

## Frequently Asked GTF Questions:

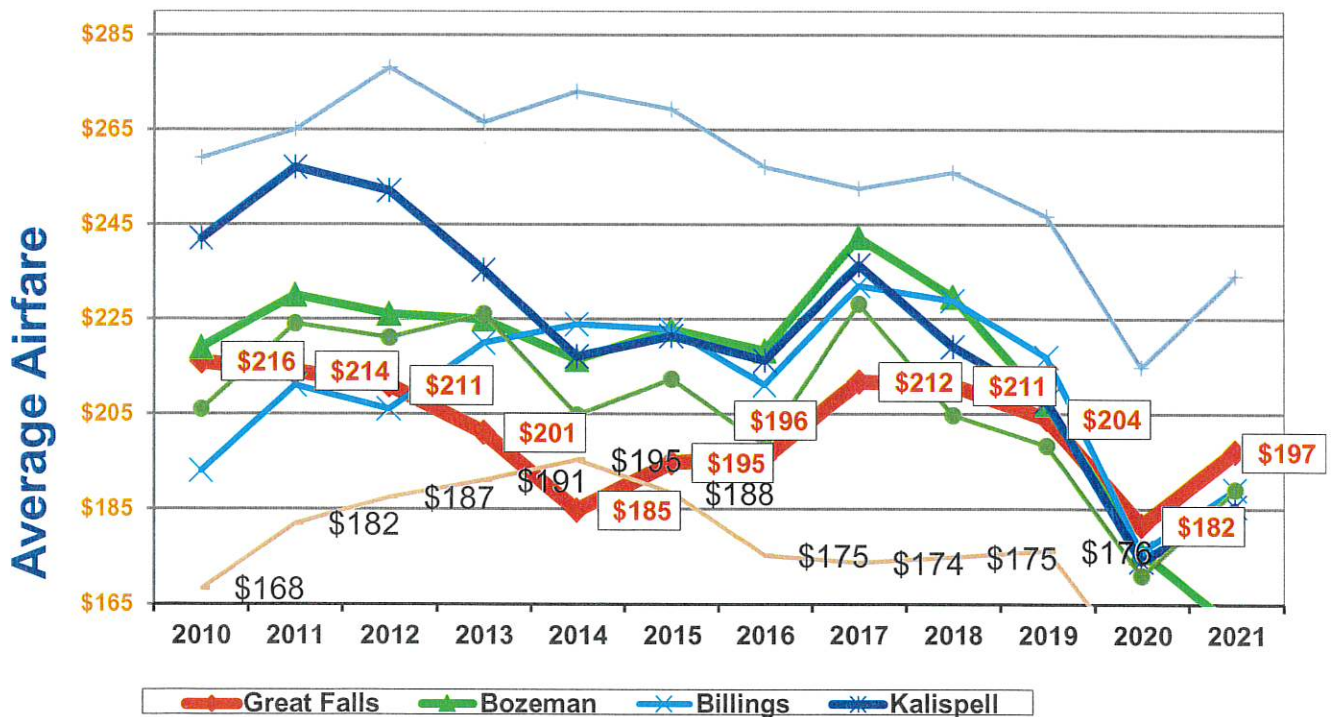
See Wall Street Journal Article below

### 1. Why are airfares high?

The flights you are looking at are likely nearly sold out. Airlines price tickets in buckets of pricing. When a flight goes on sell a year out, all the fare buckets are full. As tickets are purchased, passengers empty the cheaper buckets first until only fares in the more expensive buckets remain.

There is currently a severe pilot shortage in the US. Generally, the lowest paid pilots fly the smallest aircraft. To make matters worse the smallest aircraft are the least fuel efficient and require the same number of pilots and crew as a much larger aircraft. Markets that are dependent on the small 50-seat aircraft are seeing severe seat shortages which is causing higher prices.

Historically, Great Falls has had very competitive average airfares. From 2013 until 2018, GTF had the lowest in the state as the attached table shows. Market disruptions during the pandemic and fewer flights due to pilot shortages have caused the average fare to climb in Great Falls over the past year; however, the average fare remains below where it was in 2010 and prior.



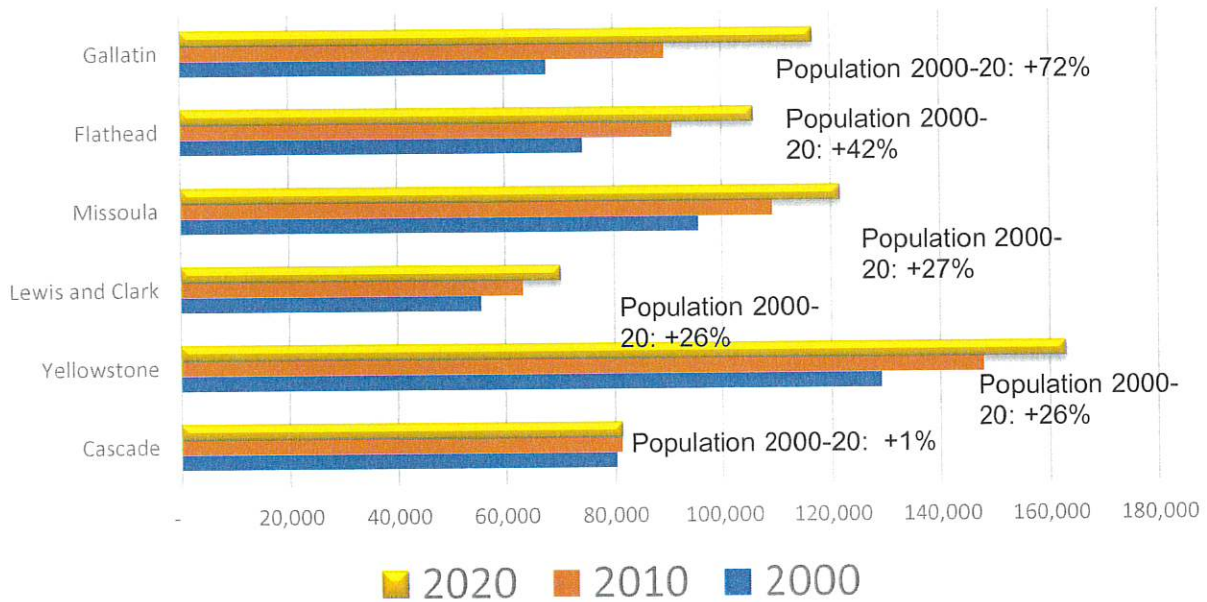
### 2. Why can't we get more flights?

The pilot shortage is causing a flight shortage. Nearly all airports are losing some flights. The problem for Great Falls is that we haven't had a lot of new flights added over the past 30 years because we have had zero population growth.

As the chart below shows, in the past 20 years, Cascade County has gone from being Montana's third most populous county to the second smallest of Montana's five largest counties. With essentially no

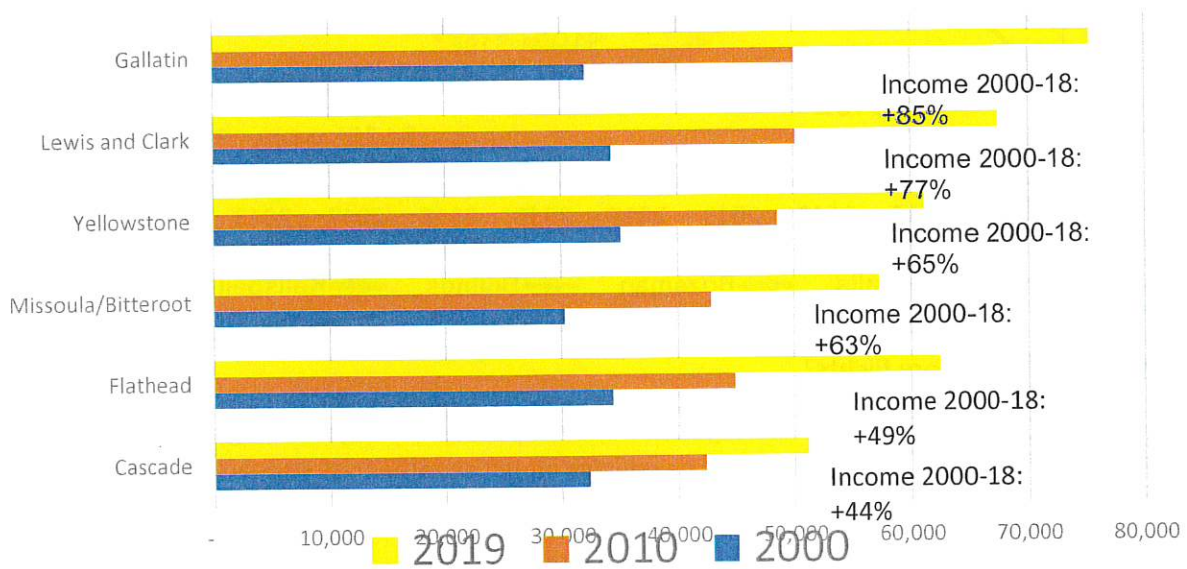
population growth in that period, the next CLOSEST county grew 26 times our growth rate. At the current pace of growth, Cascade County will be the smallest commercial air service county in the state by 2030.

### Airport Base Population Comparison 2000 to 2020



Economically, the story isn't much better. In 2000, Cascade was right in the middle of the household income pack. According to the latest data in 2019; Cascade now has the lowest and slowest growing household income of the commercial air service counties in Montana.

### Airport Service Area Economic Base Comparison Median Household Income Growth 2000 to 2019



Population and disposable income are the two primary drivers for most businesses to establish new services in a community including air service. The same stagnant demographic growth that has kept Great Falls from getting Lowes, Chick-fil-a, Costco, Kohls, Cabela's, Olive Garden, Natural Grocers, etc. are the same reasons we have lacked new air service. Essentially, Great Falls has had demand for the same 400 to 500 airline seats per day for 30 years or more.

To compound matters, the 50-seat jets that serve small communities are near the end of their life-span and not being replaced. The next large concentration of airplanes is in the 120 to 150 range which means that more passengers are necessary to retain air service in small communities. Small jets are the least fuel efficient and require the same number of crew as a much larger plane. The small community airports face a grow-or-else scenario.

### 3. Does the Airport Benefit from High Ticket Prices?

NO! The Airport doesn't receive any money at all from the airline ticket. All of the Airport's revenue comes from passenger revenue for parking, rental cars, food or from landing fees for airplanes and rents from tenants.

### 4. Are GTF's Airline Fees High?

We see the comment online that the airport's airline fees are the highest in the state. Actually, the opposite is true. GTF routinely has some of the lowest airline fees in the state. The table below shows a comparison of airline rates at the Montana airports.

Airport fees only make up 6% of an airline's total cost per passenger. Fuel composes 40% while staffing costs composes an equal 40%. Accordingly, the extra time and gas it takes to fly from one of the hub airports to GTF rather than Bozeman or even Helena, which are further south; is a larger cost factor than any difference in the airport fees.

Great Falls International Airport Great Falls International Airport Authority		
<b>MONTANA AIRPORT RATES AND CHARGES COMPARISON 2021</b>		
Airport	Landing Fee per 1000 lbs	Terminal Rental Rate
Billings	\$ 1.05	\$ 24.31
Bozeman	\$ 1.00	\$ 24.00
Helena	\$ 1.00	\$ 15.00
Missoula	\$ 1.50	\$ 32.34
Kalispell	\$ 1.42	\$ 34.09
Great Falls	\$ 0.99	\$ 17.33

### 5. What More Can Be Done to Improve Airfares?

Great Falls needs more flights. We need to increase the amount of seat inventory in order to relieve demand pressure. The only way that small communities get additional flights in the modern era is to put a financial guarantee in place. Federal law prevents airports from offering financial guarantees;

however, communities can establish such programs. In fact, the majority of the Montana commercial service airports have used community guarantee pools in the vicinity of \$1.5 million to successfully attract new flights. One Montana airport has offered guarantees of over \$10 million in the past ten years leading to exceptional growth.

The Great Falls Area Chamber teamed with the Airport and Great Falls Tourism over the past ten years to establish a small guarantee pool that attracted Frontier Airlines for four years and then the funds were recycled to attract a Small Community Air Service Development Grant (SCASD Grant) that established new Chicago flights from United Airlines. These flights recently resumed on Saturdays during the summer of 2022. This effort is known as the Low-Cost Airfare Initiative.

The Chamber is again seeking tax-deductible donations to build a larger guarantee pool. The Low-Cost Airfare Initiative has several current goals. We have written another SCASD grant application to pursue direct flights to Texas or California. A successful grant would double our local funds. We are also hoping to regain service from another Ultra Low-Cost Carrier (ULCC).

#### **6. Is this an Urgent Concern?**

Yes, with the pilot shortage and skyrocketing oil; we are entering another round of airline instability. A number of regional airlines that fly the 50-seat jets have gone out of businesses in the past five years and several more are increasingly under financial and operational pressure due to the lack of pilots.

Since the pandemic, over 100 airports have lost at least one route. In the past ten years, over 45 airports have lost all air service. The trend is definitely moving toward decreased air service in small communities. The quote below summarizes the current situation best:

The Points Guy by Ethan Klapper Dec 15, 2021: At a Skift Forum last month, Kirby (United CEO) warned of staffing-related impacts to 50-seat regional aircraft operations. *"We don't have enough pilots to fly all the airplanes," he said. "So, the 50-seaters are at the bottom of that pile, and markets that rely on 50-seaters are the ones that are going to lose service."*

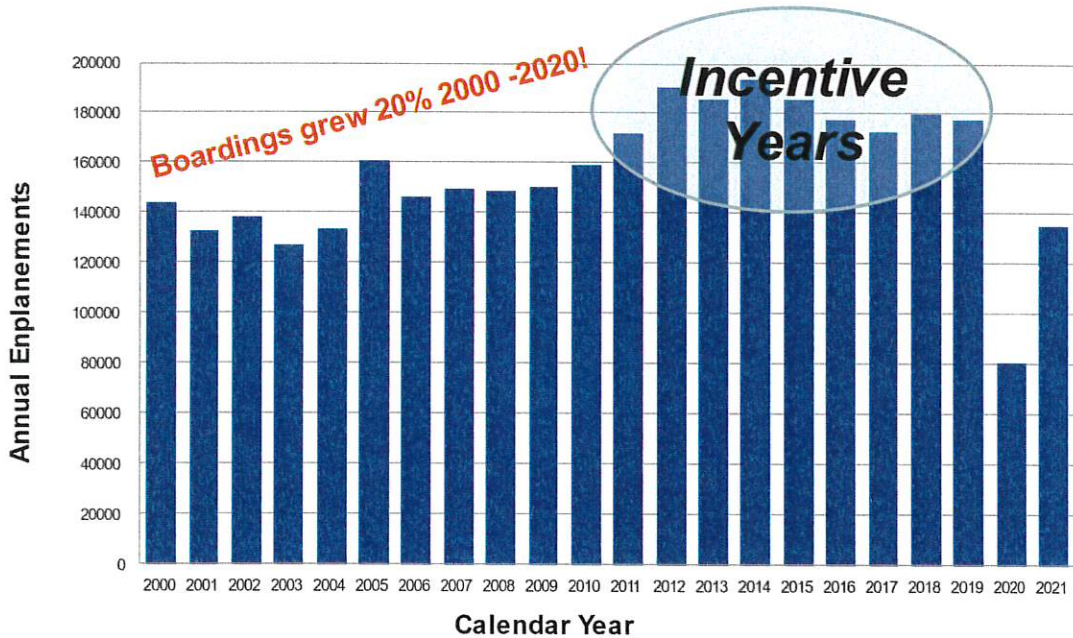
It is vital that we are active over the next two years to attract and sustain air service.

#### **7. What is the plan?**

- a. Incentive pool. The first step is vital, we need to compile a local revenue pool to guarantee new flights. Air service is in shortage. Rather than depending on several large carriers, the new market dynamic favors a small amount of service from many carriers including a number of carriers that may only serve seasonally. This additional service will add seats and lower price.
- b. Diversify Air Service. Lower fares will draw the traffic in our regional trade area. A recent leakage study shows that about 30% of the traffic in our trade area is leaking to other regional options.

- c. Grow Air Tourism. The introduction of the Chicago flight brought thousands of visitors. The daily 2019 flights were nearly 70% inbound. The introduction of a new California or Texas route will provide the opportunity to attract more inbound passengers to support the new flights. A new ultra-low-cost airline route will also support inbound travel. Inbound travel is exactly why Frontier service in 2012 to 2015 coincided with the highest boardings that GTF ever experienced.
- d. Reduce Costs. The Airport Authority will continue aggressively reducing airline fees by diversifying revenue through developments like the new Love's fuel station and the Condominium Light Industrial Park that is currently under construction. Thanks to revenue growth and cost control the FY 2023 airline landing fee is lower than it was ten years ago. The Airport is also plans to renovate the ticket counters and baggage screening area to make this process more efficient and automated to reduce staff costs.

Airline boardings reached a high -point with airline incentives



Wall Street Article Below

<https://www.wsj.com/articles/airlines-fewer-flights-small-cities-pilot-shortage-11654611718>

# Want to Fly This Summer? Good Luck Traveling to a Small City

Thirty airports in continental U.S. have lost at least half the departures they had in 2019; pilot shortage stings regional airlines

By *Alison Sider* [Follow](#) and *Allison Pohle* [Follow](#) | Photographs by *Kim Raff* for *The Wall Street Journal*

June 7, 2022 10:25 am ET

With travelers buying plane tickets in droves, airlines are preparing for a surge and planning to provide seating for 11% more passengers this summer than last. You wouldn't know that, though, if you had to travel through some small cities.

A growing number of small airports have fewer flights, and some are at risk of losing service altogether. The regional airlines that serve them can't hold on to pilots, who are getting snapped up by bigger carriers.

Thirty airports in the continental U.S. have lost at least half the departures they had in 2019, according to an analysis of schedule data by Airline Data Inc.

In March, SkyWest Airlines Inc. notified airport officials in 29 cities that it intended to end service, citing the pilot staffing imbalance. In nearly all of those cities, SkyWest SKYW -1.76% ▼ is the only commercial airline flying. For travelers near the Sioux City, Iowa, and Jamestown, N.D., airports, both of which SkyWest is attempting to leave, the next closest commercial airports are at least 80 miles away.

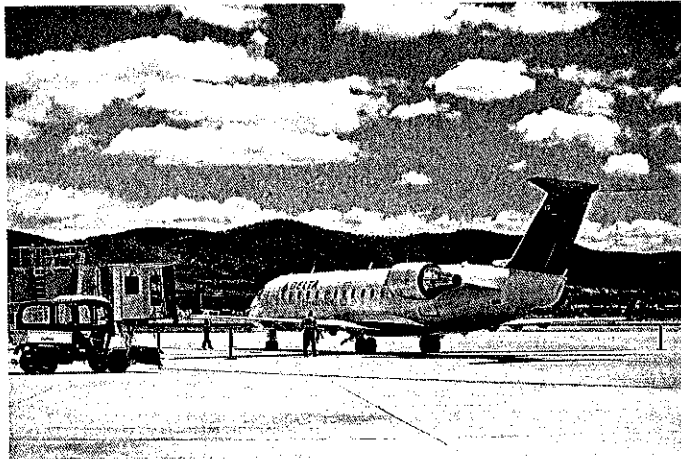
Regional airlines play a major role in U.S. air travel. They operate more than 40% of U.S. passenger flights, often flying on behalf of major airlines and helping to feed traffic into big hubs in Chicago, Atlanta and Dallas.

For many small communities, flights operated by regional carriers are their only link to the broader aviation network. According to the Regional Airline Association, about two-thirds of U.S. airports with scheduled passenger service rely exclusively on regional carriers, including 235 in the continental U.S.

Early in the pandemic, fearing a yearslong travel downturn, airlines encouraged pilots to retire early, offering packages that included partial pay and benefits. Thousands of pilots retired, many earlier than planned.

Travel demand, however, rebounded more swiftly than many executives anticipated, and the pilot shortage that had been looming in the industry arrived sooner than expected.

The share of U.S. pilots approaching the mandatory retirement age of 65 has grown in recent years, according to data from the Federal Aviation Administration. Finding the next generation of pilots has gotten more challenging. A 2013 federal rule requires that aspiring pilots fly 1,500 hours before being hired at a carrier, adding years and tens of thousands of dollars of costs to the training process.



Major airlines are planning to hire more than 10,000 pilots this year, nearly double the next busiest year for pilot hiring, which was last year, according to estimates from FAPA.aero, which advises professional pilots. Some big carriers are adding them at a rate of about 200 a month. The Bureau of Labor Statistics estimates there will be openings for 14,500 pilots a year for the next decade.

To find new pilots, carriers such as American Airlines Group Inc. United Airlines Holdings Inc. and Delta Air Lines Inc. DAL -2.57% ▼ have been pulling from the ranks of their regional affiliates, which are having trouble replacing them quickly enough. SkyWest and Mesa Air Group Inc. MESA -2.05% ▼ have said they are seeing significantly higher rates of turnover than normal, especially among the most experienced pilots, the captains.

“I wish that I could say it’s already getting ready to improve, but it’s not,” said Matt Koscal, executive vice president of Republic Airways Inc., an Indianapolis-based regional airline. “It’s going to get worse before it gets better.”

Some lawmakers are considering introducing legislation to raise the mandatory retirement age for pilots. Republic has asked the Federal Aviation Administration to allow pilots who go through a special program at the airline’s training academy to begin flying on a restricted license with 750 hours of flight time. Breeze Airways, which started last year, is looking to bring pilots to the U.S. from Australia on special visas.

Capt. Joseph DePete, president of the Air Line Pilots Association, a union, has disputed companies’ claims of a shortage, saying airlines are cutting service because they are losing money in those cities.

The squeeze is likely to continue until late next year or early 2024, SkyWest executives said late in late April.

Meanwhile, some smaller airlines don’t have enough employees to operate all the flights they had planned.

United has pulled out of about 18 small markets, including Columbia, Mo., and Evansville, Ind.





The pilot shortage and surging fuel prices have made it nearly impossible to find a replacement carrier, Mr. Howell said. "It's a double whammy for a market like ours," he said. "If there's a worst-case scenario, this is probably it."

The airport is in discussions with Southern Airways Express to start service, but even if that is successful, it won't be the same. Southern currently flies nine-seat aircraft, not 50-seat jets.

To avoid that outcome, airports are cutting deals with the airlines to guarantee a certain amount of revenue for flying in and out of their cities, pursuing new deals with discount airlines and startups, and urging local residents to use the remaining flights as often as possible to prevent further cuts.

Elko, Nev., is down to a single daily flight. "This is a little bit more than an inconvenience for our community," said Curtis Calder, Elko's city manager.

Late last year, when Mr. Calder first learned that the city's airport could lose one of the two daily flights it had at the time, he and other city officials and business leaders flew to St. George, Utah, where SkyWest is based. "We're not one of those communities that's 80 miles from the nearest airport," Mr. Calder said in an interview, noting that the next closest airports are hundreds of miles away.

In April, Elko's city council approved an agreement with SkyWest guaranteeing the airline a minimum of \$950,000 a year in revenue in exchange for preserving the remaining daily flight. The deal is retroactive, so for the first three months of this year, Elko is on the hook for nearly \$185,000. Twin Falls struck a \$400,000 revenue guarantee in March to keep SkyWest from pulling out.

"Communities are having to dig deep and do a lot to hang on to remaining service," said Bill Tomcich, a consultant who works with small airports, including Elko, on attracting and maintaining airline service. Once airlines leave and the Transportation Security Administration pulls out, he said, it can be hard to restart flights.

“We’re flying dramatically fewer regional jets today than we were in 2019,” said United Chief Commercial Officer Andrew Nocella during a recent earnings call. “And we don’t expect that to improve at all in the next few years.” United has said it has 150 regional jets grounded due to lack of pilots.



Mesa lost almost 5% of its pilots in April because they were hired away. Chief Executive Jonathan Ornstein said the airline can’t continue losing pilots at the current pace, and that the cities losing service now are just the beginning. “It’s not sustainable,” he said.

Soaring fuel prices have made it more difficult for airlines to make money on niche routes. Also, the 50-seat jets that airlines have relied on to serve small cities are being phased out as they get older, replaced by jets with 70 or more seats, which are more cost efficient but exceed passenger demand in some markets, airline and airport executives said.

Some small airports that used to have two or three flights a day are down to just one. That can make it harder to make connections, which can mean tacking on an overnight stay or driving three or four hours to a busier airport.

Wilf Costello, chief commercial and marketing officer at Glanbia Nutritionals, a cheese manufacturer in Twin Falls, Idaho, said flight reductions have been a headache for business travelers in the area. Twin Falls had as many as four daily flights last fall, but now has only one.

Earlier this year, he and two colleagues needed to fly to California, but there were only two seats left on the day’s only flight. “I had to go out a day early,” he said.

The next best options are Boise, two hours away, or Salt Lake City, a three-hour drive, trips that can be treacherous in bad weather.

Williamsport, Penn., a city of close to 30,000 that hosts the Little League World Series each summer, saw its last commercial flight in September, when American Airlines pulled out, saying it wasn’t financially viable. “It’s not completely crickets in there, but it’s pretty close,” said airport director Richard Howell.

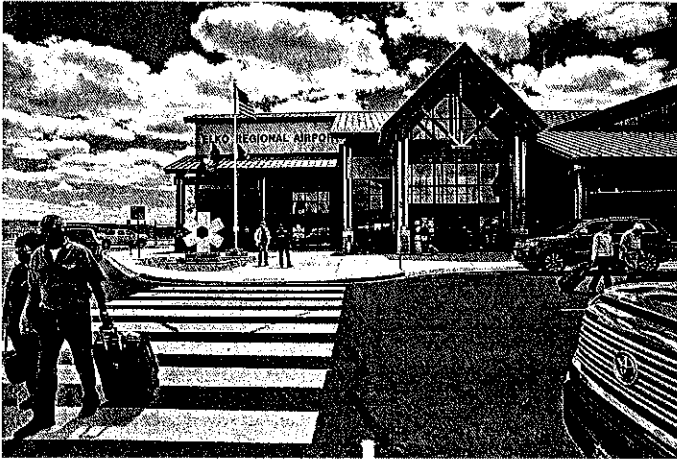
When SkyWest announced it intended to end service to 29 airports, including those in Sioux City, Iowa, and Jamestown, N.D., the Transportation Department intervened and said SkyWest can't leave until a replacement is found.

While officials at some airports had worried no new airlines would seek to replace those pulling out, the Transportation Department said it received proposals from potential replacement carriers for 28 of the cities, and has already selected a new carrier for one more. Many of the proposals are for flights on much smaller nine-seat planes.

Cities such as Lincoln, Neb., are taking notice, said David Haring, the Lincoln airport's executive director. Delta pulled out of that city's airport this year. United still serves it and just added another flight. It hasn't said it will end service, but Mr. Haring said he continues to be concerned about the future.

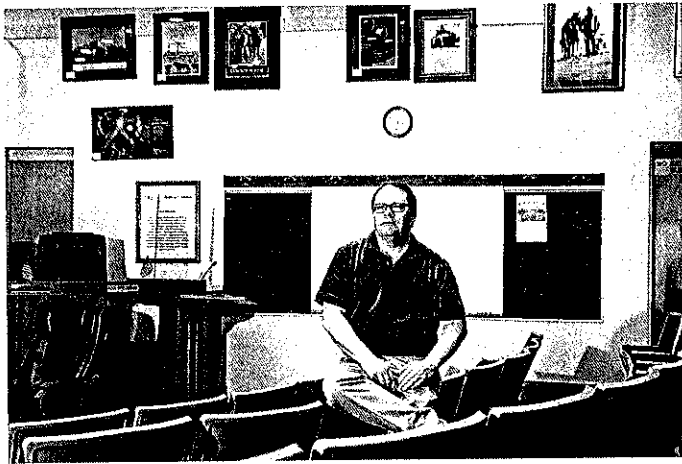
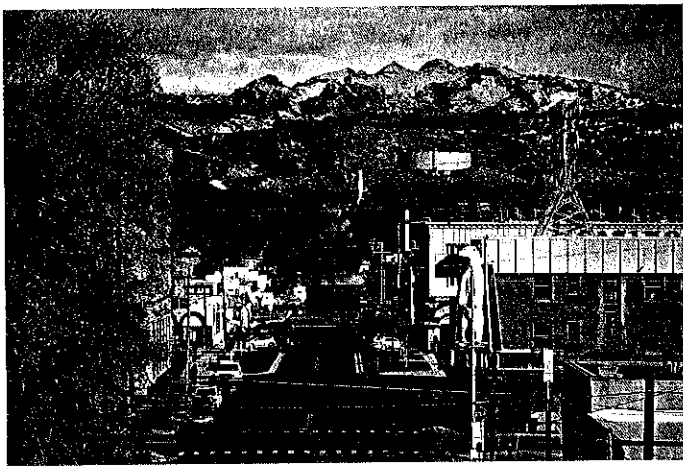
With airlines phasing out the 50-seat jets that have serviced cities like Lincoln, he said, such cities might have trouble persuading airlines that they can fill larger aircraft, and flights could become less frequent.

"If we are under the impression that just because we've always had air service that we are immune from the full removal of services like we're seeing in other communities, then we're fooling ourselves," he said.



Write to Alison Sider at [alison.sider@wsj.com](mailto:alison.sider@wsj.com) and Allison Pohle at [Allison.Pohle@wsj.com](mailto:Allison.Pohle@wsj.com)

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Sheldon Mudd, executive director of the Northeastern Nevada Regional Development Authority, said air service ranks with utilities like electricity and natural gas as infrastructure that businesses expect to have when considering where to locate a facility or office. "You just have to have it," he said. "Executives have to be able to fly in and out of an area quickly."

Not everyone is convinced it's worth the cost. Claudia Ortega, city councilor for Pocatello, in southeastern Idaho, opposes an \$800,000 subsidy to SkyWest to help keep its last remaining flight. Ms. Ortega said a large percentage of the town's population lives paycheck to paycheck, so she isn't sure the city can sustain a commercial flight. The city approved the guarantee last week, and Ms. Ortega the lone city councilor to vote against it.

Some airports facing flight losses are talking with discount carriers that fly to fewer places than larger airlines. Such carriers might offer a flight to Las Vegas or Florida, rather than a one-stop connection to business centers like Chicago or New York. To some airport officials, that is better than nothing.

After American flew its last flight from Connecticut's Tweed-New Haven Airport on Sept. 30, the airport had no carrier for a month. Now it is a hub for Avelo Airlines, an airline that launched last year and will fly to 14 destinations this summer, including Wilmington, N.C., and West Palm Beach, Fla.

"We were on our own and kind of left for dead, and if we wanted to survive this, we were going to have to do something very different," said Sean Scanlon, the airport's executive director.

The federal government tries to ensure that the most vulnerable cities still have some way to connect into the aviation network. It subsidizes service to some small communities through its Essential Air Service program, established after the deregulation of the airline industry in 1978 to ensure commercial carriers wouldn't abandon small communities.