

Project Summary Report 8185

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Montana Air Service: *Opportunities and Challenges*

http://www.mdt.mt.gov/research/projects/aer/air_challenges.shtml

Introduction

The Montana Department of Transportation, in conjunction with the Montana Department of Commerce, initiated a research project in late 2004 to report on the status and provide an assessment of air service in the State of Montana. The goal of the study was to provide a historical framework from which to understand changes in air service. With the framework established, an analysis of national and state trends was conducted to set the stage for determining the opportunities and challenges in improving air service in Montana. Airport infrastructure needs, intermodal concerns, and long-range transportation policy issues were considered as they relate to development of a strategy for air service enhancements. Finally, a statewide marketing strategy was identified that documents considerations for improvements. Performance measures were also developed that can be used to monitor the performance air service as changes continue.

What we did

The approach used to evaluate Montana's air service included compiling data from national, state, and airport-related sources and analyzing the data based on the researchers' knowledge of the airline industry. Six steps were used to conduct the research including: 1) Review existing and historical air service; 2) Analyze trends impacting commercial air service, including Montana-specific trends; 3) Evaluate the impact of federal initiatives; 4) identify air service challenges and opportunities; 5) Document the current health of airport infrastructure and intermodal needs; and 6) Develop a marketing strategy.

What we found

Existing System. Montana currently has 15 commercial service airports to serve its population centers. The seven largest airports (referred to as Commercial Service in the Study) serve the state's large and medium-sized population centers at Billings, Bozeman, Butte, Great Falls, Helena,

Kalispell, and Missoula. The remaining eight Montana airports (referred to as Essential Air Service or EAS) serve the state's smaller communities of Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney, West Yellowstone, and Wolf Point (Figure 1).

There are several carriers that serve Montana's airports. Eight of the State's 15 airports are served by one regional carrier only; these eight communities are those with federal Essential Air Service (EAS) supported service. Large airlines serving Montana include Alaska/Horizon, Delta, Frontier, Northwest, and United. Big Sky Airlines serves 12 of the State's 15 air service communities. In addition, eight of the State's airports serve air cargo needs.

Montana is one of the lowest-ranking states in the continental U.S. in terms of domestic origin and destination (O&D) passenger activity and also has some of the highest airfares in the country. When ranked by outbound O&D passengers, Montana ranked 39th among continental U.S. states in 2005. When ranked by average one-way fares, Montana is



Figure 1: Commercial Air Service Airports in Montana.

ranked 45th, or the fourth-highest. The average one-way fare paid by domestic passengers originating in Montana was \$168.14 in 2005. This is \$24 more than the average one-way fare paid by all U.S. domestic passengers combined. In addition, due to its remote location, many air travelers in Montana tend to travel further than the average continental U.S. traveler. The average itinerary for Montana O&D trips was over 1,300 miles, while the U.S. average was over 1,100 miles. This accounts for a portion of the higher fares as well.

Industry Trends. While many industry trends have impacted air service throughout the U.S. and in Montana, some of the most significant changes that have impacted the service provided to Montana’s airports include:

- Carrier consolidation and bankruptcies;
- High cost of fuel;
- Increasing number of low fare carriers;
- Regional carrier absorption by larger carriers; and
- Regional jet aircraft introduction and increasing use.

Impact of Federal Initiatives. Public policy has played a key role in shaping the way that air service is delivered in the U.S. There is little doubt that Airline Deregulation in 1978 permanently altered the course of modern day air service. However,

even more recently, public policy has impacted air service within the U.S. and, in particular, air service for small communities.

Four specific federal initiatives or programs have and will continue to impact Montana’s Commercial Service Airports. These initiatives or programs include the following:

- Essential Air Service;
- Small Community Air Service Development Program;
- Transportation Security Administration; and
- FAR Part 139.

Opportunities and Challenges. Airports in Montana should build strong relationships and have frequent open dialog with their incumbent carriers. Often, air service development efforts overlook the existing carriers are profitable in their routes. Airports in Montana should pursue the following related to existing service:

Billings:

- Add (3 total) daily nonstop flight to Minneapolis operated by Northwest Airlink on CRJ aircraft.
- Expand scheduled service to Chicago on United.
- Add flights to Las Vegas on Allegiant Air.
- Add flights to Denver on Frontier Jet Express.

Bozeman:

- Add nonstop CRJ flights to Minneapolis on Northwest Airlink.
- Monitor the ridership of seasonal Atlanta-Bozeman service to try to add several weekly flights on more than a seasonal basis.

Butte:

- Upgrade current one-stop service to Seattle on Horizon Air to nonstop service.

Great Falls:

- Supplement existing service to Minneapolis with additional CRJ service.
- Upgrade current one-stop service to Seattle on Horizon Air to nonstop service.
- Add One nonstop flight to Denver on United Express.

Helena:

- Add nonstop CRJ flights to Minneapolis on Northwest Airlink.

Kalispell:

- Upgrade current one-stop service to Minneapolis to nonstop service.
- Add nonstop service to Seattle (upgrade one-stop service).
- Work with US Airways to see what can be done to establish year-round daily service to Phoenix.

Missoula:

- Add flights to Las Vegas on Allegiant Air.
- Supplement existing service to Minneapolis with CRJ service.
- Expand weekend only service to Chicago on United Express.

Several markets and carriers appear to have potential for being new nonstop markets for Montana airports. The airports should work with carriers serving the state to see if opportunities exist in their route planning. There are three types of carriers that can be analyzed for future air service opportunities in Montana. They are 1) traditional carriers with ties to the hub and spoke system, 2) low fare carriers, and 3) point-to-point carriers, such as Big Sky.

According to O&D analyses, it appears that Montana airports should pursue better linkages to the eastern half of the U.S. through the commuter partner of traditional carriers as well as strengthen connections to Southwest U.S. Montana airports should pursue opportunities to the following hub airports:

- Chicago,
- Cincinnati,
- Atlanta,
- Las Vegas,
- Los Angeles,
- Denver,
- Phoenix, and
- Dallas/Ft. Worth.

The opportunities that should be pursued in the low fare airline realm include:

- Frontier – Bozeman, Kalispell, Missoula.
- Other - Monitor other carrier fleets and route planning including JetBlue, AirTran, Southwest, and Virgin America (expected to begin operations in early 2007). US Airways should also be watched closely. The carrier intends to operate with a low cost business model. However, the long-term ability to be a true “low fare” carrier remains uncertain.

Due to its proximity to the Canadian provinces of Alberta and Saskatchewan, the possibility of new air service links between Montana and Canada has been an ongoing effort by local, state, and provincial officials. From the results of the statewide business survey that was administered, it appears that just a small amount of business travel is currently conducted between Canada and Montana. Also, when transborder service is analyzed, only a small amount of air travel is generated between Canada and Montana. The top destinations were Vancouver (31 percent), Toronto (26 percent), and Montreal (11 percent).

Airport Infrastructure and Intermodal Needs. All of Montana’s Commercial Service and EAS airports have sufficient runway length to accommodate airline activity. All Commercial Service airports have an air traffic control tower except for Bert Mooney Airport in Butte. Most Commercial Service airports have either had a terminal remodel within the last few years or are planning a terminal remodel within the next five years. The terminal remodel will update many new space requirements to accommodate TSA security, the new baggage checks, and add passenger loading bridges. Most of the EAS airports have an adequate terminal for the demand currently experienced at the airport or anticipated within the next five years. Only a few EAS airports have a terminal expansion or remodel in their capital improvements. All

the Montana Commercial Service airports have Navigational Aids (NAVAIDS) for at least one of the main runways for the commercial aircraft to operate on. All of the Commercial Service airports and West Yellowstone Airport meet FAR Part 139 requirements. The remaining seven EAS airports have projects planned within the next five-year Capital Improvements Plan to bring them within compliance of Part 139.

Marketing Strategy. In terms of air service, unless a market is proven, small and medium-sized communities need to have the local and state support in place and incentives (financial and other) to offer potential carriers before many carriers will even consider entering a market. The state and local communities need to be well organized and have a good understanding of their markets to ensure the most effective pursuance of local air service improvements.

What the researchers recommend

Montana should consider implementing some of the approaches used by other states to improve air service. The state of Montana stands to benefit economically if the opportunities for improving air service identified in this study can be implemented. Initiatives to be considered at the state level include:

- Continue to support EAS and the Governor’s Essential Air Service Task Force.
- Develop a statewide air service committee.
- Create a policy statement.
- Fund a state air service development program.
- Work with state universities.
- Coordinate with other state agencies.
- Create State Air Service Development Program.
- Create state fund to match federal SCASDP grants.
- Develop state subsidies or revenue

guarantees to airlines.

- Develop statewide marketing campaign.
- Fund marketing support to airports.
- Conduct additional airport studies/surveys.

It is important that each of the communities supporting commercial airline service has a sincere interest in improving their service and that the information presented in this study is used as the basis for developing an individual action plan. As such plans are prepared, it is important that the airports and communities recognize obvious limitations that may need to be addressed related to plan implementation. Actions that should be considered at the local level include:

- Establish local catalyst and air service task force.
- Identify and monitor target audience and build consensus.
- Work with incumbent carriers.
- Implement marketing and community education.
- Hire an air service development coordinator.
- Conduct airline marketing.
- Fund revenue guarantees/subsidies.
- Provide free ground handling, terminal/counter space, gate leases, landing fees, etc.
- Develop program to advertise to passengers.
- Develop passenger rebates to use local airport.
- Coordinate Frequent Flier bonus miles program.

MDT should track certain statewide performance measures in order to continue to adjust their marketing strategy in the future. The state should compile the data on a monthly, quarterly, and annual basis in order to track the performance of the airports and state as a whole. The state’s program should track the following data:

- Air Passengers,
- Aircraft Operations,
- Air Cargo,
- Industry Trend Watch, and
- Socioeconomic Trends.

For More Details . . .

The research is documented in Report FHWA/MT-06-013/8185, *Montana Air Service: Opportunities and Challenges*

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This study has established work plan options for state and local entities. Approaches used by other states to improve air service will be taken into account. Some of the recommendations are in place today. These efforts will be continued and expanded where achievable. Other suggestions including public/private partnerships will be reviewed for development. Local agencies and facilities will assess alternatives that require a funding source and consider those options where feasible.

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