



## Memo

**Completeness Review:** Salem Area Chamber of Commerce application for ROAR Funds

**Date:** March 7, 2019     **Presented by:** Program Coordinators

On February 5, 2019, ODA received via email an application submitted by Brent Dehart on behalf of the Salem Chamber of Commerce.

The attached ROAR application is being sent to you in preparation for the April 4, 2019 board meeting.

Due to timing issues, you are receiving these packets concurrently with the Aviation Review Committee (ARC).

The ARC will meet on March 29, 2019 to discuss the applications and provide their recommendations. ODA Program Coordinators will provide a staff report for each of the applications with the ARC's recommendations by close of business April 1, 2019.

Please keep in mind, the applicant should not be lobbying you or discussing the application with you. In addition, ODA requests that any inquiries related to the application or applicant be directed to program coordinators and not discussed with outside parties.

## General Project Information: Air Service Recruitment KSLE

Salem Area Chamber of Commerce  
ROAR Application 2019

Application Year: 2019  
ROAR-2019-N/A-00011  
Version Date: 03/01/2019 13:20:30

### Applicant

**Organization Name**

Salem Area Chamber of Commerce

**Contact Person \***

Tom Hoffert

**Address**

1110 Commercial St NE

**Contact Person Title \***

CEO

**City**

Salem

**State**

Oregon

**Zip Code**

97301

**Phone Number**

(503) 581-1466

**Email**

[tom@salemchamber.org](mailto:tom@salemchamber.org)

### Project Name and Location

**Project Name \***

Air Service Recruitment KSLE

**Project Location \***

Salem Airport, McNary Field

**ODOT Region:****County tax parcel identification number(s): \***

083W01 00100

For convenience, if you have these compiled, please upload them here:

### Airport Information

**Airport Name: \***

McNary Field (Salem Municipal)

**Airport Category: \*****NPIAS or Non-NPIAS: \***

### Project Overview

**Select the type of project being proposed: \***

Program Implementation

**Select the category of project for which you are requesting funding: \***

Other

**Project Start Date:**

1/23/2018

**Project End Date:**

1/1/2021

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### **Project Summary** \*

**Provide a brief summary of the project in the space provided below:**

Salem Area Chamber of Commerce (Chamber) and its partners are strong, committed, and in immediate need of grant funds to get through the commercial airline service recruitment effort. We need \$500,000 to pay for professional consultant recruiting services for up to 2 years, and a 2- year marketing effort to ensure regional awareness and boost to sustainable utilization of the new routes . New aviation transportation service will serve huge areas of rural Oregon in addition to its capital city.

### **Project Purpose and Description** \*

**Provide a purpose and description of the project in the space provided below:**

The project will bring commercial airline service from a major carrier to a hub airport.

**Clearly define the proposed project in each of the following areas:**

• **Does the project eliminate current deficiencies listed in the current Oregon Aviation Plan?** \*

✓ Yes No

Under the Oregon Aviation Plan, Salem is listed as a Level I Commercial Service Airport, but we currently lack commercial service. This initiative seeks to remedy this deficiency. To maintain Salem's status in the plan as a commercial service airfield, we need to provide that commercial service. We seek to not just correct the deficiency, but maintain the commercial status as quickly as possible and sustain it in perpetuity.

• **Does the project modernize the airport by exceeding state or federal minimum standards as stated in the current Oregon Aviation Plan and identified by the Federal Aviation Administration Advisory Circulars or other regulations?** \*

✓ Yes No

See attached document appendix 1 to e-grants

• **Does the project prevent future deficiencies and preserve the existing facilities?** \*

Yes ✓ No

• **Does the project increase the financial self-sufficiency of the airport?** \*

✓ Yes No

The immediate influx of Federal funds for airport operations/improvement will go up by \$850,000 in primary entitlements. Parking revenue will increase as people come to KSLE to fly out of state. Terminal space rental and landing fees will be generated by airline operators. The opportunity to have PFCs (passenger facility charges) will be created.

• **Does the project have local support?** \*

✓ Yes No

There are letters of support from two counties, several cities, major employers, travel promotion entities, two state-funded agencies, two universities, and more. The effort is championed by the Chamber of Commerce, the economic development entity for a 3-county region, and the local and regional travel and tourism agencies. In addition, the initiative is driven by the business community, who is currently raising funds for a revenue guarantee fund of \$1 million. The application and effort is supported by City of Salem staff and City Council, and strong advocacy by the Mayor.

Project Documentation: Air Service Recruitment KSLE

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Documentation and Permits

Was the Airport Layout Plan (ALP) Completed within the last 10 years? \*

Yes     No     Underway

Date of Completion: 8/31/2012

Anticipated Date of Completion: 6/30/2020

If no, provide reasoning:

Is a NEPA review required? \*

Yes     No

Please select the applicable review type:

If 'Other' is selected, please describe the type of NEPA review in the provided field below.

Note any required permits, date issued or expected issue date, completion status, and required status. Permits may include, but are not limited to: right-of-way permits, land acquisition permits, building permits, etc. Click the "SAVE" button to add additional rows.

Permit Type	Date Issued	Completion Status	Required Status

# Statewide Impact: Air Service Recruitment KSLE

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## Statewide Impact of Project

Per **ORS 367.084(6)**, the following questions apply:

**Does the proposed project reduce transportation costs for Oregon businesses or improve access to jobs and sources of labor? If yes, provide a short explanation. \***  Yes  No

New air travel options in the Mid-Willamette Valley can save a half a day of time now needed to fight traffic to get to PDX, park, and shuttle to the terminal. For a Salem-PDX trip, an employer reimbursing for mileage would pay and estimated \$71.15. The cost of parking at PDX ranges from \$10-\$21 per day as opposed to \$5 or less in Salem, or none at all for an easy drop-off. Moreover, according to a study conducted by the Port of Portland released November 1st, 2018, the time-value cost of driving to an airport is estimated to be \$40.36 per hour, thereby substantially increasing the cost of driving from Salem or from areas further away. Many travelers now spend money to lodge in a hotel near PDX prior to a morning flight, incurring additional expenses.

**Does the proposed project result in an economic benefit to the state? If yes, provide a short explanation. \***  Yes  No

There will be additional jobs created in providing the new service. The airlines will be paying facility fees and purchasing fuel locally bringing money into the state and region.

There is great potential to increase tourism by marketing the service as a gateway to Oregon wine country. In addition, the service will help capture out of state convention and conference events. Every level of travel and tourism promotion is in support, as is the Oregon Wine Board.

Fewer cars on the I-5 corridor to PDX will lessen congestion and reduce the need for additional highway infrastructure.

**Is the proposed project a critical link connecting elements of Oregon's transportation system that will measurably improve utilization and efficiency of the system? If yes, provide a short explanation. \***  Yes  No

The rural population to be affected by the new service is broad, reaching into six primarily rural counties (Linn, Benton, Marion, Polk, Lincoln, and Clackamas). Please see the Strategic Plan, exhibit 2, Page 3, for a map of catchment area. The only way to reach so many areas is by having a strong central location from which to launch, and Oregon does not have many of these. Salem/Keizer is possibly the only one in the state that does not already have service, given Medford, Eugene, and Redmond/Bend service are already in place.

**Is the proposed project ready for construction or implementation? \***  Yes  No

This is not a staged effort involving multiple objectives. The infrastructure, FAA authorization, and the facilities are already in place. The air service will be under Title 14 CFR Part 121 regulations.

The two-runway field has an instrument approach 5,811 feet in length with ILS, and is served with tower control. The lighting system and ILS runway paving have been completely overhauled in the last 5 years. Recent repaving and painting of the runways is complete.

The FBO serving the fueling needs has been continuously operating since 2003, including previous commercial service, and is complying of all FAA required equipment and regulations.

The terminal was expanded and improved 10-12 years ago and is in the configuration previously used for commercial service. The City of Salem keeps the required fire fighting vehicle on the airport property and regularly tests it for compliance.

McNary Field, KSLE, is ready to go.

**Does the project have any unique construction-readiness, project implementation issues, or possible delays? \*** Yes  No

## Statewide Impact: Air Service Recruitment KSLE

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**Does the proposed project have a useful life expectancy that offers maximum benefit to the state? If yes, provide a short explanation. \***  **Yes**  **No**

The data points to a region and market that can sustain initial commercial air service, and expand in the near future. SLE is further from PDX than SJC and OAK is from SFO, and Everett Field is from SEA-TAC. Demographics of population growth from Portland State University anticipate 100,000 more people living in Marion and Polk counties by 2035. The life expectancy is basically forever, and includes expansion.

The Oregon Department of Aviation has paid for three studies, for "understanding the drivers of current demand in Oregon and how that may influence the ability to increase air service in the state." Our study with Volaire indicates that the Mid-Willamette Valley catchment area is suffering from an excess of demand for air service, and a lack of supply.

**Budget: Air Service Recruitment KSLE**

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Is this project currently listed in your approved Federal CIP? \*

Yes  No

**Federally Funded Projects \***

FAA Funding Breakdown		
Federally Funded Projects		0 %
FAA AIP Grant Match Requirement from Sponsor		0 %
<b>Total Project Cost</b>	<b>\$0</b>	<b>100 %</b>

**Non-Federally Funded Projects \***

Total Project Cost

**Project Funding Breakdown**

Provide the funding source and the amount of funding from that source.

	Percent of Project Cost
Minimum Program Match Requirement:	%

Source of Match Funds *	Amount	Date Available
FAA grant funds		
Local Minimum Revenue Guarantee funds, consultant fees paid, studies, community events	\$970,000.00	4/24/2019
US DOT SCASD grant (requested)	\$750,000.00	5/1/2019
Total Match Funds:	<b>\$1,720,000.00</b>	<b>77 %</b>

Aviation Project Funding Request to ODA *		
Amount requested from ODA:	\$500,000.00	23 %

Project Budget Summary		
Total applicant matching funds:	\$1,720,000.00	77 %
Funding request to ODA:	\$500,000.00	23 %
Total Project Cost:	<b>\$2,220,000.00</b>	<b>100 %</b>

**Pre-Agreement Expenditures \***

Has the project incurred any expenditures prior to the completion of this agreement, if awarded? If yes, explain.

Yes  No

\* In accordance with OAR 738-124-0045(3)(b) "Only Project costs incurred on or after the effective date of the Agreement are

## Budget: Air Service Recruitment KSLE

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eligible for grant funds.”

### Please describe those pre-agreement expenditures.

Leakage Study and Strategic Plan: \$20,000

Focus group meetings \$3,000 (estimated, in-kind)

Community Conversation lunch Forum with speaker: \$8,500

Web site \$1,000

### Related Document Uploads

Description	Upload
Budget and budget timeline spreadsheet	<a href="http://odae-grants.com/_Upload/10081_1098895-ROARGrantbudget.xlsx">http://odae-grants.com/_Upload/10081_1098895-ROARGrantbudget.xlsx</a>



## Miscellaneous Uploads: Air Service Recruitment KSLE

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### File Repository

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appendix 1 to e-grants

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[10082\\_1098897-Appendix1toE-grants.docx](#)

Person: Brent DeHart

Date: 2/28/2019

### Final Report

*(You must upload your Final Report prior to closeout)*

[Click here to generate the Final Report form](#)

<b>Upload</b>

## **Does the project prevent future deficiencies and preserve the existing facilities?**

1) **Funds for safety, maintenance, improvements:** Almost immediately, the entitlement funds coming from the FAA will go up from \$150,000 per year to \$1,000,000 per year, an \$850,000 influx for airport infrastructure. As enplanements increase, so will the Federal funds coming into the state and directed to this airport facility.

2) **Emergency Preparedness deficiency:** An additional under-utilized aspect of the airport the need for emergency preparedness. This is a current discussion as Salem is a Tier One airport in the event of a natural catastrophe. The infrastructure needs for FEMA, Red Cross, and National Guard aircraft must be accommodated. The addition of passenger service, adding another method to get people and goods in and out of the region, will be an enormous asset for emergency preparedness. Right now, there isn't even emergency back-up power and there needs to be both for fueling aircraft and emergency operations and shelter.

3) **Need for a longer runway:** The FAA has already identified a need for a longer runway at SLE, and the project stalled due to costs. With passenger service adding another layer of safety to consider, while providing additional local money, the safety buffer of expanding to a 7,000-foot runway (FAA recommendation) could be escalated on the priority funding list.

4) **Alternative redirect airport:** In the event of weather, ice, earthquake- or even a public safety emergency such as a threat- flights to EUG or PDX cannot use SLE as an airport alternative to the extent they would need. There is no TSA scanner or staff to bring on passengers, there is not sufficient stand-by power and air stairs for disembarking, and there is no de-icing equipment. With new commercial service, all these things would be put in place, greatly relieving the deficiency of alternatives in the event of a re-direct.

## Salem Area Chamber of Commerce Business Plan and RFA response

### I Proposal Summary

There is only one central location to which commercial air service could be added that would impact as much of rural Oregon's aviation transportation needs, and that's McNary field in Salem. The community support, historical support of previous service, and the latest data establish the viability of new sustained service for the Capital City. Only about 10% of Salem's air passengers are needed to sustain commercial airline service, and the Salem Area Chamber of Commerce (Chamber) and its partners in the Mid-Valley Commercial Air Service Steering Committee (Steering Committee) are strong, committed, and in immediate need of grant funds to get through the recruitment effort. We need \$500,000 to accomplish a full air service recruitment effort and a successful marking of the new service once attained. The amount will pay for professional consultant recruiting services for up to 2 years, and a 2- year marketing effort to ensure regional awareness and boost utilization of the new routes.

### II Organization Description and History

The Chamber is taking the lead as applicant and fiduciary for the ROAR Grant, in its integral role in with the ad hoc Mid-Valley Commercial Air Service Steering Committee. The Committee includes in its makeup three non-profit organizations: Salem Chamber of Commerce; the Strategic Economic Development Corporation (SEDCOR); and Travel Salem. Both SEDCOR and Travel Salem are in part funded by the City of Salem to accomplish goals such as expanding Salem's economy and drawing visitors to Salem. SEDCOR also receives support from Marion, Polk, and Yamhill Counties. In addition, volunteers include regional community leaders who are interested in restoring sustainable commercial air service in the Mid-Willamette Valley, using the Salem Airport known as McNary Field. The organizations were brought together through like-minded local individuals and institutions who want to see the return of air service in the Mid-Willamette Valley, and have been willing to put forth their time and talents toward the effort. The Chamber and its partners have only been formally discussing this topic since January 2018, and have made significant process in the steps needed to restore service.

The vision of the Chamber and its supporting partners is to bring sustainable commercial service to Salem at the earliest possible date to provide air service to all the residents of the Mid-Willamette Valley, consisting of both the metropolitan and rural areas.

Since January 2018, the Committee has secured the services of Volaire Aviation and funded two key studies needed to determine if service is both achievable and sustainable. The first, a "Leakage and Retention Study" compiled actual tickets, their cost, and the passenger destination sold in the catchment area, organized by zip code (this study is Exhibit 1 attached to this application).

The second study, Strategic Plan (Exhibit 2), determined which commercial air service carrier would have the most potential in the Mid-Willamette Valley, based on the leakage study data combined with industry trends, carrier business plans and hub locations.

In support of the Chamber's applications, the Steering Committee began raising pledges for a minimum revenue guarantee (MRG) for a potential carrier. On June 11, 2018, the Steering Committee and the Chamber presented a region-wide event with Jack Penning of Volaire Aviation Consulting as the keynote speaker that attracted 270 people who wanted to learn more about the potential of air service returning to McNary Field. An interactive poll was taken at the event and the results are provided. Attendees included business, government, education, and tourism professionals from Corvallis to Woodburn. To date, over \$400,000 has been pledged without even a formal air service carrier or route determined. (Poll question results, Exhibit 3)

The Steering Committee of approximately 15 members will continue to serve The Chamber as the volunteer organization that provides groundwork, community education and awareness, and fund raising. This will aid in transparent communications throughout the greater community for the ROAR Grant application and implementation and the ongoing greater recruitment effort. The Chamber's Past President, President-Elect, and CEO all serve on the Steering Committee. (Exhibit 8: Operations Plan)

### **III. Background: Explanation of the Problem or Opportunity that has created the need for the Mid-Valley Air Service program:**

#### **The Problem for the Mid-Valley:**

Oregon has been amongst the top states on the list for most moved-to states for the last 4 years. Traffic congestion moving through the Portland Metro area is bad and getting worse, such that the State is considering implementing congestion tolling. Portland State University estimates over 100,000 of additional residents will live in Marion and Polk County in the next 17 years. In short, it has gotten much worse, and is approaching untenable, for the growing Capital region to traverse the metro area to travel by air through PDX. The economics and demographics demonstrate that Mid-Valley air service is an eventuality, and we need the ROAR Grant funds to bring commercial airline service to McNary as soon as possible to alleviate this growing commute time through the Portland Metro area on the way to PDX.

The addition of major employers and industries that compounds the need for business travel include: Amazon Fulfillment Center, Home Depot Distribution Center, Henningson Cold Storage and NORPAC, Willamette Fruit, Salem Health, and Reser/Don Poncho Mexican Foods. The area is home to four Universities and at least two community colleges. The State Government continues to grow. In addition, a need for both the movement of goods and services and increased tourism has resulted from explosive growth of the wine industry in the region.

Recently, heavy importance is being placed on emergency preparedness for natural disasters. When a landscape-wide disaster strikes our region, such as a Cascadia Subduction Zone earthquake, roadways and bridges will be knocked out, and the airport connectivity will be critical in serving citizens and saving lives.

The Salem Airport Disaster Preparedness Group, headed by Neal White, President of the Oregon Pilots Association, has been in collaboration with Marion County Emergency Management and the City of Salem

Emergency Manager to identify gaps in Salem Airport's level of preparedness and resiliency. The Salem Airport is a Tier One airport, designated to receive federal aid from Redmond Airport in a Presidentially Declared disaster response and recovery effort. This means that Salem Airport will receive federal aid and supplies from military aircraft, and will be the point of distribution for areas outside of Salem, including Portland as PDX Airport is presumed to be dysfunctional due to presumed liquefaction following a Cascadia Subduction Zone Earthquake. The approval of a ROAR Grant to attract and support airline service at McNary Field will increase airport operations and enplanements, and therefore increase the likelihood of receiving federal dollars to reinforce the resiliency of the airport and the airport's capability to receive, stage, and unload current military support aircraft, such as a C-117, the most likely fixed-wing aircraft to deliver aid. If the FAA observes additional operations at McNary Field, then the FAA and FEMA are more likely to invest in improving the airport's capabilities.

### **The Problem for lack of connectivity to Rural Oregon through Air Service:**

The decline in Air service in Oregon has been affected by four factors: (1) the reduction of pilots available; (2) a reduction in the number of available smaller turboprop aircraft; (3) a change in the fleet mix of the Northwest's regional airlines, and; (4) the combination of market sizes and airline hub locations. Regional airlines that have historically served secondary markets in Oregon have moved away from serving smaller communities in the state. There is a declining number of 30-seat and 76-seat turboprop aircraft, and a reduction of 50-seat or less regional jets in the fleets providing service to Oregon cities. Airlines have been phasing-out smaller turboprop aircraft that have provided the backbone of commercial air service in smaller communities since the early 1980s, after the end of regulation. Typically, the seating capacity of these aircraft ranged from 19 to 30 seats. They were well suited for operating in smaller markets with relatively short stage lengths. Unfortunately, many communities are too small to accommodate the higher seating capacity regional jets, and/or the longer stage length associated with their operating profiles. The decline in air service in secondary markets in Oregon is not a new phenomenon. It has been in process over a number of years. Astoria, Salem, Corvallis, Newport, and Klamath Falls have lost all air service, and North Bend and Pendleton have seen a reverse reduction in air service.

Salem and the Mid-Willamette Valley currently has no commercial airline service and is grossly underserved. Air service in smaller markets in Oregon has deteriorated to the point that many markets are both underserved and overpriced. The relationships between regional carriers and major airlines, and fleet trends away from smaller turboprop aircraft, are increasing the number of communities in Oregon that have critical air service deficiencies. The problems created by these trends are regional in nature and predicted to make future air service improvements even more difficult for smaller communities.

### **Underserved markets:**

The aftermath of September 11, 2001 and the dynamics of the commercial airline industry only served to exacerbate the situation. Post September 11, 2001, many communities experienced reductions in air service. Others have not realized long needed improvements to existing service.

Further, communities that have not had air service in the recent past have found that opportunities for obtaining air service do not exist. The outcome is many Oregon communities are underserved and often overpriced. Unfortunately, the problem is not isolated to a few communities, it is widespread and systemic.

### **The Mid-Valley Opportunity:**

Voltaire Aviation Consulting <http://voltaireaviation.com/> has indicated in their studies that commercial air service is highly viable and sustainable in the Mid-Willamette Valley. The catchment area of 578,000 people generates almost 1,500 Salem air passengers through PDX and EUG. Voltaire's study identified that the best locations for Salem to have non-stop service to are Seattle and San Francisco, with Denver is a distant third. Seattle is the main hub for Alaska Airlines, which serves over 123 total locations from SEA. San Francisco is a large hub for United which flies non-stop to 105 destinations from SFO. SFO is also a new hub for Alaska Airlines with their recent acquisition of Virgin Airlines and serves 148 cities worldwide from there. Denver is also a large hub for United serving 149 non-stop locations.

The anticipated aircraft to be used for new service likely would be: Embraer E175; Bombardier Q400; or Bombardier CRJ 200, 700 or 900. The proposed airlines operate under FAA Title 14 Code of Federal Regulations Part 121 jurisdiction.

The goal for the Chamber of Commerce and its partners is to attract an airline like Alaska or United Airlines. If Alaska is secured, the coalition would pursue service to both SEA and SFO to gain the most efficiency using both hubs, thereby giving passengers the most connection options. A third opportunity will be regional powerhouse SkyWest Airlines, who flies in cooperation with all the major carriers, and could launch service at their own discretion and link their flights with a United Airlines flight number, flying to a United hub.

The Oregon Department of Aviation has paid for three studies, for "understanding the drivers of current demand in Oregon and how that may influence the ability to increase air service in the state." Our study with Voltaire indicates that the Mid-Willamette Valley catchment area is suffering from an excess of demand for air service, and a lack of supply.

Of the 59 zip codes included in the study, only approximately 10% of those air passengers are needed to sustain regular airline service. Those zip codes do not include areas such as Lincoln City, McMinnville, Detroit, and other rural communities that would undoubtedly contribute to supporting commercial air service in Salem.

### **The Opportunity's Geography and Demographics:**

The Mid-Willamette Valley includes of the metropolitan area of state capital, Salem, and neighboring Keizer. It also consists of several smaller towns of Albany, Amity, Carlton, Corvallis, Dallas, Dayton, Independence, Lafayette, Lebanon, McMinnville, Monmouth, Mt. Angel, Sheridan, Sweet Home, Stayton, Silverton, Willamina, and Woodburn. We believe this serves an East/West stretch from the Oregon Coast to the Santiam Pass, and a North/South range from the southern edge of the Portland Metro market, such as Woodburn, to the northern edge of the Eugene area in communities such as Brownsville. There are more rural areas, and many Oregonians, in unincorporated areas located in the Mid-Valley who would prefer to

fly from McNary Field. Although Salem itself may not seem rural, McNary Field is the airport with the best strategic location to serve all the surrounding rural communities.

The population in Oregon has swelled over the past few years with most of the population settling into the Mid-Willamette Valley. This significant growth has brought significant traffic issues on Interstates 5 and 205. Enplanements have also increased at Portland International and Eugene Airports. The growth in enplanements can be partially attributed to the population increase in the Mid-Willamette Valley. Even though PDX and EUG are 63 and 71 miles from Salem (respectively), getting to the either airport has become increasingly difficult. With more and more people trying to navigate Interstate 5 and Interstate 205 each day to PDX, it has increased the amount of time people need to account for to begin their trip. In some cases, leaving 3 to 3 ½ hours from Salem for a flight at PDX is realistic to account for parking, shuttle, increased security, and wait times at the Portland Airport. Moreover, the time to pick-up passengers from PDX has increased due to the relocation of the Cell Phone Lot and the Turn-Around Road. The Cell Phone Lot has been moved further away to the 7-11 convenient store, and the Turn-Around Road giving access to re-enter the arrivals terminal has been removed. Now people retrieving arriving passengers must drive out to 82<sup>nd</sup> Street to re-enter the arrivals terminal. This is a significant amount of time and it contributes to regional traffic congestion and quality of life issues. It takes longer just to get to PDX and board a flight, then the actual two-hour flight to LAX. Traffic has gotten so bad in the Portland area that state legislature leaders and ODOT are considering establishing congestion-based tolling on Interstates 5 and 205. The heavy traffic is no longer confined to rush hour in the Portland area. Portland State University predicts an increase in population of 100,000 people for Marion and Polk counties by 2035, which will only exacerbate these traffic problems and drive times to PDX. As shown by the Volaire study, over one million people drive from the study's catchment area to PDX each year. Bringing commercial airline service to McNary Field could take one million people off of the commute to PDX.

#### **Previous Service:**

McNary field last had service in 2007-2008 with Delta flights operated by SkyWest Airlines. The service was well received and supported. External circumstances such as the Great Recession combined with a three-fold increase in fuel costs caused Delta to discontinue service at McNary along with over twenty other small community airports.

Prior to these turns of events, Delta described the McNary Field operations as their most successful small-market roll out ever, and entered into initial talks with Salem's Mayor to expand the service to additional destinations. This was truly a misfortune of timing and external events. Now, with a decade of population growth, combined with a healthier and more diverse economy, the research shows convincing evidence that service in 2020 is more than viable, and is indeed sustainable as well.

#### **How the project will contribute to the solution of the problem:**

Program Model for success: The Rural Oregon Airport Relief program and other regional initiatives need an initial success from which to model and compare other alternatives and proposals. The likelihood of success in this effort is very high, as indicated by the data combined with broad regional support.

The Mid-Valley service will provide the ODA with a successful effort, and some benchmarks for evaluation of future grant requests. Momentum may result from the successful execution of the grant and achievement of the stated goals. Additionally, a good size of Oregon's rural population will no longer be in need of ROAR (see catchment area map, page 3, exhibit 2).

Largest Area of need served, via centralized strategy: The studied catchment area exceeds 500,000 people and uses a central location to serve a wide area of rural citizens; however, it is important to consider that the studied catchment area is smaller than the actual area of Oregonians who would mostly likely use McNary Field for their commercial airline needs. McNary's central location surrounded by many rural populations in six Oregon counties will be key to feasibility and sustainability of commercial airline service.

Redmond commercial air service is a good example of how this is working already. The Bend and Redmond populations are about 120,000 combined in the cities' limits, but there are many rural citizens in smaller towns and unincorporated county land that benefit from the air service in Redmond. The need for rural air service in Sisters, for example, is satisfied by the region-wide centralized location of Redmond. Like Redmond, airline service at McNary will satisfy the rural need for aviation transportation options to more population than any other location in the state.

There is no other area in the state that can demonstrate the ability to:

- a) have impact on so many people,
- b) provide a new alternative to metro air service to so many rural communities,
- c) has the region's community support so strongly demonstrated, and
- d) has proven success when service was previously available.

### **Positive Impact Anticipated:**

Quality of Life improvements: Save Time, Save Cost, Decrease Traffic, Greener Option

The recruitment effort is responding to many of the area's concerns about the quality of life that could be improved by the positive impact of air service. A poll taken at the June 11<sup>th</sup> presentation on air service showed 93% of respondents saying they disliked travelling through PDX due to the (a) cost in time, and (b) traffic (Exhibit 3).

As previously addressed, the time requirements are significant even from Salem (3 - 3.5 hours) and are considerably more so from more remote areas of the catchment area. The traffic risks and long travel time force many to overnight in the PDX area before a morning flight, adding even more time and expense to the travel. For a flight to SFO or SEA, this could possibly double the cost of the actual airline ticket. Potential tolling in the Metro Area currently under consideration further substantiates the problem of freeway congestion, and it adds to the potential cost of flying out of PDX.

Financially, the cost of time is variable but very real. In addition to the cost of time, such as when a trip can be made in one day instead of two days, there are quantitative hard costs. For a Salem-PDX trip, an employer reimbursing for mileage would pay and estimated \$71.15. Cost of parking at PDX ranges from \$10-\$21 per day as opposed to \$5 or less in Salem, or none at all for an easy drop-off. Moreover, according to a study conducted by the Port of Portland released November 1<sup>st</sup>, 2018, the time-value cost of



driving to an airport is estimated to be \$40.36 per hour, thereby substantially increasing the cost of driving from Salem or from areas further away (Exhibit 9, Slide 12).

Fewer cars on the road means less congestion, and less carbon and smog-causing emissions. This could significantly reduce vehicular miles travelled between the entirety of the catchment area to Portland Metro area. Traffic is a major concern for all of us, and it will be increasingly difficult in the future as we add another 100,000 people to Polk and Marion Counties in the next 16 years. The carbon footprint of the transportation system will be smaller, and the wear and tear of our public roadways will be reduced if we bring commercial airline service to McNary Field.

Public Safety is also a derived benefit as air travel is safer than automobile travel, and the reduction of vehicle miles traveled should result in a reduction in accidents and injuries. As discussed previously, this initiative intersects with Emergency Preparedness in the event of natural disaster.

#### Increased Tourism/Destination Visitors: Out of State and Out of Country Dollars, more Oregon areas visited

With the boom in wine tourism, combined with California fires, it is believed by our travel experts that Oregon is in a position to capitalize on increased tourism in the Mid-Valley. These bring out-of-region, (including out-of-country) money to our agricultural and recreational areas that are further away from the Portland Metro area. More tourism in general may result, and more funds being spent in less-travelled areas will almost certainly be achieved. This can help areas such as Detroit Lake, Polk County wineries, and even the Oregon Coast areas such as Lincoln City and Depot Bay. These more rural areas are likely too far away for a short-term guest to reach when utilizing PDX and Portland as the central hub of transportation.

With more visitors flying into the Mid-Valley, more hotels will be booked, more cars rented, and more meals purchased in the catchment area. This will result in more Transit Occupancy Taxes (TOT) collected to support the region's historical and tourism-related assets. Fuel tax revenue from both aviation and automobile will increase as well.

#### Conference and Convention Business:

We have the support of Travel Salem, Willamette Valley Travel, Salem Area Lodging Association, and the Salem Convention Center because they know it is easier to attract both in-state and out-of-state conferences and conventions if the participants can fly into the immediate vicinity. The regional and rural availability will help tourism and visitor agencies attract more events, while also minimizing visitor traffic along the I-5 and I-205 corridor. We already see some general aviation activity for recreation and entertainment activity in the region, such as the Country Music Festival and Spirit Mountain Casino entertainers. Increased awareness and use of SLE should help bolster this as an ancillary benefit.

#### Economic Development:

As a 3-County regional economic development entity, SEDCOR (Strategic Economic Development Corporation) is not just supportive, but an integral part of the committee's makeup. One impetus of the air service effort is the announcement of 700-1,000 new jobs being created with the new Amazon facility just minutes from the airport. The Mill Creek and Fairview industrial areas have added employers such as

Home Depot, FedEx, Henningsen Cold Storage, Willamette Fruit, Rigado, and now Amazon. A private developer is building new industrial buildings in anticipation of new operations coming to the area.

Garmin has a large presence at the airport, and utilizes the airport for product testing needs, but also has needs to travel to headquarters in the mid-west.

Recruitment of professionals has been a challenge for health care, engineering, attorney, and other fields due to the lack of perceived connectivity that the metro area provides. Having air service that can launch people anywhere in the world would be helpful for our region's largest employers such as Garmin and Salem Health.

The economic development factor is the last in this list, but certainly not least in potential positive impact to the entire region. It has the potential to open new markets, new investments, and to diversify the local and regional economy further to make the region less susceptible to recession.

### **Why this program should be funded over other needs:**

#### Viability, Large Area Impact, Capital City Connection:

As stated above, the rural population to be affected by the new service is broad, reaching into six primarily rural counties (Linn, Benton, Marion, Polk, Lincoln, and Clackamas). Please see the Strategic Plan, exhibit 2, Page 3, for a map of catchment area. The only way to reach so many areas is by having a strong central location from which to launch, and Oregon does not have many of these. Salem/Keizer is possibly the only one in the state that does not already have service, given Medford, Eugene, and Redmond/Bend service are already in place.

As the Capital City in the heart of the catchment area, there are additional serendipitous benefits to add to an already strong program. Out of 50 states, 47 Capitals either already have scheduled service, or are closer to existing service than SLE is to PDX. It is time for the Capital City to join the rest of the nation in having access to convenient passenger air service.

#### Likelihood of Success:

Given the combination of the support received for the Delta service 10 years ago, combined with the irrefutable numbers demonstrating a strong demand, the research data has a high likelihood of success and will be an initial success for the ROAR program from which other can model. The research data is already done and are historical actuals, not projections.

Once the ROAR grant program has successfully launched a highly impactful outcome, the viability of the program and its goals are strengthened. In addition, more remote areas will necessitate smaller aircraft, so flying into large hubs might prove to be cost prohibitive without ongoing subsidies. With a new rural connection option in Salem and its lower landing costs, this may become a hub model for rural connectivity that avoids high gate fees and landing costs that price small aircraft operators out of PDX, EUG, and even MFR.

#### Effort and expense already expended:

The community support is strong enough that private sector individuals and businesses have already expended substantial funds and efforts to secure new service, even without a profit motive. Not counting considerable private efforts and in-kind efforts from Travel Salem, The Chamber of Commerce, SEDCOR, and committee members, over \$25,000 has already been raised and spent. \$20,000 has been pledged as matching funds for the recruitment consultant. Another \$400,000 has been pledged toward a \$1 million goal to fund a minimum revenue guarantee fund (MRG).

#### Community Support:

The attendance at the June 11<sup>th</sup> Community Forum on Air Service drew more people (270) to the Convention Center than any local or regional topic has for many years. The community interest and desire and commitment are strong. In addition, the participation and committed leadership of the regional economic development and tourism agencies, along with support from Chambers of Commerce throughout the region shows a concerted effort and widespread support.

- Please find attached letters of support from Polk and Marion Counties, surrounding cities, major employers, universities, and organizations attached. (Exhibit 6)
- Please reference the Poll Results from the June 11 event citing an 89% response in saying the Mid-Valley is a viable market for air service. (Exhibit 3)

#### Infrastructure is already in place:

This is not a staged effort involving multiple objectives. The infrastructure, FAA authorization, and the facilities are already in place. The air service will be under Title 14 CFR Part 121 regulations.

The two-runway field has an instrument approach 5,811 feet in length with ILS, and is served with tower control. The secondary runway is 5,145 feet in length. The lighting system and ILS runway paving have been completely overhauled in the last 5 years. Recent repaving and painting of the runways revealed that they are the smoothest runways ever seen according to the grooving contractor.

The FBO serving the fueling needs has been continuously operating since 2003, including previous commercial service, and is complying of all FAA required equipment and regulations.

The terminal was expanded and improved 10-12 years ago and is in the configuration previously used for commercial service. Only the TSA scanner is required to put back in place in order to handle passengers. In addition, the City of Salem keeps the required fire fighting vehicle on the airport property and regularly tests it for compliance.

McNary Field, KSLE, is ready to go. Please refer to the Leakage Study and Strategic Plan as prepared by Volaire Aviation for data and analysis in Exhibits 1 and 2.

## **IV Project Description**

The Salem Area Chamber of Commerce is requesting a \$500,000 ROAR grant to be use for three critical needs.

1) \$139,375 The grant funds are needed to continue funding Volaire Aviation to prepare and attend airline presentations, to provide research and presentation efforts, and consult with the Committee throughout the process. The proposed budget is attached as Exhibit 4

2) \$285,625 to fund a sustained marketing effort for the new service to be spread over the region for approximately 2 years, for both a pre-service start date and after service has begun. The marketing plan and budget, as prepared by Travel Salem, is attached (Exhibit 7). We feel this is critical to ensure strong support that makes the carrier profitable from the 1<sup>st</sup> quarter of operations, protecting those local citizens and institutions that have pledged to fund the shortfall, plus providing some sustainability as we seek increased awareness and utilization of the services. Once we get air service, we will want to support it and expand upon the effort.

3) \$75,000 Matching Funds for federal small community air service development (SCASD) grant

#### **Time Frame during which the funds will support the project:**

The time frame will start from awarding of the grant to accomplishment of the goal. It's expected to carry well into 2020, and possibly beyond. The largest variable will be the timing of the SCASD Grant submission and award.

#### **Goals of the project:**

New Sustainable commercial airline service out of KSLE, McNary Field, to a major passenger airline hub such as Seattle, San Francisco, and Denver.

#### **How goals will be achieved:**

Through recruitment efforts utilizing leakage study data, community support, a funded marketing plan, and a Minimum Revenue Guarantee (MRG) of \$1.75 million.

#### **How success/failure will be determined:**

New air service of at least 2 flights per day to a major hub will be considered a success.

- The degree of that success would be judged on getting more than 2 flights a day, and expanding service after initial launch.

Success after launch will be at least an 85% passenger load factor and the positive cash flow for the carrier.

- The degree of success after launch will be judged on keeping the MRG intact due to no revenue shortfall over the first 2 years of service. At that point, grant funds dedicated to the MRG, both ROAR and SCASD, would be available for other purposes and initiatives.

#### **What population and what results expect to bring about.**

As noted before, the catchment area is mapped and includes 579,000 people. See Exhibit 3

Results are fully discussed in Section III above.

**Goal by heading- list of activities, how achievement of goal is measured or defined.**

Goal 1: Secure ROAR Grant

Goal 2: Raise a minimum of \$1 million in private sector MRG pledges; defined by collection of signed pledge forms from supporters plus \$50,000 contribution from the ROAR Grant.

Goal 3: Secure US DOT SCASD Grant to fund balance of MRG; defined by the award of a minimum of \$500,000 MRG grant award. Seeking \$750,000, but \$500,000 is a success.

Goal 4: (continuous during above goal accomplishments) Recruit and secure airline commitment for new service; Defined by a minimum of 2 flights per day from a major passenger airline to a hub city.

Goal 5: Use community education, marketing, and advertising to support new service and make it profitable and sustainable for the air carrier; Measured by passenger load factors, and the MRG staying largely, if not entirely, intact.

Goal 6: Future Goal- Expand Service to more markets. Looking for north, south, and eastern routes to hubs.

**Staff to be working on project, experience qualifications**

The combined staffs of the Salem Area Chamber, SEDCOR, and Travel Salem will be a part of the team, and will be utilized as needed given each area of expertise. The Chamber staff, both inside and contracted, will be the sole entity handling the ROAR Grant obligations and funds. However, Volaire Aviation will be the professional staff hired to recruit the service, as supported by the Committee. [www.volaireaviation.com](http://www.volaireaviation.com)

Committee Members: Steve Johnson, President VIPS Inc.; Curt Arthur, SVN Real Estate and Past President of the Salem Chamber; Dick Withnell, Withnell Motor Company; Tim Hay, NASPO Value Point; Mark Farrow, Trademark Enterprises Real Estate Development; Doug Doty, CPA; Jim Bauer, Oregon Alliance of Independent Colleges and Universities; Tyson Pruitt CPA; Art Bobrowitz, retired volunteer; Shawn Campbell, NORPAC Food manufacturing cooperative; Nick Williams, CEO Salem Area Chamber of Commerce; Bruce Anderson, NW Natural and President-Elect of the Salem Chamber; Angie Onyewuchi, CEO Travel Salem; Spencer Karel, Aviation Attorney; Brete Harrison, Retired Volunteer; Brent DeHart, Salem Aviation Fueling; Brete Harrison, retired volunteer. In addition, Chamber Board Members Mark Zook, MAPS Credit Union, Marin Arreola, Advanced Economic Solutions, and Ryan Collier, Attorney at Law, will serve to provide Board-appointed financial oversight, and as communication conduit to the larger board.

**V. Project timeline, Budget Timeline**

The timeline is already underway, in that the research and study has been completed and a large community event was presented on June 11<sup>th</sup>. From here forward, the Chamber and the Committee continues its project tasks by garnering MRG pledges, getting letters of support, and attending meetings with elected officials and major employers. The specific timeline will lock in place at the successful awarding of the ROAR grant. In the attached Budget timeline, the events and expenditures are listed as months and years that follow the grant approval.

We hope to have the ROAR grant approval in the Spring of 2019. We will be applying for the US DOT SCASD grant in the January-February 2019 timeframe, and the consultant has already been contracted to prepare and submit this grant proposal.

After receiving the ROAR funds, there will be 3-4 meetings per year with airlines and their headquarters, as necessary. We plan to make our first presentation to airlines during a conference in April 2019.

The Chamber will commission work for the necessary studies, documents, and proposals from the consultant.

Our optimistic start date for service is the 1<sup>st</sup> quarter of 2020. We recognize, with the timing of grant proposals and City budget and authorization processes, that it may fall into a later timeline.

The Salem Area Chamber of Commerce has agreed to serve as the applicant and fiduciary in administration of the grant funds and the paying of expenditures. The Chamber has successfully worked to help accomplish other large community goals and fund-raising, including: Streets and Bridges Bond Measure (\$100 million); KROC Center (\$35 million); Salem Convention Center (\$30 million); Fire Safety Bond Measure (\$25 million) and many others. Its staff has administered many grant awards and programs through its community leadership, education, and workforce development initiatives.

Funds awarded by the grant will be deposited into a dedicated account, and the Chamber will likely use both in-house staff and contracted professionals to adhere to the requirements of the Grant.

The advertising component will not be expended until we have confirmed air service commitment from a major carrier and a start date. It is anticipated that Travel Salem, the area's travel and tourism agency, will serve to manage the advertising component to aid the recruitment effort, and would be sub-contracted by the Chamber.

The matching funds for the SCASD grant would be held but not expended until after the SCASD grant was awarded and service has started. Even then, only if there is a revenue shortfall would these funds be utilized. Ideally, they will be available to return to the ODA ROAR Grant program or used to expand upon a successful launch.

The funds for the recruitment effort will be spread out in monthly retainer to pay for the itemized services in the budget from the consultant, the Chamber, and any committee member travel.

Please see attached budget timeline document. (Exhibit 5)

## **VI. Budget**

The budget for the project is a fraction of the need for successful effort. There is a private pledge effort to raise 1 million dollars for a Minimum Revenue Guarantee (MRG) that will be required by an airline to take the risk to start service here. Over \$400,000 has been pledged already. Privately donated funds have already been expended, and each of the sponsoring organizations have spent staff time and resources toward the effort and will continue to for the duration. These organization expenditures are not in the attached budget, as it only reflects the expenses to be paid by the ROAR grant. It is possible there will be City of Salem costs as well, but the Chamber is trying to achieve the recruitment without having to fight for local government services dollars that may be otherwise committed.

There will be a community drive to raise additional matching funds for the SCASD grant, which could be as much as \$100,000 in addition to the \$50,000 amount requested in this application.

Please see attached Budget (Exhibit 4) and Budget timeline.

**Additional Documents** as Per Board of Aviation Rural Commercial Air Service Development Policy dated March 12, 2018.

**Safety Plan:** There is no Safety Plan in our recruitment project. We, and the ODA, rely on the Safety Plans of: The City of Salem Airport; the to-be-determine Commercial Air Carrier; and of Salem Aviation Fueling. All of these entities have plans that are regulated by the FAA.

**Operations Plan:** Attached as Exhibit 8

## **Mid-Valley Commercial Air Service Steering Committee**

### **ROAR Grant Application**

#### **List of Exhibits**

1. Leakage Study – data compiled and evaluated by Volaire Aviation February 2018
2. Strategic Plan: Volaire Aviation Consultants, April 2018
3. Poll Results, June 11, 2018 Community Presentation and Conversation
4. Project Budget
5. Project Budget timeline
6. Letters of support
  - a. SEDCOR
  - b. Travel Salem
  - c. Western Oregon University
  - d. Corban University
  - e. Woodburn Outlets
  - f. Willamette Valley Wineries Association
  - g. Willamette Valley Visitors Association
  - h. Salem Area Lodging Association
  - i. NORPAC
  - j. Garmin
  - k. City of Independence
  - l. City of Silverton
  - m. Silverton Chamber of Commerce
  - n. City of Keizer
  - o. Marion County
  - p. Polk County
  - q. Oregon Wine Board
  - r. ORAVI
  - s. City of Dallas
  - t. Oregon Emergency Management Association
  - u. Oregon Restaurant and Lodging Association
  - v. Salem Health- Hospitals and Clinics
7. Marketing Plan as prepared by Travel Salem
8. Operating Plan
9. Oregon Regional Airport Presentation



# STRATEGIC PLAN FOR FUTURE AIR SERVICE

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SALEM, OREGON

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# OVERVIEW OF PASSENGER RETENTION AND LEAKAGE

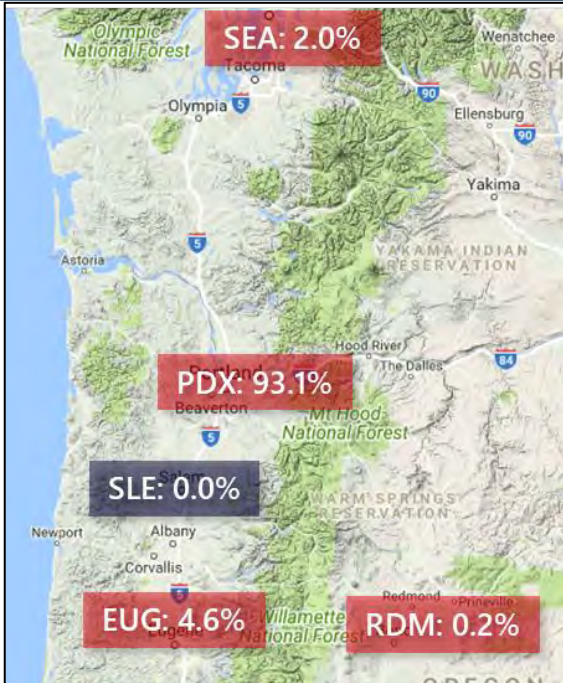


Salem Airport has the ability to draw passengers from a large section of the central Willamette Valley, from the Coast Range to the crest of the Cascades. The Salem catchment area encompasses 59 zip codes from Woodburn to Corvallis, in six Oregon counties (refer to map 1). The Salem catchment area has a population of 579,000 people. In the catchment area, 90% live closer to Salem's airport than any other airport. Salem would become the airport of choice for most of these residents, assuming its service was competitive with the service at Portland and Eugene.



Salem's passenger retention and leakage study extracted actual ticket stock and booking data from the entire catchment area for the period ending second quarter 2017 – the latest data available at the time of this project. Data is encoded with the postal code of the purchaser of the ticket, allowing an analysis of where the traveler lives, which airport they use, the airline booked, the itinerary, and the fare. Taken in aggregate, the ticket stock and booking data allows us to understand which passengers use which airports for each of the itineraries they fly.

**MAP 2: PASSENGER RETENTION BY AIRPORT**  
SOURCE: SALEM RETENTION STUDY, YE2Q17



The data shows the Salem catchment area generated almost 1.1 million passengers as of the year ended second quarter 2017 (refer to chart 1). The Salem catchment area generates an average of 1,499 passengers per day each way (PDEW) – enough to fill 34 daily airline departures if all passengers used Salem’s airport.

Airlines generally use a statistic called “passengers per day each way (PDEW)” to determine market size. This statistic is a simple average of the number of passengers both arriving and departing from a market or an airport. The vast majority of Salem catchment area passengers use Portland International Airport (PDX), totaling 93% of all demand (refer to map 2). Portland is able to capture an average of 1,396

passengers per day each way (PDEW) to and from the Salem catchment area (refer to chart 1). An average of almost 70 PDEW drive to Eugene for flights, primarily on Allegiant. An average of 30 PDEW drive to Seattle/Tacoma, primarily for nonstop long haul international flights.

There are a number of reasons passengers choose to fly from certain airports. They include the price of the flight, the availability of a nonstop flight, the proximity of the airport to

their home, the ease of airport access and parking, and airline loyalty. The data compiled for the Airport’s passenger retention and leakage study supports the theory that passengers choose Portland International Airport for the wide breadth of nonstop flights and its low fares. It would appear passengers choose Eugene entirely for low fares on its limited ultra-low-cost service.

**CHART 1: PASSENGER RETENTION BY AIRPORT**  
SOURCE: SALEM RETENTION AND LEAKAGE STUDY, YE2Q17

Rank	Airport Code	Airport Location and Name	O&D Passengers	PDEW	Share
1	PDX	Portland International Airport	1,019,154	1,396.1	93.1%
2	EUG	Eugene Airport	50,844	69.6	4.6%
3	SEA	Seattle International Airport	21,867	30.0	2.0%
4	RDM	Redmond Municipal Airport	2,450	3.4	0.2%
<b>All Airports</b>			<b>1,094,316</b>	<b>1,499.1</b>	<b>100.0%</b>



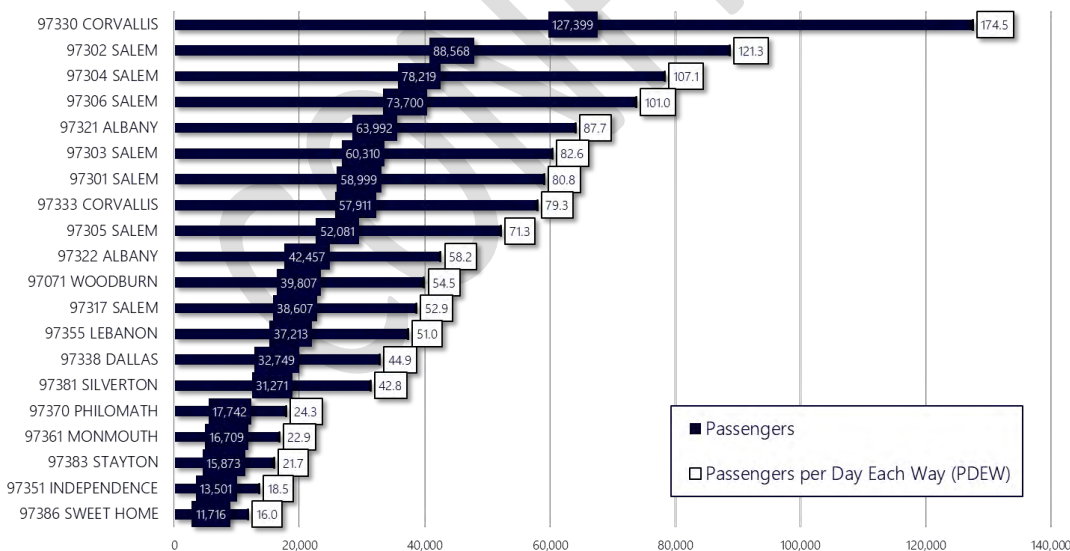
The average one-way fare paid by passengers traveling to and from the Salem catchment area, at all the airports they use, is \$178 one-way, before taxes and fees (refer to map 3). The Salem catchment area generates an average of almost \$267,000 in airline revenue per day each way (RDEW), or almost \$195 million per year. However, fares paid by Salem-area passengers are somewhat low – the national average for the same period was \$205. Salem fares are 13% below the national average, which could be a challenge to airline recruitment as many airlines seek to add service in markets with fares well above average.

It is also important to understand where passenger demand is generated. The passenger leakage and retention study compiles ticket data by zip code, allowing for an analysis

**MAP 3: AVERAGE ONE-WAY FARE BY AIRPORT**  
SOURCE: SALEM RETENTION STUDY, YE2Q17



**CHART 2: PASSENGER ORIGIN BY CITY AND ZIP CODE**  
SOURCE: SALEM RETENTION STUDY, YE2Q17



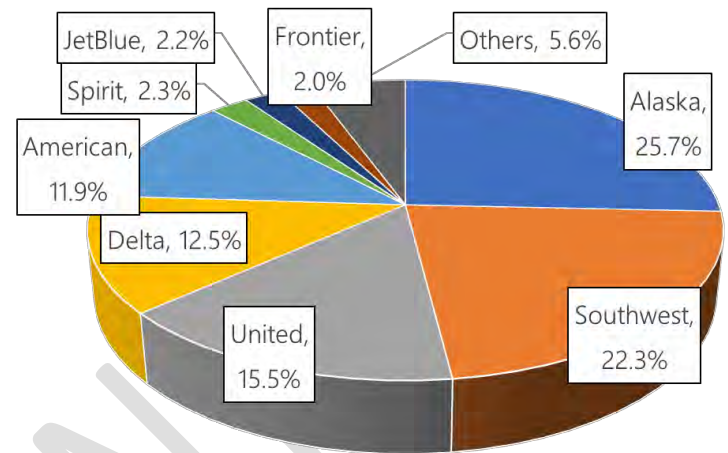
of demand to and from each city in the catchment area. Salem zip codes generate 624 passengers per day each way (PDEW), which represents 41% of all demand from the catchment area (refer to chart 2). Still, the number

one point of demand is Corvallis' 97330 zip code, which generates almost 175 PDEW. In all, 90% of demand

for air service, as mentioned, is in zip codes physically closer to Salem Airport than any other airport, representing 1,349 available PDEW.

The top carrier to and from the Salem catchment area is Alaska, with almost 26% of passengers (refer to chart 3). Alaska operates the second largest hub (of five total hubs) in its system at Portland and carries almost 50% of all passengers flying to and from PDX, itself. It is notable that Alaska captures passengers much more poorly from the Salem catchment area than it does from Portland, itself.

**CHART 3: CARRIER SHARE IN THE SALEM CATCHMENT AREA**  
SOURCE: SALEM RETENTION AND LEAKAGE STUDY, YE2Q17



Southwest ranks as the second most used carrier for passengers to and from the Salem catchment area, capturing more than 22% of demand (refer to chart 3). It is clear from the carrier share data that Salem catchment area passengers are not married to a particular carrier, rather they seek out low fares. Southwest, Spirit, and Frontier – all low fare and low-cost carriers – draw much better from the Salem catchment area than they do from Portland, itself.

Salem’s passenger leakage and retention study shows the market is large enough to support airline service. The biggest challenge to service is the low fare environment in the region. Salem passengers appear to be quite thrifty when purchasing airline tickets. In order for regional service to be successful, a subset of passengers willing to pay higher fares than those offered by the low-cost carriers in Portland must be identified. It will be a challenge – but not impossible – to convince carriers that this subset of passengers will be able to successfully support sustainable service.

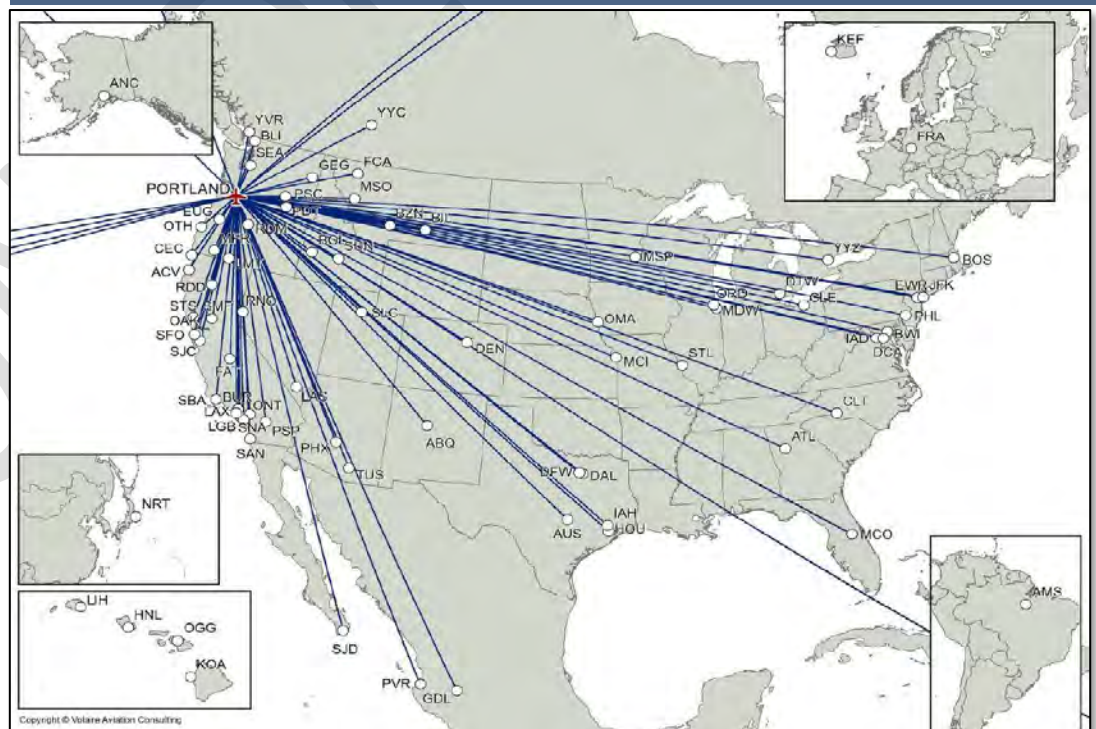
# REGIONAL AIR SERVICE LANDSCAPE



Local air service in Salem would compete against airports that have a wide array of both carriers and nonstop destinations. Moreover, local Salem service will compete against fares that are significantly lower than the national average. These fares will not be profitable for an airline flying primarily regional aircraft. Regional aircraft cost more to operate, per seat, than larger aircraft utilized by mainline and low-cost carriers. Salem service will, by necessity, have higher fares than Portland and Eugene in almost all markets.

In any air service recruitment effort, Salem must overcome the breadth of service offered at other airports within the region. Virtually any service a carrier adds at Salem Airport will duplicate a service currently offered from Portland, and most services will duplicate

**MAP 4: WORLDWIDE ROUTES AT PORTLAND (PDX)**  
SOURCE: OAG AIRLINE SCHEDULES, APRIL 2018



nonstops currently offered from Eugene. Just because Portland and Eugene have service does not mean Salem

service would be unsuccessful. But the right carrier and fare combination will be required if Salem service is to be able to compete.

With the sheer number of nonstop destinations, Portland's airlines offer Salem catchment area passengers many flights, at low fares, to choose from. In all, Portland's airlines operate nonstops to 78 cities around the world (refer to map 4 on the previous page). Portland carriers will offer more than 22 million airline seats in 2018, or an average of more than 30,000 departing seats per day.

Eugene Airport has grown service significantly in the last five years. It now has nonstops on five airlines to 11 destinations (refer to map 5). In the past several years, Eugene has successfully recruited new nonstops to Los Angeles, San Jose, and Phoenix Sky Harbor Airport. Additionally, United Airlines now flies larger, mainline Airbus and Boeing aircraft between Eugene and both Denver and San Francisco, helping it lower fares in the region. In 2018, airlines in Eugene will offer more than one million annual seats, averaging more than 1,300 departing seats per day.

It is likely Salem air service, if successfully recruited, will include just two departures per day with an average of 100 to 150 departing seats per day. Travelers using Salem Airport in this scenario will not have the choices they are afforded when they drive to Portland or Eugene. It will be critical to service success that passengers still choose to support their local airport even when its options are exceptionally limited as compared to nearby competitors.

**MAP 5: NONSTOP ROUTES AT EUGENE (EUG)**  
SOURCE: OAG AIRLINE SCHEDULES, APRIL 2018





# NETWORK CARRIER SERVICE OPTIONS

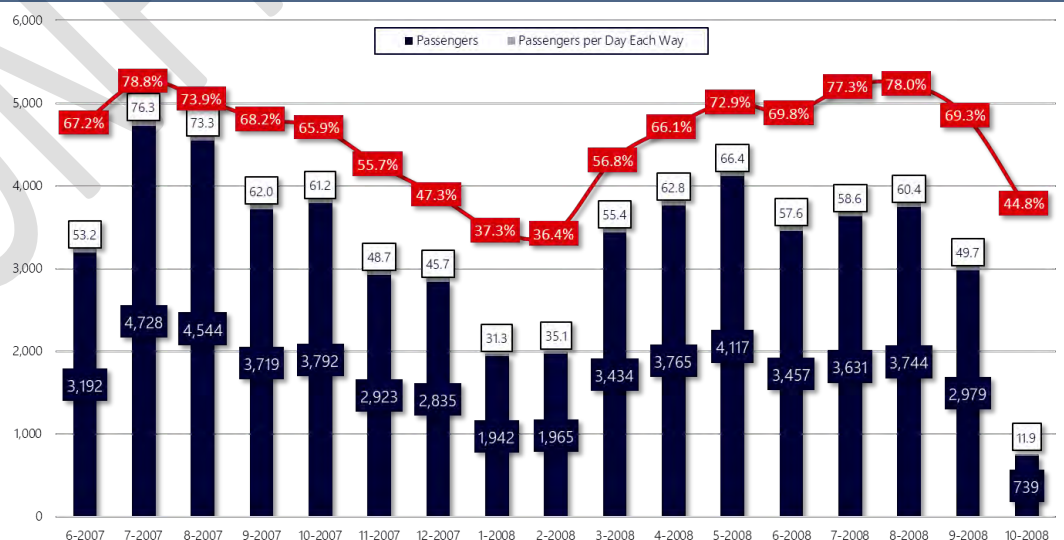


In strategizing potential future airline service at Salem Airport, it is also important to understand the performance of previous service. The last scheduled airline service at Salem was operated by SkyWest Airlines under the Delta Air Lines brand, to and from Salt Lake City. That service operated twice per day, with 50-seat regional jets from June of 2007 to October of 2008. Delta ended the service as fuel costs more than tripled and the recession caused demand to decline across its network.

For the entire period during which Delta's Salt Lake City service operated, it filled 63% of available seats (the "load factor"), or an average of just under 32 seats per flight (refer to chart 4). In peak summer months, the service filled almost

80% of available seats. But in winter months, it struggled to fill 40% of available seats. Some of the challenge in filling seats in winter of 2007/2008 had to do with exceptionally

**CHART 4: PASSENGERS AND LOAD FACTOR, SALEM – SALT LAKE CITY ON DELTA**  
SOURCE: AIRLINE DATA, INC.; JUNE 2007 – OCTOBER 2008



high fares in the market, but airlines reviewing the data today still view the service as highly seasonal. It is clear service was successful in the peak summer months, but it will not be apparent to airlines today that Salem

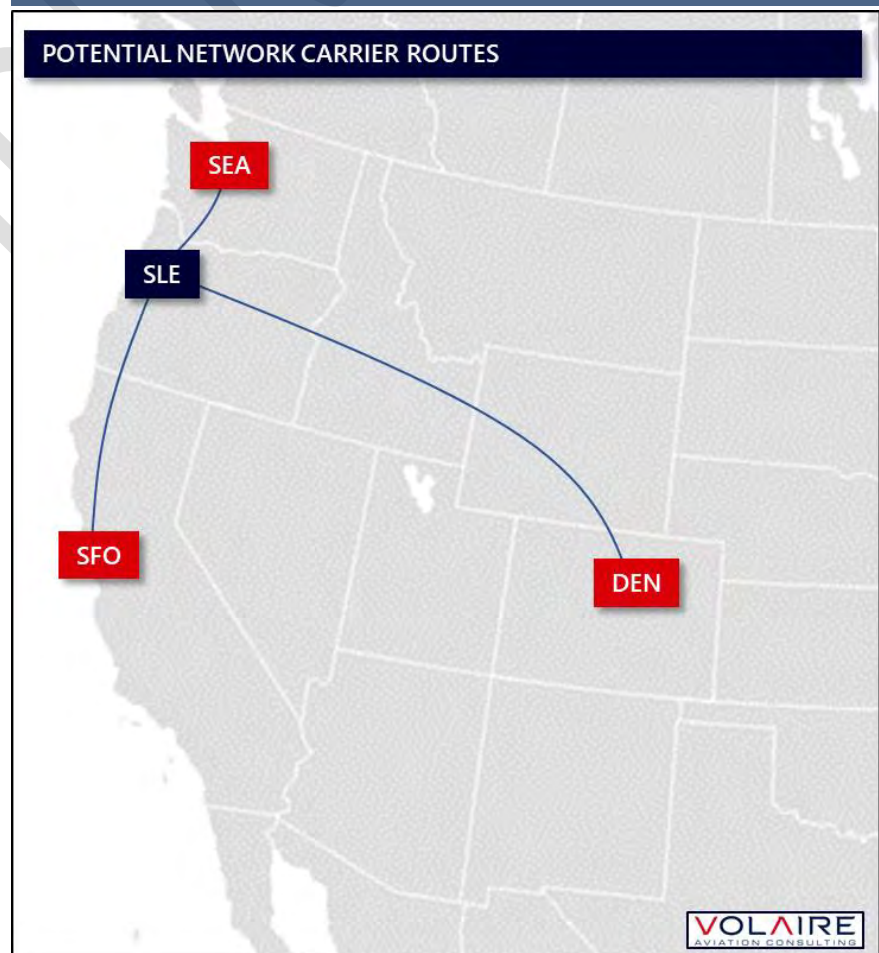
can support service in the off-season. The Delta data from previous service will create a challenge in the recruitment narrative that must be overcome.

Volaire consultants conducted an extensive analysis of available passengers and average fares in every conceivable hub and origin and destination market within range of today's fleet of aircraft using the Salem Airport's runway. This analysis led to three network carrier options for service, which will be discussed in this section of the report, and two options for less-than-daily low-cost carrier service.

For network carrier service, the analysis leads to three primary hub-airline combinations: San Francisco International Airport (SFO) on United or a regional affiliate; Seattle/Tacoma on Alaska or a regional affiliate; or Denver on United or a regional affiliate (refer to map 6). Each of these hubs would offer broad connectivity competing effectively with service at Portland and Eugene. Each hub has strong demand to the hub city, itself, with origin and destination passengers, meaning not all traffic would have to be connecting beyond the hub; delivering a strong revenue mix to the operating carrier.

It is equally important for an airport or a community to match its air service development strategy with that of potential carriers. United has been aggressively growing its regional network adding new regional cities including Santa Rosa,

**MAP 6: MAIN NETWORK CARRIER SERVICE OPTIONS**  
SOURCE: VOLAIRE AVIATION CONSULTING, APRIL 2018



California; Rochester, Minnesota; and Champaign/Urbana, Illinois. Salem fits this strategy to both San Francisco and Denver.

Alaska has not been growing its regional network quite as aggressively as United, but it added 37 new routes in 2017 across its network. It is in a battle with Delta for dominance at Seattle and it still considers itself the airline of the Pacific Northwest. Salem could leverage this strategy to its advantage.

American and Delta are absent from the list of potential new network carriers that could serve Salem. While American has recently added service in Eugene and Medford, it did so only as its codeshare with Alaska dissolved and it could no longer carry its own passengers on Alaska's flights. Salem is not in a position to benefit from that change. Moreover, American's closest hubs are Los Angeles (LAX) and Phoenix; both of

**“IN THE LAST TEN YEARS DELTA HAS ELIMINATED SERVICE TO 34 SMALLER CITIES ACROSS THE COUNTRY, SALEM INCLUDED.”**

which offer poor connectivity as they are farther out of the way for most Salem passengers.

Delta, meanwhile, has continued to reduce its service in smaller communities since 2008. In the last ten years Delta has eliminated service to 34 smaller cities across the country, Salem included. While

the Delta hub at Salt Lake City would offer excellent connectivity, Delta is not considered a strong target due to its bias towards larger communities and its previous experience in Salem.

Other carriers have very limited regional community footprints. Airlines such as Southwest, JetBlue, Frontier, and Spirit serve cities with 1.5 million or more residents. All four serve Portland and Seattle/Tacoma, but no other regional communities in the Pacific Northwest. Those four carriers are not considered realistic targets for “first service” in a new market such as Salem.

When Salem’s three main options for network carrier service are compared against each other San Francisco service on United accesses the largest number of passengers at the highest average fare (refer to chart 5). That combination – many available passengers with a higher amount of revenue per passenger – is critical to the success of new network service.

**CHART 5: STATISTICAL COMPARISON OF SALEM HUB/CARRIER OPTIONS**  
SOURCE: VOLAIRE AVIATION CONSULTING; YE2Q17

Market	Code	Carrier	Available Pax	Local Pax	Local Share	Fare over Hub	PDEW	Local PDEW
San Francisco	SFO	United	924,884	44,198	4.8%	\$174	1,267.0	60.5
Seattle/Tacoma	SEA	Alaska	893,077	36,706	4.1%	\$160	1,223.4	50.3
Denver	DEN	United	786,328	39,088	5.0%	\$151	1,077.2	53.5

United-coded service over San Francisco would access an average of 1,267 Salem catchment area passengers per day each way (PDEW) at an average one-way fare of \$174 for all passengers to all destinations to which they could connect (refer to chart 5). Volaire analysis shows almost 5% of the available passengers, or an average of almost 61 PDEW, are traveling locally, to and from the San Francisco Bay area itself.

The second ranked option, based on available passengers and fare, is Alaska-coded service to Seattle/Tacoma (refer to chart 5). Alaska service to Seattle would access an average of 1,223 Salem catchment area passengers per day each way (PDEW) at an average one-way fare of \$160. Seattle would have less local passenger demand; relying instead on connecting passengers.

Denver ranks as the third option, as its connectivity from Salem is directional – only to cities to the east of the Rockies. United-coded service to Denver would access an average of 1,077 Salem catchment area passengers per day each way (PDEW) at an average one-way fare of \$151 (refer to chart 5). This fare is exceptionally low for the longer-range itineraries of connecting passengers beyond Denver. A profitable fare on those itineraries would be closer to \$250 each way.

All three of these target markets have current nonstops from Portland and Eugene. Portland’s service to all three is extensive, with multiple carriers serving each market with multiple daily flights. This competition is important to understand and analyze the likelihood of success on any of these routes to and from Salem.

In the San Francisco Bay area market, airlines serving Portland operate an average of more than 33 departures per day in each direction (refer to chart 6), including all three Bay Area airports: San Francisco (SFO), San Jose (SJC), and Oakland (OAK). Those airlines operate an average of almost 4,700 departing seats per day in each direction, with an average of 140 seats per flight. Customers have a choice of a wide array of flights on Alaska, Southwest, and United with large aircraft.

**CHART 6: COMPETITIVE SERVICE ANALYSIS, PORTLAND INTERNATIONAL AIRPORT (PDX)**  
SOURCE: AIRLINE DATA, INC.; YE3Q17

Market	Codes	PDEW	Seats per Day	Load Factor	Departures/Day	Seats per Dept.
San Francisco Bay Area	OAK/SFO/SJC	3,754.0	4,698	79.9%	33.5	140.4
Seattle/Tacoma	SEA	1,774.8	2,351	75.5%	29.8	78.8
Denver	DEN	1,472.0	1,640	89.8%	10.2	161.6

In the Portland – Seattle/Tacoma market, Alaska and Delta operate an average of 30 departures per day in each direction (refer to chart 6). The “Alaska Shuttle” offers departures every half hour during mornings and afternoons, along with free flight changes if meetings wrap-up early. It will be difficult for Salem service to compete with the convenience of PDX-SEA on Alaska.

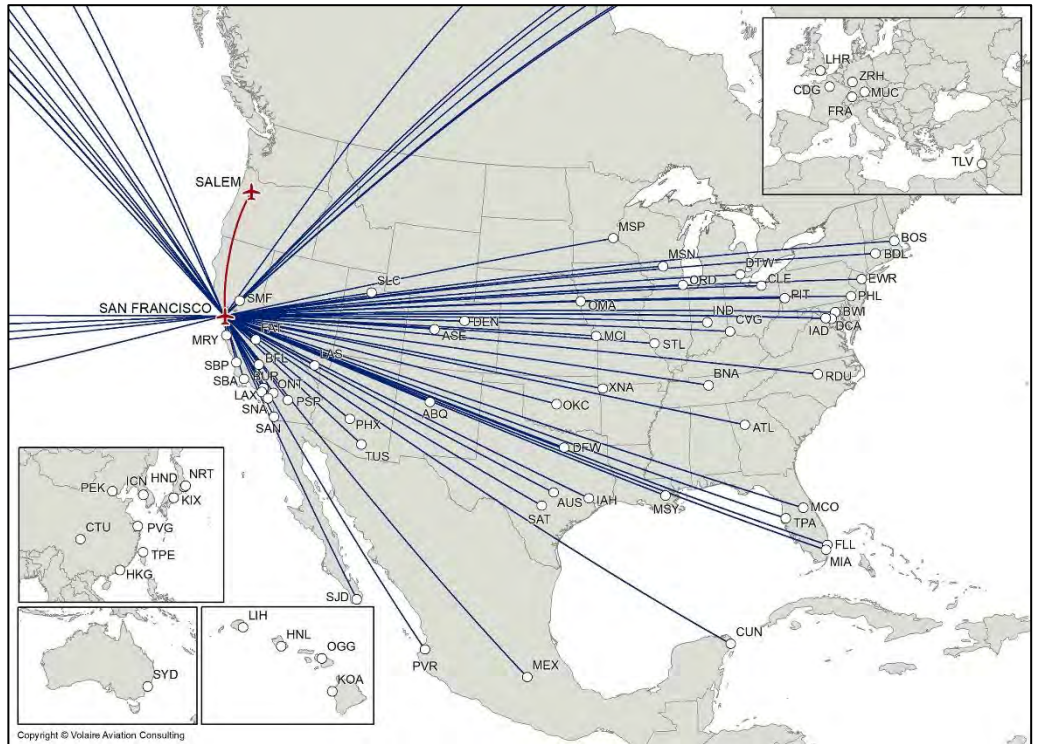
Denver lacks the breadth of service that Portland has to San Francisco and Seattle/Tacoma, but Frontier, Southwest, and United collectively operate more than 10 departures per day in each direction (refer to chart 6). Denver operates at the highest load factor of the three markets filling almost 90% of the 1,640 daily available seats in each direction.

Any targeted route from Salem is going to face this kind of competitive atmosphere at Portland. Portland has frequent low fare service to all major business centers and all large metro area airports, throughout the west. Salem can only succeed if passengers find the convenience of flying from their local airport worth a schedule with less utility and worth paying a higher fare.

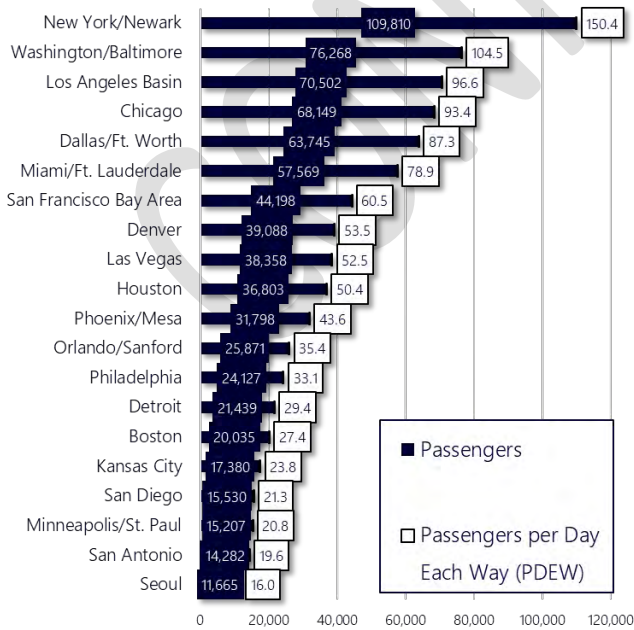


As mentioned, United service to San Francisco accesses the most passengers at the highest average fare. The hub would connect Salem to 76 one-stop cities around the world with twice-daily flights (refer to map 7). The Salem catchment area generates a total of 1,267 passengers per day each way (PDEW) to and from San Francisco and those 76 cities, paying an average of \$174 each way before taxes and fees.

**MAP 7: CONNECTIVITY OVER SAN FRANCISCO (SFO) ON UNITED**  
SOURCE: OAG AIRLINE SCHEDULES, APRIL 2018



**CHART 7: TOP 20 SALEM MARKETS OVER SFO ON UNITED**  
SOURCE: SALEM PASSENGER RETENTION STUDY; YE2Q17



San Francisco provides almost omni-directional connectivity (refer to map 7). Service would access passengers in large Salem catchment area markets such as New York/Newark, with an average of 150 passengers per day each way (PDEW); Washington/Baltimore, with 105 PDEW; and the Los Angeles Basin, with 97 PDEW (refer to chart 7).

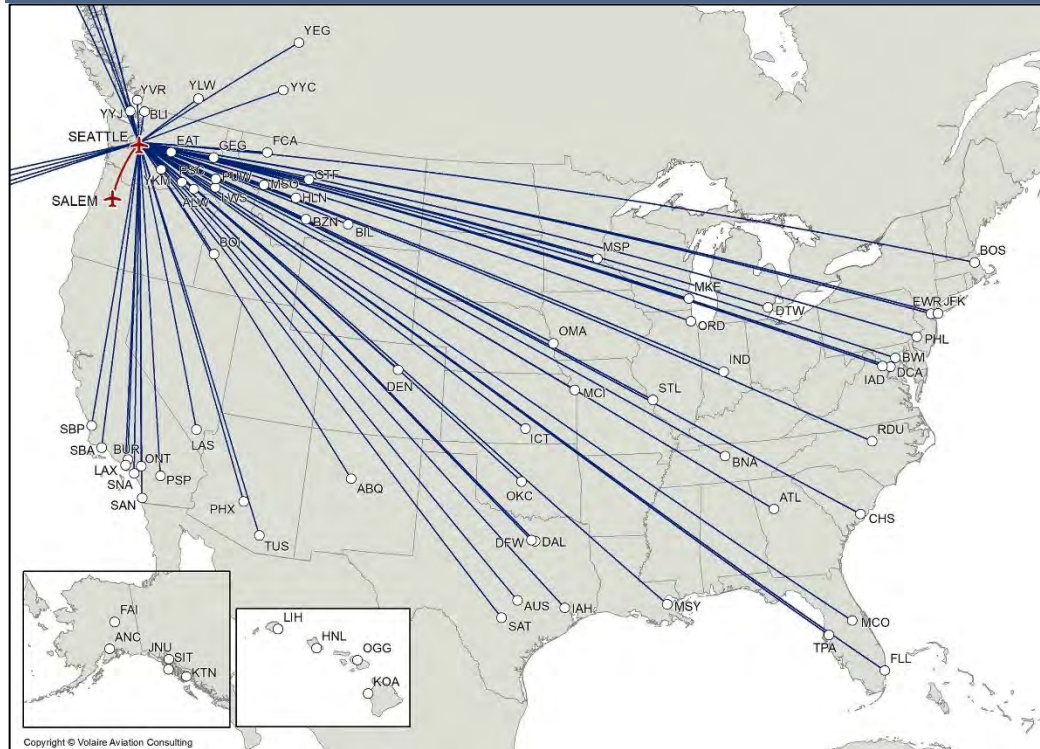
The challenge to San Francisco service is the average longer-haul fares. The average fare to New York/Newark is just \$171 each way, while the average to

Washington/Baltimore is just \$134 each way. Those fares would not be profitable on that length of haul. Salem will need to generate a fare premium for San Francisco to turn a profit.

The Alaska Airlines hub at Seattle/Tacoma provides nearly as strong connectivity as United does at San Francisco. Twice-daily flights would connect to 72 cities with a

**MAP 8: CONNECTIVITY OVER SEATTLE/TACOMA (SEA) ON ALASKA**

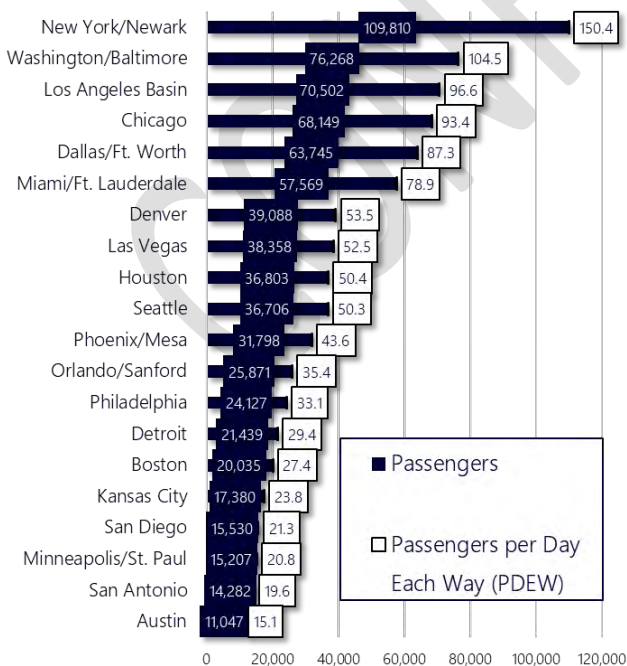
SOURCE: OAG AIRLINE SCHEDULES, APRIL 2018



single stop (refer to map 8). Local Seattle service, along with connecting service, would access an average of

**CHART 8: TOP 20 SALEM MARKETS OVER SEA ON ALASKA**

SOURCE: SALEM PASSENGER RETENTION STUDY; YE2Q17



1,223 Salem catchment area passengers per day each way (PDEW) at a \$160 one-way average fare.

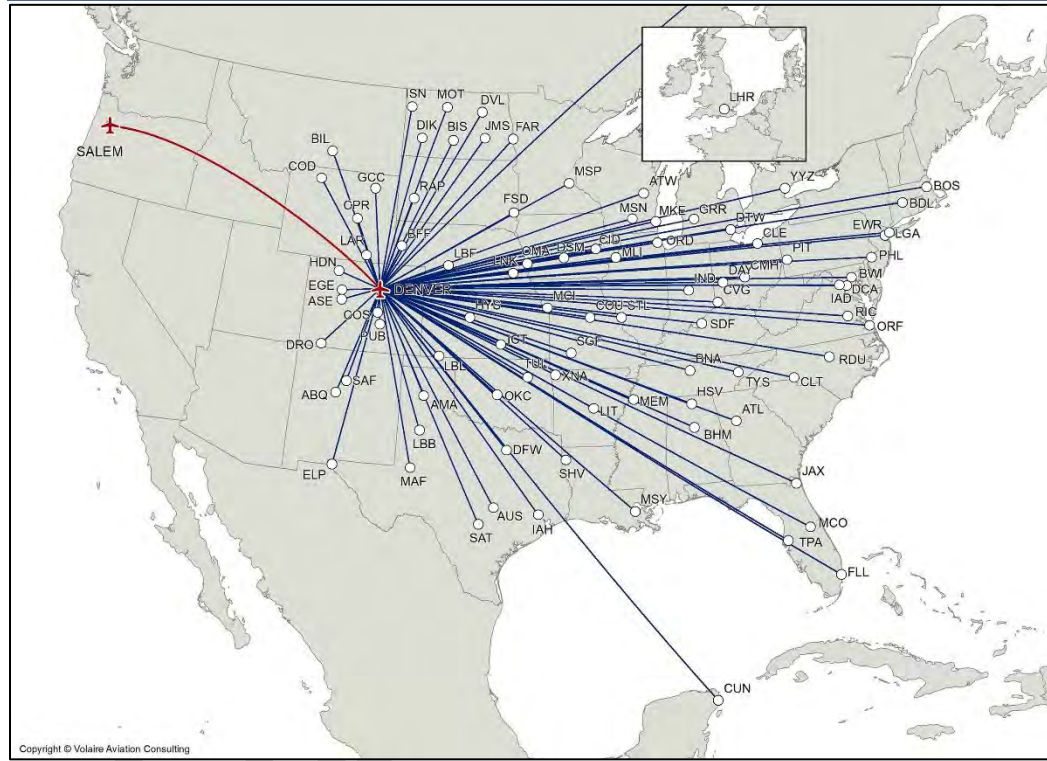
Salem provides similar connectivity to San Francisco, with many of the same top origin and destination passenger markets, such as New York, Washington, and Los Angeles (refer to chart 8). Seattle would not be a good connecting point for passengers traveling to the Bay Area, but it can otherwise duplicate connectivity. Seattle does not boast the international connecting network United offers at San



Francisco, but Salem does not generate a sufficient number of international itineraries for that to be an issue with the service.

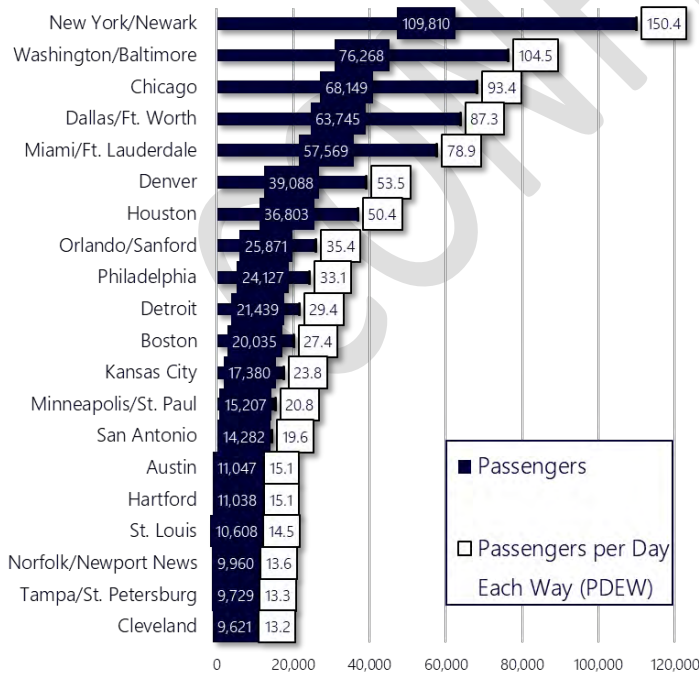
The United hub at Denver provides connections to more one-stop cities than any other hub option from Salem. Twice-daily service would connect to 89 cities (refer to map 9). That service would

**MAP 9: CONNECTIVITY OVER DENVER (DEN) ON UNITED**  
SOURCE: OAG AIRLINE SCHEDULES, APRIL 2018



access an average of 1,077 passengers per day each way (PDEW) at an average fare of \$151 each way. It

**CHART 9: TOP 20 SALEM MARKETS OVER SEA ON ALASKA**  
SOURCE: SALEM PASSENGER RETENTION STUDY; YE2Q17



should again be noted, that average fare is likely too low for Denver service to be profitable.

Denver serves much different connecting flows than the hubs at either San Francisco or Seattle/Tacoma. Denver service does not allow connections to notable large Salem passenger markets such as the Bay Area, the Los Angeles Basin, Las Vegas, and Phoenix (refer to chart 9). Subsequently, Denver accesses fewer passengers than either of the potential west coast hub options. Denver is also a smaller local market, generating an average of 54 PDEW.



Still, the biggest challenge to Denver service is the low fare presence at Portland in most Denver connecting markets. Fares to and through Denver are likely too low for an airline to be profitable. The premium required to make regional service to Denver profitable is possibly double the current fares from Portland in most markets.

Nonetheless, due to airline strategy and the intelligence collected on the Salem market, these three hub options represent the best recruitment targets for new service. With low fares being the primary concern, it is likely the community will have to overcome airline concerns over revenue by developing a risk mitigation program to remove some of the low fare revenue risk during the first two years of service.

It should also be noted other options may present themselves as the recruitment process begins. The air service landscape is constantly changing and independent carriers such as SkyWest Airlines might also show interest in the market flying on behalf of other carriers. The community must be ready to pivot strategy and to work with carriers that offer the best possible connectivity for the largest number of passengers.

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# LOW COST LEISURE RECRUITMENT TARGETS



Beyond the recruitment of network carrier service, Salem has an opportunity to recruit less-than-daily, low-cost airline service to leisure destinations. This kind of service would serve vacation travelers in the Willamette Valley and help Salem compete with the low fare service at both Portland and Eugene. This service would not require a large revenue guarantee, but it would require incentives including long-term low airport costs and marketing cash to ensure the community understands the service and its value.

The most likely target for service is Allegiant, which already serves communities such as Eugene, Medford, Redmond/Bend, Pasco/Tri-Cities, Spokane, and Bellingham in the Pacific Northwest. Salem is similar to many of these communities and Allegiant's low fares would probably draw passengers from the south suburbs of Portland – beyond the projected Salem catchment area.

Allegiant has focus city operations in both Las Vegas where it is headquartered, and Phoenix at Mesa Airport. These are the two most likely routes Allegiant would serve from Salem (refer to map 10). Each route would most likely be served twice per

**MAP 10: POTENTIAL LOW COST CARRIER ROUTES AT SALEM**  
SOURCE: VOLAIRE AVIATION CONSULTING, APRIL 2018



week, to facilitate vacation trips. Allegiant may begin with service only to Las Vegas and add Phoenix service should Las Vegas perform well.

The Salem catchment area generates an average of almost 53 passengers per day each way (PDEW) to and from Las Vegas, or an average of 371 passengers per week in each direction. To Phoenix, Salem generates an average of 44 PDEW, or 308 passengers per week each way.

The challenge to the recruitment of low cost less-than-daily service is not demand from the Salem catchment area. Instead, Salem must overcome the pull of frequent low fare service to both Las Vegas and Phoenix from Portland. Together, American, Alaska, and Southwest operate an average of nine departures per day from Portland to Phoenix with more than 1,400 daily departing seats (refer to chart 10). Those carriers average a fare of just \$116 each way.

**CHART 10: COMPETITIVE SERVICE ANALYSIS, PORTLAND INTERNATIONAL AIRPORT (PDX)**

SOURCE: AIRLINE DATA, INC.; YE3Q17

In the Portland –  
Las Vegas market,

Market	Codes	PDEW	Seats per Day	Load Factor	Departures/Day	Seats per Dept.
Phoenix	PHX/AZA	1,253.0	1,436	87.3%	8.9	162.0
Las Vegas	LAS	1,072.7	1,238	86.6%	7.7	160.8

carriers including Alaska and Southwest offer an average of almost eight departures per day (refer to chart 10). Those carriers fill almost 87% of their available seats on the route by offering a fare that averages just \$102 each way. With fares so low and frequency of flights so high, even less-than-daily low-cost carriers could be hesitant to compete.

# GOALS AND TIMELINE



The recruitment of air service is a lengthy process. Relationships with airline planners must be built along with trust. In the case of airports with no current airline service, it can take several years from first contact to route launch. But it is important to begin making contacts as soon as possible to position the market for the future.

It is also vital to understand how those airline planners will perceive the market. For Salem's air service strategy, Volaire consultants developed forecasts for each targeted network carrier route, using the methodologies that are likely employed by the targeted carrier for each route. These forecasts help to guide the development of local risk mitigation targets and they give insight into how much risk the airline target will forecast it will need to take on when/if launching service.

The forecasts hinge not only on the aggregate number of available passengers and the revenue those passengers could generate, but also on competitive factors at other airports in the region. Low fares in Portland will continue to divert passengers long after Salem service is established. Airlines will likely fight passenger leakage as they launch service by setting Salem fares at Portland levels which may cause losses as service gets established.

The forecasts make it clear that Salem's top two targets for network service should be Seattle/Tacoma and San Francisco, in that order. The forecasts also make it clear developing sustainable service on longer distance routes, such as Denver, will be exceptionally difficult due to the low fare pressure at Portland. Airlines are able

**“IN THE CASE OF AIRPORTS  
WITH NO CURRENT  
AIRLINE SERVICE, IT CAN  
TAKE SEVERAL YEARS  
FROM FIRST CONTACT TO  
ROUTE LAUNCH.”**

to serve Portland's longer routes with much larger aircraft costing much less per seat to operate and make low fares profitable. These larger aircraft are not an immediate option in a high-risk market without current service such as Salem.

The forecasts also help to develop a risk mitigation target for the recruitment of Salem service. It is clear for any new network carrier service; the community will need to offer a seven-figure incentive. Typically, a carrier will work with a community to develop a program that shares risk for a two-year start-up period after which point a carrier will expect the service to be self-sustaining. The loss in any route should narrow as the route becomes established. In the second year of service, the loss should narrow considerably.

**"IT IS CLEAR, FOR ANY  
NEW NETWORK CARRIER  
SERVICE, THE  
COMMUNITY WILL NEED  
TO OFFER A SEVEN-  
FIGURE INCENTIVE."**

Based on proprietary forecasts, built with airline model knowledge, the strategic recommendation in this report is for the Salem community to develop a minimum revenue guarantee (MRG) of at least \$1.7 million for service either to Seattle/Tacoma or to San Francisco. The minimum revenue guarantee (MRG) fund can include money from both local contributors and also from the federal Department of Transportation's Small Community Air Service Development (SCASD) Grant program. Salem's Airport can apply for as much as \$750,000 in funding from this program to be used for the MRG. The Airport, itself, if required to submit the application for funding – the community can not do this on its own. But that funding, which is available once per year, could help reduce the burden on the community's contributors.

Minimum revenue guarantees (MRGs) are designed to reduce an airline's risk of losing money for the start-up period of new service; usually up to two years. An airline typically develops a revenue target per segment and the MRG fund is invoiced when actual revenue is below target revenue. The FAA prohibits airports from using airport revenue for MRG programs. Airports can only use Grant funding for these programs. Most MRGs are

agreements between outside community funding organizations and the air carrier not involving the airport at all.

MRGs are the primary lever to incentivize an airline's entrance into a new market as the local community is sharing the risk of launching new service. In the past, some communities developed pre-purchased ticket programs under which businesses bought tickets for the service ahead of the launch of service. Airlines have shied away from these programs as they realized those businesses would buy tickets either way and the

**“MRGS ARE THE PRIMARY LEVER TO INCENTIVIZE AN AIRLINE’S ENTRANCE INTO A NEW MARKET AS THE LOCAL COMMUNITY IS SHARING THE RISK OF LAUNCHING NEW SERVICE.”**

programs did little to actually reduce risk. An MRG is considered essential to the recruitment of service to Salem.

Another key piece of the puzzle in airline recruitment is a formal incentive policy. It is highly recommended the City and Airport work with a firm with expertise to develop and pass a formal incentive policy as soon as practical. Airline incentives are a standard part of service recruitment and without a strong incentive policy an Airport has virtually no chance of beating competing airports for service. It is recommended the Airport complete a cost-benefit analysis based on specific forecasts for new service so that it can ensure financial stability even with its incentive program. It is also recommended the Airport use a firm with specific knowledge of Federal Aviation Administration (FAA) incentive rules and regulations to ensure the policy is legal.

Once a minimum revenue guarantee (MRG) has been development and an incentive program approved, there is a long list of recommended tasks to work with an air service development consulting firm to accomplish in order to bring service to Salem (refer to chart 11 on the next page). This plan is designed to best position Salem for the recruitment of network carrier service with strong connectivity and the recruitment of low cost, less-than-daily service to leverage passengers from the greater region.

A key way to grow funding for risk mitigation is through the Department of Transportation’s Small Community Air Service Development (SCASD) Program. The 2018 version of this program will likely be released in the fall and Salem should be prepared to have a consultant with experience write the application for funding.

The community should not wait to meet with prospective carriers until it has all of its funding secured. Instead, it should begin to make connections with airlines planners through meetings at air service development conferences beginning in the fall while funding is still being raised. As mentioned, it often

takes years for new service ideas to marinate in airline network planning departments. To wait for a SCASD award would be to waste valuable time that could be used to get conversations started and to presenting viable business cases to airline planners.

Based on initial conference meetings with airlines, the community will need to be prepared to travel to airline headquarters for meetings delivering more specific business case detail once funding has been finalized. These headquarters meetings typically happen only when an airline is closer to making a decision about service. It is important to present a well-vetted business plan for the service, often developed by an experienced consultant.

**CHART 11: RECOMMENDED AIR SERVICE DEVELOPMENT PLAN AND TIMELINE**  
SOURCE: VOLAIRE AVIATION CONSULTING

<u>Date</u>	<u>Recommended Project</u>	<u>Location</u>	<u>Details</u>
June 2018	Presentation of ASD Plan	Salem	Presentation of this plan to Stakeholders.
Summer 2018	Develop Incentive Policy and Local Funding	Salem	Development of formal incentive policy for new service and local business funding for minimum revenue guarantee (MRG) for new service.
Fall 2018	Small Community Air Service Development Grant (SCASD) Proposal	Salem	Write proposal for funding through the federal SCASD program matched by local funding.
Fall 2018	Air Service Development Conference (TBA)	Various	Attend conference to meet with targeted carriers to determine interest based on incentive and funding plan.
Winter 2018/19	Airline Headquarters Meetings	Various	Meet with targeted carriers at headquarters. Could include SkyWest, United, Allegiant, and/or Alaska.
Spring 2019	Air Service Development Conference (TBA)	Various	Attend conference to meet with targeted carriers to determine interest based on incentive and funding plan.

Meetings could continue for several months, or several years, depending on the level of interest from airlines. It is possible an airline could request a larger risk mitigation amount as their analysis becomes more detailed. Community outreach will likely need to continue through the process.

Air service development is not an easy or quick process. It can be quite expensive because airlines expect a community to take the time and spend adequate money to have experts develop detailed market analysis on a route-by-route basis. These analyses have to be updated each and every time a community meets with an airline to provide the most current information and data.

Dedicated communities often, but not always, meet with success in recruiting service. Communities that do not invest in air service development have virtually no chance at securing service. Salem's competitors will not be Portland or Eugene. Salem's competitors will be each and every community also working to add service.

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# Air service forum poll results June 11 2018

Current run (last updated Jun 11, 2018 1:42pm)

7

Polls

170

Participants

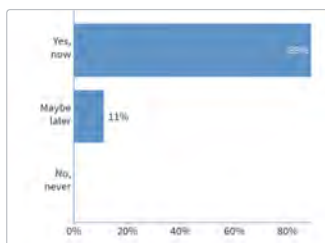
154

Average responses



Average engagement

## Based on the data presented today, do you feel Salem and the Mid-Valley is a viable market for commercial air service?



Response options	Count	Percentage
Yes, now	126	89%
Maybe later	16	11%
No, never	0	0%

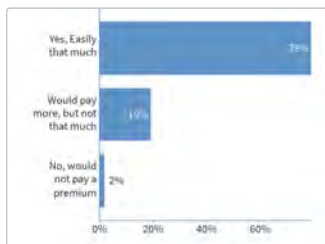


Engagement

142

Responses

## Would you be willing to pay a higher price to fly out of Salem, such as \$40, to avoid going to PDX?



Response options	Count	Percentage
Yes, Easily that much	128	79%
Would pay more, but not that much	31	19%
No, would not pay a premium	3	2%

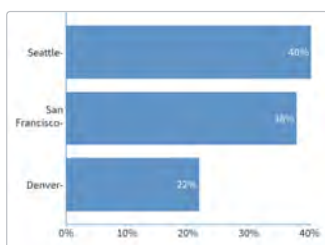


Engagement

162

Responses

## Which of the top three destination possibilities would you most like to see first?



Response options	Count	Percentage
Seattle-	68	40%
San Francisco-	64	38%
Denver-	37	22%

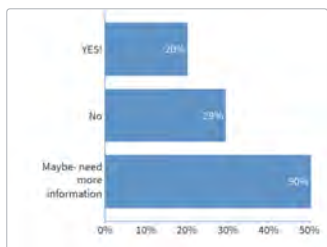


Engagement

169

Responses

### Would you or organization be willing to pledge money toward the revenue guarantee?

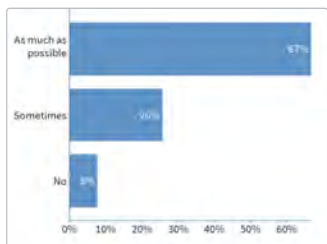


Response options	Count	Percentage
YES!	28	20%
No	41	29%
Maybe- need more information	70	50%

82%  
Engagement

139  
Responses

### Would you make an effort to connect out of Salem vs taking a non-stop from PDX?

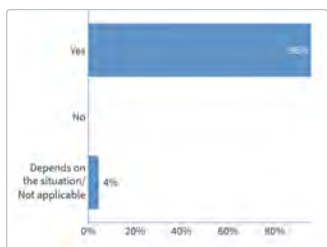


Response options	Count	Percentage
As much as possible	104	67%
Sometimes	40	26%
No	12	8%

92%  
Engagement

156  
Responses

### To ensure the air service succeeds and sustains, would you promote use of the service within your organization and social contacts?

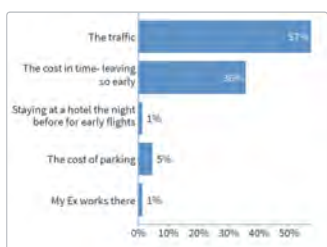


Response options	Count	Percentage
Yes	149	96%
No	0	0%
Depends on the situation/ Not applicable	7	4%

92%  
Engagement

156  
Responses

### What do you hate the most about using PDX?



Response options	Count	Percentage
The traffic	87	57%
The cost in time- leaving so early	54	36%
Staying at a hotel the night before for early flights	2	1%
The cost of parking	7	5%
My Ex works there	2	1%

89%  
Engagement

152  
Responses

## Mid-Valley Comercial Air Service Recruitment Budget

<u>Expenditure Category</u>	<u>ROAR Fund</u>		<u>Total</u>	<u>NOTE</u>
	<u>Request</u>	<u>Match</u>		
Consultant (need 1 see below)	\$ 127,375	\$ 20,000.00	\$ 147,375	In-kind labor costs not yet determined
Travel/Meetings (need 1)	\$ 12,000	\$ -	\$ 12,000	
Marketing/Advertising (need 2)	\$ 285,625	\$ -	\$ 285,625	in-kind advertising, print, labor costs TBD
SCASD MRG Fund	\$ -	\$ 1,600,000	\$ 1,600,000	750k SCASD grant funds
SCASD Grant Match Funds (Need 3)	\$ 75,000	\$ 100,000	\$ 175,000	total MRG \$1.75 million
	<b>\$ 500,000</b>		<b>\$ 2,220,000</b>	

### Detail by Need-

#### Need #1: Air Service Recruitment Consultant and Committee Activity

Community Visits for fundraising - Minimum Revenue Guarantee Presentations	\$ 6,000	4 @ \$1500
Grant application- Small Community Air Service Development (SCASD)	\$ 30,000	2 applications
Consulting during Grant application and community pledge timelines	\$ 15,000	
Airline Headquarters meeting, 1st in 2019	\$ 10,000	
Travel, consultant plus 1 committee member	\$ 3,000	
Airline Headquarters meeting, subsequent in 2019	\$ 8,500	
Travel, consultant plus 1 committee member	\$ 3,000	
Airline Headquarters meeting, subsequent in 2019	\$ 8,500	
Travel, consultant plus 1 committee member	\$ 3,000	
Airline Conference Meeting, Spring in 2019	\$ 14,500	
Travel, consultant plus 1 committee member with registration	\$ 3,000	
Airline Conference Meeting, Fall 2019	\$ 14,500	
Travel, consultant plus 1 committee member with registration		
Airline Conference Meeting, Spring 2020	\$ 14,500	
Travel, consultant plus 1 committee member with registration		
Economic Impact Analysis	\$ 15,000	
Data acquisition	Included	
Fiduciary, Administration, and bookkeeping services [Chamber of Commerce]	\$ 25,000	*
Less: Discount on services, 25% for exclusivity	\$ (34,125)	
<b>Need #1 TOTAL</b>	<b>\$ 139,375</b>	

\$ 102,375 Direct Volaire Consulting costs

\*Admin, Fiduciary, and bookkeeping of all grant funds, all 3 needs, 5% of total request

#### Need #2: Marketing the Air Service: Prior to start date and sustained for 24 months

##### Year 1:

Social Media- Catchment Area	\$ 10,000	
Social Media- Connection Sitites	\$ 15,000	
Online- Catchment Area	\$ -	*
Online- Connection Cities	\$ 10,000	
Communicatons & PR- Catchment Area	\$ -	*
Communications & PR- Connection Cities	\$ 10,000	
Traditional Advertising- Catchment area	\$ 25,000	
Traditional Advertising- Conneciton Cities	\$ -	
Contracting	\$ 4,000	
Year 1 Sub-Total	<b>\$ 74,000</b>	

**Year 2:**

Social Media- Catchment Area	\$ 10,000
Social Media- Connection Sities	\$ 15,000
Online- Catchment Area	\$ - *
Online- Connection Cities	\$ 40,000
Communicatons & PR- Catchment Area	\$ - *
Communications & PR- Connection Cities	\$ 20,000
Traditional Advertising- Catchment area	\$ 50,000
Traditional Advertising- Conneciton Cities	\$ 70,000
Contracting	\$ 6,625
Year 2 Sub-Total	<u>\$ 211,625</u>

**Need #2 24- month Budget Total:** \$ 285,625

\* Each committee member organizaton to absorb any expense [SEDCOR, Travel Salem, Chamber of Commerce] in-kind support in advertising, staff, publishing costs

**Need #3: Small Community Air Service Development (SCASD) Grant funds, ROAR Grant set aside**

Matching funds for Federal SCASD grant (Minimum Revenue Guarantee)	\$ 50,000 *
Total Need #3:	<u>\$ 50,000</u>

\* actual need could be as high as 20% of a \$750,000 grant award.

**BUDGET TOTALS** \$ 475,000

# Mid-Valley Commercial Air Service Budget Timeline

## Timeline from Project start date:

**START: Initial Committee Formation January 2018**

<b>in February 2018</b>	\$	15,000	Initial Leakage Study (provided)
<b>in March 2018</b>	\$	5,000	Marketing Report/presentation (provided)
<b>In June 2018</b>	\$	8,500	Community Event
<b>Private Funds Expended:</b>	\$	28,500	Does not include in-kind support/volunteer time

## From ROAR Grant Award:

### 1st 12 months:

Month 1:	\$	4,300	Consultant Retainer (toward itemized services, see budget)
Month 2:	\$	4,300	Consultant retainer (approx 24 equal payments)
Month 3:	\$	4,300	Consultant retainer
Month 1-3:	\$	3,000	Quarterly conference or airline HQ meeting
	\$	2,500	Admin distribution to fiduciary
Month 4:	\$	4,300	Consultant retainer
Month 5:	\$	4,300	Consultant retainer
Month 6:	\$	4,300	Consultant retainer
Month 4-6:	\$	3,000	Quarterly conference or airline HQ meeting
	\$	2,500	Admin distribution to fiduciary
Month 7:	\$	4,300	Consultant retainer
Month 8:	\$	4,300	Consultant retainer
Month 9:	\$	4,300	Consultant retainer
Month 7-9:	\$	3,000	Quarterly conference or airline HQ meeting
	\$	2,500	Admin distribution to fiduciary
	\$	18,500.00	Advertising buy
Month 10:	\$	4,300	Consultant retainer
Month 11:	\$	4,300	Consultant retainer
Month 12:	\$	4,300	Consultant retainer
Month 10-12:	\$	3,000	Quarterly conference or airline HQ meeting
	\$	2,500	Admin distribution to fiduciary
	\$	18,500.00	Advertising buy

Approximate year 1 total: **\$ 110,600.00**

### 2nd 12 months:

Month 1:	\$	4,300	Consultant retainer
Month 2:	\$	4,300	Consultant retainer
Month 3:	\$	4,300	Consultant retainer

Month 1-3	\$ -	Quarterly conference or airline HQ meeting
	\$ 2,500	Admin distribution to fiduciary
	\$ 18,500.00	Advertising buy
	\$ 75,000.00	SCASD Grant Funds to Fiduciary
Month 4:	\$ 4,300	Consultant retainer
Month 5:	\$ 4,300	Consultant retainer
Month 6:	\$ 4,300	Consultant retainer
Month 4-6:	\$ -	Quarterly conference or airline HQ meeting
	\$ 2,500	Admin distribution to fiduciary
	\$ 18,500.00	Advertising buy
Month 7:	\$ 4,300	Consultant retainer
Month 8:	\$ 4,300	Consultant retainer
Month 9:	\$ 4,300	Consultant retainer
Month 7-9:	0	Quarterly conference or airline HQ meeting
	\$ 2,500	Admin distribution to fiduciary
	\$ 52,906	Advertising buy
Month 10:	\$ 4,300	Consultant retainer
Month 11:	\$ 4,300	Consultant retainer
Month 12:	\$ 3,475	Consultant retainer
Month 10-12:	0	Quarterly conference or airline HQ meeting
	\$ 2,500	Admin distribution to fiduciary
	\$ 52,906	Advertising buy

Approximate year 2 total: **\$ 278,587.50**

### 3rd 12 months:

Months 1-3:	\$ 52,906	Advertising buy
	\$ 2,500	Admin distribution to fiduciary
Months 4-6:	\$ 52,906	Advertising buy
	\$ 2,500	Admin distribution to fiduciary

Approximate Year 3 total: **\$ 110,813**

### Summary/Sub-totals:

Scheduled expenditures	\$ 500,000	as per above
Add'l consultant/meetings/mktg	\$ 50,000	to be paid from matching funds
ROAR Grant Total	\$ 550,000	Including matching funds

NOTES: Advertising start date will depend on timing of airline agreement  
SCASD Grant timing uncertain - estimated timing of matching fund need

Aug. 27, 2018

Brent Dehart  
465 Commercial St. NE, Suite 100  
Salem, Or. 97301

**President**  
Chad Freeman

**2018-2019**  
**Executive Council**

**Chair**  
Mark Hoyt  
Sherman Sherman  
Johnnie & Hoyt, LLP

**Secretary/Treasurer**  
**Chair Elect**  
Daryl Knox  
The Aldrich Group

**Past Chair**  
Rich Duncan  
Rich Duncan Construction

**Members at Large**

Kevin Cameron  
Marion County  
Commissioner

Michael Fowler  
Cabinet Door Service

Lesa Goff  
Wells Fargo Bank

Nathan Levin  
N. Levin Industrial Real  
Estate

Steve Powers  
City of Salem

Steve VanArsdale  
Garmin AT, Inc.

Dear Brent,

Thank you for the opportunity to work with you and the Mid-Valley Air Service Steering Committee on your quest to bring a commercial airline service to the Salem Airport, McNary Field.

Local connections to a global marketplace are a big piece of what we do at SEDCOR. Helping local companies like Garmin, Kettle Foods, Norpac, and others sell to markets far outside Oregon as well as the work we do with companies interested in moving to Oregon, we see air service as an essential part of our connectivity.

Whether a firm is currently located in the region or is planning to locate, transportation is vital to a company's success. They want to be able to travel to and from locations quickly. Bringing a commercial airline service to the Salem would allow company employees to save time and money commuting to Portland.

A commercial airline would assist in reducing the traffic on Interstate 5. Many people living in or near Salem have shared their frustrations about the amount of time it takes to drive to Portland International Airport.

Along with Travel Salem and the Salem Area Chamber of Commerce, SEDCOR lends its support to the Mid-Valley Air Service Steering Committee to bring a major carrier to the Salem Airport, McNary Field.

Please feel free to contact me if I can answer any questions or be of further assistance.

Sincerely,



Chad Freeman  
President





September 13, 2018

We are writing to express our support for the return of commercial air service to Salem, Oregon. It has been more than 10 years since regular commercial service existed in Salem, and the region is in a prime position to welcome it back.

The visitor industry in the Salem region is stronger than ever, generating a record \$593.1 million in estimated visitor spending and an additional \$4.5 million in lodging tax revenue.\* Commercial air service will further boost the economic impact of the industry, making direct travel to and from the area easier and more accessible to the millions of people who visit our area each year.

In addition, the Salem area generates 1.1 million passengers to Portland International Airport (PDX) – with than 530,000 people who live within a 25-mile radius of Salem.\*\* As traffic congestion in the Portland area and the Mid-Willamette Valley continues to increase, having commercial air service in Salem will mean significantly less travel time to and from the Portland airport and a reduction in mileage/fuel costs. Also, a significant amount of room nights are lost in the Salem region due to travelers who book a room near PDX on the final night of their visit when they have an early flight the following morning. Having commercial air service in Salem would allow us to capture the room and lodging tax revenue that is currently being lost.

Salem is a “destination gateway” to culinary adventures, natural treasures and unique cultural experiences as well as a key entry point to other Oregon Wine Country adventures. Bringing commercial air service back to the region will bolster both leisure and business travel to the area, which will in turn generate more dollars in direct visitor spending, lodging tax revenue and job creation. We fully support commercial air service in Salem and look forward to the return of this vital service in our region.

Sincerely,

Angie Onyewuchi, President & CEO

July 25, 2019

To whom it may concern,

Western Oregon University (WOU) views adding regular and sustained commercial air service by a legacy carrier with west-coast hubs as a much-needed investment in the quality-of-life and economic vitality of the mid-Willamette Valley.

Our recently completed (2017-23) strategic plan, Forward Together, identified sustainability and stewardship as one of our five pillars of excellence. Commercial air service from Salem (SLE) would reduce our carbon footprint by decreasing the number of miles our students, faculty, staff, and visitors would need to drive to use an airport. The close proximity of SLE would also generate cost savings for WOU in terms of reduced mileage reimbursement, lower parking fees, and reduction in hotel nights needed to accommodate early morning departures and late-night arrivals.

Currently, WOU enrolls students from over 30 states and 9 nations. WOU was cited in a 2017 study by the “Chronicle of Higher Education” report as being the top mainland university or college destination for Hawaiian and Native Pacific Islander students, based upon percentage of students enrolled. For these and many other WOU students, air travel is required in order to get to campus from their homes. In addition, the university regularly hosts prospective students and their families who are engaged in the college search process. The logistics of having to fly into PDX, obtain a rental car and then drive over two hours (on a good day) just to get to WOU can be a meaningful obstacle to a student and their family that prevents their continued interest in attending WOU. Travel home for the breaks is a critical element in allowing students to remain connected to their families. Having an airport that is located less than 20 miles from campus would support our efforts to retain current students and recruit more students.

WOU is the only Division II intercollegiate athletic program in Oregon. Our teams compete with colleges and universities located in Alaska, Canada, Montana, Washington, California and Utah within our conference. We play teams from other states as well as part of our non-conference schedules. Many of these games require WOU teams to fly out-of-state, or for teams to fly to Oregon. Twice in the past two years WOU has hosted the NCAA Division II men’s regional basketball tournament. Teams attending that tournament have had to travel to WOU to participate. In addition, WOU regularly hosts conference championships in track and field and cross country. If available, flights to Salem would be highly appealing for WOU teams as well as visiting schools.

WOU faculty and staff regularly attend meetings and conferences out-of-state. Commercial air service from Salem would be highly appealing to those who travel for university business. The majority of WOU employees also live in the Mid-Willamette Valley and it is very likely that many would also use SLE for their personal travel.

WOU is hoping to expand our arts programs (Dance, Music, Theatre, and Visual Arts). The Smith Fine Arts Series brings artists in music and theatre to WOU. Improving the transportation logistics for visiting artists will support WOU's efforts to bring in national talent to perform in this established and well-respected series.

WOU applauds the community-driven effort to restore regular commercial air service to Oregon's state capital. The entire mid-Willamette Valley would benefit from their success. Western Oregon University is happy to support this work and we look forward to being able to use this service to enhance our efforts to provide students and the state with the highest quality education experience.

Sincerely,



David A. McDonald,  
Associate Vice President for Public Affairs and Strategic Initiatives







August 8, 2018

To whom it may concern:

On behalf of Corban University, I am writing to express my support for adding regular and sustained commercial air service to Salem, Oregon (SLE), by a legacy carrier with West Coast hubs. In addition to providing increased economic and transportation opportunities to the Willamette Valley as a whole, this addition would particularly benefit Corban staff, faculty, students, and guests.

Corban staff and faculty are regularly involved in national and international travel. As our employees attend conferences in their field, participate in institutional partnerships in Indonesia, Cameroon, and Kenya, and even bring students on educational trips to Singapore, Israel, and more, the presence of a commercial air service five minutes from our campus would greatly reduce the cost and hassle associated with travel. Currently, Salem residents must utilize airports in either Eugene or Portland, which are each about 90 minutes away—more if there's traffic. Logistics such as transportation to the airport, navigating traffic, and arranging for overnight parking and lodging would be streamlined with the presence of air service to Salem.

In addition to staff and faculty, our students would also benefit. This past year, 81 of our students traveled to 16 different countries for short-term study-abroad and missions experiences. This doesn't even count our international and out-of-state students, who fly home to see family during vacations and breaks, and our 300 athletes, who regularly travel to out-of-state competitions and tournaments.

Corban also enjoys inviting guests on camps, often from out-of-state. Local air service would greatly streamline the process of bringing parents, families, and guest artists and speakers onto campus. Prospective students and their families, too, would benefit. We seek to make the college visitation process as comfortable and enriching as possible, but the process of flying into PDX, renting a car, driving 64 miles, and potentially staying an extra night in a hotel might be the factor that dissuades someone from taking the time to visit.

For the above reasons, I can confidently endorse, on behalf of Corban University, the move to bring regular air service to the capital of Oregon. Not only would Corban staff, faculty, students, and guests benefit, but the entire Willamette Valley would enjoy the opportunity to travel more effectively and efficiently.

Thank you for your consideration. We look forward to learning the outcome of this initiative.

Sincerely,

Sheldon C. Nord  
President

Office of the President



September 12, 2018

We are writing to express our support for the return of commercial air service to Salem, Oregon. It has been more than 10 years since regular commercial service existed in Salem, and the region is in a prime position to welcome it back.

The visitor industry in the Salem region is stronger than ever, generating a record \$593.1 million in estimated visitor spending and an additional \$4.5 million in lodging tax revenue.\* Commercial air service will further boost the economic impact of the industry, making direct travel to and from the area easier and more accessible to the millions of people who visit our area each year.

In addition, the Salem area generates 1.1 million passengers to Portland International Airport (PDX) and has a population of 530,000 people who live within a 25-mile radius of Salem.\*\* As traffic congestion in the Portland area and the Mid-Willamette Valley continues to increase, having commercial air service in Salem will mean significantly less travel time to and from the Portland airport and reduced mileage/fuel costs. Also, a large number of room nights are lost in the Salem area due to travelers who book a room near PDX on the final night of their visit when they have an early flight the following morning. Having commercial air service in Salem would allow us to capture the room and lodging tax revenue that is currently being lost.

Salem is a "destination gateway" to culinary adventures, natural treasures and unique cultural experiences as well as a key entry point to other Oregon Wine Country adventures. Bringing commercial air service back to the region will bolster both leisure and business travel, which will in turn generate more dollars in direct visitor spending, lodging tax revenue and job creation. We fully support commercial air service in Salem and look forward to the return of this vital service.

Sincerely,

A handwritten signature in black ink, appearing to read "Sarahjane Cottle". The signature is fluid and cursive, with a large loop at the end.

Sarahjane Cottle, General Manager

*\*Dean Runyon Travel Impact Report, 1991-2017*

*\*\*Voilaire Aviation Consulting*



WILLAMETTE VALLEY WINE

SEPTEMBER 18, 2018

We are writing to express our support for the return of commercial air service to Salem, Oregon. It has been more than 10 years since regular commercial service existed in Salem, and the region is in a prime position to welcome it back.

The visitor industry in the Salem region is stronger than ever, generating a record \$593.1 million in estimated visitor spending and an additional \$4.5 million in lodging tax revenue.\* Commercial air service will further boost the economic impact of the industry, making direct travel to and from the area easier and more accessible to the millions of people who visit our area each year.

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Salem is a “destination gateway,” a key entry point to Willamette Valley wine country with vibrant culinary adventures, natural treasures and unique cultural experiences. With more than 500 wineries between Portland and Eugene, having a central entry point for commercial air travel will enhance visitation to this leading driver of tourism to the Willamette Valley.

Bringing commercial air service back to the region will bolster both leisure and business travel, which will in turn generate more dollars in direct visitor spending, lodging tax revenue and job creation. We fully support commercial air service in Salem and look forward to the return of this vital service.

Sincerely,

Morgen McLaughlin  
Executive Director, Willamette Valley Wineries Association

*\*Dean Runyon Travel Impact Report, 1991-2017*

*\*\*Voltaire Aviation Consulting*

WILLAMETTE  
VALLEY WINE

PO Box 25162  
Portland, OR 97298

503.297.2962  
willamettewines.com

@wwines





September 12, 2018

To Whom It May Concern:

The Willamette Valley Visitors Association (WVVA) is writing to express our support for the return of commercial air service to Salem, Oregon. It has been more than 10 years since regular commercial service existed in Salem, and the region is in a prime position to welcome it back.

The visitor industry in the Salem region is stronger than ever, generating a record \$593.1 million in estimated visitor spending and an additional \$4.5 million in lodging tax revenue. \* Commercial air service will further boost the economic impact of the industry, making direct travel to and from the area easier and more accessible to the millions of people who visit our area each year.

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Sincerely,

A handwritten signature in black ink that reads "Irene Bernards". The signature is written in a cursive, flowing style.

Irene Bernards  
President, Willamette Valley Visitors Association

*\*Dean Runyan Travel Impact Report, 1991-2017*

*\*\*Voltaire Aviation Consulting*



September 12, 2018

We are writing to express our support for the return of commercial air service to Salem, Oregon. It has been more than 10 years since regular commercial service existed in Salem, and the region is in a prime position to welcome it back.

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Sincerely,

*Scott Snyder*  
Salem Area Lodging Association.

*\*Dean Runyon Travel Impact Report, 1991-2017*

*\*\*Voltaire Aviation Consulting*



NORPAC FOODS INC.

3225 25<sup>th</sup> St. SE  
Salem, OR 97302-1133  
PO Box 14444  
Salem, OR 97309-5012  
503-480-2100

October 4, 2018

Brent Dehart  
465 Commercial St., Suite 100  
Salem, Oregon 97301

Re: Salem Airport Open to Commercial Airlines

Dear Brent,

NORPAC Foods would like to express our appreciation for your essential work regarding the future of commercial air transportation in Salem, Oregon, our state's capitol. NORPAC Foods, Inc. is a farmer-owned cooperative representing over 200 growers in the Willamette Valley, providing jobs for over 1,500 employees. We believe strongly that reestablishing public commercial air transportation at McNary Field Airport is in the best interest of all residents and businesses in the area.

To best serve our customers, it is essential that NORPAC has access to local air travel to host visits to our corporate headquarters. We fly in business partners and customers from across the nation as well as internationally on a regular basis. Having a local airport would attract additional potential customers as well as current customers to visit our plants and fields and use their time more productively. These opportunities to increase business by impressing existing and new customers with on-site tours and presentations highlighting NORPAC's commitment to excellence in both local agriculture and food processing is vital to the health and future success of our company as well as providing much needed transportation options for the region, lowering congestion and improving overall economic development in the area.

NORPAC Foods is highly supportive of this very important project. We encourage you to continue planning efforts to bring public commercial air transportation to our state's capitol.

Sincerely,

Shawn M. Campbell  
President & CEO



October 10, 2018

As an aviation business employing over 530 people located at the Salem Airport, Garmin AT, Inc. supports the return of commercial air service to Salem. With our employees traveling frequently and a high number of visitors coming to our facility from other Garmin locations, the benefit of having a local air service would significantly improve our travel times, reduce cost, and reduce the difficulties associated with commuting over an hour each way to fly from Portland International. As most of our visitors commute back to Portland and stay there overnight prior to their flights, a local commercial air service would also help increase hotel and entertainment revenues in Salem.

As a company which recruits top notch talent throughout the U.S., having a local commercial air service would provide Garmin AT with another selling point. When potential candidates fly in to Portland and must commute to Salem, they also recognize this may impact both work and personal travel plans as it significantly increases the cost and time needed to travel. With local commercial air service, it will be another selling point to those candidates coming from larger metro areas who are accustomed to more convenient access to air travel.

For our employees and their families, the benefit of local commercial air service extends well beyond travel for work. The benefit of having a local air service would increase the livability of the Salem area as many of our employees and their families travel frequently or have visitors who must travel by air. The convenience of traveling directly to/from Salem would be viewed as a significant improvement and help improve the quality of their personal time.

Garmin AT fully supports the return of commercial air service to Salem and looks forward to the benefits it would provide to our company and our employees/families.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve VanArsdale".

Steve VanArsdale

General Manager

Garmin AT, Inc.

Garmin AT, Inc.  
2345 Turner Rd SE  
Salem, Oregon 97302  
P: 503.581.8101 F: 503.364.2138  
[www.garmin.com](http://www.garmin.com)



# INDEPENDENCE

*Oregon's Story Begins Here*

## CITY OF INDEPENDENCE

October 29, 2018

**RE: Commercial Air Service to McNary Field, Salem, Oregon**

To Whom It May Concern:

The Independence City Council supports the regional effort to secure sustainable commercial air service to McNary Field in Salem, Oregon. Independence is a city of 10,000 in Polk County, approximately 15 miles from Salem with limited air transportation options.

We believe the benefits are many: additional transportation options for our residents and businesses; economic development; and a boost to our tourism efforts.

We ask for favorable consideration of this effort to bring more transportation options to our community.

Very Truly Yours,

John McArdle  
Mayor



**City of Silverton**

**Mayor**

306 S. Water St. • Silverton, OR 97381

(503) 873-5321

[www.silverton.or.us](http://www.silverton.or.us)

November 9, 2018

Brent Dehart  
465 Commercial St., Suite 100  
Salem, OR 97301

RE: Commercial Air Service to Salem (SLE)

Mr. Dehart,

Please accept this letter as confirmation of the City of Silverton Council's support for bringing back sustainable commercial air service to Salem, Oregon.

At its regular meeting on November 5, 2018, the Silverton City Council provided unanimous consensus to support this endeavor. Members of the City Council voiced their support of the project and the potential benefits to Silverton's economy.

Salem is the state capital and second largest city in Oregon with a thriving economy. The City of Silverton is located only 15 miles east of Salem and home to a number of tourist destinations. Access to air transportation close to home would benefit our local residents and allow visitors to arrive even closer to the wonderful amenities in our area. Silverton is home to the Oregon Garden, a stunning 80-acre botanical garden featuring more than 20 specialty gardens that showcase the botanical beauty of the Willamette Valley. Located on site is the Oregon Garden Resort and Spa and Frank Lloyd Wright's Gordon House, the only example of Wright's work in Oregon. Visitors can stroll through Silverton's Historic Downtown that boasts a number of shops, restaurants, a theater, a boutique hotel, as well as 15 murals that are painted and maintained by local and regional artists. They can take a short drive to Oregon's largest state park and hike the Trail of Ten Falls at Silver Falls State Park. These are just a few of the great things that our community has to offer visitors to the Willamette Valley.

The Silverton City Council applauds the community-driven effort to restore regular commercial air service to Oregon's state capital. The City of Silverton and the entire mid-Willamette Valley would benefit from their success. The Council wholeheartedly supports commercial air service in Salem and looks forward to the return of this vital service.

Sincerely,

Kyle Palmer  
Mayor  
City of Silverton





November 8, 2018

RE: Letter of Support – Salem (SLE) Air Service

To Whom It May Concern;

The Silverton Chamber of Commerce is in full support of the efforts by the Salem & Mid Valley Commercial Air Service Recruitment Campaign to bring passenger air service back to the Salem Airport.

For small towns such as Silverton and those that surround us, tourism and development of our economic opportunities through regional partners is key to a strong, sustainable economy. Creating opportunities and resources that feature our area would be a huge plus.

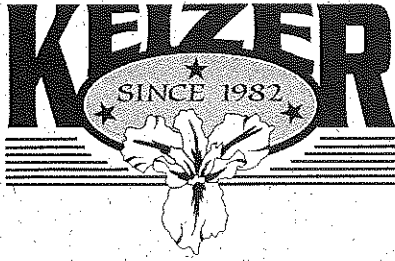
As the Silverton Chamber of Commerce and Visitor Center work to bring visitors to our area, it's nice to have partners who recognize the impacts that regional travel would bring to a rural community like ours. We can't wait to see how the introduction of local air service will impact our economic development efforts and build on our vibrant business environment.

We are proud to support the plan for regional air service in Salem, Oregon and look forward to the opportunities such a service will provide.

Sincerely,

Stacy Palmer, IOM  
Executive Director





# City of Keizer

---

Phone: (503) 390-3700 • Fax: (503) 393-9437  
930 Chemawa Rd. N.E. • P.O. Box 21000 • Keizer, OR 97307-1000

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November 6, 2018

Small Community Air Service Development Program  
Office of Aviation Analysis  
1200 New Jersey Avenue, SE W86-307  
Washington, DC 20590

Re: Commercial Air Service to Salem (SLE)

To whom it may concern:

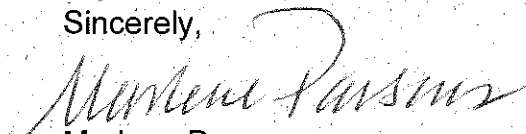
Please accept this letter as confirmation of the City of Keizer Council's support for bringing back sustainable commercial air service to Salem, Oregon.

At its regular meeting on November 5, 2018, the Keizer City Council unanimously voted to support bringing back sustainable commercial air service to Salem, Oregon. Members of the City Council voiced support of the project and the importance of bringing back commercial air service to Salem.

The City of Salem is the second largest city in Oregon with a thriving economy and six area colleges and universities nearby. The City of Salem is also the Capital of the state. The City of Keizer is a neighboring city. Colleges, businesses, and legislators require commercial flights to the economic hub of our state and citizens and visitors need reasonably-priced passenger air service to access recreational, industrial, and professional opportunities. The City of Salem's and the City of Keizer's tourism economy is dependent upon transportation available to our area. Bringing back commercial air service to Salem will enhance tourism for both the City of Salem and the City of Keizer.

The Keizer City Council wholeheartedly supports bringing back commercial air service to Salem.

Sincerely,



Marlene Parsons  
Council President

---

"Pride, Spirit and Volunteerism"

---



**Marion County**  
OREGON

Board of Commissioners

(503) 588-5212  
(503) 588-5237-FAX

October 17, 2018

**RE: Commercial Air Service to McNary Field, Salem, Oregon**

**BOARD OF  
COMMISSIONERS**

Janet Carlson  
Kevin Cameron  
Sam Brentano

**CHIEF  
ADMINISTRATIVE  
OFFICER**

John Lattimer

To Whom It May Concern:

The Marion County Board of Commissioners supports the regional effort to secure sustainable commercial air service to McNary Field in Salem, Oregon. The county has a concentrated population base, surrounded by small communities that have limited air transportation options. We believe this will serve a wide band of the population, including private sector business, agriculture, government, and education sectors with a promise to lower congestion and decrease travel times.

The future economic development of scheduled passenger service is a must for a robust growing population attracting new employers in diverse industries. In addition, the travel and tourism industry continues to generate an increasing number of visitors to our State Capitol and the surrounding wine industry counties.

Lastly, evacuating people out of the mid-valley will be critical in natural emergencies, such as the expected Cascadia earthquake event, when bridges to Portland are expected to be inoperable and vehicular travel to Portland impossible.

We ask for your favorable consideration for this very worthwhile service bringing valuable economic benefits to our communities.

Sincerely,

  
\_\_\_\_\_  
Janet Carlson, Chair

  
\_\_\_\_\_  
Kevin Cameron, Vice Chair

  
\_\_\_\_\_  
Samuel A. Brentano, Commissioner



# POLK COUNTY

POLK COUNTY COURTHOUSE \* DALLAS, OREGON 97338  
(503) 623-8173 \* FAX (503) 623-0896

## BOARD OF COMMISSIONERS

Commissioners  
**CRAIG A. POPE**  
**MIKE AINSWORTH**  
**JENNIFER L. WHEELER**

**GREGORY P. HANSEN**  
Administrative Officer

October 29, 2018

Please accept this letter from the Polk County Board of Commissioners to express our full support for the regional effort to secure sustainable commercial air service to McNary Field in Salem, OR. Polk County is primarily a rural county with limited air transportation options, requiring significant amounts of ground transportation to access large hub facilities.

The economic development aspect of scheduled passenger service is particularly strong as the travel and tourism industry would have potential to generate more visitors, and revenue to our County and its growing tourism opportunities.

Lastly, it would be providing our citizens with much needed transportation alternatives we don't currently have. The increasing ground transportation costs and inconvenience to access major airlines in Oregon put Polk County citizens at a disadvantage. We appreciate the efforts we see to improve the quality of life and the economic dynamics for our Willamette Valley citizens and will be ready to engage at the next steps of exploration.

Sincerely,

Polk County Board of Commissioners

Mike Ainsworth, Chair

Craig Pope, Commissioner

Jennifer Wheeler, Commissioner



OREGON  
WINE  
BOARD

October 17, 2018

To Whom It May Concern:

The Oregon Wine Board (OWB) is writing to express our support for the return of commercial air service to Salem, Oregon. Oregon's wine economy is a critical element in our state's economy generating annual economic impact of \$5.6B and 30,000 jobs. Related wages topped \$1B, which led to over \$155M collected by the state in taxes.

Oregon's wine regions are a strong attraction for tourists and the upscale demographics of wine consumption ensure that many wine tourists spend more than the average visitor, boosting restaurant and hotel revenues. Growth was propelled by the exponential effect of an increase in visitors to Oregon, an increase in the proportion of them that were tourists or "leisure visitor," and an increase in the percent who visited wineries. Total revenue was almost \$787M, up from \$295M in 2013, a 162% increase over three years. The Salem area is in the epicenter of our state's most widely acclaimed grape growing region and the Willamette Valley is recognized now around the world for some of our industry's most sought after wines.

The visitor industry in the Salem region is stronger than ever, generating a record \$593.1 million in estimated visitor spending and an additional \$4.5 million in lodging tax revenue. \* Commercial air service will further boost the economic impact of the industry, making direct travel to and from the area easier and more accessible to the millions of people who visit our area each year.

In addition, the Salem area generates 1.1 million passengers to Portland International Airport (PDX) and has a population of 530,000 people who live within a 25-mile radius of Salem. \*\* As traffic congestion in the Portland area and the Mid-Willamette Valley continues to increase, having commercial air service in Salem will mean significantly less travel time to and from the Portland airport and reduced mileage/fuel costs. Also, a large number of room nights are lost in the Salem area due to travelers who book a room near PDX on the final night of their visit when they have an early flight the following morning. Having commercial air service in Salem would allow us to capture the room and lodging tax revenue that is currently being lost.

Salem is a "destination gateway" to culinary adventures, natural treasures and unique cultural experiences as well as a key entry point to other Oregon Wine Country adventures. Bringing commercial air service back to the region will bolster both leisure and business travel, which will in turn generate more dollars in direct visitor spending, lodging tax revenue and job creation. We fully support commercial air service in Salem and look forward to the return of this vital service.

Sincerely,

President, Oregon Wine Board





# Oregon Aviation Industries



October 24, 2018

Letter in support of establishing air service at the Salem, Oregon airport

Oregon Aviation Industries (ORAVI) is in favor of reestablishing airline service at the Salem Oregon airport (KSLE). As a non-profit organization with 100 aviation company members we have a statewide view of aviation and its associated travel and economic development benefits. The time has come for Salem to utilize its existing excellent airport to its full potential.

As the Oregon State capital, thousands of people, legislators, educators, government employees and business people travel to/from Salem on a regular basis. The Salem airport can provide flights that connect to major airline hubs such as Denver, San Francisco and Seattle; and it can serve as a synergistic center for potential future rural air service to/from communities across the state.

The Salem airport has an existing passenger facility, a control tower and an excellent runway system with instrument approaches to serve airline transportation. It was a very popular airport prior to airline deregulation. It can be again.

Consultant studies have determined that there is adequate demand and potential passenger loads to launch air carrier service at Salem providing the adequate resources are put into place.

As the state capital, Salem deserves warrants and demands air carrier service to serve our state, our communities and the nation. ORAVI supports these efforts.

Sincerely,

Gale 'Jake' Jacobs  
Executive Director  
Oregon Aviation Industries



From the office of the *Mayor*

December 10, 2018

TO WHOM IT MIGHT CONCERN

As Mayor, I am writing to express the unanimous support of the Dallas City Council for the return of scheduled air service to Salem Municipal Airport. Many have expressed an abundance of reasons for the resumption of such service – all compelling - but let me simply stress the many difficulties and expenses our citizens encounter traveling through traffic to Portland International Airport. Road congestion has made the trip highly unpredictable, parking is problematical and expensive and the whole experience is replete with complexities. No way to begin a journey.

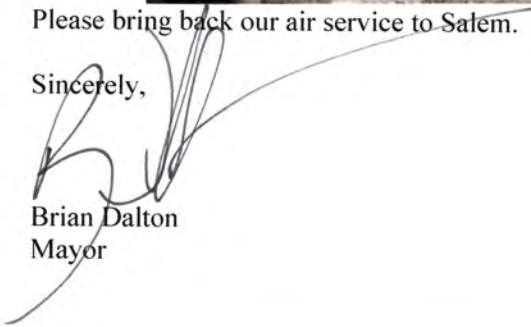
Based on my pleasurable encounters with prior air service in Salem, when the service returns, the experience there will be friendly, welcoming and handy plus the parking promises to be a breeze.

To illustrate in a way that you might find unique, here is a photograph of me seeing off my parents from Salem in 1959 on their way direct to San Francisco. That is a United Airlines Convair 440 in the background.



Please bring back our air service to Salem. It was good then, certainly better now.

Sincerely,

  
Brian Dalton  
Mayor



# OREGON EMERGENCY MANAGEMENT ASSOCIATION



P.O. Box 7309, Beaverton, OR 97007 [www.oregonemergency.com](http://www.oregonemergency.com)

## 2018 Officers

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503.365.3133

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Vice President  
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Treasurer  
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Nathan Garibay  
East Side Rep  
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Eric Plebuch  
Past President  
541.501.2696

*"Partnering For a Safer Oregon"*

October 30, 2018

RE: Commercial Air Service to McNary field, Salem, OR

To Whom It May Concern:

The Salem Airport Disaster Preparedness Group, headed by Neal White, has been working in collaboration with Marion County Emergency Management, the City of Salem Emergency Manager and various other state and local agencies to assess the resiliency of Salem's airport. This whole of community approach represents the best possible practice in emergency management, and the effort could not be more important to Salem and Marion County. Indeed, the ability of McNary Field to support an emergency response following a Cascadia Subduction Zone Earthquake has statewide significance.

Current plans for such a response from the Federal Emergency Management Agency identify Salem as a principle airport that will support the delivery of supplies to the region as well as the evacuation of people out of the area. Salem is of such importance that the Oregon Office of Emergency Management prioritized Salem to be the second airport in the entire state to be scheduled for a FEMA assessment. Only Redmond, the primary federal staging area was given a higher priority. This assessment, which will take place in November, will further highlight the importance of the field and identify gaps in its preparedness. The principle gap at this time is the limited ability for US Air Force C-17 aircraft to operate into and out of the field.

In numerous meetings with state and federal officials, it was made clear to me that Salem will be much more likely to receive federal assistance to increase the capacity of the field if commercial service was restored to Salem. The approval of the ROAR Grant to attract and support airline service at McNary Field is an important step in the right direction to build resiliency in Oregon.

Ed Flick  
President





January 15, 2019

To Whom It May Concern:

The Oregon Restaurant & Lodging Association (ORLA) would like to take this opportunity to show our support for commercial air service in Salem on behalf of our members located in Oregon's Mid-Willamette Valley.

As one of Oregon's most populous Metropolitan Statistical Areas, the Salem MSA is well suited to support sustained service for both inbound tourism and outbound business and leisure travel.

Ongoing constraints being placed on our highway and interstate infrastructure in Oregon is making travel to and from commercial air service locations in both Portland and Eugene less reliable.

Service in Oregon's capitol would improve reliability and save travelers time while also opening the Mid-Willamette Valley's door to more strategic tourism promotion focused on potential guests who are interested in flights directly to their end destination.

In representation of both restaurant and lodging operations across the state, we welcome enhanced service which better connects Oregon's tourists to the destinations they wish to experience.

If you have any questions for us at ORLA, please do not hesitate to reach out.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason Brandt", written in a cursive style.

Jason Brandt  
President & CEO  
Oregon Restaurant & Lodging Association  
Phone: 503-302-5060  
Email: [jbrandt@oregonrla.org](mailto:jbrandt@oregonrla.org)

October 29, 2018

To Whom It May Concern

On behalf of Salem Health Hospitals and Clinics, I would like to express my support for the proposed commercial air service in Salem. Regular air service by a trusted carrier in the industry is a much needed investment for both quality of life and economic vitality of the mid-Willamette Valley.

While Salem Health does not have a large number of employees who utilize air service for work purposes, we do have employees who travel to conferences and trainings on a regular basis. Traveling to and from PDX can add a full day – and sometimes two – to their trip. We also often have candidates flying in for interviews, which requires the additional cost of car rental and sometimes an additional night at a hotel. Commercial air service to Salem would provide efficiency and cost savings not currently available.

Recruiting and retaining employees is also a critical concern for Salem Health. We believe there are many wonderful reasons to live in Salem and adding the benefit of air service can only help in our recruitment processes. Additionally, the majority of our 4,500 employees live in the mid-Willamette valley and we believe commercial air service would be highly appealing to them for personal travel.

The community driven effort to restore regular air service to the Salem area is commendable. As the state capital, it makes sense for a multitude of reasons, economical and other. We are happy to support this work and look forward to the opportunity to use the service as we work to improve the health and wellbeing of the community.

Sincerely,



Cheryl Wolfe, President and CEO  
Salem Health

# SLE Marketing Plan

July 2018

## Overview

According to June 2018 Volaire Aviation Consultants research:

- Salem area generates 1.1 million annual passengers to PDX
  - 1,499 passengers per day each way
- Previous airlines to Salem (Delta) filled 63% of their seats with strong summer peaks
- Non-stop service from
  - PDX to 78 cities around the world
  - SFO to 76 cities
  - Seattle to 72 cities
  - Eugene to 11 cities
- The Salem **catchment area** has a population of 579,000 people; 90% live closer to Salem than other airports.
  - Specific catchment area:
    - Marion County (Cascade foothills)
    - Polk County (Coastal range)
    - Benton County
    - Linn County
    - South Clackamas County (Molalla)
    - East Lincoln (toward Newport)
- Alaska and Southwest capture almost half of Salem area passengers (then United, Delta & American)

## Differentiating Salem's Air Service from Others

- What will be different about Salem's air service (value proposition)?
  - Free parking
  - Price/value
    - The airline fare may be slightly higher however; when you consider free parking and no overnight expense for an early morning flight then it is a value.
  - No luggage fees
  - Accessibility off I-5
  - Convenience (time savings)
    - No long security/TSA wait
    - No commute in congestion on I-5 and I-205
  - Service/hospitality
    - Airport offering
      - Lounge (couches, recliners)
      - Food & beverage
      - Tech (recharging stations, business center etc.)

- Transporting freight as well as passengers (“Wines Fly Free” program)

## Messaging

- “Fly Salem”
- Salem’s value & convenience
- Relatable and authentic
- New, hassle free
- Quality of life – SLE will help people enjoy life more with less time on the freeway and paying for expensive parking.
- Seasonal offers/pricing

## Targets

- Salem airline would connect to Seattle & San Francisco
- Targets would be Salem’s **catchment area** (refer to list above) and **connection cities**.

## Core Areas of Focus

- Social Media
- Online
- Communications & PR
- Traditional advertising

**Budget Year One** - \$80,000

**Budget Year Two** - \$220,000

## Strategy

### **Social Media - Catchment Area**

Customer & consumer engagement

- Create SLE specific hashtag
- Facebook posting & advertising targeting consumers in catchment area
- Local catchment area campaign with sweepstakes (free airfare to connecting city)
- Work with partners in catchment area to communicate consistent information

**Budget Year 1** - \$10,000

**Budget Year 2** - \$10,000

### **Social Media - Connection Cities**

Customer & consumer engagement

- Create SLE specific hashtag
- Facebook posting & advertising targeting consumers in connection cities
- Connecting city campaign with sweepstakes (free airfare to Salem)

**Budget Year 1** - \$15,000

**Budget Year 2** - \$15,000

### Online – Catchment Area

- Accessible online content for pricing, schedules and EASY booking
- Air service website link on homepage of as many organizations/businesses as possible
  - TravelSalem.com
  - Salem Chamber
  - SEDCOR
  - City of Salem
  - Salem lodging facilities
  - All catchment area chambers and DMOs

**Budget Year 1 & 2** – Each organization to add to their homepage at their own expense.

### Online – Connection Cities

- Paid advertising for Airline’s website
  - Google ad words
  - Pay-per-click
  - SEO
- Online Travel Agencies (e.g. Expedia, Kayak)

**Budget Year 1** - \$10,000

**Budget Year 2** - \$40,000

### Communications & PR – Catchment Area

Frequent and consistent messages/info and communications with consumers and customers

- SLE link on email signatures
  - Travel Salem
  - Salem Chamber
  - SEDCOR
  - City of Salem
  - All catchment area DMO & Chambers
- Air service promoted through
  - Travel Salem
    - Visitors Guide, E-newsletters, E-announcements, sales collateral
  - Chamber, City and SEDCOR
    - Publications (newsletters, magazines, sales collateral etc.)
  - Press/media release
- Airline promotional collateral (fliers, brochures etc.)

**Budget Year 1 & 2** – Each organization to absorb any expense.

### Communications & PR – Connection Cities

SLE promoted through

- Travel Salem
  - Visitors Guide, E-newsletters, E-announcements
- Chamber, City and SEDCOR
  - Publications (newsletters, magazines etc.)
- Press/media release
- Willamette Valley Visitors Association (WVVA) platforms (online, social, communications)
- Travel Oregon platforms (social, online, communications)
- Travel Agencies (brick and mortar)
- Familiarization trips & site visits utilizing Salem air service
- Airline promotional collateral (fliers, brochures etc.)

**Budget Year 1** – \$10,000

**Budget Year 2** - \$20,000

**Traditional Advertising – Catchment Area**

- Billboards
- Radio
- Print

**Budget Year 1 - \$25,000**

**Budget Year 2 - \$50,000**

**Traditional Advertising – Connection Cities**

- Radio
- Print
- Outdoor (billboards, bus wraps etc.)

**Budget Year 1 - \$0**

**Budget Year 2 - \$70,000**

**SUB TOTAL**

**Catchment Area Budget Total**

**Year 1 - \$35,000**

**Year 2 - \$60,000**

**Connection Cities Budget Total**

**Year 1 - \$35,000**

**Year 2 - \$145,000**

**Contracting**

**\$25,000**

**GRAND TOTAL**

**Year 1 - \$80,000**

**Year 2 - \$220,000**

## **Operations Plan:**

### **Salem Area Chamber of Commerce ROAR Grant**

**Governance:** The ROAR Grant application and administration will be entirely administrated by the Salem Area Chamber of Commerce (Chamber). It is a 501c6 non-profit Oregon entity governed by a 23-member Board of Directors. There is an Executive Committee that works closely with the CEO that manages the Chamber organization at the direction of the board.

The Chamber will serve as the fiduciary and have sole authority to receive and distribute funds as per the Grant agreement.

The efforts and direction of the broader Air Service Recruitment effort will be supported by the existing community Mid-Valley Commercial Air Service Steering Committee (Steering Committee). The Steering Committee will assist the Chamber with communications, resources, and coordination with other aspects of the recruitment effort not related to the ROAR Grant.

The Steering Committee make-up will include of representatives of three non-profits: Salem Area Chamber of Commerce, SEDCOR, and Travel Salem. Either board leaders or staff may be represented. In addition, members will include interested parties and institutions from the local community and wider region. The target is to have between 12-18 working members. The Committee role will be to garner community support, raise pledges and matching funds, and to assist the consultant in the ongoing effort through community meetings and airline meeting presentations.

All participation and responsibilities taken on by the Chamber are at the discretion of the Board of Directors and approval will be sought with any required new action or commitment.

The Chamber of Commerce is governed by the By-Laws of the organization.

**Meetings:** The Executive Committee meets once per month and the full Board of Directors meets once per month. Steering Committee meetings will be called as-needed with a target of about once per month as event timing necessitates.

**Staff:** Hired consultant company staff (Volaire Aviation) will be relied on for leading the recruitment effort and preparation of documents as per the ROAR Grant application and the budget. Chamber staff will have some involvement in terms of leadership, communications, and financial matters. The typical size of the Chamber staff is 12.

The Steering Committee is volunteer-only and will have no staff in its support role.

**Delegation:** The Chamber will delegate the recruitment effort leadership to Jack Penning of Volaire Aviation Consulting and his staff. He will be on retainer and contracted to develop and provide necessary documents. The Chamber will partner with Travel Salem for the Marketing of the service once scheduled, and other organizations such as SEDCOR as needed.



**Documentation:** The Chamber Board minutes will serve as documentation of authority given to the CEO to apply, secure, and administer the ROAR Grant. The quarterly reports and any other documents as required by the ODA and the Grant Agreement will be prepared and provided by the Chamber.

Steering Committee Documents, Meeting notes, Communications, and Agendas shall be kept by the Secretary of the Committee.

**Budget:** All ROAR Grant cash flows will be through the Chamber with staff and board oversight, as per the Grant proposal and agreement. A separate, dedicated account will be created for Grant Funds and expenditures. No intermingling with Chamber operations funds will be allowed.

The supporting Steering Committee will operate without a budget, and each member will be a volunteer. Meeting space will be donated. Committee members who incur expenses will be reimbursed only as provided in the budget and approved by the Chamber as fiduciary.



# Oregon Regional Commercial Air Service Roundtable

November 1, 2018

# Air Service Fundamentals Have Not Changed

- **A credible business case is still indispensable**
  - **Strong analytical basis presented in a meaningful way**
  - **Tell the airline something they don't know**
  - **Give airline reason to study your proposal**
  - **Substance more important than form**
- **Marketing 101 still applies**
  - **What's in it for the airline?**
  - **Why my airport?**
  - **Must fit corporate strategy and culture**

# Why Do Airports Need Community Support?

- **A credible business case is necessary but not always sufficient**
- **Virtually all air service business cases require a change in buyer behavior**
- **Many airlines do not maintain local sales staffs with marketing budgets**
- **FAA prohibits airports from certain incentives such as minimum revenue guarantees, subsidies and other arrangements available to the community**
- **Airport has limited resources**

# Attracting Air Service is Competitive Business

- **Recruiting air service has parallels to corporate recruiting**
- **Air service is a critical part of a community's economic development**
- **Airport revenues depend on passengers and airlines**
- **Many other airports and communities are seeking improved air service for the same reasons**
- **Air service development is highly specialized and is typically led by the airport with support from community partners**

# Important Factors for the Business Case

- **Size of market**
- **Growth potential**
- **Average fare level and mix**
- **Current service level and competition**
- **Opportunity to combine passengers from two or more markets**
- **Seasonality**
- **Route structure fit**
- **Corporate strategy**
- **Profitability and ROI**

# Airline Route Selection Criteria

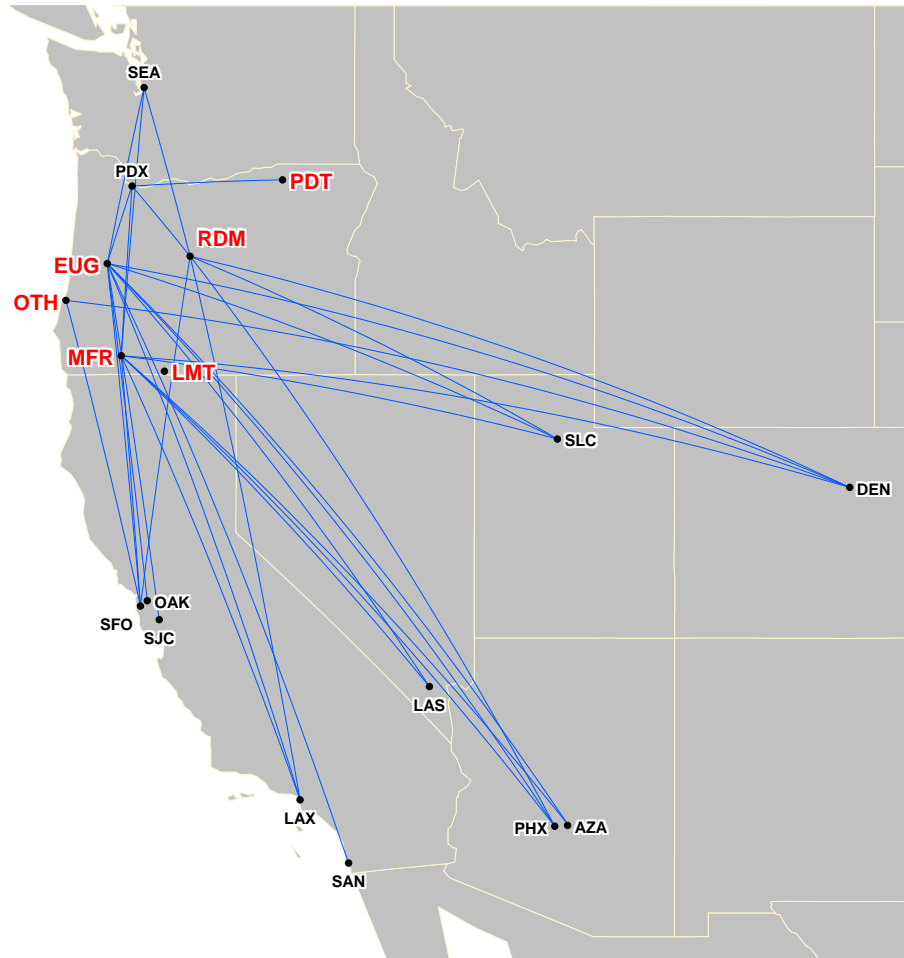
- **Market demand and business case**
- **Incentives and risk mitigation**
- **Comprehensive marketing program to deliver the market**
- **Community and corporate commitment**
- **Airport infrastructure (costs, facilities, staffing, etc.)**



# Building Business Partnerships

- **Business support is key to air service development**
- **Partnerships with local chambers, business groups, economic development agencies, and the hospitality industry can often influence an airline decision to add service**
- **An airport needs to maintain a good working relationship with these partners and develop the strategy and tactics necessary to meet the local needs of the community**
- **The local community needs to understand the value the airport brings to its economic base and its economic future**

# Current Oregon Regional Airport Service



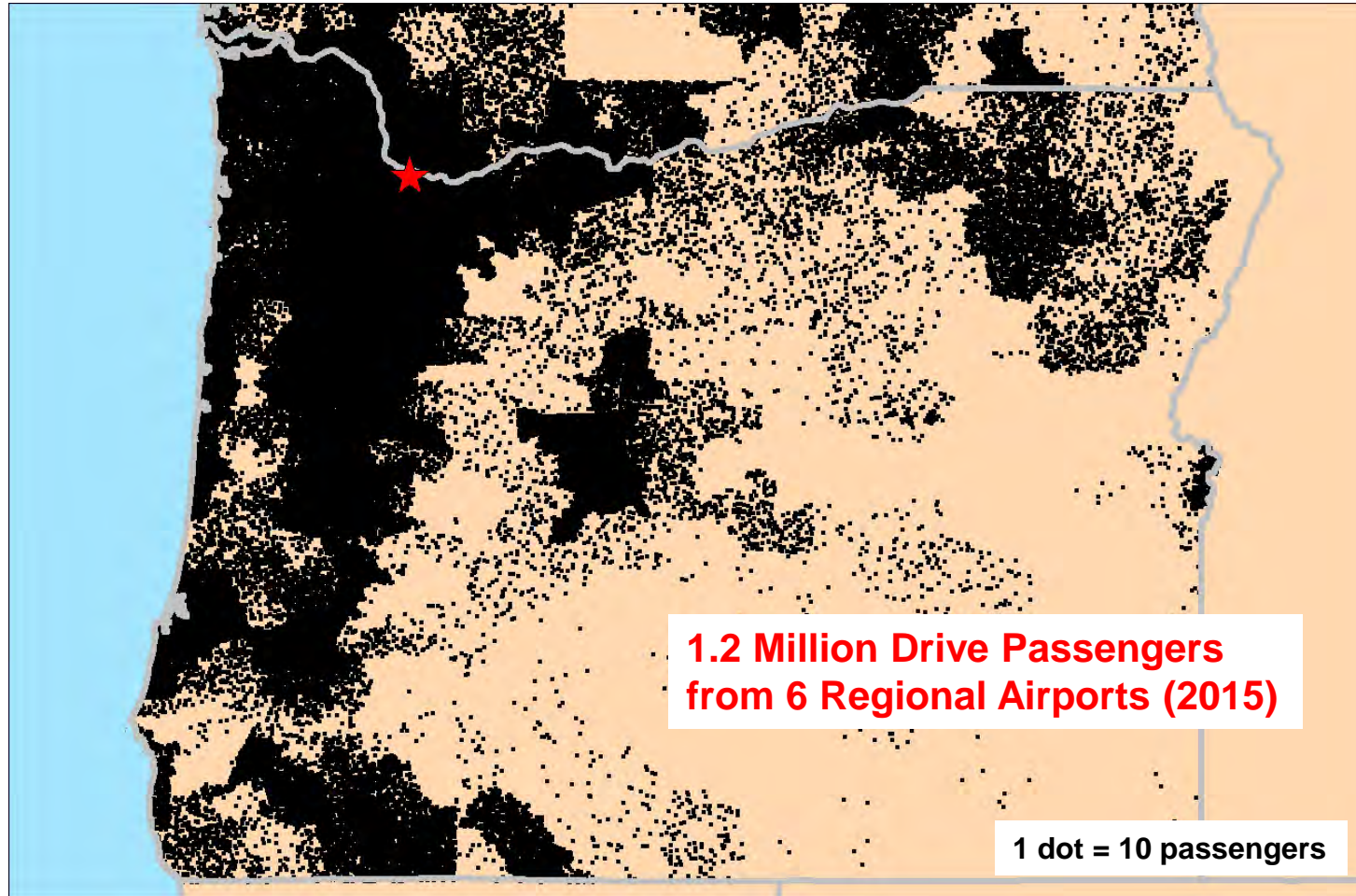
Source: Innovata schedules for summer 2018.

# Passenger Levels

(YE July 2018)

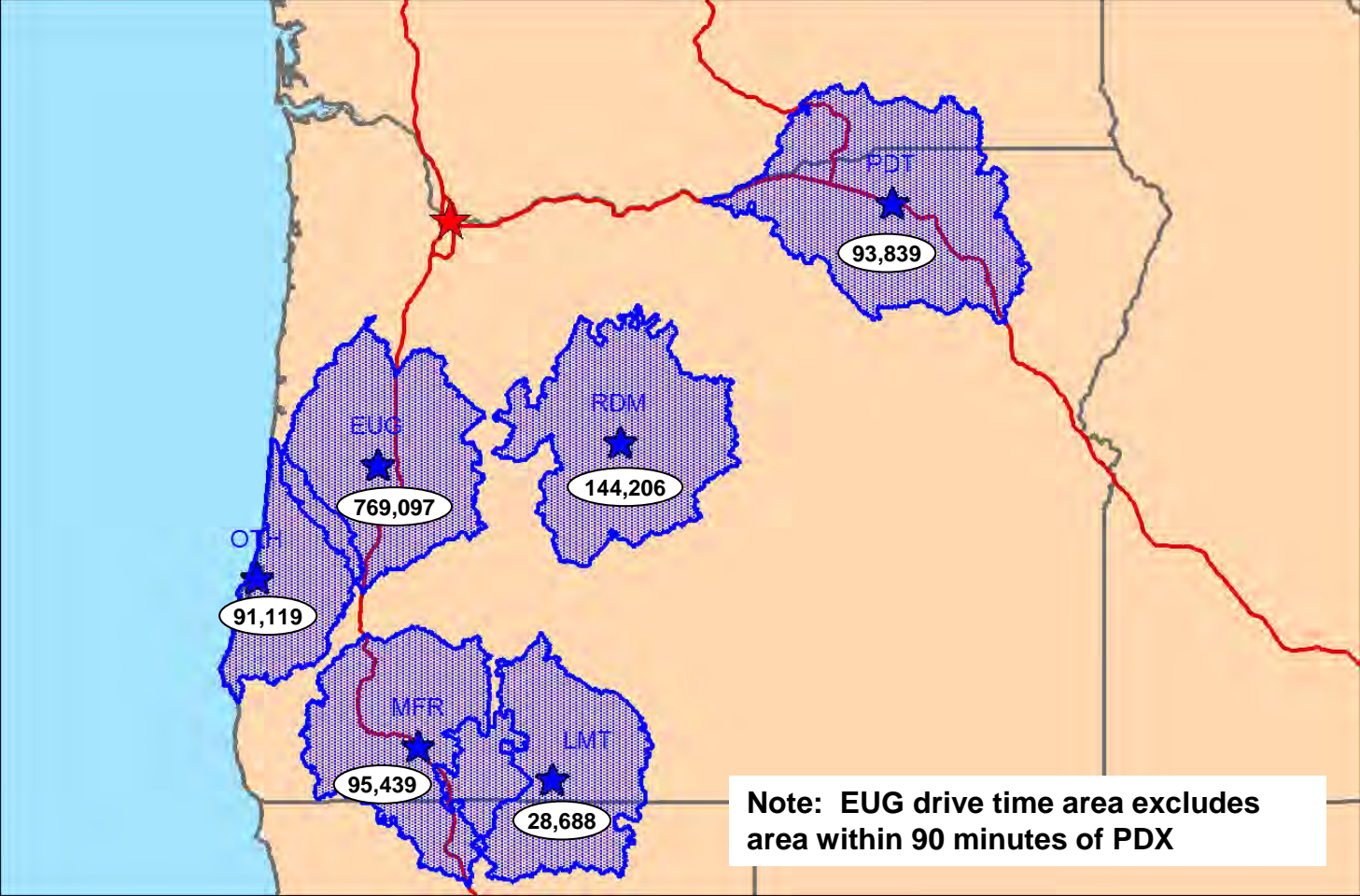
<u>Airport</u>	<u>Annual Passengers</u>	<u>Annual Seats</u>	<u>Load Factor</u>	<u>% via PDX</u>
Eugene (EUG)	1,102,578	1,488,621	77%	9%
Klamath Falls (LMT)	325	780	42%	--%
Medford (MFR)	937,425	1,216,024	80%	11%
North Bend (OTH)	23,487	34,524	67%	1%
Pendleton (PDT)	12,114	16,640	73%	4%
Bend/Redmond (RDM)	808,605	1,069,347	78%	15%

# The PDX Drive Market is Significant



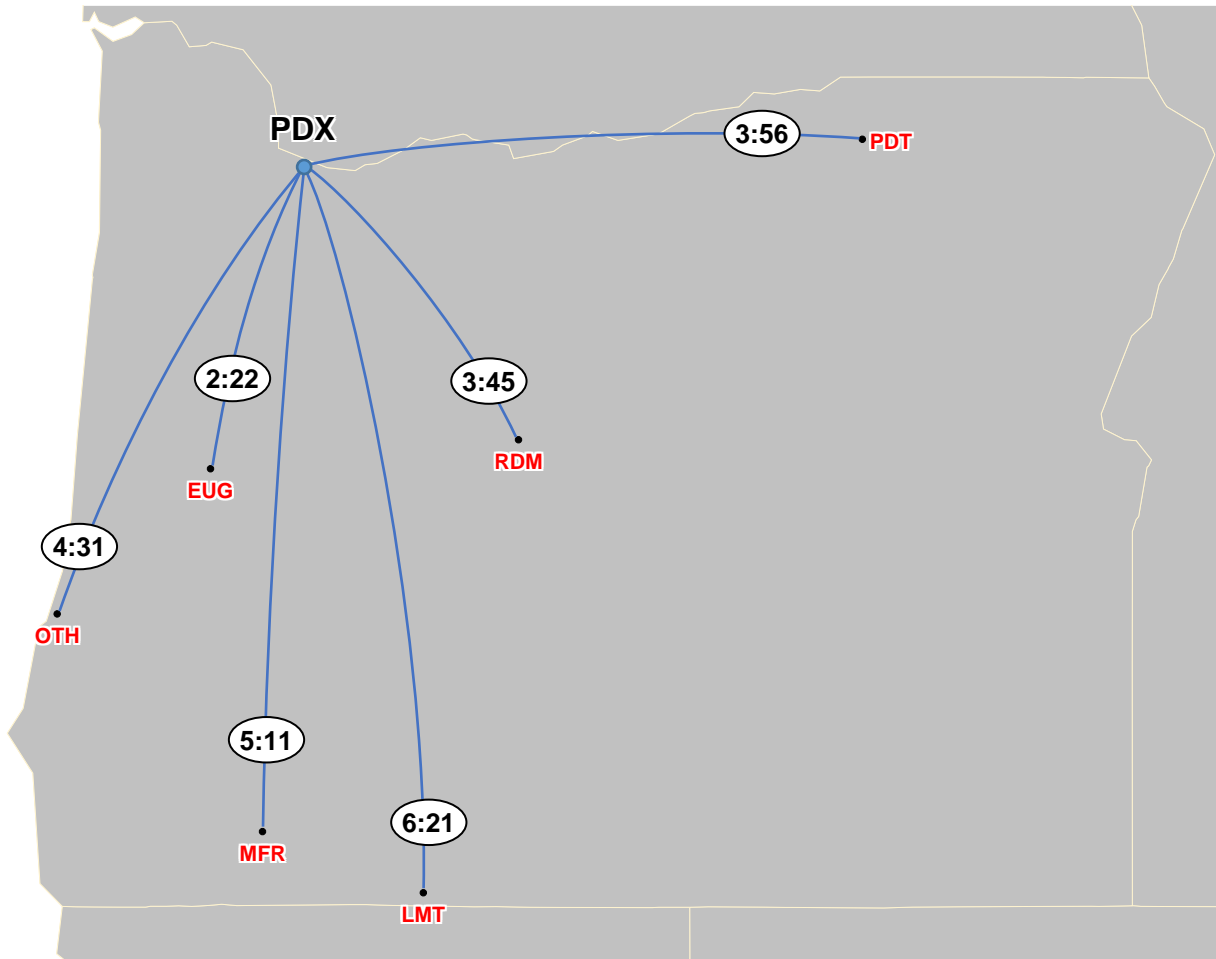
# Regional Catchment Areas

(90-minute drive area)



##,### = PDX Drive Passengers

# Drive Times to PDX From Regional Airports



**hr:min** = PDX Drive in Hours and Minutes

# Time Value Cost of Driving

<u>Airport</u>	<u>Drive Passengers</u>	<u>Drive Time (Minutes)</u>	<u>Annual Hours</u>	<u>Time Value at \$40.36/hr</u>
Eugene (EUG)	769,097	142	1,820,196	\$73,463,111
Klamath Falls (LMT)	28,688	381	182,169	\$7,352,341
Medford (MFR)	95,439	311	494,692	\$19,965,769
North Bend (OTH)	91,119	271	411,554	\$16,610,319
Pendleton (PDT)	93,839	236	369,100	\$14,896,876
Bend/Redmond (RDM)	144,206	225	540,773	\$21,825,598



# Questions

- **What is air service worth to the community?**
- **How to match the benefit of air service to the cost of a subsidy?**
- **How many passengers will really change from car to plane?**
- **How many frequencies are needed to penetrate drive market?**



# Oregon Regional Commercial Air Service Roundtable

November 1, 2018