

Jobs, Expansion and Transportation (JET) Task Force Meeting

June 6, 2014

THE CITY OF
COLUMBUS
MICHAEL B. COLEMAN, MAYOR



COLUMBUS
REGIONAL AIRPORT AUTHORITY

Agenda

- I. Welcome and Introductory Remarks - Dan 5-10 minutes
- II. Working Group Reports - 30 minutes (10 minutes for each Chair)
- III. Updates or Announcements - 10-15 minutes (CRAA, County, City and Public Partner Representatives)
- IV. Featured Presentation and Discussion - 30-45 minutes
New Air Service Considerations- Case Study San Francisco
- V. Layout Schedule of Future Meetings and Administrative Matters - 5-10 minutes

New Air Service Considerations San Francisco Case Study

JET Task Force
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Agenda

- New market aspirations
- Airline expectations
- Community best practices
- Case Study: San Francisco



Market Aspirations

Air Service Expansion Aspirations

Domestic Target Markets

1. Passenger ***demand*** ≥ 50 passengers daily each way to markets ***without nonstop service*** from Port Columbus.
2. Markets ***served nonstop*** from Port Columbus and ***lack competition*** to aid in getting competitive air fares.
3. Markets that are a ***focus of*** our incumbent or prospective ***airlines***.

Air Service Expansion Aspirations

Pitch to airlines covers topics such as.....

- Introduction of Columbus and Region
 - Location, population, etc.
- Regional employment
- Companies based in the area
- Future investments in region

Air Service Expansion Aspirations

Pitch to airlines must consider:

- ***Credibility***
 - not all routes are viable for all airlines
- ***Fleet Make-up***
 - Airline's resources may be allocated to higher demand markets and/or fleet range capabilities
- ***Airline strategy***
 - Is the target market a focus city for the airline?
 - Limited gate space, competitor's presence

Air Service Expansion Aspirations

Airport Tactics

- Route Profitability (P/L)
 - Not all business cases
- Economic Impact
 - Can be valuable in seeking public / private support
- Incentive Program
 - Marketing and start up cost

Air Service Expansion Aspirations

Ideal service amenities

- Flight schedule timed for business travel
 - example of west coast service from Columbus
 - Westbound arrive mid-morning at destination
 - Eastbound arrive Columbus early evening

Airline Expectations

Airline Expectations

Market Demand

- Market growth
 - What's driving the growth
 - Local passenger demand
 - Connecting opportunities
- Market share distribution
- Point of Sale
- Corporate/leisure mix
- Air Fare
- Competition

Airline Expectations

Existing Performance

- Their overall performance at CMH
- Competitive dynamics at target market
- The strength of existing corporate sales agreements
 - Frequent flyer loyalty

Airline Expectations

Net +

- Route must enhance their overall CMH portfolio
- Route must be net positive
 - Diluting at the expense of their existing service offerings

Airline Expectations

Community Support

- Corporate Sales Agreements
 - Larger corporations targeted by airline
- Existing CMH performance is a good measure of support
- Airport incentive programs to aid in marketing service and startup costs

The background features a dark blue gradient with several overlapping, semi-transparent, wavy shapes in various shades of blue, creating a sense of movement and depth. Two thin, white horizontal lines are positioned above and below the main text.

Community Support

Resources

Pursuit of New Air Service

- Economic development groups
- Corporations
- City government
- County government
- Chamber of Commerce
- Tourism
- Airport Board & staff

Community Support

Recent Examples of Public & Private Partnerships

Revenue Guarantees

Maryland

- British Airways:
 - *Baltimore to London*
 - Estimated \$124M total state economic impact
 - \$18.8M paid between term 2005 – 2010
- State renewed for additional two year term (APR '11– MAR '13)
- 8% margin, capped at \$5.5M annually

Pennsylvania

- Delta Air Lines:
 - *Pittsburg to Paris*
 - Estimated \$130M economic impact
 - Two year term paid \$5M Y1 and \$4M Y2
- State & Allegheny Conference on Community Development

Indiana

- United Airlines:
 - *Indianapolis to San Francisco*
 - \$1.5M revenue guarantee, one year term
 - Flight started Jan. 8, 2014
- Indiana Economic Development Corporation

Community Support

Market synergies explorations

- Identify industries shared between Columbus and the target market
- Host an industry event that links the two cities
- “Sponsored” by the community & airport/targeted route, raising awareness for both the nonstop service need and numerous shared industries

Community Support

Edmonton, Canada example

- Edmonton – New York Target Plan | Fall '10
- Developed “Unite for More Flights” campaign
- Created stakeholder task force
- Identified target customers both in YEG and NYC
- Hosted events to present the “ask” of the Edmonton based stakeholders to assist in the NY campaign
- Corporations and potential route customers wrote letters of support to target carrier
 - *airline followed up directly with some stakeholders*
- Service commenced | May '13



Case Study: San Francisco

Bay Area: Largest unserved market from CMH

- SFO is the largest of the three Bay Area airports
- CMH is the 4th largest unserved market from SFO
- Carriers with focus in the Bay Area
 - United (300+ SFO daily departures)
 - Virgin America (50+ SFO daily departures)
 - Southwest (~100 OAK daily departures)

CMH – Bay Area 190+ passengers daily

Over 70% of market traffic utilizes SFO

CMH-SFO (only) market

Traffic share – YE 4Q13

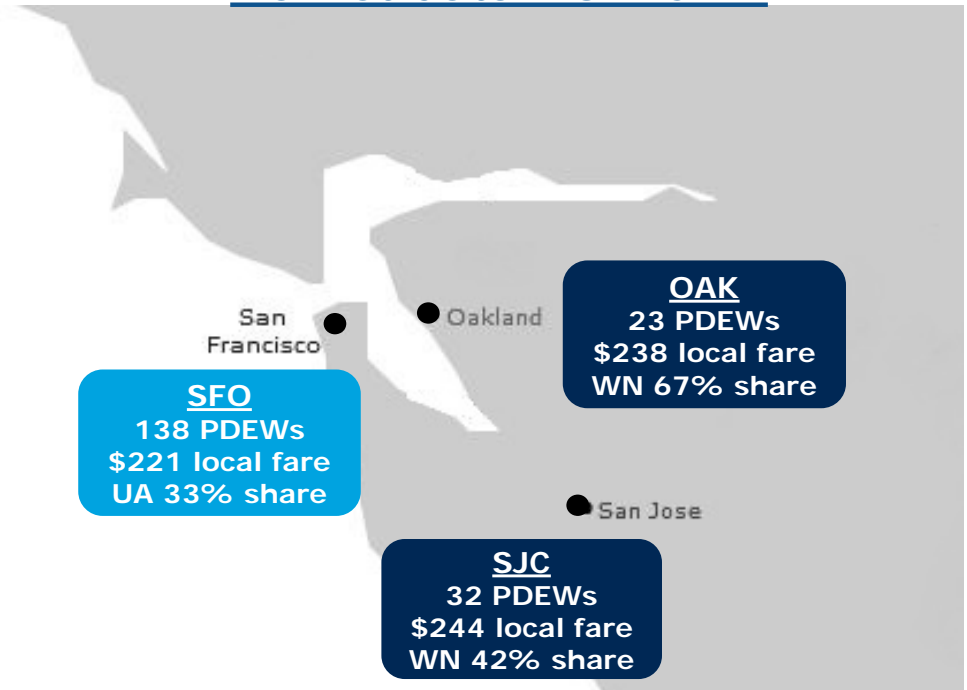
| | |
|-----------|-----|
| United | 33% |
| Delta | 25% |
| American* | 22% |
| Southwest | 19% |

Average CMH O&D fares – YE 4Q13

| | |
|-----------|-------|
| United | \$234 |
| American* | \$227 |
| Delta | \$220 |
| Southwest | \$193 |

* US Airways + American combined

Market data from CMH



Data is for period YE4Q13

San Francisco Route

Executive Summary

- Our demand (138 daily passengers each way) continues to grow, up 21% since 2011
- Most in-depth conversation has been with United
 - They would prefer a market size of 200 (daily passengers each way) or greater based on their forecast
- United forecast set for year round daily service
 - Ideal times to meet business needs
- Revenue guarantee could be less if community desired to adjust to seasonal service
 - And less than ideal business times