Helena Air Access

The Present & The Future

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Proof A Community Has A Civic Pulse

"We need more airlines!"

"We need more 'direct' flights!"

"We need lower fares"

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The Challenges Are Not Just At Helena

Fewer airlines

New fleets & revenue requirements

Consolidating route reach

Changes in Industry structure

Regionalization of access

Un-Prepared International Gateways

General Aviation Uncertainty

Poor aviation infrastructure planning – NextGen failure

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Before We Look At The Future…

Let's Deal With The Realities & Fix The Misconceptions About The Air Transportation System

1. Airlines: There are very few players left
2. Traffic volume is not always the goal
3. The hub-and-spoke system has downsides – but there is no economic alternative to wide air access
4. General & business aviation face uncertain futures
5. The US airport system is an asset in the global economy.

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Aviation Is Communication

Air transportation's role in the communication system is shifting

The challenge:

How do we assure that the US airline industry "channel" remains fully open and as competitive as possible, within this set of changing values?

- ***The relationship of the cost of travel v total consumer/business spend is changing***
- ***New communication channels make some air service economically non- competitive***
- ***New technologies have concurrently opened the world up – but in the process shifted transportation modalities, too***
- ***New communication channels, plus changing economics, have rendered some sectors of air travel non-productive to communication***

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Okay, What's The Future For Airline Service?

Definition

Air service is measured by the amount of access that the rest of the nation and the globe have to Helena

... As we'll discuss, there are some airline opportunities here...

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Getting Priorities Straight

It's not getting them off to Orlando with a low fare that counts

It's whether they can get <u>into</u> Helena that makes the economic difference

The question is how hard is it to get here?

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Start With This: There Is No Airline Store

1983…

Consumers could book & buy on at least 21 large jet operator brands, plus over two dozen independent regional airline brands.

Majors	Regionals
AIR CAL	AIR ILLINIOIS
ALASKA	AIR MIDWEST
AMERICA WEST	AIR NEW ORLEANS
AMERICAN	AIR OREGON
CONTINENTAL	AR WISCONSIN
DELTA	ASA
EASTERN	ASPEN
FRONTIER	ATLANTIS
MIDWAY	BAR HARBOR
NEW YORK AIR	BRITT
NORTHWEST	CASCADE
OZARK	CHAPARRAL
PAN AM	COMAIR
PIEDMONT	IMPERIAL
PSA	MALL
REPUBLIC	MESA
SOUTHWEST	METRO
TWA	MIDSTATE
UNITED	NEW AIR
US AIRWAYS	PBA
WESTERN	PLIGRIM
	PRECISION
	RIO
	ROCKY MOUNTAIN
	ROYALE
	SKYWEST

Not a complete list

Today, consumers can turn to just eight large jet, full schedule mainland-US operators, and none of the regionals who were around in 1983 are in the retail airline business.

Majors	Regionals
AIR CAL	
ALASKA	
AMERICA WEST	
AMERICAN	
CONTINENTAL	
DELTA	
EASTERN	
FRONTIER	
MIDWAY	
NEW YORK AIR	
NORTHWEST	
OZARK	
PAN AM	
PIEDMONT	
PSA	
REPUBLIC	
SOUTHWEST	
TWA	
UNITED	
WESTERN	
jetBLUE	
SPIRIT	

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Factor: Airlines Are Not After Just "More Passengers"

Aviation DataMiner

Schedule Compare: All Carriers

Carrier	Departures 2007	Departures 2015	Departures Change	Departures % Change	Seats 2007	Seats 2015	Seats Change	Seats % Change
AA	1,495,426	1,503,495	8,069	0.5%	162,162,585	163,761,622	1,599,037	1.0%
AS	365,189	340,803	-24,386	-6.7%	36,232,853	39,656,149	3,423,296	9.4%
B6	199,937	320,843	120,906	60.5%	27,543,920	42,362,474	14,818,554	53.8%
CO	1,058,328		-1,058,328	-100.0%	90,571,083		-90,571,083	-100.0%
DL	1,518,456	1,852,027	333,571	22.0%	144,171,731	215,197,161	71,025,430	49.3%
F9	126,966	96,148	-30,818	-24.3%	15,092,830	14,267,148	-825,682	-5.5%
FL	264,145		-264,145	-100.0%	32,542,505		-32,542,505	-100.0%
G4	24,976	64,639	39,663	158.8%	3,746,400	10,758,821	7,012,421	187.2%
NK	58,617	129,934	71,317	121.7%	9,042,512	21,567,171	12,524,659	138.5%
NW	880,298		-880,298	-100.0%	88,249,910		-88,249,910	-100.0%
UA	1,304,150	1,705,387	401,237	30.8%	123,098,531	168,155,512	45,056,981	36.6%
US	1,345,082	865,006	-480,076	-35.7%	119,333,259	83,733,237	-35,600,022	-29.8%
VX	4,125	63,355	59,230	1435.9%	596,958	8,840,582	8,243,624	1380.9%
WN	1,168,814	1,280,890	112,076	9.6%	158,949,973	187,132,819	28,182,846	17.7%
	9,814,509	**8,222,527**	**-1,591,982**	**-16.2%**	**1,011,335,050**	**955,432,696**	**-55,902,354**	**-5.5%**

2015 – 16.2% fewer flights, 55 million fewer seats

Cost of air travel per mile: up 15%

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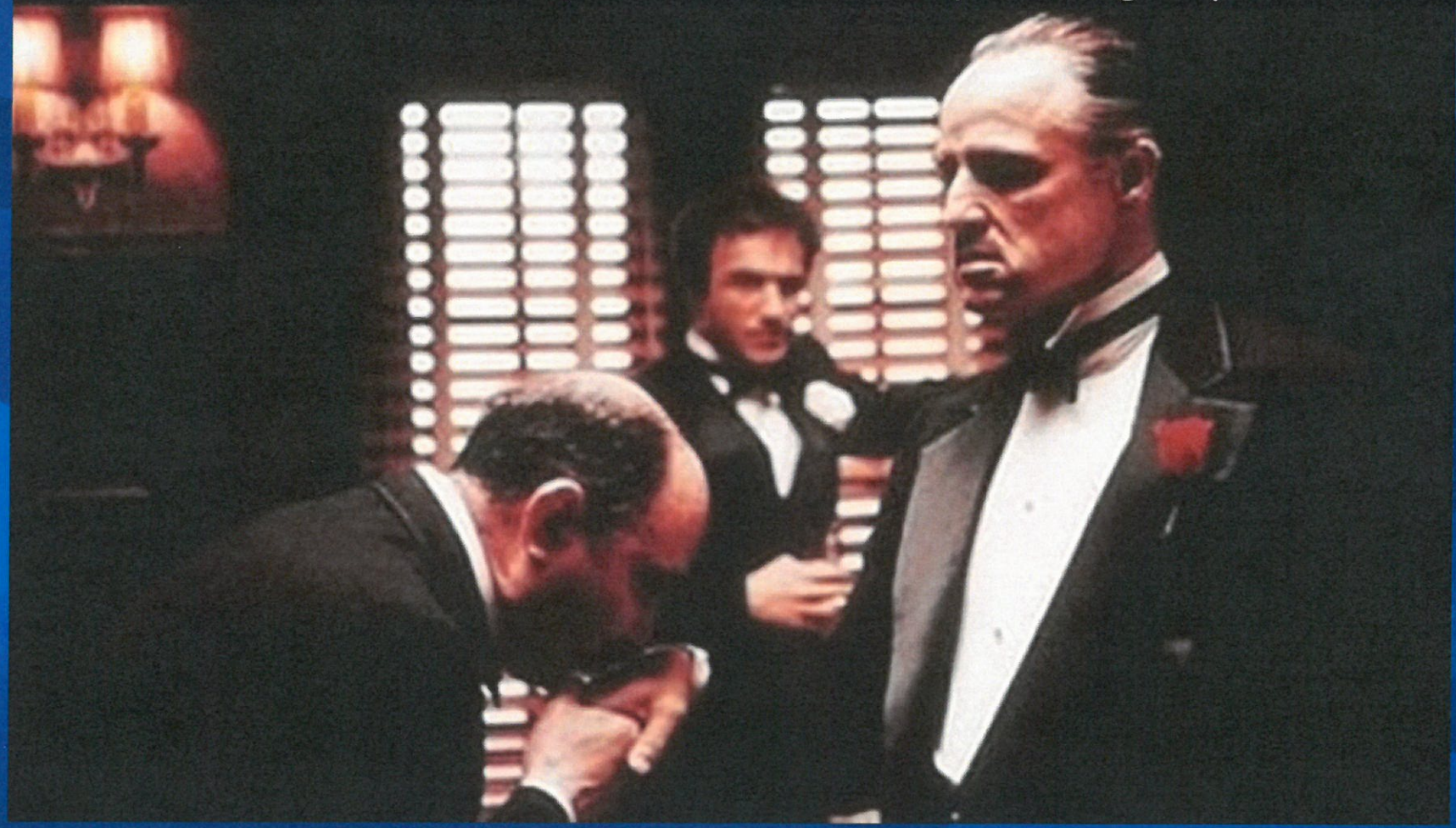
Let's Be Clear: Airlines Now Have Their "Turf"

The days of airlines invading each other's core territory are mostly over…

They want to preserve "the peace" – kinda like the "Five Families"

Factor: Communities Need Airlines Not The Other Way Around

Seen here, a community visits the airline planning department



Factor: Fleet Changes

North America	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Net Chg
											2024 v 2014
180 + Seats	651	688	678	686	732	749	787	817	850	842	205
126 - 180	3,808	3,742	3,824	3,821	3,831	3,911	3,926	3,981	4,038	4,091	279
101 - 125	437	566	665	754	843	912	994	1,061	1,125	1,214	912
75 - 100	624	676	708	722	737	748	761	772	782	801	258
Regional Jets	1,066	937	781	781	781	781	781	781	781	781	(540)
Total	6,586	6,608	6,657	6,764	6,925	7,100	7,248	7,412	7,576	7,730	1,114

Average seats – replacement aircraft - @150 – 170 depending on year and retirement cycles

Small aircraft are not in the play, anymore

As smaller aircraft leave, the chances for intra-regional point to point travel decline

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Fleet Changes = The Traffic Bar Is Up

1986

15-19 seats

Now

70- 76 seats

The traffic requirements to support air service connectivity at small communities has gone up. Smaller units of capacity are now un-economic.

Regionalization is replacing local air service.

Increasingly Obsolete Economics -

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Poster Child For Air Transport Changes

Albany, New York – 1981

@ 800,000 passengers…

Two mainline airlines… Over 40,000 passengers on commuter airlines to Boston, Buffalo, and Islip… Lots of flights to New York to connect to the world… longest flight – Washington/National

Albany, New York – 2016

Gangbusters Traffic - 2.7 million passengers

Nonstops to Detroit, Las Vegas, Florida, seven global gateways… But…

Boston: @ 12,000 passengers. Buffalo: Near zero traffic. Islip: zero. New York? Only Newark.

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Poster Child For Air Transport Changes

Dallas/Ft. Worth – 1977

Largest Carrier: @ 200 flights a day
International markets: Canada. Mexico

Dallas/Ft. Worth - 2016

Largest carrier @ 900 flights a day

International: all of Europe, plus Middle East, plus Seoul, Beijing, Shanghai, Tokyo, for starters

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International Component: Another Competitive Metric

International Component	2016	2017	2018	2019	2020	2021	2022	2023	2024
Direct-Generated	86,853	88,232	90,209	92,280	94,437	96,663	98,977	101,367	103,843
Int'l-Generated Domestic Enplmts	143,308	149,994	157,865	166,103	174,708	183,660	193,004	197,666	202,493
Total: Intl-Driven	230,161	238,225	248,074	258,383	269,144	280,322	291,981	299,034	306,336
Total Intl-Related	28.8%	29.3%	29.8%	30.4%	30.9%	31.5%	32.0%	32.0%	32.0%

This traffic will flow across the US – including Helena – so, competitive access will be a factor in attracting this business

Source: Airports:USA® Forecast

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US Air Transport Flows Are Global, Too

China – USA - 1977

Closed. The Red Guards. Cultural revolution. Repression. Streets empty of cars. Near-zero discretionary income. Effectively zero traffic to the USA.

Flying out of China required hijacking a MIG-17.

China – USA – 2016

2016 – Beijing streets choked with Buicks & BMWs.

Three million Chinese tourists – 40K hotel rooms occupied at Hershey Chocolate World, alone. Average spend: $4,000. Montana is in the play, too

Nonstops to USA from Beijing, Shanghai, Guangzhou, Wuhan, Xi'an, Xiamen, Changsha & more

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The Future Value of US Airports…

The US airport system is evolving into one of the most powerful assets the nation has…

The challenge:

Companies across the globe are seeking stable, cost-effective safe investment sites…

US airports are centroids that meet this need.

The focus is much more than on "scheduled air service" as a goal for local airports…

Point: US airports – whether New York/JFK or Worland, Wyoming – are attractive logistical growth sites… And scheduled flights aren't always part of the program

Airports are economic generators – and that will increase in the years ahead… Helena, too.

The Golden Triangle, Mississippi example

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Air Service Is Not Always An Impediment

Golden Triangle Regional Airport, Mississippi

Current tenants/adjacent tenants

- ***Major new-generation steel mill***
- ***Israeli aircraft manufacturer***
- ***Airbus Helicopters – building replacement to UH-1 "Huey" for global military customers***
- ***Japanese tire factory under construction***
- ***Dutch Truck Manufacturer building engines for global distribution…***

Air Service Currently:
3 RJs to Atlanta

Let's Talk About Helena

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Current Air Access At Helena

Three airline systems, four gateways…

That means three access points from Asia, two from China,

Four from most major points in the USA

As for getting Mr. Wang here from Shanghai, or the German family visiting Montana, so far, so good..

… But…

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What About Fares…

Rank	Market	Helena		Bozeman		Missoula		Great Falls	
		Psgr	Gross Fare	Psgr	Gross Fare	Psgr.	Gross Fare	Psgr.	Gross Fare
1	Seattle	18,409	$202.92	72,859	$169.15	59,045	$163.75	23,713	$191.11
2	Poerland	9,072	$185.89	25,685	$202.06	32,247	$166.55	10,341	$177.90
3	Denver	8,331	$314.44	62,477	$199.55	46,751	$202.49	11,951	$321.41
4	Los Angeles	6,833	$210.23	33,251	$280.69	28,461	$186.63	9,192	$195.64
5	Minneap/St/ Paul	6,462	$286.77	34,734	$307.90	21,183	$306.46	8,541	$312.32
6	Phoenx	6,418	$208.47	16,975	$216.72	15,888	$217.08	7,893	$218.11
7	Las Vegas	5,464	$204.34	44,914	$108.82	43,553	$102.27	52,620	$86.35
8	Salt Lake City	5,410	$331.53	7,993	$325.54	12,232	$272.83	7,315	$294.67
9	San Diego	4,886	$224.01	17,710	$216.02	13,108	$223.76	5,570	$221.14
10	Anaheim	4,788	$197.53	11,683	$245.05	9,767	$221.29	4,844	$188.02
11	San Francisco	4,633	$248.24	33,400	$272.77	16,875	$217.73	4,012	$259.02
12	Chicago/O'Hare	4,577	$344.84	30,310	$378.82	11,624	$399.95	4,075	$336.25
13	Dallas/Ft. Worth	4,573	$300.48	17,183	$309.86	13,062	$289.09	8,547	$271.04
14	Atlanta	4,294	$411.71	30,818	$361.33	11,190	$396.94	6,447	$361.35
15	Wash/Reagan	3,964	$425.94	13,932	$379.63	6,574	$455.01	3,663	$410.95
All Markets		**188,038**	**$299.66**	**993,496**	**$286.56**	**691,021**	**$257.69**	**354,934**	**$247.22**

On Average, not out of line with other points in Montana…

Differences in location, and the air service volume that can be delivered make a difference

None of these airports are particularly "low fare" – but they are all profitable for the carriers.

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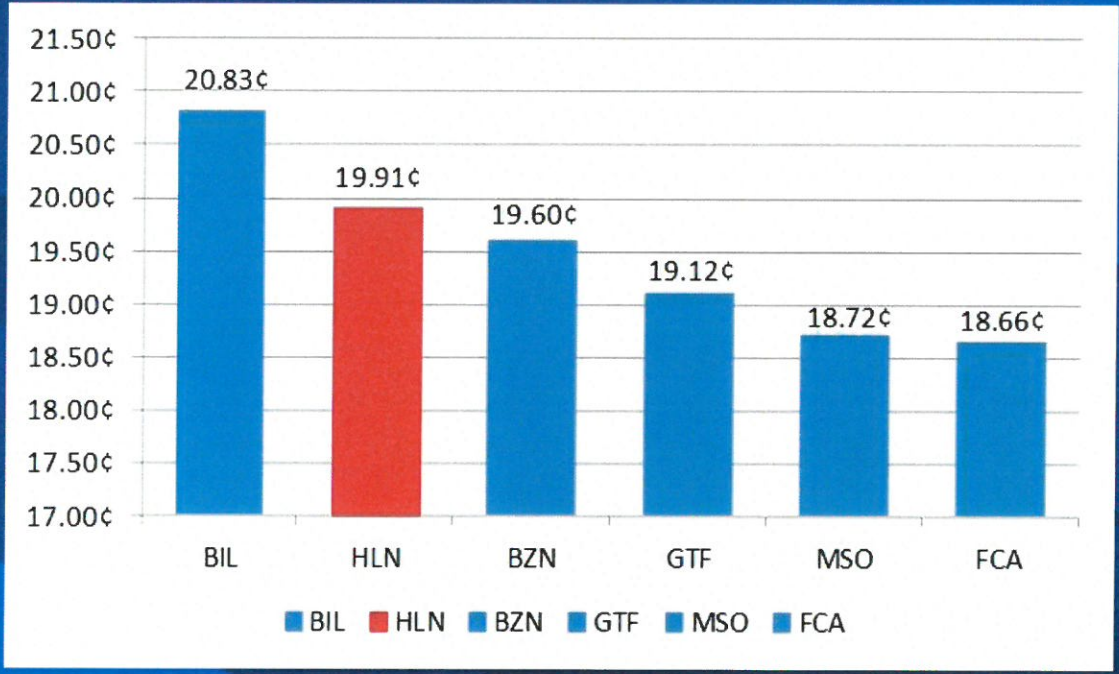
But What Is Helena Really Paying?



On a per-mile basis , it costs about the same to get to Helena on average compared to other Montana airports

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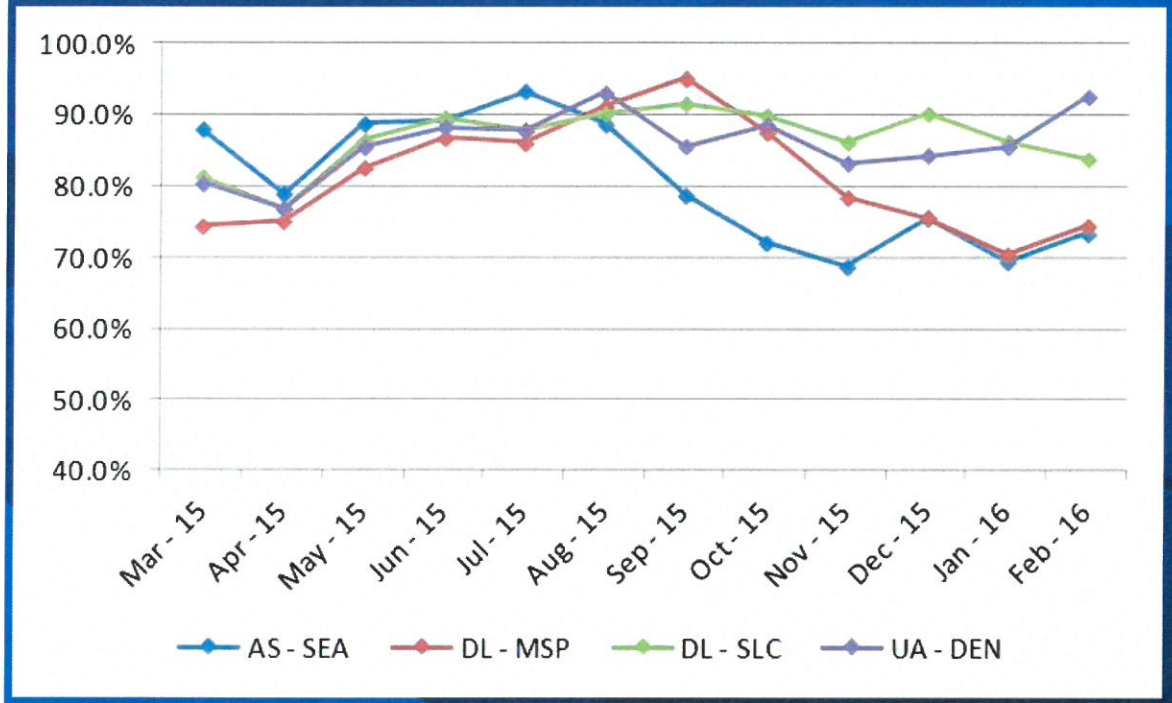
Remember The Part About "Can They Get Here?"



Sometimes, they can't –

There are no seats… summer in particular

Most months flights are at 85% or higher…

The Alaska dip had more to do with scheduling than demand.

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What About Other Airlines? Other Gateways

American: DFW? 1,232 miles away… Market is too small to dedicate most of one entire airliner

Frontier: Today focused on only large leisure markets

Spirit: ditto

United: San Francisco, Los Angles & Chicago are secondary to addition of Denver flights

Delta: Currently upgrading fleets – good news

Allegiant – not an "access" carrier. Not interested in adding Helena at this time, in light of other larger opportunities

Southwest: They gave up a 350,000 passenger market at Sarasota… the point is clear.

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Okay, Where From Here?

Fact: Helena is a robust market for the incumbents

Fact: Current capacity is not sufficient to meet demand – or growth

Fact: There are no "new airlines" to provide access from the rest of the glong

Conclusion: We have a clear path in regard to addressing the future…

Goal:

Alaska: At least one additional Seattle frequency

United: Shift to 70+ seat jets, plus at least one more Denver frequency

Delta: Continue upgrade of aircraft, at least one additional SLC flight

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Thank You

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