

November 17, 2014
REGULAR MONTHLY BOARD MEETING
Chris Holman, Chair

Board Members Present: Chris Holman, Paul Hufnagel, Dick Baker, John Shaski
Absent: Victor Celentino, Troy Brown

Ex-Officios Present: Robert Showers
Absent: L. Daryl Baker

Management, Staff and Employees Present: Bob Selig, Gary Bartek, Lisa Carr, Ron O'Neil and Bonnie Wohlfert

Members of the Public Present: Dan Otto; Charles & Mary Allen; Roger Marks, C2AE; Connie Wey; Janet Matheny; Ron & Johanna Balzer; Becky Bell; Carol Poppe; Jane DeHoog; Richard Rogers; Dan Kehoe & Bob Leisering, Mead & Hunt; Mike Borta, QoE Consulting; Andon Pogoncheff

CALL TO ORDER

1. Chris Holman, Chair called the Regular Monthly Board Meeting of the Capital Region Airport Authority to order at 4:32 p.m. with a quorum present.
2. Chris Holman welcomed John Shaski as a new board member.

APPROVAL OF MINUTES

- a. Paul Hufnagel moved the Board approve the minutes of the October 22, 2014 Regular Board meeting.
- b. Dick Baker advised of a correction needed on Page 3, No. 4, "Sun Country agreed to continue the service to August 31, **2014**"; date changed to August 31, **2015**.
- c. The motion passed unanimously.

PUBLIC COMMENT

1. Jane DeHoog, Dewitt Twp., Clinton Village, commented on the State Road access plans. She and neighbors in attendance would like to develop a relationship with the airport and be involved in the planning process to lessen impact and resolve any issues. Chris Holman welcomed Jane and the neighbors in attendance and explained that we are simply looking into a study and are in the early planning stage.

COMMUNICATIONS

1. Board Meeting schedule for 2015 – finalized

REPORTS

1. None

RESOLUTIONS

1. None

MONTHLY REPORT

Financial Report: Robert Selig

- Presented financials for period ended September 30, 2014

- Allegiant will be leaving due to aircraft/pilot availability issues; may come back next year. They are analyzing which markets they will serve and like Spirit Airlines, are moving to metro area airports.
- Professional services higher due to work by Ricondo & Associates with regard to the Delta Airlines challenge.
- Runway project almost complete; waiting on electrical parts and good weather.
- ARFF project nearing completion; will likely move back in mid-December.

QUESTIONS ON STAFF REPORTS

1. None

MONTHLY REPORT

Report of the President & CEO – Robert Selig

Presented a summary of the LAN Leakage Study 2014, which was purchased through Mike Bown of Trillion Aviation. A Strategic Planning work session will be scheduled with board members in early December.

Executive Summary:

- LAN's retention of total service area bookings (4,155 booked daily) has declined from 24.1% in YE 1Q06 (last study) to 16.5% today (YE 2Q14); this decline is due to the fact that departing seats from LAN during this time have fallen 38%.
- LAN's retention of Core Service Area passengers (1,558 booked daily) fell from 55.2% to 33.2% currently; again, this has been driven by seat capacity changes at LAN.
- LAN's retention rate in the other studied areas around the State of Michigan was more stable; this was primarily due to increased demand to MSP & DCA, which is a function of low fare Sun Country Airlines service, which enables LAN to attract traffic from around the State, leveraging its central proximity.
- LAN is currently "leaking" 380,000 originating passengers annually from its Core Service Area. At \$40/passenger in Airport revenue, this translates to \$15.2 million in lost Airport revenue due to "leakage".

Recommendations:

- Primary LAN focus must be on increasing retention of the Core Market
 - Critical economic impact
 - Essential for future air service retention
 - Too much reliance on out of core segment, mostly in international & selected (MSP/DCA) markets
- Increase collective regional incentive which will result in the ability to attract additional (WN/AA) legacy airline service and expand current UA/DL service
- Increase regional investment in international service to support Core Air Service market development
- Prepare for a significant increase in competition for overall air service
 - Pilot shortage
 - 50-seat RJ retirements

Additional comments:

- Community/Business engagement is missing.
- Economic Development is taking the lead in other communities.
- Travel Policies need a firmer stance on use of local airport.
- A travel budget like MSU carries much more weight with airlines when trying to recruit service.

- We will use Leakage Study information as leverage with existing airlines to show they can capture more passengers out of LAN.

Chris Holman commented that legacy carriers want passengers to drive to DTW (Detroit) and fill planes.

John Shaski asked about protection of the Delta Airlines Detroit service since they pulled service from Flint (FNT). Bob Selig reported that Delta is happy with the LAN to DTW (Detroit) service.

Dick Baker commented on the fact that there is less disposable income and wondered to what extent that is impacting us. Bob Selig stated that the total core market bookings are up 3% since the 2006 study.

NEW BUSINESS

1. None

PUBLIC COMMENT

1. Becky Bell, Dewitt Township resident, Clinton Village; explained that there are a lot of rumors and anxiety regarding the State Road access plans. She asked where she could find concrete information to take to her neighbors. What does Phase 1 mean? Chris Holman explained that FAA requirements are very stringent and many fears expressed couldn't come to fruition. Dick Baker added that this study does not change the Master Plan; they are two separate things. Bob Selig stated that the Master Plan is on the website and the State Road access is a concept only; there is no agreement or agenda. Bob Selig will provide Becky Bell the minutes from the meetings with various entities that he and Jerry Richards attended.
2. Andon Pogoncheff, Dewitt Township resident; commented on the State Road access plan. He stated that a survey was conducted but that several businesses along State Road were not contacted. He referenced Clinton County meeting minutes that he will provide the Authority a copy of.

BOARD MEMBER COMMENTS

1. Chris Holman thanked John Shaski again for his commitment to serve on the Authority Board.

ADJOURN

1. Paul Hufnagel moved the meeting be adjourned at 5:45 p.m.
2. The motion carried, and the meeting was adjourned.

Chris Holman, Chair

Bonnie Wohlfert, Secretary