



“RIC Update” plus “Low-Fare Airlines: Why & How to Demonstrate Support”

**Pay a *little* more today, or
MUCH, MUCH MORE tomorrow.**

Richmond Region Planning District Commission



November 2010



RIC HEADLINES: OCTOBER/NOVEMBER 2010

- **Passenger Traffic Up:** Summer travel season ends on a high note as August, September & October show increases in passenger traffic, cargo, and operations.
- **New York (RIC's #1 Origin & Destination Market)**
 - JetBlue announces November 1st end for RIC-JFK, but continues service to Boston, Ft. Lauderdale & Orlando.
 - Delta plans to consolidate RIC-NYC service at JFK on November 1st.
 - November NYC schedule: 16 daily departures split among three airlines, three airports.
 - No low-cost carrier (LCC) presence for first time since March 2006.
- **American/American Eagle** will add a second daily nonstop to **Miami** starting November 18th.
- **Southwest Airlines** announces plans to acquire **AirTran Airways** for \$1.4 billion, gaining access to the Atlanta market.

INFRASTRUCTURAL PROJECTS UNDERWAY

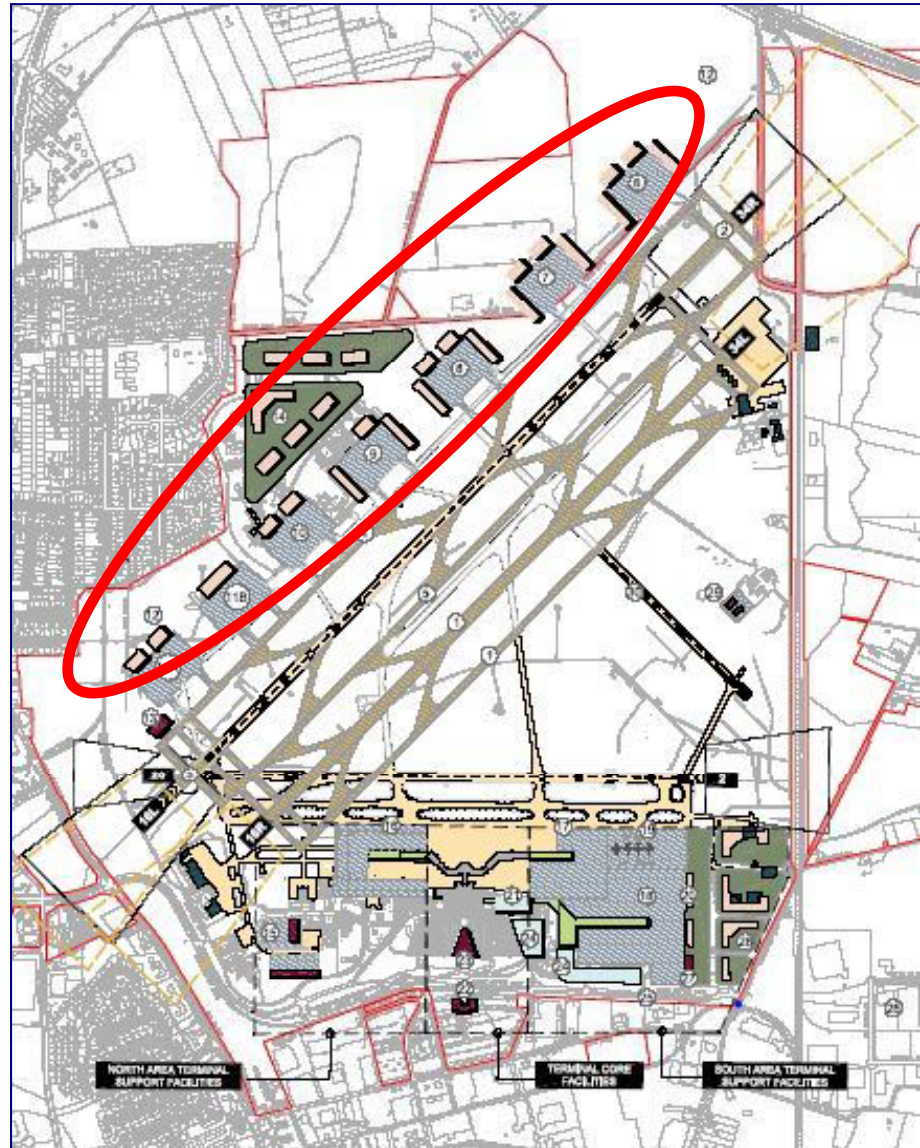
Economy Lot B Construction and the Transformation of RIC's East Side

- **Door-to-door service arrives at RIC when the expanded, 2500-space Economy Lot B opens by year's end.**
- **The FBI, a tenant at the former Virginia Air National Guard (VANG) site, considers infra-structural development to support operations.**





- Master Plan Update approved.
- **Cargo, FBO, general aviation, and aeronautical-industrial operations** are gradually relocating to the east side (former Virginia Air National Guard site).






AirTran[®]

**LOW-COST CARRIERS:
YOUR CHOICE.**

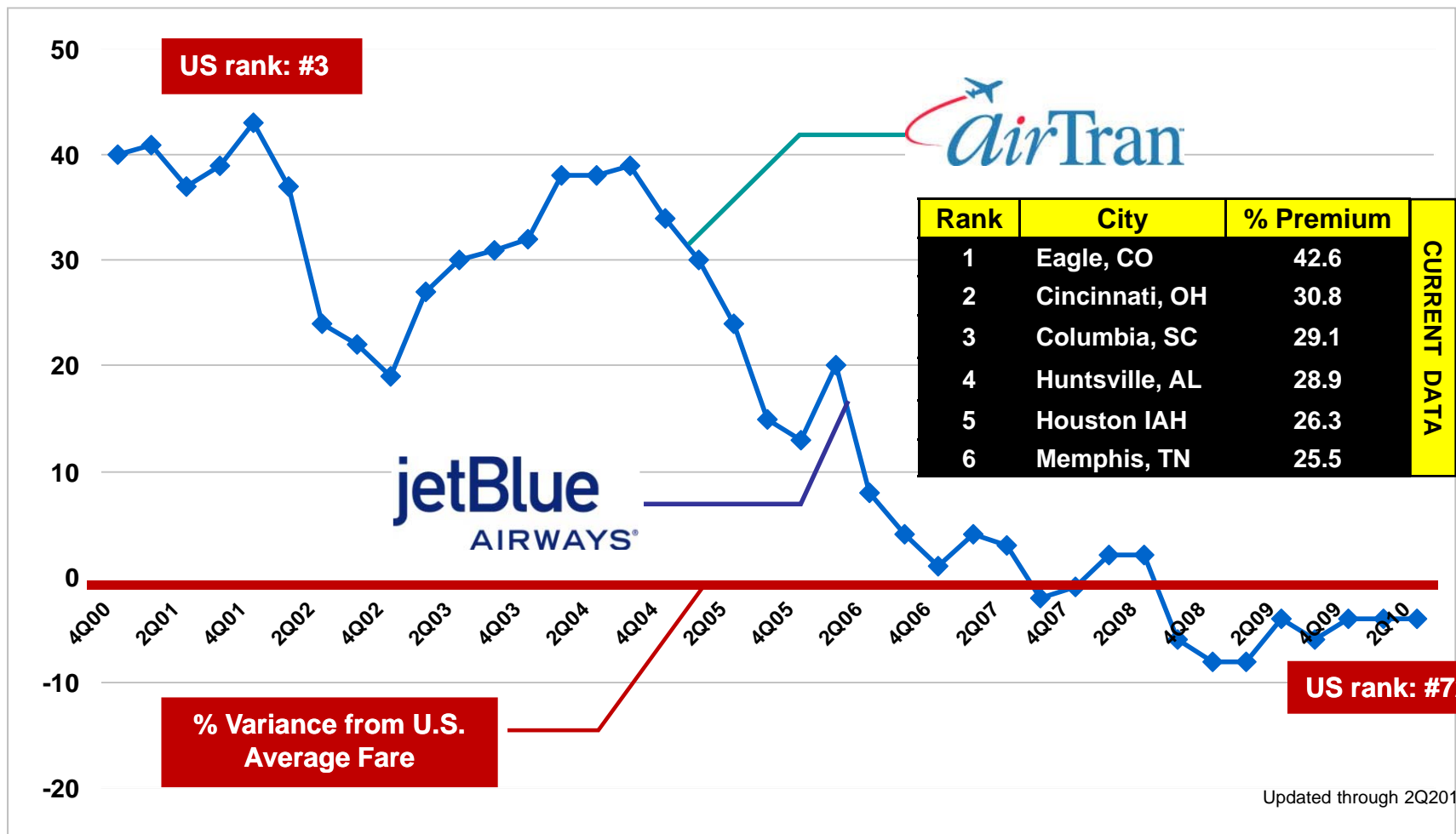
jetBlue
AIRWAYS[®]


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FARE PREMIUMS at RIC

USDOT Domestic Airline Fares Consumer Report Timeline

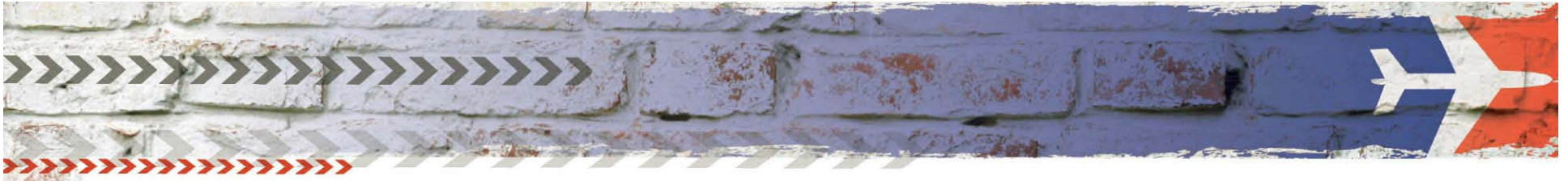




“HAVING” LCCs = A HUGE WIN FOR RICHMOND

Affordable Fares Have Yielded a \$500 Million+ Benefit to VA's Capital Region

- **Prior to AirTran's 2005 arrival, RIC was among the most expensive air fare destinations in the U.S.**
 - Air fares from RIC were – without relief – the most expensive for an O&D airport in the U.S.
 - Only fortress hubs & slot-restricted airports had comparable high fares.
 - Per the USDOT, fare premiums at RIC were as much as 43% above U.S. averages.
- **Competition created by the arrival of AirTran (2005) and JetBlue (2006) resulted in fares dropping from a 40%+ premium to below U.S. averages.**
 - Walk-up fares to many top destinations dropped more than 50%.
 - According to the USDOT, Richmond's now a discount (-4%) market.
 - Once ranked as a “top 5 most expensive” airport, RIC's now #72.
 - With competitive fares, the region is now on a level playing field for economic development opportunities (i.e., business expansion, relocation, and tourism).



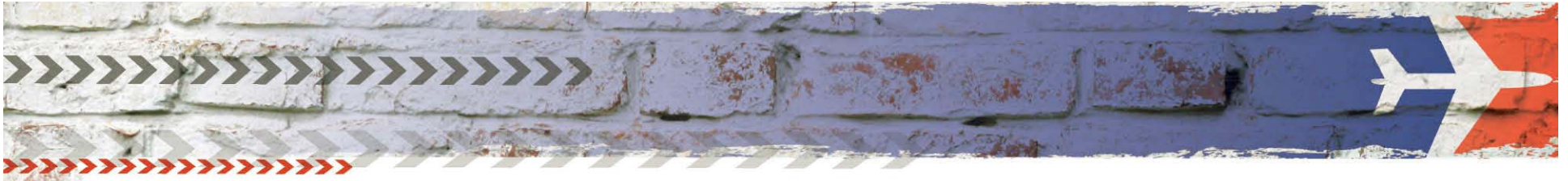
**BOTTOM LINE:
WHAT IS RIC'S ECONOMIC IMPACT ON THE
GREATER RICHMOND REGION?**



ECONOMIC IMPACT: RIC & ITS LCCs

Spending Benefits and Savings Benefits for the Greater Richmond Region

- **Chmura Economics and Analytics was retained to study the economic impact of RIC on the Greater Richmond Region.**
- **The Chmura report's four primary findings:**
 - **\$800 million/year** spending from airport tenants, area businesses, and visitors (direct and ripple effect).
 - **\$82 million/year** workforce productivity gains related to having competitive fares available locally.
 - **\$24 million/year** tax benefit to local and state governments from airport activities.
 - **9,200 jobs** created across the region due to airport activities.
- **Annual economic benefit due to LCCs exceeds \$125,000,000:**
 - Business and Consumer Savings: **>\$80 million/year**
 - New Spending with Local Businesses (i.e., Tourism): **>\$50 million/year**
 - Productivity Gains & Local Tax Collection Benefits.



WHERE DID EVERYBODY GO?

NO LCCs? A NIGHTMARE FOR BUSINESS

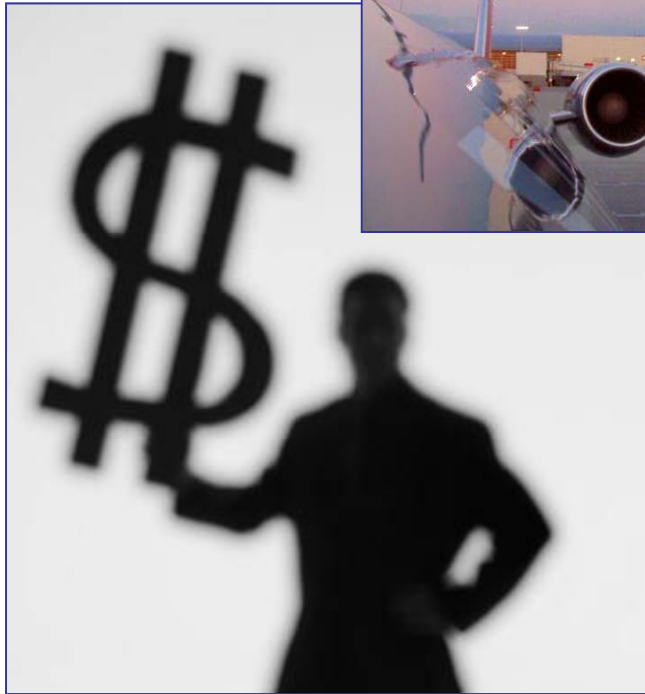
Astronomical Fares, Decreased Business Activity and Missed Opportunities

- For many years, the lack of competitive fares was the #1 complaint by businesses across the region. Prior to the arrivals of AirTran and JetBlue, businesses had justification for complaints, as RIC was the priciest O&D market in the U.S.
- Communities that fail to support low-cost carriers pay a severe price.
 - Higher air fares, to the tune of \$80 million per year.
 - The Richmond region was, in effect, subsidizing air service in other communities that had LCCs in place.
 - Missed opportunities for economic development.
 - Meetings and conventions planners: No LCC access? See ya!
 - How does a jurisdiction make up for lost tax revenue?



Forbes “AMERICA’S RIP-OFF AIRPORTS”

Report Used USDOT Fare Data to Determine 25 Priciest Airports



- In 2009, *Forbes* published an article and online slideshow featuring America’s “rip-off” airports.
- Cincinnati (CVG) was ranked #1, with average fares of \$0.48 per mile.
- Airports in the region making the list: Columbia, SC (#3), Greenville-Spartanburg (#5), Charlotte (#7), Roanoke (#11), Reagan National and Charlottesville (tied at #18).
- **Without AirTran and JetBlue, RIC would return to being a “rip-off” airport.**
- See story:

http://www.forbes.com/2009/02/15/airports-travel-regional-lifestyle-travel_0216_airports.html



WITH LOW-COST SERVICE, or WITHOUT?

A 6-Trip Head-to-Head Comparison of Walk-Up Fares

With Low-Cost Service

- New York: \$293
- Atlanta: \$411
- Boston: \$274
- Dallas: \$497
- Houston: \$530
- Orlando: \$198
- 6 Business Trips = \$2,203

Without Low-Cost Service

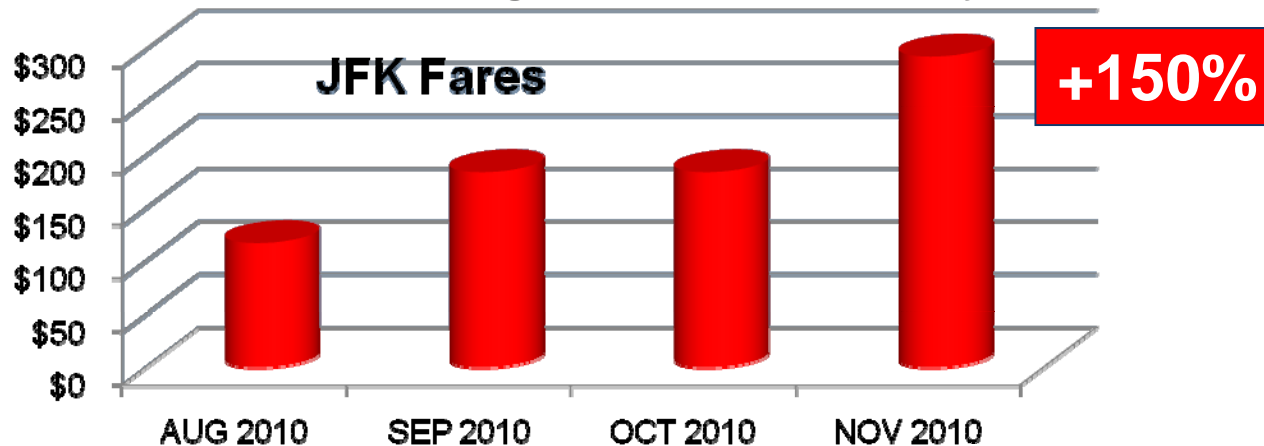
- New York: \$1,159
- Atlanta: \$896
- Boston: \$516
- Dallas: \$688
- Houston: \$720
- Orlando: \$344
- 6 Business Trips = \$4,323

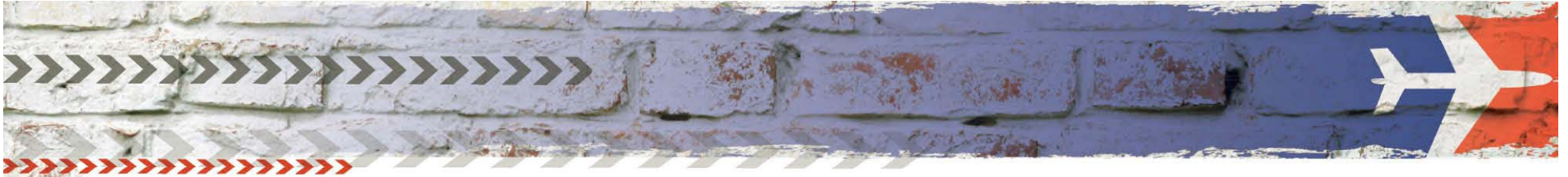
Savings >\$2,000

REALITY CHECK: RICHMOND & NEW YORK

After 4 Years, JetBlue Axes RIC-JFK Due to Insufficient Business Ridership

- **JetBlue began RIC-JFK service in March 2006, initially offering four daily roundtrips. With the arrival of JetBlue's JFK service, fares to New York dropped >50%.**
 - Due to lackluster support, especially by premium travelers (meaning business travelers who tend to buy close to the date of departure), daily trips were eventually cut to two per day.
 - As of November 1st, RIC has no low-fare service to its #1 O&D market.
- **Fares started climbing almost immediately:**





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**A GOLDEN OPPORTUNITY
FOR CENTRAL VIRGINIA**

INDUSTRY CONSOLIDATION LIMITS OPTIONS

In the Last Decade, the Landscape Has Been Significantly Changed

- American Airlines purchases TWA.



- America West purchases US Airways.



- Northwest and Delta Air Lines merge.



- Continental and United Airlines merge.



- Now, Southwest Airlines purchases AirTran.



- There are no other airlines with well-developed networks to recruit.



WE'RE IN THE GAME. THE NEXT MOVE IS OURS.



**FLY AIRTRAN TODAY, GET
SOUTHWEST AIRLINES TOMORROW**

**Sustain competition to the Atlanta hub.
Add "NEW" nonstop destinations.**



SOUTHWEST-AIRTRAN TOP 10 CITIES

Cities with >120 Daily Departures Based on Current Schedules



**LARGER NETWORK =
MORE OPPORTUNITIES
FOR NEW DESTINATIONS**



**HERE'S HOW
YOU CAN HELP**





HOW RICHMOND TRAVELERS CAN HELP

Small Changes in Buying Habits Can Pay Attractive Air Service Dividends

- **Paying a little more now can save a lot more later.**
 - Consider a policy with a “+/-” cost variance to support use of AirTran & JetBlue.
- **Large organizations should consider:**
 - Make inclusion of AirTran and JetBlue a top priority.
 - Establish strong travel policies and ensure compliance.
 - If your organization uses a travel management company (TMC), make sure the provider understands your goals, communicates this message at the point of sale.
- **Small organizations and individual travelers should consider:**
 - Nonstop destinations such as Atlanta, Boston, Ft. Lauderdale and Orlando are the easiest ways to travel via LCCs.
 - Consider splitting trips (one airline outbound, another airline inbound) if schedules support such efforts.
- **Mandate travel onboard LCCs when you’re “footing the bill” for consultants, suppliers and other third-party trips.**
- **Jurisdictions may offer resolutions to support use of low-fare airlines.**





Now you're going places.

