

March 19, 2010
10:00 A.M.
Newport, Oregon

CALL TO ORDER

Chair Bain called the meeting to order at 10:00 A.M. In attendance were: Bill Bain, Penelope McCarthy, Jim Voetberg, Gene Cossey, Mark McConnell, and Cheryl Atkinson from Newport, Jack Crider, Jack Bland, John Overholser, and Larry Pfund (via telephone) from Astoria, Larry Dalrymple (via telephone) and William Hedlund from the Oregon Department of Aviation, Rob McKinney, Jim Day, and John Lansing, from SeaPort Air (via telephone). Also in attendance were Larry Coonrod from the Newport News-Times, and Dave Morgan, www.LincolnCountyToday.com.

ADDITIONS/DELETIONS & APPROVAL OF MINUTES OF THE FEBRUARY 19, 2010 MEETING

MOTION was made by Crider, seconded by Dalrymple, to approve a change in the order of the agenda by moving Items V and VI to the forefront to accommodate Mr. Dalrymple having to leave the meeting early. The motion carried unanimously in a roll call vote.

MOTION was made by Dalrymple, seconded by Cossey, to approve the minutes of the February 19, 2010, meeting, as presented. The motion carried unanimously in a roll call vote.

UPDATE ON E-TICKETING SOFTWARE PURCHASE AND IMPLEMENTATION

McKinney reported the reservation system has been up and running for quite a few weeks, with e-tickets being available. Cossey asked what you will find when searching Expedia for SeaPort flights. McKinney responded you can see ONP to PDX, but it will not show availability. Cossey asked when that might occur. McKinney explained there were still a few more steps needed. McKinney further explained that he is working with an agency that works with Kayak, and hopes this will come through in a couple of weeks. Bain stated travel agencies are accessing the flight schedules for their customers, so it should not be that difficult for Expedia to move forward with adding SeaPort's flights. McKinney said Expedia had been their first choice for e-ticketing, but since they have discovered they are the most difficult to work with in attaining such an agreement.

INTERLINE TICKETING AGREEMENT STATUS

McKinney reported they are currently working with US Airways on the interline ticketing agreement, and it had progressed enough that he was comfortable in announcing they will be their partner. The agreement should be in place sometime next week. Currently both parties are making sure the connectivity works. Cossey inquired

how long the process would take. McKinney responded they are working diligently, but it could be 30 to 40 days, or even mid-summer before it occurs. However, the agreement will be signed by next week, per McKinney. Bain commented it was good news that a major airline is working with SeaPort, and he would hope that other airlines will come on board soon. McKinney said when you have one airline on board, it is easier to attain others.

It was further noted this is only the second interline agreement given since the 9/11 crises. Crider said now that we are moving forward on the passenger online agreement he would like to also acquire the baggage agreement. Dalrymple indicated that baggage from Newport and Astoria is non-sterile, and passengers will still have to go through security at PDX. Day indicated SeaPort has cooperatively worked with other airlines, such as Southwest, that does not have a baggage agreement to help locate lost luggage.

McKinney discussed the correspondence SeaPort had received with regards to the interline agreement not being in place by March 15th and being in breach of their contract. McKinney explained he had sent a response via e-mail. In his response, he noted that SeaPort has been serving the Oregon coast for over a year, and almost all survey data has been positive. He further stated he would question those individuals who had agreed to include the interline ticket and baggage agreements in the original contractual agreement. He said he realizes it is a done deal, and they have been working diligently to honor that contract. He also has been working to provide a new aircraft, as requested by the Consortium. This is a huge commitment for SeaPort, and any financial penalties invoked, as suggested in the letter dated March 17th, would completely derail their company.

Bain thanked McKinney for summarizing his response. Dalrymple requested that SeaPort keep pushing ahead with all due haste on the agreement. Crider said he appreciated Seaport coming through at the eleventh hour with the potential US Airways agreement.

Cossey said he appreciated McKinney's response on the interline agreement, but he is more concerned about seeing the flights over a broader itinerary. Cossey said this is an important issue, and once the agreement is in place with US Airways he would like McKinney to tackle that issue. McKinney agreed, and said it is duly noted. Bain echoed Cossey's concern.

McCarthy suggested the Consortium members consider making a recommendation to their governing bodies with regards to the March 15th deadline, and how it has been dealt with by SeaPort. Cossey suggested giving SeaPort more time to get the agreement signed, and did not recommend calling it a breach of contract. It was the general consensus of the Consortium that SeaPort has made a good faith effort, and sufficient progress has been made towards attaining an interline agreement.

MOTION: Cossey moved, seconded by Crider to recommend to their respective governing bodies to extend the period of time in which Seaport must obtain an interline ticket agreement. The motion carried unanimously in a voice vote.

McKinney commented they are still working out the details with US Airways, and he asked that people hold off on contacting them about the agreement. He said he would not want the progress made to date, undone.

AIRSERVICE MONTHLY MARKETING REVIEW

Day commented that he did not have anything to add to Matt Kyler's report. He also reported that Matt was on vacation if any questions needed to be answered. No questions were heard with regards to the monthly marketing review. Bain said to continue providing the detailed report, as it is much appreciated.

SURVEY CARD UPDATE

It was noted Seaport has a promotional contest that began March 18th for all passengers filling out their survey card. There will be a drawing held on June 1st, and the winner will receive a free flight from Seaport. Bain commented he is still pleased with how many survey cards are coming out of Newport. Pfund inquired if only one survey card will be allowed per passenger, and the answer was yes.

McConnell commented he would like to see SeaPort use the survey information when they formalize the finished interline agreement. McKinney responded they are.

REVIEW OF STATUS OF SUBSIDY FUNDS

Day reported as of last Saturday, March 13th, Seaport was about \$21,000 below the subsidy cap. He stated they have been maintaining this level for weeks now. He further commented this week is the first week that SeaPort is flying at the new reduced amount of the subsidy. Day commented they had just gone through the slowest period of the year, and now that spring is here he would hope those numbers would increase.

McCarthy asked how reservations look for the future. Day said he did not have those numbers, but a statistic to note is that 60% to 67% fly from 24 to 48 hours after booking. Day indicated that the airline ticket price has gone up, which will help the subsidy.

UPDATE ON RFP PROCESS FOR CONSULTANT TO CONDUCT MARKET ANALYSIS

Cossey reported the RFP for the consultant to conduct a market analysis for airline sustainability was advertised on March 15th and was placed on our website. He stated the RFP was also mailed to six different consultants specializing in this type of work. The closing date is March 29th. He said he had also sent Astoria a copy. Cossey stated that the market analysis should give each entity the ability to see how best they can improve their chances for airline sustainability.

Crider asked if Cossey thought we would receive adequate responses from the RFP, and Cossey said we should.

STATUS OF NEWPORT'S APPLICATION FOR *CONNECTOREGON III* FUNDS

McCarthy reported on the current status of Newport's *ConnectOregon III* Grant application. Newport was initially refused consideration, but after a letter of protest from the City, plus adding different routes, our grant was reinitiated into the process. A presentation will soon be required by the City. Prioritization of the projects will be done in April.

Crider asked what the different routes were. McCarthy responded they were round trips from ONP and Seattle and ONP and Salem. She stated the Seattle area is to address NOAA needs, and Salem will address government travelers, and regular customers wanting to travel to the valley.

REVIEW OF SEAPORT AIR RIDERSHIP

A brief discussion ensued with regards to ridership numbers. McKinney reported Overholser had suggested a new schedule for Sundays, but he had not had time to review it. He hopes to get to it soon.

REVIEW OF FLIGHT ALLOCATION BETWEEN ONP AND AST

The question was asked if the Consortium wanted to take action today with regards to changing the flight schedule. Cossey said Newport is ready for the change. McKinney stated having a flight from Portland to Newport would be a good idea, but it might be better to have it ready to go for the summer market given the current economic climate. Also discussed was the issue of Astoria and Newport being partners, and not wanting to bolster one airport over the other.

Overholser said a change in aircraft would be welcome. He said since neither airport is profitable right now, this option should be strongly pursued. Seaport needs to view the Consortium as customers, and take care of this request. McKinney agreed.

DISCUSSION REGARDING USE OF CESSNA CARAVAN

Cossey inquired about the training cost for pilots flying the Cessna Caravan, and if that cost could be reduced. He further asked if these pilots would only be used between the two coastal markets. McKinney answered the pilots would only be used in this market. Cossey said he could see cutting those costs if the Caravan flew to other markets. McKinney also commented that the Pilatus would continue to be used because of the number of flights required.

Bain said it sounds like we have a general agreement amongst Consortium members to proceed with adding a flight to Newport. He further commented the Consortium should agree on whether or not to direct SeaPort to continue negotiating on attaining the Cessna Caravan.

Cossey commented changing allocations of Astoria and Newport flights should be easy. However, the purchase of a new airplane by SeaPort is a different deal. Cossey requested a mockup of the new proposed flight schedule. McKinney stated he could circulate that by Monday. Cossey stated that will assist the Consortium with their decision.

Overholser emphasized Astoria wanted to have an airplane overnight again at their airport to allow for the early morning flight to Portland. He pointed out that the numbers produced to make the overnight change from Astoria to Newport were gathered during the worst time of the year. He also noted weekend ridership versus week-days produces very different loads. Bain said these were good points. He did add Newport also believes strongly in maintaining the early morning departure by having the airplane overnight in Newport.

Pfund asked if it was conceivable to have both Astoria and Newport have an overnight aircraft. McKinney said he would “never say never”, but he would have to look hard at the numbers to see if they merit providing both entities with an overnight plane.

Cossey asked McKinney to put together a mock schedule of all three options, including placing an overnight airplane at each airport. He stated the Consortium will leave it up to SeaPort to create the alternatives.

Pfund stated we all want to succeed. He indicated the overnight early morning flight was beginning to make progress in Astoria before the schedule was changed. He said it is his perception that Astoria is getting seconds on this particular schedule.

McCarthy asked for a clarification from the Consortium on when the proposals for flight changes might occur, if they are not looking at McKinney’s mock flight proposals until their April meeting. Cossey said he would want to see the mock proposals right away, and be prepared to make a decision at their next meeting.

A lengthy discussion followed on whether or not to hold a special meeting in two weeks to determine the new flight schedules, and whether or not the Consortium wanted SeaPort to continue their pursuit to attain a Cessna Caravan to service the coastal route. McCarthy pointed out that the governing bodies of both entities will need to approve any changes the Consortium may recommend.

Following the discussion, two following motions were made:

MOTION: Pfund moved, seconded by Cossey, to have SeaPort move ahead on attaining the Cessna Caravan to use for the coastal flight service. Motion carried unanimously in a roll call vote.

MOTION: Cossey moved, seconded by Crider, to implement a schedule change by June 1st, with the execution of the changes incorporated into the revenue guarantee agreement, and Seaport to come back with the schedule alternatives as quickly as possible. Motion carried unanimously in a roll call vote.

Overholser encouraged SeaPort to pare down the prices as much as possible whether using the Pilatus PC12, and or the Cessna Caravan, if purchased. He said the Consortium wants the subsidy to last as long as possible. Day said he and McKinney have looked carefully at the numbers, and what they provided was the actual costs for switching from the Pilatus to the Caravan. He stated they are absorbing some of those costs in the spirit of cooperation. Cossey asked if using a single pilot would lower the costs. McKinney responded it could be a safety issue, especially with customers, and we do not want it to hurt the ridership. Day also said SeaPort would need to check with their insurance agent, and their premiums could go up with the new aircraft. Cossey stated he did not think the new airplane would increase the life of the grant. The change will mostly assist in sustaining the service once the grant is finished.

FARE UPDATE AND PROPOSED CHANGES – IF ANY

A comment was made from Astoria that their fare should be lower, since Newport is further away from Portland. McKinney said they would be willing to look at that. Overholser said the average fare has been 38 cents higher, and Astoria's fare has gone \$9 higher than Newport recently. Day commented these fares could be attributed to reservations. It was also suggested Newport customers might have bought their tickets further out than Astoria's customers. Cossey stated airline fares are not based on distance, but rather on the market. He said he would caution asking Seaport to lower fares. Overholser recommended having Newport's fares bumped up to be closer to Astoria. McKinney said he has no definite answer on the fare changes at this time.

McKinney indicated SeaPort would need assurance that they will be the company at the end of the grant subsidy before they go forward with leasing the Cessna. McCarthy pointed out that the Consortium could agree to that request, but it would first need to be approved by the governing bodies of both Astoria and Newport. McCarthy further commented the Newport City Council could address this matter at their April 5th Council meeting.

Overholser spoke to the fact that SeaPort, in the beginning, said the subsidies had to be high because of the need to purchase a particular plane (Pilatus PT-12) to serve the coastal route. Now they are talking about purchasing another new plane without providing their customers much cost savings. Overholser asked SeaPort what would happen with the Pilatus PT-12. McKinney said it would be moved, and they would be purchasing another one. Overholser urged SeaPort to take a better look at their economics to provide a better cost savings to the Consortium by switching to the Cessna. McKinney stated there are start-up costs when bringing in a different plane, which includes pilot training, and they have shaved as much away as possible.

Crider stated he would still like to see lower fares out of Astoria, if possible. Bain commented the fares provided to Seaport were negotiated in the original contract. He stated Seaport may want to change their marketing to advertise early booking, which in turn could change Astoria's numbers. Bain and Cossey both recommended that Seaport not redo their fares.

Overholser said the fares need to be compared to other markets. He further stated that both Astoria and Newport may need to raise their fares. Bain stated the fares were addressed in the contract. He further noted the Consortium can make recommendations, but he would not feel comfortable moving any further in this discussion because of the contract. Pfund said if we begin to see ridership decline because of increased fares, he does not see a problem with making recommendations to SeaPort on fare costs.

ESTABLISH NEXT MEETING DATE

It was determined by Consortium members to meet in two weeks, which would be April 2nd, and they will meet at 10 AM. At this special meeting, they will hear an update from SeaPort on the proposed new flight schedule, and any progress made with regards to the Cessna Caravan, and a further update on the negotiations for the interline ticketing agreement with US Airways. Bain said Newport would host the meeting.

ADJOURNMENT

There being no further business to come before the Consortium, the meeting adjourned at approximately 11:58 AM.