Mexican flag carriers than with American flag carriers.
  - *Ethnicity:* Hispanics are more likely to use the CBT than any other ethnic group because of their familiarity with the City of Tijuana, TIJ and the area where the CBT would be located.
- *Convenience and ease of use:* The most important issue for potential users of a CBT is the ease of use and convenience, including easy-to-understand procedures, easy ground access, efficient passenger processing procedures and a sense of safety and security inside and outside the CBT.

#### **TASK 4: IMPACT OF THE CBT ON AIR SERVICE DEMAND AT SDIA AND TIJ**

The objective of this Task was to assess the impact of the CBT on air service demand at SDIA and TIJ. The analysis was based on historic air travel information and findings from previous tasks. The results are:

- Current demand of San Diego County travelers using TIJ to fly to and from Mexico cities is estimated at 950,000 annual passengers (as of 2006). This number is expected to increase at a higher rate than San Diego domestic traffic due to local, economic and social changes. By year 2020, demand should rise to 2,092,000 annual passengers, and to 3,676,000 annual passengers by year 2030.
- TIJ already attracts the largest share of San Diego County demand to Mexico, but a convenient CBT is likely to induce even more San Diego County

residents to use TIJ. By 2020, approximately 355,000 annual passengers would be induced to fly in and out TIJ because of the convenience of a CBT. By 2030, this number should rise to approximately 988,000. Of these passengers, approximately 188,000 (2020) and 520,000 (2030) would otherwise use SDIA.

- U.S. passenger service that may be offered from TIJ because of the CBT will likely be to large cities/hubs that already have frequent service from San Diego. New or underserved U.S. destinations will probably not be added. If offered, it is estimated that approximately 752,000 and 1,744,000 annual passengers would use the CBT for U.S flights from TIJ by 2020 and 2030, respectively.
- As SDIA reaches its capacity, fares are likely to rise, increasing the attractiveness of alternate service from TIJ. By 2030, it is estimated that approximately 444,000 annual passengers will use the CBT and TIJ because of capacity constraints at SDIA.
- Use of TIJ for service other than U.S.-Mexico is likely to be very limited. TIJ is unlikely to add much international service beyond the Japan and China air service routes.

In summary, the total potential market demand for passengers crossing the border with a CBT is:

- 3,202,000 annual passengers by 2020
- 6,408,000 annual passengers by 2030

The projected demand figures are highly dependent upon the following factors:

- Growth rate of U.S.-Mexico travel.
- Convenience of the border-crossing processes.
- Fare differentials between U.S. and Mexican airlines.
- Cost differences in operating at SDIA and TIJ for air service to the U.S.

#### ***TASK 5: OVERVIEW OF POTENTIAL ECONOMIC IMPACT OF THE CBT IN THE SAN DIEGO REGION***

A very high-level economic impact analysis of the CBT to the San Diego Region revealed the following likely impacts:

- The CBT would cause only a minimal increase in total flying passengers.
- The primary economic impact of the CBT would be to shift passengers and economic activity from SDIA to the Otay Mesa area, near the CBT.
- A CBT might capture approximately 149,000 new enplanements of the San Diego County passengers currently going to LAX.

- The application of simple economic impact multipliers suggests direct positive impact of the CBT ranging from \$22 million to \$67 million per year, with a total (direct, indirect, and induced) positive economic impact of \$104 million to \$298 million per year.