



Air Service Development

May 13, 2024





Strategic Priority:
Affordable Living

Strategic Priority:
Economic Vibrancy and
Growth Management

Strategic Priority:
Quality Services

1

Construct market rate and affordable owner occupied housing.

2

Invest in public realm to advance:

- Economic Vibrancy
- Resident Experience
- Visitor Experience
- Talent Attraction

3

Develop a transition plan for post 2030 power supply needs.

POLICY CONSIDERATIONS

- Is continued investment in air service and direct flight options valuable to the quality of life, economic vibrancy, and growth management?
- Does support for a Minimum Revenue Guarantee to gain additional direct service on a low-cost commercial carrier align with financial and quality of life goals?
- Is the long-term financial health of the airport and ease of travel access a current priority for the Community?

RST

FLYRST.COM

New Dynamics in Rochester Air Service

May 2024



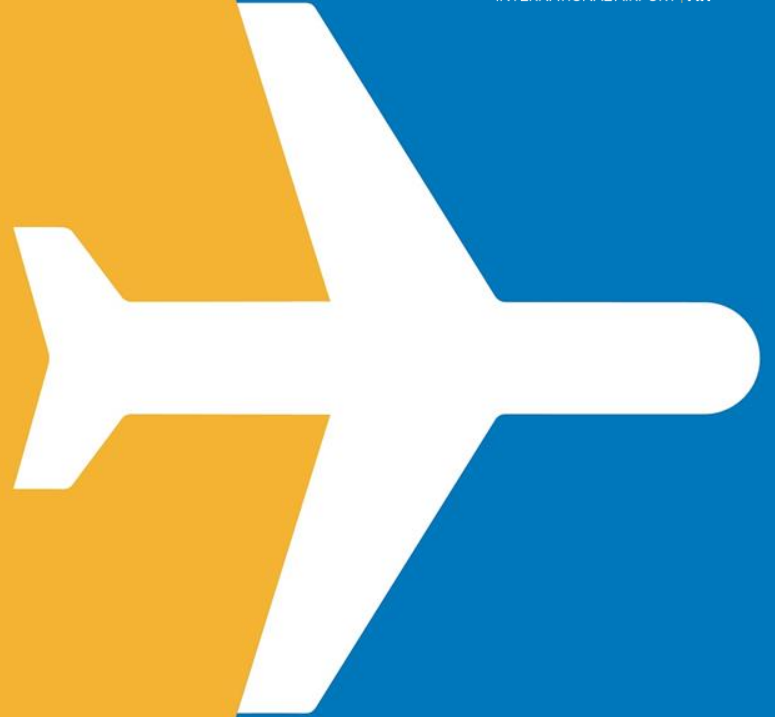
NINE TEAM MEMBERS
200+ YEARS COMBINED EXPERIENCE
A DECADE OF EXPERIENCE IN ROCHESTER

Agenda

- **The Rochester Air Service Market**
 - Passenger Retention
 - Market Potential
- **Industry Headwinds**
 - Pilot Shortage
 - Increased Airline Costs
 - Service Losses
 - Faltering Business Demand
- **Strategy for the Future**
 - Airline Targets
 - Minimum Revenue Guarantees (MRG)

The Rochester Air Service Market

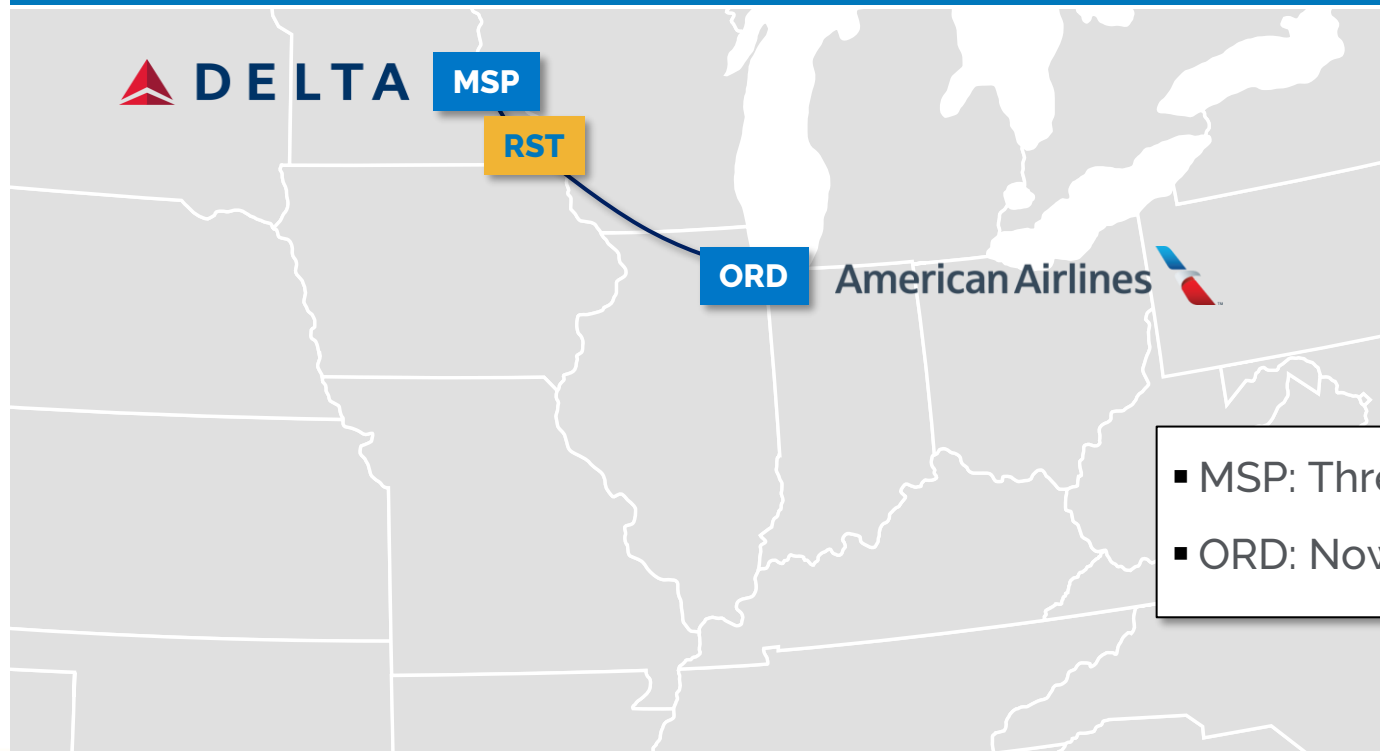
May 2024



RST Provides Seven Departures per Day

Rochester Scheduled Airline Service and Capacity

Summer 2024



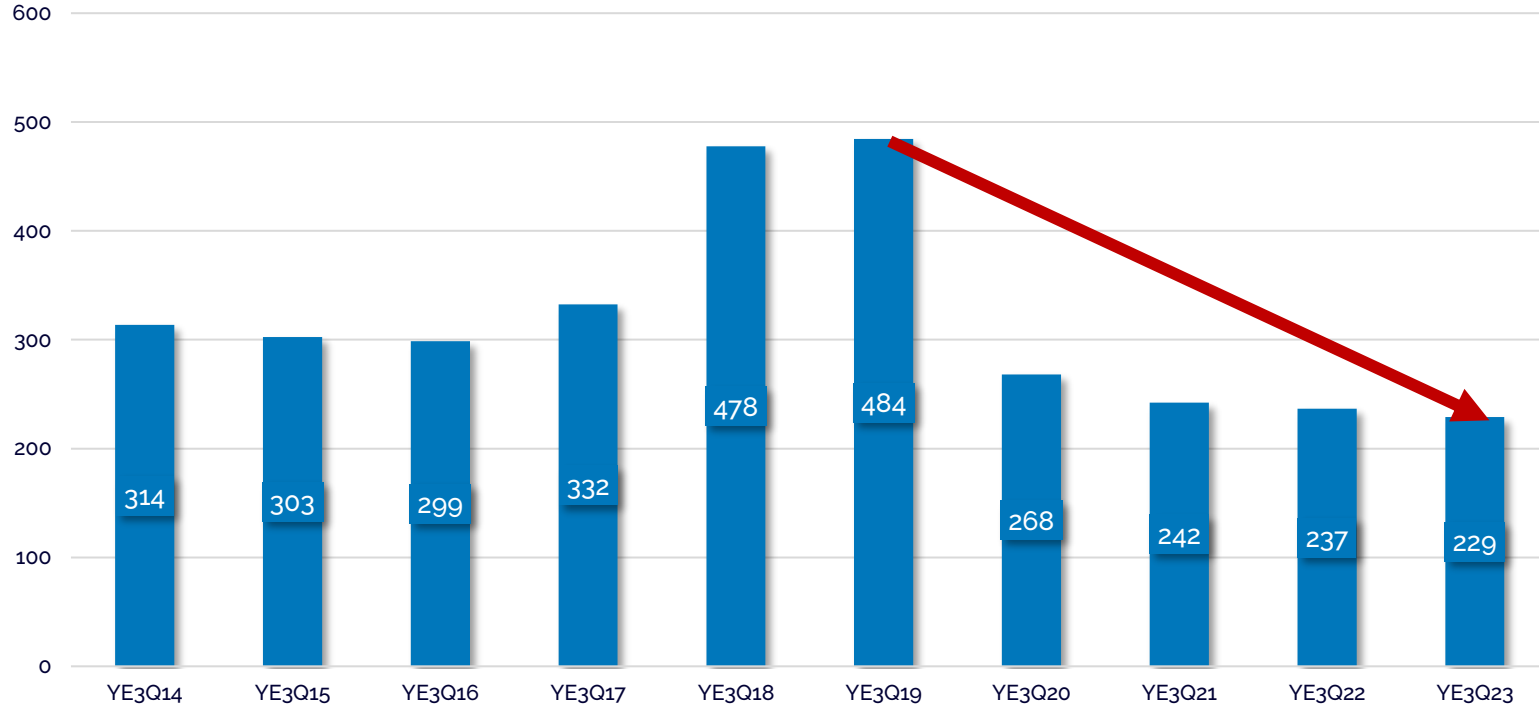
- MSP: Three per Day
- ORD: Now Four per Day



Passengers Down Dramatically Since the Pandemic

Passengers per Day Each Way (PDEW) at Rochester

Year Ended Third Quarter 2014 – Year Ended Third Quarter 2023

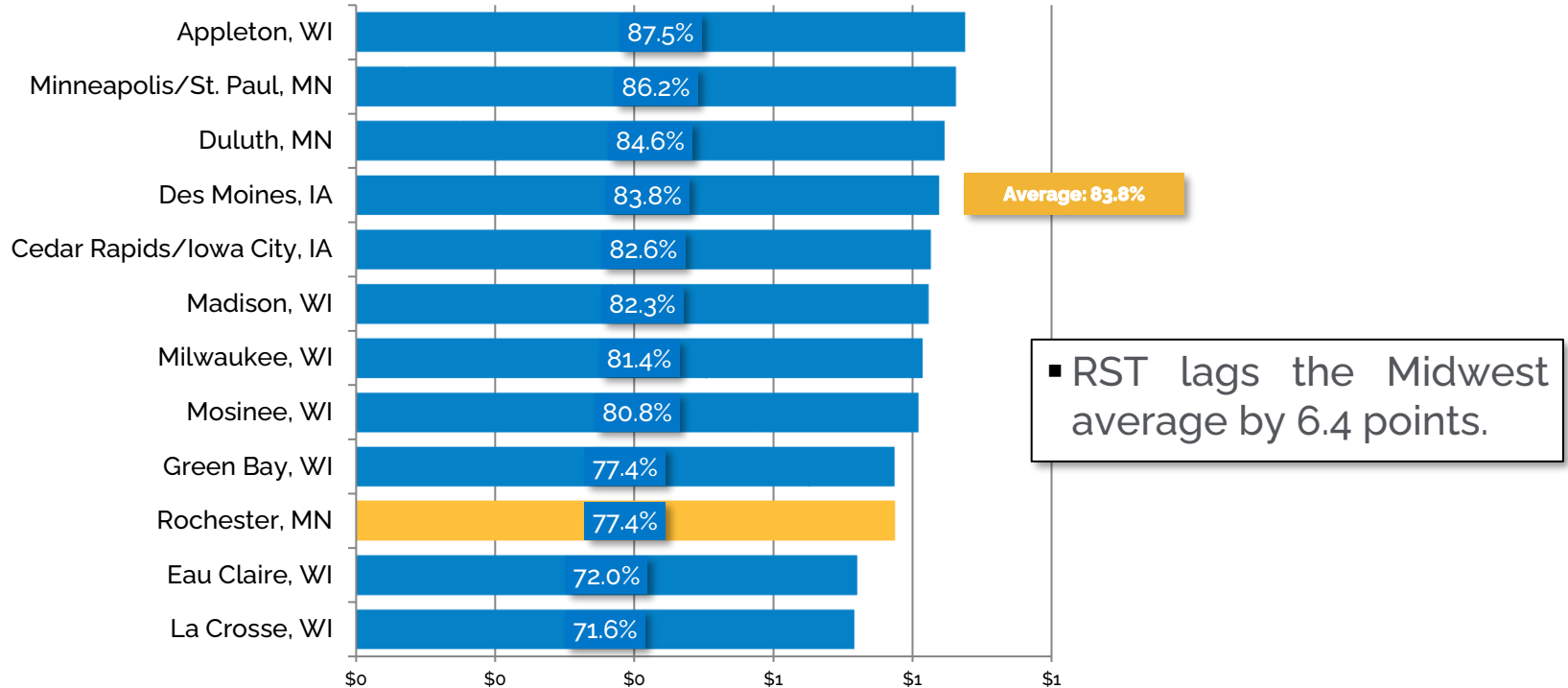




RST Fills Fewer Seats than the Midwest Average

Average Load Factor in Select Upper Midwest Markets

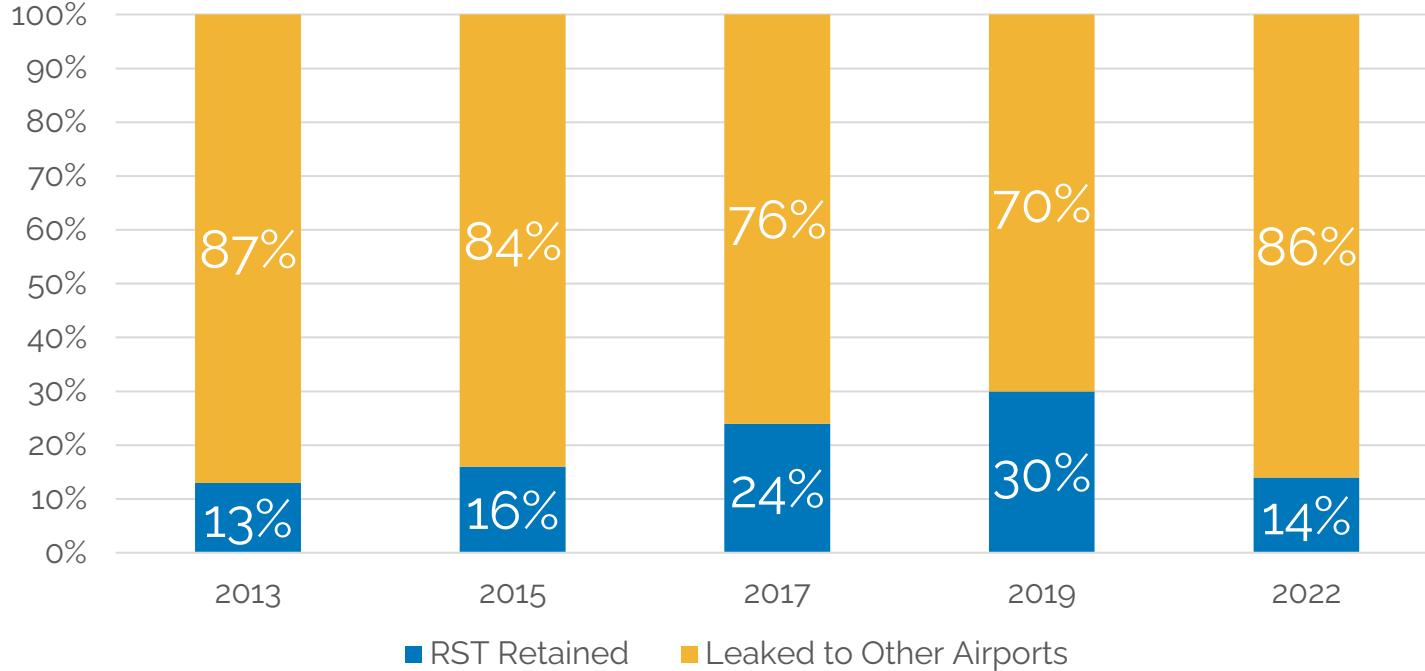
Third Quarter 2023 (Includes Airports in Minnesota, Iowa, and Wisconsin)



Passenger Retention Trend

Rochester International Airport Passenger Retention

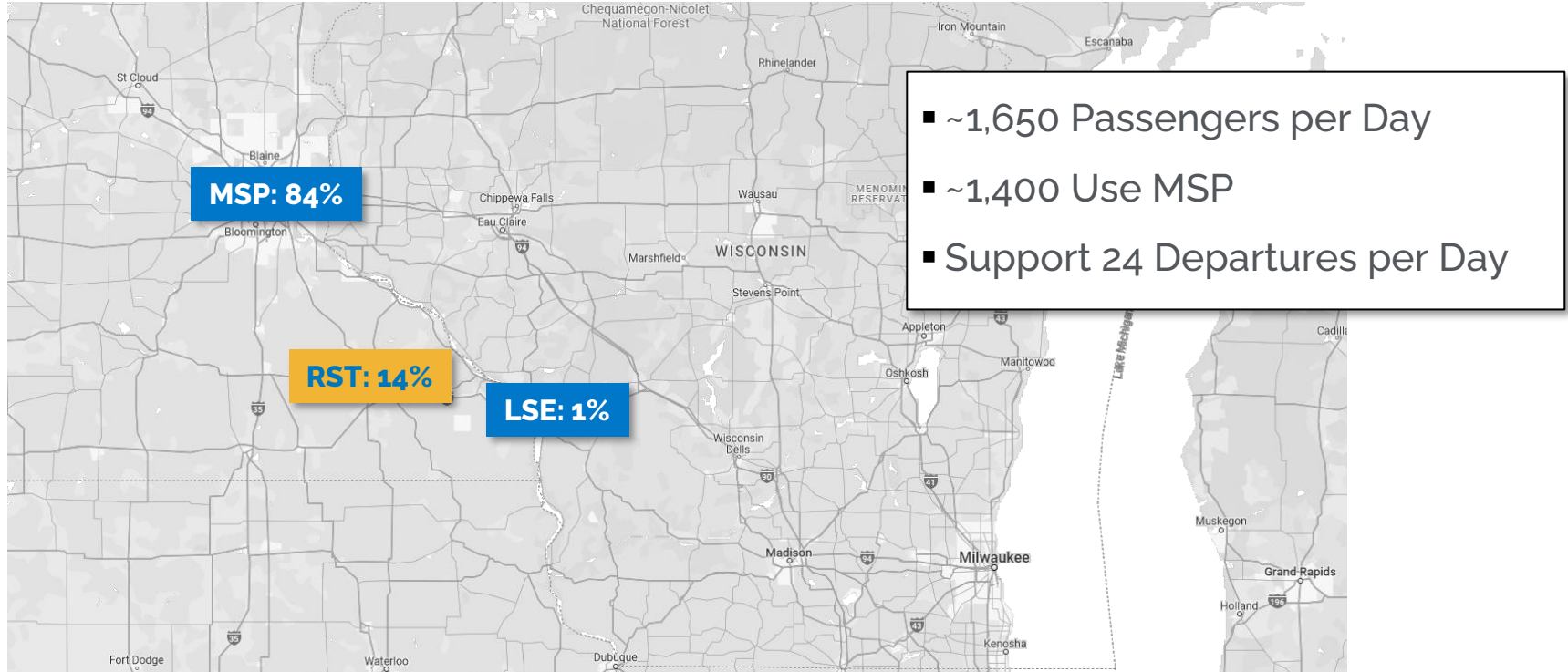
Calendar Year 2013 - Calendar Year 2022



✈️ RST Loses 1,400 Passengers per Day to MSP

Rochester International Airport Passenger Retention

Calendar Year 2022



✈️ With 33% Retention, RST Would Have Six Nonstops

Rochester's Supportable Service with 33% Passenger Retention

As of May 2024

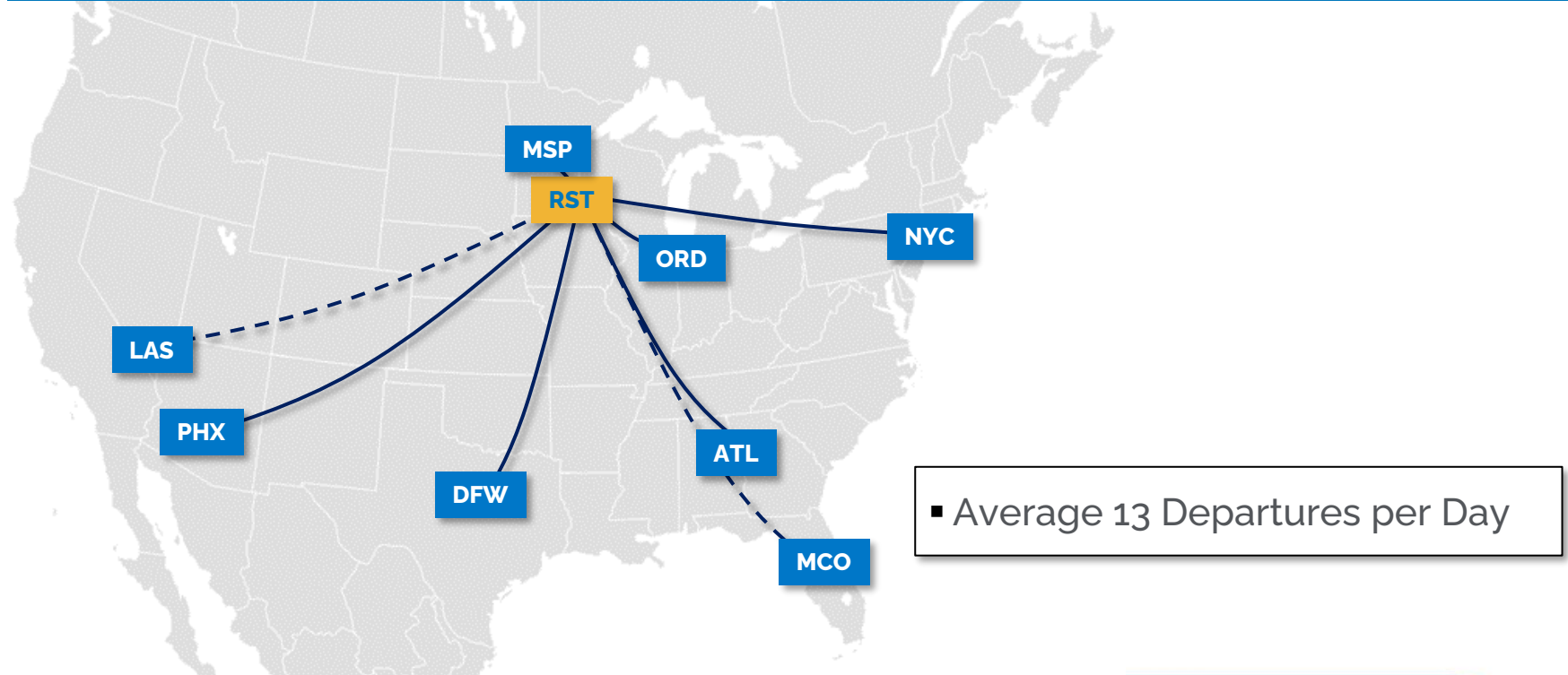


▪ Average Nine Departures per Day

✈️ With 50% Retention, RST Would Have Eight Nonstops

Rochester's Supportable Service with 50% Passenger Retention

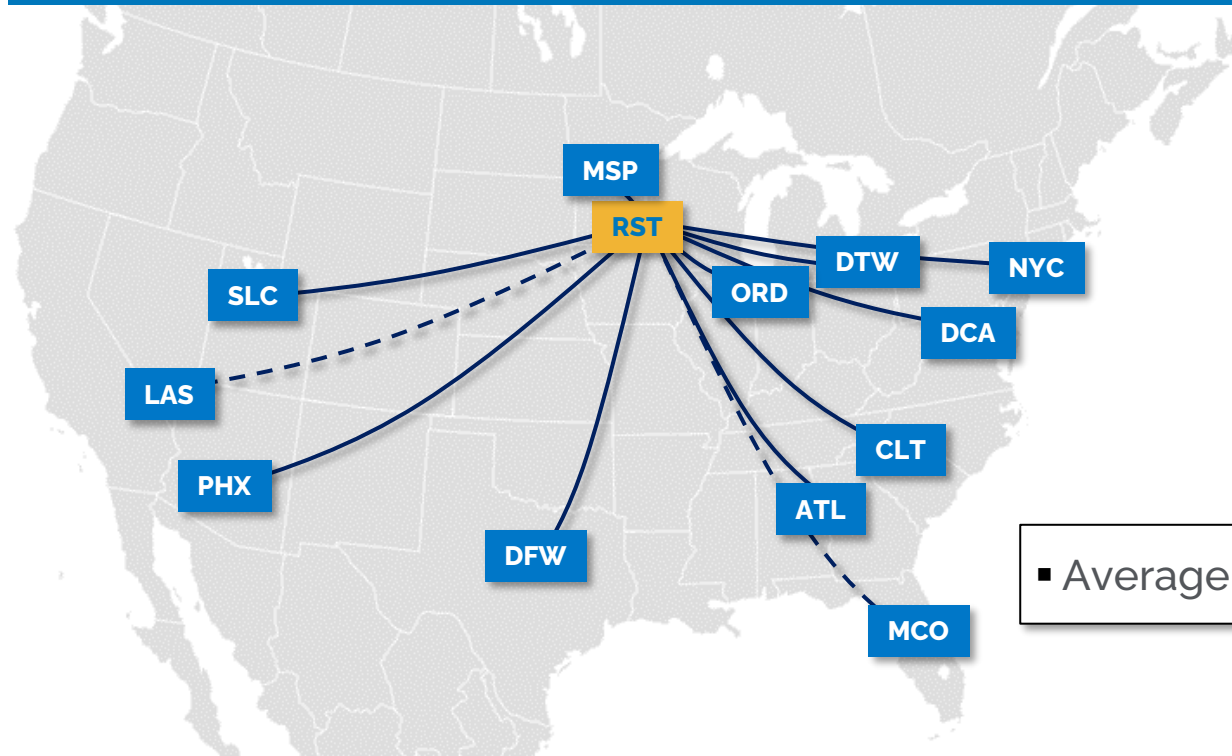
As of May 2024



✈️ With 75% Retention, RST Would Have 12 Nonstops

Rochester's Supportable Service with 75% Passenger Retention

As of May 2024



▪ Average 18 Departures per Day

Industry Headwinds

May 2024



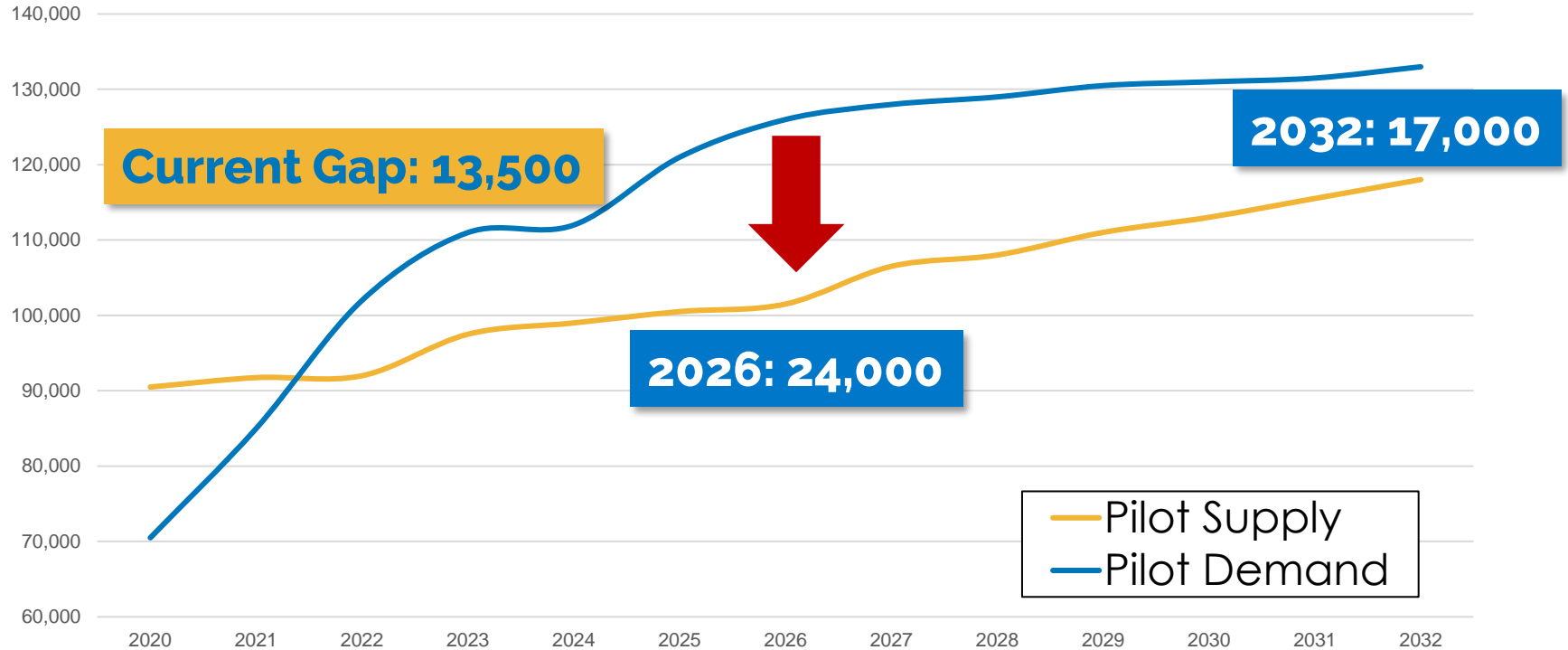
✈️ Mergers Have Reduced Potential Airline Partners



The Current Pilot Shortage Will Worsen

North American Pilot Supply Versus Demand

CY2020 – CY2032



✈️ Jets Are Parked Due to a Lack of Available Pilots



~~500~~ 700+ regional jets parked ~~since 2019~~ by 2026

✈️ Remaining Jets Are Flying Less





With Plenty of Pilots, Airlines Flew Tight Schedules

Typical Daily Schedule for ERJ175 Aircraft

Calendar Year 2019



- Eight Segments per Day
- 12 “Block Hours” per Day

Now, Jets Sit on the Ground Almost Twice as Much

Typical Daily Schedule for ERJ175 Aircraft

Calendar Year 2019



- Eight Segments per Day
- 12 “Block Hours” per Day

Typical Daily Schedule for ERJ175 Aircraft

May 2024



- Four Segments per Day
- 6.5 “Block Hours” per Day

✈️ Costs Are Quickly Increasing

Amortized Lease Cost of an ERJ175 Regional Jet

Calendar Year 2019 vs. May 2024

Lease Cost:

\$5,000 per Day

2019

\$625 per Segment

\$8 per Seat

2024

\$1,250 per Segment

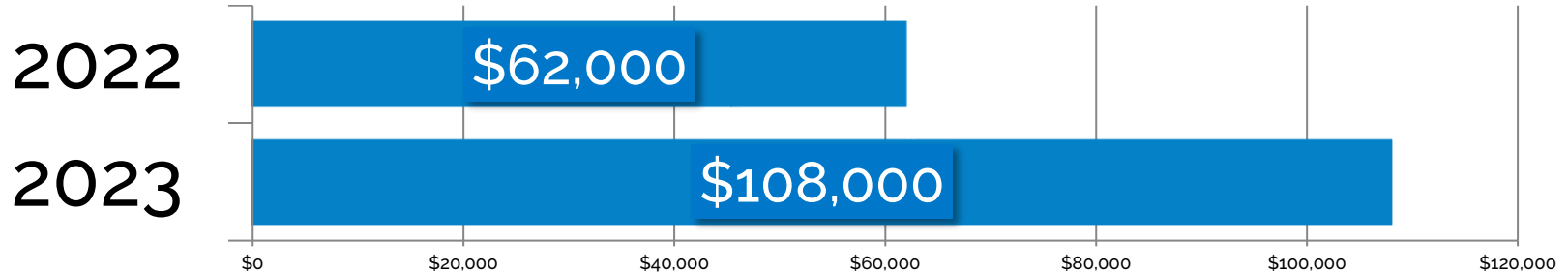
\$17 per Seat



✈️ Pilot Pay Also Puts Pressure on Costs

US Regional Airline Starting Pilot Pay

CY2022 – CY2023

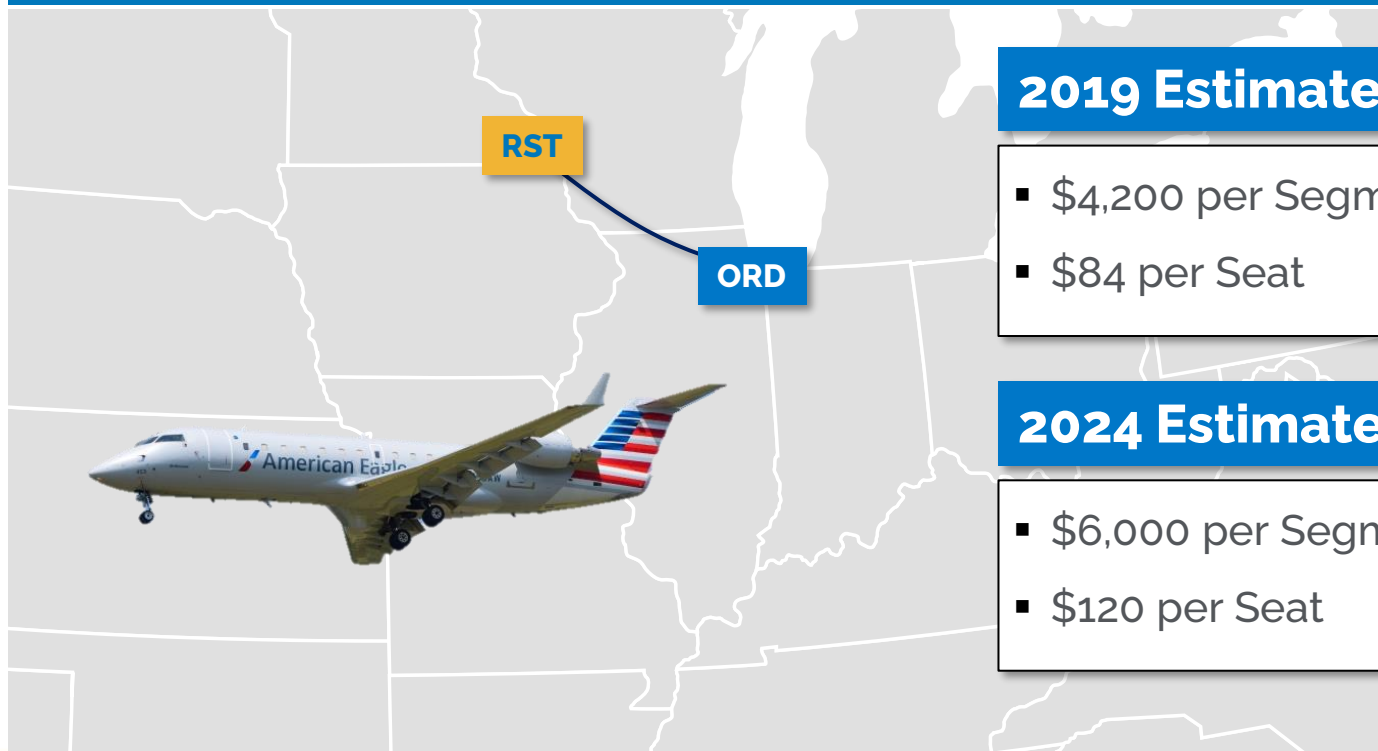


- Almost doubled in last two years
- Extra \$400 in cost on average flight
- \$5.27 in extra cost per seat

✈ Increased Costs Mean Increased Fares

Cost of an Airline Serving Rochester – Chicago O'Hare

As of May 2024



2019 Estimated Cost

- \$4,200 per Segment
- \$84 per Seat

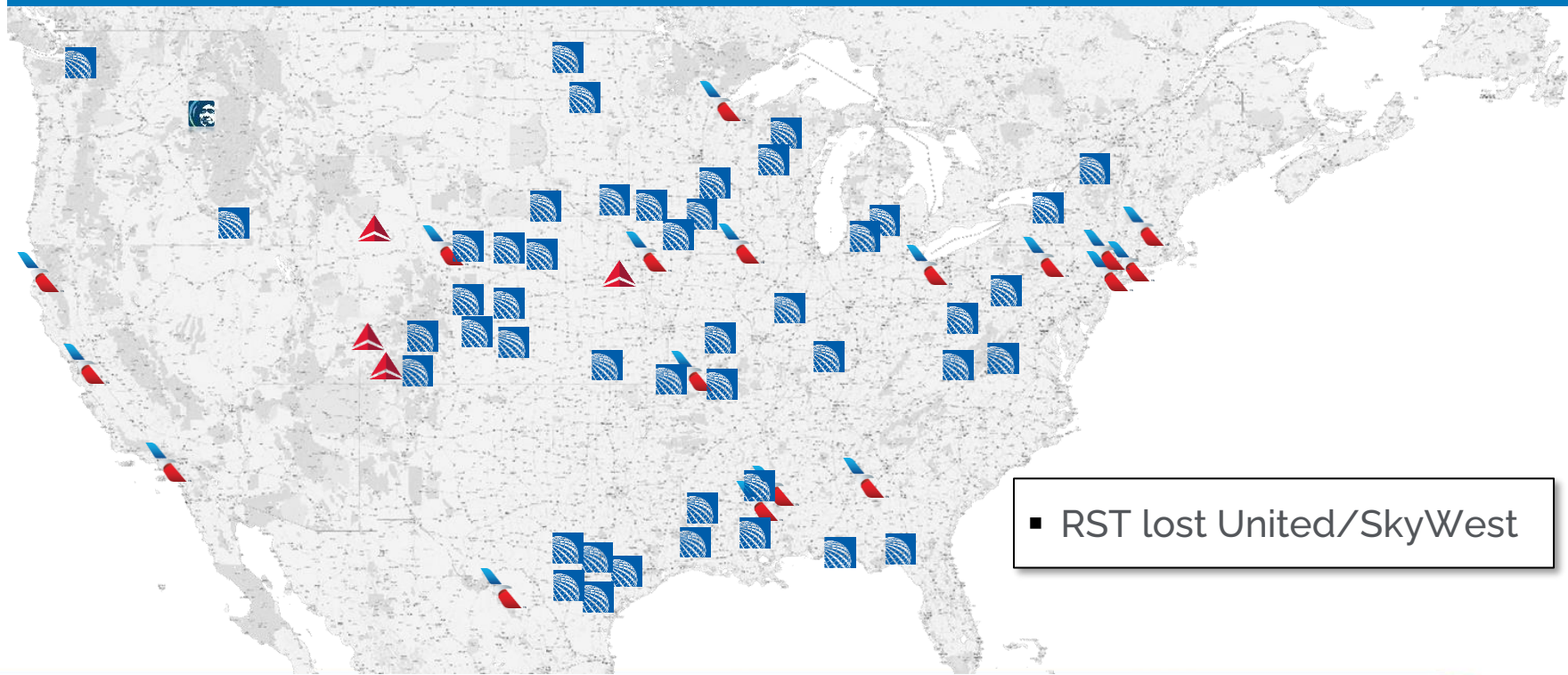
2024 Estimated Cost

- \$6,000 per Segment
- \$120 per Seat

131 Airports Have Lost at Least One Airline

US Airports that Have Lost a Carrier

January 2020 to Present

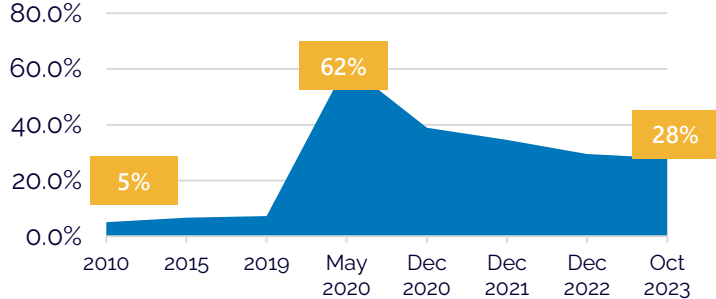




Demand Has Shifted from Business to Leisure

Percentage of Paid Workdays Conducted Remotely

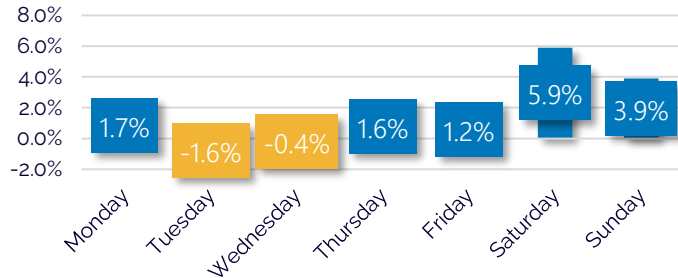
CY2010 – October 2023



- 5.6 times the remote workdays

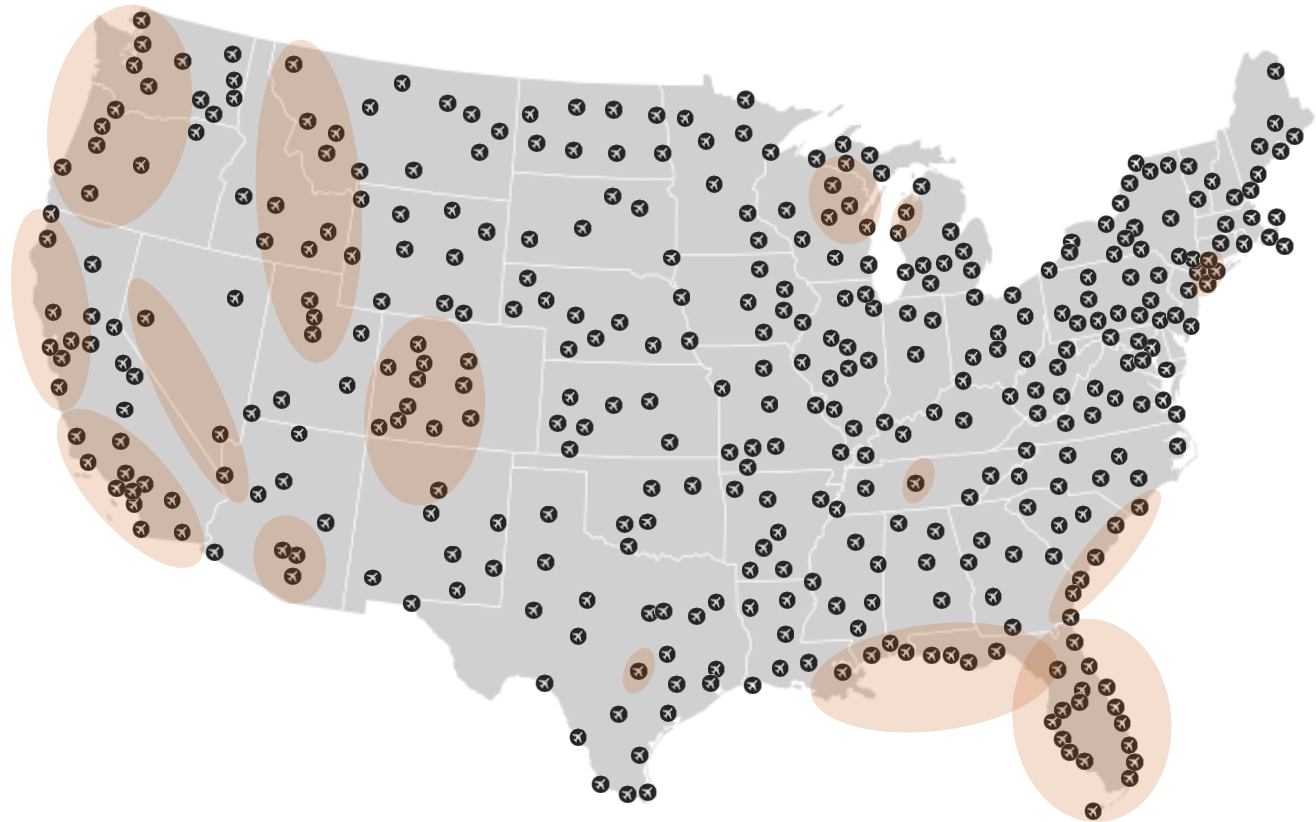
Change in Passengers by Day-of-Week

CY 2023 vs. CY 2020



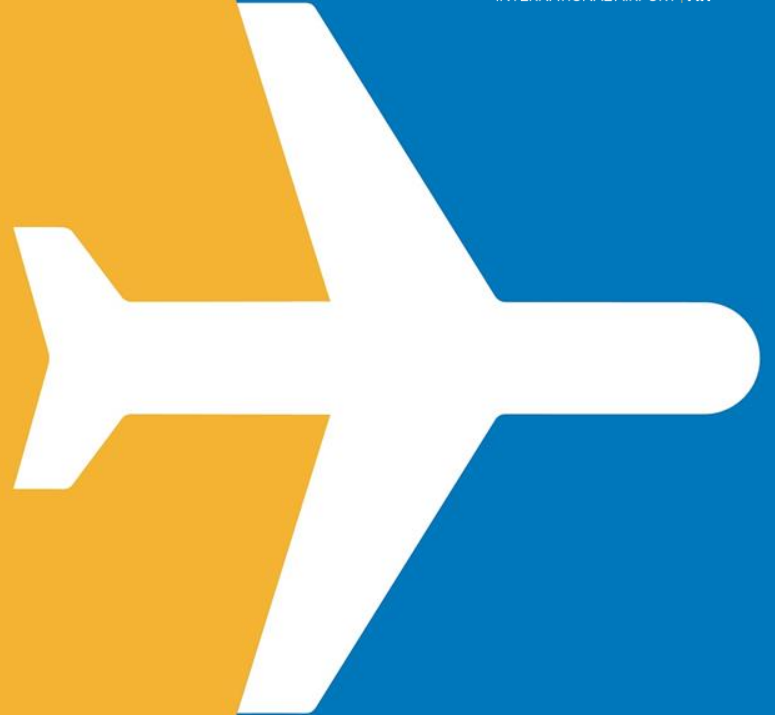
- Highly increased weekend travel
- Decreased weekday travel

✈ Airlines Favor Leisure Markets



Strategy for the Future

May 2024



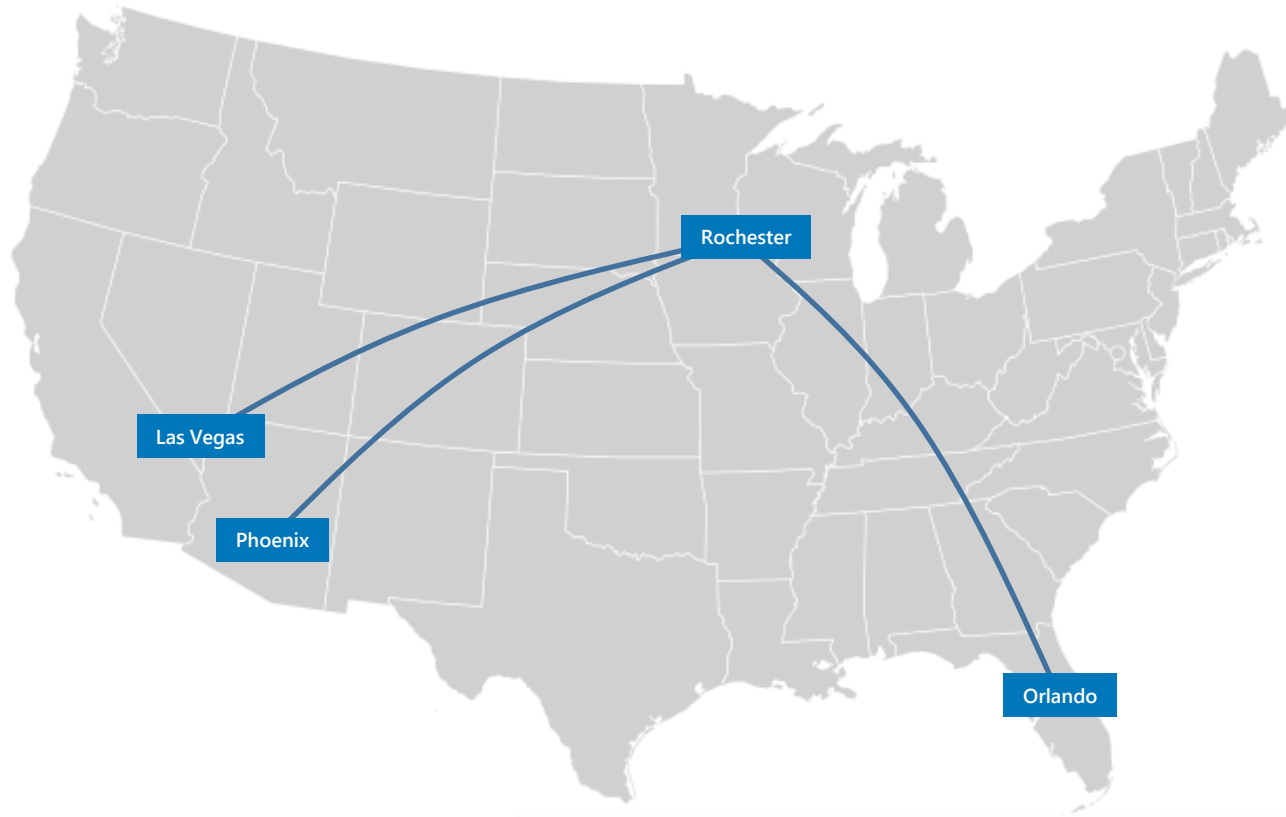
✈️ Leisure Carriers Link Outstations to Focus Cities

Low Cost Carrier Focus Cities in the United States

As of May 2024



Primary Low Cost Carrier Targets



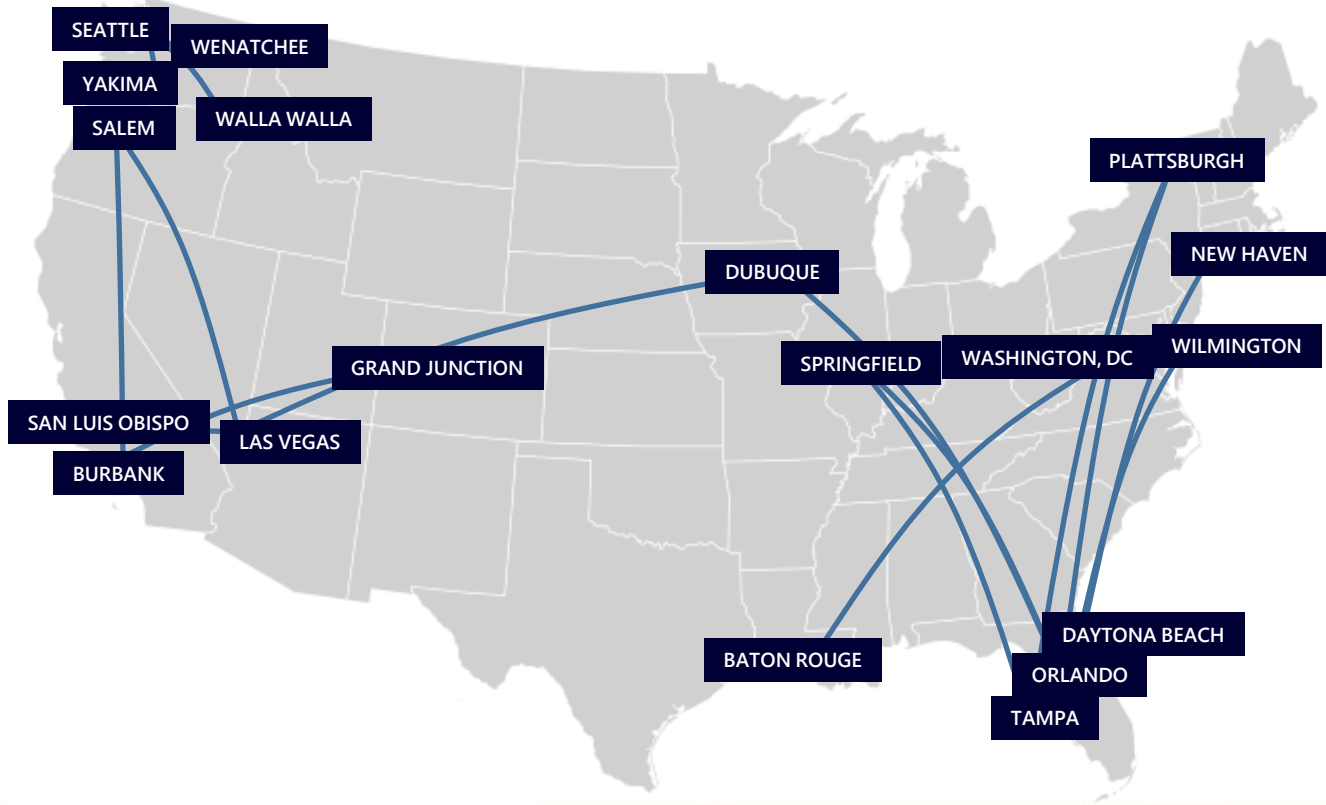
Service Would Generate \$7.3M in New Visitor Spend

Economic Impact of New Leisure-Focused Service

Based on Calendar Year 2019 Study, Updated Fall 2023

New Visitor Spending				
Metric	RST-MCO	RST-LAS	RST-PHX	Totals
New Visitors	3,808	2,633	6,283	12,725
Average Stay (Days)	3.9	3.9	3.9	3.9
Visit Days	14,853	10,269	24,505	49,627
Spend/Day	\$146	\$146	\$146	\$146
Total Visitor Spending	\$2,168,554	\$1,499,248	\$3,577,750	\$7,245,552

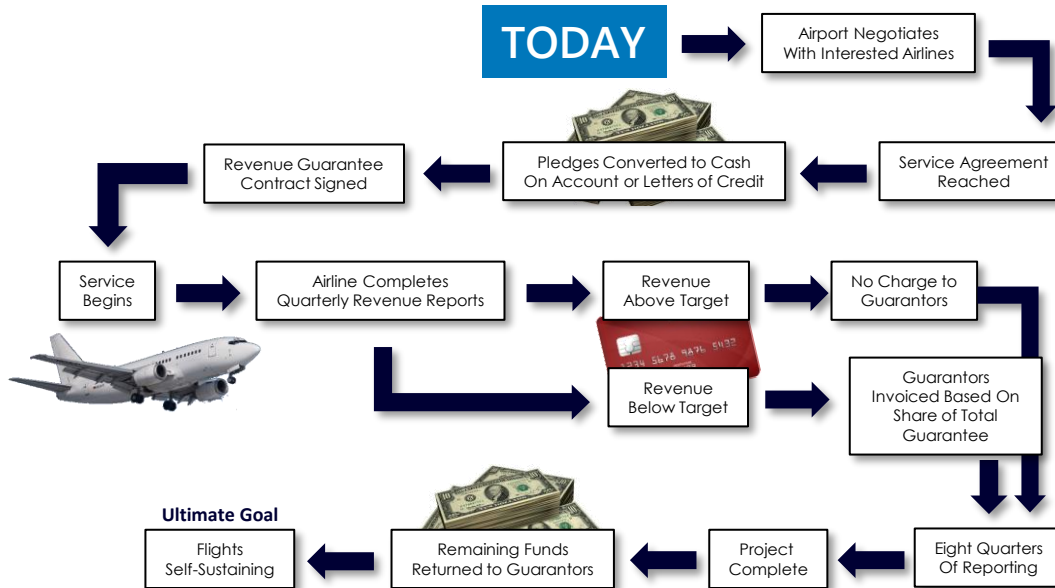
Minimum Revenue Guarantees (MRGs) Required



✈️ Flow Chart: Minimum Revenue Guarantee (MRG) Process

How an Airline Minimum Revenue Guarantee (MRG) Works

As of May 2024



Competition for Service is Intense

US Airports Offering at Least \$100,000 in Incentives for New Airline Service

As of May 2024



VIRTUALLY ALL US AIRPORTS
OFFER LARGE INCENTIVES

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Discussion & Questions

RST

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Jack Penning
Managing Partner

VOLAIRE
AVIATION CONSULTING

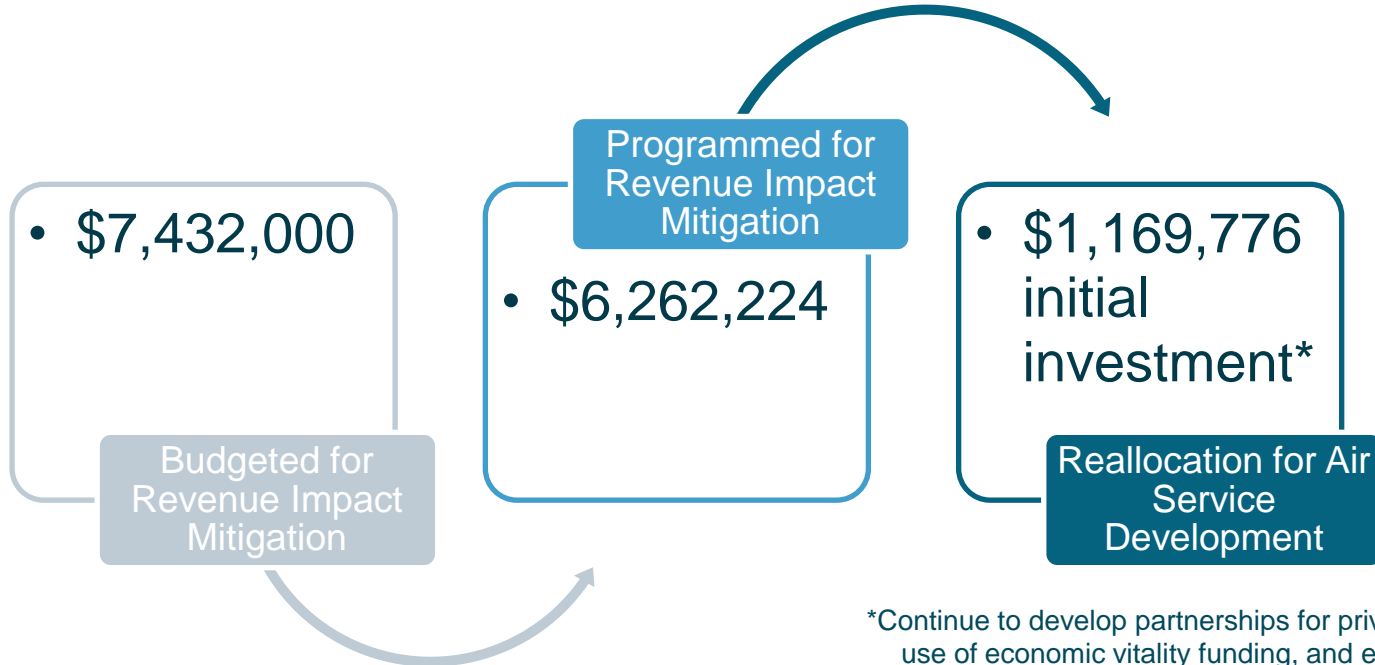


AIR SERVICE DEVELOPMENT SUPPORT FOR LOW-COST LEISURE TRAVEL

- We have previously supported air service development through minimum revenue guarantees.
- The City's commitment has been funded through economic development funds in the past.
- The Travel Policy clearly states that RST is the preferred funding source for City travel (layover within 3 hours/ cost within \$300 – *updated*)
- Airport Fund revenues cannot be used to fund air service development per the Federal Aviation Administration.



AIR SERVICE DEVELOPMENT FINANCING OPTION: Reallocate Unprogrammed Holistic Budget Stability Funds



*Continue to develop partnerships for private investment, use of economic vitality funding, and evaluate other sources of funding.



THANK YOU