

**CITY OF NEWPORT
AIRLINE SUSTAINABILITY TASK FORCE
DECEMBER 2, 2009
MEETING NOTES**

The meeting was called to order at 1:30 P.M. In attendance were Don Lindly, Patricia Patrick-Joling, Mark McConnell, Mike Schulz, Burt Lippman, Richard Kilbride, Jim Voetberg, Penelope McCarthy, and Peggy Hawker. Also in attendance were Jim Day, from SeaPort Airlines, Steve Schuster and Walter Sherman, representing the Depoe Bay Beacon, Larry Coonrod, representing the Newport News-Times, and Greg Stanton, Bill Bain, Lon Brusselback, Caroline Bauman, and other audience members.

PRESENTATION BY SEAPORT AIRLINES ON SUSTAINABILITY OF AIR SERVICE

Air Service Sustainability. Jim Day made a PowerPoint presentation that reviewed air service sustainability. He noted that the objective is to achieve sustainable air service to Newport after the subsidies are depleted. He reported that the sustainability solution is to increase passenger loads, increase average ticket prices; reduce overhead costs, and increase flight reliability through airport improvements.

Sustainability Action Items. Day noted that the following items affect sustainability: (1.) Airport improvements could be made to allow for lower minimums. (2.) Passenger loads could be increased through e-ticketing and local marketing partnerships. (3.) Overhead costs could be reduced, and will be reduced as other routes come on-line. (4.) The average ticket price could be increased, and Day reported that the low and mid-tier ticket prices increased by \$10 each on December 1. (5.) Another round trip allowing work day trips would be advantageous. (6.) Marketing and community outreach partnerships will help increase the chances of sustainability. He reported that SeaPort will begin fueling the midday flight in Newport.

Airport Improvements. He noted that Newport is subject to heavy fog and strong winds and much can be done to improve the ability to land and take off during fog and icing events. He suggested improving the minimums to one-half mile, or preferably one-quarter mile, as the PC-12 is approved to land with one-quarter mile minimums. He reported that the airport does not provide de-icing equipment, and suggested that the city consider purchasing a portable de-icing machine and a platform ladder at a cost less than \$5,000.

Overhead. Day reported that SeaPort is experiencing significant growth in the southern USA and anticipates new routes in the northwest. He noted that as

growth continues, the overhead is spread over a larger revenue base which reduces the overhead allocated to each flight segment.

E-Ticketing. Day noted that e-ticketing will allow access by the on-line travel agencies, such as Orbitz, Expedia, etc. This has the greatest potential for increased passenger loads, and will provide broader support for the service.

Newport Community Outreach. Day suggested several ways to streamline the SeaPort traveler's experience. He reported that SeaPort would be willing to have its customer service agents help coordinate rental cars. He suggested the city's shuttle serve the airport. He also suggested partnering with the Chamber and Destination Newport to run co-operative ad campaigns in the Seattle and Portland markets. He suggested including the SeaPort splash pages on the following websites: Discover Newport, Newport Chamber, City of Newport, Nye Beach, Newport Net, Yachats, and Coast Visitor.

Marketing Efforts. Day reported that in the upcoming year, SeaPort will continue with a local advertising and event sponsorship presence, with a greater focus on larger markets to attract travelers. Methods to increase load factors include: (1.) optimizing the flight schedule and frequency; (2.) expansion of northwest destinations to include markets desirable to Newport travelers; (3.) increasing the value to passengers by marketing travel packages to and from the coast; (4.) replacing the existing reservation system to market discount codes and packages; (5.) continuing to develop relationships with hotels and tourist attractions; and (6.) broaden the brochure and SeaPort Magazine distribution; and activation of membership with Travel Oregon, OCVA, COCA, and other groups to increase visibility.

Ticket Price. Day reviewed the SeaPort Airlines Newport cost analysis which included the average seats per flight/ and the current and projected costs per flight with two and three round trips daily. He noted that during the initial contract negotiations, the average ticket was anticipated to cost \$100 - \$125.

ConnectOregon III. Day noted that the city had applied for a ConnectOregon III grant which, if granted, could allow lower ticket prices than shown in the projections.

Other Information. Day reviewed various charts that showed load factor percentage, average number of passengers per flight, the subsidy invoiced, net ticket revenue, and the cumulative subsidy savings to the Consortium - which is currently approximately \$29,000 below the cap.

Day noted that the current average ticket price is approximately \$66.64. Patrick asked whether Day thinks SeaPort should own or lease its aircraft to become sustainable. Day noted that financing is currently difficult, but that SeaPort has purchase options on all but one of its eight PC-12's. He reported that SeaPort's goal is to own the airplanes. Patrick asked whether the PC-12 is the aircraft that

Day believes should service this area in the future, and Day responded that it is, and the costs are similar to the Caravan due to life cycle costing and maintenance. He added that the lease payments are flat per year, and do not apply to the purchase price. Day was asked whether he believes the market would bear \$100 - \$125 ticket prices throughout the year, and he stated that he believes that it will.

A discussion ensued regarding partnering with a major airline, and Day reported that until Type A messaging is available, SeaPort will not be able to partner with other airlines. He reported that software testing is underway. It was noted that there have been 13 flights to/from Newport that have been cancelled; five were due to weather. Day reported that the interline ticketing agreement is a serious issue, and that SeaPort has retained a consultant who is working on interline agreements.

Day was asked what is being done to increase ridership in Astoria, and whether he anticipated Astoria ridership at the end of this agreement. Day reported that Newport has a greater probability of passengers due to its distance from PDX. It was asked why the city did not receive landing fees from SeaPort, and Day reported that this was agreed to in the initial negotiations as a way to keep the costs down. Day reported that approximately 50 - 80 gallons of jet A are used per departure on the Newport route.

Kilbride reported that he visited with the airport manager at Coos Bay/North Bend, and will be bringing a report to the next meeting. A discussion ensued regarding what is involved in increasing the minimums to one-quarter mile. Voetberg reported that a parallel taxiway would be required, and this could be a part of another ConnectOregon III grant request, based on direction from the City Council.

Next Meeting. January 6, 2010, at 3:00 P.M.

Adjournment. 2:35 P.M.