



**QUANTUM GROWTH
PARTNERSHIP**



2016 SPI Business Perceptions Survey

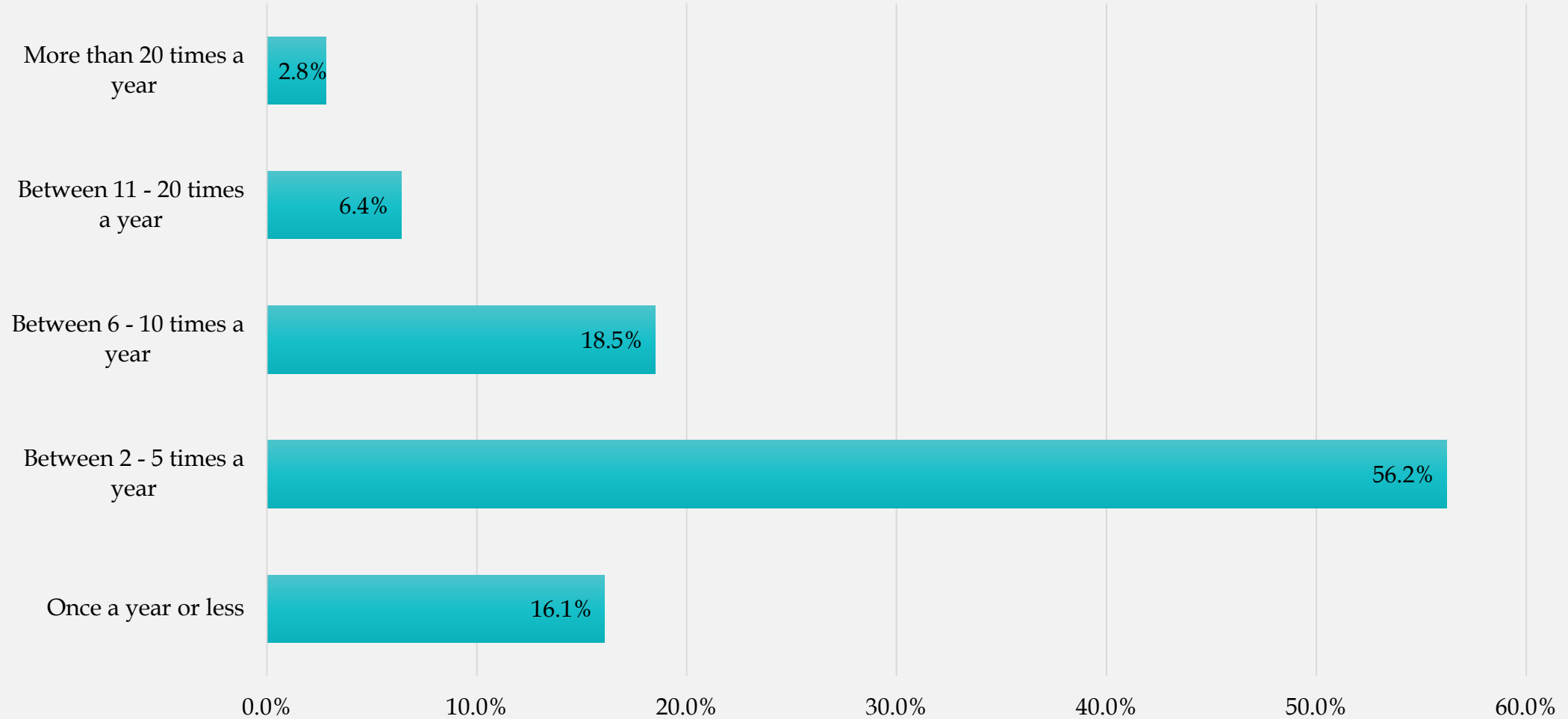
February 22, 2017



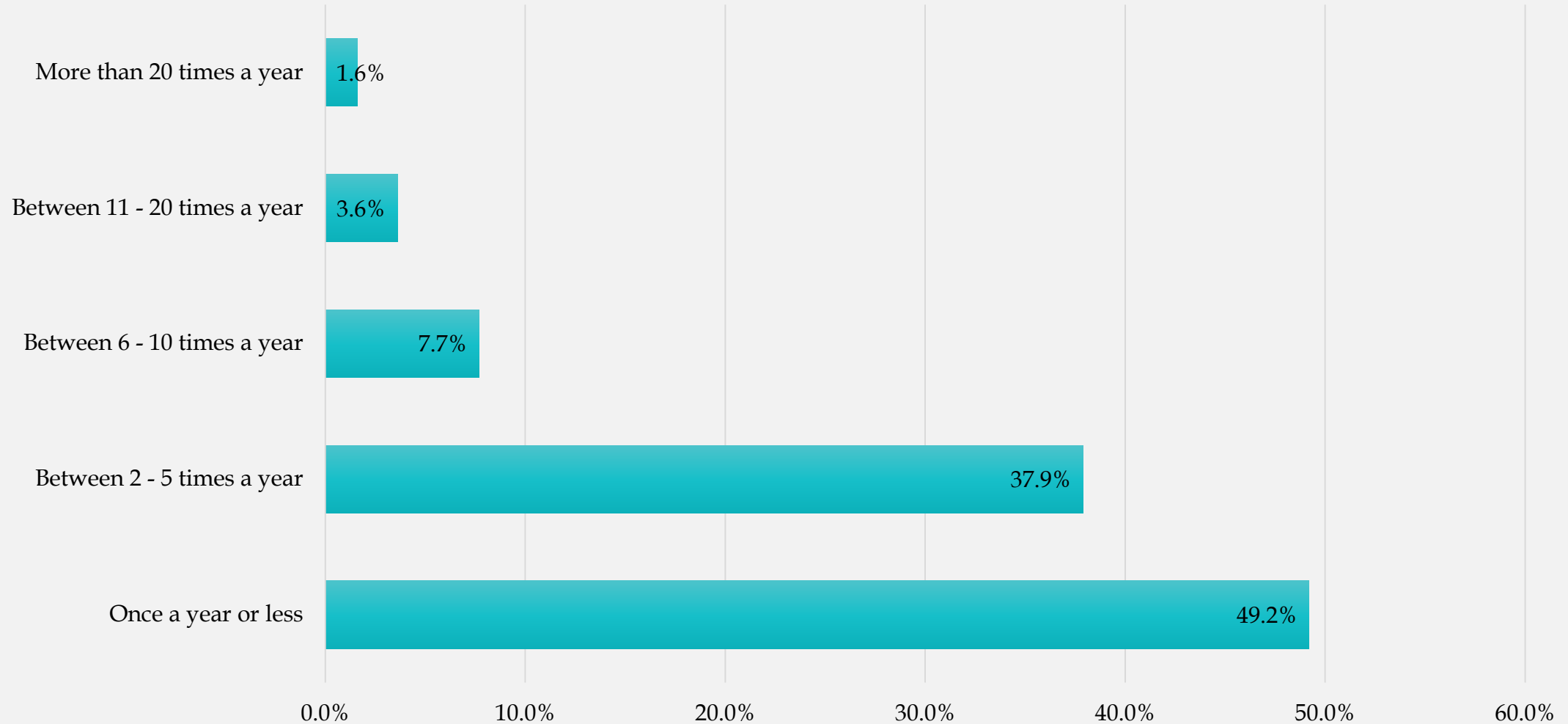
2016 SPI Business Perceptions Survey

- 251 Responses
- Survey ran through November into first week of December
- All electronic
- Focus was on business travel

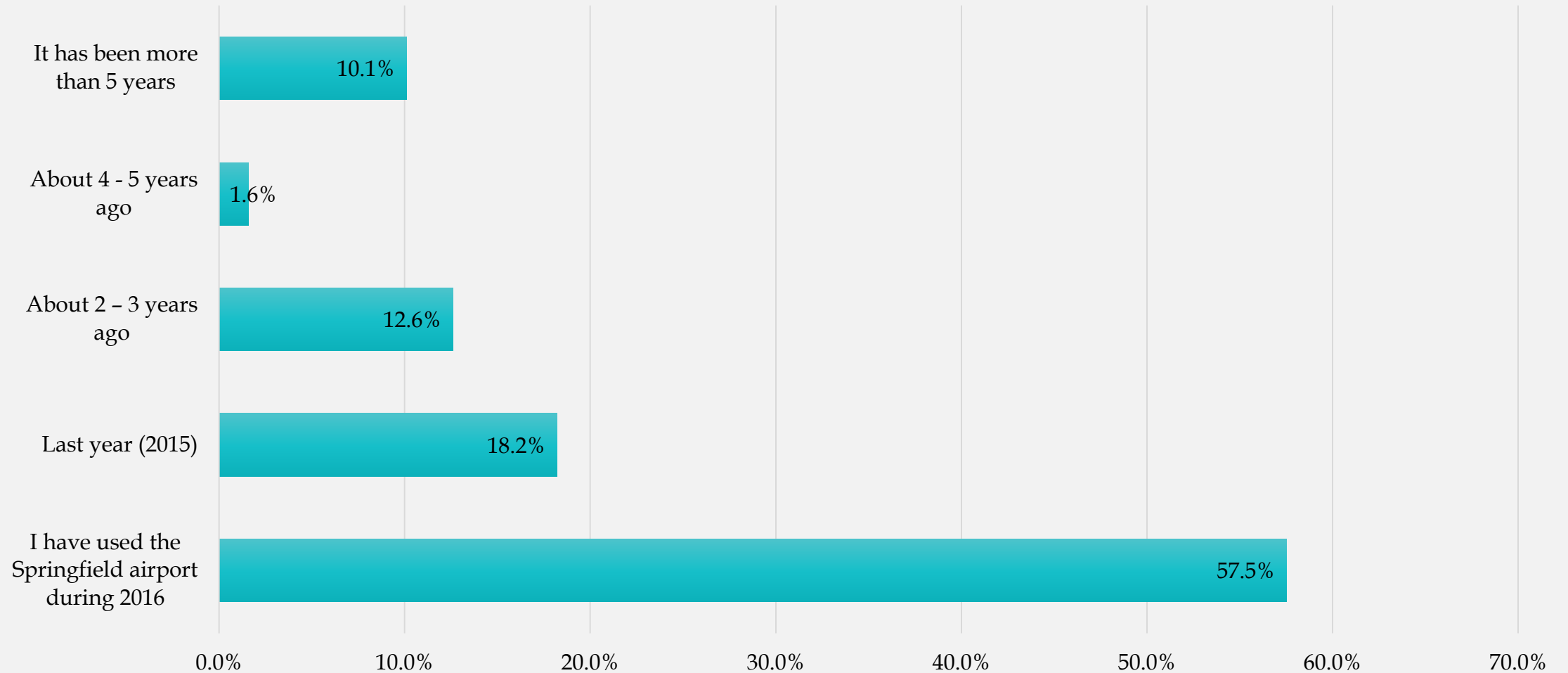
Approximately how many times a year do you travel by air?



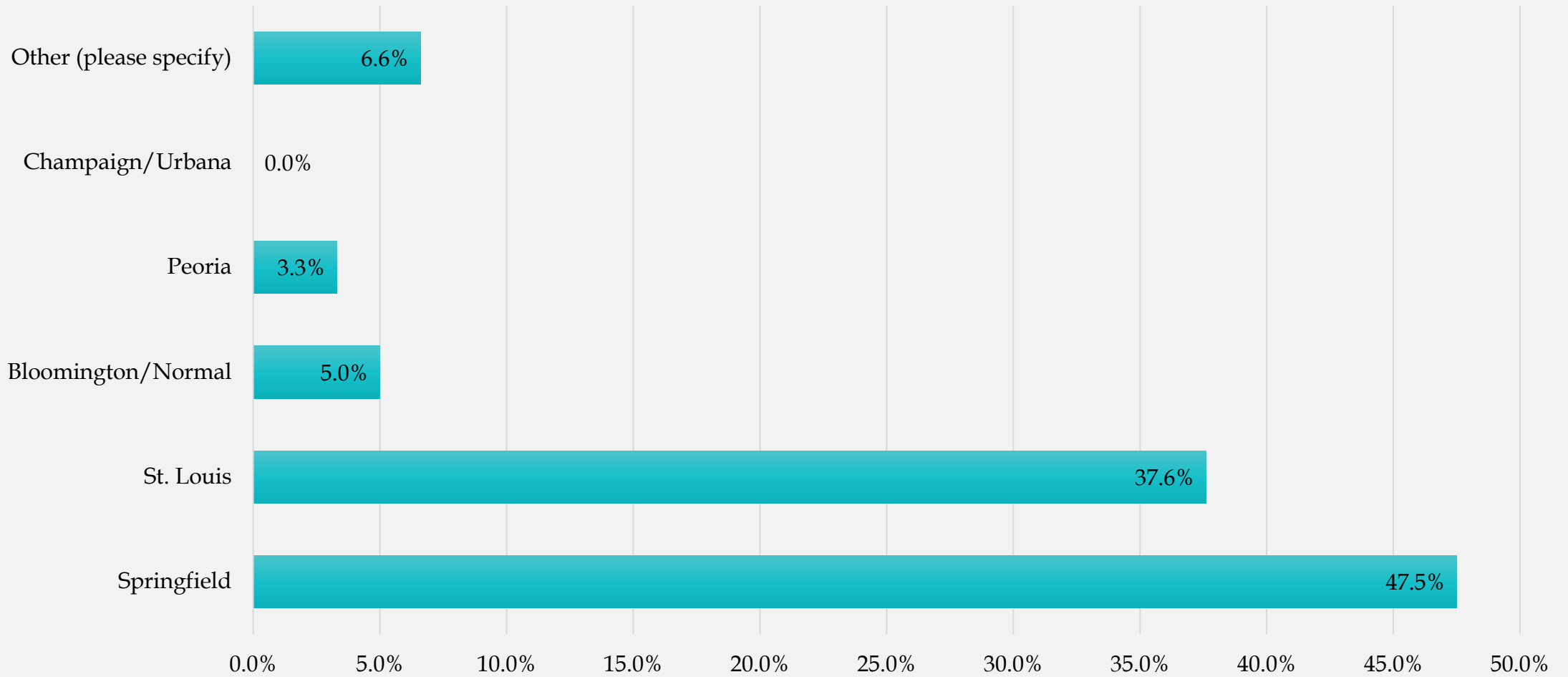
Of those trips, approximately how many times a year do you fly out of Springfield?



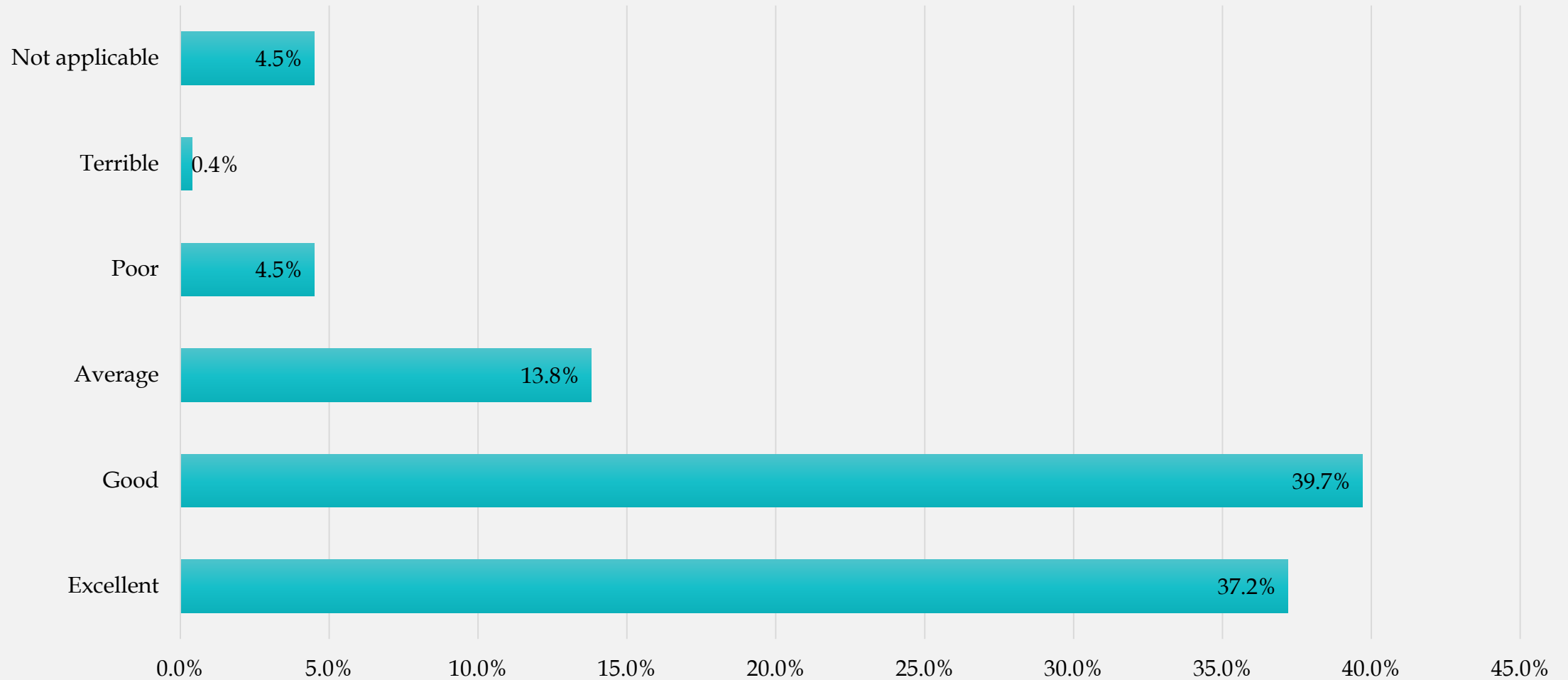
When was the last time you flew out of Springfield?



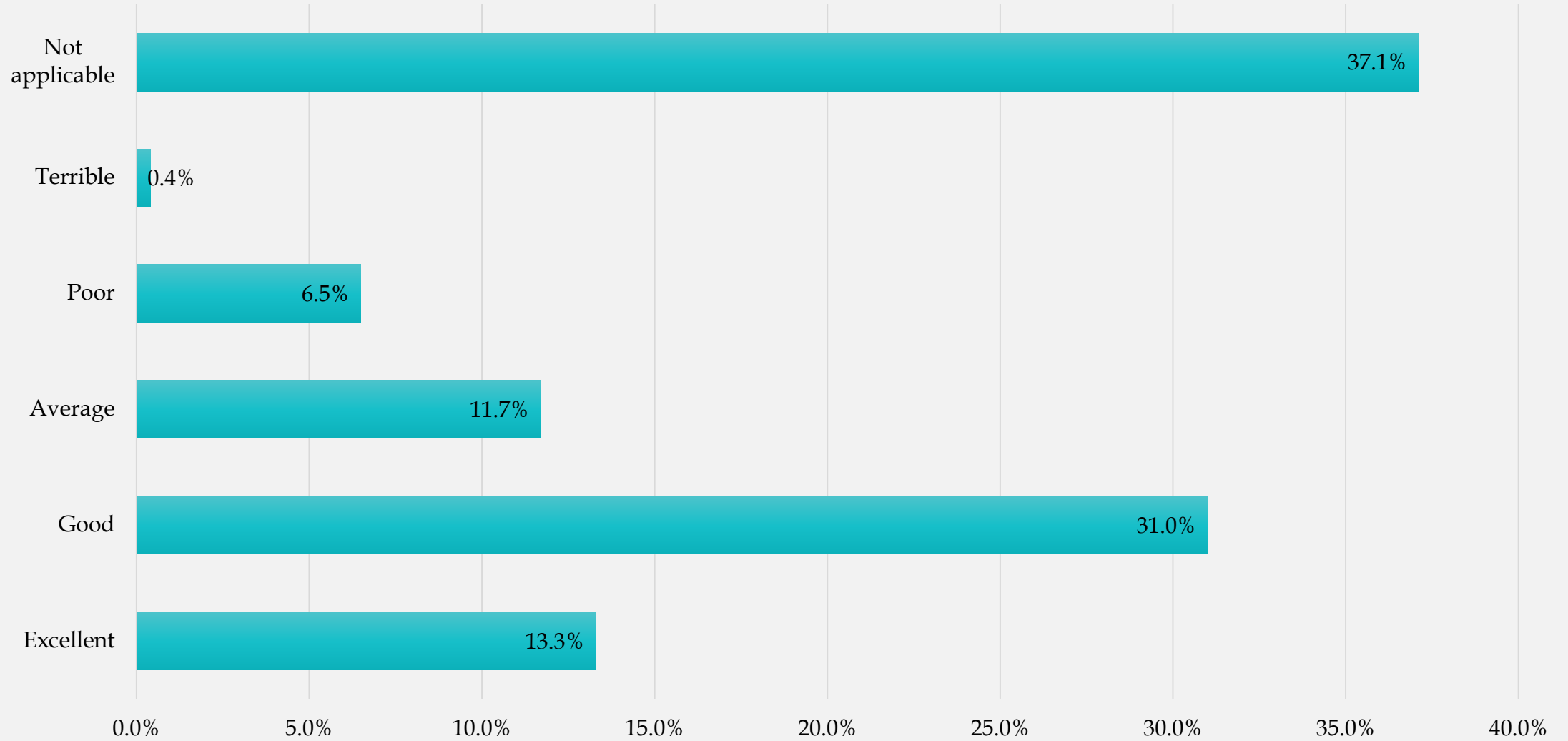
When traveling for business, which airport do you use the most?



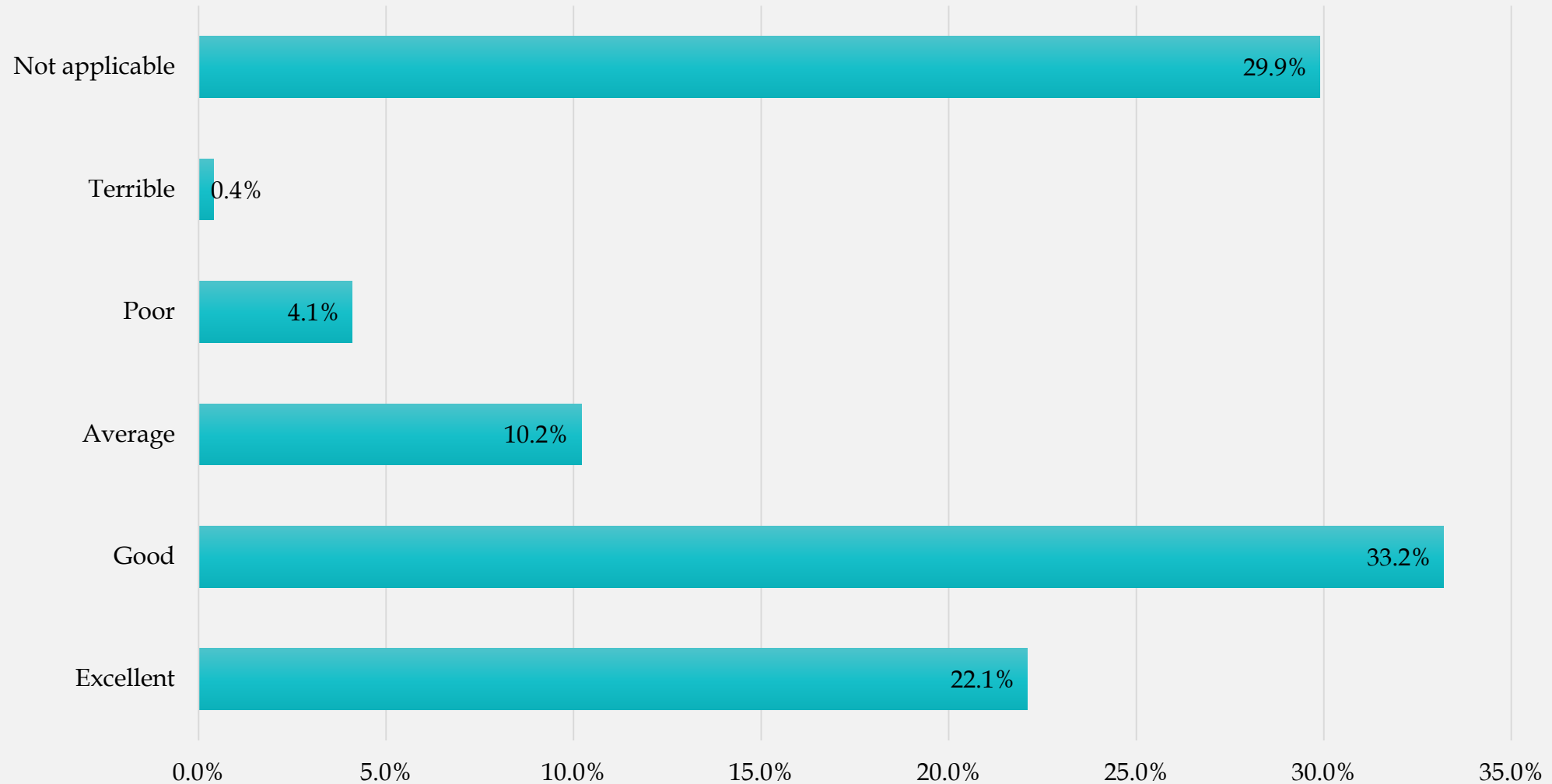
Please rate your overall satisfaction with flying out of Springfield.



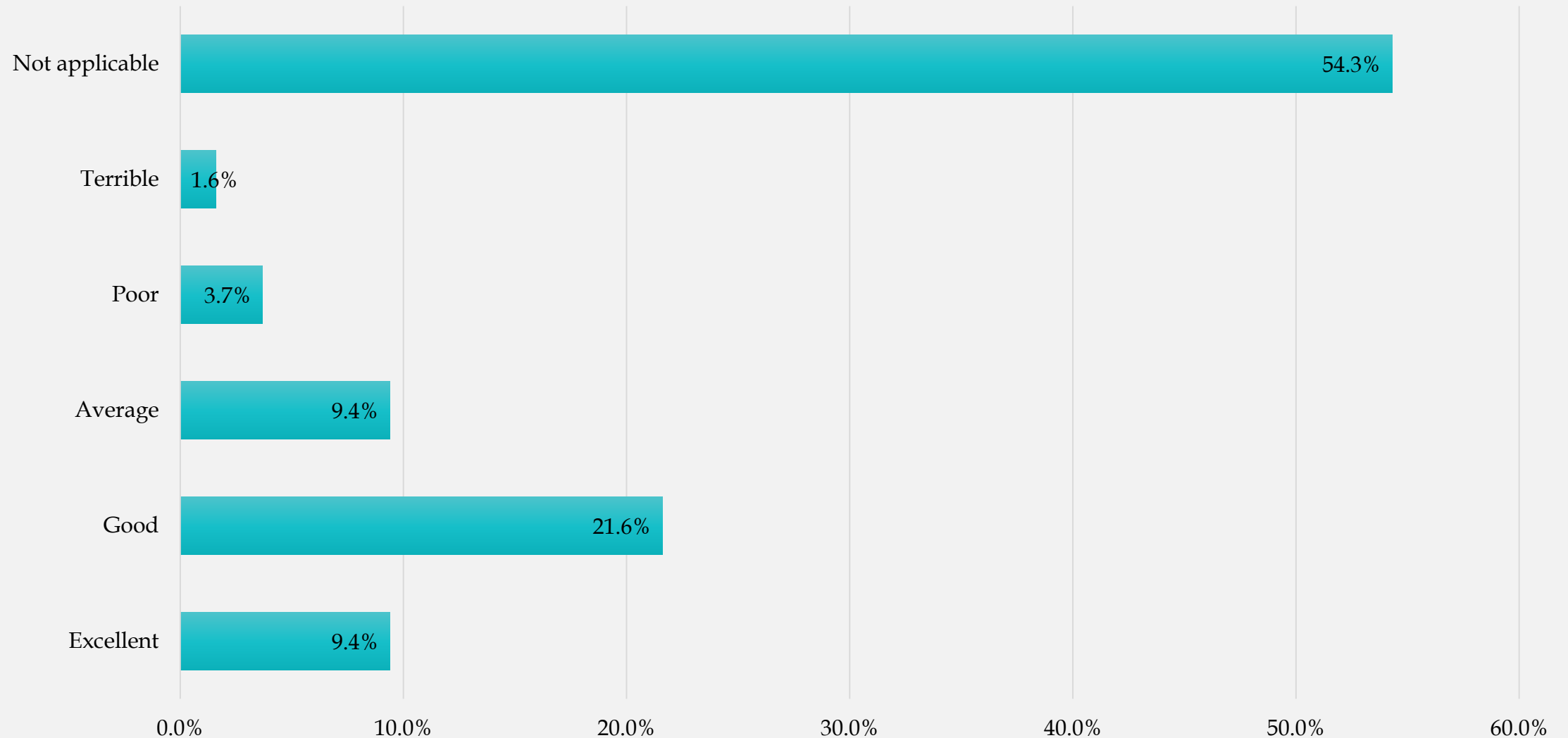
Please rate your overall satisfaction with flying United Airlines out of Springfield.



Please rate your overall satisfaction with flying American Airlines out of Springfield



Please rate your overall satisfaction with flying Allegiant out of Springfield.



Respondents were asked what percentage of flights from Springfield to Chicago arrived on-time.

- Average response was 74%
- Actual on-time rate in 2015 was 79%.
- First five months of 2016 had 84% of flights on time.

Respondents were asked what percentage of flights from Springfield to Dallas/Fort Worth arrived on-time.

- Average response was 81%
- Actual on-time in 2015 was 84%
- First five months of 2016 had 84% of flights on time.

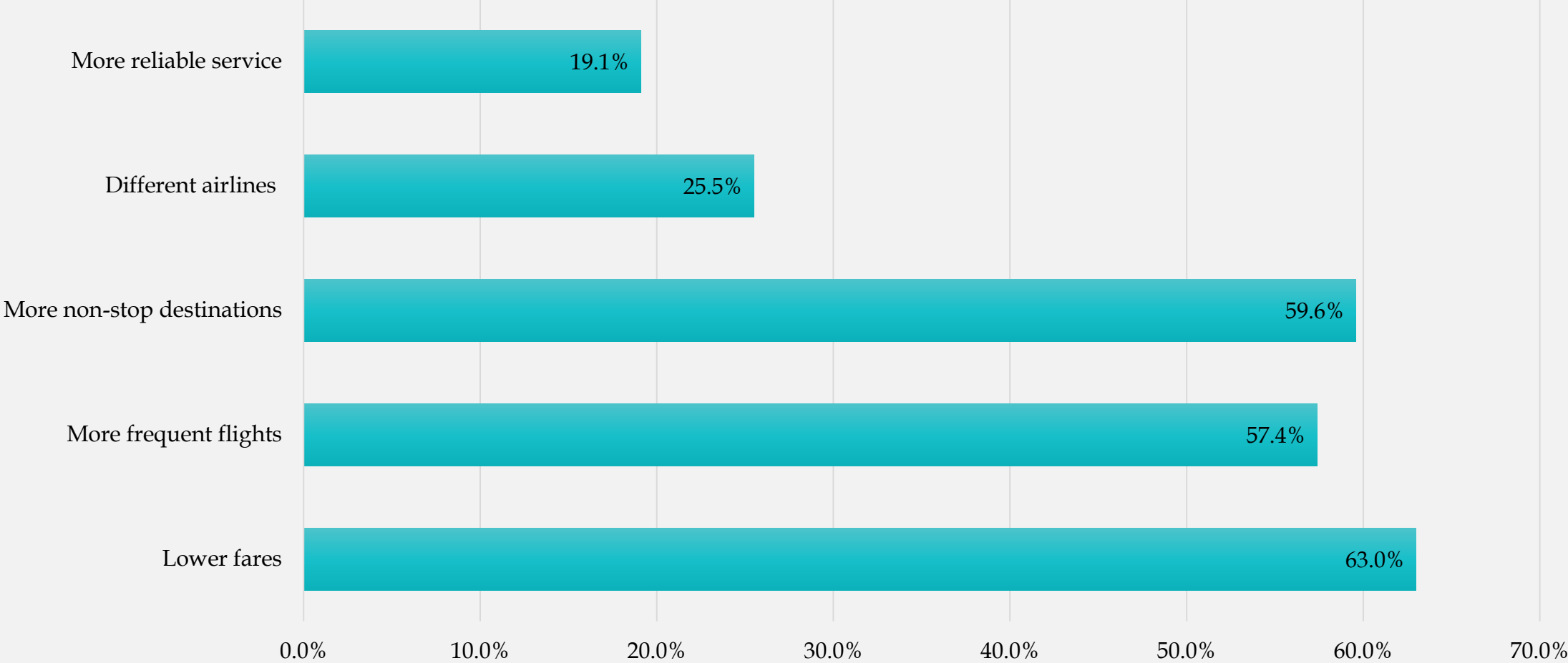
Respondents were asked what percentage of flights from/to Springfield and from/to Chicago were cancelled

- Average response was 17% of flights were cancelled
- Actual percentage of cancelled flights was 6.8%
- First five months of 2016 had 2.9% cancellation

Respondents were asked what percentage of flights from/to Springfield and from/to Dallas/Ft. Worth were cancelled.

- Average response was 13% of flights were cancelled
- Actual percentage of cancelled flights was 3.6%
- First five months of 2016 had 1.2% cancellation

If you choose to fly from airports other than Springfield, what are the most common reasons as to why? You may choose more than one answer.





Airport Data Presentation

Mark Hanna – Executive Director, Springfield Airport Authority

Michael Mooney – Managing Partner, Volaire Aviation Consulting

Springfield, Illinois

AIR SERVICE UPDATE

February 22, 2017



ABRAHAM LINCOLN[®]
CAPITAL AIRPORT
A T S P R I N G F I E L D



Agenda

- **Airline Industry Overview**
- **Central Illinois Air Service**
- **Springfield Air Service**
- **Outlook and Goals**
- **Summary**

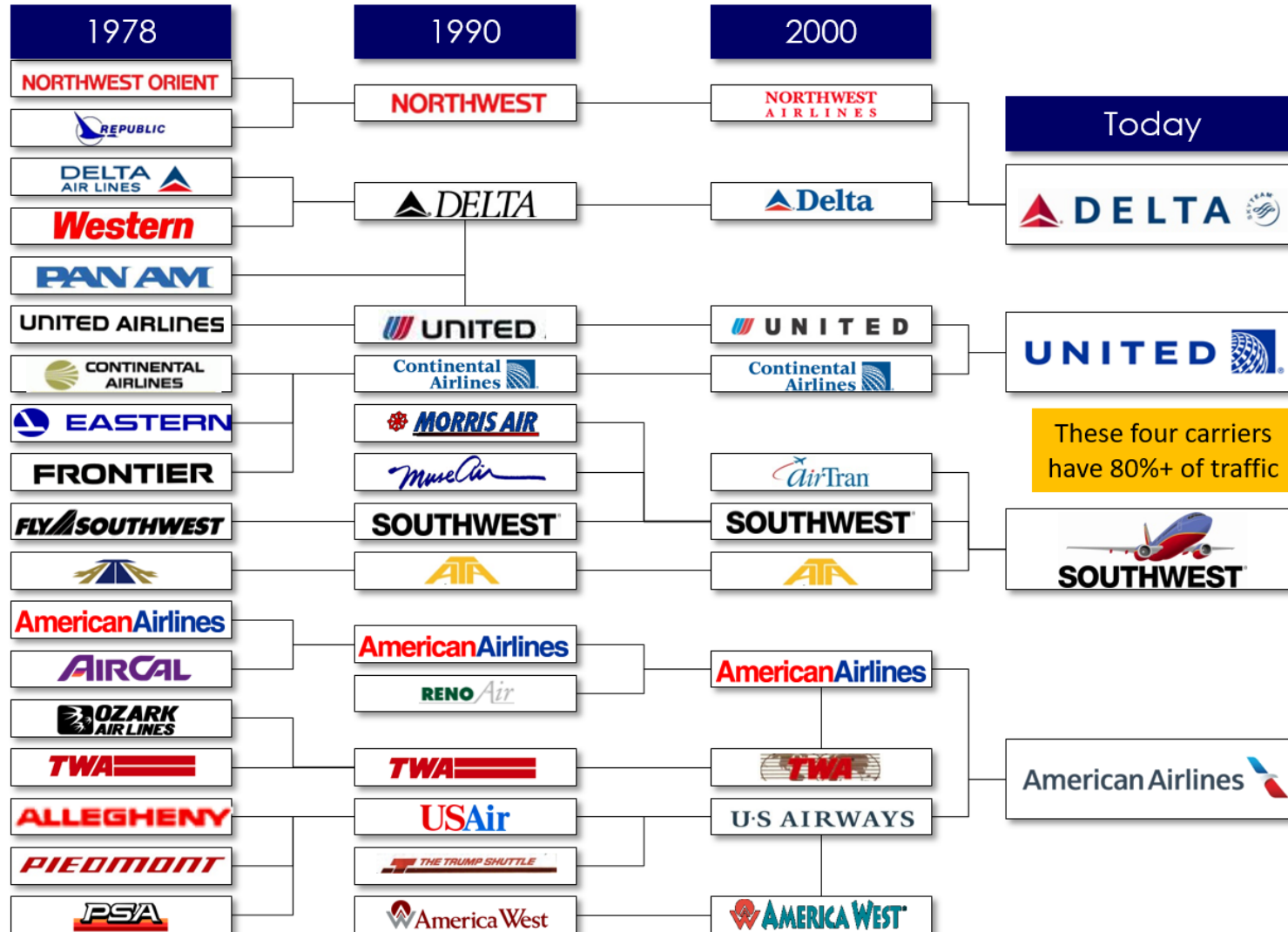


Airline Industry Overview

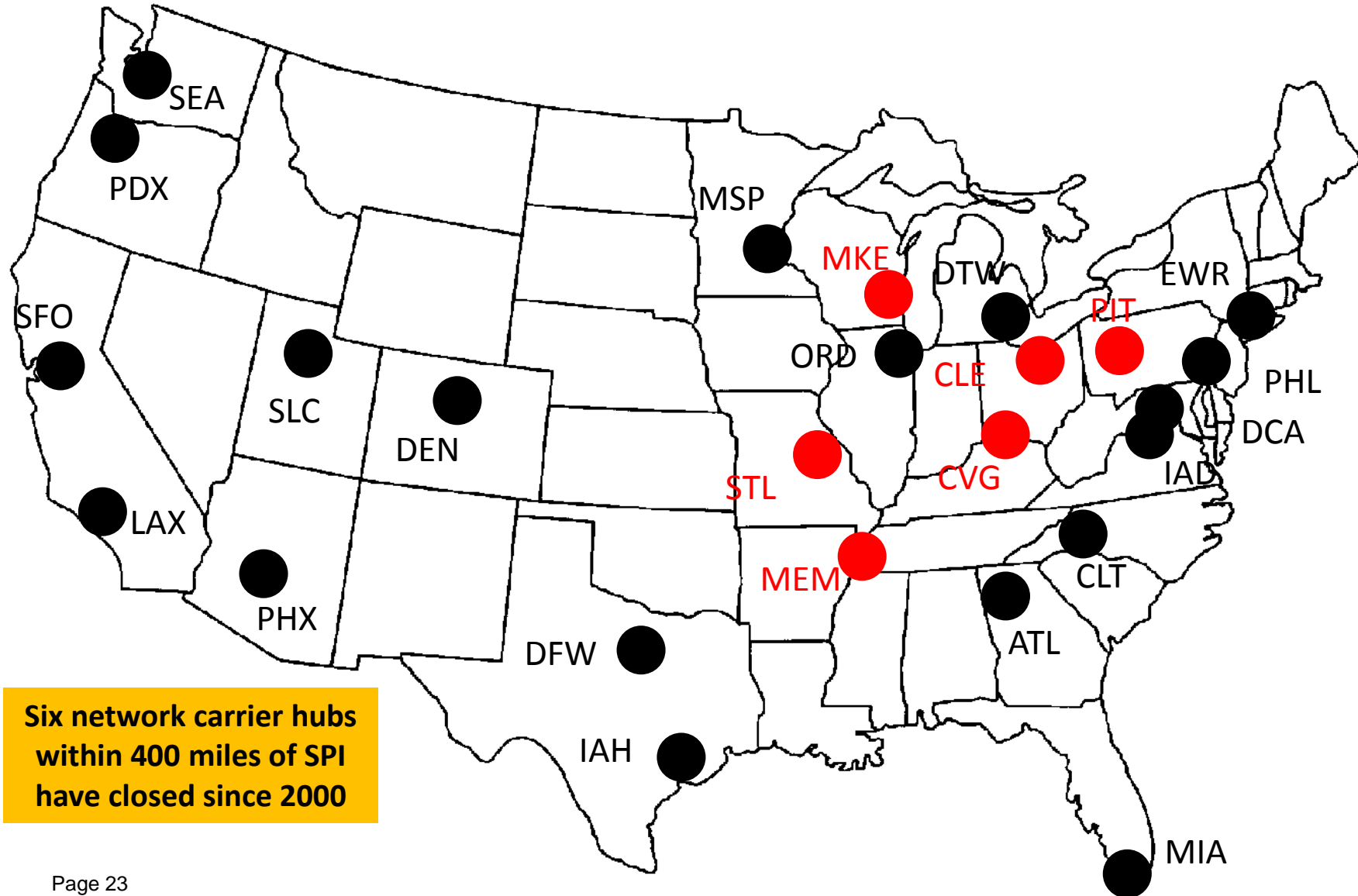
Airline Industry Highlights

- ✈ **Consolidation – Hub closures and capacity and gauge shifts.**
- ✈ **Negative Impacts of new pilot flight, duty and qualification rules.**
- ✈ **Segmentation – Six sectors of airline business models.**
- ✈ **Risk Aversion – Pay to play for smaller cities.**
- ✈ **Regional Carrier Re-Fleeting.**
- ✈ **Declining Small Community Air Service Economics.**

Airline Industry Consolidation: Carrier Mergers



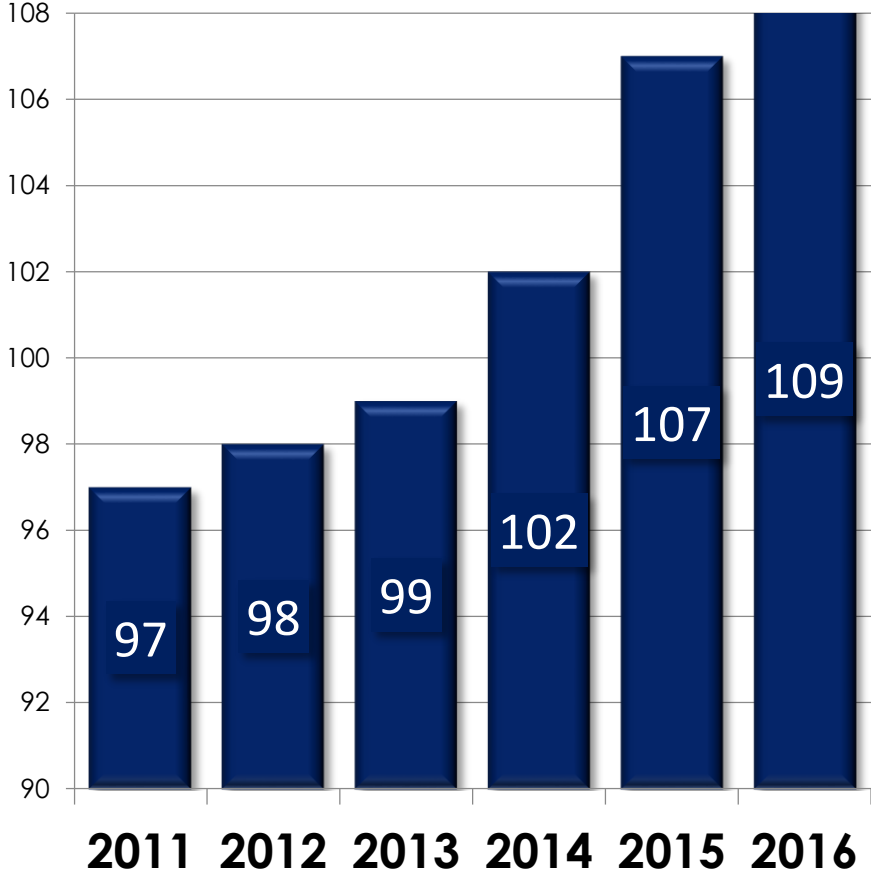
Airline Industry Consolidation: Six Hub Closures since 2000 (Closed Hubs in Red)



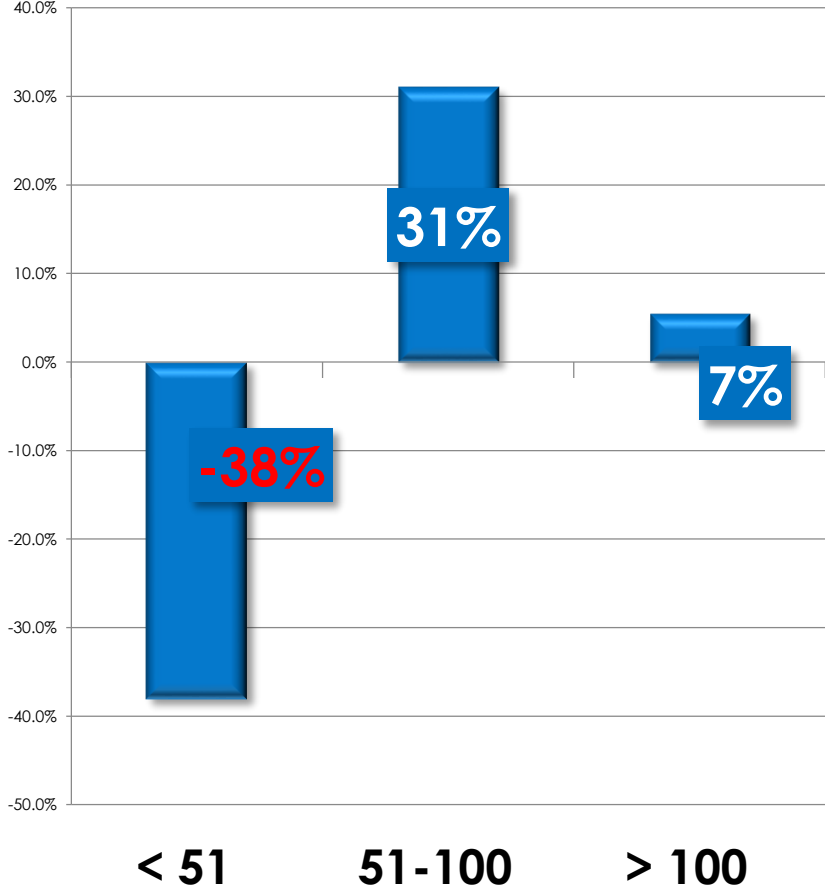
Six network carrier hubs
within 400 miles of SPI
have closed since 2000

Airlines Are Lowering Operating Costs per Seat by Up-Gauging Equipment

Average Domestic US Aircraft Size
2011 – 2016



Change in Scheduled Departures
2011 – 2016



Industry Sectors: Distinctions Are Blurring

- ✈ Network Carriers – American, Delta, United.
- ✈ Regional Carriers – SkyWest, TranStates, Republic - about 12 total.
- ✈ Value Carriers – Southwest, jetBlue.
- ✈ Ultra Low Cost Carriers – (**most profitable**) Allegiant, Frontier, Spirit.
- ✈ Hybrid Carriers – Alaska, Virgin America, Hawaiian, Sun Country.
- ✈ Independent Regionals – Cape Air, AirChoiceOne, others.



CENTRAL ILLINOIS REGION
Bloomington, Champaign,
Peoria and Springfield

Central Illinois Air Service Comparison

- ✈ **SPI has Allegiant, American and United service to Chicago, Dallas, Orlando and Punta Gorda.**

AIR SERVICE BY MARKET; FIRST QUARTER 2017

Market	Allegiant	American	Delta	United
Springfield	Orlando, Punta Gorda	Dallas		Chicago
Bloomington	Orlando, St. Pete	Chicago, Dallas	Atlanta, Minneapolis	
Champaign		Chicago, Dallas		
Peoria	Destin, Las Vegas Phoenix, Punta Gorda Orlando, St Pete	Chicago, Dallas, Charlotte	Atlanta, Detroit, Minneapolis	Chicago

- ✈ **Bloomington lacks United service, Champaign only has American service and Peoria has all four carriers**

Central Illinois Traffic Comparison; 2012 - 2016

- ✈ Springfield traffic is up 46% in the past five years.

CENTRAL ILLINOIS TRAFFIC COMPARISON

Year	Springfield	Change	Bloomington	Change	Champaign	Change	Peoria	Change
2012	131,800		478,080		171,939		570,223	
2013	144,852	10%	418,345	-12%	168,343	-2%	580,139	2%
2014	174,199	20%	404,977	-3%	188,522	12%	635,411	10%
2015	183,975	6%	370,577	-8%	178,026	-6%	630,990	-1%
2016	191,946	4%	372,710	1%	174,099	-2%	608,742	-4%
Period		46%		-22%		1%		7%

- ✈ Bloomington traffic is down 22% in that period with Champaign and Peoria up modestly.

Central Illinois Network Carrier Average Fare Comparison

- ✈️ Airline average fares are measured net of tax and one way.

CENTRAL ILLINOIS NETWORK CARRIER AVG NET ONE WAY FARE

Year	Springfield	Change	Bloomington	Change	Champaign	Change	Peoria	Change
2012	\$227		\$231		\$275		\$262	
2013	\$257	13%	\$238	3%	\$272	-1%	\$254	-3%
2014	\$251	-2%	\$235	-1%	\$261	-4%	\$256	1%
2015	\$253	1%	\$246	5%	\$283	8%	\$262	2%
2016	\$246	-3%	\$225	-9%	\$262	-7%	\$246	-6%
Period		8%		-3%		-5%		-6%

- ✈️ These comparisons are for American, Delta and United (the network carriers) at the four airports, Allegiant is excluded.
- ✈️ 2016 is the 12 months ended 9/30/2016.

A photograph of the Springfield State Capitol building in Missouri, featuring a prominent blue dome and classical architectural details. The building is set against a dramatic sky with soft, golden light from the setting or rising sun. In the foreground, there are trees and a street with a statue. An orange text box is overlaid in the upper right corner.

**SPRINGFIELD
AIR SERVICE
MARKET**

Springfield Air Service Winter – Spring 2017

- ✈ **American to DFW;**
 - 2 nonstops per day
 - 50-seat regional jet
- ✈ **United to ORD;**
 - 3 nonstops per day
 - 50-seat regional jet
- ✈ **Allegiant service;**
 - MD80 or Airbus
 - Twice weekly
 - Orlando
 - Punta Gorda/Fort Myers



Springfield Top Markets; 2012 – 2016

- ✈ For the past two years the four nonstop routes (shaded in gray) have also been the top local passenger destinations for Springfield.
- ✈ Top network carrier connect markets have consistently been Washington D.C., Los Angeles and New York City.
- ✈ Pricing changes negotiated with United Airlines in 2014 improved eastbound traffic capture.

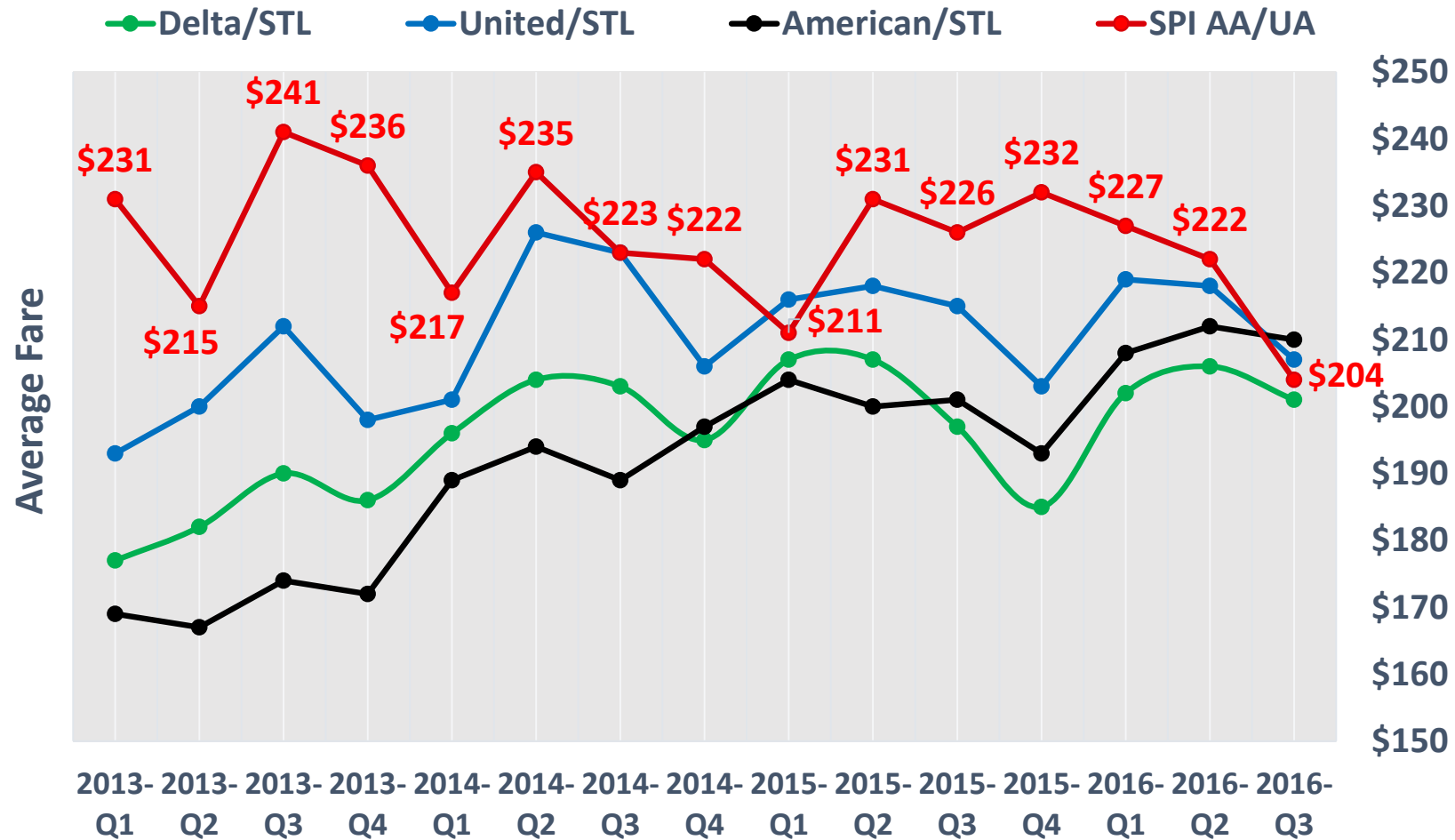
SPRINGFIELD TOP MARKETS: 2012 - 2016

Rank	2016	2015	2014	2013	2012
1	PGD	PGD	PGD	PGD	DFW
2	SFB	SFB	DFW	DFW	DCA
3	DFW	DFW	ORD	ORD	ORD
4	ORD	ORD	LAX	DCA	PGD
5	DCA	DCA	LAS	LAX	LAX
6	LAX	LAX	IAH	SFO	MCO
7	LGA	LGA	MCO	SFB	SFO
8	BOS	LAS	SFO	MCO	SAN
9	DEN	SFO	DCA	MSP	LGA
10	SFO	DEN	PHX	DEN	BOS
11	MCO	MCO	AUS	LAS	IAH
12	LAS	BOS	DEN	SAN	MSP
13	SAN	AUS	SAN	PHX	PHX
14	PHX	SAN	SAT	BOS	AUS
15	AUS	PHX	MSP	SNA	DEN

Gray shaded markets had nonstop service

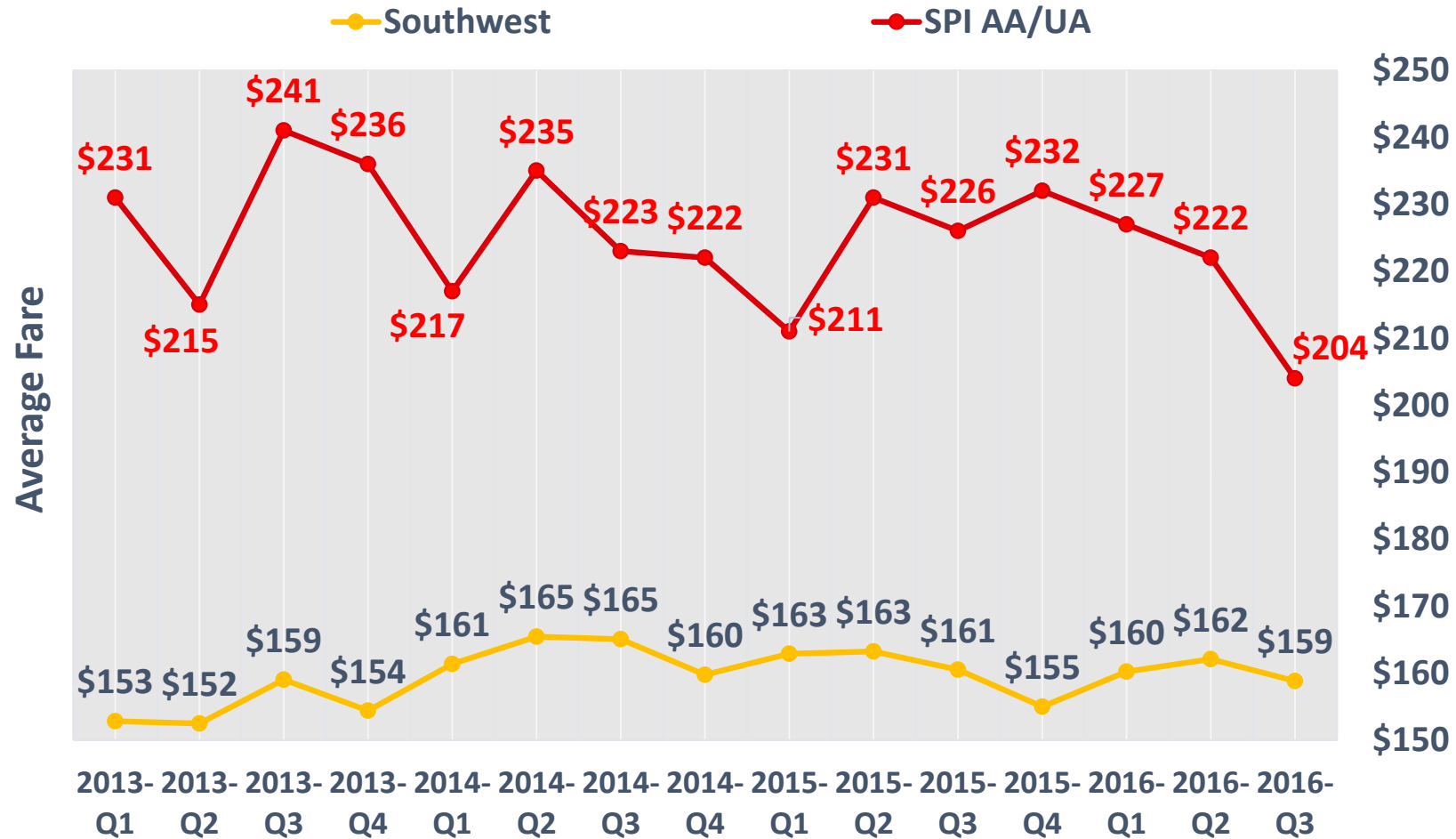
Network Average Fare Paid Comparison to St. Louis

SPI Network Domestic Average Fare Compared to Network Average Fare at STL



SPI Network Average Fare vs Southwest at St Louis

SPI Network Domestic Average Fare Compared to Network Average Fare at STL



SPI Top Markets Average Fare Comparison to STL

- ✈ SPI average fare for all carriers compared to STL average fare for all carriers in ten top SPI markets.

SPI TOP MARKET AVERAGE FARE COMPARISON TO STL

12 Months Ended 9/30/2016

Market	SPI Avg Fare	STL Avg Fare	Difference	
			Dollars	% Lower
Dallas	\$195	\$165	\$30	15%
Washington	\$222	\$158	\$64	29%
Los Angeles	\$222	\$185	\$37	17%
New York LGA	\$174	\$172	\$2	1%
Boston	\$203	\$215	(\$12)	-6%
Denver	\$233	\$127	\$106	45%
San Francisco	\$269	\$204	\$65	24%
Orlando	\$73	\$136	(\$63)	-86%
Las Vegas	\$208	\$140	\$68	33%
San Diego	\$247	\$182	\$65	26%

SPI vs STL; Top Market Price Point Comparison

✈️ Travel in March 2017.

✈️ From Expertflyer.com.

✈️ Listing;

- Lowest published fare
- Lowest 14 day AP
- Lowest 7 day AP
- Lowest walk up (>7 day)

✈️ In this timeframe SPI 7 day AP and walk up fares, if availability, are often lower than at STL.

PUBLISHED PRICE POINTS COMPARISON: SPI VS STL

For travel outbound March 22, 2017 returning March 24, 2017 as of Feb 12, 2017

Destination	Advance Purchase	21	14	7	Walk Up
Dallas	SPI	\$230	\$250	\$580	\$700
	STL	\$190	\$210	\$442	\$600
	SPI Higher (lower)	\$40	\$40	\$138	\$100
Washington D.C.	SPI	\$328	\$328	\$366	\$446
	STL	\$174	\$194	\$616	\$724
	SPI Higher (lower)	\$154	\$134	-\$250	-\$278
Los Angeles	SPI	\$294	\$332	\$370	\$578
	STL	\$262	\$282	\$568	\$848
	SPI Higher (lower)	\$32	\$50	-\$198	-\$270
New York LGA	SPI	\$228	\$278	\$382	\$474
	STL	\$236	\$256	\$440	\$818
	SPI Higher (lower)	-\$8	\$22	-\$58	-\$344
Boston	SPI	\$330	\$350	\$498	\$545
	STL	\$290	\$310	\$614	\$866
	SPI Higher (lower)	\$40	\$40	-\$116	-\$321
Denver	SPI	\$266	\$278	\$328	\$594
	STL	\$150	\$246	\$436	\$652
	SPI Higher (lower)	\$116	\$32	-\$108	-\$58
San Francisco	SPI	\$288	\$308	\$344	\$498
	STL	\$248	\$268	\$570	\$1,070
	SPI Higher (lower)	\$40	\$40	-\$226	-\$572
Orlando	SPI	\$224	\$224	\$418	\$534
	STL	\$150	\$260	\$642	\$738
	SPI Higher (lower)	\$74	-\$36	-\$224	-\$204
Las Vegas	SPI	\$314	\$314	\$390	\$528
	STL	\$208	\$310	\$546	\$608
	SPI Higher (lower)	\$106	\$4	-\$156	-\$80
San Diego	SPI	\$330	\$430	\$470	\$588
	STL	\$248	\$248	\$534	\$1,080
	SPI Higher (lower)	\$82	\$182	-\$64	-\$492

Central Illinois Operational Performance for DFW & ORD

- **Reliability and on-time performance are key customer considerations in selecting air service.**
- **The following slides review and compare key on-time performance and flight reliability data for Chicago and Dallas service from Springfield, Bloomington, Champaign and Peoria.**
- **Period of measurement is years 2013 to 2016.**
- **Key measures are;**
 - **On-time arrival, defined as within 14 minutes of schedule.**
 - **Cancelled flight percentage, indicating service reliability.**

ORD Operational Issues Affect All Central Illinois Airports

- ✈ **Dramatic improvement in ORD on-time performance since 2013.**
- ✈ **Dramatic improvement in flight completion rates since 2013.**
- ✈ **Springfield's on-time and completion rates for ORD are comparable to other central Illinois airports.**

CENTRAL ILLINOIS ONTIME AND COMPLETION DATA : ORD
2013 - 2016

Airport	Hub	Ontime Arrival Percentage			
		2013	2014	2015	2016
Springfield	ORD	74.2%	63.0%	78.7%	80.1%
Bloomington	ORD	69.6%	71.8%	78.5%	80.9%
Champaign	ORD	64.6%	62.8%	77.4%	79.6%
Peoria	ORD	70.1%	71.0%	75.8%	76.4%
St. Louis	ORD	77.8%	67.7%	78.2%	84.7%
		Cancelled Flights Percentage			
Springfield	ORD	6.2%	9.8%	3.9%	2.6%
Bloomington	ORD	7.1%	6.3%	5.8%	2.6%
Champaign	ORD	5.2%	6.0%	5.4%	2.3%
Peoria	ORD	4.4%	6.7%	4.4%	3.4%
St. Louis	ORD	2.2%	3.9%	2.5%	2.9%

Source DOT and FAA records

DFW has Better Operational Performance than ORD

- ✈ **Dramatic improvement in DFW on-time performance since 2013.**
- ✈ **Dramatic improvement in flight completion rates since 2013.**
- ✈ **Springfield's on-time and completion rates for DFW are comparable to other central Illinois airports.**

**CENTRAL ILLINOIS ONTIME AND COMPLETION DATA : DFW
2013 - 2016**

Airport	Hub	On-time Arrival Percentage			
		2013	2014	2015	2016
Springfield	DFW	74.7%	74.7%	83.8%	84.2%
Bloomington	DFW	77.2%	74.1%	84.2%	83.8%
Champaign	DFW	76.4%	79.3%	85.4%	84.3%
Peoria	DFW	73.8%	73.5%	81.4%	82.8%
St. Louis	DFW	81.0%	78.9%	83.9%	84.7%
		Cancelled Flights Percentage			
Springfield	DFW	3.3%	3.8%	3.5%	1.7%
Bloomington	DFW	3.1%	3.9%	3.5%	2.6%
Champaign	DFW	3.2%	3.7%	3.2%	0.9%
Peoria	DFW	3.6%	3.3%	3.7%	1.3%
St. Louis	DFW	3.3%	2.5%	2.1%	1.6%

Source DOT and FAA records

A photograph of the Michigan State Capitol building in Lansing, Michigan, taken at sunset. The building's central dome is the focal point, with its interior lights glowing. The sky is filled with dramatic, layered clouds, and the sun is low on the horizon, casting a warm golden light. In the foreground, there are trees with sparse green leaves, streetlights, and a small statue on a pedestal. An orange rectangular box with a thin black border is positioned in the upper right corner of the image, containing the text "OUTLOOK AND GOALS" in bold, black, sans-serif capital letters.

**OUTLOOK
AND
GOALS**

Industry Outlook

- ✈ **Carriers very profitable, sets the bar high for new services.**
- ✈ **Pilot shortage, impacting regionals more than majors.**
- ✈ **Network carrier regional partners up-gauging equipment, retiring 50-seat regional jets for 65 and 76-seat aircraft.**
- ✈ **All three traditional network carriers focused on execution.**
- ✈ **Smaller markets must be profitable and demonstrate the ability to support 65 or 76-seat equipment.**

Local Impact of Airline Industry Changes

- ✈ **Use it or lose it. Boycotting the local airport will lead to less local service, not more.**
- ✈ **Recruiting new service is challenging; pilot shortage, high profitability bar to clear, changing business models.**
- ✈ **Existing service retention and improvement goals;**
 - **Demonstrate market strength to DFW to support 65 or 76-seat aircraft.**
 - **Demonstrate market strength to ORD to support 4th frequency.**
 - **Strengthen Allegiant route performance to exceed that of peers.**
- ✈ **New service targets;**
 - **Third network carrier hub; top options Charlotte (AA) or Denver (UA).**
 - **Gain an additional Allegiant service; Las Vegas, Phoenix, more Florida.**

Summary



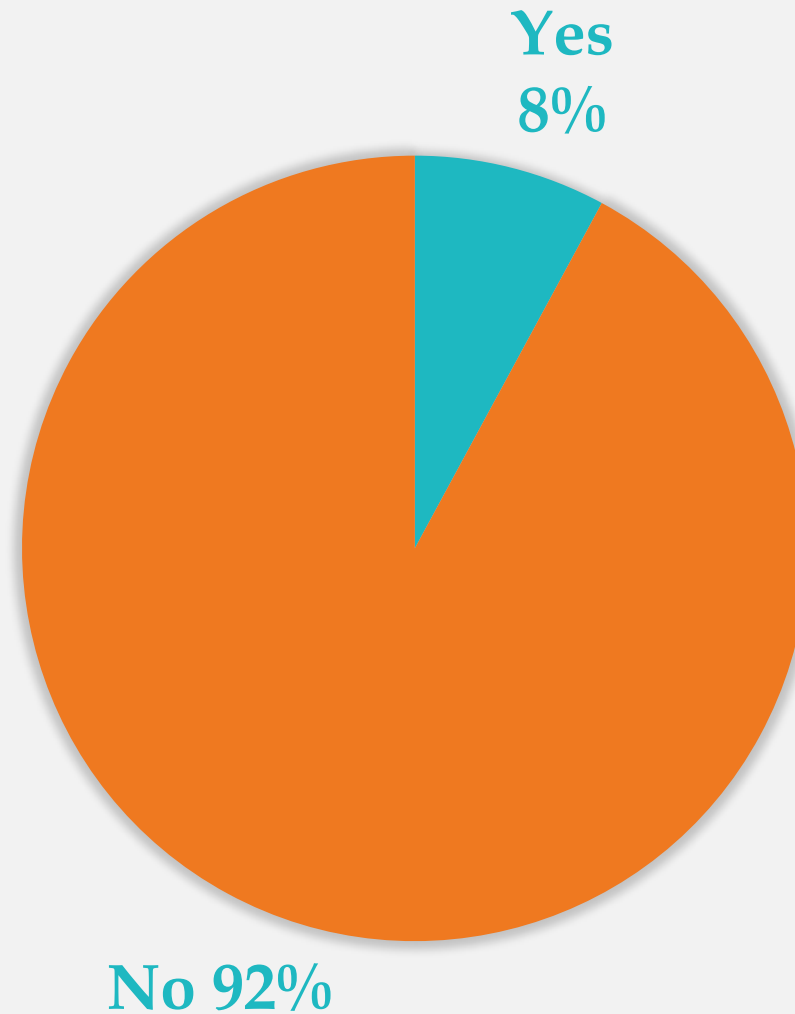
Summary

- ✈ **Due to consolidation, for the first time in history, the domestic airline industry is reasonably profitable.**
- ✈ **The pilot shortage has introduced a scarcity element to airline business planning.**
- ✈ **Smaller air service markets nation-wide are fighting for the same scarce resource, network and low fare carrier air service.**
- ✈ **Locally, Bloomington, Champaign and Peoria are all fighting for the same thing; more air service from American, Delta, United or Allegiant.**
- ✈ **All current Springfield services are profitable but we cannot rest on that.**

Have you used the online True Cost Calculator at the Springfield airport's website to calculate the true cost savings of flying from Springfield instead of driving to other airports?



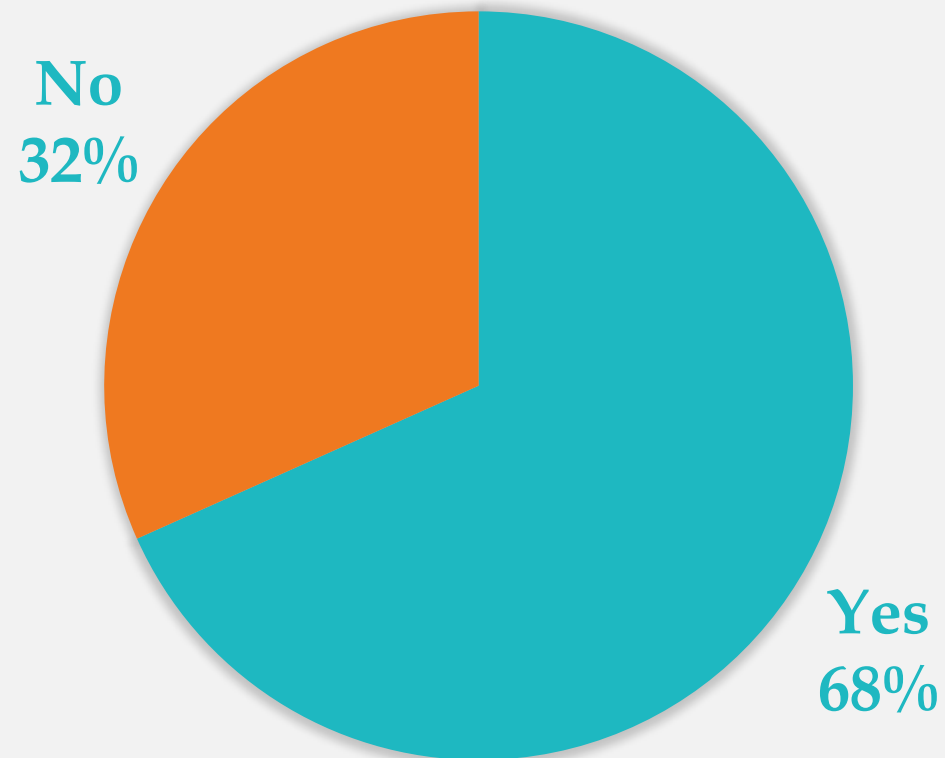
Used the online True Cost Calculator at the Springfield airport's website



Would you or your company consider making a commitment to using the Springfield airport over other airports if the True Cost Calculator indicates that the total cost to travel from Springfield is lower than traveling from an alternate airport?



Consider making a commitment to using the Springfield airport over other airports





**QUANTUM GROWTH
PARTNERSHIP**



Thank You