

GAINESVILLE

REGIONAL AIRPORT



AIR SERVICE DEVELOPMENT

AIR SERVICE DEVELOPMENT CONSULTANT



Martin Kammerman

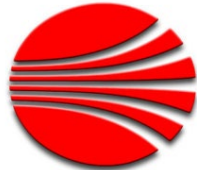
Director of Air Service
Strategy and Development



UNITED



U·S AIRWAYS



**CONTINENTAL
AIRLINES**



EASTERN

ASM BACKGROUND

Global consultancy
founded in 1993 to
provide route development
services for airports
and their stakeholders



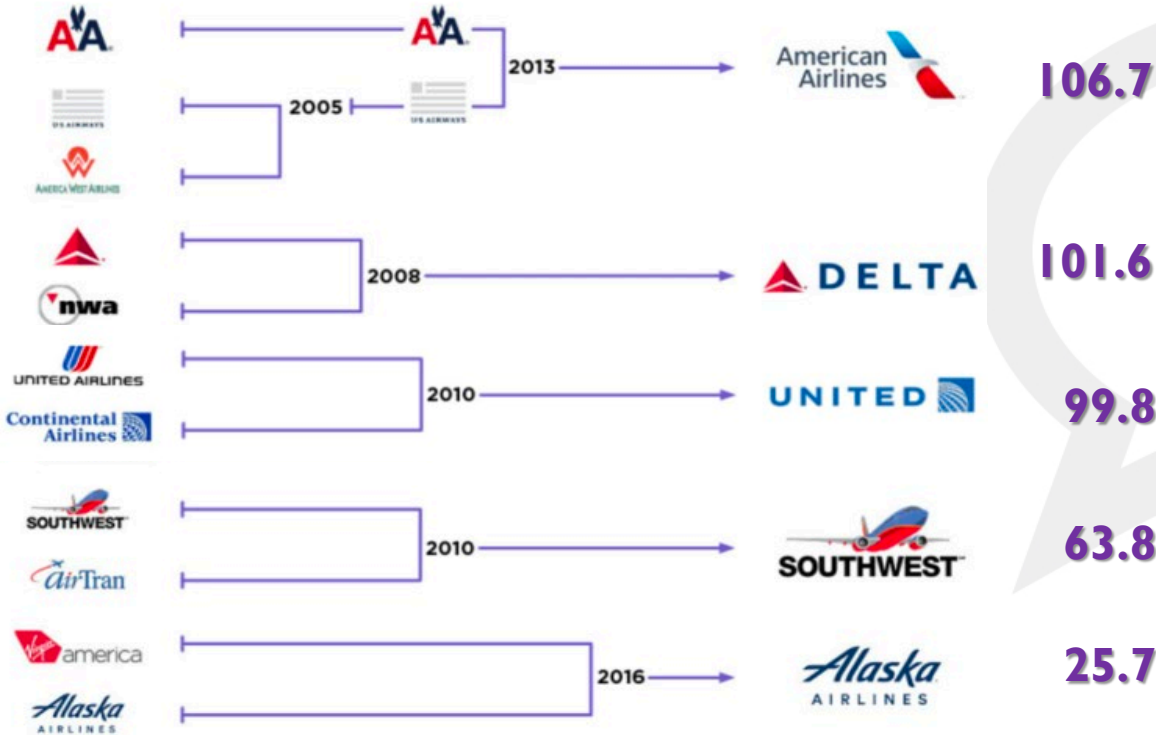
UBM

informa



INDUSTRY OUTLOOK

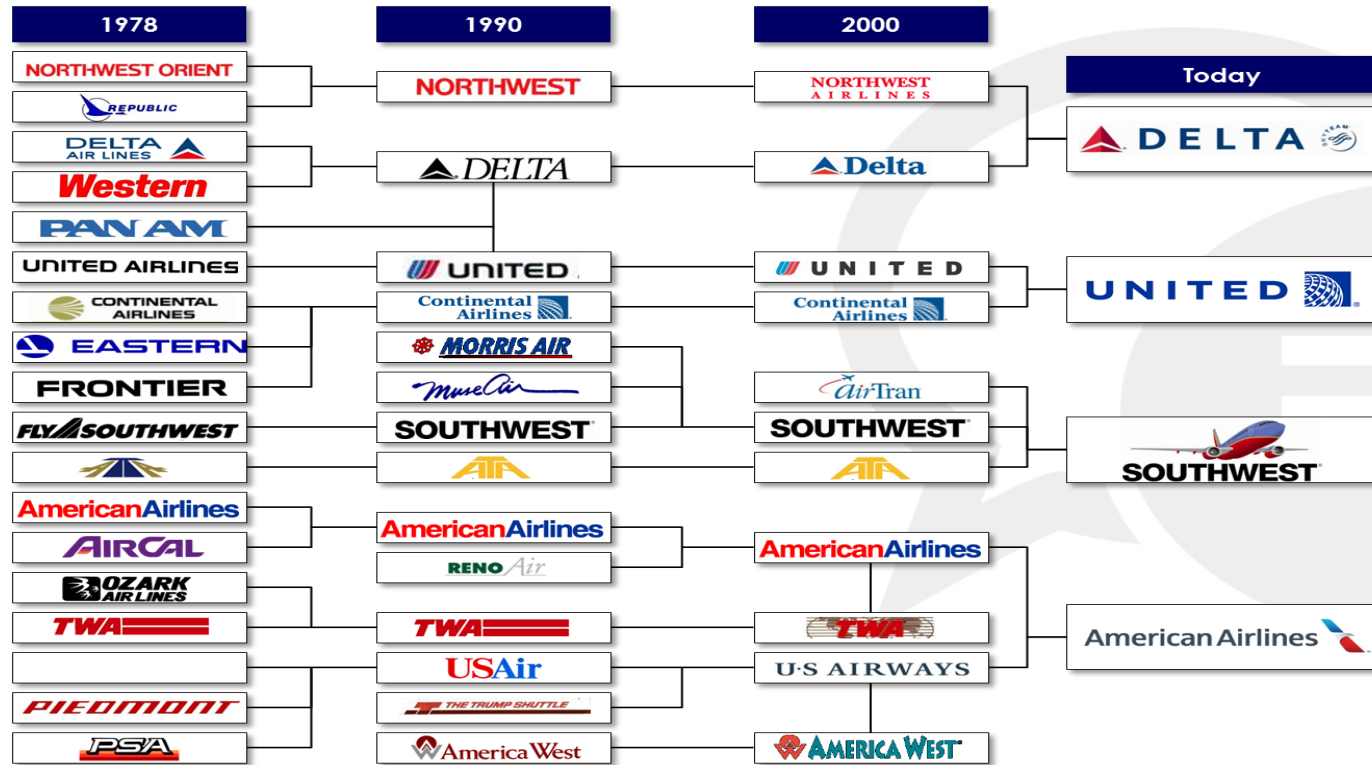
In the Last 20 Years We Have Seen Airlines Merge



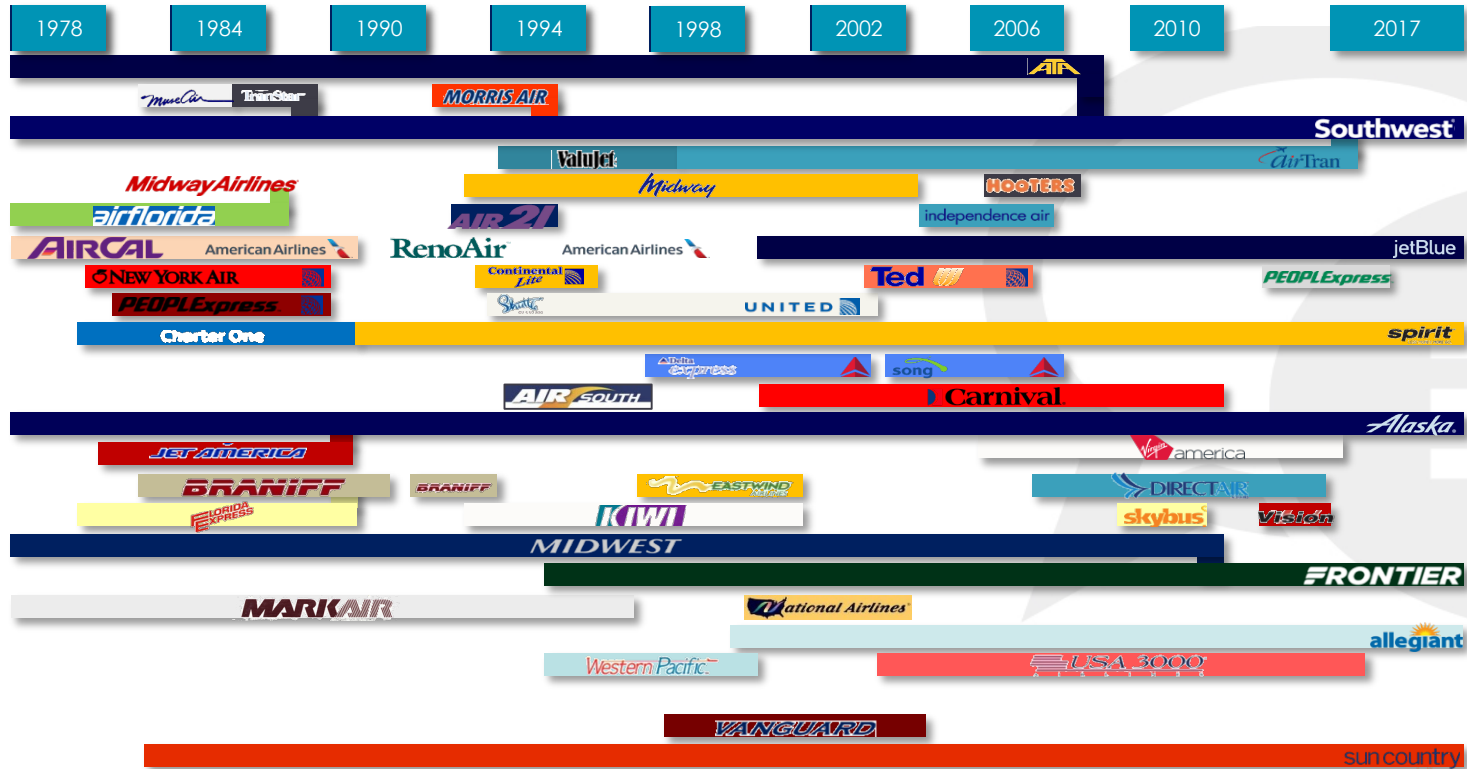
2017 Revenue Passenger Miles, in billions

Alaska Airlines & Virgin America merger created the 5th largest U.S. airline by passenger traffic

This Began With Deregulation in 1978

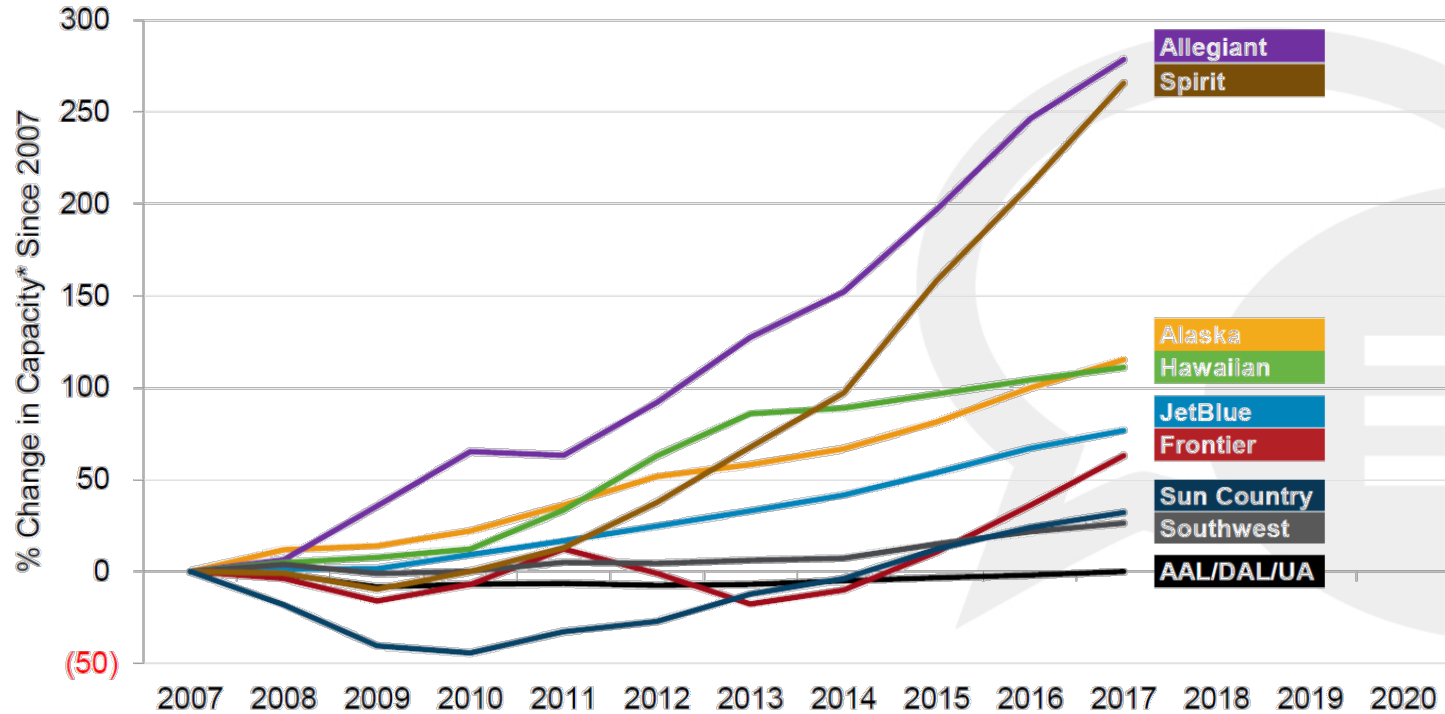


Since 1978, 51 U.S. LCCs Have Become Seven



Airline Strategies and Models Define Growth Pace

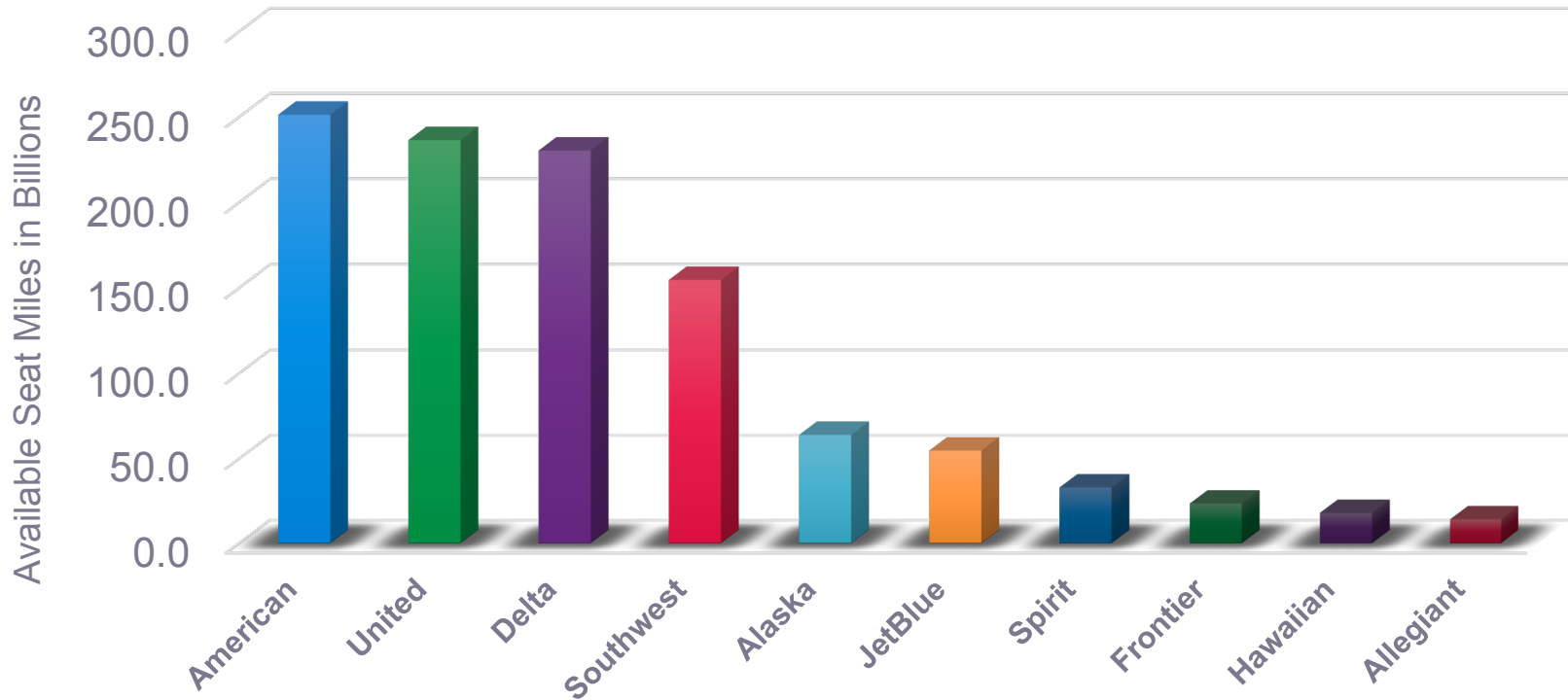
Among 11 U.S. Airlines, Smaller Airlines Have Been Growing the Fastest



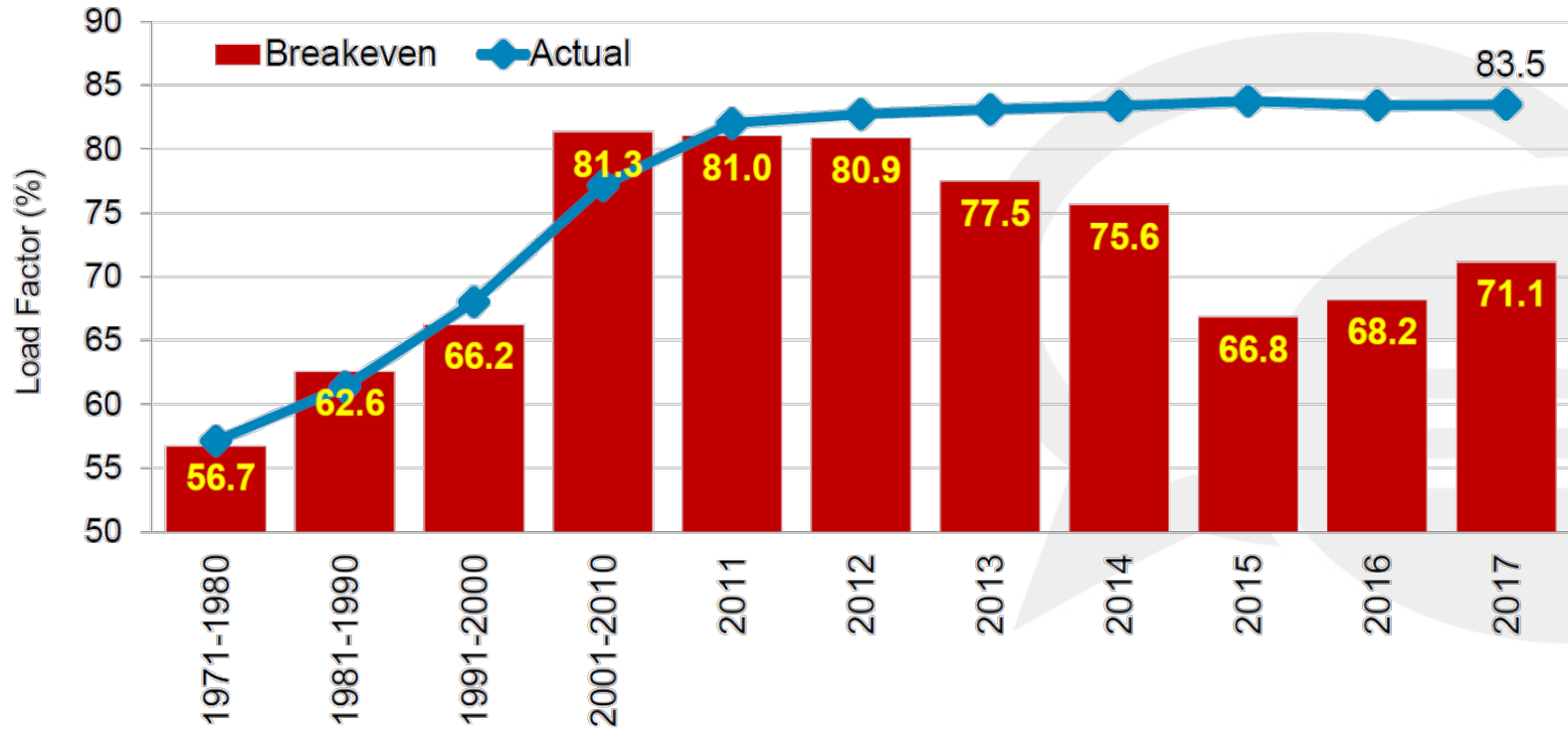
Source: Innovata (via Diio Mi) schedules as of Feb. 9, 2018, for selected marketing airlines including predecessors

* Systemwide scheduled available seat miles

However, Those Small Airlines Are Tiny Compared to the Size of the Largest US Airlines



Airlines Needed to Fill Most of Their Seats to Avoid Losing Money



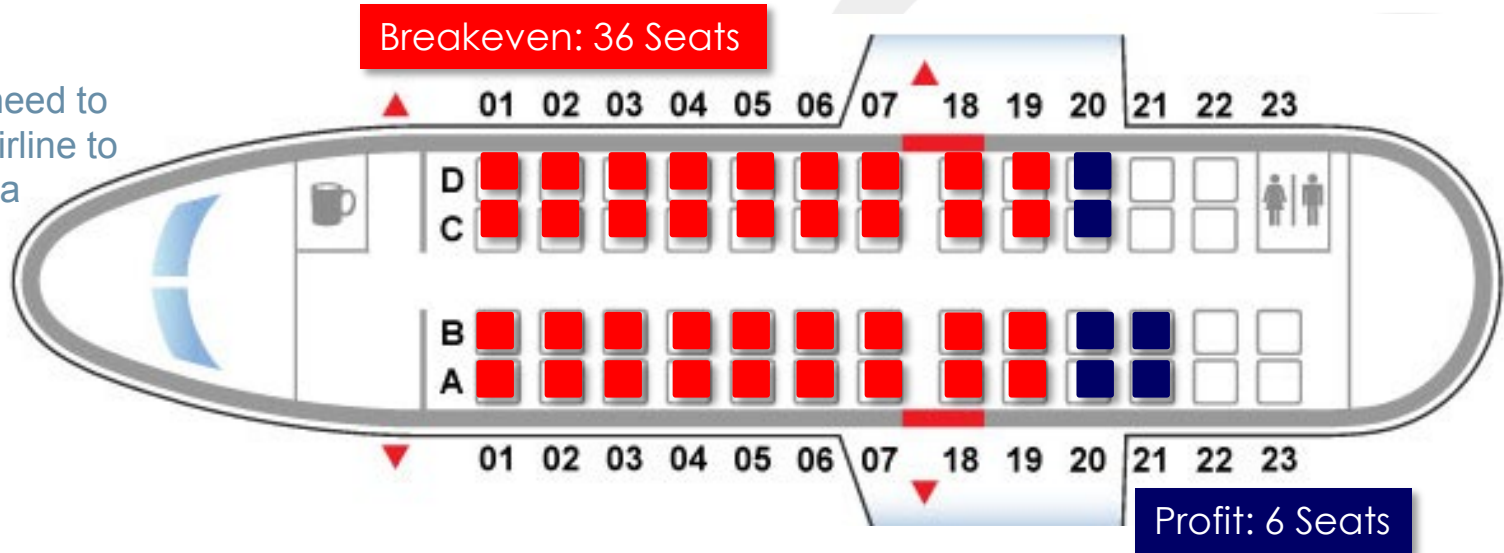
Source: A4A Passenger Airline Cost Index (<http://airlines.org/dataset/a4a-quarterly-passenger-airline-cost-index-u-s-passenger-airlines/>)

Margins Are Tight Even With Low Fuel Prices

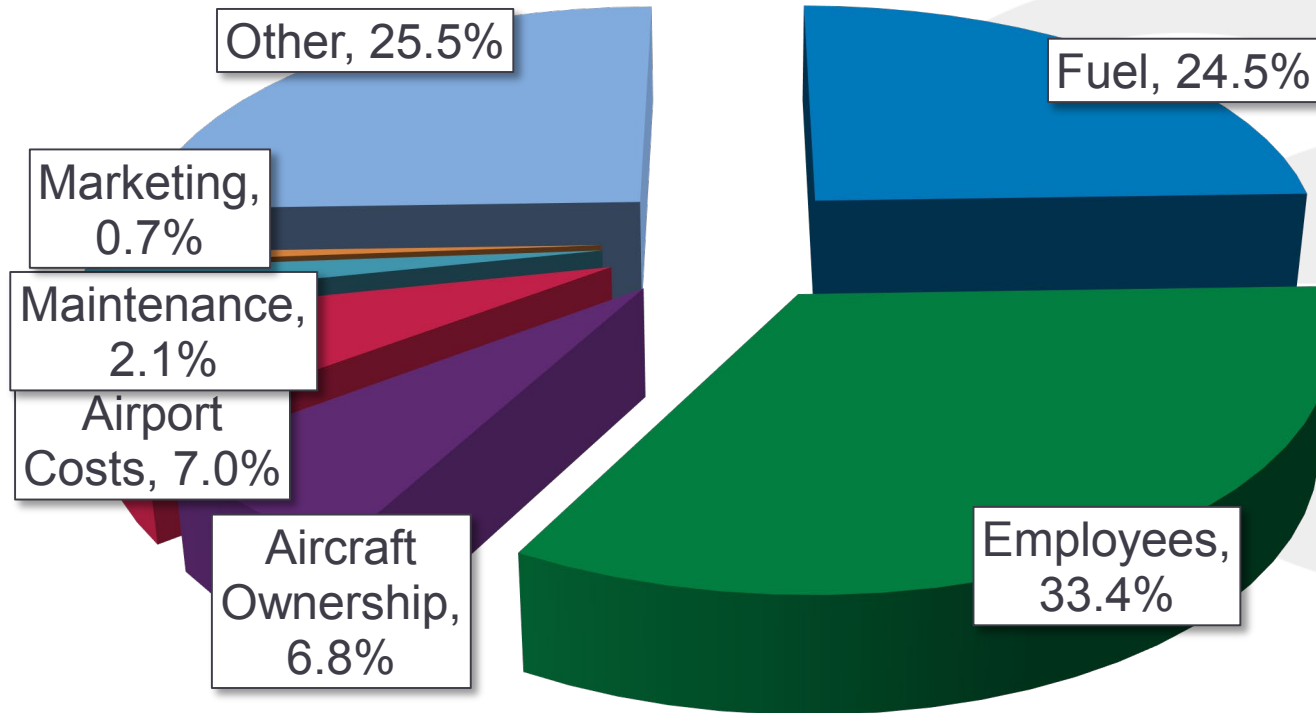
Average Seats Filled on a 50-Seat Regional Jet in the US

71%

of airline seats need to be filled for an airline to be profitable on a 50 seat regional jet



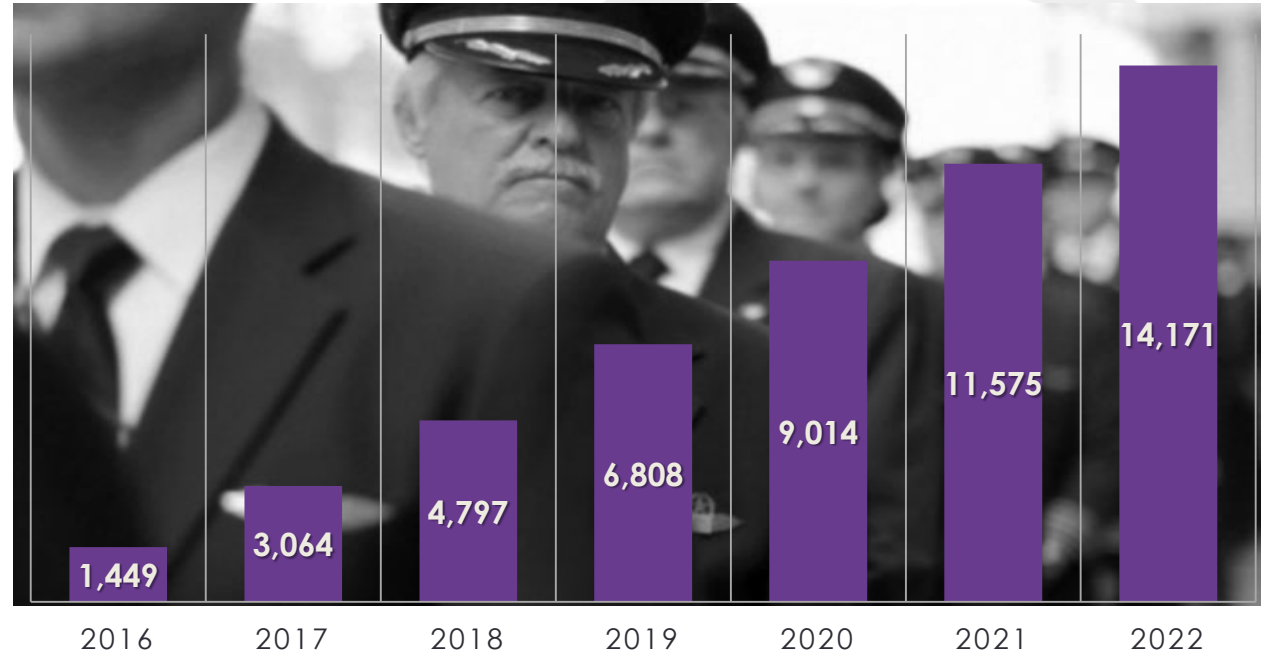
Airline Cost Components



Major Airlines Will Need to Hire Almost 50,000 Pilots, Resulting in a Shortage of approx. 14,000 pilots at major airlines alone by 2026.

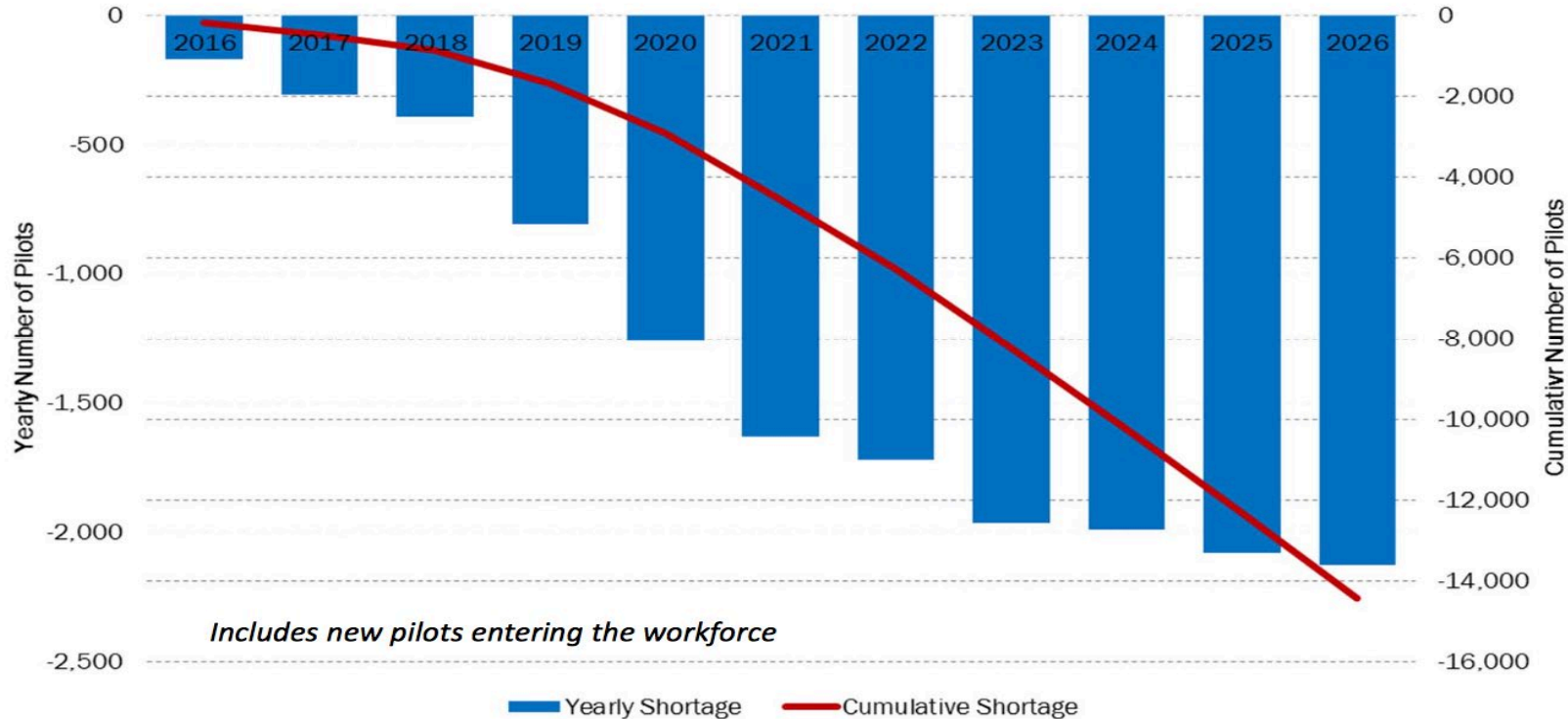
- Pilots Must Retire at 65
- FAA Raised Minimum Airline Pilot Experience from 250 to 1,500 Flight Hours in 2014
- Regionals Currently Employ 17,000 Pilots
- New Pilot Certification Down 56% in 2015
- Pilot Shortage Projected to Peak by 2026

CUMULATIVE NUMBER OF US MAINLINE AIRLINE PILOTS REACHING RETIREMENT AGE
PROJECTED FOR CALENDAR YEAR 2016 – CALENDAR YEAR 2022



Source: Regional Airline Association (RAA)

The 2014 Federal Regulations Have Had a Side Effect of Reducing the Number of Pilots

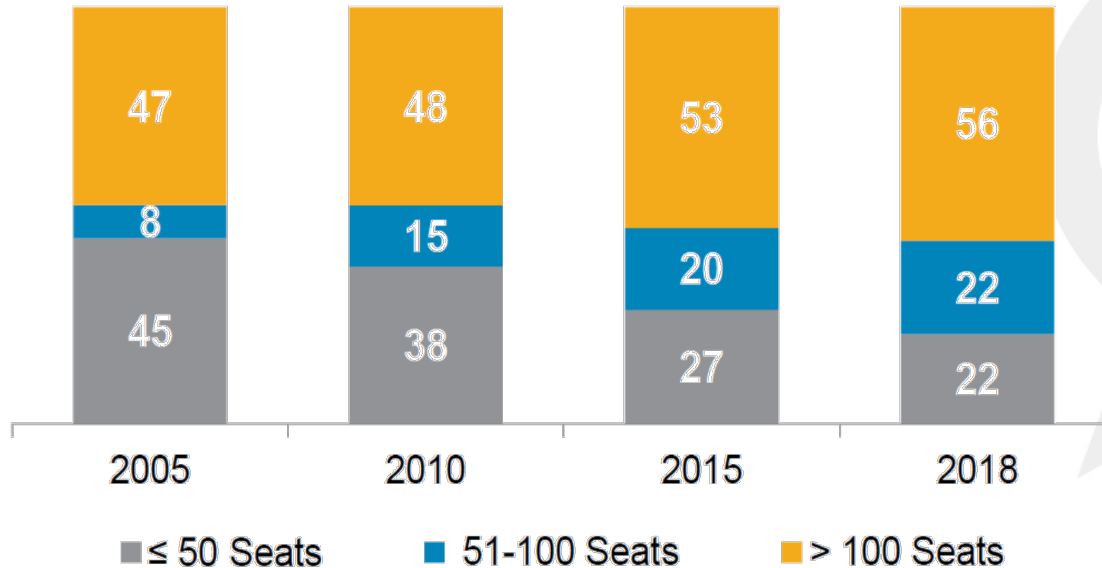


As a Consequence, Many Airports Have Seen Reduced or Eliminated Service Since 2013



To Mitigate the Shortage of Pilots, Airlines Are Deploying Larger Aircraft

% of Domestic U.S. Departures by Aircraft Size

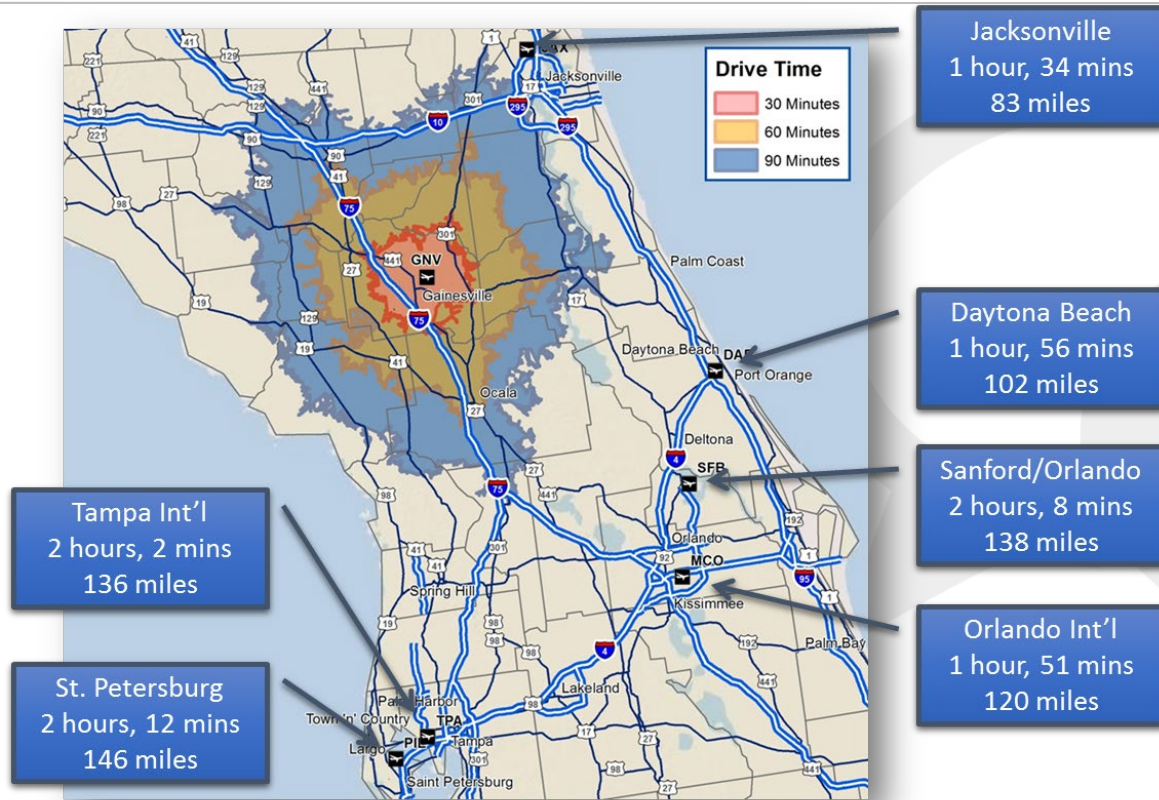


- Availability of pilots
- Fuel efficiency
- Congested airspace/airfields
- Improving economics of large regional jets
- Lack of new-generation in-production small aircraft

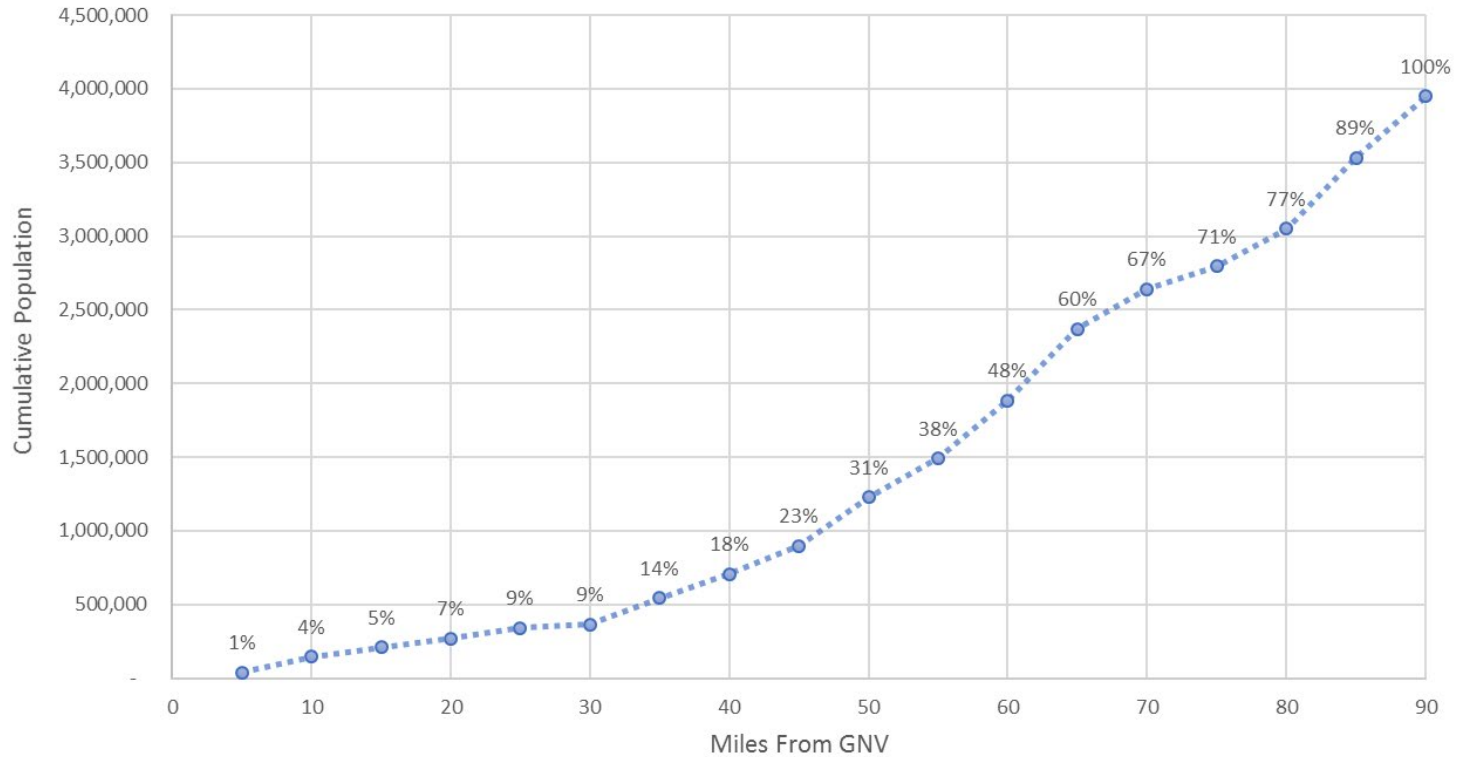
GAINESVILLE and the Surrounding Area



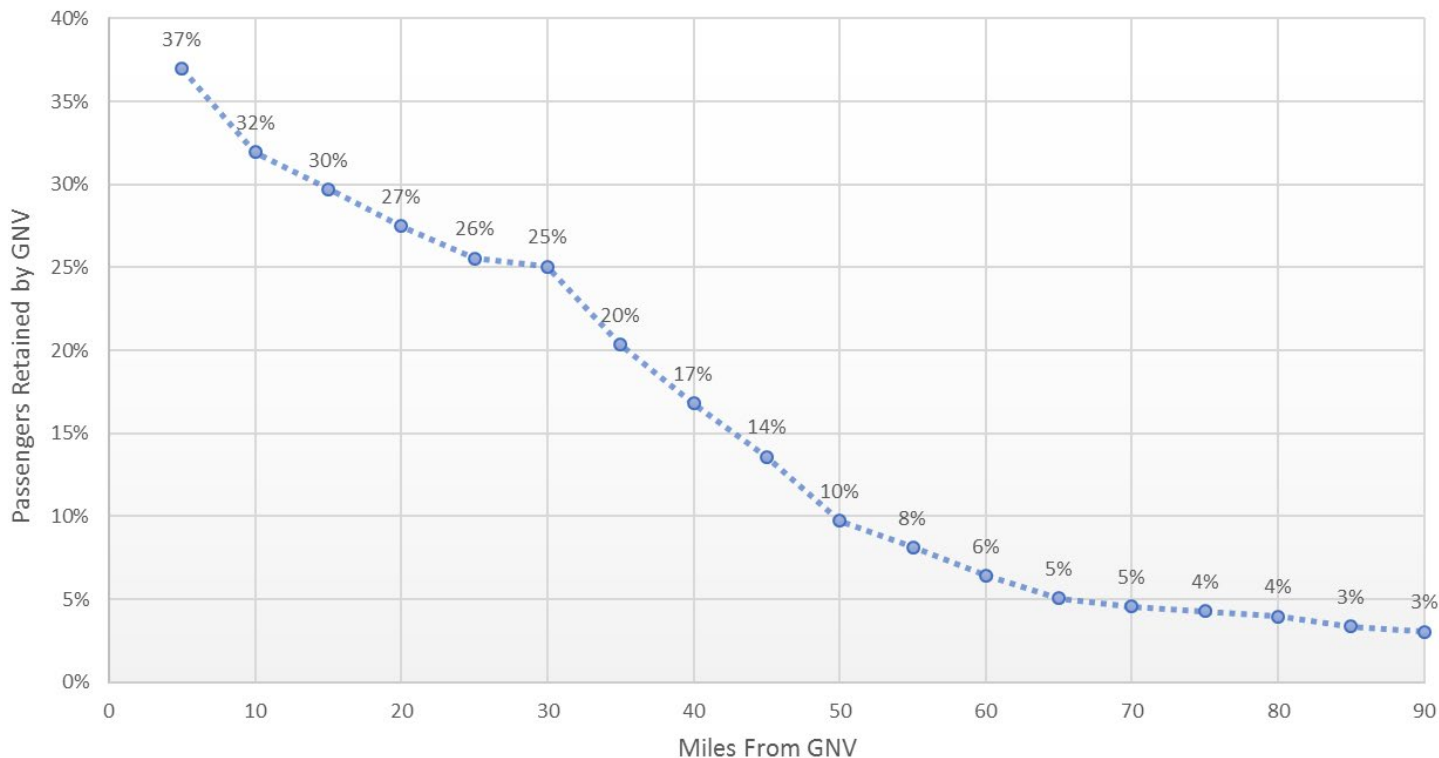
Defining the Greater Gainesville Area - Catchment



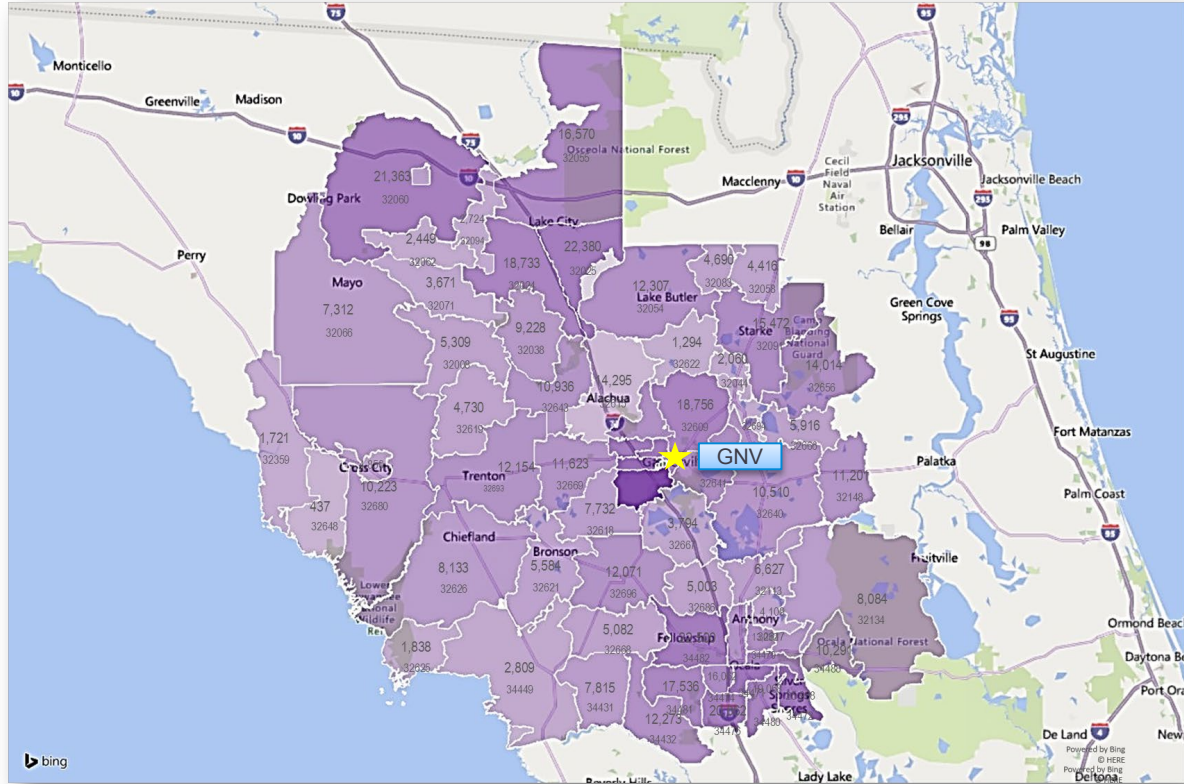
As We Get 35, 60 and 90 Miles From GNV There Are Several Significant Boosts in Population



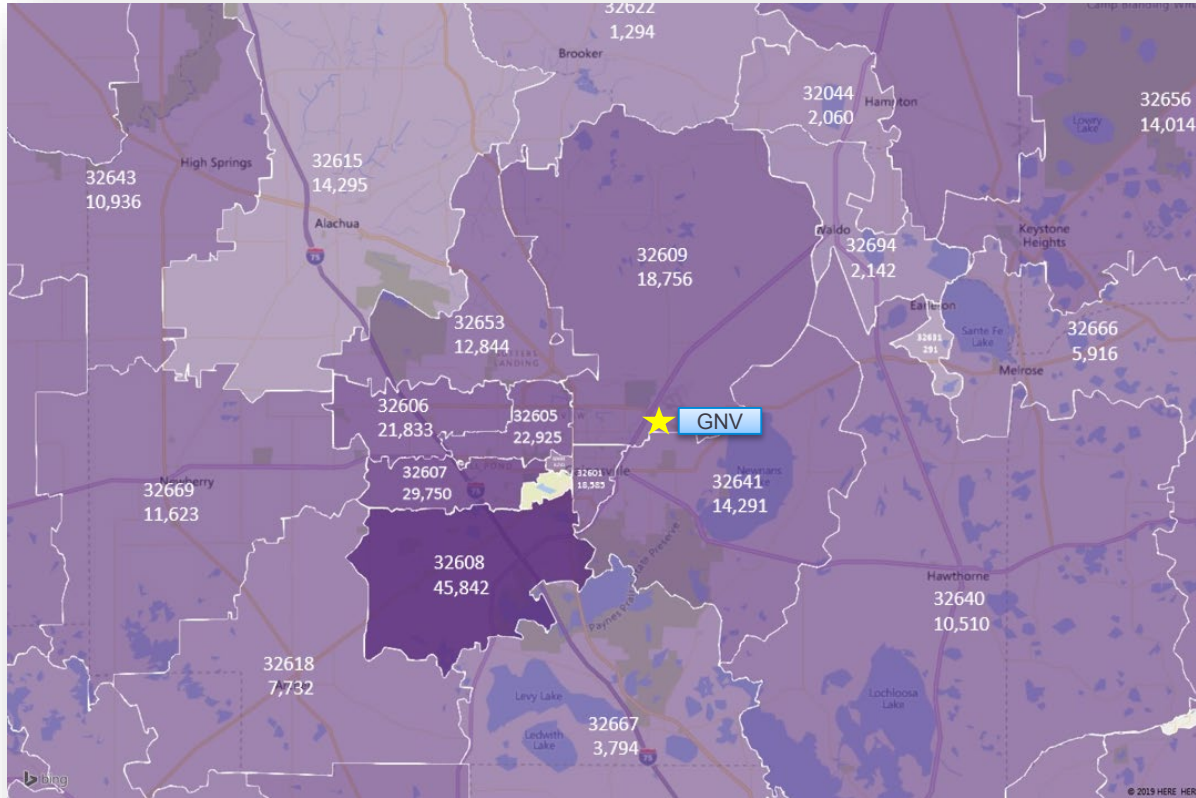
However, As We Get Further Away From GNV and Closer to Low Fare Hubs, Passenger Interest Drops, Especially at 30 and 50 Miles



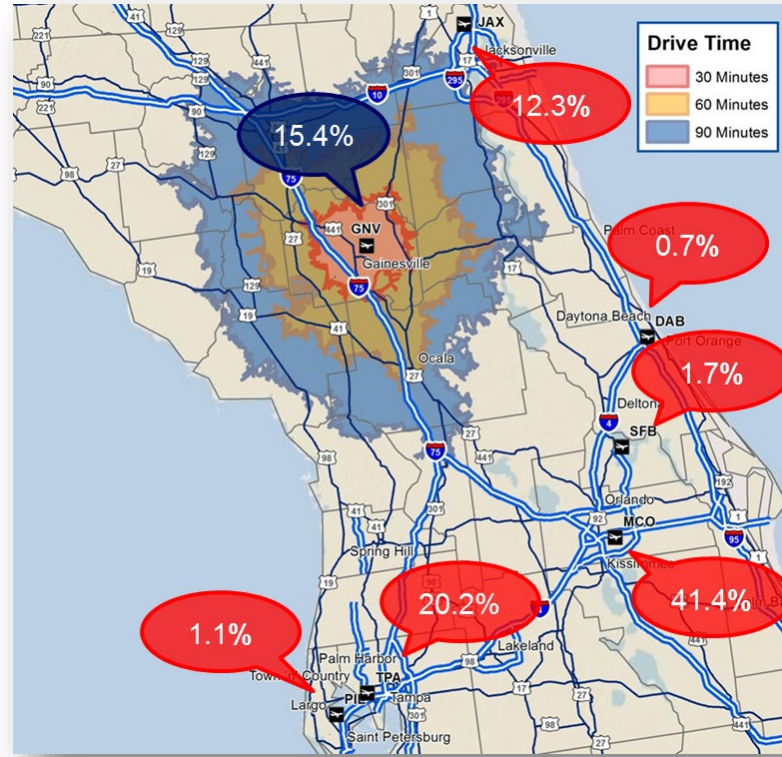
Defining the Greater Gainesville Area - Catchment



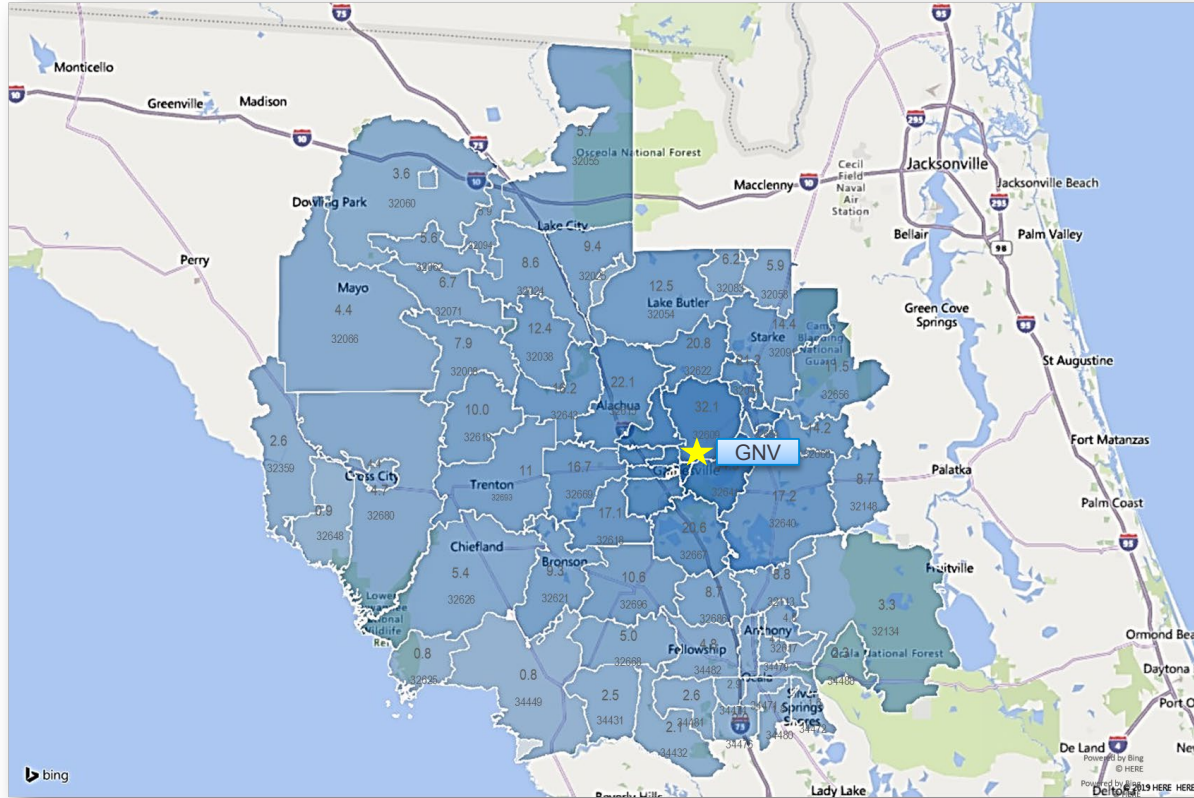
Here is the Same Thing Zoomed Into GNV City



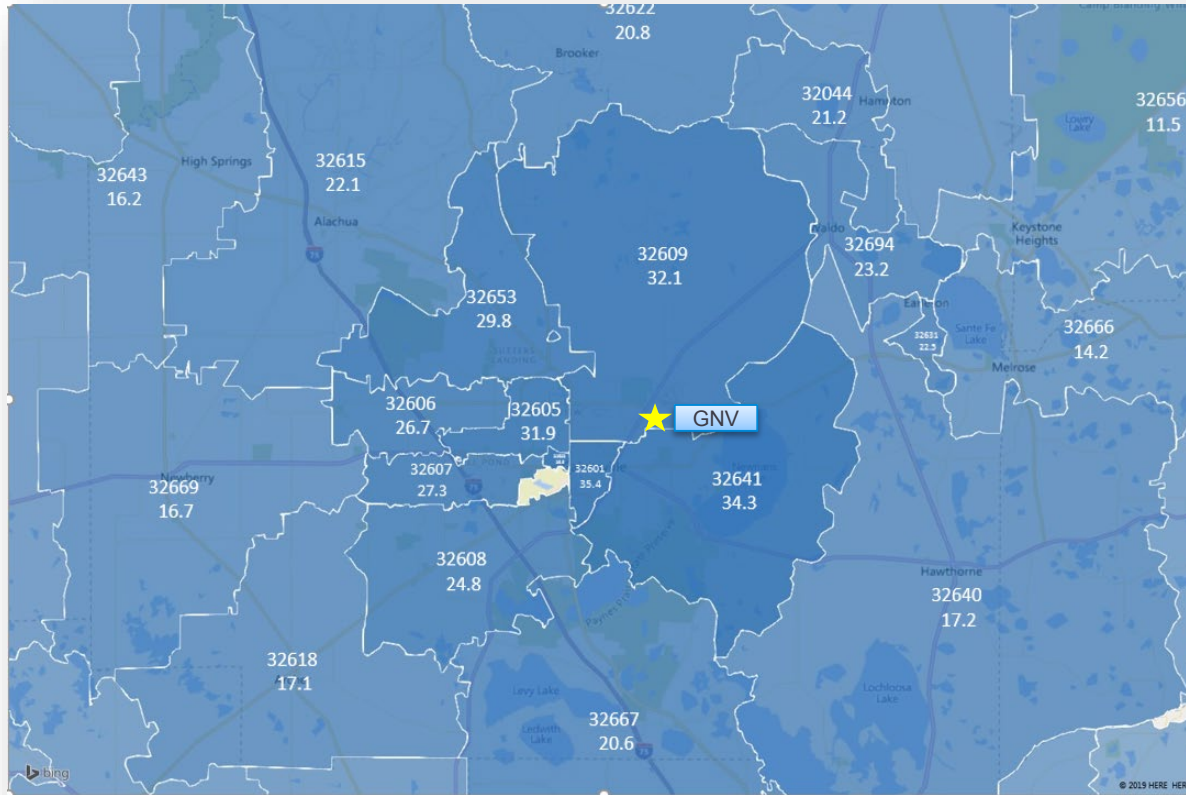
Which Airport Do People Use From Our Catchment Area?



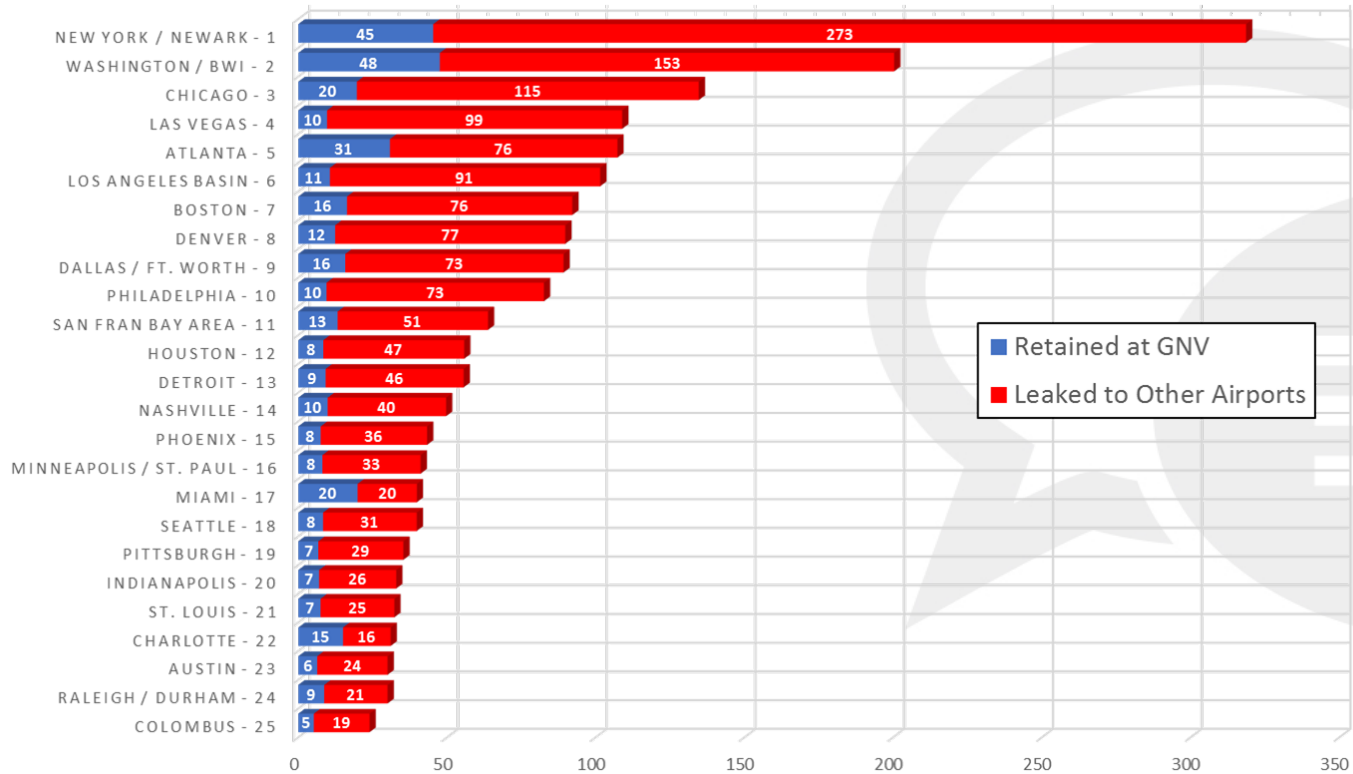
Representing Usage of GNV by Zip Code



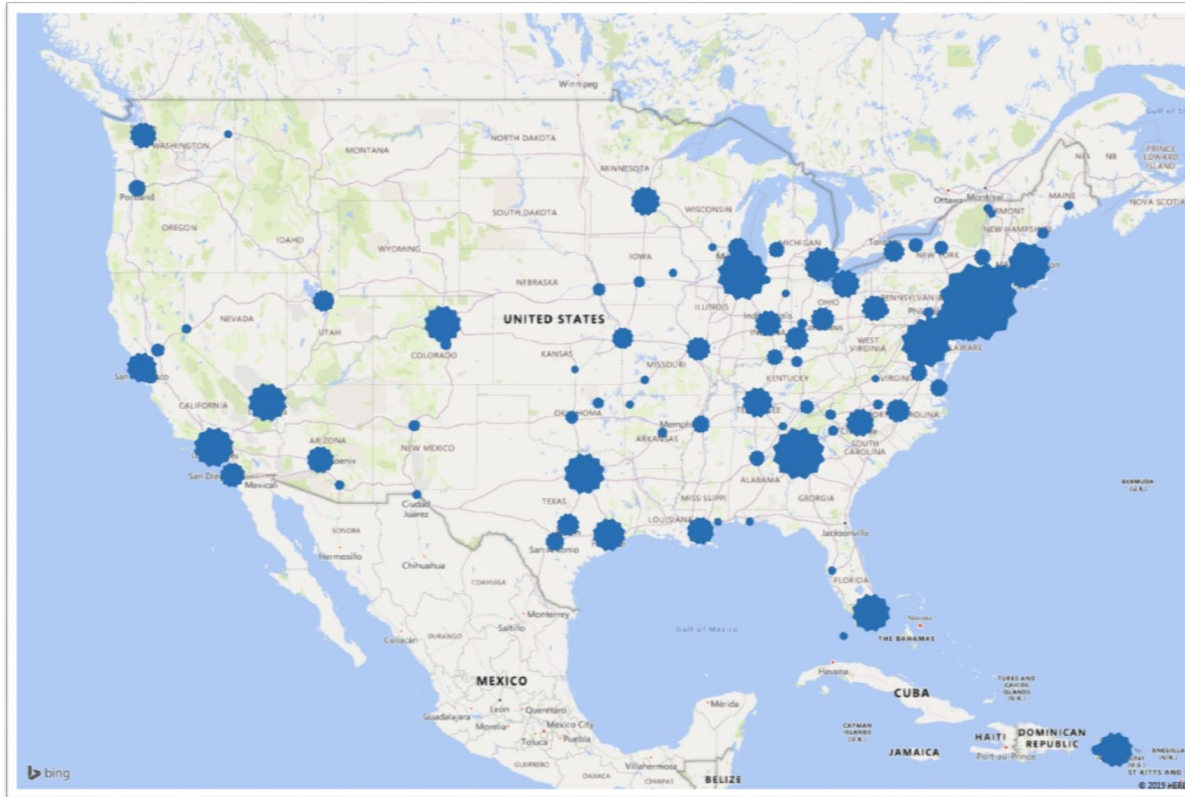
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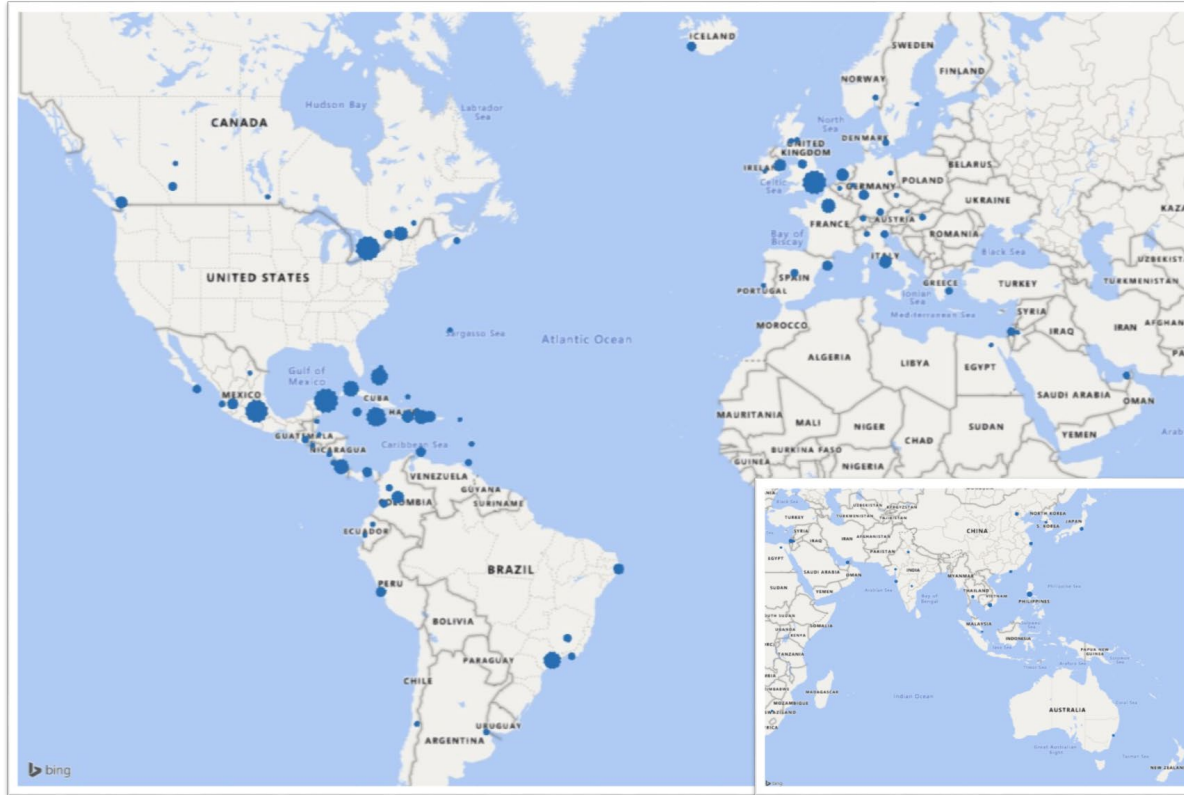
Where Do People Travel From Our Catchment Area?



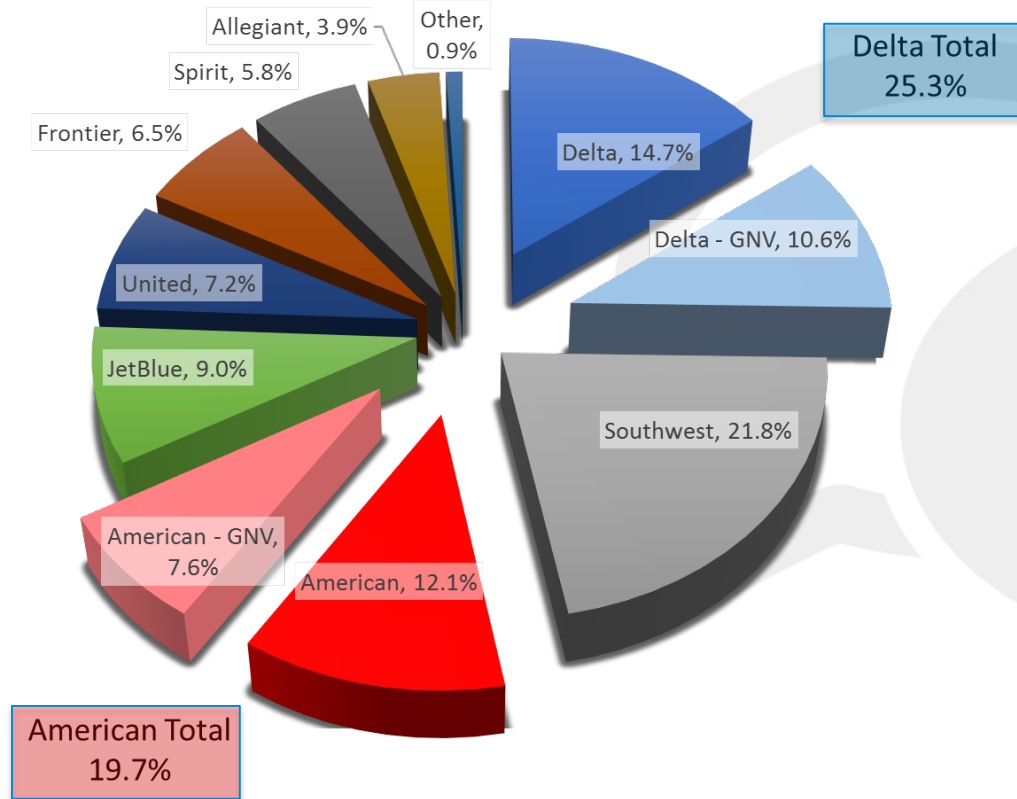
Mapping Our Most Popular Travel Destinations - Domestic



Mapping Our Most Popular Travel Destinations - International



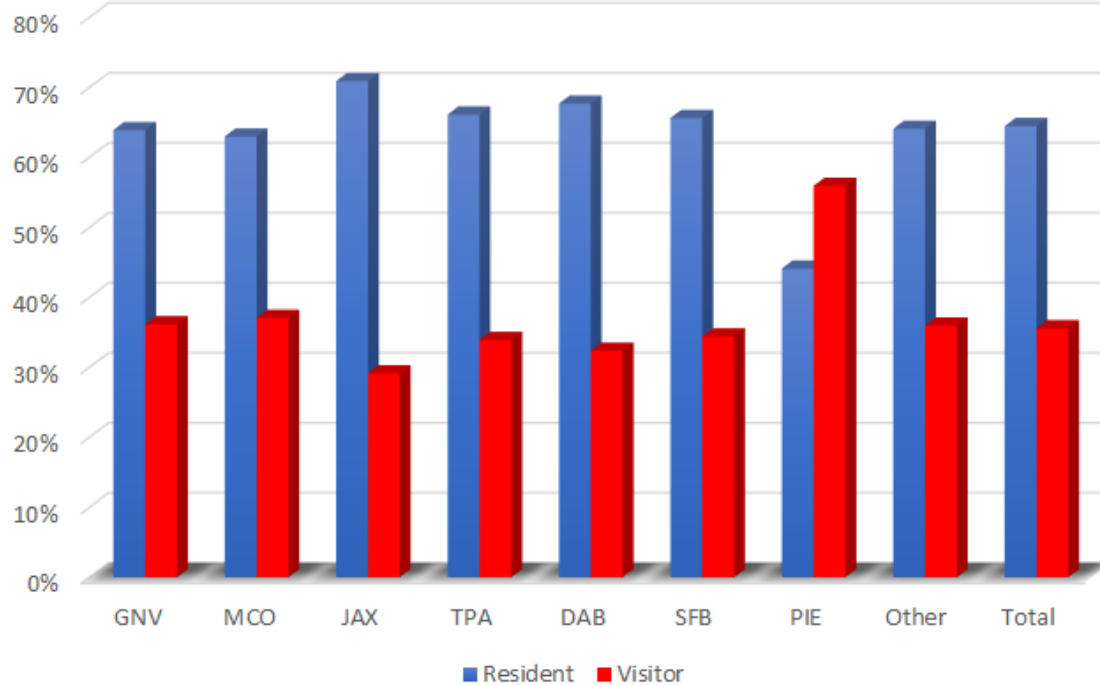
Which Airline Do They Travel On From Our Catchment Area?



Most GNV Catchment Area Traffic Originates in the Region, With the Exception of St. Petersburg (PIE)

Gainesville Catchment Area Bound Passengers And The Airport They Used

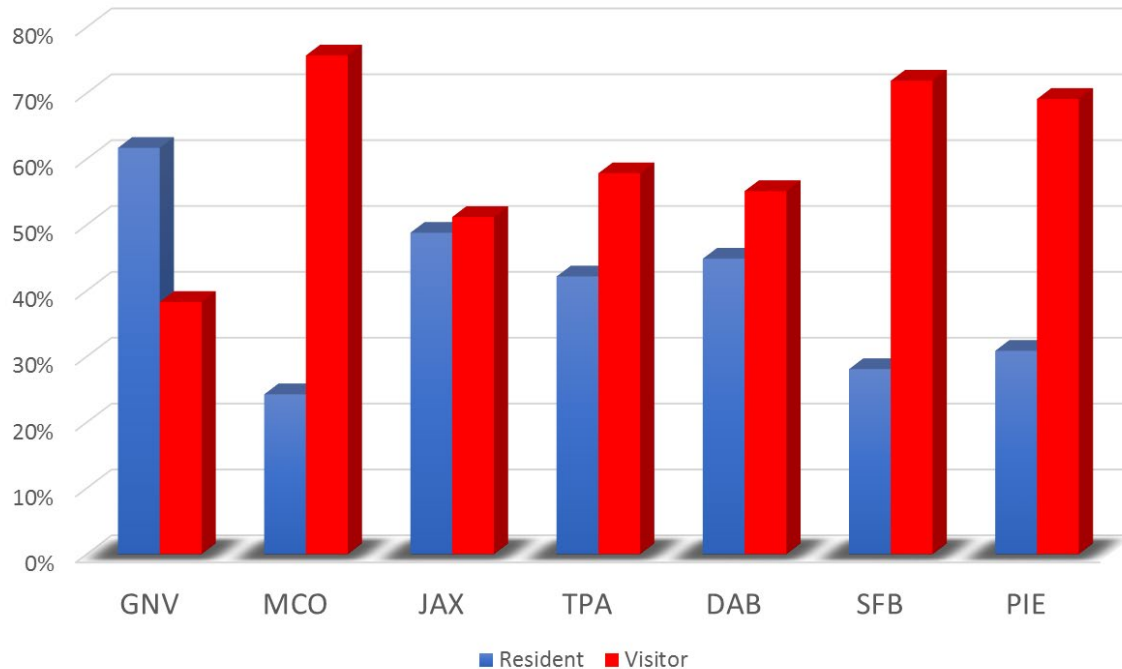
Catchment Area Leakage Study for the Year Ended June 2018



However Total Airport Traffic Going to Most Other Airports Show a High Level of Visitor Traffic

Origin (Resident) vs. Destination (Visitor) Traffic by Airport

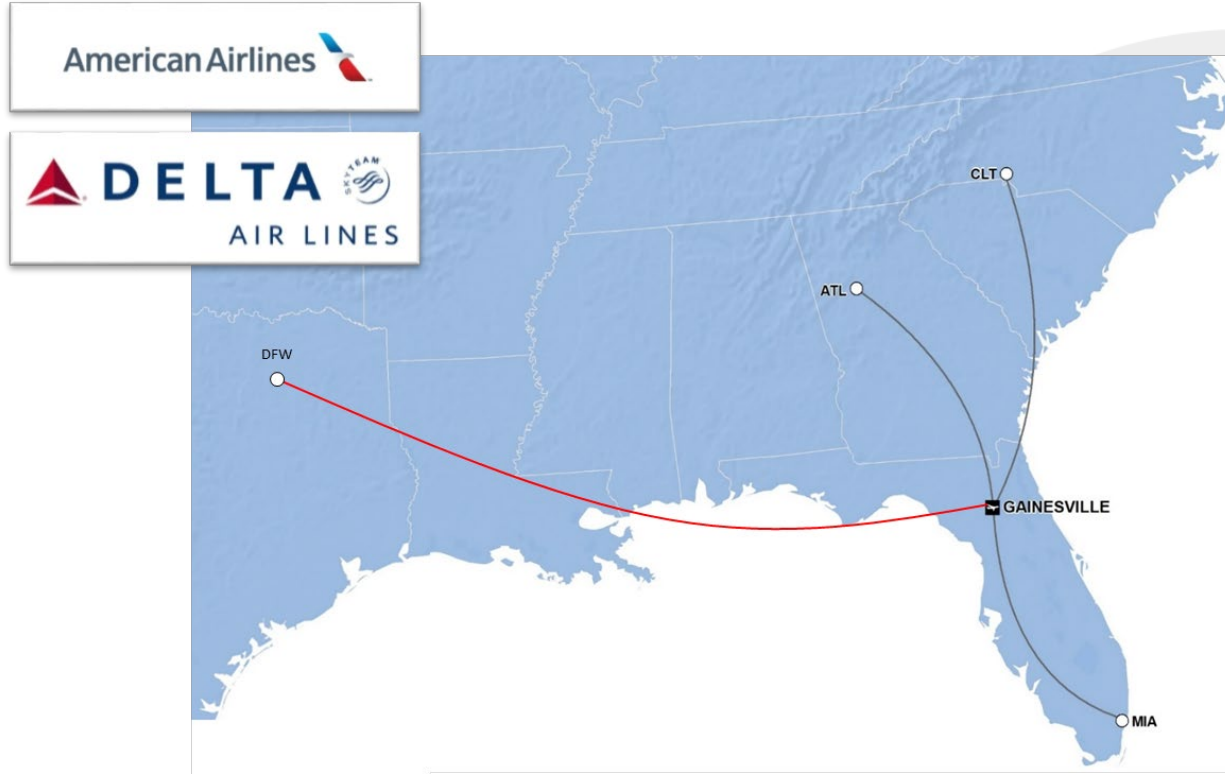
US DOT O&D Survey for the Year Ended June 2018



GAINESVILLE (GNV) and its Customers



In Addition to Existing Service to Atlanta, Charlotte and Miami, We Now Have New Service To Dallas / Ft. Worth



American's New Daily Flights and More Seats to Atlanta Have GNV at 19% Growth Year Over Year

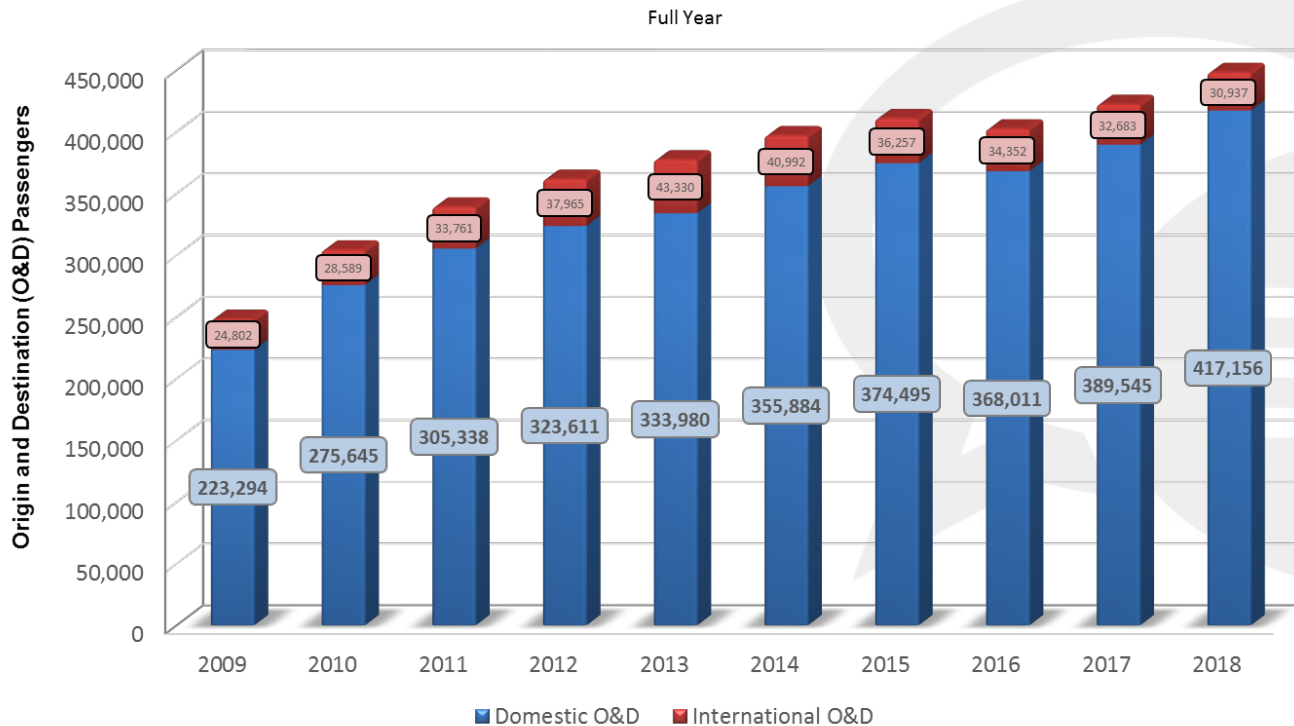
Gainesville Departures, Seats per Departure and Seats per Day by Carrier and Market

As of April 28, 2019

Airline	Dest	June 2018			June 2019			Seat PDEW Change	Seat % Change
		Departures per Day Each Way	Seats per Departure	Seats per Day Each Way	Departures per Day Each Way	Seats per Departure	Seats per Day Each Way		
American	CLT	4.1	68	276	3.9	68	264	-12	-4.2%
	MIA	1.6	50	82	1.6	50	81	-2	-2.0%
	DFW				1.9	44	85	85	New
	Total	5.7	63	358	7.4	58	430	72	20.1%
Delta	ATL	6.4	57	361	6.9	61	424	63	17.5%
All Carriers		12.1	60	719	14.4	60	854	135	18.8%

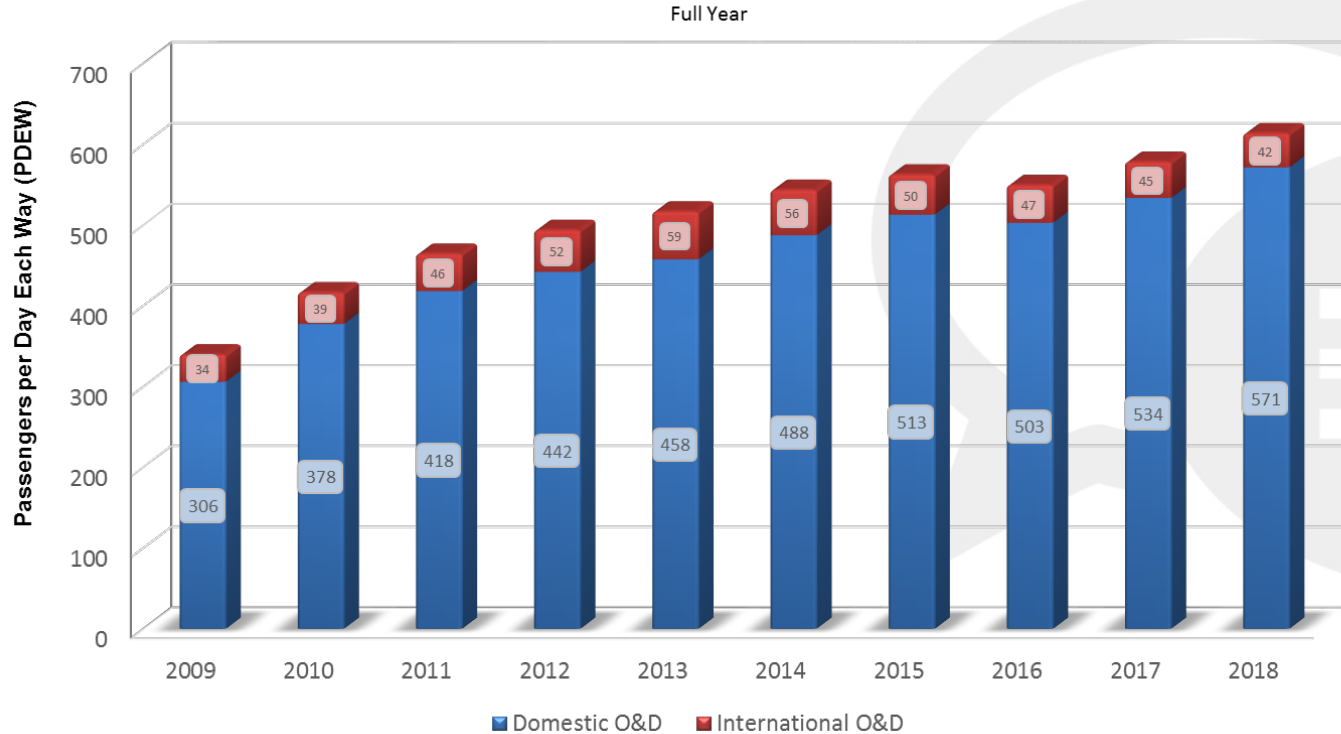
The Most Recent Year Was Another Record for Gainesville Regional Airport!

Gainesville Annual Origin and Destination (O&D) Domestic and International Passengers



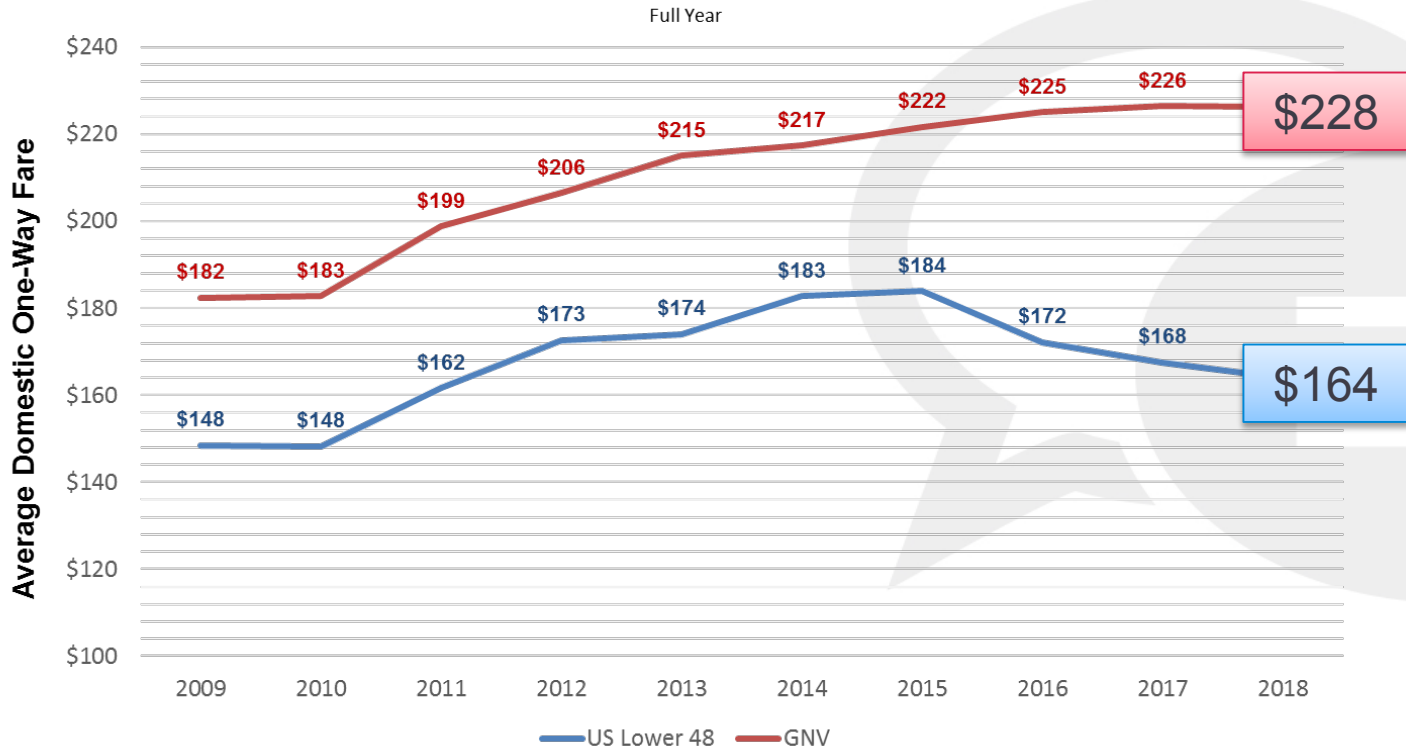
This Can Also Be Shown as About 571 Passengers Per Day Each Way Domestically and 42 Internationally

Gainesville Domestic and International Passengers per Day Each Way (PDEW)



Surprisingly, GNV Has Been Able to Increase Traffic Even With Relatively High Fares

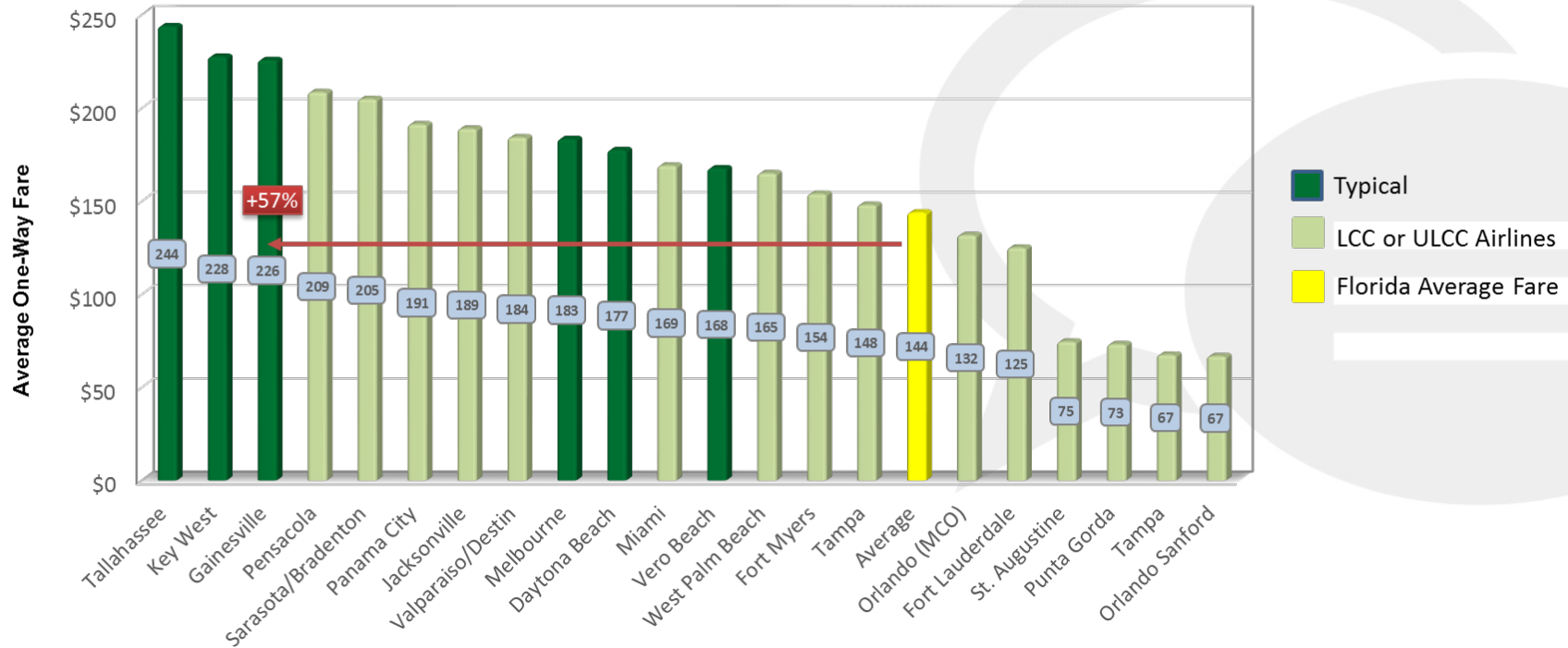
Gainesville Versus Average Lower 48 Airport Average Domestic Fare



But, We Are Close to the Highest in the State

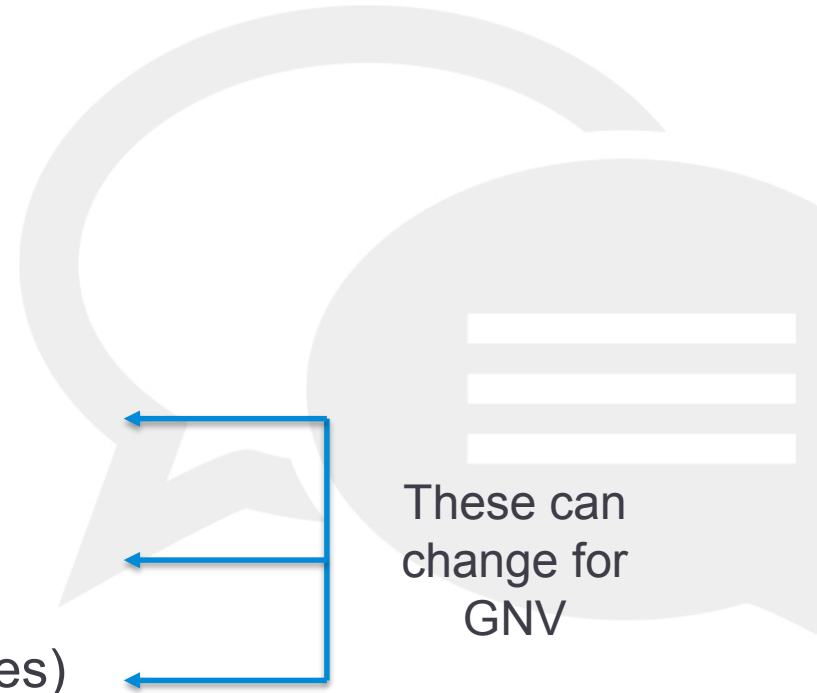
Average One-Way Domestic Fares at Florida Airports (All Airlines)

Full Year 2018

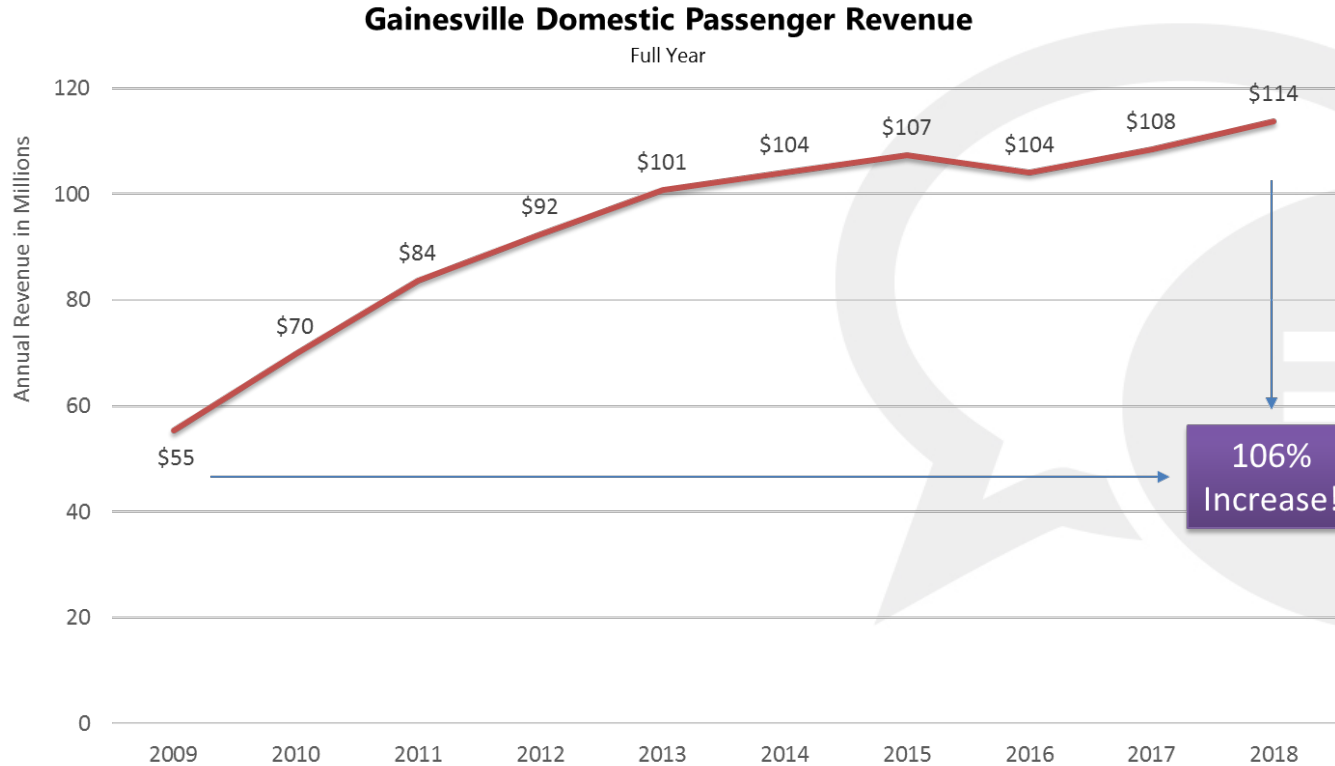


Why Does GNV Have Such High Fares Relative to Other Florida Airports?

- High percentage of business traffic
- High rate of University related traffic
- Low demand for leisure oriented traffic
- Limited competition (Only 2 airlines)
- No LCC or ULCC airline at GNV
- Limited route options (Up from 3 to 4 routes)

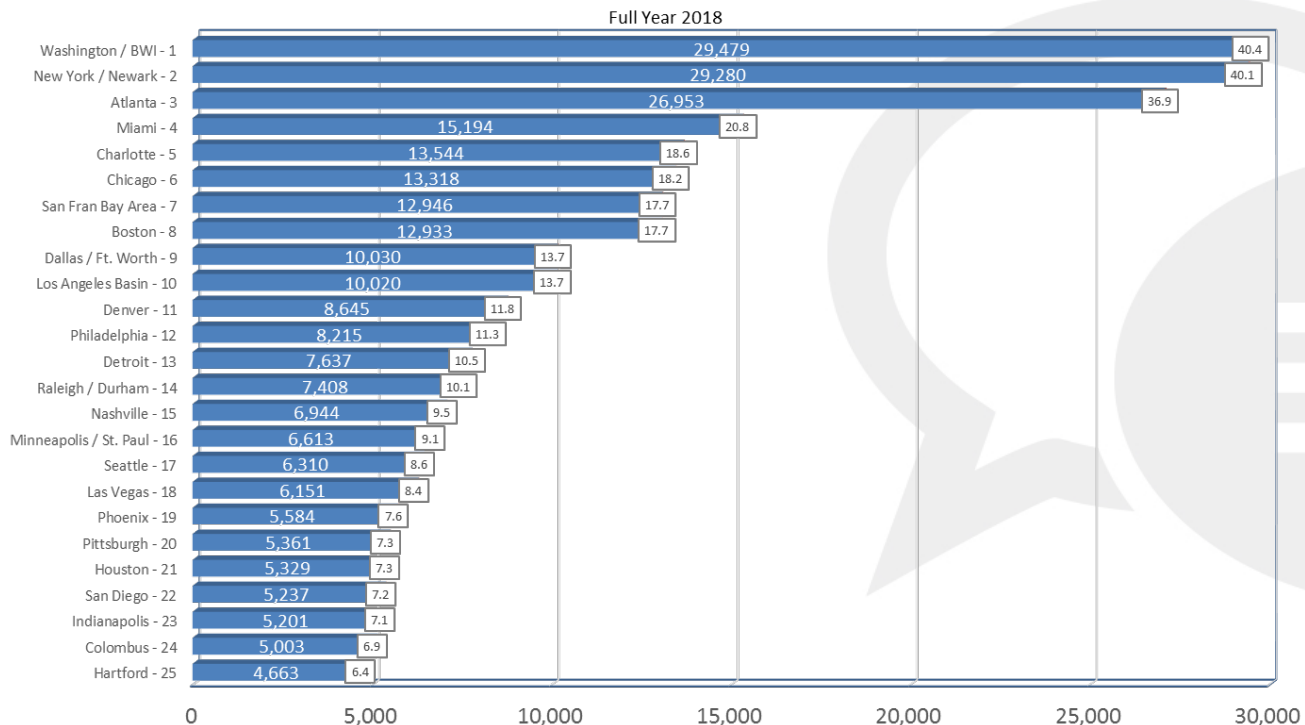


The Combination of Passengers and Their Fares Has Generated a Record Amount of Revenue for Airlines at GNV



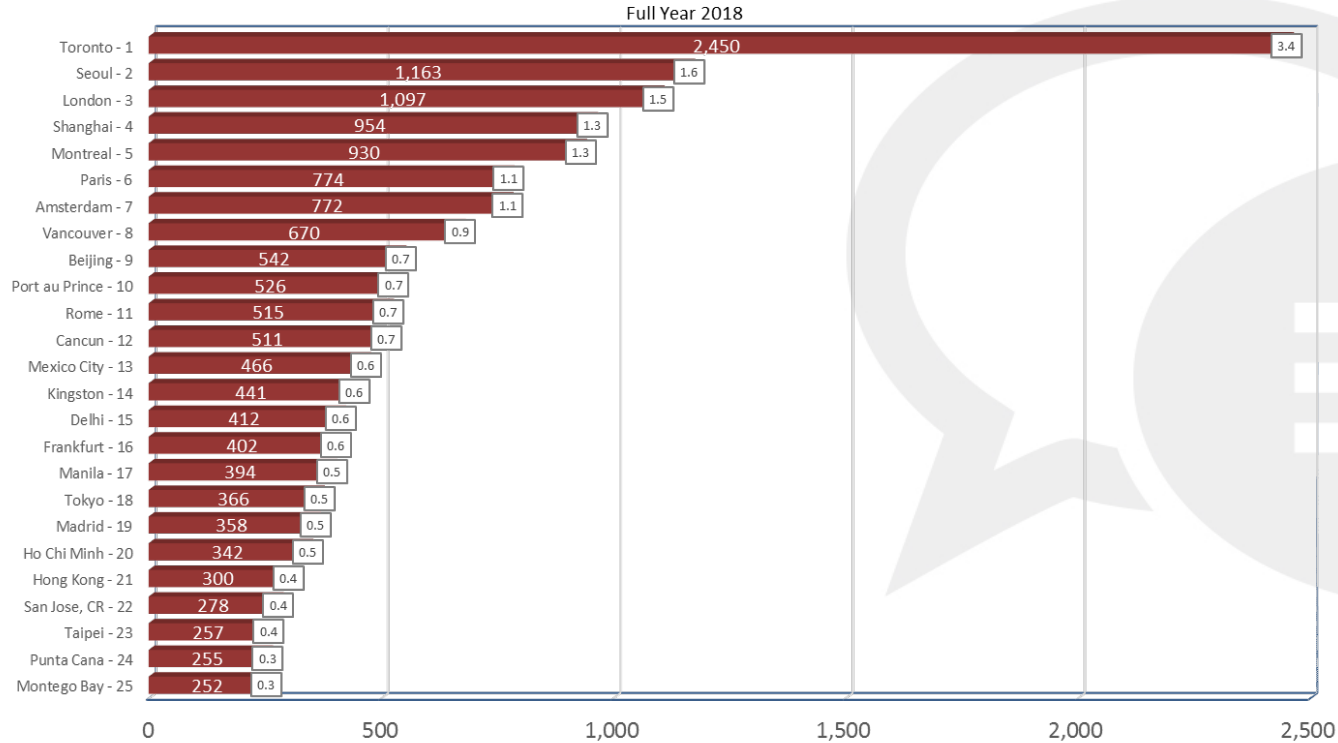
Top Destinations From GNV Are Washington, D.C., New York City, Atlanta, Miami and Charlotte

25 Largest Domestic Markets at Gainesville



Business Markets Dominate GNV's International Demand

25 Largest International Markets at Gainesville

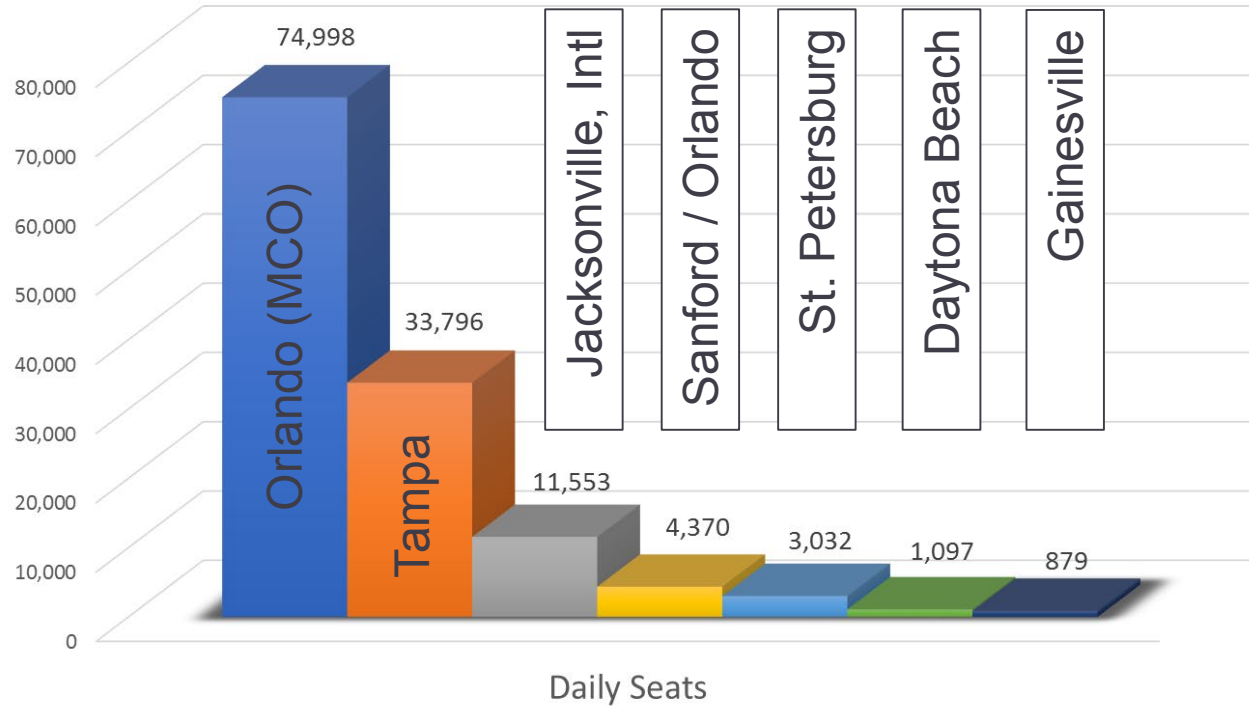


Why Not More?



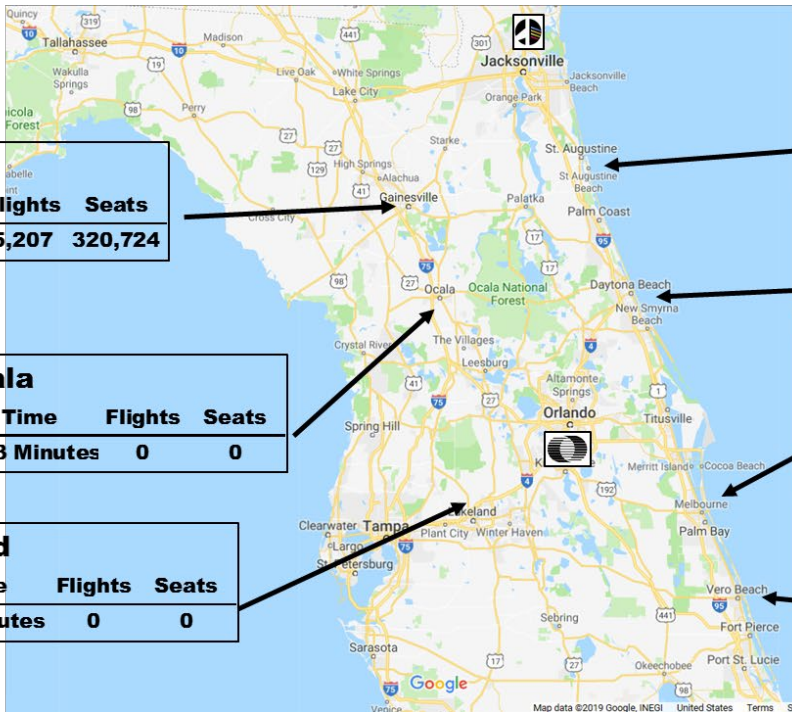
Competition From Other Airports

Average Daily Seats per Airport (2019)



Airports Within Range of MCO See Diminished Flights. GNV Benefits From the Longer Distance Even Without Strong Leisure Traffic

Orlando Int'l Competitors, Flight and Seats (2019)



Gainesville			
Distance to MCO	Drive Time	Flights	Seats
127 Miles	2 Hours 1 Minute	5,207	320,724

Ocala			
Distance to MCO	Drive Time	Flights	Seats
90 Miles	1 Hour, 23 Minutes	0	0

Lakeland			
Distance to MCO	Drive Time	Flights	Seats
63 Miles	1 Hour, 2 Minutes	0	0

St. Augustine			
Distance to JAX	Drive Time	Flights	Seats
46 Miles	50 Minutes	9	270

Daytona Beach			
Distance to MCO	Drive Time	Flights	Seats
71 Miles	1 Hour, 4 Minutes	3,691	400,229

Melbourne			
Distance to MCO	Drive Time	Flights	Seats
61 Miles	1 Hour, 1 Minute	2,724	277,877

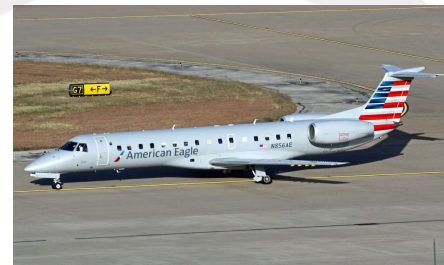
Vero Beach			
Distance to MCO	Drive Time	Flights	Seats
98 Miles	1 Hour, 29 Minutes	91	4,570

Some Options For GNV

New Service Between Gainesville and Dallas / Ft. Worth on American Airlines Began on March 3!



Envoy
ERJ-140



Envoy
ERJ-145



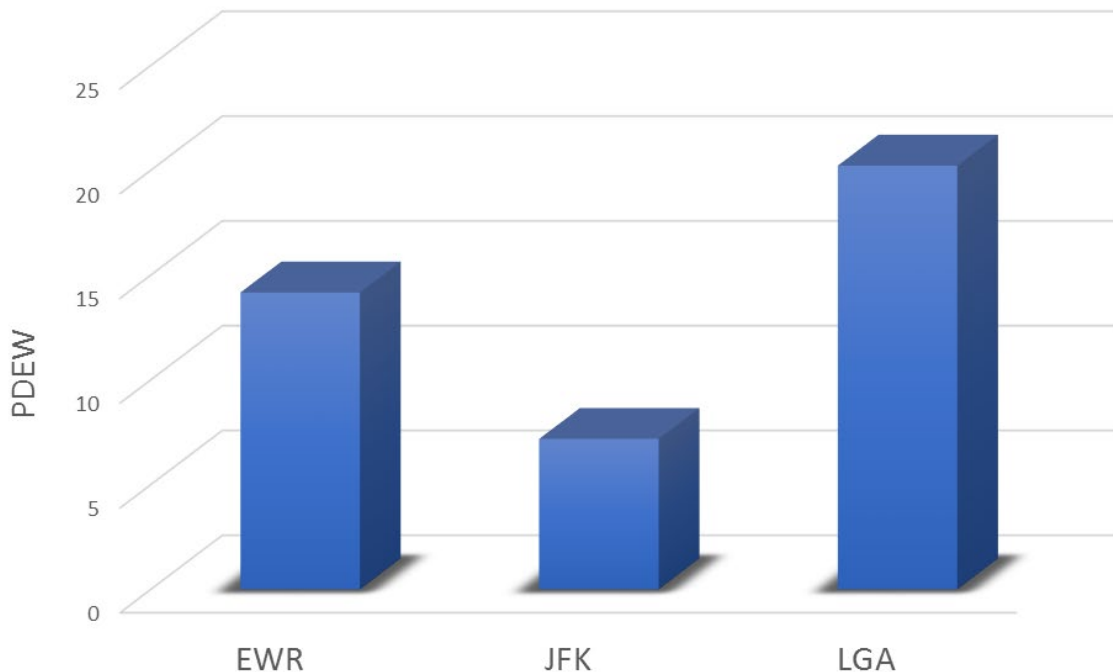
Gainesville to New York City



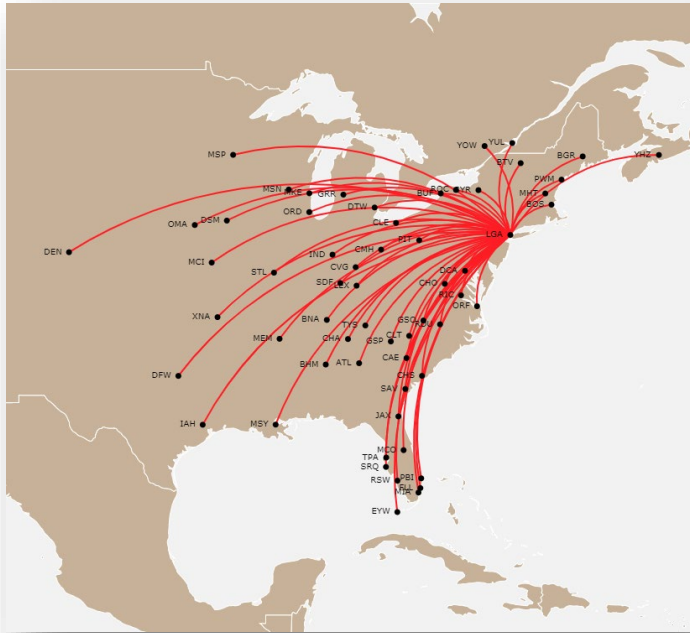
The Marketsize Between Gainesville and NYC Today is About 42 PDEW or Per Day Each Way

- Traffic is split between 3 airports
- There are many competing airlines
- Connectivity is important
- Airports are slot controlled and congested

PDEW to New York City Airports (2018)



Delta and American Both Have Hubs at La Guardia, But Connections Beyond Are Mostly Circuitous



American Airlines



JetBlue Has a Broader Hub at JFK, and United Covers Both Domestic and International Options at Newark



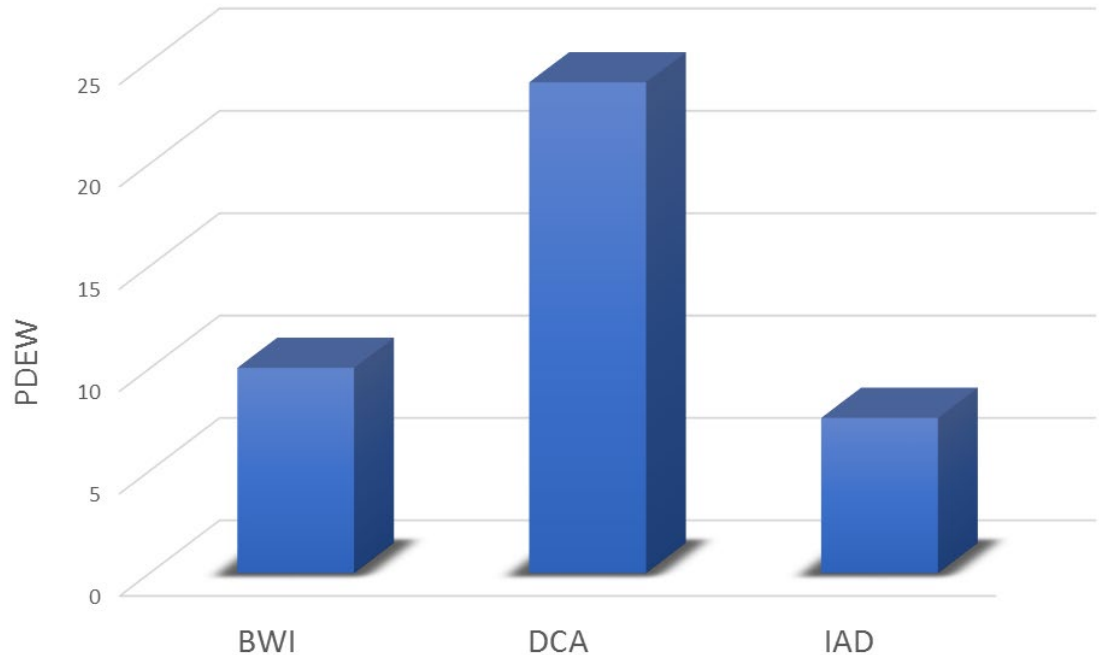
Gainesville to Washington, D.C.



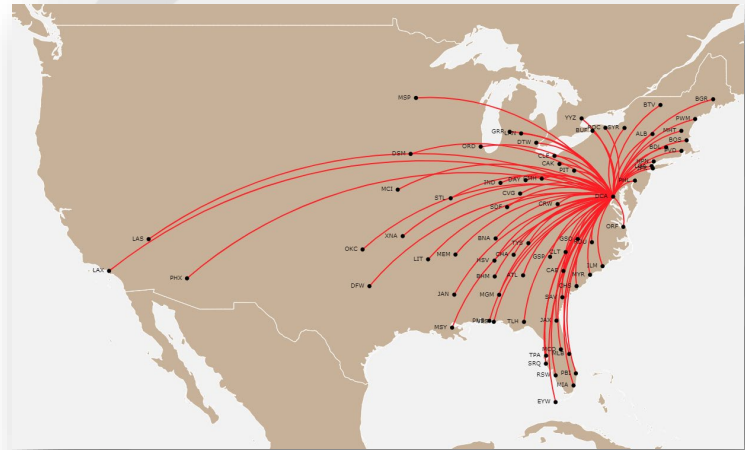
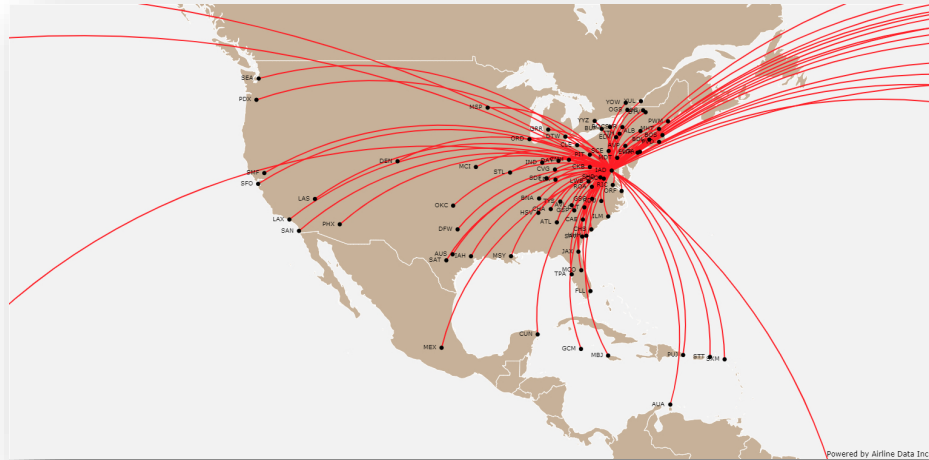
The Marketsize Between Gainesville and Washington, D.C. Today is About 42 PDEW or Per Day Each Way

- Traffic is split between 3 Airports
- There are many competing airlines
- Connectivity is important
- DCA is both slot controlled and congested
- IAD and BWI offer connections, but have less demand

PDEW to Washington, D.C. Airports (2018)



Washington, D.C. Has American Airlines at DCA and United at Washington Dulles (IAD), Each With Pros and Cons



Many People Ask, What About Southwest, Don't They Have a Big Hub at BWI?

- Southwest has one of its largest bases at BWI
- However, the market size is less than 10 PDEW
- Connectivity beyond BWI is weak coming from GNV
- Southwest is typically looking for larger air destinations than GNV

Southwest®



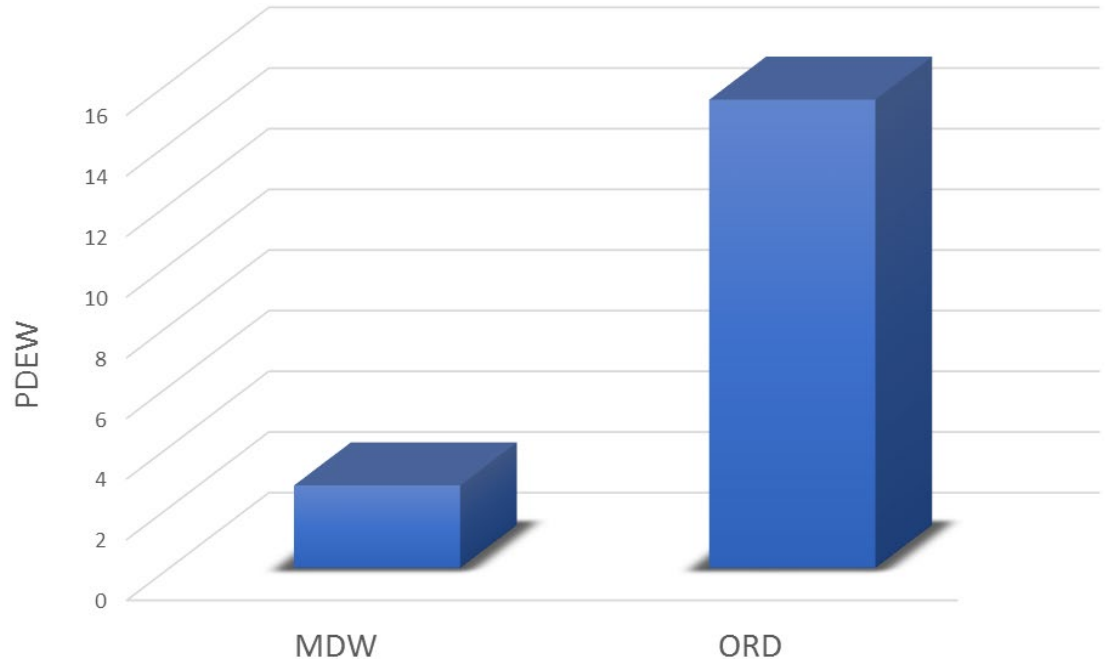
Gainesville to Chicago



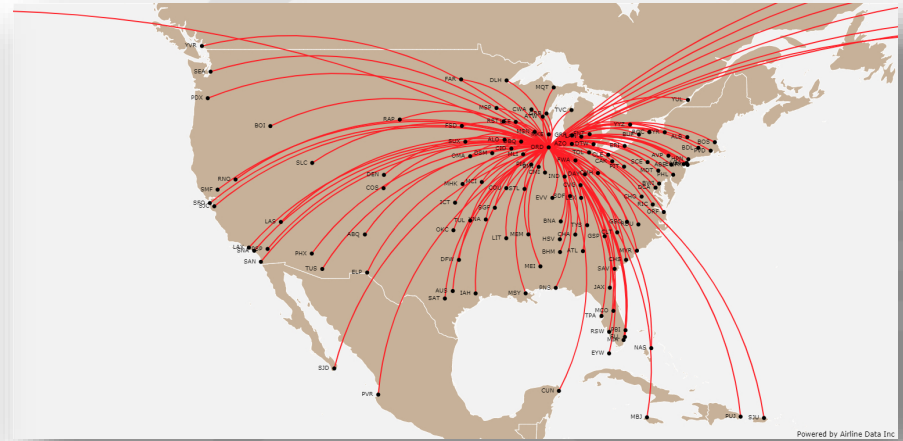
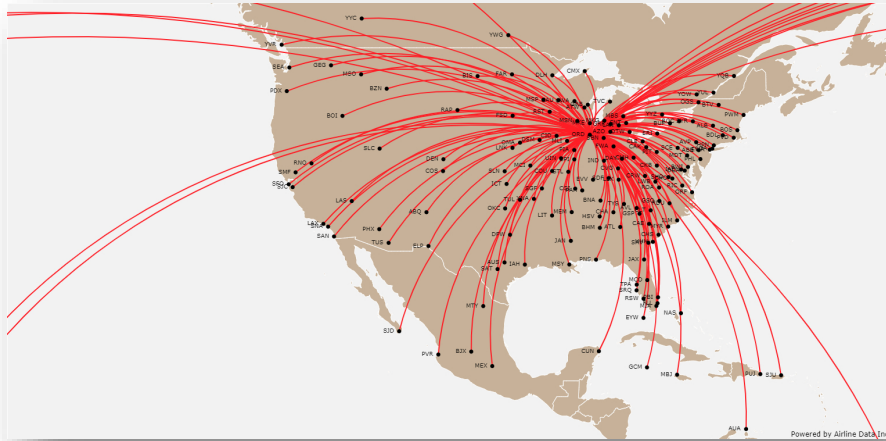
The Marketsize Between Gainesville and Chicago Today is About 18 PDEW or Per Day Each Way

- Traffic is Split Between 2 Airports
- There Are Many Airlines
- Connectivity is Important
- Both airports are congested

PDEW to Chicago Airports (2018)



Chicago Has Both American and United Flying From ORD (O'Hare) to Many Destinations. United is Slightly Larger



What About Other Destinations?

Houston – United or Southwest, 785 miles – With DFW, Less Likely

Boston – JetBlue, 1,076 Miles – No significant connections

Denver – United, Southwest, Frontier, 1,448 miles – Not enough demand

Salt Lake City – Delta, 1,834 miles – Small GNV market, too long for RJ aircraft

San Francisco – United, 2,356 miles – Too far, small market, large jet needed

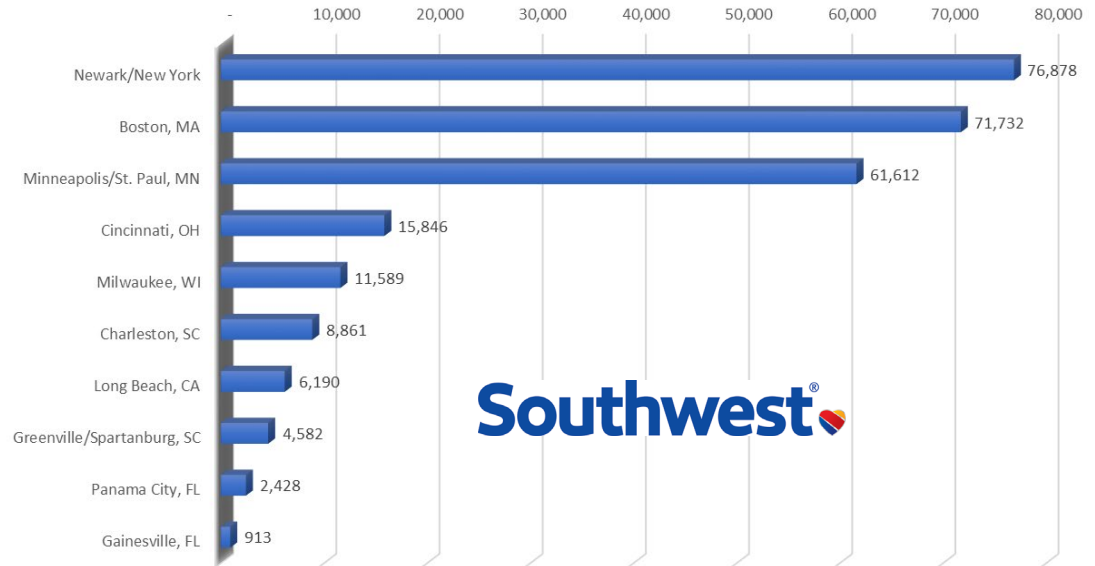
LCC and ULCC Airlines to GNV



It Would be Great to Have an Airline Like Southwest, But if You Look at Their Plans, GNV Is Not On Them

- In the past, Southwest was known for flying from secondary airport in or near large areas
- More recently they have been adding new service to large and medium cities at the primary airports
- Panama City was added as part of a \$15M revenue guarantee and land acquisition

Southwest Airlines, New Markets Since 2010
(US Domestic States)

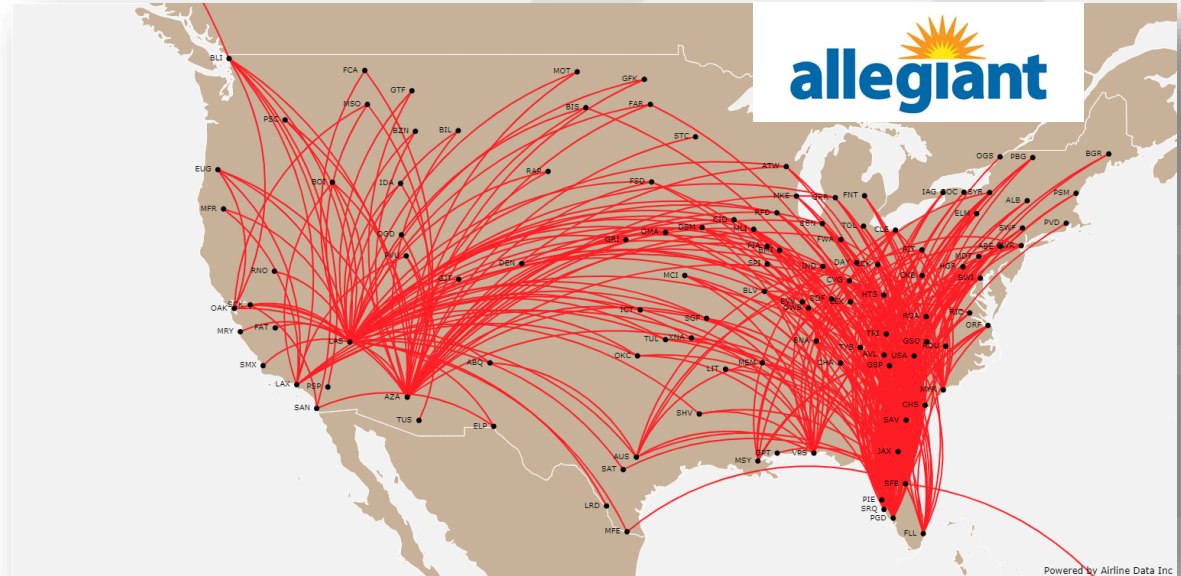


Note: Does not include new markets as part of the Air Tran acquisition

Allegiant Offers ULCC Type Fares and Service, Why Not GNV?

- Allegiant typically flies large aircraft a few times per week
- Most destinations are warm, beachy, or have a strong entertainment tourism vibe
- Low ticket fares are contrasted by high ancillary fees for additional services
- Schedule may be seasonal

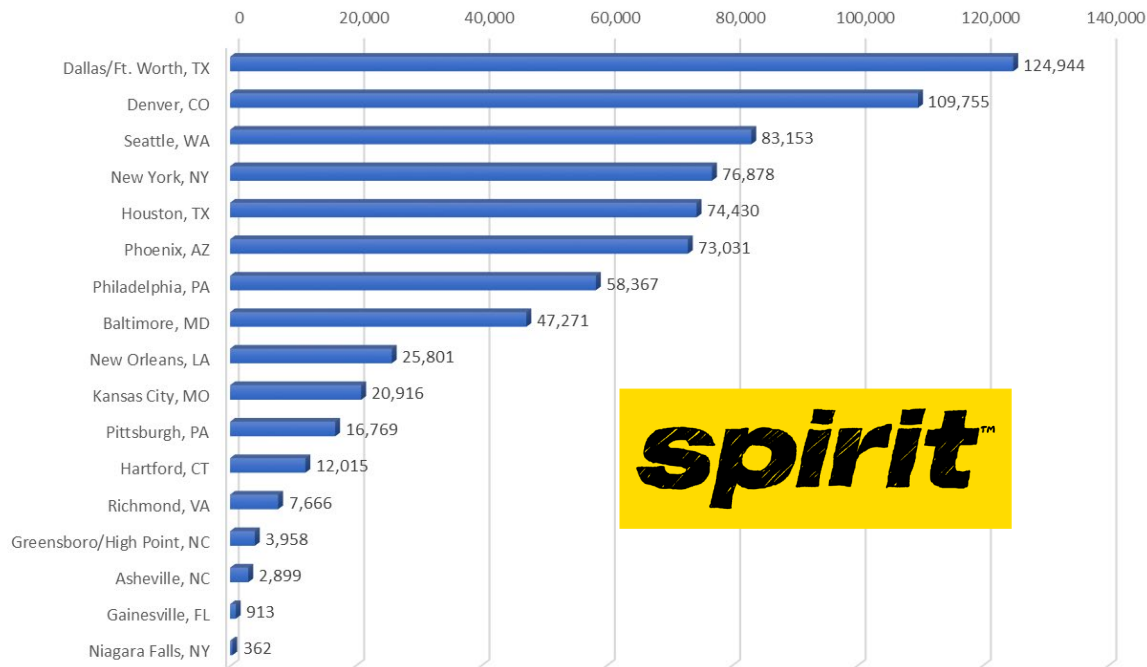
Allegiant Airlines, All Markets
May 2019



Spirit Offers ULCC Type Fares and Service, Why Not GNV?

- With rare exceptions, Spirit flies from large and medium sized markets to other large and medium sized markets
- An exception would be Niagara Falls, NY, which serves nearby Toronto, Canada over the border
- Low ticket fares are contrasted by high ancillary fees for additional services

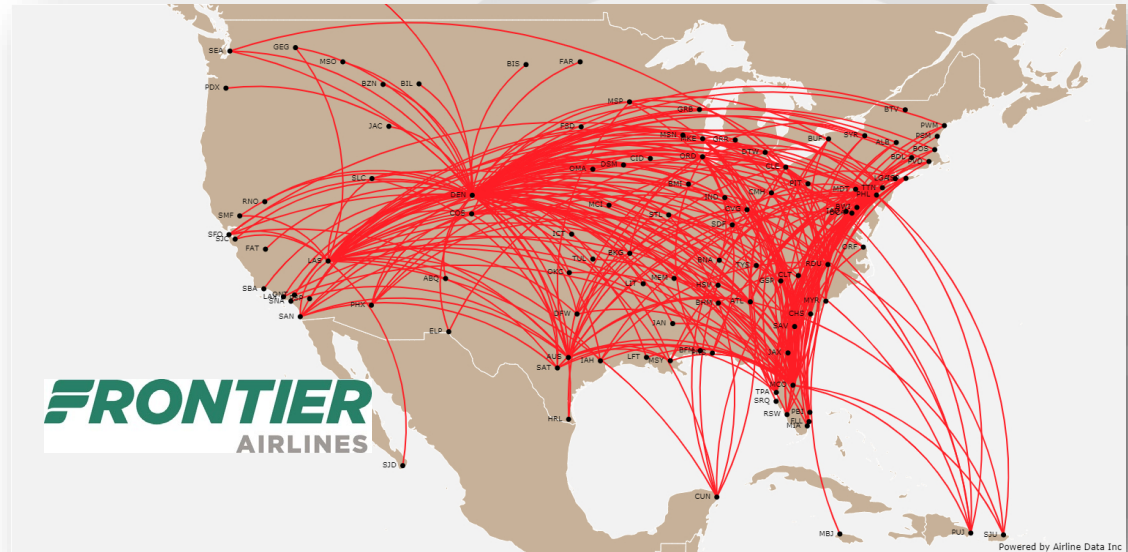
Spirit Airlines, New Markets Since 2010 (US Domestic States)



Frontier Sometimes Selects Smaller Destinations, Why Not GNV?

- Other than their hub at DEN, most Frontier flights go to DEN or warm weather destinations
- Frontier does add smaller destinations on occasion but usually to Denver or leisure oriented destinations such as Florida
- Low ticket fares are contrasted by high ancillary fees for additional services
- Schedule may be seasonal

Frontier Airlines, All Markets
May 2019



What Is It Going to Take to Get Another Airline?

There Are Three Things Working in Favor of GNV to Obtain a Third Airline

- Low Airport Costs
- Above 80% Load Factor
- High Fares to Most Destinations



What Can GNV and the Local Community Do to Improve the Chance of Attracting Another Airline?

- Maintain low airport costs
- Marketing support to new airlines
- Continue to meet with airlines to discuss existing routes and new route opportunities
- Short term waiver of landing fees, office space and other fees
- Apply for a Federal SCASD grant
 - ✓ Small Community Air Service Development grant

What is a SCASD grant?

According to the DOT, the statutory goal of SCASD is to;

- Provide temporary financial assistance to small communities in order to gain or improve access to the national air transportation system
- Assist with:
 - ✓ Insufficient Air Service
 - ✓ Unreasonably High Air Fares
- In past, grant sizes have ranged from \$20,000 to nearly \$1.6 million

Thank You For Your Time!

Questions?



Martin Kammerman

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