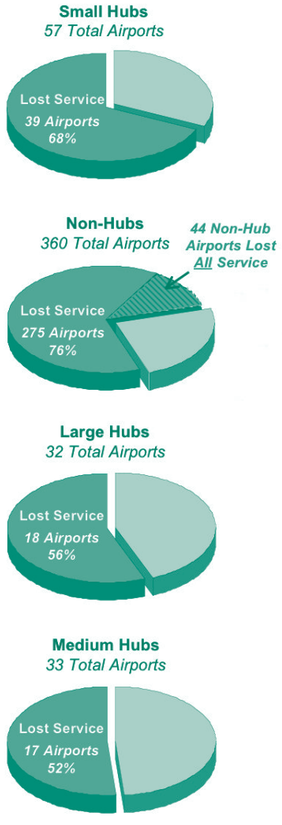
Scheduled Service Reductions at Smaller Airports in Washington are Consistent With National Trends

February 2000 vs. February 2007



- **Since 2000, 76% of Non-Hub Airports Have Lost Service, With 44 Airports Losing All Service**
- **Reasons Include:**
  - Increase in Aircraft Size
  - Changes in Fare Structure
  - Consolidation of Service at Larger Metro Areas to Drive Scale Economies

Washington Mirrors National Trend of Decreasing Commercial Airline Capacity

The U.S. aviation industry is turning the financial corner, experiencing profits for the first time since its post 9-11 decline. With the exception of Alaska Airlines, every other major U.S. carrier experienced operating profits totaling $2.8 B in 2006. However, this turnaround has come at a great cost to airline capacity, nationally and in Washington State.

The financial turnaround can be attributed to aggressive measures taken by airlines to tighten capacity by cutting flights and decreasing aircraft size, which has resulted in fewer seats and increased fares. Even without these intentional measures, airline capacity has been constricted by an unprecedented rise in bankruptcies and mergers. About 5% of the reduction in capacity can be attributed to bankruptcies from carriers such as Delta, US Airlines, Northwest, ATA and United. In addition airlines like Alaska, American and Continental, which have avoided bankruptcy in the last five years, have significantly restructured their operations and decreased service levels particularly within their regional divisions. This has disproportionately impacted smaller communities.

Overall, 72% of U.S. airports have lost service since 2000, with Pacific states leading at 79%. Most of that lost service has been at Non-Hub airports, which have lost 42.5% of their service since February 2000.

Although airline capacity is likely to increase slightly in 2007, primarily among low cost carriers (LCCs), potential growth will be moderated by the fact that U.S. carrier's aging fleets are not being replaced quickly. Therefore, new increases in capacity will be delayed until at least 2010. Additionally, the LCC growth is focused on large or medium sized markets and smaller markets are rarely considered but are typically impacted as passengers drive to nearby airports for the service and competitive fares LCC's provide.

Specific to Washington State, the Phase II LATS study is showing that airline capacity growth has slightly lagged behind the U.S. average over the last three years. In fact, many of the smaller commercial airports in Washington have lost considerable service over the last 6years. In many cases these smaller airports are being served by only one carrier, and it is unclear whether those airlines will be able to sustain frequent service to these smaller airports in the future. In all, 86% of commercial passengers are served through Sea-Tac, 10% through Spokane and all other airports in the state account for the remaining 4% of service. This disproportionality is expected to continue through 2030 and with it, the potential decline in small airport commercial service.

Despite decreased airline capacity over the last five years, statewide demand is projected to increase over the long term at all commercial air service airports and seaplane bases.

Washington State Department of Transportation

Washington State Department of Transportation

LATS Update

April 2007

Long-term air transportation study: where are we now?

The Washington State Department of Transportation (WSDOT) has launched into Phase II of its three-phase project to evaluate current and future needs at Washington State's 140 public use airports. The Phase II technical analysis of the Long-Term Air Transportation Study (LATS) will produce long-range demand forecasts for general aviation (GA) and commercial airports, an air cargo assessment and market analyses of commercial airports, as well as evaluate high-speed passenger rail service. In addition, future capacity and facility estimates will be developed for each airport and compared to the forecast demand for the next 25 years.

Phase I concluded in September 2006, and included an extensive statewide inventory of Washington State's existing airport facilities, as well as an analysis of the current airport capacity utilization. In addition, a public communication and outreach effort supported the LATS technical evaluation and findings. Outreach activities included conducting statewide regional meetings, performing online surveys and stakeholder interviews, issuing quarterly newsletters, developing press release and media alert information and participating at statewide aviation events such as WAMA and the Port Association's annual meetings. Phase I results helped to significantly expand upon WSDOT's 2003 airport facilities database, including several new elements that provide a comprehensive overview of the physical inventory of the airport system. The Phase I report is available on WSDOT Aviation'sWeb site at: www.wsdot.wa.gov/aviation/LATS.htm.

Phase II technical results will be finalized and released in July 2007. At that time, the Governor will appoint an aviation planning council that will use Phases I and II findings to develop statewide strategies for meeting future aviation capacity needs. The formation of the Council will mark the beginning of the third and final Phase of LATS. The Council's recommendations will be presented to the Governor after a comprehensive 24 month review and evaluation process.

Tell us what you think on-line!

What needs you think the Long Term Air Transportation Study should address. It just takes a few minutes to complete the LATS Phase II survey on-line. To complete the survey please go to the Washington State Department of Transportation, Aviation Web site: www.wsdot.wa.gov/aviation or type the following link into your browser: http://67.50.150.182/Infopoll/surveys/s96.htm

In this issue:

- Phase I and Phase II Review
- Letter from the Director
- Air Cargo
- General Aviation
- High Speed Rail
- Commercial Aviation

LATS Update

Washington State Department of Transportation

WSDOT will be presenting Phase II findings and soliciting your feedback at these workshops:

Tuesday, May 1, 2007
2:00 p.m. – 3:30 p.m.
South View Lounge
The Museum of Flight in Seattle, WA
(Refreshments provided)

Wednesday, May 2, 2007
10:30 a.m. – noon
Golden Delicious Room
Wenatchee Convention Center in Wenatchee, WA
(Lunch follows)

For further information about the regional aviation workshops, contact Nisha Marvel, WSDOT Aviation, 360-651-6310 or marveln@wsdot.wa.gov.

Dear Reader:

I am pleased to report that the State's first Long-Term Air Transportation Study (LATS) is making great progress and will go a long way toward giving decision and policy makers the information necessary to make strategic investment decisions about the future of Washington's statewide aviation system.

Phase I concluded last Fall with the release of the Airport Facility and Capacity Report. Thank you to everyone who participated in collecting this important information. In this issue, you will find highlights from our Phase I report. We also present initial findings and ongoing efforts of Phase II.

In Phase II of LATS, we are conducting long-range forecasts and market analyses at both general aviation and commercial airports, assessing air cargo and evaluating high-speed passenger rail service. Future capacity estimates will also be developed for each airport and compared to the forecast demand for the next 25 years.

Public participation is a critical part of LATS. Our newsletter, Web site, online surveys and regional public meetings are just some of the ways we are reaching out and communicating on the LATS progress. I hope you will join us at one of two upcoming regional outreach events this May. Dates and locations are provided on in this newsletter and on our Web site at: http://www.wsdot.wa.gov/aviation/LATS.htm.

I encourage you to stay informed and involved in the LATS process by visiting the LATS Web page at: http://www.wsdot.wa.gov/aviation/LATS.htm. Our LATS site is interactive and designed to provide you with LATS updates, as well as offer a forum for input and comments. Nisha Marvel, our Communications Manager, is also available to answer any of your questions. You can reach her at (360) 651-6310, or e-mail her at MarveIN@WSDOT.WA.GOV.

Sincerely,

John Sibold, Director
WSDOT Aviation

Air Cargo Continues To Grow

Air cargo activities are projected to increase by an average of 3.5% annually, which exceeds the national average of 1.5% growth over the past 10 years. In all, forecasts indicate that annual cargo aircraft operations will increase from a total of 51,300 to almost 75,000 by 2030 with DHL, FedEx and UPS generating the majority of Washington's air freight activity.

What's In Store for General Aviation?

By 2030 LATS Projects GA Operations to Increase from 3.1 M to 4.6 M.

General aviation (GA) operations represent 82% of 2005 total aircraft operations in Washington State. These operations are geographically dispersed and provide broad access by residents and visitors to the farthest corners of our state. GA is the predominant or only type of aviation activity at 122 of Washington's 140 public use airports. Today, 66 of the public use airports are part of the Federal Aviation Administration's (FAA) National Plan of Integrated Airport Systems (NPIAS) because they serve a significant role in the development and maintenance of the national air transportation system, a designation that makes these airports eligible for federal financial assistance.

The LATS Phase II effort is finding that over the past 18 years, GA growth in Washington has outpaced the rest of the nation, consistent with Washington's higher socio-economic profile and historic pioneering spirit with GA activity. Although the largest component of the fleet mix is single engine pistons, the fastest growth has been among jet aircraft. Although today, jet aircraft represent less than 2% of the total market this number is expected to rise. It is projected that as Very Light Jets (VLJs) continue to enter the national GA fleet, they will accelerate growth in the jet segment. A major factor for their rapid emergence and expected growth is the substantial lower ownership cost with prices ranging from $1.5M to $3.5M versus $5M to $10M as a starting price for most business jets.

Between 2005 and 2030, Washington's based GA aircraft are forecasted to increase from 8,200 to 11,800, representing total growth of 44.1% (1.5% annual growth). The Puget Sound region will continue to represent the highest concentration of GA activity within Washington State (46.1% of based aircraft in 2030), but other significant concentrations of GA activity include Spokane (6.5%), Southwest Washington (5.8%) Benton-Franklin (5.7%) and Quad County (5.5%). The fastest growth for GA activity is expected to occur in Thurston County (2.1% growth in based aircraft).

Is High Speed Rail Part of the Answer?

The Washington State Legislature required the LATS project include an evaluation of whether high-speed ground transportation could support the functionality of Washington's aviation system. Two questions were posed:

- Could high speed ground transportation be a viable alternative to flying between some cities?
- Could it help provide improved airport access and connectivity?

To answer these questions, LATS reviewed the extensive data collected from previous high speed rail study efforts and evaluated projected passenger demand and the feasibility of high speed ground transportation alternatives. The analysis indicates that development of additional service along the Amtrak Cascades (Vancouver, BC to Eugene, OR) corridor is the most promising option for providing complementary and connective service to the congested air passenger transportation system. The only other corridor where rail service may become feasible, and where reasonable ridership can be expected, is between Seattle and the Tri-Cities.

Implementation of high speed passenger rail in other corridors is much more challenging because of current and future rail capacity limitations.