

EAT Airfield Improvement Needs Assessment

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**Appendix C / EAT Passenger Demand Analysis Study Excerpt**

## 7. Situation Analysis

Pangborn Memorial Airport's catchment area is well isolated from larger competing airports and contains a moderate population of 154,000; 57 percent of whom live within 20 miles of the airport. Seattle-Tacoma International Airport with its wide array of service is a three hour drive from Wenatchee. Spokane International Airport, also three hours distant, offers considerably less service but has a high concentration of low-fare carriers. Despite the time savings afforded by using the local airport, approximately 55.8 percent of catchment area air travelers access air service at Seattle-Tacoma International Airport or Spokane International Airport. Among the top 25 domestic destinations, Pangborn Memorial Airport had good retention for several West Coast destinations that are easy to connect to over Seattle-Tacoma International Airport, including: Portland, OR (68.3 percent), San Francisco, CA (71.7 percent), Burbank, CA (72.4 percent), Oakland, CA (71.7 percent), and the local nonstop market Seattle/Tacoma, WA (100 percent). Unfortunately, these high retention rates were tempered by low retention rates in some California markets and long haul markets including: Los Angeles, CA (26.9 percent), Palm Springs, CA (26.2 percent), Honolulu, HI (5.8 percent), Orlando, FL (26.6 percent), and Miami, FL (10.5 percent). Since most of the long haul markets have few or no single connect opportunities for air travelers using the Pangborn Memorial Airport and involve connections to code share partners rather than online connections, air travelers from the catchment area are likely tempted to shorten their connecting time by driving to Seattle-Tacoma International Airport to access one carrier single connect service.

While Pangborn Memorial Airport's average airfare was approximately equal to Seattle-Tacoma International Airport's overall average airfare, in most markets Pangborn Memorial Airport's average fare was \$20 to \$50 (each way) higher than the average airfare for Seattle-Tacoma International Airport. This is not unusual since Pangborn Memorial Airport traffic travels via Seattle which involves extra miles and associated costs. Wenatchee's average airfare was about \$32 higher than Spokane International Airport's average fare. Care must be exercised when comparing average fares since they represent a mix of airfare use (e.g. fare types, long haul/short haul, class of service) and may not be representative of differences in published fares. Among top 25 catchment area markets, average fares appear to have some differing patterns. Average fares to cities with a strong low-fare carrier presence or to highly competitive transcontinental markets are considerably lower at Seattle-Tacoma International Airport and Spokane International Airport than at Pangborn Memorial Airport. While both Seattle-Tacoma International Airport and Spokane International Airport have low-fare carriers in the market, the cost of driving such a great distance from Wenatchee to access those carriers offsets a substantial portion of any airfare savings for catchment area passengers using one of those airports. Due to the low-fare carrier presence at Seattle-Tacoma International Airport and Spokane International Airport and highly competitive marketplace, at Seattle-Tacoma International Airport, Pangborn Memorial Airport fares will of necessity be higher. Horizon Air should be asked to review the published fare spread between Wenatchee fares and fares at the competing airports in the top 25 markets when the spread in average fares is greater than \$35. This would appear to be in Horizon Air's best interest since they capture only 51.8 percent of catchment area passengers when they divert versus 100 percent when they use the local airport. This makes it advantageous for Horizon Air to capture as many air travelers as possible at Pangborn Memorial Airport. Bearing this in mind, there also appears to be opportunities to improve the use of Pangborn Memorial Airport through capacity additions.

## Passenger Demand Analysis - Section 7 Situation Analysis

With a catchment area true market of approximately 237 passengers per day each way, the market appears capable of supporting additional capacity. Load factors for Horizon Air's Wenatchee service ranged from 73 to 80 percent in 2005. These load factors leave virtually no room for growth, and considering the service is operated by turboprop aircraft they are high. Since the current four round trips to Seattle/Tacoma, WA are performing well, an additional round trip appears to be justified if it was attractively scheduled and offered connections in major markets. Should this prove difficult, a Portland, OR round trip in de Havilland Dash 8 Q-200 aircraft could provide needed capacity and connecting opportunities. Another option would be to replace the current de Havilland Dash 8 Q-200 service with deHavilland Dash 8 Q-400 service for peak demand flights (presumably morning and early evening departures). Horizon Air is in the process of acquiring new de Havilland Dash 8 Q-400 aircraft, and their 74-seat capacity would relieve load factor pressure allowing room for market growth.

Additionally, there may be an opportunity to improve retention through access to a new hub. Given Wenatchee's location and the fact that its market size mandates 50-seat or less aircraft with the required range, there are two hubs that can be considered for improving air service for the catchment area. United Express regional jet service to San Francisco would be desirable. However, many of the destinations available through San Francisco International Airport overlap those already available from Seattle-Tacoma International Airport. Connections to Southern California and some international destinations would be improved with San Francisco service, but the level of demand may not be adequate to support two daily round trips operated with 50-seat regional jets. Based on the top 50 catchment area destinations, a better case can be made for Delta Air Lines' service to Salt Lake City which would provide ample single connect opportunities for eastbound passengers, some Mexico markets, and only slightly circuitous (less than 50 miles) service to points in Southern California when compared to the current service via Seattle-Tacoma International Airport. Two frequencies with regional jet aircraft appear to be supportable and may merit consideration due to the 125 passengers per day each way between Wenatchee and points east and Southern California. Delta Air Lines has recently entered three Oregon markets and appears to be on a track for growth in the region. This said, it may be difficult to attract the carrier to Wenatchee in the near term due to Delta Air Lines' bankruptcy status.

These options appear to be the best near term service improvement options but would require further analysis to determine their economic viability. Given the Wenatchee region's growth, it is likely that if new service were made available, air travel into and out of the area would increase, opening further options for air service improvements. Though the area offers a potential opportunity for airlines, additional service may have to wait given the industry's current aversion to taking risk.