La Grande, Oregon

(LGD)

Kiehl Hendrickson Group June 2002

KIEHL HENDRICKSON GROUP

Overview of Community Summary

This small community in Eastern Oregon is not unlike others of their approximate size: many quality of life attributes include lack of congestion, fewer concerns about safety/security issues, and an overall pace that makes it an attractive place to live.

However, these small-community attributes are in conflict with the dynamics necessary to support large industrials developments, major tourist attractions, and scheduled commercial airline service from the local airport. As airlines have moved away from the small aircraft and have opted for larger equipment, cities like La Grande have found it increasingly more difficult to find alternatives.

Community Meeting Attendees

Dennis Spray	Union County
Donna Betts	Northeast Oregon Economic Development District
Lynn Trice	Training and Employment Consortium
Joel Frank	UCEDC – Executive Director
Dale Case	UCEDC
Mark Davidson	UCEDC
David Thorend	UCEDC
Brad Gibbs	U.S. Forest Service
Tim Seydel	EOU
Doug Yearous	Union County Airport
Jill Miles	Oregon Economic & Community Development System
Judy Loudermilk	Union County Chamber of Commerce
Susan Briggs	City of Union, UDEDC
Nancy Van Sickle	Oregon Trail Electric CO-OP

Community Feedback

At this time, La Grande has no scheduled commercial airline service.

During the course of discussion, community members explained that local travelers most often either rely on:

a) The air service from Pendleton (Horizon Air's Dash 8 turboprop service to Portland, with connections to other destinations and/or other airlines), or

b) Driving all the way to Portland to take nonstop flights to a number of destinations.

c) Driving to Boise for air service options to Midwest, East Coast, Florida, and Southeastern destinations. The one-hour time change required by going to Boise was discussed as another hurdle that local travelers must endure; it often requires an overnight in Boise prior to taking the early morning departures.

Community Feedback continued

One thing that was clear from the initial on-site meeting was that airport and community leaders share a willingness to be part of a regional solution, especially when it comes to air transportation needs. Given the number of people from economic development who attended the meeting, it was clear that Union County is interested in understanding its overall development options and ways in which to participate in the region's growth.

La Grande travel volumes cannot support a separate schedule service on Horizon, but they believe that they do contribute to supporting the flights at Pendleton, and that the communities somewhat rely on each other in an informal air service partnership.

Community members also expressed a sincere interest in the SkyTaxi operation that is preparing to launch service within the region. This carrier, initially operating 4-seat Cessna 414's through a unique franchise program, will admittedly not meet all needs of all business and leisure customers, but could provide another alternative for a portion of the overall air travel demand.

It was stated that a recent survey found that 87% of La Grande's passengers traveled within the immediate region consisting of Oregon, Idaho, and Washington. Given this penchant for local/regional travel, the concept proposed by SkyTaxi could be a real benefit to these individuals.

Review of Historical and Existing Air Service

History of La Grande Air Service

La Grande, like many small communities, has witnessed some of the more "creative" solutions to commercial air service. To briefly summarize the history of air service as described during the on-site meeting, the following points were made:

- *1980's – A small company (Air Oregon) operated a milk-run linking Pendleton, La Grande, and Baker. Operated with 6-seat aircraft, the service did provide some access to local travelers.*

- *More recently another small airline attempted to get into business (Empire Airlines, based in Spokane). However, like so many start-up carriers, this one was unable to actually launch service.*

Unfortunately, there is not a substantial history of scheduled air service at La Grande, and discussions with Horizon Air seeking local service have resulted in expressions of no interest.

History of La Grande Air Service continued

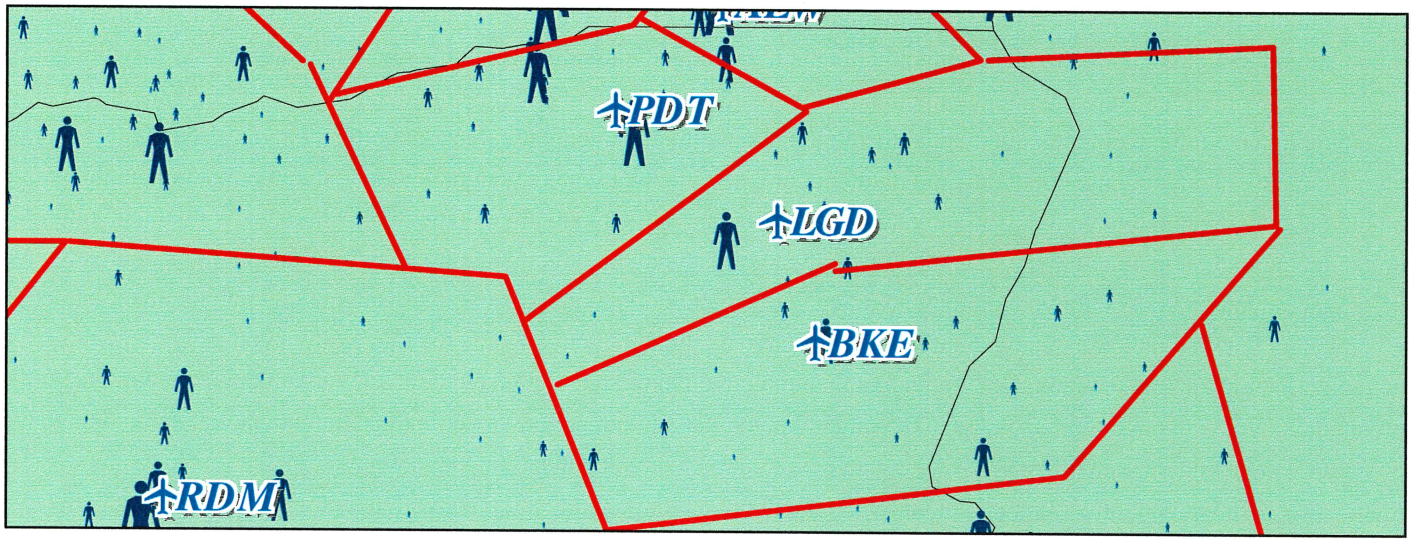
Key business issues recognized by airline planners adversely affect small communities:

a) La Grande is a small market that would have a very difficult time supporting aircraft as large as the Dash 8 turboprop aircraft operated by Horizon.

b) Scheduled service at Pendleton puts further pressure on La Grande because both communities are needed to support that service, and

c) The introduction of service to La Grande, even if tied to other airports, would be financially risky very likely withdrawn after much effort and enthusiasm had been expended, leaving the community with a bitter taste for the experience. Airlines do not wish to put themselves or community members in short-term relationships; if there is not substantial promise for sustained service, then charters or other alternatives are more suited to the market.

LaGrande: Catchment area of roughly 38,000 people



The city of LaGrande has a population of about 12,000 residents.

Air Service Outlook

Taken from the interactive discussion during the meeting were the following observations:

- ***From an outsider's perspective, it was refreshing to see a large group of community representatives discussing the access to air service from another city's airport. The TOP air service priority was said to be the ongoing support of Horizon Air's flights from Pendleton to Portland. Both communities seem to understand that the long term viability of such a service comes with no guarantee, given the regions relatively sparse population. La Grande appreciates the importance of their patronage in maintaining Pendleton service for the area.***

Furthermore, it was heartening to hear that the La Grande community had, via Union County and the Northeast Oregon Air Service Task Force, contributed financial support for the Pendleton airport. This rare show of partnership does a lot to explain the overall air service challenges of rural and more remote areas.

Air Service Outlook continued

- *The community funded a study that suggested a demand of 38 passengers per day originating from the La Grande market. From a broad perspective, this number (equating to nearly 14,000 originating passengers on an annual basis) seems quite high, but it nevertheless points to a real demand for air service.*

- *The La Grande community leaders have also entertained the option of creating a subsidy package or some other form of ticket guarantee for future air service, also showing a willingness to discuss creative options. The use of a financial incentive plan may very well be needed to secure any level of future air service.*

- *Options such as SkyTaxi and scheduled operations like Big Sky were also discussed, although it was again understood that small communities need to be both creative and supportive to attract and sustain such operations.*

La Grande Infrastructure

At this time, the La Grande airport is restricted to operations by General Aviation aircraft. However, numerous changes appear to be in the immediate future:

- *La Grande airport's security is a serious issue, as the facility has no perimeter fencing at this time.*

- *The existing runway is 5,600 feet by 100 feet wide*

- *The big news is the pending arrival of major U.S. Forest Service operations. The airport is being targeted to become a "super tanker" base, operating such aircraft as C130's over the next three-plus years.*

- *The Forest Service operation will require substantial air field improvements, including a particular focus on the security requirements for the tanker aircraft. It is likely that the entire existing facility will be gutted and rebuilt for this new operation.*

- *Approximately $3 - $4 million dollars is being put into the airport over the next three-four years, including (according to comments during the meeting) $1.6 million to refurbish facilities and $1.3 million to improve the existing runway to accommodate the large aircraft. Additional modifications are likely, although new national guidelines are currently being developed following the terrorist attacks on September 11 of last year.*

La Grande Infrastructure

- *The La Grande/Union County Airport (LGD) serves an area of Eastern Oregon between Pendleton and Baker City.*

- *There are two operational runways; neither features a precision approach.*

  This would probably preclude regularly scheduled regional airline service.

- *The secondary runway (16/34) is short, at 3,874 feet long; Runway 16 is further limited by a displaced threshhold that is almost 500 feet down the runway.*

LGD serves a limited area between Pendleton and Baker City

Airport Services

Fuel available:	100LL JET-A
Parking:	tiedowns
Airframe service:	MAJOR
Powerplant service:	MAJOR
Bottled oxygen:	NONE
Other services:	agricultural operations (aerial spraying), charter flights, flight instruction, aircraft rental

LGD's primary runway (12/30) is limited by the lack of a precision approach

Dimensions:	5600 x 100 ft.	
Surface:	asphalt, in good condition	
Weight limitations:	Single wheel: 65000 lbs Double wheel: 90000 lbs Double tandem: 130000 lbs	
Runway edge lights:	medium intensity	
	RUNWAY 12	**RUNWAY 30**
Traffic pattern:	left	left
Runway heading:	118 magnetic, 135 true	298 magnetic, 315 true
Markings:	nonprecision instrument	nonprecision instrument
Markings condition:	good	good
Latitude:	45-17.73267N	45-17.08090N
Longitude:	118-0.71785 W	117-59.79517W
Elevation:	2713.5 ft.	2703.1 ft.
Visual glide path angle:	3.00 degrees	
Runway end identifier lights:	yes	
Visual slope indicator:	2-light PAPI on left	2-light PAPI on left
Displaced threshold:	no	no
TOUCHDOWN POINT:	yes	yes
TD elevation:	2717.0 ft.	2710.0 ft.

The crosswind runway (16/34) is short and Runway 16 has a 486 foot displaced threshhold

Dimensions:	3874 x 60 ft.	
Surface:	asphalt, in fair condition	
Weight limitations:	Single wheel: 45000 lbs Double wheel: 60000 lbs Double tandem: 100000 lbs	
Runway edge lights:	MKD WITH REFLECTORS.	
	RUNWAY 16	**RUNWAY 34**
Traffic pattern:	left	left
Runway heading:	163 magnetic, 180 true	343 magnetic, 360 true
Markings:	basic	basic
Markings condition:	good	good
Latitude:	45-17.74062N	45-17.10117N
Longitude:	118-0.67193 W	118-0.67183 W
Elevation:	2712.3 ft.	2705.5 ft.
Threshold crossing height:	35 ft. AGL	
Visual glide path angle:	3.00 degrees	
Visual slope indicator:	4-light PAPI on left	
DISPLACED THRESHOLD:	yes	no
DT distance:	486 ft.	
TOUCHDOWN POINT:	yes	yes
TD elevation:	2714.0 ft.	2713.0 ft.

The airport supports mostly transient General Aviation flights

Airport Operational Statistics

Aircraft based on the field:	**40**
Aircraft operations:	**average 50/day**
Single engine airplanes:	**35**
Multi engine airplanes:	**3**
Helicopters:	**2**

58% transient general aviation

24% local general aviation

17% air taxi

<1% military

Potential Demand: La Grande ("Leakage Analysis")

Methodology/Assumptions

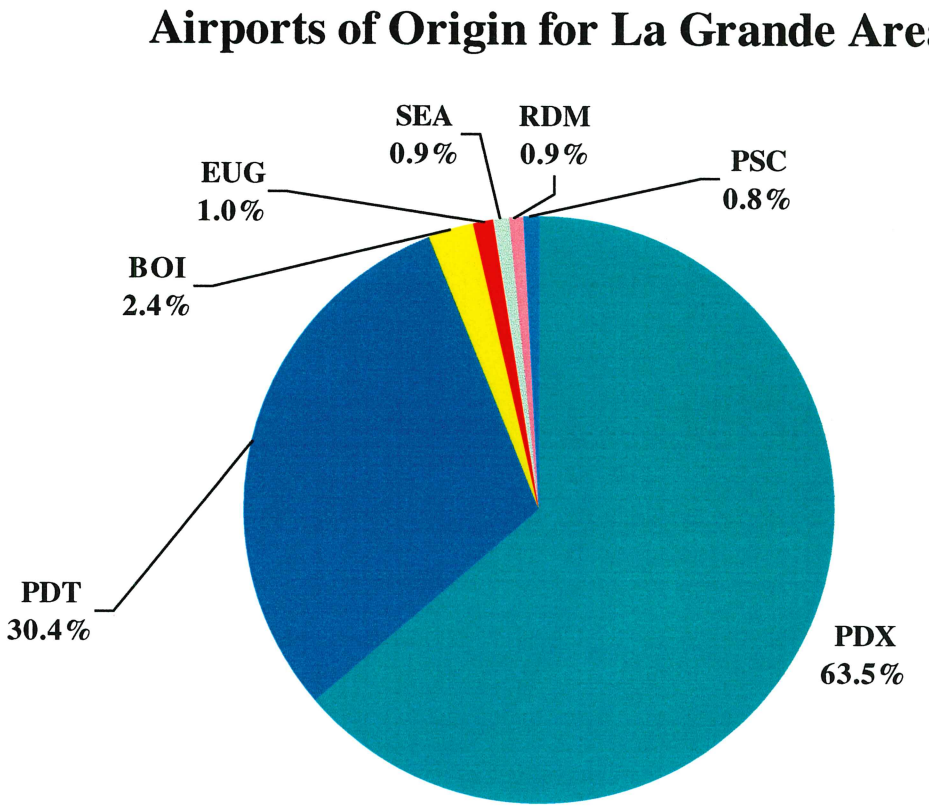
- *This analysis is based upon the MIDT (Marketing Information Data Transfer) booking data taken directly from the Sabre reservation system. Sabre is one of the world's largest reservation systems.*

- *The data encompasses a one-year period ending August 31, 2001.*

- *Due to the absence of service at La Grande, the sample range for this market is estimated at 35% (a range of 25% to 45% was used for sensitivity analysis).*

- *Given that no service currently exists at La Grande, it is not surprising that most traffic in our sample booked from the La Grande service area utilized service at PDX, and to a lesser degree, PDT.*

Most of La Grande's passengers opts to fly from Portland

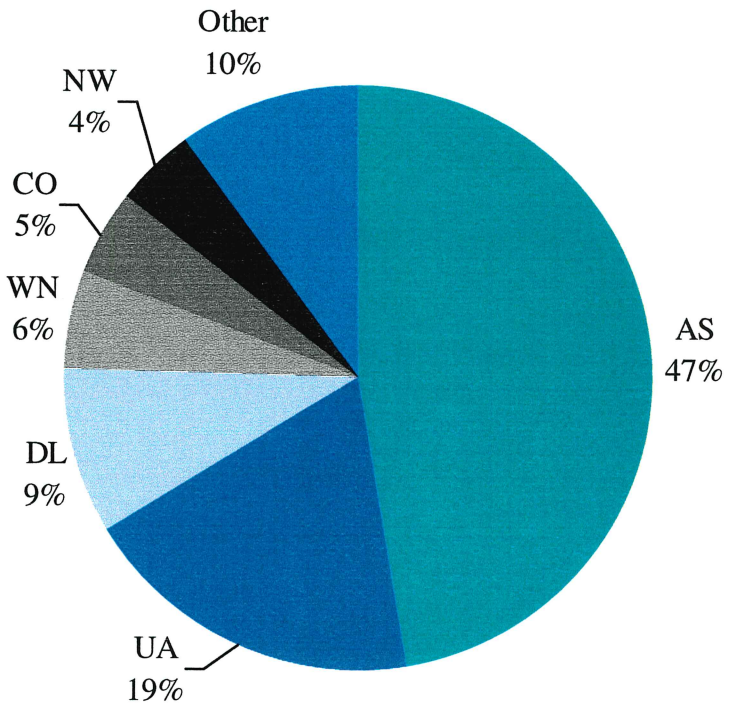


The table below gives a good estimate of La Grande demand to top booked markets

Market	Sample Size	Daily Originating Passengers (25% Sample)	Daily Originating Passengers (45% Sample)
Portland	241	2.6	1.5
Indianapolis	85	.9	.5
Phoenix	68	.7	.4
Los Angeles	60	.7	.4
Sacramento	60	.7	.4
Boise	52	.6	.3
San Diego	48	.5	.3
San Francisco	47	.5	.3
Honolulu	41	.4	.2
San Jose	38	.4	.2
Sub-total	740.0	8.1	4.5
Other	1,024.0	11.2	6.2
Total	**1,764.0**	**19.3**	**10.7**

Horizon (Alaska brand) garners the largest share of passengers from the area

Carrier Share of La Grande Area Passengers



Conclusions

- *Our ticket sample indicates a range of 10-20 daily originating passengers are booked from the area. This translates to approximately 7,300-14,600 annual enplaned passengers.*

- *The population base of La Grande alone is potentially capable of supporting commercial air service, the bigger issue is changing the engrained habits of the local passengers driving to Portland and Pendleton.*

- *This would mean that La Grande is most likely to benefit from some future combination of charter or hybrid services.*

La Grande: Outlook for Service and Action Plan

Comments and Outlook

- **La Grande is somewhat unique in its willingness to support and use air service in another community (Pendleton). This realistic approach probably precludes development of similar scheduled services locally, but other options may be considered in the future.**

- **If the current "regional solution" is not deemed adequate, the community will need to address investment issues related to airport facilities requirements.**

Comments and Outlook Continued

- **IF the community is able to address these airport facilities issues, more work will still be needed:**

  1) Businesses and community leaders must be willing to create a public/private partnership that helps provide financial assistance or risk-sharing for the airline being courted. With no history of successful service, carriers will look for such partnerships or commitments.

  2) The economic impact of having air service in La Grande will need to be calculated, agreed upon, and widely communicated. Without this acknowledgement, community support is likely to be lacking.

Potential Air Service Alternatives

- "Traditional service" such as 9- or 19-seat aircraft, operated by Big Sky, Rio Grande, or others. Such services will require at least minimal passenger facilities, in addition to security, fire protection, and runway improvements.

- Non-scheduled or charter flights, including the emerging SkyTaxi operations or other alternatives.

- Development of a reliable ground-transport shuttle to Pendleton, Boise, or others. Other communities have found this to be a viable and acceptable option.

If La Grande pursues its own service, support will be critical.

- Identify community supporters of air service improvements and confirm their priorities.

- Create community awareness through a support campaign
  - Meet with key businesses who utilize air travel
  - Launch a media campaign for new service
  - Meet with travel agents and travel planners
  - Reach out with campaign to the surrounding region
  - **Get the La Grande Economic Development involved**.

Finally, consider partnering with another community (or more)

- Multi-city linkages may provide an airline with enough mass to consider service.

- This approach would require the following:
  - Finding partners (Baker City, Redmond, etc.) that are seeking access to Boise or other points.
  - Willingness to share service with other cities.
  - Continued requirements to help offset financial risks of the carrier, even with the consortium.

In summary, move forward on your overall strategy.

- Step 1: Decide your strategic course of action.
- Step 2: Develop community consensus and support based on understanding of economic impact.
- Step 3: Invest in airport facility requirements, even if "interim" terminal facilities are needed.
- Step 4: Keep your dialog going with your target air carriers (if that path has been chosen).

5-Year Forecast

LaGrande's 5-Year Passenger Forecast

	2001	2002	2003	2004	2005	2006	2007	5-Year Growth
Booked Passengers	10,336	9,819	10,016	10,216	10,420	10,629	10,841	5%
% Yr/Yr Change		*-5%*	*2%*	*2%*	*2%*	*2%*	*2%*	
Retention Rate	0%	0%	0.0%	0.0%	0.0%	0.0%	0.0%	
% Yr/Yr Change		*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	
Enplaned Passengers	0	0	0	0	0	0	0	NM
% Yr/Yr Change		NM	NM	NM	NM	NM	NM	

Forecast Assumptions

1) Assumes that LaGrande's demand (booked passengers) continues in line with general U.S. trends. This forecast assumes improvement for remainder of CY 2002 versus what has been experienced to-date.

2) "Natural" demand growth is expected to approximate 2% annually. This is before any new service is introduced--which would account for the balance of any yr/yr growth.

3) This forecast does not take into account any charter activity that takes place.