



**LA/PALMDALE REGIONAL AIRPORT PROPOSAL UNDER THE  
SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM**

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Prepared for:  
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# 1

## EXECUTIVE SUMMARY

**T**he Wheels Up Palmdale Coalition (“the Coalition”) is pleased to submit a proposal to the U.S. Department of Transportation (USDOT) for a grant as part of the Small Community Air Service Development Program (SCASDP). The lead sponsor and partner in the Coalition, the City of Palmdale, is requesting \$1,100,000 for support to continue new commercial service. The community will match these funds with \$1,125,000 in hard dollar support as well as \$3,372,000 with in-kind contributions.

The Small Community Air Service Development Program (SCASDP) has been a wonderful opportunity for LA/Palmdale Regional Airport (PMD) and a remarkable program for small airport communities to receive a chance to develop air service. We are extremely grateful to the USDOT for awarding Palmdale a grant in 2006 and the opportunity it has provided our community. We were quick to accept the grant and implement our plan to reintroduce commercial service to the LA/Palmdale Regional Airport. Within 10 months we signed an agreement with the USDOT, selected a well-known commercial airline and aggressively supported the carrier’s introduction into the market – a remarkable and exception timeframe. We have been fortunate to attract United Express, a global airline with service to San Francisco International Airport (SFO), the largest domestic market for the Palmdale area. In addition, United offers numerous connecting opportunities from its hub at SFO to markets across the U.S, and the world.

Having commercial service at our local airport has been a benefit to the Palmdale community and the entire region. In addition, local air travelers are able to avoid the long car commute to other airports which is significant given Southern California’s well-know highway congestion problems.

It is with great urgency that we ask the USDOT to seriously consider PMD’s 2008 proposal, submitted by the City of Palmdale on behalf of the Wheels Up Coalition, a community partnership formed in 2006 to develop air service. Our proposal requests support for a plan to sustain our newly introduced commercial air service in the market.

PMD’s air service growth has been challenged by several unique and unforeseen issues that have hampered United’s ability to realize profitability in the initial year of service. First, Palmdale’s unique business market, dominated by military,



aerospace/defense and government, has been unable to travel on the existing service in large numbers because of rigid booking policies that strongly encourage use of General Services Administration (GSA) Airline City Pair Program contract fares and the unavailability of these contract fares until October 1, 2008 in the PMD market. Second, the unprecedented spike in fuel costs (industry average increase of 57%) in the past 12 months has destabilized the entire commercial airline industry. Simply stated, fuel has become the enemy of small community air service across the U.S. and PMD's service has been negatively impacted as a result.

We are further encouraged by two significant efforts. United has indicated its willingness to double its daily flight departures. Further, as of October 1 2008, GSA Airline City Pair Program contract fares will be available in select PMD markets. We believe strongly that given time to develop, the combination of GSA contract fares and a more frequent flight schedule will result in sustainable air service at PMD.

Our proposal outlines the significant and heroic efforts the Wheels Up Palmdale Coalition and the community have taken to support the new service, both before United's introduction and over the last 12 months. We have demonstrated our commitment to the service as well as the message that the Palmdale community has been hard at work utilizing our SCASDP grant. We will continue with this same energy and commitment to implement a new program and we ask the USDOT to seriously consider our bid for further support in sustaining our commercial service.

This request is not without precedent. Nine individual communities (and two consortiums) have been awarded a second grant since the program was funded in 2002. Even prior to a second award, PMD generates traffic levels that exceed four of the individual communities. PMD is clearly a market with considerable potential and worthy of the investment as we have demonstrated considerable progress with our initial grant. Moreover, PMD plays a crucial role in the regional approach in Southern California to meeting the demand for air service in the 21<sup>st</sup> century.

# 2

## PALMDALE AIR SERVICE MARKET

### LA/PALMDALE REGIONAL AIRPORT

Commercial service was reintroduced at LA/Palmdale Regional Airport (PMD) on June 7, 2007. Considerable effort went into preparing for the service. The City of Palmdale (The City), the lead sponsor, and Los Angeles World Airport (LAWA), a key partner within the community coalition, immediately implemented an airline proposal process for regional service to a connecting hub airport within 1,000 miles of PMD. All airlines were provided a Request For Proposal to provide service at PMD. Two responsive submissions were evaluated.

Delta and United submitted proposals for two daily flights (the minimum required in the RFP) to their respective hub markets (Salt Lake City and San Francisco), given the revenue guarantee funds available. Both carriers are well-known brands and are internationally regarded as providers of effective air service, so the decision was difficult. Both Delta and United were interviewed and after careful deliberation, United was chosen as the service provider because it committed to stay in the market a minimum of 18 months. As part of the negotiations, there was an attempt to secure a third daily flight from both carriers, however neither carrier was willing to take the risk of additional cost to operate in an unproven market. Three daily flights are a more effective service pattern for travelers however the revenue guarantee could only cover two daily flights –this was true for both carrier submissions.

United submitted a proposal that included two frequencies a day to San Francisco (SFO), the largest domestic O&D passenger market from Palmdale, as well as a strong connecting hub. A market analysis estimated that United could carry between 40,000 and 65,000 passengers when fully operational and established.

In February 2007, a contract agreement was finalized between United and the City of Palmdale for a service introduction in early June, to capitalize on the start of the peak travel summer season. LAWA developed a comprehensive \$700,000 advertising campaign to support the rollout and introduction of the service that began three months before the service started. The program included:

- Billboard advertising for three months throughout the summer
- Additional outdoor media including transit shelters in Santa Clarita and Greater Palmdale

- Continuous print advertising throughout the Greater Palmdale Region in publications including Antelope Valley Press, Santa Clarita Signal, LA Times/Antelope Valley Edition, LA Observed website
- Sponsorship of the Lancaster JetHawks, a Class A affiliate of the World Champion Boston Red Sox, for the 2007 and 2008 baseball seasons
- Cable television advertising estimated to reach 122,000 households across the Greater Palmdale region; 73% of adults ages 25-64 were estimated to see LA/Palmdale Regional Airport commercials an average of 6.7 times over 10 weeks
- Radio – 19 spots at 30-second running times were scheduled for the primary drive times (weekdays 6AM-10AM & 3PM-7PM) over 10 weeks
- Internet and online campaign including targeted emails (sent to Palmdale area zip codes) with email blast messages and banners on the LA/Palmdale Regional Airport and United service to SFO; Developed interactive Palmdale website with sign up registration for interested travelers/residents
- Guerilla tactics/grassroots efforts such as parking stripe advertising at the Lancaster Jethawks Stadium, Wal-Mart, Cosco, etc.
- Travel industry outreach to travel agencies, hotel operators, car rental companies, limousine and taxi services, corporate travel managers and tour operators to promote awareness and bookings..

In addition, the City began its own promotional and advertising efforts run continuously throughout the region. The efforts include electronic billboard advertising on the 14 Freeway (the main highway that accesses the City of Palmdale and LA/Palmdale Regional Airport) and monthly promotions in residence utility bills. The billboard prominently displays the United Express service to San Francisco from the LA/Palmdale Regional Airport. Every month, all area residents receive a mail insert along with their utility bills, advertising the LA/Palmdale Regional Airport United Express service to SFO and to other connections throughout the world. The distribution of these inserts reaches all residences in the area and is an extremely effective, low cost method for developing awareness of the new service.

In addition, our other coalition members such as the Greater Antelope Valley Economic Alliance (GAVEA) and the Antelope Valley Board of Trade (AVBOT) have supported the service. Both partners have hosted airport speakers to present at monthly luncheon, promoted the service in their monthly newsletters and at the AVBOT's annual economic outlook, and highlighted the service to their business

members. There has been unprecedented community support behind the new service at PMD.

#### AIR SERVICE MARKET CHALLENGES

As the PMD air service began, it was evident two daily flights, did not provide sufficient schedule flexibility for business travelers. The schedule was limited, offering marketable access to just 17 connecting airports beyond United's SFO hub. Business travelers found it difficult to make same-day and one overnight business trips. Given the proximity of other airports such as Los Angeles International and Bob Hope Burbank, business travelers were reluctant to consistently use the service. Various tradeoffs that provide convenient effective travel need to be considered that weigh the local market, SFO versus connecting markets as well as inbound traveler vs the originating traveler. With only two flights, some of the market segments have less than optimal flight schedule choices.

After the initial summer travel season concluded, traffic patterns were analyzed and various schedule options were evaluated by United, resulting in a schedule change that included two outbound morning flights catering to the local market. The inbound connecting market would have a less favorable schedule. The local market, however, could be influenced more by advertising and promotion, and was therefore favored in the new schedule..

By October 2007, the passenger traffic levels were approaching 30 percent. After several discussions with business travelers in the Palmdale area it was determined that the vast majority of these passengers found it difficult to use the existing service. Palmdale's unique business market, dominated by military and government, has a strong preference for traveling from airports offering General Services Administration (GSA) Airline City Pair Program contract fares. These fares are important to military and government travelers because they are guaranteed, extremely flexible and excluded from capacity controls. Because of the lead time required by the GSA bidding process, the earliest that GSA Airline City Pair Program contract fares will be available in the PMD market is October 1, 2008.

The Coalition's 2006 SCASD proposal outlined the importance of the military, government and aerospace business market in the PMD region. Since World War II, the region has been a testing, manufacturing, engineering and aerospace development center of excellence for the military. When the aerospace manufacturing industry in



Southern California contracted during the early 1990s, its remaining operations consolidated in the Palmdale region. This was due to a number of defense companies being located in Palmdale and the presence of significant Air Force, Navy and NASA facilities in the region.

Military and federal government travelers book travel primarily through the Defense Travel System (DTS) and other computer reservation systems that display GSA Airline City Pair Program fares for booking as the preferred travel option. If a city pair is not listed as having a government contract fare, military/government travelers tend to book the next closest airport offering such a fare. Because these computer reservation systems will not display GSA Airline City Pair Program fares until October 1, 2008, a large business market segment from the Palmdale region tends to use LAX as its origin/destination airport. The process to include PMD in government computer reservation systems through the GSA Airline City Pair Program is complex and requires long lead time. Once the bidding time has closed the process does not reopen again for one year. At the time United service began at PMD, the GSA bidding process for federal fiscal year 2008 (beginning October 1, 2007) had closed five months earlier. For the federal fiscal year beginning October 1, 2008, GSA put out to bid a number of city pairs involving PMD based on inputs from government and military installations in the Antelope Valley, and from the Coalition. The GSA is scheduled to announce the award of Airline City Pair Program contract fares involving PMD in July 2008. Unfortunately, the effective date of October 1, 2008, will be 16 months after the introduction of jet air service at PMD. The challenge for the Palmdale market has been attracting the important military/government contractor travel market to book travel from PMD in the absence of GSA Airline City Pair Program contract fares. United was responsive once the lack of GSA Airline City Pair Program contract fares was identified and developed an interim solution by adding limited seats using capacity-controlled Discount Government (DG) fares. However the DG fares are not as flexible and require additional booking steps that discourage use. As a result, the military/government has been unable to utilize the DG fares in significant numbers.

In an attempt to attract travelers to the service, United also significantly decreased its commercial fares in the PMD market in February 2008 to stimulate traffic. Average load factors increased by 5 percentage points between January and February and an additional 11 percent by March as shown in the table below. The limitations on government/military travel, however, continued to keep load factors lower and impede the air service from achieving sufficient traffic and revenue performance. However, despite the challenge to capture the unique business market we feel the

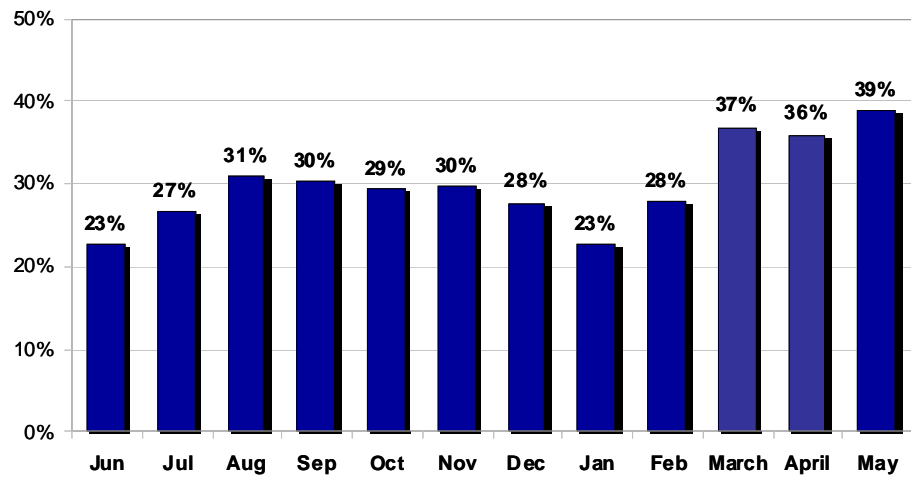




leisure market traffic level has been solid and that once PMD can also serve the business market it should help the viability of the service considerably.



**Load factors by Month, June 2007 – May 2008**



Source: United Airlines

In March and April 2007, the Coalition conducted a comprehensive air travel survey in the region. The survey focused on four segments of the market and zip codes across the Greater Palmdale, Antelope Valley and Santa Clarita Valley. Intercept surveys were conducted at the LA/Palmdale Airport terminal and at area hotels. In addition, telephone and Internet surveys were conducted. In total, 950 surveys were analyzed. The survey’s objectives included profiling and understanding air travel behavior as well as measuring awareness of the LA/Palmdale Regional Airport and the United Express service.

Among the key findings was a high level of awareness that LA/Palmdale Regional Airport is open and United Express serves the market. A total of 72% of respondents who traveled or planned to travel knew about the service at PMD and 35 percent of these travelers had used PMD in the first year of service. This high level of awareness demonstrated the effectiveness of the advertising, marketing and travel industry outreach efforts by the Coalition.

The survey also found that business travel accounts for 68 percent of travelers using PMD. Clearly capturing the unique business travel market in PMD is critical to the success of airline service long-term.

Also, flight frequency was found to be another important attribute for PMD travelers as 57 percent of respondent preferred more departure options on non-jet aircraft over only two daily flights with regional jets. When asked to rank use of nearby airports,

hotel business visitors used LAX 56 percent of the time, followed by BUR (22%) and PMD (13%). The main reasons were flight frequency and market options. Also, the hotel intercept survey found that nearly 50 percent of overnight guests worked in the military and government sectors while 21 percent of travelers intercepted at the LA/Palmdale airport were in those sectors, underscoring again the lack of significant use of PMD by military and government travelers due to lack of available GSA Airline City Pair Program contract fares.

With the release of these survey findings, we began discussions with United to substitute the existing two daily regional jet flights with four turboprop flights in the PMD-SFO market. We believe there will be a strong response from the business travel market to more frequent daily flights to SFO and the change will open up more connecting opportunities, allowing for easier one- and two- day business trips.

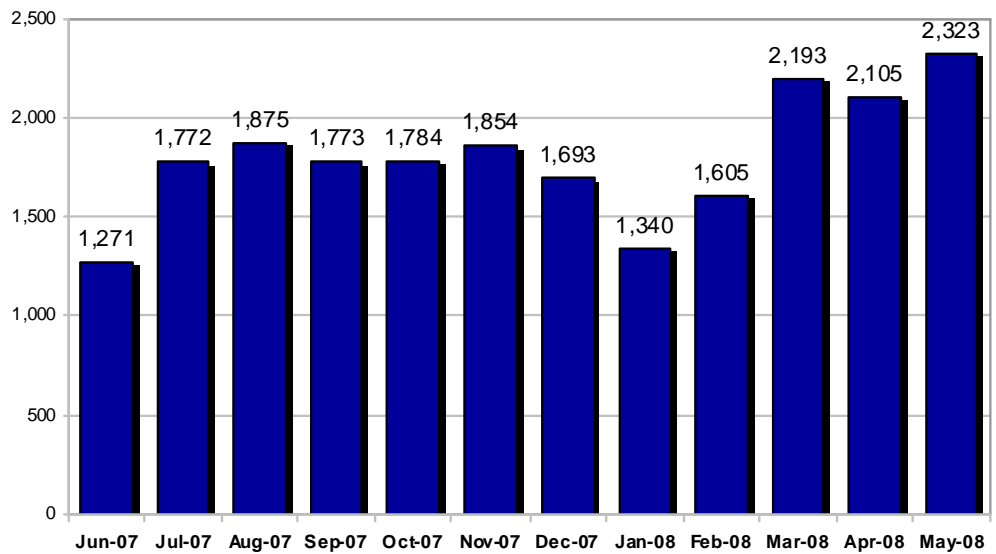
The past year has seen an unprecedented increase in fuel costs. The severity of the expense has been most shocking to airlines by the short time period in which they have had to absorb the increase. At the time United proposed its service (December 2006) the cost per gallon of fuel was \$2.06. United now pays \$3.90 (June 2008) an increase of 89%. The fuel costs coupled with the lower than expected traffic level has resulted in large losses to date on the route.

If United can get temporary relief for its fuel costs while the GSA fares become incorporated into the booking systems used by the military/government and aerospace contractors we believe the market will develop into a self-sustaining route. Factors beyond the control of the community unfortunately emerged at the same time PMD service began. PMD has an extremely committed market to the service and our aggressive marketing and outreach efforts will continue and also increase should we receive a new SCASDP grant award.

Over the last 11 months, the traffic at PMD has performed below expectations (see chart below) although in the last few months air travel has picked up considerably. This traffic level does not include the important business travel market which we believe would greatly increase passenger activity at PMD and provide United with the positive revenue necessary to remain in the market for the long term.



**Total Traffic at Palmdale, By Month, June 2007 – May 2008**



**NORTHEAST LOS ANGELES COUNTY / GREATER PALMDALE OVERVIEW**

The LA/Palmdale Regional Airport (PMD) is located in one of the fastest-growing regions of California. PMD is approximately 76 miles northeast of LAX and 70 miles north of downtown Los Angeles. Los Angeles is the second largest city in the US and projected to overtake New York City’s population by 2020. The greater Palmdale region, located in the outlying region of Greater LA, encompasses a 3,000 square mile region and is bordered by the San Gabriel mountain range in LA County, the San Bernadino County border and the Tehachapi Mountains in southeastern Kern County. PMD’s primary service area includes the two largest cities in the region, Palmdale and Lancaster, as well as a number of smaller unincorporated towns.



Northeast Los Angeles County Market Area and Palmdale Regional Airport

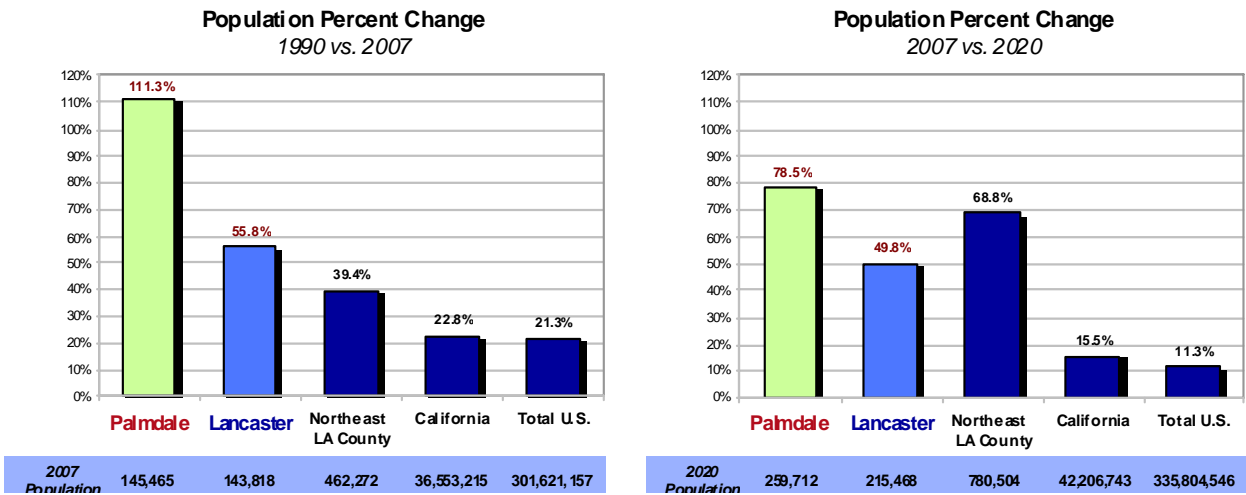
Drive Times from Palmdale Airport		
	Miles	Mins
LAX	76 mi	94 mins
BUR	58 mi	74 mins
ONT	77 mi	101 mins
Downtown LA	70 mi	87 mins



Palmdale and Lancaster have populations of 145,465 and 143,818 respectively, and the smaller cities and unincorporated towns in both Northeast Los Angeles County and Southeast Kern County, account for almost 173,000 additional residents, for a total catchment area of 462,300. Palmdale and Lancaster are expected to continue their high population growth trends through 2020, as shown in the table below.



### Historic and Projected Population Growth for Palmdale and Lancaster 1990 - 2020



Source: Greater Antelope Valley Economic Alliance (GAVEA) Roundtable Report, 2008

The greater Palmdale region is one of the few remaining areas in Los Angeles County that can accommodate population growth, which is an important factor, given the projected continuation of California’s long-running, population growth. The greater Palmdale and Antelope Valley region also enjoys relatively high-income levels, given the aerospace/defense and military activity. Technical defense manufacturing and professional engineering jobs in the region generate higher household incomes than do similar-sized U.S. communities. In fact, during 2005, Palmdale’s median household income was \$51,867 while Lancaster’s was \$44,868<sup>1</sup>, both much higher than the averages for LA County (\$51,315) and the entire U.S. (\$48,451)<sup>2</sup>.

#### UNIQUE BUSINESS MARKET

The business market is dominated by active military research, government contractor activity and aerospace research and development. Organizations represented in the region include the Air Force (Plant 42 and Edwards), NASA/Dryden, China Lake Naval Weapons Base, the FAA Air Traffic Control Center, Boeing, Lockheed and Northrop.

<sup>1</sup> Antelope Valley Board of Trade Demographic and Economic Outlook, 2007

<sup>2</sup> US Census 2006

Their travel patterns are frequent, however little information is available on actual data because of the secret nature in which these agencies and companies operate. We have been able to quantify a few of the organizations and their outbound travel is impressive. For example, China Lake generates 400 weekly *outbound* travelers and NASA books 200 weekly *outbound* travelers from the greater Palmdale and Northeastern Kern County region. The majority of these travelers are using LAX because of the GSA fare limitations. In addition, the aerospace/defense contractors generate high levels of air travel within the region. For example, one of the contractors at Plant 42 generated \$3.2M in outbound employee air travel. This figure does not include the airfares paid by the estimated 4,000 inbound visitors/employees that traveled by air to visit the contractor's operations at Plant 42 during this same year. In discussions with several of the contractors and the Air Force, there is consensus that an additional day of travel is required for planning purposes to get to/from the alternative airports in Southern California. Moreover, the USAF has recently calculated that its employees spend 800,000 work hours each year to travel to/from other Southern California airports for military business-related flights. Below is the employee count in the region:

- USAF Plant 42 & Edwards AFB (12,800)
- China Lake Naval Weapons Base (6,580)
- FAA Los Angeles ATC Center (600)
- NASA Dryden and NASA USAF Plant 42 Palmdale Hangars (500)
- Boeing (850)
- Lockheed Martin Aeronautics (3,700)
- Northrop Grumman (2,100)

It should be noted that LA/Palmdale Regional Airport is adjacent to USAF Plant 42 and thru a joint use agreement utilizes Plant 42's runways. Also Lockheed Martin, Boeing, Northrop Grumman, FAA ATC and a small group of NASA officials operate adjacent to Plant 42. Edwards AFB, NASA/Dryden and China Lake, are 20, 40 and 90 minutes North respectively of LA/Palmdale Regional Airport, it would clearly be a more convenient airport to handle these important business travelers. All of the military organizations and many of the aerospace companies would prefer to fly from PMD depending on their destination. However, the rigid GSA fare policy environment in which they operate has limited their travel use of PMD.



With the help of a new Federal grant from the SCASDP, combined with the availability of GSA fares at PMD, Federal workers and companies supporting the Department of Defense will be able to utilize PMD so the newly introduced air service can develop successfully, profitably and grow to support the community at large in the long run. Without this grant in all probability the newly introduced service at PMD will not be allowed to develop. This result would be contrary to the underlying goals of the SCASDP. We truly believe PMD has the potential to develop into a small regional airport that can support more frequent flights, larger aircraft and multiple markets for its region but only if the business community can effectively utilize the airport.



# 3

## PUBLIC/PRIVATE PARTNERSHIP

The Wheels Up Coalition, is a public/private partnership developed in 2006 and includes several key local organizations with agencies covering the greater Palmdale region. Members of the Wheels up Palmdale Air Service Task Force (Wheels up Palmdale) include the City of Palmdale, Los Angeles County, Antelope Valley Board of Trade (AVBOT), Greater Antelope Valley Economic Association (GAVEA), the U.S. Air Force (USAF), the Los Angeles Economic Development Corporation (LAEDC) and Los Angeles World Airports (LAWA).

Within this coalition, the City of Palmdale is the lead sponsor. The AVBOT and GAVEA, through their private corporate members (particularly the major defense contractors based in the Palmdale area, such as Lockheed Martin, Boeing, Northrop Grumman, and Raytheon) strongly support the continued support for a new SCASDP grant as well as the United service. In addition, the aerospace/defense contractors, with large R&D and manufacturing facilities located adjacent to PMD at USAF Plant 42, strongly desire the continued development of United's commercial service at PMD, due to the time-critical nature of their business travel needs.

Los Angeles County has long been a committed proponent of air service development at PMD, and its commitment in this partnership is further proof of this unwavering support. LA/Palmdale Regional Airport supports the regionalization effort of Southern California, which the Mayor of Los Angeles and many other important constituents strongly support. Regionalization which encourages the utilization of commercial airports in the region such as LA/Palmdale, LA/Ontario, Burbank, Long Beach and Orange County will help relieve the burden of congestion at LAX. LA/Palmdale is part of the solution in the region and successful development of United's service is a priority among all the Wheels Up Coalition members.

The USAF has long played a vital role in the economy of the North Los Angeles County region, through its operations at Plant 42 (located adjacent to PMD) and Edwards Air Force Base (20 miles north of PMD). The USAF has been a strong supporter of renewed commercial service at PMD. In fact, the USAF, through a joint use agreement with the City and LAWA, allows for commercial airline activity at PMD through use of its two 12,000-foot runways, which the USAF operates and maintains at its Plant 42 facility.

Finally, LAWA, through an agreement with the City of Palmdale to operate PMD in 1999, is a key partner with the City in its efforts to attract and develop commercial air

service at PMD. During the past 9 years, LAWA has worked closely with the City, aggressively recruiting commercial airlines to PMD. LAWA, the City and Los Angeles County have all invested significant resources to analyze the local air service market, educate airlines regarding the region, promote awareness and market PMD as a viable facility for airline service. The City, Los Angeles County and LAWA maintain a committed partnership and believe the SCASDP is a wonderful opportunity to help further development air service efforts at PMD.

If awarded this grant, Wheels up Palmdale will contribute to the overall efforts of re-introducing commercial air service to PMD at varying levels. Roles and responsibilities will include:

- **City of Palmdale** – serves as the legal sponsor; implement the grant; contribute hard dollars toward the revenue guarantee program as well as in-kind resources to promote/advertise United’s service in the local region and throughout Southern California; submit required reports to the USDOT.
- **County of Los Angeles** – contribute in-kind contributions toward enhancing United’s service with its fly-away bus that provides ground access to the airport for passengers.
- **City of Los Angeles (through LAWA,)** – contributing hard dollars toward the program as well as in-kind contributions to outreach and advertise United’s service in the local region; continue to offer terminal rent abatements.
- **US Air Force** – re-direct a percentage of its annual air travel expenditures from other airports in the Southern California region to support commercial airline service out of PMD once GSA city pair fares are implemented.
- **Antelope Valley Board of Trade - AVBOT** represents major business and industrial interests within the local region. AVBOT will contribute in-kind promotional and marketing assistance, including staff time and the provision of membership lists as well as outreach to its members to support United’s service.
- **Greater Antelope Valley Economic Alliance/Los Angeles Economic Development Corporation** – GAVEA’s is a division of the larger Los Angeles Economic Development Corporation. GAVEA and LAEDC will contribute in-kind promotional and marketing assistance, including staff time and the provision of membership lists as well as outreach to its members to support United’s service.

# 4

## STRATEGIC PLAN

### SPECIFIC GOALS

**The specific goals of the Wheels up Palmdale coalition include the following:**

- To continue with successful development of the newly introduced service by providing interim fuel cost relief (12 months) and GSA fare implementation
- To launch an aggressive outreach to the business and leisure travel community and generate interest use of PMD's air travel

The coalition estimates that PMD's new service needs 12 months of relief so that the market can take advantage of the more frequent flights and gain the benefit of the GSA Airline City Pair Program contract fares that will take effect October 1. Should the Coalition receive a SCASDP grant award, the earliest date of implementation for a new grant would be at the end of 2008/early 2009. Timing will be critical as United has committed to an 18 month start up phase in the PMD market. Should profitability be realized by then, UA will remain in the market. To date United has lost substantial revenue and would benefit greatly from the fuel cost relief for one year as well as implementation of the GSA fares.

The City estimates a cost of approximately \$1.1 million to provide fuel cost offset relief to United for a 12 month period. This estimate is based on United fuel expenses and the flight per departure costs to operate RJ and Turboprop aircraft in June 2006 and May 2008 and is summarized below. Should fuel costs decrease considerably the relief expense will decrease and funds will support outreach to air travelers. Stimulating travelers to use the service is a high priority and will be a good use for potentially unused grant funds.



**Estimated Fuel Cost for PMD-SFO**

	Cost/ Gallon	Fuel Cost Per Dept		Weekly Depts		Weeks Per Year	Annual Fuel Cost	
		RJ	Turboprop	RJ	Turboprop		RJ	Turboprop
May'08 Est.	\$3.90	\$1,711	\$1,131	26	56	52	\$ 2,313,272	\$ 3,293,472
Oct'06 Est.	\$2.09	\$880	-	26	-	52	<u>\$ 1,189,760</u>	<u>\$ 1,189,760</u>
Incremental Fuel Cost Increase (08 vs 06)							\$ 1,123,512	\$ 2,103,712

*\*Incremental fuel costs for Turboprop operation subtracts Oct'06 RJ fuel costs  
Source: United Airlines*

# 5

## AIR SERVICE DEVELOPMENT MARKETING EFFORTS TO DATE

- Submitted a proposal for a SCASDP grant in 2006 – successful recipient
- LAWA prepared the airport terminal with required security equipment and other facility support for the launch of service (\$500,000)
- LAWA launched a comprehensive advertising campaign in February 2007 for United’s service introduction and the opening of PMD (\$700,000)
- Held quarterly coalition meetings monitoring air service performance to date including participation by United (4 times a year)
- Conducted an interim meeting with United Airlines at Headquarters to evaluate performance (January 2008)
- Sponsored ‘preview day’ in May 2008 paid for the charter of a United Express plan to fly to PMD and build excitement / awareness for the service, invited key constituents and general public to event
- Hosted a launch reception June 7, 2008 for the United Express service, invited key constituents and general public to event, Mayors of Los Angeles and Palmdale key note speakers
- City of Palmdale has continuously advertised in the community using Electronic Billboards on the Main Highway (FWY14) in Greater Palmdale and issued promotional notices in all residence utility bills (\$300,000)
- Palmdale Chamber of Commerce/LAWA hosted event at the LA/Palmdale Airport inviting local businesses to attend
- LAWA sponsored summer jazz series in the park in Palmdale highlighting LA/Palmdale Regional Airport and the new service by United
- LAWA Airport Board officially changed the PMD name to include “LA/Palmdale Regional Airport” to convey the airports proximity to the Greater Los Angeles area for prospective inbound travelers (January 2008)
- Performed comprehensive survey of Antelope Valley and Greater Palmdale Region travelers and non-travelers (March – April 2008) – results showed a significantly high awareness level of the LA/Palmdale Airport and United Service (72%)

In addition to the significant efforts listed above, below is a list that highlights the air service development and marketing efforts that various local organizations have sponsored at PMD prior to 2006. The City of Palmdale, Los Angeles County and LAWA have all financially supported these varied air service development efforts.

#### **MARKET STUDY (VARIOUS)**

- History of airline service in California, impact of changes on small communities including Palmdale (1999)
- Telephone Business Survey (1999)
- Unconstrained Demand Forecast, Palmdale Market Area (2000)
- Palmdale area business Survey (2003)
- Ongoing Air Travel Demand market analysis, including MIDT passenger booking data, US DOT statistics and socioeconomic trends (started in 2002), comprehensive MIDT booking study updated yearly since 2003

#### **AIR CARRIER PRESENTATIONS AND MEETINGS**

- Route Forecast Presentation to American Eagle (1999)
- Conducted several carrier meetings and presentations on PMD to America West Express, United Express, Alaska/Horizon, Delta Connection and Skywest (2003-current)
- Participation in multiple airline conference event (Jumpstart and Networks) marketing PMD to various airlines (2004, 2005, and currently)
- In the last 12 months, LAWA has met with United, American, the New USAirways, and Delta. The overall feedback received by the airline community has been that although Palmdale looks to have potential it is a greater risk than other market opportunities. Not only do the airlines perceive they would be entering an untested market it would be an airport that has experienced an absence of commercial service for six years. Many of the airlines have, however, expressed interest in exploring the possibility of a revenue guarantee program.



### **LOCAL AIRPORT MARKETING AND PROMOTION**

- Advertising/Promotional Campaign to Market Scenic Air Service to Las Vegas (Spring and Summer 2004, City of Palmdale, LA County and LAWA)
- Developed first air service incentive program in 2004 aimed at lowering airport terminal operating costs for three years (2005-2007) at PMD

### **AIRPORT PLANNING AND DEVELOPMENT**

- Palmdale Airport Master Plan (2003-2005)
- Developed terminal security improvements and amenities (2005)

# 6

## REQUEST FOR FEDERAL FUNDS

### LOCAL SUPPORT

The City of Palmdale will contribute a direct cash amount of \$1,025,000 and LAWA commits to provide an additional \$100,000 for a total of \$1,125,000 hard dollars to support a fuel cost offset for 12 months to support the existing service. The matrix below summarizes the commitments made by the various members of the Wheels up Palmdale task force.

#### Commitments Made by the Various Members of the Wheels up Palmdale Task Force

##### Wheels Up Coalition Member Contribution Small Community Air Service Development Proposal 2008

Coalition Member	Fuel Offset		Total	% of Total
	Soft dollars	Hard Dollars		
City of Palmdale	109,000	1,025,000	1,134,000	25.2%
LA County	400,000		400,000	8.9%
Antelope Valley Board of Trade	13,000		13,000	0.3%
Greater Antelope Valley EDC	16,000		16,000	0.4%
LA Econ. Dev Corp	34,000		34,000	0.8%
Los Angeles World Airports	2,800,000	100,000	2,900,000	64.5%
<b>Total</b>	<b>3,372,000</b>	<b>1,125,000</b>	<b>4,497,000</b>	<b>100.0%</b>

Support Efforts	In Kind						Total
	Palmdale	LA County	AVBOT	GAVEA	LAEDC	LAWA	
Dedicated passenger bus from LA to PMD		400,000					400,000
Advertising	50,000		5,000	5,000	20,000	400,000	480,000
Promotional Support - Baseball games	50,000					75,000	125,000
Staff Time	5,000		2,000	2,000	2,000	300,000	311,000
Website Development						50,000	50,000
Member database access for Direct Mailing	3,000		4,000	7,000	10,000		24,000
Consulting/Research Analysis Support						400,000	400,000
Terminal Rent Waiver Credit						525,000	525,000
Hosting Airline Events/ Receptions	1,000		2,000	2,000	2,000	50,000	57,000
Airport operations and security						1,000,000	1,000,000
<b>Total</b>	<b>109,000</b>	<b>400,000</b>	<b>13,000</b>	<b>16,000</b>	<b>34,000</b>	<b>2,800,000</b>	<b>3,372,000</b>

After the GSA fares have had time to develop and the business market is allowed to use the service as well as experience the benefit of more frequencies, it is expected the service will be self-supportive. Twelve months is a reasonable time period to expect the United Express service to develop into economically positive regional service for United Airlines.



## **FEDERAL REQUEST**

The City of Palmdale is requesting \$1,100,000 from the USDOT to support a short term fuel cost offset designed to support and develop United's regional service to SFO. The combined financial resources of the local contribution and the USDOT funds will provide the interim cost relief necessary for the market to develop and the service to become self-sustaining.

Should this proposal successfully secure a federal grant and United's service in the market is unable to develop into self-sustaining service, the Wheels up Palmdale Air Service Task Force will undertake efforts to generate the additional financial and promotional support necessary to maintain the cost offset program and expand it's air service efforts. Wheels up Palmdale will closely monitor United's performance and coordinate with United on the financial condition of the service. Our task force will continue to conduct quarterly meetings to discuss the progress of the service, as well as review the effectiveness of our efforts to date that attract air travelers to use the service and seek new ways to entice travelers to use the service. Our existing research demonstrates high awareness of United's service in the region, and with the planned increase in frequency being implemented in early fall, more frequent travel is expected to result.

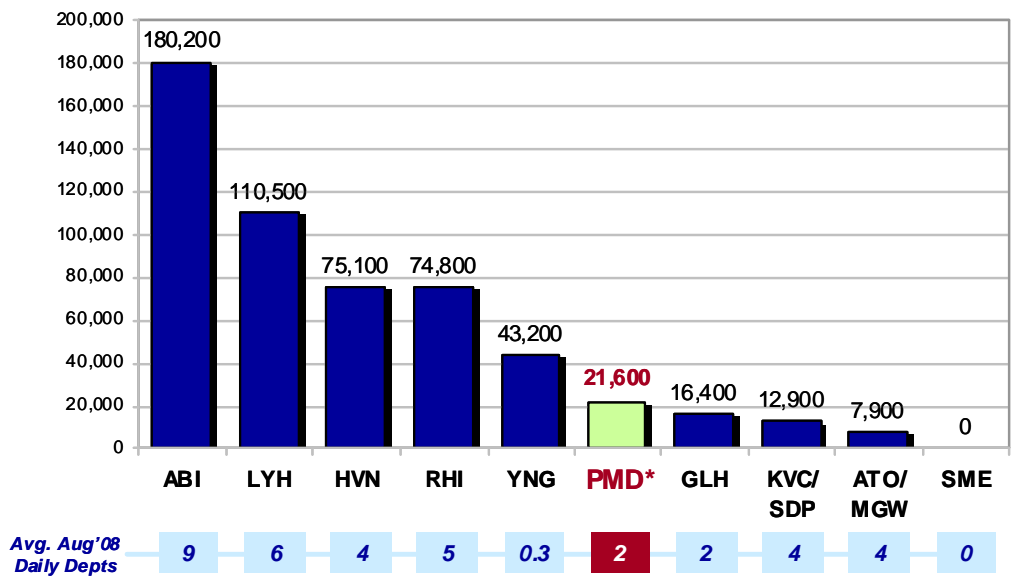
## **MULTIPLE SCASDP AWARDS TO COMMUNITIES**

The SCASDP is an innovative program and one that is an honor to win. PMD has been extremely effective in utilizing its grant and have been fortunate to receive air service within an aggressive 10 month time frame of receiving the award. There are few SCASDP communities that have been as successful and even fewer that have been awarded a second grant (9 communities and 2 consortiums to date). We understand the competitive level of the program and that PMD must demonstrate to the USDOT that we will make effective use of the limited SCASDP grant resources that are available.

To date, PMD has been able to attract a major carrier with a global network to an airport market that has lacked commercial service for 10 years. Although the traffic level has yet to reach the original estimates of 45,000 to 60,000, it was unforeseen that the critical business market would have limitations when booking at PMD. In the first 12 months of service, PMD passengers almost total 21,600 –this is larger than four small communities that have received a second grant from the SCASDP.



### Comparison of Total Traffic at PMD vs. Multiple SCASDP Grant Recipients



Source: SCASDP; USDOT database; OAG Schedules Note: NC Consortium excluded; RUI service began 3/08 no traffic data available, service on 7-seat Cessna acct; ABI-Abilene, TX; LYH – Lynchburg, VA; HVN-New Haven, CT; RHI- Rhineland, WI; YNG-Youngstown, OH; GLH- Greenville, MS; KVC/SDP – Kings Cove/Sand Pt., AK; ATO/MGW – Athens, OH/Morgantown, WV; SME – Somerset, KY

It is our belief that PMD has a high chance of succeeding in the long term as a viable regional airport that can support multiple markets and regional service. PMD is adjacent to the 2<sup>nd</sup> most populace market in the US, soon to be the first. This is one of PMD’s greatest strengths as well as a constant challenge to developing its air service. United’s service has been a tremendous start for PMD and with a 2<sup>nd</sup> grant offering short term fuel cost relief so our market can develop, we believe PMD will prove itself to be a viable market for the long term.

PMD is an important airport for the future of Southern California and will play a role in helping to support the region’s air travel. Although it will remain a small regional airport there is high likelihood, that given time to develop it will support many more travelers in the Northeast LA County area for the long term. A 2<sup>nd</sup> SCASDP grant will be utilized effectively and is a good investment in the overall progress towards enhanced air service in a key small communities in one of the fastest growing regions in the US.

## **SPONSORING AGENCY RESPONSIBILITY**

The City of Palmdale, as the legal sponsor of this grant, will be responsible for the overall administration of this program. The City will provide progress reports required by the USDOT, and will summarize the relevant accounting information regarding expended funds. These periodic reports will also include a progress report regarding the new entrant airline's operational performance and the effectiveness of the local marketing and advertising campaign.

The Coalition is committed to ensuring that all funds are spent the way according to the strategic plan set forth in this proposal. The coalition will immediately develop a specific agreement with United upon being awarded a SCASDP grant. We will also terminate our existing grant with the USDOT and submit all final reports and other reporting requirements and invoices prior to accepting a new grant.

The coalition will regularly monitor United's performance at PMD, and continue to outreach to the community and stimulate interest in air travel from PMD. We will update the USDOT on the air service progress, and, continue to meet quarterly to review performance and coordinate with United. As we have to date, we will plan to spend federal grant funds judiciously and efficiently, maximizing benefits for the travelling public of Greater Palmdale/Northeast Los Angeles County, the important business travel market and the residents throughout the region. With enhanced air service at PMD, the residence in the region could spend less time on the freeway, increase their efficiency when flying and better utilize their local airport.



**SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM  
DOCKET OST-2008-0100**

**SUMMARY INFORMATION**

All applicants must submit this information along with their proposal. In addition, applicants must also fill out form SF424 on <http://www.grants.gov>. (See Appendix C for the SF424 filing process)

**A. APPLICANT INFORMATION: (CHECK ALL THAT APPLY)**

- Not a Consortium       Interstate Consortium       Intrastate Consortium  
 Community now receives EAS subsidy

**B. PUBLIC/PRIVATE PARTNERSHIPS: (LIST ORGANIZATION NAMES)**

Public

Private

1. City of Palmdale

1. Palmdale Chamber of Commerce

2. County of Los Angeles

2. Antelope Valley Board of Trade

3. United States Air Force

3. Greater Antelope Valley Economic Alliance

4. Los Angeles World Airports

4. Antelope Valley Chamber of Commerce

5.

5.

**C. PROJECT PROPOSAL: (CHECK ALL THAT APPLY)**

- Marketing       Upgrade Aircraft       New Route  
 Personnel       Increase Frequency       Low Fare Service  
 Travel Bank       Service Restoration       Subsidy  
 Surface Transportation       Regional Service       Other (specify)  
Support

Incremental

- Revenue Guarantee       Launch New Carrier      Fuel Costs Since  
 Start Up Cost Offset       First Service  
 Study       Secure Additional Carrier

**D. EXISTING LANDING AIDS AT LOCAL AIRPORT:**

- Full ILS       Outer/Middle Marker       Published Instrument Approach  
 Localizer       Other (specify) VOR/DME Approach

**E. PROJECT COST:**

Federal amount requested:	<u>\$ 1,100,000</u>
Total local cash financial contribution:	<u>\$1,125,000</u>
Airport funds:	<u>\$100,000</u>
Non-Airport funds:	<u>\$1,025,000</u>
State cash financial contribution:	<u>\$ 0</u>
Existing funds:	<u>\$ -</u>
New funds:	<u>\$ -</u>
Airport In-kind contribution: (amount & description)	<u>\$ 2,800,000</u>
Other In-Kind contribution: (amount & description)	<u>\$ 572,000</u>
Total cost of project:	<u>\$ 4,497,000</u>

**F. ENPLANEMENTS:**

2002 <u>0</u>	2005 <u>0</u>
2003 <u>0</u>	2006 <u>0</u>
2004 <u>0</u>	2007 <u>12,022</u>

**G. IS THIS APPLICATION SUBJECT TO REVIEW BY STATE UNDER EXECUTIVE ORDER 12372 PROCESS?**

- a. This application was made available to the State under the Executive Order 12372 Process for review on (date) \_\_\_\_\_.
- b. Program is subject to E.O. 12372, but has not been selected by the State for review.
- c. Program is not covered by E.O. 12372.

**H. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT? (IF "YES", PROVIDE EXPLANATION)**

- No
- Yes (explain) \_\_\_\_\_