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TASK FORCE TO ATTACK SLIDE IN AIRPORT PASSENGER TRAFFIC (Published in the October 8, 2005, Columbia Business Times) - 10/8/2005

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TASK FORCE TO ATTACK SLIDE IN AIRPORT PASSENGER TRAFFIC

COLUMBIA, Mo. – It's an anomaly. Columbia's rapid growth and vibrant economy would appear to make it a candidate for a healthy, big-city airport. But Columbia instead offers a small-town operation with a withering customer base and a terminal seemingly time-warped out of the 1960s.

Most alarming to community leaders is that city-owned Columbia Regional Airport is attracting fewer and fewer passengers. Over the past 10 years, the number of "enplanements," passengers who originate their trips at the airport, has dropped slowly over time from 41,000 in 1994 to 18,000 last year.

To prosper, the airport needs to build a reliable base of customers from the 330,000 people in Columbia and surrounding towns who might be willing to regularly depart from Columbia. A new task force of about 15 community leaders, chaired by the Service Corps of Retired Executives (SCORE), has formed to attack the problem by improving marketing, terminal facilities and services, and better relationships with regional allies and airlines.

A 2001 marketing study found that only 13 percent of Columbia and Jefferson City's business travelers flew out of Columbia, while 31 percent and 56 percent chose to fly out of Kansas City and St. Louis respectively. Task Force leaders say that, if trends continue and nothing is done to boost traffic, the airport might lose its commercial service. The airport currently offers one carrier, TransStates Airlines, affiliated with American Airlines; one destination, St. Louis; and four round-trip flights throughout the day, timed to allow for an early-morning departure and late evening arrival to support one-day business travelers.

"We need more destinations, not only from Columbia, but we need to be able to connect to more destinations from the places that we go to," Dean said. "The cost right now isn't bad, but the problem is that you must connect to American, and American is limited to the number of places they connect to."

As long as a passenger's entire flight is booked on American Airlines, by agreement the average cost differential between starting in Columbia versus St. Louis can be about \$60 (see sidebar), although it doesn't always work that way in practice. If the customer does not choose

to sort by fare, it's easy to get skinned.

Competition from St. Louis is not Columbia's main threat at this point. "Our competition right now is Kansas City, people who go to Kansas City," Dean said. "Southwest has done a terrific job with their fare structure out of Kansas City. KCI is marketing very effectively in this community, and we are losing traffic to Kansas City."

Depending on the passenger's chosen options, a round-trip flight on Southwest Airlines from Kansas City to Chicago-Midway can cost between \$130 and \$272, with the latter price also standing for a next-day flight.

Dean and Airport Manager Bill Boston said the other main competitor is Interstate 70. "Kansas City does a lot of advertising in this market, and the reason they do that, in my opinion, is that they are desperate for business," Boston said. "They've figured out they can reach out into rural markets that will drive two or two and a half hours to get to their airport and get people to come there to fly out of Kansas City. They do have some cheap tickets; the reason is they have too many seats."

SCORE is working with Boston and the task force to develop a three-year strategy and plan to build ridership at the airport. Teams of business students from the University of Missouri-Columbia are aiding the effort with marketing research, and the task force is meeting with constituent groups to gather information, such as a meeting with local travel agents last week.

Michael Boyd, president of the Boyd Group Inc., an airline consulting firm in Evergreen, Colo., said Columbia ought to be registering about 80,000 enplanements a year and said the task force was a good idea. Boyd came to Columbia two different times in the past month. "Two weeks in a row, I had the thrill of going to Columbia, which is really nice except... the air service isn't very good!" Boyd said. "You're not alone in this. There are a lot of communities that formerly were tied to the TWA hub in St. Louis and had five, six, seven, eight flights a day."

Boston, who works for the City of Columbia, retires from his job in three weeks. A replacement has not yet been hired, although discussions with four candidates are ongoing. He believes marketing is the main starting point for a new manager, but his replacement will need more marketing funds beyond the city's current advertising budget for the airport of \$13,000.

Dean told the group of travel agents that most major airports are run by elected commissions rather than city governments, as in the case of Columbia Regional Airport. In his view, commissions made up of businesspeople accustomed to pursuing a profit may be a better fit to creating a thriving airport than a not-for-profit city government whose attention may be providing many other services.

If enplanements were to fall below 10,000 a year, Dean said, the airport might lose its commercial status, with grave implications for the area economy. For instance, according to Dave Meyer of Regional Economic Development Inc., the availability of airline service was a major criterion for at least one of Columbia's largest employers, State Farm Insurance, during its recent decision-making process to close one of its Central Zone regional offices. While the company chose to stay in Columbia and Tulsa, closing its office in Monroe, La., the lack of airport service might be a factor against Columbia in a future consolidation decision.

There are several issues for the task force to overcome. The type of plane flown by TransStates Airlines into Columbia may also be a contributor to the lack of passenger traffic. While some cities served by TransStates receive coverage by ERJ145 Regional Jets, Columbia's flights are scheduled on J41 Turboprops, notorious for turbulence during flights.

"[Columbia's air service] is on airplanes that I wouldn't put my dog on," said one frequent flier in an off-the-record comment.

One possible competitor that may be draining away passengers from Columbia's airport, is Mo-X, a van service that shuttles passengers to St. Louis and Kansas City. The service, based in Parkade Center, costs \$76 for a round-trip ticket to the St. Louis or Kansas City Airport if booked on-line. Mo-X owner Norm Ruebling was not available for comment.

"Personally, I don't view Mo-X as competition," Dean said. "I'm looking for a way to work with them because, if we can increase air travel, if this economy grows, we've both got a stake in the economy."

But the lack of another carrier at the airport is perhaps the airport's biggest hurdle to overcome. A sure bet for a marketing strategy is working with airlines to attract one to Columbia. When Ozark Airlines started in Columbia in 1999, Boston said, the new airline did not take passengers away from TW Express, the airport's other resident airline at the time. Instead, the increase in flights brought more passengers to the airport, and the competition made each airline improve its service.

Effecting a turnaround might need political pressure at the U.S. Senate level, and it might mean having to provide revenue guarantees to airlines, Boyd said. Furthermore, a city like Columbia needs to understand that it must not only build service to the connecting hub, but also a connected relationship to the airline that runs the connecting hub.

"The airline industry has evolved to the point where even the organic growth is tough to attract airlines," Boyd said. "What you have to do is find an airline that sees an opportunity there. The opportunity is building on the airline system you have now."

Although Ozark lost a lot of money, Boyd said the airline probably would have been able to make a go of it if it had been able to complete a deal to become the feeder airline from Columbia to American Airlines' main hubs in Dallas and Chicago. "You were literally a signature away from having American Airlines jet service operated by Ozark," Boyd said. "Columbia could be a very strong market that could feed traffic to American at Dallas or United in Chicago."

Ozark sold its operations in 2001 to Tulsa-based Great Plains Airlines, getting out before the September 11, 2001, terrorist attacks in New York, which closed Columbia Regional Airport for several days and wounded the entire industry. Great Plains would eventually pull out of Columbia and file for bankruptcy in 2004.

According to Boston, the next major calamity for Columbia's airport came in November 2003, when American downsized its hub in St. Louis from 400 flights to 206. Although the airline later added more St. Louis flights to bring its total to 230, the move caused enplanements in Columbia to drop from 2,321 in October 2003 to 1,072 and 1,003 in the following two months, and it still hasn't recovered. Today the airline industry is battling high fuel prices, which drove major carriers Delta and Northwest into bankruptcy last month, in addition to rapidly rising prices for employee pensions and medical costs.

Boston and Dean make the case that the situation in Columbia is not all gloom and doom. The airport has some advantages. Passenger numbers are up 17 percent over last year. Flights are now on time 98 percent of the time. The terminal has been improved. Security screening is better, with fewer delays than in larger airports. Using the Columbia airport means avoiding driving stress and construction delays on I-70. Parking costs are low, and it's easy to get dropped off to avoid any parking cost.

Above all, there are five dozen other communities in the same boat, Boyd said, and it is not a problem with Columbia itself. "It has everything to do with the economics of the airline business and almost nothing to do with the strong economics of your community," he said. "If you sit on your hands, I guarantee you will have no air service. Go into this with your eyes wide open; this is not a case of doing a lot of studies and finding the magic cure. There is none."

SIDEBAR:
About 350 words

MYSTERY FARE CALCULATIONS CONFUSE CUSTOMERS

The system for booking rates for airline seats can be a mind-boggling experience, and the formula for computing a rate is something akin to alchemy.

As long as a passenger's entire flight is booked on American Airlines, by agreement the average cost differential between starting in Columbia versus St. Louis is supposed to be about \$60, but in this reporter's experience, it doesn't always work that way in practice.

When the reporter writing this story twice entered departure and arrival times about a month away into the American Airlines Web site booking system, a Columbia traveler setting a reservation to fly round-trip to Chicago, choosing the first option given by the site for each flight, came up with fares that were \$99 to \$119 more to fly from Columbia. For a next-day flight, the cost was nearly twice as much to fly from Columbia, \$691, instead of \$364 out of St. Louis.

However, if the customer chooses to sort the flight options by fare, the result is a tiered price structure with the three least expensive tiers being about \$51 cheaper to fly to Chicago from St. Louis rather than Columbia, excluding taxes and fees, which can amount to as much as \$26.20 if flying from St. Louis and \$34.40 from Columbia, a potential differential of \$8.20. Therefore, the total cost differential of a ticket coming from Columbia adds up as advertised, \$60 more.

"If the flight is sold out and the seats aren't there, then you're right, it's not going to always be \$60," said Beth Harrison, director of sales for TransStates Airlines. "The fare is out there. It's filed at \$60 more, but, like I said, if the flight from Columbia is booked at 29 people, then that \$60 differential fare may not be available. I know that that may be confusing to the customer, but we always say when we talk about the \$60 difference, the fares are filed that way and they will price out that way based upon availability if all the flights are open, and they are not booked full, then they will always be about \$60 more."

SIDEBAR: About 200 words

SHOULD COLUMBIA RENAME ITS AIRPORT?

One recurring idea has been to rename Columbia Regional Airport to incorporate other nearby towns, such as Jefferson City and Lake of the Ozarks.

The idea has never set well with Columbia's neighbors to the south, especially Jefferson City. Although it offers no regular commercial air service, Jefferson City Memorial Airport averages about 94 aircraft operations per day and has about 70 aircraft based at its airstrip, according to the airport Web site.

Fifty-three percent of its business comes from transient general aviation, and 31 percent comes from local planes. Another 15 percent of the airport traffic comes from the military. The aircraft based in Jefferson City include mainly single-engine and multi-engine airplanes, a handful of jets, half a dozen helicopters and nine military aircraft.

There are two small airports at the Lake of the Ozarks, two of which are managed by the City of Osage Beach, Grand Glaize Airport and Lee C. Fine Memorial Airport. Fine Airport is located inside Lake of the Ozarks State Park and was owned by the Missouri Department of Natural Resources until a few years ago.

