

Commercial Air Service Revenue Guarantee for daily non-stop jet service to Phoenix

Local Match Proposal

February 2016

Background

Given Central Oregon's isolation from other metropolitan areas and distance from interstate infrastructure, regularly scheduled commercial air service plays a more important role as critical transportation infrastructure than perhaps any region within Oregon and the Pacific Northwest. In 2015, as part of the ongoing effort to continue improvement of commercial air service to the tri-county region, the Central Oregon Air Service Team (COAST) in partnership with the Redmond Airport, applied for a federal Small Community Air Service Development Program (SCASDP) grant. The purpose of that grant was to help attract daily service to Sky Harbor International Airport (PHX) in Phoenix, Arizona. Redmond was successful in that application, and along with 9 other airports across the country that competed against 60 applicants, won a \$500,000 award for an airline revenue guarantee fund specifically to attract daily service to Phoenix. A revenue guarantee fund covers losses in months or quarters that the airline loses money on service to small airports like Redmond.

Part of competitive criteria for the federal grant was for the region to match federal funds with local cash, marketing and other contributions to entice an air carrier to the market. In addition to marketing (both in our region and in the greater Phoenix area), and reduced fees at the airport, our successful application included raising at least \$100,000 in cash from the region's governments and local businesses to be combined with the \$500,000 revenue guarantee award. This mirrors the successful effort to attract daily service to Los Angeles International Airport (LAX) in 2013. Today's work to attract PHX service differs in that no prepaid travel campaign was offered, otherwise known as an Airline Travel Bank (ATB).

Why Phoenix?

For years, PHX has been COAST's #1 priority. First, it is at the top "true market" (where people are already flying) for our region that does not currently have direct air service. Second, it has grown to be the 6th largest metro area in the U.S. , and with that growth it has significant high technology, bioscience, and medical industries – all targets for our regional economic development. Additionally, we believe there are excellent opportunities for seasonal tourism growth in this market. In short, there is no other new market that is more logical for the Redmond Airport and our region to pursue.

Proposed Scenarios

In 2013, Central Oregon cities and counties contributed a total of \$90,000 to attract LAX service. COAST proposes that a total of approximately \$80,000 be contributed for PHX service from cities and counties and the \$20,000 balance from private businesses and organizations in the region. There are several methodologies to attempt to make public contributions equitable. This contribution scenario is outlined in the last column of the table below, along with what was contributed by each public entity in 2013.

Proposed Contribution – PHX Service			
Area	2013 Contribution (LAX)	*2014 Population	\$0.38 per Capita (allocated pop. only)
Crook County	\$10,000	20,780	-
Prineville	\$4,000	9,385	\$3,566
Unincorporated Crook Co.	-	11,395	\$4,330
Deschutes County	\$25,000	166,400	-
Bend	\$15,000	79,985	\$30,394
La Pine	-	1,670	-
Redmond	\$20,000	26,770	\$10,173
Sisters	\$3,000	2,190	\$832
Unincorporated + La Pine	-	55,785	\$21,833
Jefferson County	\$8,000	22,205	-
Culver	-	1,380	-
Madras	\$5,000	6,260	\$2,379
Metolius	-	700	-
Unincorporated + Culver and Metolius	-	13,865	\$5,820
Tri-County Total	\$90,000	209,385	\$79,327

**Source: Population Research Center, PSU. 2014 data is for July 1, 2014 estimates.*

In 2013, the Redmond Chamber graciously volunteered to help with the collection of these funds and disbursement to the airline during the two-year contract covered by the service and revenue guarantee agreement. This time around, the Bend Chamber has preliminarily expressed interest in playing this important role.

Timing

Timing for securing funds for the \$100,000 match should match up with the 2016-17 fiscal year since new service would not start until after runway construction (and closure) is complete in late May of this year. As such, funding could be contributed from either the current fiscal year, next fiscal year or a portion from both. That said, time is of the essence for this project. COAST is working with a specific airline, which would like to execute an air service agreement with the Redmond Airport within the next two weeks. Typical air service is announced publicly at least 30 days in advance of it being loaded into the national system, which happens 90 days before the service starts.

Future Air Service Recruitment

COAST hoped to have a dedicated source of funding for the local match to the federal SCASDP Grant developed for our anticipated timing of PHX service in 2017. Obviously, that timeline was accelerated and it is critical that we capitalize on the current opportunity now. But efforts will continue this year to make that happen – most likely within the borders of Deschutes County alone. Ideally this will be the final “pass the hat” effort COAST will have to bring you and your communities for air service recruitment.