

**CRC Infrastructure Sub-Committee
Project Identification Template and Instructions**

I. What - Project Information/Basic Facts

1. Project Scope - The Mobile Airport Authority and the Mobile Area Chamber of Commerce, in partnership with nine organizations from around the region, hope to “achieve” the level of air service our community deserves and needs by attracting a low-fare carrier to the Mobile Regional Airport. At least three criteria must be met before an airline will initiate new service in a market. First, the market must fit the business model of the airline in terms of historical passengers, demographics and must be projected to offer a return on investment. Second, the airline must have unused resources such as available aircraft time and/or pilot time to allocate to the new service. Lastly, the community must support the airline and new air service before the service commences and long after. Before meeting with any airline, vast amounts of research are done to determine the viability of a route. However, the third criterion is often the weak link. Our community, through the Task Force, regularly partners and assists with support projects, either by writing letters of support, pledging funds or by pre-purchasing airline tickets. The airport, although restricted from providing cash incentives, can and does waive terminal fees and other passenger-type fees. Even with these sometimes enormous pledges of support, new air service is still not feasible without sizable cash incentives – for the short-term.

2. Project duration or schedule by phase and status of any work in progress - In 2007, the Mobile Area Chamber of Commerce and the Mobile Airport Authority joined forces to create an Air Service Development Task Force to address air service related issues and further market our community to airlines. Seventy companies from our region joined our Task Force. Over the past four years this strong and committed group of community leaders has worked to achieve the following goals: maintain existing air service, promote growth by improving existing air service and secure new air service. As our regional economy continues to grow the need for lower fares and more non-stop service to more destinations continues to increase. Over the past 10 years, the airline industry has been forced to evolve due to airline bankruptcy, economic downturn and terrorist threats. Airlines now require the communities they serve to share the risk of new or increased service in the form of cash or in-kind contributions, many times totaling millions. There is an opportunity to take the Mobile Chamber’s Air Service Task Force to the next level and create a revolving air service development incentive fund to help bring low-fare air service to the region. The funds for such an incentive would be used to support air service that is believed, after a brief incentive period, to be able to succeed on its own. The main tenant to a successful incentive is that it must be available and easily accessible at the time an airline

agrees to initiate service, not long after. An air service development fund would serve the interests of our region and of many low-fare airlines.

1.1. Conceptual and Feasibility Planning, Engineering, Construction - N/A

2. Estimated Cost (plus or minus 30%) - A revolving fund of \$5,015,000 per year would be established, through the Mobile Area Chamber of Commerce Foundation, Inc. and used over the next three years to recruit new low-fare air service. All remaining funds and interest would be used for future air service development projects, unless otherwise determined.

2.1. Indicate level of confidence in accuracy of these estimates - N/A

II. Why – Project Description relative to Impact and Criteria

1. Identify what need, threat or opportunity that this project, study, or recommendation will address - Mobile Regional Airport’s air service opportunities, threats and needs exist as one. Should 40% of local passengers continue to travel out of alternative airports, then airlines will add service to those alternative airports and subsequently decrease service at Mobile Regional Airport. (See Exhibit A) At some point this reduction in air service will result in fewer businesses being able to locate, grow or even survive in the region as well as fewer conferences, conventions and less leisure travel. There is an immediate need to offer the level of air service this community not only deserves, but needs. Thus the opportunities and objectives for this project align: add a low-fare carrier at Mobile Regional Airport, increase airline competition and the amount of airline capacity in the region, reduce the average one-way fare paid by travelers, reduce leakage from Mobile Regional Airport, and improve the ability to attract new businesses, conventions and tourism, increase the amount of investment of existing businesses and grow the economy of the region.

2. How does this project or recommendation address and impact the recommended evaluation criteria:

2.1.1. Coastal Recovery - One area impacted by the lack of service and low fares at Mobile Regional Airport is leisure travel. Leisure travelers typically fly through neighboring airports or drive to get to Orange Beach, Gulf Shores, Dauphin Island, the Cruise Homeport, downtown Mobile and surrounding areas. Low-fare air service would afford this group, in particular, opportunities for growth and development (diversification) by providing a very affordable and convenient way to get to our coastal areas. Logistics play a major role when companies look to locate in an area. This has been evident in recent announcements and has resulted in huge international and domestic companies locating in Mobile and surrounding areas. As previously

mentioned, convenient and affordable air service is an essential component of any region's transportation infrastructure.

2.1.2. Resiliency - Resiliency to future economic, health and environmental threats is of utmost importance as is the ability to take advantage of future opportunities. The only way to ensure resiliency is to expand and enhance the means by which our region grows, in a smart way. One such means is through improvements to our region's transportation infrastructure. Recruitment of a large low-fare air carrier in the United States improves the resiliency of our region by offering a compliment and an alternative to transportation options available today. One of the weak links to our transportation infrastructure and thus to our regional economy has been air service. A low-fare carrier could turn that weakness into a strength - virtually overnight. Should a large hurricane threaten the coast, an airport with robust air service would be able to accommodate preparation, evacuation and clean-up efforts. Such is also the case should a highway, rail or water transportation system become threatened. An airport with a large low-fare carrier would be flexible and could handle increased loads of cargo and passengers, and thus assist the regional recovery effort in a timely manner.

2.1.3. Transformational - The addition of air service, at the level a large low-fare carrier could offer, would transform the region. Today, the Mobile Regional Airport serves only 60% of Mobile, Baldwin, Washington and other nearby counties. 40% of local passengers are forced to travel to other airports and even more turn to driving or forego travel altogether. The depth and breadth of air service a large low-fare carrier could provide would allow passengers within the two-hour catchment area access to more affordable and convenient air service. Such air service would allow companies to headquarter in Mobile as well as improve our region's chances at securing conventions, conferences and large leisure-focused groups who now worry how their employees/participants will get to our area. Low-fare service would also provide an inlet to leisure travelers traveling to Gulf Shores, Orange Beach, Dauphin Island and the Cruise Homeport - these passengers currently travel through neighboring airports or drive. Improved air service is essential to continue the transformation already occurring in our region.

2.1.4. Regionalism - Low-fare air service would bind the region together by providing a means of transportation that is both efficient and affordable to people within a two-hour drive time of Mobile Regional Airport. Such service would also lower the fares at neighboring airports due to increased competition. Such has been the case at Fort Walton Beach's Airport when Panama City attained Southwest Airlines service.

2.1.5. Economic Diversification See 2.1.1

3. Project Economics - Against that backdrop, the Mobile Regional Airport commissioned Sixel Consulting Group, Inc. in April 2009, to estimate the economic impact of low-fare air service at Mobile Regional – more specifically the impact of AirTran Airways low-fare air service at Mobile Regional. AirTran is currently one of the larger low-fare carriers in the United States and is expected to merge with Southwest Airlines over the next year. Southwest Airlines is the largest airline, in terms of passengers, in the United States. The combined airline would be called Southwest Airlines. Please note, this research was done to estimate the impact of new AirTran Airways low-fare air service at Mobile Regional, however, the effect would be much greater once the merger between AirTran and Southwest Airlines is finalized. This analysis is only a case study to demonstrate the impact of a large low-fare carrier locating at Mobile Regional Airport. Two scenarios were explored: Scenario A - AirTran Begins Service in Mobile with Two Daily Flights and Remains in Pensacola with Two Daily Flights and Scenario B - AirTran Begins Service in Mobile with Three Daily Flights and Exits the Pensacola Market.

	Scenario A	Scenario B
New Jobs - Airport	12	15
New Jobs - Region (off-airport)	267	462
Annual Labor Income (millions)	\$8.5	\$15.3
State and Local Taxes (millions)	\$1.9	\$3.2
Car Rental Days Increase	80,932	138,893
Car Rental % Increase	45.7%	77.5%
Hotel Room Nights Increase	67,399	114,907
Hotel Room Night % Increase	46.2%	78.7%

4. Identify Direct Project benefits to Coastal Alabama, including avoided costs, consequence of “No Build” alternative. - **Economic Impact – Scenario A: Economic Impact – Scenario B:**



4.1. Impact on employment, job training and development, both short term and permanent - See question 3 response.

4.2. Oil spill mitigation outside of claims process - N/A

5. Identify Indirect benefits and costs

5.1. Collateral Benefits to the objectives of Healthy Environment, Healthy Economy and Healthy Society (subjective responses allowed) - See question 2 and 4 responses.

5.2. Collateral Costs or impacts to the objectives of Healthy Environment, Healthy Economy and Healthy Society (subjective responses allowed) - See question 2 and 4 responses.

5.3. Connectivity and Linkage to other projects or initiatives: Does this project complement or compete with other projects? What other projects would be precluded if this project is funded? - In many ways, enhanced air service helps with just about every project in our region as it allows a greater flow of people from one area to another.

III. Who/How – General Information

1. Name and contact information for Entity, Collaboration or Person submitting project or recommendation nomination. - The Mobile Airport Authority and Mobile Area Chamber of Commerce respectfully submit this project request for an Air Service Development Incentive Fund to be created and managed by the Mobile Area Chamber of Commerce Foundation, Inc. totaling \$15,000,000 over three years plus \$15,000 to reimburse the Foundation for management expenses. **Mobile Airport Authority**, William B. Sisson, Executive Director; 1891 Ninth St., Mobile, AL 36615, 251-438-7334. **Mobile Area Chamber of Commerce**, Win Hallett, President, 451 Government St., Mobile, AL 36602, 251-433-6951

1.1. Entities and communities sharing a common threat or need are encouraged to collaborate for a joint/combined project submittal to raise the profile of the issue and solution to be addressed. Also please indicate the level of community support or resistance and hurdles to collaboration. – Supporting regional partners include: Mobile Airport Authority, Mobile Area Chamber of Commerce, Mobile Area Chamber of Commerce Foundation, Inc., Mobile Transportation Coalition, Mobile Area Chamber of Commerce Air Service Development Task Force, Mobile Bay Convention and Visitors Bureau, Downtown Mobile Alliance, Mobile County Commission and Baldwin County Economic Development Alliance.

2. Identify Sponsoring Entity for oversight and accountability if different from above.

2.1. Existing or to be created? – Existing.

2.1.1. If to be created, what parties or interests must be involved and what level of effort is required to do so? - N/A

- 2.2. Describe governance, organizational capacity, availability of skills, experience of sponsoring entity to implement the Project - The Mobile Area Chamber of Commerce Foundation, Inc. will accept, manage and disburse the incentive funds under the advice and consent of a voluntary oversight committee. The funds will be held in a restricted account separate and apart from other Foundation funds. The Chamber Foundation is a 501 (c)(3) non-profit organization governed by an independent board of directors.
- 2.3. Project complexity: Hurdles and barriers to project implementation, completion and sustainability. Identify regulatory issues. - There are no regulatory issues.
3. Identify any known or anticipated administrative, regulatory, or legislative action that would be required at either the local, state, or federal governmental level. - N/A
4. Requested funding from Coastal Recovery Fund (CRF) - \$15,015,000.
5. Identified potential funding sources other than the CRF - Although the Mobile Airport Authority cannot legally offer incentives of this kind, the Authority can and does waive airport fees and provide marketing support for airlines offering new or improved air service.
- 5.1. Leverage or multiplier on CRF investment: matching funds, public or private - N/A
- 5.2. Public Private Opportunities, user fees, Federal funds, private foundation grants, bonding capacity, etc. - See answer to question 5.
6. Forecast of ongoing maintenance or operating costs and source of funding if not self-sustaining - Over three years the management/maintenance expenses for operating the Fund will be \$15,000.

Appendix A - Background - The population within a one hour drive of Mobile Regional Airport is 1.26 million and the population within a two hour drive is 2.4 million. The combined Mobile-Daphne-Fairhope MSA population is 592,000 or about 40% of the population along the Gulf Coast; Gulfport, MS to Fort Walton, FL. Although the combined Mobile MSA has the largest population, Mobile Regional carries just 17% of the passenger traffic at Gulf Coast Airports. Mobile Regional Airport currently serves approximately 600,000 passengers per year. Based on population, the Mobile Regional Airport should be serving closer to 1,000,000 passengers yearly. However, nearly 40% (around 400,000) of local passengers drive to nearby airports to access lower fares or non-stop service currently not offered at Mobile Regional Airport. The reason for this is clear, Mobile Regional Airport's fares and lack of non-stop flights force Gulf Coast travelers to drive to or fly from neighboring airports. Mobile, Baldwin, Washington, Clark, Monroe, Conecuh, and Escambia Counties in Alabama, as well as Jackson, George and Green Counties in Mississippi, are burdened with a fare premium, paying fares ~45% higher than the national average. In fact, Mobile Regional Airport was ranked in year ending second quarter 2010 as the 3rd most expensive airport in the nation (among the top 150 commercial airports).