

Inyokern Air Service Development Preliminary Feasibility Analysis



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Preface

The Indian Wells Valley Economic Development Corporation (IWV EDC) contracted InterFlight Global and Hospitio Consulting & Services in February 2024 to conduct a preliminary high-level study to determine whether re-establishing commercial air service at the Inyokern Airport is feasible. Community leaders and decision makers understand the **intrinsic value that air service brings** to the community and are eager to quantify the economic impact. One of IWV EDC's key considerations is to focus on options and actions that **support the highest likelihood of long-term sustainable service**. The results of this study will assist IWV EDC in **justifying a more comprehensive analysis and implementation plan** for restarting scheduled air service as soon as practicable.

Executive Summary

- **Preliminary analysis supports the feasibility of re-establishing commercial airline service at IYK**

- Recent PlacerAI data supports the 2013 Leakage Study's conclusion that the IYK catchment area will produce demand of at least 20,500 passengers each way per year.
- Applying lessons learned from previous air services and studies, success will be dependent on factors that include serving the right gateway airport with a well-timed schedule, matching capacity to demand, participating comprehensively in distribution systems, generating community support and use, and optimizing financial support from public and private sources.
- Multiple carriers are interested in further exploring the opportunity to serve IYK to key connecting destinations.
- IYK airport is well managed and is ready execute the launch of scheduled air service. Our traffic forecasts support eligibility for FAA grants to cover most or all the airport's financial needs to launch scheduled air service.

- **Historical Air Service Assessment**

- IYK supported continuous commercial airline service for 60 years before cessation in 2013.
- An attempt to re-establish service in 2017 failed after 4 months.
- Factors contributing to past market withdrawals include poor scheduling and connectivity, insufficient distribution infrastructure, excessive pricing, competition, bankruptcies, partner network strategy changes, and DOD travel restrictions.
- Past studies indicate previous IYK air service captured only a fraction of total demand.

- **Economic Impact Preliminary Study**

- IYK has an asset value of \$19.5M and generates \$2M in annual revenues with 2-4 FTEs.
- The addition of commercial air service could support 155 new jobs in the community and contribute an additional \$17.5M in annual community economic benefit.

- **Next Steps**

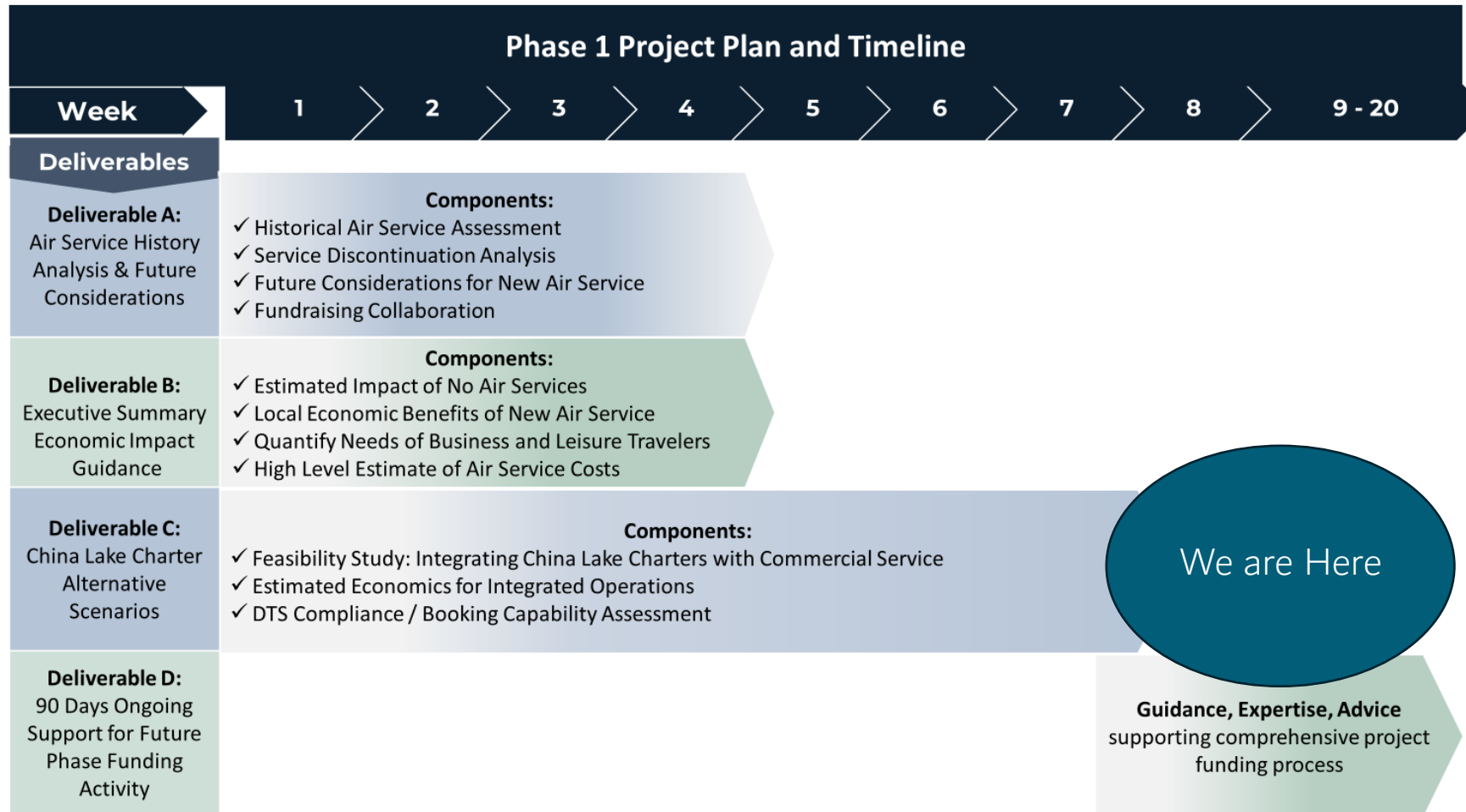
- Approve Phase 2 of the plan which will include a detailed financial plan and market analysis, operator solicitation and selection, schedule design, commercial plan, community engagement plan, strategic options and recommendations.

IYK Air Service Project Status



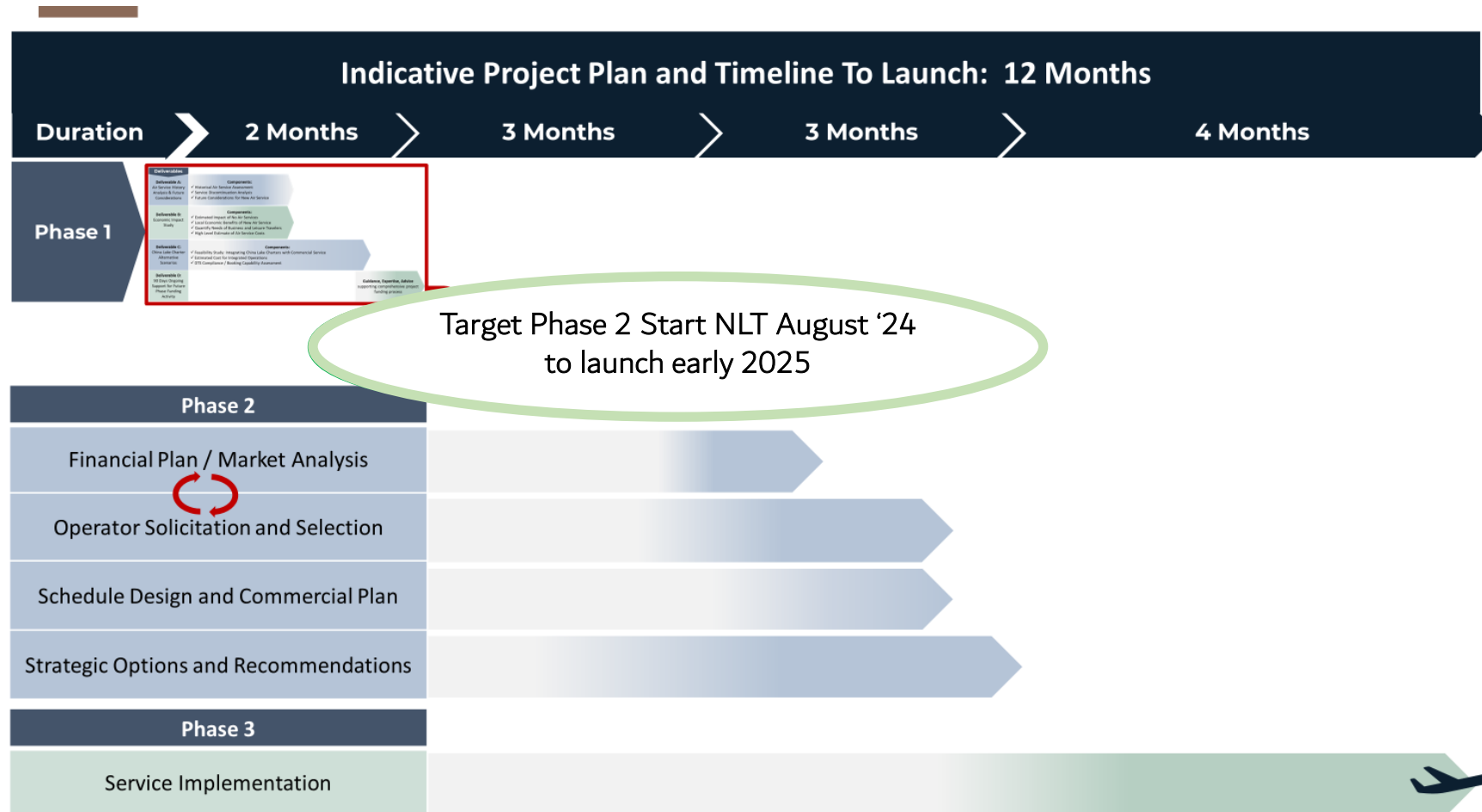
Phase 1 - Preliminary Feasibility Study

- › Objective: Confirm feasibility of re-establishing air service and justify approval and funding for Phase 2



Phase 2 – Comprehensive Analysis, Planning, and Implementation

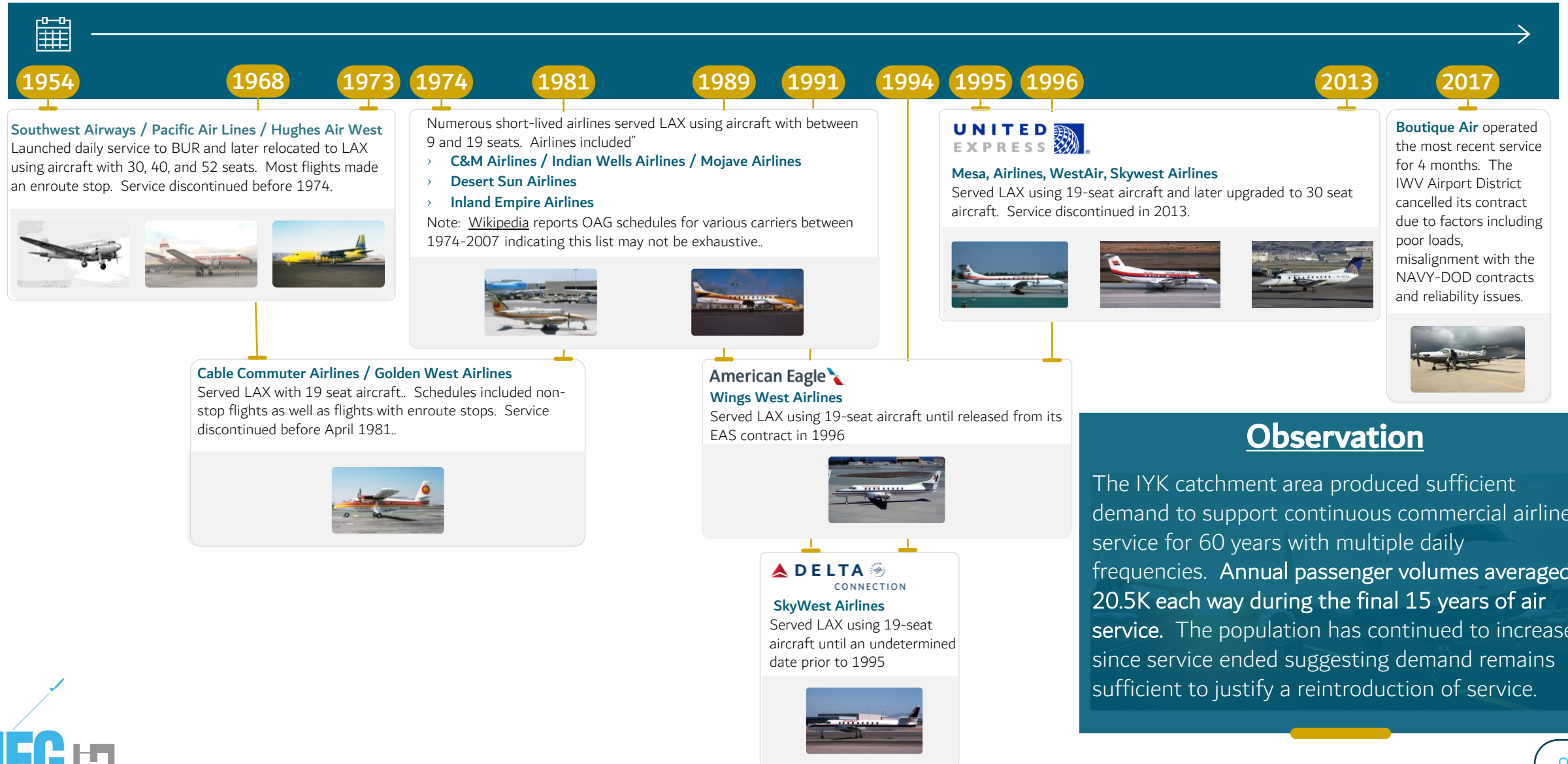
› Detailed analysis and planning: H2 2024 - Air service target launch: H1 2025



IYK Air Service History



Patchwork of airlines delivered 60 continuous years of air service



Observation

The IYK catchment area produced sufficient demand to support continuous commercial airline service for 60 years with multiple daily frequencies. Annual passenger volumes averaged 20.5K each way during the final 15 years of air service. The population has continued to increase since service ended suggesting demand remains sufficient to justify a reintroduction of service.

Numerous factors caused air service market withdrawals

Observation

The longest sustained services have occurred when a single carrier serves IYK exclusively. Each introduction of competitive service has resulted in one carrier exiting the market within no more than a few years.

Hughes AirWest

Discontinued: Pre-1974

01

Possible factors:

- › **Competition** from Golden West who used smaller, more efficient aircraft may have diluted an already thin market.
- › **Undesirable enroute stop** at WJF.
- › **Drive time substantially shortened** between Inyokern and BUR/LAX with the completion of Highway 14.

Golden West

Discontinued: 1981

02

Possible factors:

- › It appears the **network strategy shifted** to serving larger markets that could support higher frequency and higher-capacity aircraft.

Various Independent Carriers

Discontinued: 1980's – 1990's

03

Possible factors:

- › **Merged or acquired** by other carriers that re-allocated assets.
- › **Insufficient margins** to maintain service.
- › **Insufficient interline agreements** to provide connectivity.
- › **Potential customers unaware of service.**
- › **Insufficient presence in airline CRS / GDS.**
- › **Competition** from carriers affiliated with major airlines post-1990.
- › All carriers in this grouping **went out of business.**

Delta Connection / SkyWest

Discontinued: Pre-1995

04

Possible factors:

- › Significant cost-focused restructuring at Delta Air Lines' **may have determined the route to have insufficient strategic importance.**
- › SkyWest was replacing its fleet of 19 seat Metroliners with **30 seat Brasilias** which **may have been deemed too large for the market** given competition from American Eagle and planned service from United Express.

American Eagle / Wings West

Discontinued: 1996

05

Even with an EAS subsidy, **revenue may have been insufficient to maintain profitability** once United Express / Mesa entered the market. United had a much larger presence at LAX. Wings West was released from its EAS contract.

United Express / SkyWest

Discontinued: 2013

06

Possible factors:

- › SkyWest's smallest aircraft **may have been too large** for the market.
- › **United was reducing service at the LAX hub.**
- › The **reduced schedule and poor timing** did not facilitate connectivity.
- › **Pricing was too high** for the market.
- › **DOD travel restrictions** reduced demand.

Boutique Air

Discontinued: 2017

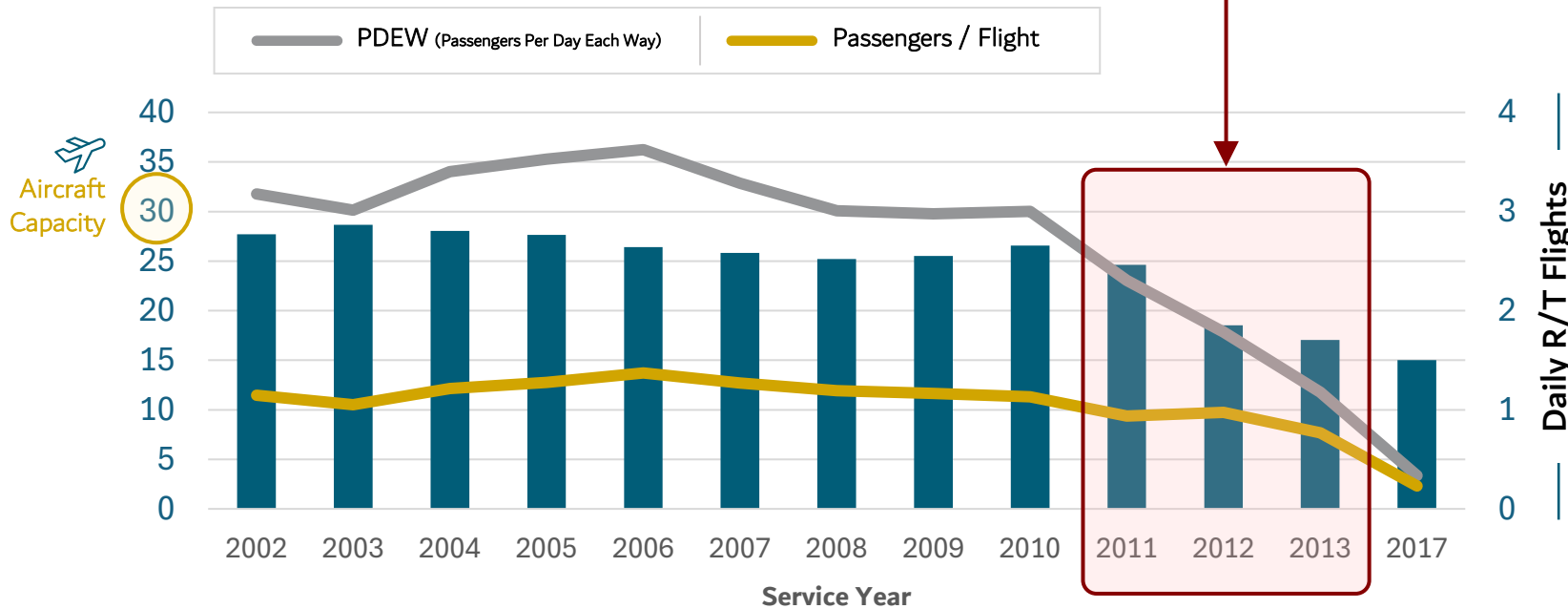
07

The IWW Airport district **canceled its contract** due to poor loads resulting from lack of potential customer awareness and poor schedule reliability.

Success is dependent on frequency and connectivity

Passenger volumes and flight frequency remained relatively steady between 2002 – 2010. Load factors appeared strongest when frequency was 3 flights per day, 6 or 7 days per week.

As frequencies reduced, load factors also reduced. Demand was lost rather than shifting to remaining flights. Social media suggests timing of the remaining afternoon departure did not facilitate connectivity.



Source: US Bureau of Transportation Statistics



Observations

- › **Maximize connectivity:** Success is dependent on sufficient frequency and schedule alignment to maximize connectivity with key markets.
- › **Right-size aircraft:** Historically low load factors suggest a 30-seat aircraft may have been too large for the market.
- › **Different gateway:** Service to a different gateway city with some level of local demand as well as strong connectivity should result in higher overall demand.

Community Economic Impact



Lack of airline service is costly to government/military travelers

The government's Cost & Acquisition Analysis Departments conducted a study in January 2024 for the Naval Air Warfare Weapons Division outlining costs incurred to drive to a gateway airport that could be avoided with connecting air service from IYK. These costs include a Sunday night stay at the gateway generally required due to distance and schedule timing. This would be unnecessary with well-scheduled air service. Costs assume the same airfare for the connecting portion of the itinerary.

Costs When Using a Rental Car	
• Rental car	\$273
• Per diem (lodging, ME&I)	\$238
• Fuel	\$ 65
➤ Total:	\$576

Costs When Using a Personal Vehicle	
• Mileage	\$251
• Per diem (lodging, ME&I)	\$238
• Parking (economy)	\$105
➤ Total:	\$594

Subtracting \$12 for mileage expense driving between IYK and the China Lake base, any airfare up to \$564 round-trip will result in dollar-for-dollar savings, and **the value of increased productivity from time savings is worth even more.**

Lack of airline service is also costly to the local community

The following costs are averaged across 5 commonly used gateway airports: BFL, BUR, LAS, LAX, and ONT.

Assumptions:

- IRS mileage reimbursement rate of \$0.655 / mile
- Average trip duration of 5 days
- No hotel stay

Costs When Using Personal Vehicle	Costs When Using a Rental Car	Costs When Transported by Family or Friend
<ul style="list-style-type: none">• Roundtrip Mileage (306) \$200• Parking (\$16/day) \$ 80	<ul style="list-style-type: none">• Rental Car \$273• Fuel \$ 65	<ul style="list-style-type: none">• Mileage 2 Roundtrips (612) \$400
➤ Total \$280	➤ Total \$338	➤ Total \$400

Other Considerations:

- Average roundtrip drive time is 5 hours, plus an additional hour to park and shuttle to/from the terminal.
- When a hotel stay is required or preferred to reduce fatigue, costs increase further.
- Ridesharing services such as Uber or Lyft are costlier than being transported by family or friends.
- Parking is free at the IYK airport and will remain free per the airport manager.

Air service boosts the local economy

Observation

Community, local and regional GDP and economic health decreased following the discontinuation of air services.

- › The established asset value of the Inyokern airport is circa \$19.5M generating total revenues of circa \$2M per year and employing 2-4 full time employees *without air service*.
- › A High-Level Airport Regional Value (ARV) with air service is estimated to generate 155 jobs, circa 5-10 at the airport and 140-150 Inyokern and Ridgecrest .
- › High-Level Economic Development (ED) preliminary analysis yields a total economic impact of circa \$17.5M per year or \$1.46M per month.
- › The Air Services Development impact is estimated to be 8x revenues of these services
- › Aside from direct economic revenue metrics, Quality of Life (*QOL*) metrics improve dramatically when sustained air services are available*

[Indian Wells Valley Airport District Financial Statements, May 2023](#)

[Measuring and Understanding the Relationship Between Air Service and Regional Economic Development](#)

* The TRB – Transportation Research Board is developing QOL related metrics associated with community air service and details will be included in the detailed study

Considerations for Potential Operators



Important factors to consider when evaluating potential operators

- › Does the operator meet requirements for government subsidy programs as well as requirements for corporate and government travelers?
 - › Single engine vs twin-engine aircraft
 - › One pilot vs two
 - › Single pilot operations are subject to higher visibility minimums which will cause reliability problems at coastal airports subject to fog
 - › Part 135 (& Part 380 Public Charters), or Part 121 (Scheduled Carrier) certification
 - › At least 12 consecutive months providing passenger services
- › Does the operator have existing infrastructure for interline connectivity?
 - › Interline agreements with carriers serving the gateway airport
 - › If carrier does not currently have interline agreements, each potential interline partner may require a letter of credit equal to at least 90 days of expected settlement volume.
 - › Participation in CRS's / GDS's
 - › Subscriptions to ACH and ARC
 - › Nearly all demand from the IWW is for connecting itineraries which makes interline connectivity a top consideration.
- › Does the aircraft have an air-conditioned cabin (required for hot desert operations)?
- › Does the aircraft have sufficient performance to carry a full load on the selected route in hot / high conditions?
- › Is the aircraft pressurized to facilitate more direct routings over mountainous terrain?
- › Does the operator have existing facilities and staff at the gateway airport (helps reduce allocation of airport expense)?



Selecting the right operator is critical

Observation

An existing independent scheduled airline, new IYK-based airline, or hybrid of the two models will likely be the most resilient option.

Attribute	Independent Scheduled Airline	IYK-Based New Airline	Major Airline's Regional Partner	Charter Carrier
Operations and administrative technology, facilities, and staff	In place, may require supplemental operations support staff and contract maintenance.	Technology and facilities must be acquired and implemented, and staff must be hired and trained.	Ready day 1	In place, may require supplemental operations support staff and contract maintenance.
Gateway airport facilities and staff	May be in place if the carrier already serves the selected gateway.	Facilities must be obtained, ground equipment acquired, and staff hired and trained.	Ready day 1 at the major partner's hub (may be different than the ideal gateway)	May be in place if the carrier already serves the selected gateway.
Industry distribution systems and technology	Ready day 1	Negotiation and implementation required.	Ready day 1	None
Interline readiness	Ready day 1 with carrier's existing interline agreements and SPA's.	Negotiation and implementation required. Potential interline partners will likely require letters of credit.	Ready day 1 with major partner's existing interline agreements and alliances.	No interline capabilities
Schedule flexibility	Highly flexible, some lead time required.	Highly flexible, some lead time required.	Network-related factors may result in sub-optimal schedules for the community.	Most flexible.
Connection convenience	Automatic baggage transfer with interline partners.	Automatic baggage transfer with interline partners.	Through check-in with major partner. Automatic baggage transfer with interline partners.	Baggage must be reclaimed and rechecked. Security screening required at gateway airport for outbound connections. Transportation required between terminal if private facilities are used.
Comparative allocation of fixed costs	Moderate since the operation will require dedicated aircraft, dedicated gateway facilities, staff and equipment (if no existing service) and possibly contract maintenance.	Highest fixed costs since 100% will be allocated to this operation.	Low	Moderate since the operation will require dedicated aircraft, dedicated gateway facilities, staff and equipment (if no existing service) and possibly contract maintenance.
Government subsidy eligibility	Yes (may require waivers if single engine or single pilot aircraft are used)	Require 12 months of uninterrupted passenger operations before eligibility.	Yes	Ineligible.
Pricing	†More likely to offer lower local market fares than a major airline's regional partner (if sufficiently subsidized).	†More likely to offer lower local market fares than a major airline's regional partner (if sufficiently subsidized).	Since the strategic focus is online connections to the major airline partner, local market fares are usually extremely high to discourage connections to other airlines.	Likely to require higher fares or greater local subsidies due to ineligibility for government subsidy programs.

An independent / local airline can produce additional benefits



Airport Regional Value
(ARV)



Workforce development
and job creation



Education and technical
training



Community growth,
insourcing of investment



GDP growth



Greater likelihood of
resilient sustainable service

EAS subsidies can be substantial

Observation

Even though operators of regional jets and larger aircraft have higher annual operating costs, they are often successful at obtaining EAS subsidies that cover the revenue gap and generate a 5% margin

Air Carrier	EAS Contracts	Average Distance	Average Cost					Covered by Subsidies
			ASM	Seat	Block Hour	Flight	Annual	
Advanced Air	3	279	\$1.61	\$368	\$2,302	\$3,313	\$6,029,066	79%
American Airlines Group (as American Eagle)	4	372	\$0.41	\$133	\$4,933	\$7,493	\$9,710,987	54%
Boutique Air	2	222	\$1.37	\$302	\$2,071	\$2,417	\$5,225,885	91%
Corporate Flight Management d.b.a. Contour Airlines	9	279	\$0.72	\$183		\$5,493	\$6,765,435	91%
Hyannis Air Service d.b.a. Cape Air	13	172	\$1.32	\$220		\$1,979	\$3,723,825	97%
Key Lime Air d.b.a. Denver Air Connection	8	272	\$0.99	\$272	\$4,278	\$5,040	\$6,204,098	91%
Multi-Aero d.b.a. Air Choice One	1	213	\$0.81	\$169	\$1,642	\$1,522	\$2,792,196	87%
SkyWest Airlines (as Delta Connection)	14	259	\$0.50	\$121	\$6,365	\$7,521	\$6,947,048	64%
SkyWest Airlines (as United Express)	15	368	\$0.47	\$144	\$4,507	\$7,210	\$6,210,359	75%
Southern Airways Express	14	177	\$1.10	\$228		\$2,022	\$3,928,309	91%
Southern Airways Express d.b.a. Mokulele Airlines	3	44	\$2.16	\$84		\$758	\$1,310,370	90%
United Airlines Holdings (as United Express)	3	465	\$0.31	\$140	\$4,263	\$7,016	\$7,881,568	65%

- EAS (Essential Air Service) is a Federal Government subsidy program that helps small, isolated communities maintain air service.
- Carriers with a successful history obtaining EAS awards will be among those solicited as candidate operators

Source: US DOT EAS Orders Selecting Air Carriers

EAS awards can bridge the cost / revenue gap for various aircraft

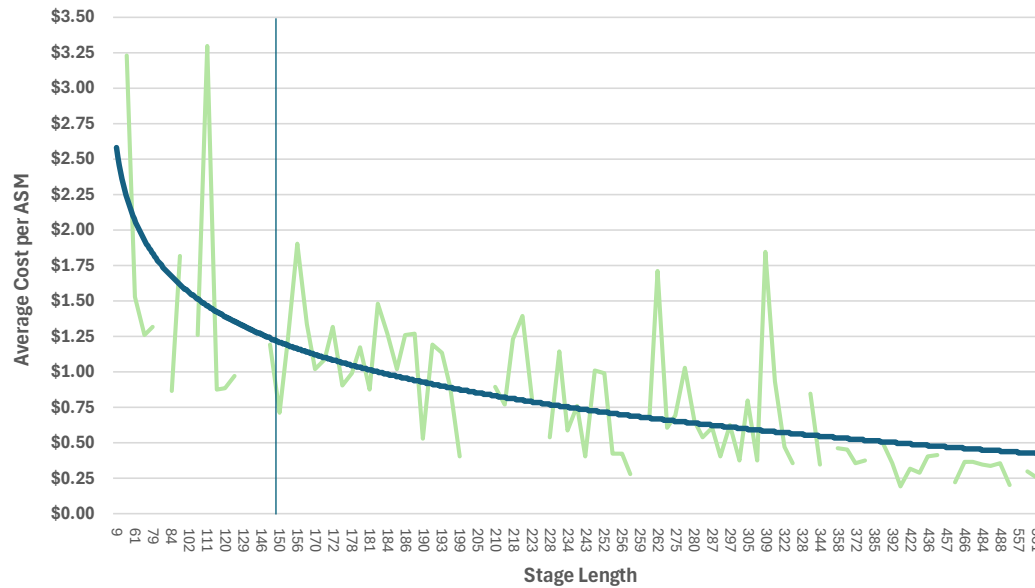
Aircraft Category	Capacity	Average Stage Length	Average Weekly Roundtrips	Average Cost				
				ASM	Seat	Block Hour	Flight	Annual
Regional Jet	30	278	12.0	\$0.74	\$188	\$5,462	\$5,626	\$6,934,368
	50	344	11.9	\$0.48	\$143	\$4,739	\$7,136	\$6,729,971
	65	407	13.3	\$0.24	\$97	\$3,901	\$6,335	\$8,449,843
	76	276	12.7	\$0.44	\$113	\$7,268	\$8,564	\$7,112,091
Average		319	12.1	\$0.54	\$147	\$5,262	\$6,918	\$6,938,268
Twin Turboprop	9	242	19.5	\$1.40	\$363	\$2,405	\$3,270	\$4,867,816
Twin Piston	9	172	23.5	\$1.32	\$220		\$1,979	\$3,723,825
Single Turboprop	8	222	18.0	\$1.51	\$334	\$2,071	\$2,668	\$4,783,081
	9	170	23.6	\$1.30	\$194	\$1,719	\$1,745	\$3,524,442
Average		175	22.8	\$1.33	\$216	\$1,895	\$1,891	\$3,723,175
Grand Total		255	16.7	\$0.87	\$185	\$4,766	\$4,954	\$5,690,777

Cost per ASM and per seat generally decrease as aircraft capacity increases, while block hour and trip costs increase with the size of the aircraft

Source: US DOT EAS Orders Selecting Air Carriers

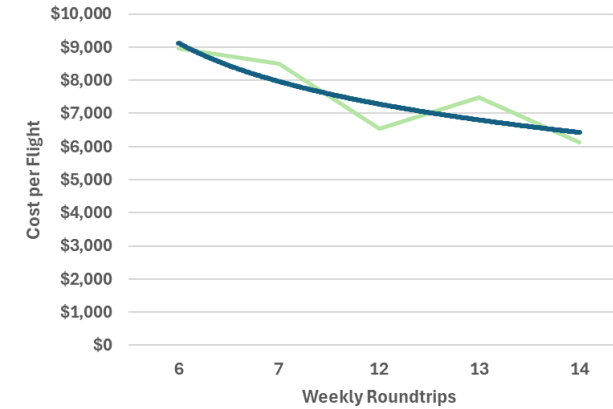
Unit costs decrease as stage length, capacity, and frequency increase

Average Cost per ASM by Stage Length



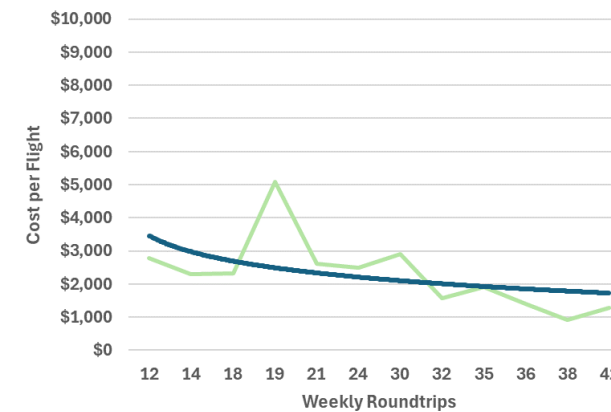
Cost per ASM decreases as stage length increases

Cost per Flight by Weekly Frequency Regional Jets



Cost per flight decreases as frequency increases

Cost per Flight by Weekly Frequency Turboprop and Piston Aircraft





Revenue Model Demonstration

Frequency and existing infrastructure reduce fixed cost allocations



Fixed costs commonly comprise 60% - 70% of the total.

The percentage is higher with small fleet counts, low-capacity aircraft, and low utilization.



Increased utilization reduces fixed costs allocated per seat and per departure.



Costs allocated to this operation can be reduced if the selected carrier currently operates scheduled airline services and has **existing:**

Administrative infrastructure

IT systems and staff to support operational requirements such as crew scheduling, maintenance planning / tracking, flight following, etc.

Distribution contracts with GDS's and CRS's supporting agency and interline sales

Settlement participation agreements with ARC and ACH

Facilities and staff at the target gateway airport

Controlling costs while maximizing revenue requires diligent business management

Fixed Costs

- Airport facilities rent
- Administrative staff, facilities, and systems
- GSE (Ground Service Equipment) ownership /maintenance
- Marketing and sales
- IATA participation and subscriptions
- IT infrastructure
- Aircraft RON security
- Aircraft lease or loan payments
- Insurance

Variable Trip Costs

- Landing fees
- Common use facilities
- Aircraft turn cleans
- Contract services

Variable Block Hour Costs

- Fuel
- Aircraft maintenance
- Flight crew

Variable Costs - General

- Operational staff
- Aircraft cleaning
- GDS (Global Distribution System) agency distribution
- CRS (Computer Reservations System) airline distribution
- ATPCO (Airline Tariff Publishing Company) fare filing
- OAG (Official Airline Guide) schedule publishing
- Crew and operational staff training

Variable Passenger Costs

- PSS (Passenger Service System) passenger service system
- Airport facilities
- Catering
- ARC (Airlines Reporting Corp) agency settlement
- ACH (Airline Clearing House) interline settlement
- PFC (Passenger Facility Charges)
- TSA (Transportation Security Agency)

Carriers are already expressing interest in serving IYK

Contacted and interested

Cape Air
We're your wings.



AIR CAHANA



Grand Canyon Scenic Airlines



Contacted and awaiting feedback

CONTOUR



Contact planned soon

Denver Air CONNECTION



SURFAIR
MOBILITY



PHOENIX AIR



Note: Operator schedule and capacity must be sufficient to generate at least 10K annual outbound enplanements from IYK so the airport will qualify for an annual \$1M Federal grant associated with its FAR Part 139 certificate. This will cover additional airport costs for up to 30K annual enplanements.

Target Airports Assessment

Key Factor Comparison



Las Vegas appears to be an optimal gateway

	1 - Las Vegas (LAS)				2 - Los Angeles (LAX)				3 - San Diego (SAN)				4 - Burbank (BUR)				5 - Ontario (ONT)								
Block Times	Aircraft	IYK > LAS		LAS > IYK		Aircraft	IYK > LAX		LAX > IYK		Aircraft	IYK > SAN		SAN > IYK		Aircraft	IYK > BUR		BUR > IYK		Aircraft	IYK > ONT		ONT > IYK	
	Taxi Time	Out = 0:05 In = 0:15	Out = 0:20 In = 0:05	Out = 0:05 In = 0:20	Out = 0:20 In = 0:05	Taxi Time	Out = 0:05 In = 0:20	Out = 0:05 In = 0:20	Out = 0:15 In = 0:05	Out = 0:15 In = 0:05	Taxi Time	Out = 0:05 In = 0:15	Out = 0:15 In = 0:05	Out = 0:10 In = 0:05	Out = 0:10 In = 0:05	Taxi Time	Out = 0:05 In = 0:10	Out = 0:10 In = 0:05	Out = 0:05 In = 0:10	Out = 0:10 In = 0:05	Taxi Time	Out = 0:05 In = 0:10	Out = 0:10 In = 0:05	Out = 0:10 In = 0:05	
	Caravan	1:30	1:21			Caravan	1:11	1:08			Caravan	1:36	1:34			Caravan	0:57	0:55			Caravan	1:00	1:02		
	ATR-42	1:12	1:07			ATR-42	0:59	0:55			ATR-42	1:15	1:13			ATR-42	0:47	0:42			ATR-42	0:52	0:48		
	E-135	0:58	1:02			E-135	1:02	0:51			E-135	1:08	1:02			E-135	0:45	0:40			E-135	0:52	0:44		
On Time Departure Performance (2023)	On Time Performance	72.12%				On Time Performance	80.16%				On Time Performance	79.56%				On Time Performance	Not reported				On Time Performance	Not Reported			
	Rank (Among top 30)	25				Rank (Among top 30)	8				Rank (Among top 30)	9				Rank (Among top 30)	Not reported				Rank (Among top 30)	Not Reported			
Nonstop Destinations	Domestic	132				Domestic	101				Domestic	81				Domestic	44				Domestic	23			
	International	20				International	71				International	11				International	0				International	2			
	IYK Top 20 Markets	20				IYK Top 20 Markets	19				IYK Top 20 Markets	18				IYK Top 20 Markets	13				IYK Top 20 Markets	9			
Airlines (Includes scheduled charters)	US Based	19				US Based	14				US Based	13				US Based	10				US Based	9			
	Foreign	18				Foreign	47				Foreign	5				Foreign	0				Foreign	3			
Connection Times	Domestic-Domestic	1:00				Domestic-Domestic	2:00				Domestic-Domestic	0:45				Domestic-Domestic	0:45				Domestic-Domestic	0:45			
	Domestic-International	1:30				Domestic-International	2:30				Domestic-International	1:30				Domestic-International	N/A				Domestic-International	1:30			
	International-Domestic	2:00				International-Domestic	3:00				International-Domestic	2:00				International-Domestic	N/A				International-Domestic	2:00			
Terminal Facilities	Terminals	3				Terminals	9				Terminals	2				Terminals	1				Terminals	2			
	FIS Location	Terminal 3				FIS Location	Tom Bradley Terminal Terminal 7 (United only)				FIS Location	Terminal 2				FIS Location	N/A				FIS Location	Terminal 2			
	Inter-Terminal Airside Connections	Tram Frequency: 4-8 mins				Inter-Terminal Airside Connections	Linear walkway alternating above and below ground				Inter-Terminal Airside Connections	Concourse-level walkway				Inter-Terminal Airside Connections	N/A				Inter-Terminal Airside Connections	None			
	Inter-Terminal Landside Connections	Shuttle Frequency: 20-30 mins				Inter-Terminal Landside Connections	Bus Frequency: 12-15 mins				Inter-Terminal Landside Connections	Bus Frequency: 15 mins (30 minutes weekends / holidays)				Inter-Terminal Landside Connections	N/A				Inter-Terminal Landside Connections	Shuttle Frequency: 5-20 mins			
	Notes	International to Domestic requires landside connection with re-entry through security.				Notes	* Walk time (+/-) 8 mins between each terminal, or 72 mins between Terminals 1 -8. * Transiting between north and south side terminals walking outside terminals or taking the landside inter-terminal bus but will require re-entry through security. * International to Domestic requires landside connection.				Notes	International to Domestic requires landside connection.				Notes	Single terminal with 2 wings. All gates walkable airside.				Notes	Domestic to Domestic inter-terminal connections should allow 1:30.			

Summary of DOD Commercial Air Carrier Requirements

Air carriers serving the DOD must meet requirement that include:

General

Air carriers providing air transportation services to DOD either directly by contract or agreement, or indirectly through the GSA City Pair Program or some other arrangement, must be approved by DOD prior to providing such services and remain in an approved status throughout the contract performance period

Prior Experience

U.S. and foreign air carriers applying for DOD approval to conduct air transportation services for or on behalf of DOD under a contract or agreement with DOD, the GSA City Pair Program, or by some other arrangement are required to possess 12 months of continuous service equivalent to the service sought by DOD

Quality and Safety Requirements - Air Carrier Management

Management has clearly defined safety as the number one company priority, and safety is never sacrificed to satisfy passenger concern, convenience, or cost. Policies, procedures, and goals that enhance the CAA's minimum operations and maintenance standards have been established and implemented

Quality and Safety Requirements - Operations

DOD has established comprehensive regulations and standards for air carrier operations regarding:

- › Flight crew hiring; Aircrew training and scheduling; Captain upgrade training; Inflight performance
- › Maintenance; Quality assurance; Inspections; Training; Aircraft maintenance programs, records, and manuals

Air carriers serving the DOD must meet requirement that include:

Operations:

- › Single-engine aircraft limited to flight during daylight hours and VFR conditions only
- › All DOD flights will be flown under IFR to the maximum extent possible

Aircrew Requirements:

- › A pilot-in-command (PIC) and second-in-command (SIC) will be used:
- › For all fixed-wing, whole-plane charters
- › If the aircraft certificate requires a two-pilot crew, or has seating configuration for ten or more pax
- › When the aircraft is operated under IFR
- › For DOD charter passenger operations, the PIC and SIC must have at least 250 hours combined hours in their respective positions in the type of aircraft being operated. The PIC must have 1500 hours total pilot time
- › The PIC and SIC (when required), shall be IFR qualified; i.e., both shall hold a commercial instrument rating for all DOD flights regardless of the weather or type of flight plan filed

Aircraft:

- › Will have two or more engines
- › Aircraft operated with two pilots shall be equipped for IFR operations and meet the IFR requirements of CFR135.181
- › Be turbined powered if more than nine passengers are carried

Potential Financial Support



Consider all available subsidy and financial support options

EAS (Essential Air Service)

- Managed by the DOT to guarantee a minimal level of scheduled service to small communities that meet specific criteria including distance from other commercially served airports and minimum daily enplanements.
- Air carriers that meet specific criteria can bid on subsidies to provide a minimum seating capacity and number of frequencies to a designated connecting airport.
- Current subsidies for comparable service range between approximately \$3M - \$7M per year.

Small Community Air Service Development Program

- Provides subsidies to communities with a small, underserved airport to attract or retain service or make air travel more accessible by lowering air fares.
- Communities must meet specific criteria and submit an application to the DOT.
- Awards limited to 40 communities per year with no more than 4 from the same state.
- Award periods can't exceed 3 years, and a community can't receive more than 1 award within a 10-year period.
- Recent awards ranged between \$250K - \$1.5M.

City Pair Program

- The U.S. General Services Administration (GSA) procures and manages discounted air transportation services in over 13,000 markets for federal government travelers, including the DOD.
- With few exceptions, all federal government travelers flying commercial air must utilize flights contracted through this program.
- As of today, Silver Airways is the only independent regional carrier participating in the program and is currently the designated carrier in 11 markets.

California Air Resources Board (CARB)

- Promotes programs that reduce air pollution while recognizing and considering effects on the economy.
- While no programs or grants are specifically targeted toward air transportation, operators of hydrogen or electric powered aircraft may be eligible to apply for funding through programs including:
 - Hydrogen Fueling Infrastructure
 - Advanced Technology Demonstration and Pilot Projects
 - Sustainable Equity Transportation Project (STEP)

Other Community-Based Support

- IWV Economic Development Program
- Naval Base Support
- Chamber of Commerce
- Waive PFC's (Passenger Facilities Charges) and landing fees at IYK.
- Local investment
- Banks of community-purchased tickets or vouchers to guarantee minimum volumes

Gateway City Support

- Negotiate waivers or reductions in landing fees as well as reductions in facilities costs at the gateway airport.
- Seek joint marketing support from the CVB and casino resorts (if LAS).

Observations, Factors for Success, and Next Steps

Summary of observations

- The IYK catchment area produced sufficient demand (estimated over 20.5K passengers per year) to sustain commercial air service for 60 years, and the increase in population as well as military base activity suggests it **can successfully support service again today.**
- Factors contributing to final service cessation include network restructuring at the major airline partner, poor connectivity, excessively high fares, and DOD budget-related travel reductions.
- Community and regional **economy as well as quality of life improves with the addition of air service.**
- **Unit costs (cost per ASM / seat / flight) decline with increased frequency** due to efficiencies of scale and dispersed allocation of fixed costs.
- While demand historically improved with a minimum 3 daily roundtrips, **a minimum of 4 daily roundtrips will likely be required** to improve time-of-day schedule coverage and crew utilization if the operation is not interconnected with existing service at the selected gateway airport.
 - **An operator of 9-seat aircraft will require at least 5 daily round trips** to produce sufficient capacity to carry 10K annual passengers allowing the airport to qualify for an annual \$1M Federal grant.
- Even though operators of regional jets and larger aircraft have higher annual operating costs, they should not be ruled out as potential operators given that they often successfully obtain **EAS subsidies covering the revenue gap plus a 5% margin** in markets comparable to IYK.
- ***The likelihood of re-establishing scheduled airline service is strong considering multiple potential operators have already expressed interest.***

Important community considerations

- Decreasing total travel times so that **business travelers can extend their average stays** thus increasing spend in the community.
- Improving community **quality of life** through efficient, affordable connections with non-stop flights to the most in-demand destinations.
- Developing **creative local solutions** to bolster the airline's business.
- Filling **sustainable new jobs** from the community's workforce.
- Selecting an **operator that will work collaboratively** with the community to ensure travelers' evolving needs are met.
- **Obtaining sufficient subsidies** to supplement the revenue gap so that average fares can remain attractive relative to the cost and inconvenience of self-transport to a gateway airport.

Factors that will contribute to a successful return of air service:

- **Optimal schedule** frequency and pattern of service to maximize connectivity to/from key cities.
- Select a gateway airport offering **efficient connections** with non-stops to/from key cities as well as the ability to generate local demand.
- Ensure operator has **interline agreements** with multiple major airlines
- **Effective distribution** through GDS' and OTAs is required.
- **Right-size the aircraft** and ensure compliance with DOD standards.
- Select an operator with the **flexibility** to meet the community's needs.
- Operator should apply to be the market's **designated carrier in the GSA City Pair program**.
- The community, DOD, and operator must collaborate to obtain all possible **external subsidies** so the community's economic gains can be maximized.
- **Coordinate continuously** with the DOD, its contractors, and other local businesses to ensure the service continues to meet their travel needs.

Next Steps

- **Utilize expert guidance and advice from IFG / Hospitio** to assist with addressing open questions that will facilitate an informed decision to proceed with Phase 2.
- **Approve and obtain funding for Phase 2** of the detailed analysis and plan with will provide:
 - Detailed financial plan
 - Market analysis
 - Operator solicitation and selection
 - Schedule design
 - Commercial plan
 - Local/Community engagement
 - Civil and Military Quality of Life (QOL) enhancements
 - Strategic options and recommended launch plan
- **Target start: August 2024**

