



North County Regional Air Service Analysis *Final Report*

Prepared for:

**San Luis Obispo
Council of Governments**

Prepared by:

SH&E
International Air Transport
Consultancy

May, 2002

TABLE OF CONTENTS

Executive Summary – Study Purpose And Objective 1

The San Luis Obispo Market 7

Travel Agency “Ticket Lift” Survey 10

Conclusions and Recommendations 13

EXECUTIVE SUMMARY – STUDY PURPOSE AND OBJECTIVE

The purpose of this report is to review and evaluate the potential for attracting commercial service to the Paso Robles Municipal Airport located in the Northern portion of San Luis Obispo County. The San Luis Obispo Council of Governments (SLOCOG), the lead transportation planning agency in the county, along with the City of Paso Robles undertook a comprehensive regional air service analysis in order to assess the true demand potential of the market area. The study included examining portions of Monterey County as well as San Luis Obispo County. The study was conducted from October 2001 through January 2002. In addition to determining the potential market size, the study also analyzed the air travel characteristics of the market and assessed the likely potential of an airline initiating commercial service at the Paso Robles Municipal Airport.

The market analysis began with an assessment of both San Luis Obispo Regional (SBP) and Paso Robles Municipal Airports (PRB). As a first step in evaluating the market potential for commercial service at any airport, both published and primary data must be analyzed. The published data examined included an analysis of the Department of Transportation (DOT) ticket sample. This information is derived from the DOT and includes a 10% sample of tickets from the entire US air travel market, and includes all US airlines and commercial service airport activity. The DOT data is continually updated every quarter. The information includes current passenger demand levels, traffic growth, top markets, average airfares, airline load factors (percentage of seats filled), aircraft operating cost, passenger enplanement levels, aircraft utilization and carrier market share. In addition, the worldwide Official Airline Guide (OAG) schedules were also analyzed. The OAG analysis examined historic trends, changes in service levels, aircraft seats and service by market.

There has been no published DOT traffic data at Paso Robles in over 20 years since commercial scheduled service was discontinued on a regular basis in 1980. In 1987 Delta Express/Skywest Airlines served the market with 18 seat Metroliner turboprop aircraft for a few months¹ but beyond this activity there has been no new air travel data to analyze as part of this market study.

The study analyzed air service activity at the San Luis Obispo Regional Airport including the size of its air travel demand market and the extent of the current “catchment” or service area. This data reveals an accurate picture of the current air service market including traffic generated by the North County including Paso Robles. The analysis evaluated the existing Department of Transportation (DOT) data including San Luis Obispo’s history of passenger demand and service provided by commercial airlines, carrier performance and growth trends. In addition, the county’s demographic profile was summarized including historic and forecast population growth and income, major employers and business sector employment within the county and tourism and visitor characteristics.

¹ Delta Express/Skywest Regional offered daily departures to Fresno (1), Santa Barbara (3), San Luis Obispo (2) and Santa Maria (3), August 1987, OAG schedules.

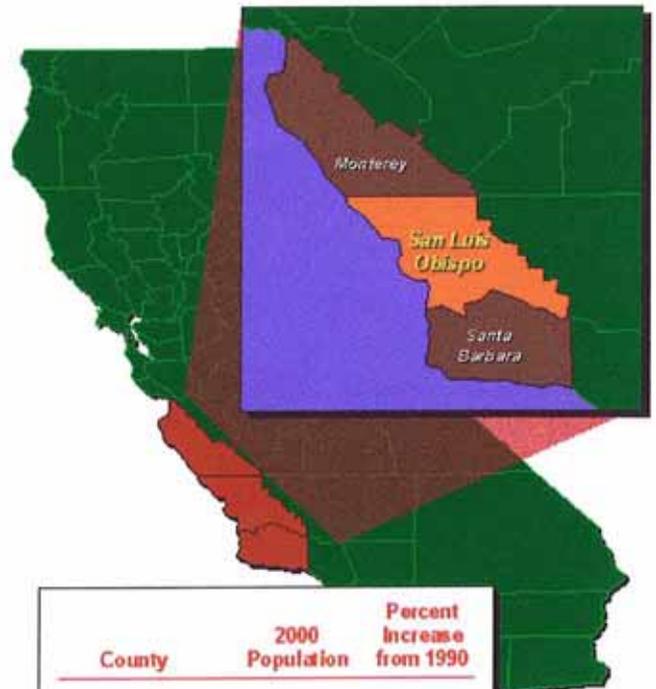
A competitive assessment was also performed profiling airports within the region, the drive time and distance to these facilities and their respective service characteristics. In addition historic passenger and service trends at these nearby airports and demographic characteristics in the adjacent counties were also examined.

The market analysis was supplemented by the results of a ticket lift survey of area travel agencies that helped identify “leakage” of passengers to other airports serving the region. This primary research was performed over a three-month period and the results helped to increase the current market size reported by the DOT. This primary research supported the estimate of the potential market size and helped determine the likelihood of a carrier initiating commercial scheduled service at Paso Robles Municipal Airport.

An evaluation of the role of the regional jet (RJ) within the region and more specifically in San Luis Obispo County was examined. Preliminary data suggests the San Luis Obispo market could support regional jet aircraft. Within the last few years, airports within the Central Coast Region have been receiving service by RJ aircraft, however facility limitations exist at San Luis Obispo Regional Airport.

The study assessment determined that although the air travel is growing it would be unlikely given the current market size and close proximity of Paso Robles Municipal Airport to San Luis Obispo Regional Airport, that a commercial carrier would initiate service at a second facility within the county. However this should not deter Paso Robles Municipal Airport and the City of Paso Robles from examining non-commercial airport opportunities at its new airport terminal. There are other revenue generating activities for airports to explore such as corporate general aviation, industrial park activity, aviation maintenance-related business, etc. The City of Paso Robles should conduct a strategic planning initiative to explore the various options that potentially could successfully develop at Paso Robles Municipal Airport.

The Central Coast Region of California Includes the Counties of San Luis Obispo, Santa Barbara and Monterey



County	2000 Population	Percent Increase from 1990
San Luis Obispo	246,681	13.6%
Monterey	401,762	13.0%
Santa Barbara	399,347	8.0%
Region Subtotal	1,047,790	11.2%
California	33,871,648	13.8%
Region as a Percent of CA Pop	3.1%	3.2%

Source: US Census 2000

SERVICE AREA AND REGION

San Luis Obispo County is part of the Central Coast Region of California. This region also

includes Monterey and Santa Barbara Counties. San Luis Obispo is equidistant between Los Angeles and San Francisco and in 2000, the county had a population of almost 246,700 an increase of over 13% from the 1990 level². The three county central coast region accounts for 3.2% of the California's population and is characterized as predominantly rural with concentrated areas of population along the coast and within select cities adjacent to the 101 Highway corridor. San Luis Obispo is the least populated county within the Central Coast Region but has experienced the highest population growth of the tri-county area and has kept pace with California's population increase over the last decade.

The Central Coast region covers three counties and contains over 9,300 square miles with a coastline approximately 300 miles long. Within this area the size of Vermont, the population is extremely concentrated. In Monterey County, over 80% of the population reside in the Northern most cities including Monterey and Salinas. Between Salinas in Monterey County and Paso Robles in San Luis Obispo County, there is an area of approximately 100

miles where the population is extremely sparse. The service or catchment area around the Paso Robles Municipal airport would draw mainly from the South and West. The San Luis Obispo Regional Airport is a 42-mile drive on Highway 101 South of Paso Robles Municipal Airport. Between these two facilities is the Cuesta Grade, a mountain range that runs diagonally through the county from Northwest to Southeast. Over 60% of the county population is located South of the Cuesta Grade and given its isolation and the driving distance to the closest alternative airports, San Luis Obispo Regional Airport's catchment service area essentially includes the entire county.

Within a 30-mile radius, the Paso Robles and San Luis Obispo Airports service area would significantly overlap and would not be considered an attractive characteristic to the existing carriers serving the market. Airlines would take the view that they already serve the market area and would be averse to adding a second station cost to their operation in exchange for a few incremental passengers. Additionally, a carrier that does not serve the San Luis Obispo Regional Airport currently would not likely take the dual risk of initiating service in both an untested market and at an untested airport given the relatively smaller size of the overall air travel market. Initiating service in a market is a risk an airline does not enter into lightly, particularly in the

Population Concentration by County



² US Census 2000

current airline environment. In many instances carriers expect risk-sharing to take place particularly within smaller communities. In addition to a market having strong economic factors pointing to immediate profitability there are expectations that a community will share in some of the risk with an airline. Examples of risk sharing include marketing support of new service to a community, waiving landing fees and terminal costs, local business commitment to spend an annual dollar value to use the services, etc. The challenge of attracting service to an airport where there has been no commercial activity for over 20 years would be viewed as even riskier to an airline.

Paso Robles and San Luis Obispo Would Share a Significant Overlapping Service Area



SBP Includes a % of N. Santa Barbara County Pop (115,148); PRB Includes Monterey, Fresno, King, Kern Counties (5,492)

Airlines consider a number of factors when evaluating a market area's potential and the likelihood of initiating service that will be profitable. Among the more important factors include the current air traffic demand (market size), the historic traffic trends and the outlook for growth. Additionally isolation from competing airports and convenience of alternative airports and their service advantages are weighed heavily in a carrier decision to serve a market. Other factors also include local air travel generators such as the economic base, business profile and industry characteristics, tourist attractions and seasonality patterns.

The four commercial service airports within the Central Coast Region are served by the regional operation of three Major US carriers, United, American and America West³. These three carriers dominate the small community markets of California with United and American serving over 80% of the region (59% and 23% market share respectively). The service is predominantly short haul flights ranging between 77 and 600 miles⁴ utilizing turboprop or regional jet aircraft in select markets connecting to large hub airports such as Los Angeles, San Francisco, Phoenix, and Salt Lake City⁵. Significant connecting flight opportunities are available from these international

California's Central Coast Region is Served by Four Airports

Central Coast Airport's Current Service

Code	Airport	N/S Mkts	Daily Depts	Total Seat Depts	Jet Seat Depts	Avg. Seat per A/cft	No. of Airlines	Airlines
SBA	Santa Barbara	6	36	1,430	800	40	4	AA, UA, HP, DL
MRY	Monterey	3	24	775	100	32	3	AA, UA, HP
SBP	San Luis Obispo	3	23	721	0	31	3	AA, UA, HP
SMX	Santa Maria	1	6	180	0	30	1	UA
PRB	Paso Robles	0	0	0	0	0	-	
Region Total/Avg		6	89	3,106	900	35	4	

Source: Official Airline Guide (OAG), January 2002



gateway airports to destinations worldwide. The overall air passenger growth for the region has averaged 1.8% annually over the last ten years. While the passenger growth in the US has grown on average 3.2% annually.

The Northern California airports are located within a two and one-half to almost four hour drive. San Luis Obispo County is approximately 220 miles from San Francisco, 140 from Monterey and 190 from San Jose Airports. The Southern California airports are located within a 35 mile to 196 mile distance from San Luis Obispo County. Santa Maria, Santa Barbara and Los Angeles Airport are within a range of approximately 45 minutes to three and one-half hour drive.

Santa Barbara (SBA) is the largest of these airports; not surprisingly it is also the most populated county within the region. Santa Barbara has 36 daily flights to 6 connecting hub airport destinations. The most recent Department of Transportation (DOT) data reports Santa Barbara's domestic air travel market demand at over 721,000 annual passengers. In the last decade SBA's average passenger growth has increased 2.3% annually. Santa Barbara was served by United

³ UA = United; AA=American; HP = America West Airlines

⁴ Santa Barbara service to Denver is the exception at approximately 900 miles, OAG Schedules, February 2002

⁵ Salt Lake City service is from Santa Barbara only

Shuttle with small jet service (737 aircraft and 108 seats). Recently, United discontinued its shuttle operation and regional jet aircraft flying (50 seats) has replaced its small jet service. In addition, America West Express is serving Santa Barbara with RJ aircraft to its Phoenix hub and Sky West/Delta Connection, is flying RJ aircraft to Salt Lake City.

The second largest airport within the region is Monterey (MRY) with 24 daily departures to three nonstop markets (Los Angeles, San Francisco and Phoenix) and has a market demand of over 424,000 domestic air travelers (YE1Q2001). MRY’s domestic air travel demand has experienced an overall annual decrease of less than 1% in the last decade. However within the last year America West Express has been serving Monterey to Phoenix with RJ aircraft and Monterey is actively pursuing additional RJ service by other airlines.

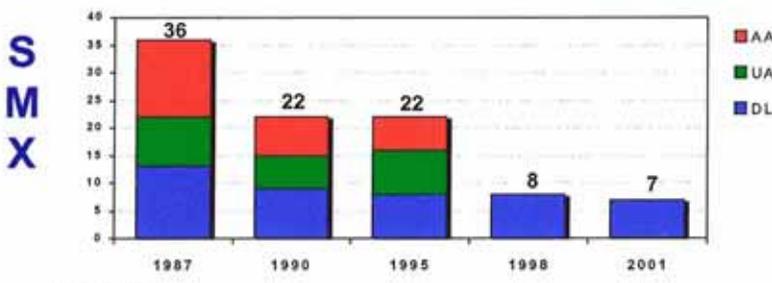
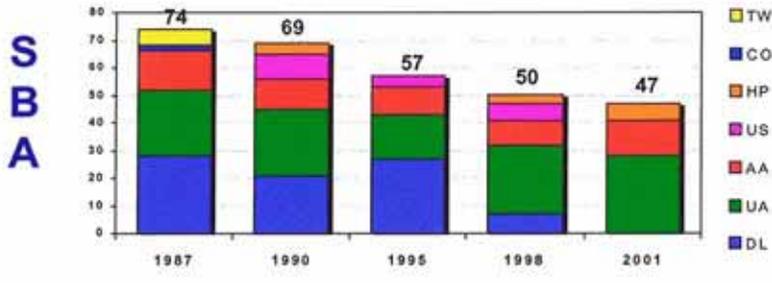
San Luis Obispo Regional Airport with 23 daily flights to three connecting hub markets (Los Angeles, San Francisco and Phoenix) is served by non-jet aircraft and has a domestic market demand of almost 280,000 (YE1Q2001). San Luis Obispo Regional Airport’s domestic O&D traffic has averaged 5.7% annually.⁶ San Luis Obispo is served by United Express, American Eagle and America West Express. United and American have a long history of providing service to this market.

Santa Maria Airport is the smallest of the four Central Coast Airports. Santa Maria is served by one airline utilizing non-jet connecting service to Los

Santa Maria and Santa Barbara Airports



Daily Nonstop Departures by Carrier
August 1987 - 2001



Source: OAG Schedules

Angeles. Santa Maria’s domestic air travel market has almost 80,000 annual passengers. As of February 2000, United Express serves Santa Maria with three daily flights to Los Angeles. Santa Maria has experienced a declining service and traffic level within the last decade and it seems likely that this trend will continue. Its close proximity to Santa Barbara

⁶ O&D is Origin and Destination air travel and measures demand into and out of a market area.

Airport (40 miles) along with Santa Barbara's increasing service level has contributed to Santa Maria's declining airline activity. It appears that the market size of the Santa Barbara County is not significant enough to support commercial service by two airport facilities.

THE SAN LUIS OBISPO MARKET

Currently there are three publicly owned and operated airports in San Luis Obispo county. San Luis Obispo County Regional Airport in central San Luis Obispo County, Paso Robles Municipal located in the Northern region and Oceano situated along the Southern Coast.

Paso Robles Municipal Airport is located in the Northern portion of the county with a primary runway length of over 6,000 feet. Limited commercial scheduled service was initiated in 1987 for a few months, previous to this activity the airport has not been served since the 1970's. A two-story 8,000 square foot terminal has recently been completed and is scheduled to open in late Spring 2002. The average travel distance within the county ranges from 3 to 61 miles and approximately 10 to 75 minutes.

San Luis Obispo Regional Airport is the primary airport in the county and has the only commercial service. San Luis Obispo Regional Airport acts primarily as a spoke point providing connecting service and linking the county to the National Aviation System. SBP is located in the central part of the county and has a primary runway of 5,300 feet. The average drive time to the airport ranges from four to 55 miles and approximately 12 to 67 minutes. The terminal is a one-level design building with approximately 10,500 square feet and has one airline gate.

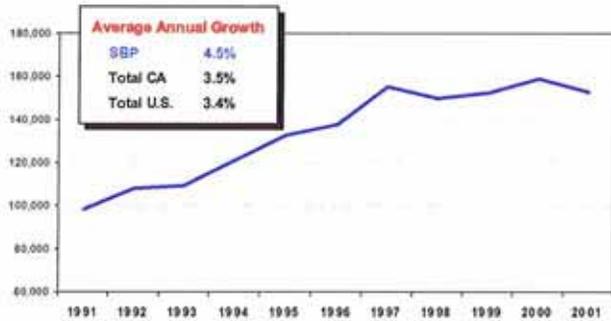
Passenger enplanement growth, typically a measure of demand at an airport, has increased steadily at SBP within the last decade, averaging 4.5% per year. The national average has growth at 3.4% indicating SBP has performed above average at an unprecedented time of growth in the aviation industry. Despite the increase in passenger levels the airport has not been able to support service to more than three markets for any real length of time. In the last ten years service to other destinations beyond the markets currently served has not yielded long term success.

San Luis Obispo County Has One Commercial Airport and Two General Aviation Airport facilities



Passenger Enplanement Levels at SBP Have Grown Steadily in the Last Decade

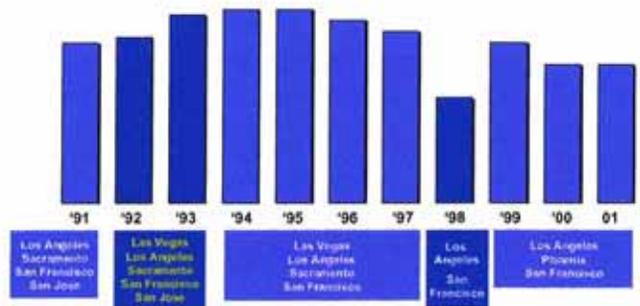
SBP Passenger Enplanements 1991–2001



Source: Airport Records, US DOT, T3 and T1C Database

At Its Peak, SBP Supported Five Nonstop Markets in the Last Decade

August Daily Departures and Markets Served 1991–2001



Source: OAG Schedules

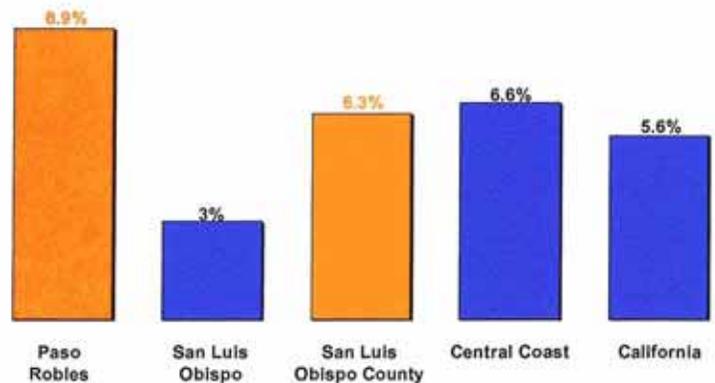
In the last two years, overall carrier performance as measured by load factor level has been healthy. Load factor levels or the percentage of seats that are full on an aircraft serving the San Luis Obispo market has average almost 60%. This is a healthy level for non-jet, 33-50 seat aircraft with the typical industry load factor average ranging from 45%-55% for non-jet equipment.

As an airline evaluates the attractiveness of a market, demographic factors are also weighed heavily in a carrier’s decision to serve a new area. The demographic characteristics an airline examines as it considers serving a market include the population base, income level and business community characteristics. Historic trends in growth as well as the outlook for growth are evaluated. Unemployment rates are also reviewed and employment sectors that typically have a higher propensity to travel are examined. Favorable demographic characteristics include:

- High population growth (historic and projected)
- Relatively large population base
- Relatively higher income levels
- Business sectors in growth industries requiring frequent air travel
- Destination markets (air travel tourists)

Paso Robles and San Luis Obispo County Experienced Healthy Population Growth

Percent Change in Population 1995–2000



Source: US Census, Sales and Marketing Mgmt; Central Coast = San Luis Obispo, Monterey and Santa Barbara Counties

The demographic characteristics of the overall San Luis Obispo County market show a steady growth rate in the population. San Luis Obispo County's population level currently is 246,680, including the 24,000 within the City of Paso Robles. Paso Robles population has increased considerably in the last five years growing almost 9%. Atascadero, a city located just south of Paso Robles but North of Cuesta Grade has a population level similar in size to Paso at 26,300. The overall county population has grown by over 3% in the last five years and is projected to increase 5.8% by 2005. The projected average growth for both the state and the region by 2005 is expected to be 5.6% and 4.5% respectively.

Paso Robles Per Capita Income is Lower than the County, State and National Average



Source: US Census, Sales and Marketing Mgmt; Central Coast = San Luis Obispo, Monterey and Santa Barbara Counties

The average per capita income for Paso Robles and San Luis Obispo for 2000 was \$15,320 and \$16,026

respectively. The overall average for the county was \$18,729 the region and state average was almost identical at approximately \$19,000. The Paso Robles income level is 22.3% below that of the county average and almost 25% lower than the region and state. Atascadero's per capita income of \$20,127 is considerably higher than the county, region and state level.

In the last decade, the unemployment rate in Paso Robles has been higher than the overall county but below the State average. The unemployment rate as of 2001 for Paso Robles averaged 3.3%. San Luis Obispo County and California's rate were 2.6% and 4.9% respectively. The overall employment within the county is dominated by the service, retail trade and government sectors. These three sectors account for two-thirds of the employment and typically these businesses do not generate a high travel propensity. Employment sectors, which generate a higher propensity to travel, include wholesale trade, manufacturing, financial, insurance and real estate. The largest employers in Paso Robles include the City's public school administration, the correction facility, City government and Wal-Mart. There does appear to be a small manufacturing and electronics business base developing including Paris Precision Products, Life Fitness, Sunbank Electronics, Zum/Wilkins and Specialty Silicon Fabricators. These companies are predominantly manufacturer's of sheet metal, exercise equipment, electronics, medical instruments and plumbing supplies. Although they represent a small group of companies it would be beneficial to survey their travel characteristics and needs and evaluate whether corporate general aviation operating from Paso Robles could successfully develop for these as well as other business within the North County.

The State of California is so vast and offers such unique geographic environments that the largest single visitor to California are Californians themselves. The Central California region is an area

that attracts many visitors but it is predominantly a drive market. San Luis Obispo County received 5.7 million visitors in 2000, an increase of 100,000 from the year earlier⁷. A visitor survey revealed that 69% originated in California⁸. The cities contributing the greatest number of visitors to San Luis Obispo County included Los Angeles (35%), San Francisco/San Jose (22%) and Fresno/Bakersfield (16%). The survey did not ask how visitors traveled (air, car, etc.). 66% traveled for vacation purposes and 13% primarily visited for business activities. 41% of the visitors were destined primary for San Luis Obispo followed by Morro Bay and San Simeon. Other San Luis Obispo County attractions included the Hearst Castle in San Simeon, the growing vineyard businesses in Paso Robles and the ocean cities, including Pismo Beach.

As the overall air travel market has grown so has the proportion of air travelers generated from the local San Luis Obispo County area. The outbound air travel market has increased from 53% in 1990 to almost 60%. Conversely the inbound air travel market has decreased. Seasonality in the San Luis Obispo air travel market has also changed over the last decade. The peak air travel seasons have been 3rd and 4th quarter. These two quarters accounted for 51.7% of the total market in 1990, 52.2% in 1995 and 54.9% in 2000. The visitors survey conducted by the Chamber found that in 1995 San Luis Obispo's heaviest travel season was the 3rd and 4th quarter accounting for 55% of the tourist traffic. There has been a trend in air travel towards the 4th quarter. Since 1995 the 4th quarter has been increasing and the 1st quarter has been decreasing in overall air travel passengers. In 1995 the 4th quarter traffic accounted for 25.6% and increased to 29.6% in 2000. 1st quarter traffic in 1995 was 21.5% and in 2000 fell to 20.6%.

TRAVEL AGENCY "TICKET LIFT" SURVEY

In addition to analyzing the published airline activity data, primary research

was also conducted to augment the market analysis. A travel agency ticket lift survey was performed. The primary purpose of this effort is to identify traffic leakage at the local airport – i.e., the number of passengers within San Luis Obispo County that bypass the local airport in favor of larger, more distant airports. The travel agency ticket lift also examined other characteristics of the area's air travel behavior to help identify reasons for use of non-local airports and local airport service needs. The data collected from

Ticket Samples by Travel Agency Office Location

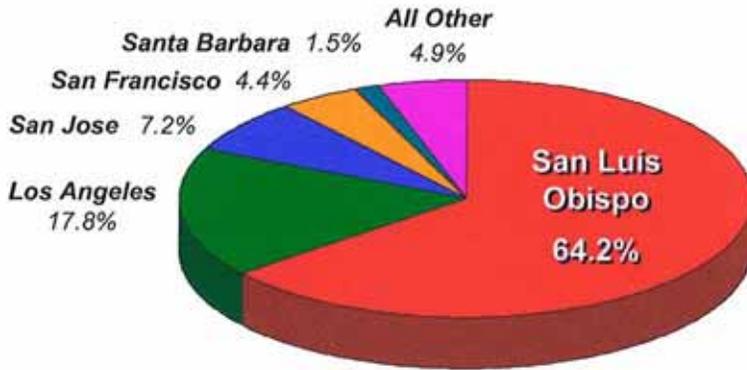


⁷ San Luis Obispo County Visitors and Conference Bureau

⁸ 1995-1996 Visitor Study, San Luis Obispo County Visitors & Conference Bureau

each travel agency ticket included origin and destination airport, carrier flown and fare level. Ten agencies were identified within the county and asked to participate. Three agreed to share their ticket data. The agencies that volunteered their information were among the larger agencies in the county with multiple office locations. In total 3,367 tickets were collected and analyzed.

SBP Enplanes Over 64% of Its Local Passengers
San Luis Obispo Area Passengers by Airport Used



Source: SH&E Travel Agency Survey

The survey found that 64.2% of the local San Luis Obispo County passengers utilize the local airport. The remaining 35.8% drive to an alternative airport and they are considered passengers who ‘leak’ to another market. The three airports attracting the majority of the leaking passengers are Los Angeles(17.8%), San Jose(7.2%) and San Francisco(4.4%) International Airports.

The San Luis Obispo domestic air travel market has 279,730 annual passengers⁹. This number reflects only those passengers who began or ended their trip using the San Luis Obispo airport. However from the ticket lift survey of local travel agents we found that over one-third drive to another airport and thus are not included in the 279,730 figure. This number is understated and needs to be adjusted to reflect a more accurate figure. According to the DOT almost 60% of the 279,730 passengers originate in San Luis Obispo. By adjusting the outbound market of 165,910 accounting for the drive market, the new outbound market figure becomes 258,261. The total market figure also is revised upwards to 372,081. This new figure represents the current *potential* market demand. In other words, the market total if the drive passengers used the existing airport. Although this level is 33% higher than the reported figure the size is not significant enough currently to support a commercial service airport in the North County. Consider for example the two airports in Santa Barbara County. Santa Barbara has a domestic O&D market of 721,310 and Santa Maria’s traffic is 79,910 for a total of 801,000 annual passengers. Santa Maria has experienced a sharp decrease in service over the last decade to the point where Santa Maria has only one carrier serving the market three times a day. Clearly the service level at Santa Maria has deteriorated as Santa Barbara’s has improved and it seems reasonable to expect given the significant financial difficulties United is facing that the future for commercial air service in Santa Maria seems questionable. Santa Barbara County has the largest population base in the central coast region yet it is seems apparent the air travel demand generated by the service area is not supporting two airport facilities within a 45 minute drive. San Luis Obispo County, has the smallest population base in the central coast region and will more than likely face the same difficulty should service be initiated at Paso Robles Municipal Airport.

⁹ US DOT O&D ticket sample, YE1Q2001

An evaluation of the airlines serving the Western US was also undertaken to assess their likelihood of initiating service at a new airport facility. Among the factors considered were the strategic implications and aircraft equipment as well as existing nearby markets these carriers already served.

Carrier Hub Cities in Western States
Evaluating Western U.S. Hub Carrier Cities



San Luis Obispo County is served by airlines utilizing turboprop aircraft ranging from 33 to 50 seats. The airlines predominantly serving in the western US who currently do not serve the market include SkyWest/Delta Express from Salt Lake City, Horizon/Alaska from Portland or Seattle and Big Sky, a Billings, Montana-based carrier. One other airline that was considered included Allegiant Air based in Fresno. Carriers that would consider serving Paso Robles most likely would begin using non-jet aircraft. The RJ is an expensive aircraft to operate and initiating service at a new airport and a new market would pose too high a risk to a carrier in a small market. The majority of non-jet flying is limited to 500 miles or less as most turboprops have a range limit and passengers typically do not want to spend more than an hour to 90 minutes on this aircraft type. Skywest, Horizon and Big Sky have non-jet equipment however the range from their respective hub airports extends beyond 500 miles. In addition Delta and Horizon serve select California markets with Regional Jet aircraft however the majority of these points are much larger markets than San Luis Obispo's size currently and include Sacramento, Fresno, Palm Springs, San Jose and Orange County.

Big Sky based in Billings, Montana operates an all turboprop fleet of Metroliner 16 seat aircraft but the furthest West they serve currently is Spokane and Seattle Washington as well as small communities in Colorado through Denver International Airport. Allegiant is a Fresno-based start up carrier flying DC9 jet aircraft configured to 100 seats and is currently serving the large casino market of Las Vegas. The DC9 aircraft is considerably larger than the existing aircraft capacity at the current airport and Allegiant's strategy is to serve the Las Vegas casino market from medium-sized markets, the Paso Roble's area does not fit this profile.

One last possibility to consider however is the eventual switch to Regional Jet aircraft in the San Luis Obispo market and the potential opportunity this may have for Paso Robles Municipal Airport. The three airlines serving the market currently have been aggressively buying and flying RJ aircraft for their regional fleet over the last half of the 1990's. Eventually these carriers will replace their existing turboprops with RJ's. Although aircraft manufacturers publish lower figures and the FAA has certified a few of the existing RJ aircraft as being capable of departing on less than 5,300 feet, RJ's demand a runway length for takeoff of at least 5,500 feet¹⁰ fully loaded. The practical operating activities dictate the market and airline operators will not be inclined to take the unnecessary risk of a shorter runway or accept a weight penalty (serving fewer passengers). There are no airports being served in the US currently where RJ's are departing on a runway shorter than 5,500 feet. San Luis Obispo Regional Airport currently has 5,300 feet for departure. Paso Roble's has a current runway length of over 6,000. The length of the Paso Robles facility would be considered a favorable characteristic that would be weighed heavily by the existing carriers serving the market should they decide to begin RJ service and if the current airport facility is not willing or able to expand.

CONCLUSIONS AND RECOMMENDATIONS

The market analysis has provided information for future planning and development actions and given what has been examined, we recommend the following:

- The current services should continue to be supported, developed and enhanced by the County
- Paso Robles should assess other revenue-generating activities that could potentially capitalize on the airport facility such as general aviation business, industrial parks, etc.
- Analyze further the regional jet opportunities for the county

San Luis Obispo County has a regional airport with a strong level of air service given its population size and overall economic characteristics. Both the air travel market and population have been growing and it is important that the county continue to develop and support air service improvements to its market. Although the market does not appear ready to support two airports with commercial air service Paso Robles should focus its resources on pursuing other non-

¹⁰ Assuming fully-load average conditions, ambient temperature, average altitude, etc.

commercial service activities such as developing and expanding its general aviation activity. There are numerous airports across the county with successful all general aviation activity that can be examined as examples for Paso Robles. Among the most successful are Van Nuys, in Southern California and Teterboro in New Jersey. Small community General Aviation facilities also exist and have developed around successful niche businesses. The national associations of general aviation would be a good source of information to Paso Robles. Included among the leading GA airport associations is AOPA and NATA¹¹, two national organizations that can provide additional information on the business of general aviation.

The City of Paso Robles should undertake a strategic planning initiative to identify future opportunities at the Paso Robles Municipal Airport. The plan should prioritize the options realistically available for the airport to pursue and outline steps to implement a course of action that can take full advantage of revenue generating activities. This planning project should not require more than a month or two of examination and assessment. This planning should involve the City of Paso Robles and the Paso Robles Municipal Airport in order for the activity to be effective. However, an outside industry expert that deals in general aviation businesses as well as industrial and commercial development should lead the strategic planning effort. In addition the Paso Robles Municipal Airport should have discussions with other successful all general aviation airports that are located in various parts of the country.

One final issue evaluated was the cancellation rate of the existing carriers at San Luis Obis due to weather delays. An analysis of published DOT activity data was performed on the actual versus scheduled departures for American Eagle.¹² American Eagle is the one of the few carriers that separates its regional carrier activity from its mainline operations when it submits the required quarterly activity data to the DOT. A 95.4% completion rate (4.6% cancellation rate) was experienced by American Eagle in the San Luis Obis - Los Angeles market for the 12 months ended September 2000. Despite the tragic events of last September for the 12 months ended September 2001 American Eagle had a 95% completion rate (5% cancellation rate). The overall average for American Eagle's entire system of flights (not including American Mainline operations) completed during those same time periods was 93.2% (6.8% cancellation rate) and 91.9% respectively (8.1% cancellation rate).

American West Express and United Express do not report separate operation activity data to the DOT so an analysis of their regional carrier activity in the San Luis Obis market could not be examined. However, an analysis of the airport records at San Luis Obis compared actual operations by carrier to the OAG scheduled operations by carrier for 2000 and 2001. It was found that America West Express and United Express had completion rates of 99.6% and 95.3% respectively for calendar year 2000. The cancellation rate for the overall system average in 2000 for both America West and United, which includes both their mainline and regional activity, was 96.2% and 95.3% respectively. For Calendar year 2001, America West Express and United Express experienced a completion rate of 97.4% and 91.8% respectively. America West and United experienced an overall completion rate of 96.3% and 94.7% respectively for the same time

¹¹ Aircraft Owner and Pilot Association; National Air Transportation Association

¹² T100 activity databank, US DOT Survey

period. San Luis Obispo weather does not appear to have a significant impact on airline operations at the existing airport.

The County of San Luis Obispo in general should continue to support the current airport and focus on attracting regional jet service to the market. Attracting RJ service will require that the existing facility have the ability to accommodate this aircraft. The market appears to be developing and could potentially support this aircraft. The RJ would greatly enhance the service level and options for the County and in turn enhance the economic impacts for the region.

The RJ has significantly impacted the industry with its favorable economic characteristics. Among its operational characteristics, the RJ has between 32 and 75 seats, travels a range between 1200 to 1800 miles and because of its lower operating costs, can serve smaller markets profitably. Since 1995, the major US carriers (American, United, Delta, Continental and Northwest) have been rapidly buying the newer generation RJ's for their fleet. These carriers have replaced many of their non-jet aircraft with RJ's and are continuing to buy more while retiring the turboprops. In addition some of the major airlines have committed to or are already operating an all RJ fleet at their hub cities. American, Delta and Continental are already operating an all RJ fleet at their hubs in Chicago, Atlanta and Newark respectively. RJ flying has been increasing in the western US and particularly within the smaller communities of California. Since September 11th 2001, many carriers have increased their RJ flying. In addition, many carriers have been taking delivery of more RJ's as the capacity of this aircraft has given airlines the flexibility to better respond to the changes in market demand.

United Express and America West have added RJ service to markets in California with a similar passenger demand level as San Luis Obispo within the last year. Additional market analysis is recommended to determine the likelihood and feasibility of RJ service being initiated in the San Luis Obispo market. The analysis should include evaluating specific carriers by route, identifying profitability and examining facility requirements and upgrades needed to accommodate this aircraft type. Additionally, potential noise impacts should be examined, as communities could be sensitive to the introduction of new aircraft to the market. Lastly, this further study effort should be compatible with and integrate into any other airport planning efforts identified as relevant that are currently being pursued or planned for the immediate future.



www.sh-e.com

One Main Street
5th floor
Cambridge, MA 02142
United States of America
Tel: +1-617-225.2800
Fax: +1-617-225.0328
e-mail: boston@sh-e.com

90 Park Avenue
27th Floor
New York, NY 10016
United States of America
Tel: +1-212-682.8455
Fax: +1-212-986.1825
e-mail: newyork@sh-e.com

4400 MacArthur Blvd. NW
Suite 303
Washington, DC 20007
United States of America
Tel: +1-202-342.1691
Fax: +1-202-337.6741
e-mail: washington@sh-e.com

210 High Holborn
5th floor
London WC1V 7BW
United Kingdom
Tel: +44-207-242.9333
Fax: +44-207-242.9334
e-mail: london@sh-e.com

Keizerskroon
Prinsengracht 659 hs
1016 HV Amsterdam
The Netherlands
Tel: +31-20-530.1201
Fax: +31-20-638.8990
e-mail: amsterdam@sh-e.com