



EL PASO INTERNATIONAL AIRPORT

# AIR SERVICE DEVELOPMENT

## Status Report Presentation City Council of the City of El Paso



El Paso International Airport  
Air Service Development Status Report  
April 2013



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El Paso International Airport

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## Focus of Presentation

- **Aviation Industry Overview**
- **Air Service Environment**
- **Current Air Service Initiatives**



# Aviation Industry Overview

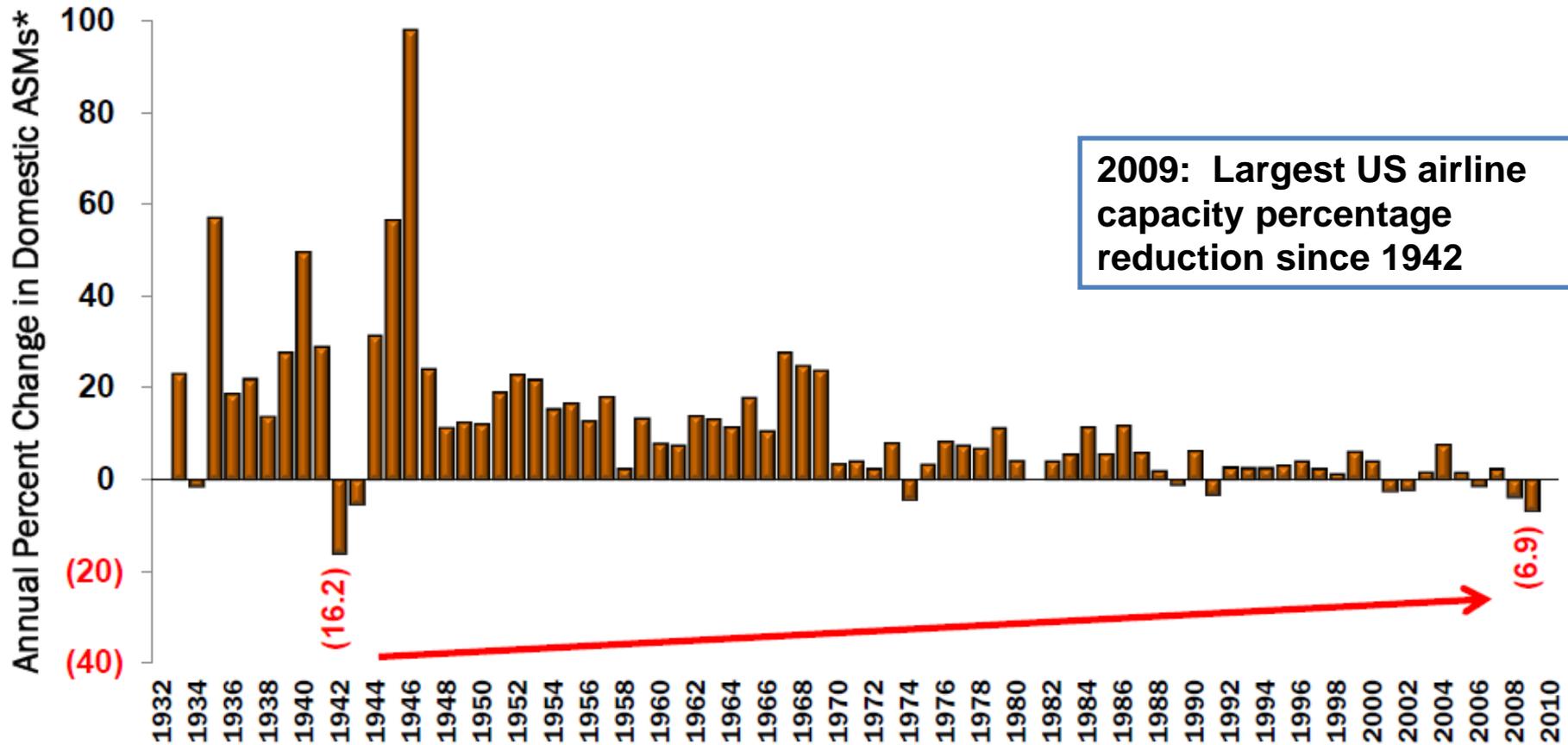


## Current US airline industry situation creates challenges for communities seeking better air service

Airline Issue		Air Service Impact
Industry concentration	➔	Less capacity
High fuel cost	➔	Less long range or low yield flying
Older regional jet retirement	➔	Less aircraft options in smaller markets
Tight revenue management	➔	Higher fares
Business model refinement	➔	Carrier and market differentiation
Risk aversion	➔	Longer lead times for decisions



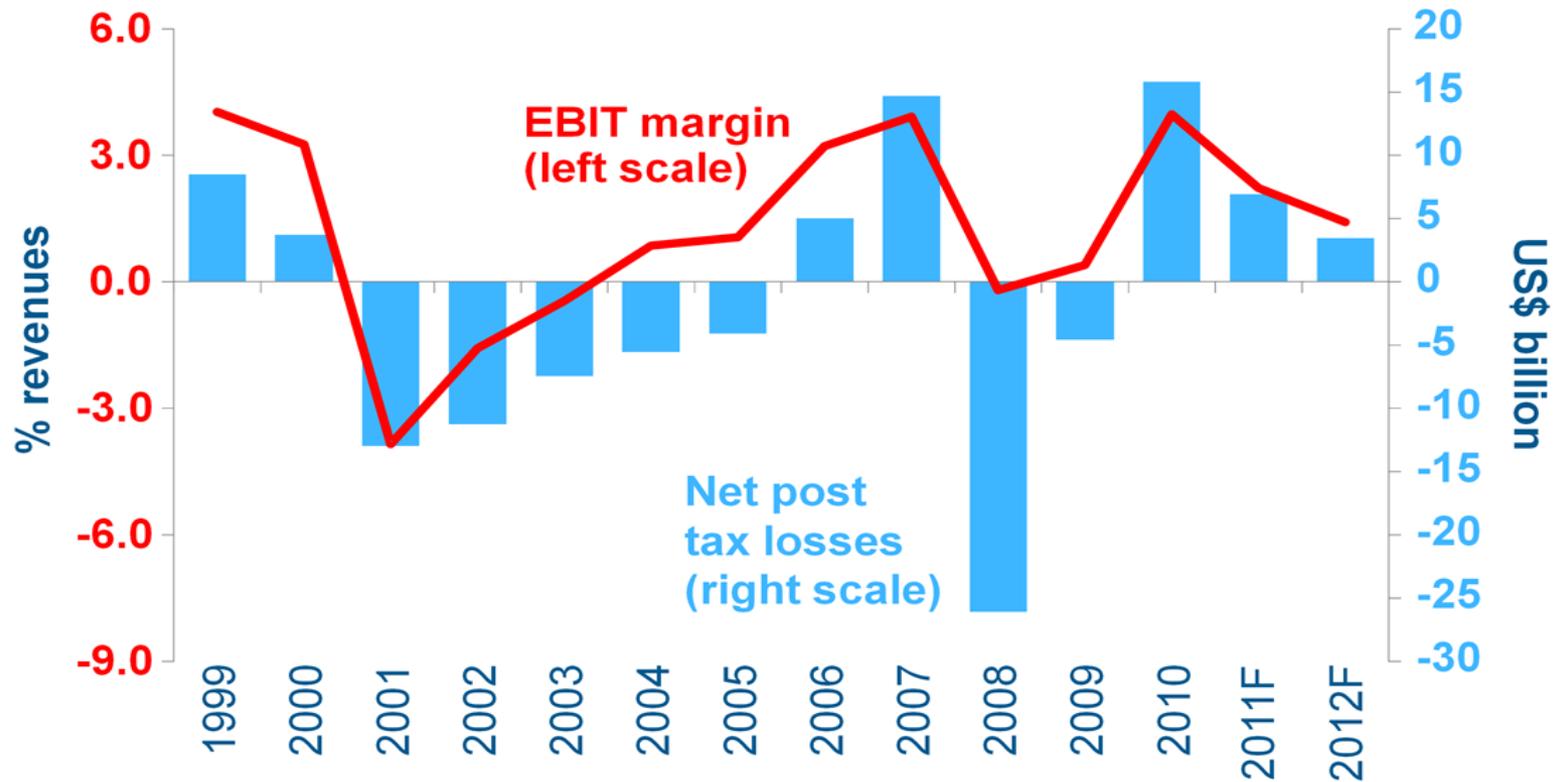
## US airlines severely reduced capacity during the Great Recession





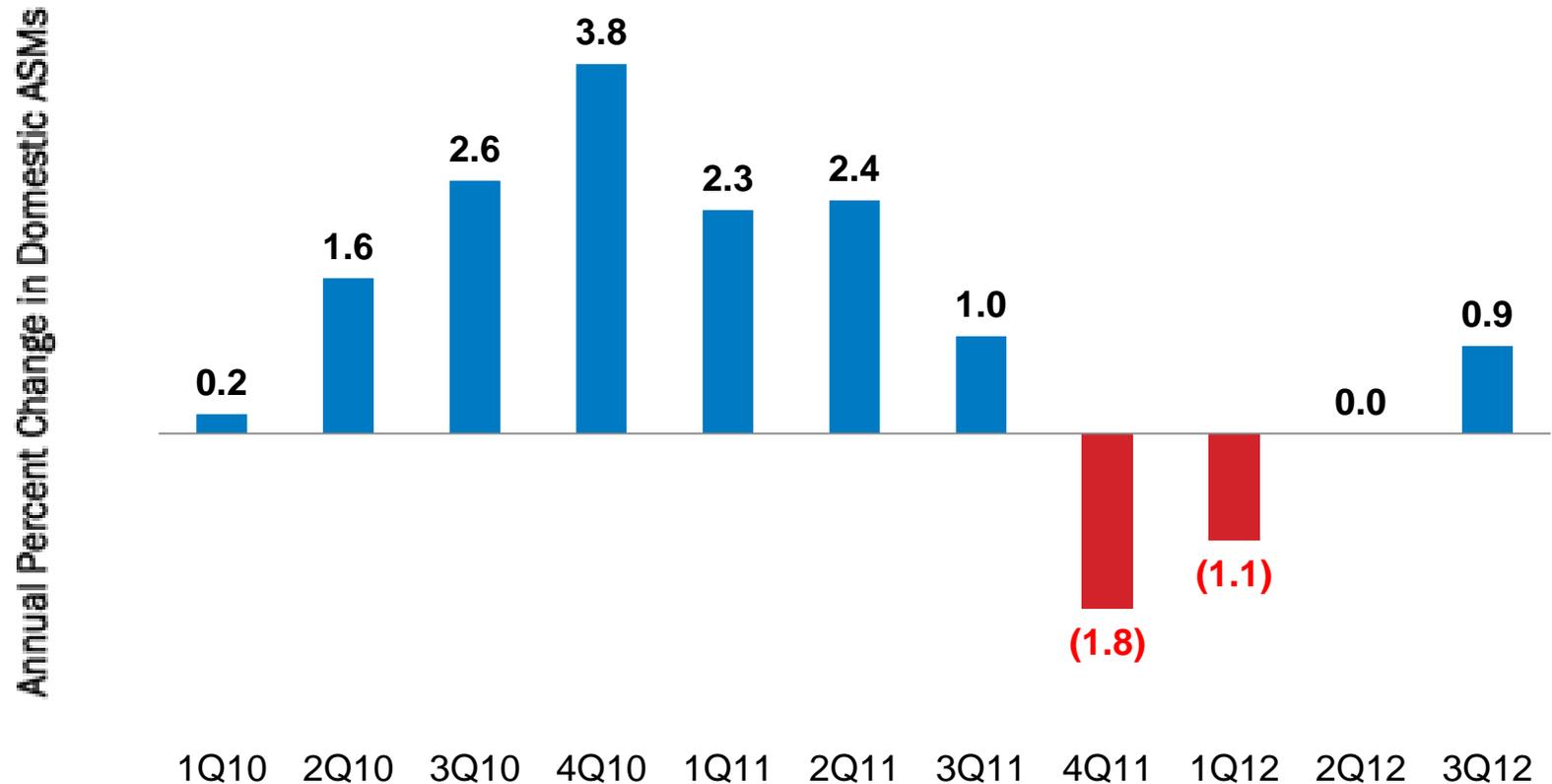
# The global airline industry has returned to modest profitability

### Global commercial airline profitability





## Recently, US airlines have carefully calibrated capacity with demand to improve financial performance





# Air Service Environment



## Air service opportunities available if they fit airline priorities

- **Strategic markets**

Geographic, network or competitive importance of the market

- **Growing markets**

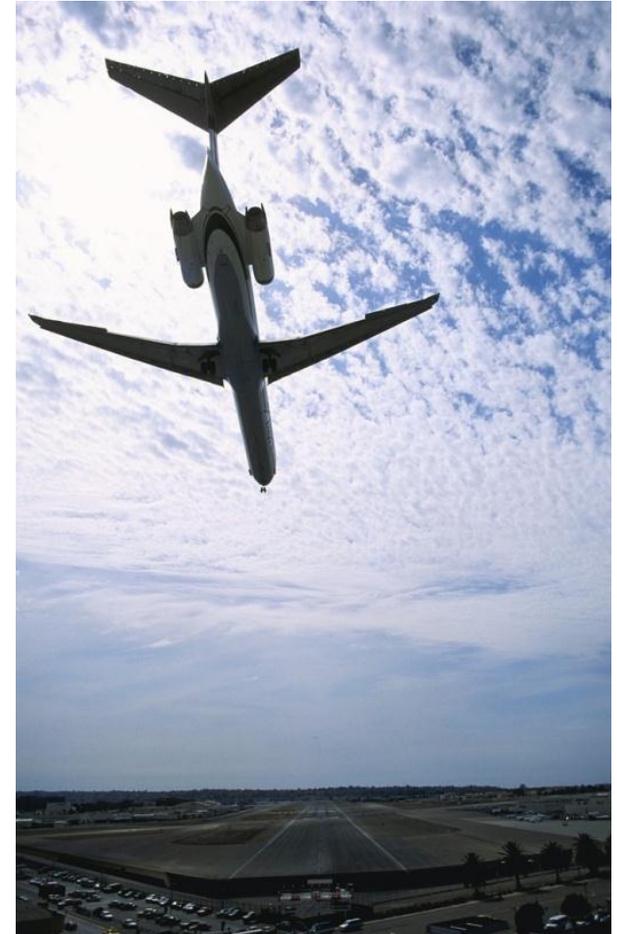
Areas that are growing and prospering

- **High revenue markets**

Business markets, affluent leisure markets, rising disposable income markets

- **Strong community support and incentives**

Business and stakeholder support, risk mitigation with airport incentives



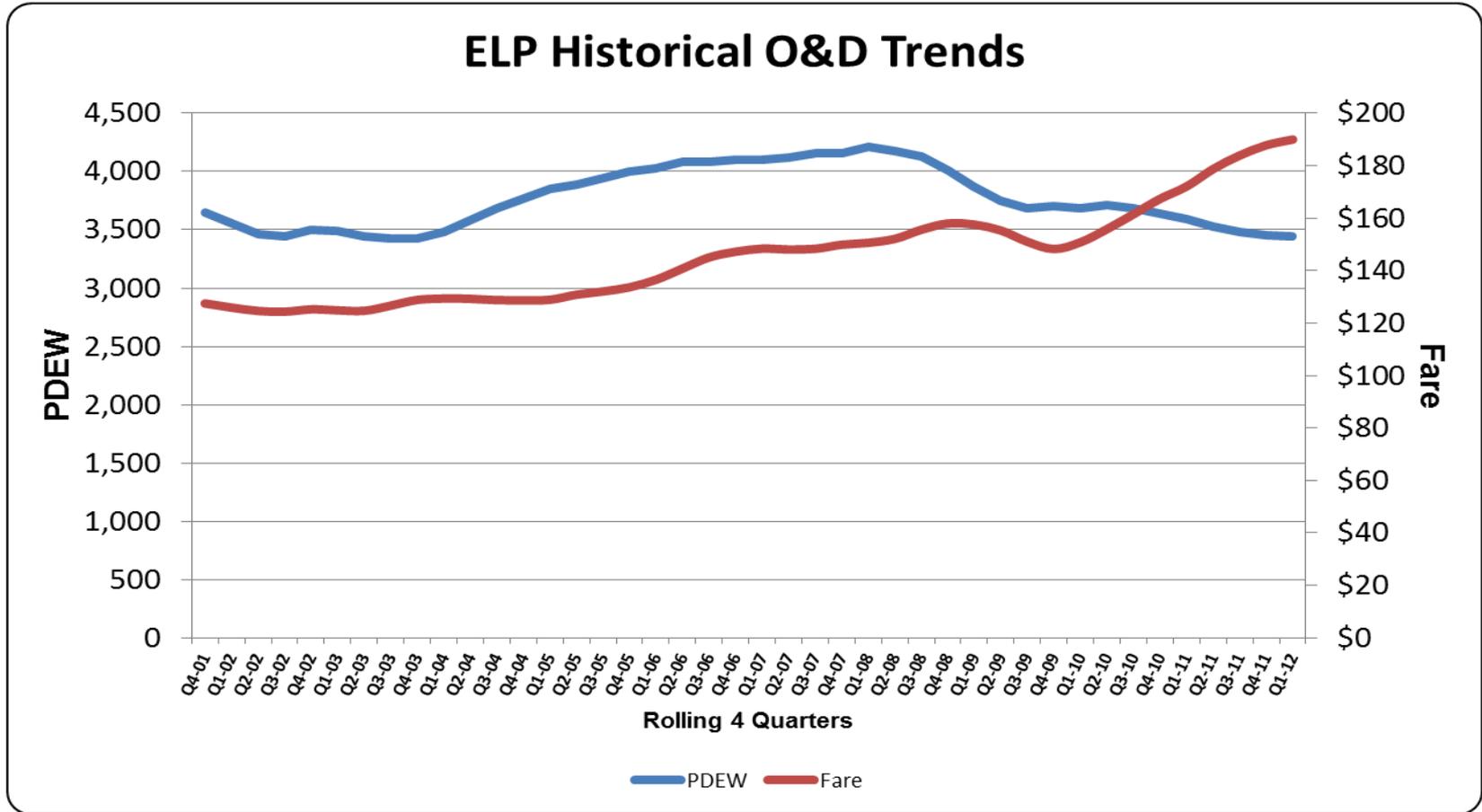


## ELP has non-stop service to 13 destinations by 5 airlines



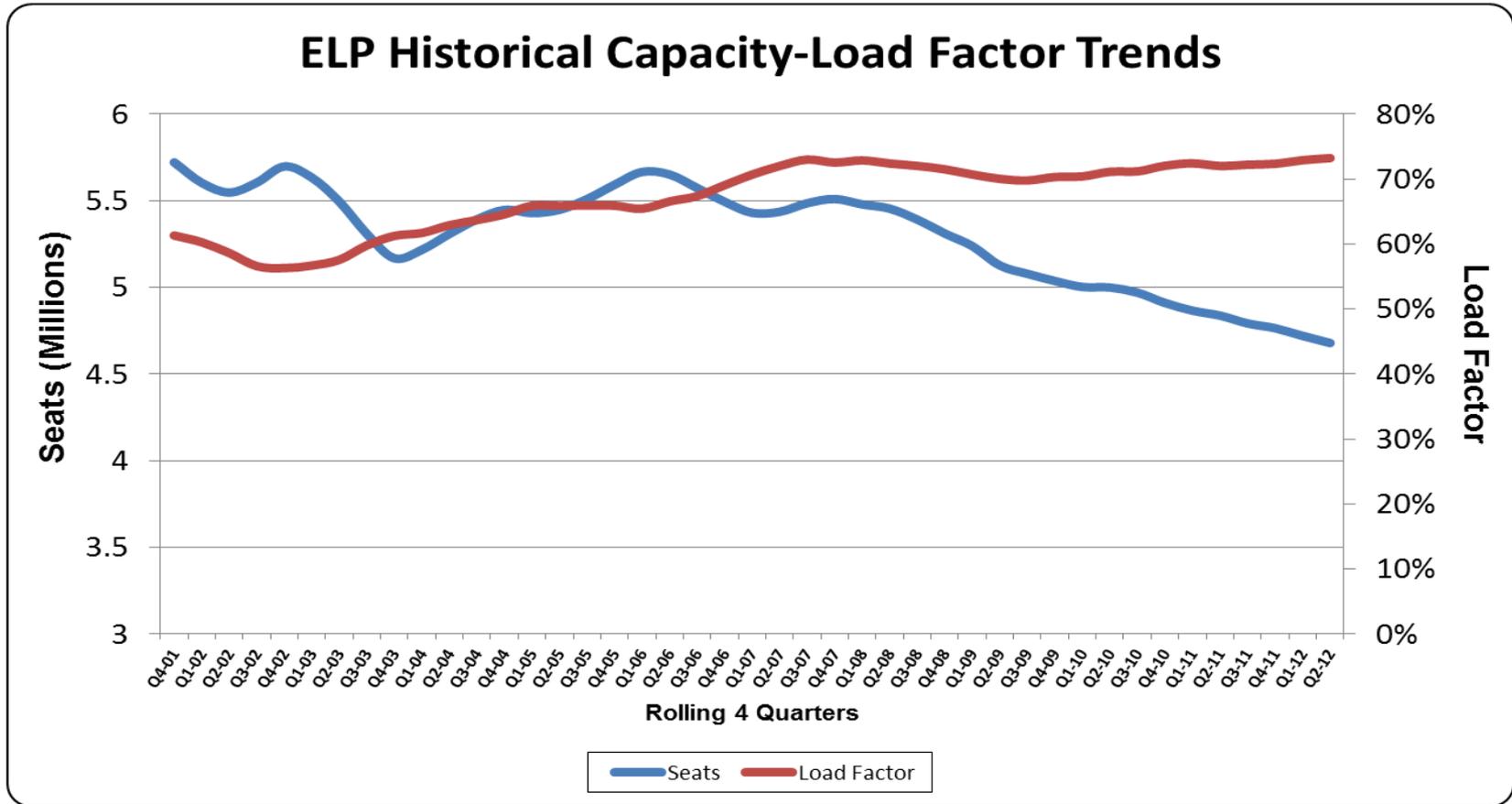


# ELP passenger traffic peaked in 2008 and has since declined as air fares have risen



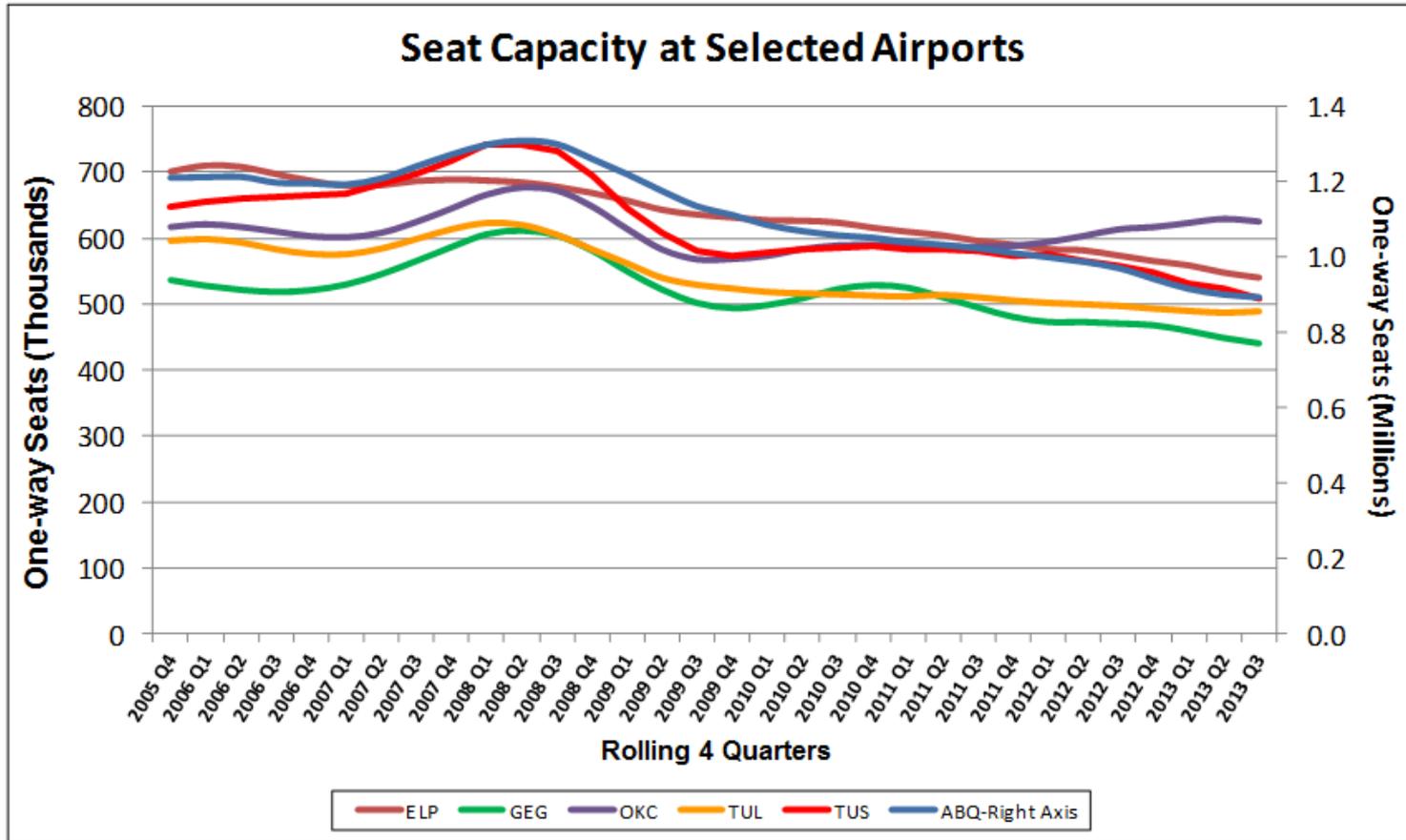


# Total seat capacity at ELP is trending downward, while overall load factor has remained stable



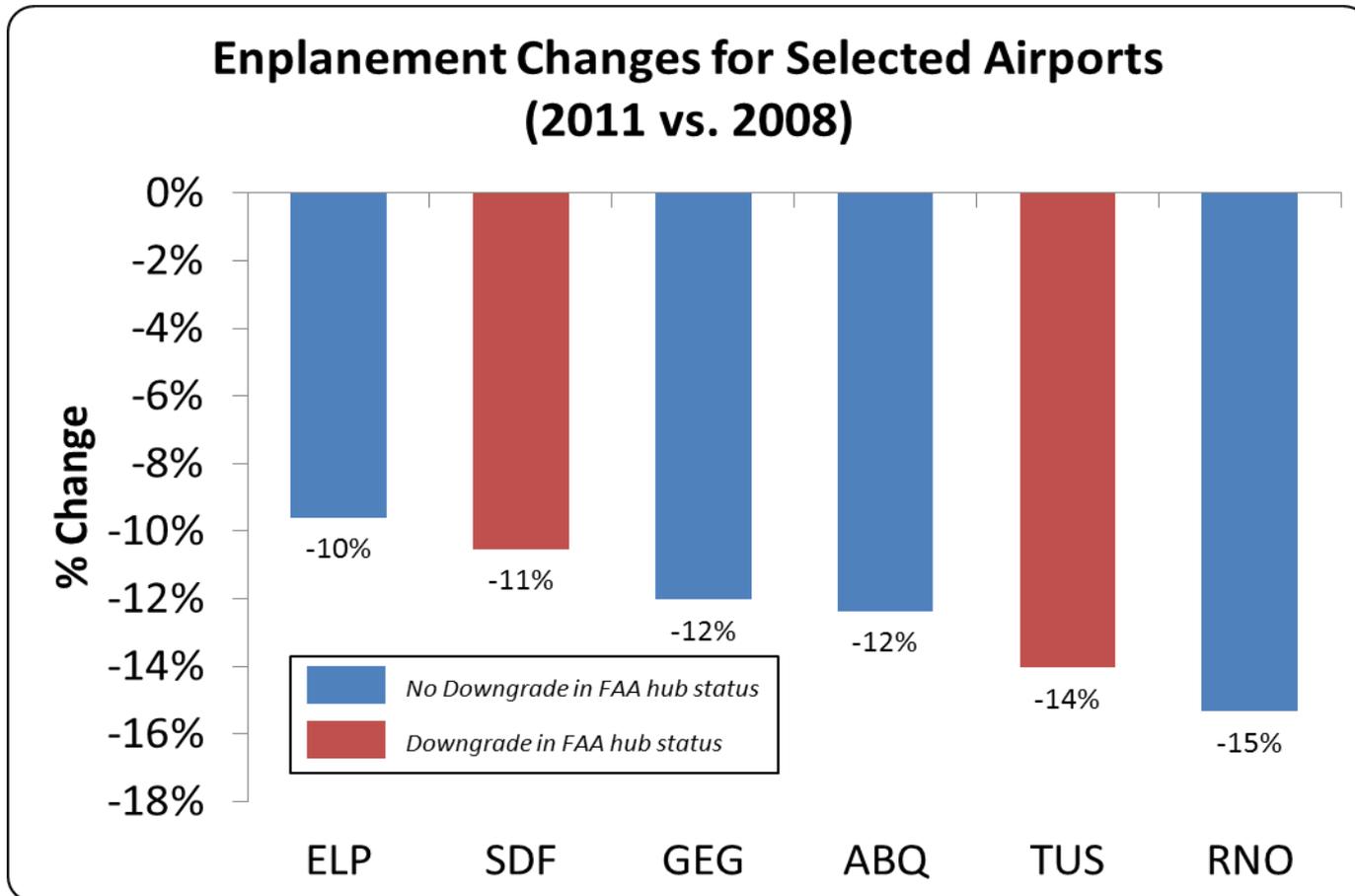


# ELP peer airports experienced similar (or worse) capacity reductions



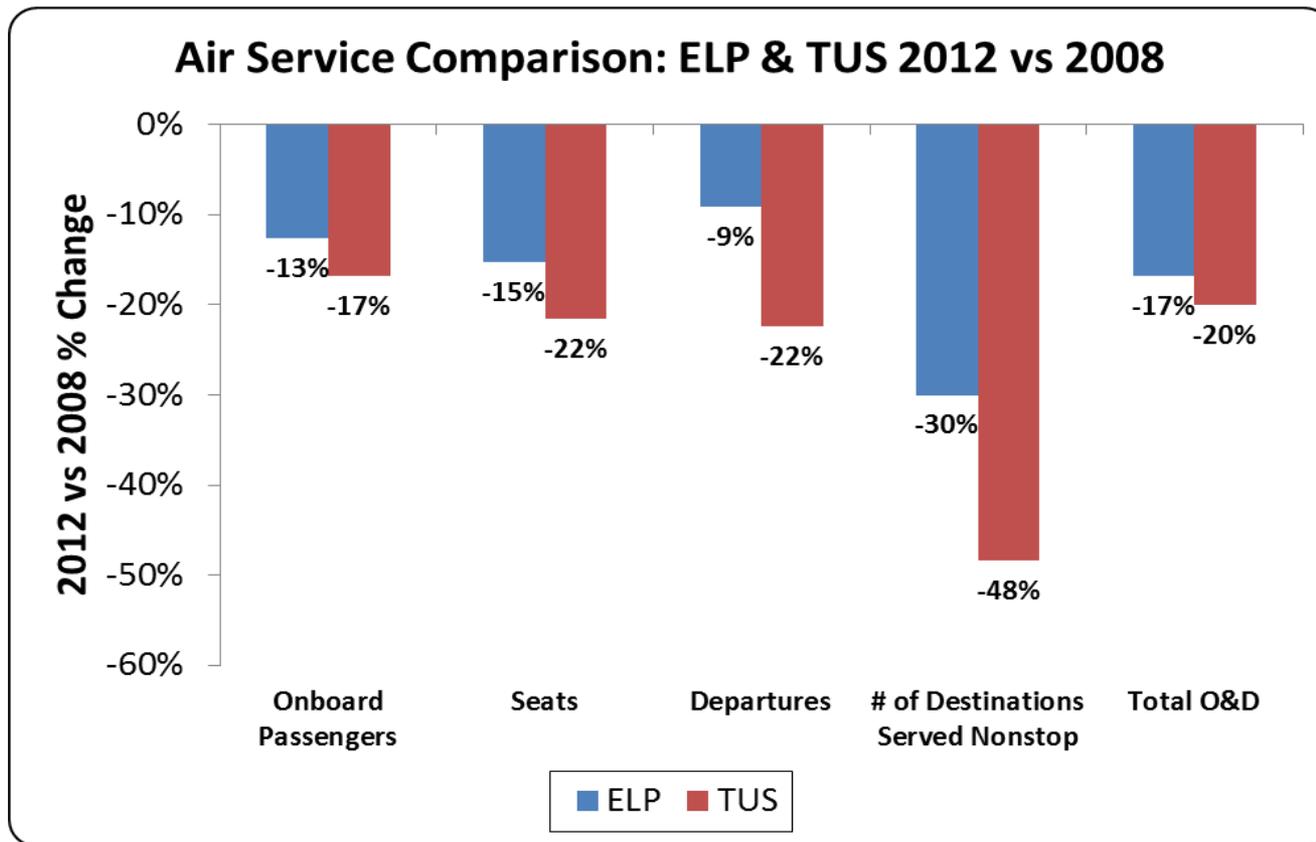


## ELP peer airports experienced worse passenger traffic reductions





## Tucson had sharper declines than ELP in all key air service metrics





## Initial assessment of ELP air service situation (mid - 2012)

- **De-stimulation of the market**
- **Need for more seat capacity (new and existing services)**
- **Need for services to Mexico destinations**
  - **Business**
  - **Leisure**
- **Need for customized business cases for each opportunity**
- **Need to track trends and developments in the industry**



# Current Air Service Initiatives



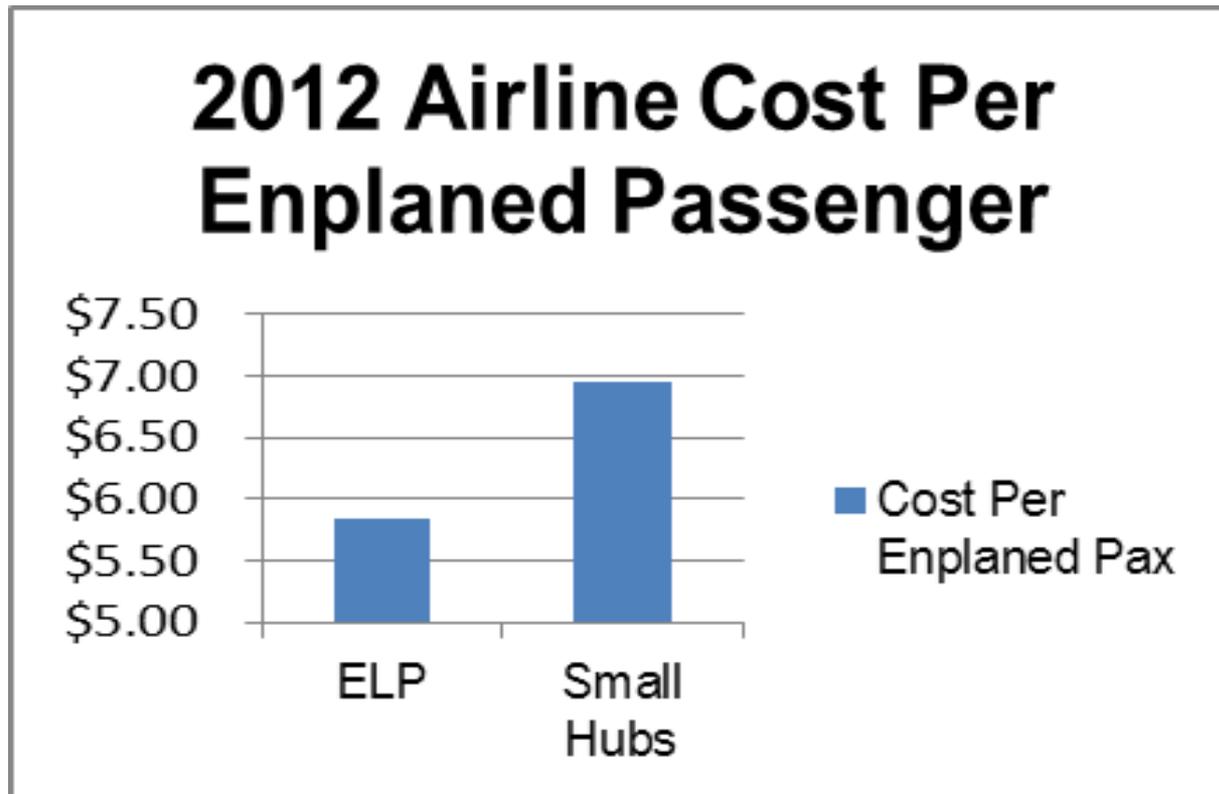
## **ELP is aggressively pursuing all air service opportunities that are sustainable and suitable for this market**

**Air service development efforts have been intensified through a series of actions taken over the past 12 months**

- **Maintenance of contacts and relationships with airlines**
- **Recognition of ELP position in challenging air service environment**
- **Updated market and service analysis by InterVISTAS Consulting Group**
- **Expanded outreach to air service users and stakeholders in the region**
- **Focus on Mexico market opportunities and the relationship between ELP and Ciudad Juarez International Airport**
- **Expansion of ELP air service incentive program**
- **Development of new presentation materials for airline meetings**
- **Renewed outreach to airline management and planning groups**



## ELP is among the most cost-effective US airports





## Proposed air service incentive program

- **Objectives**

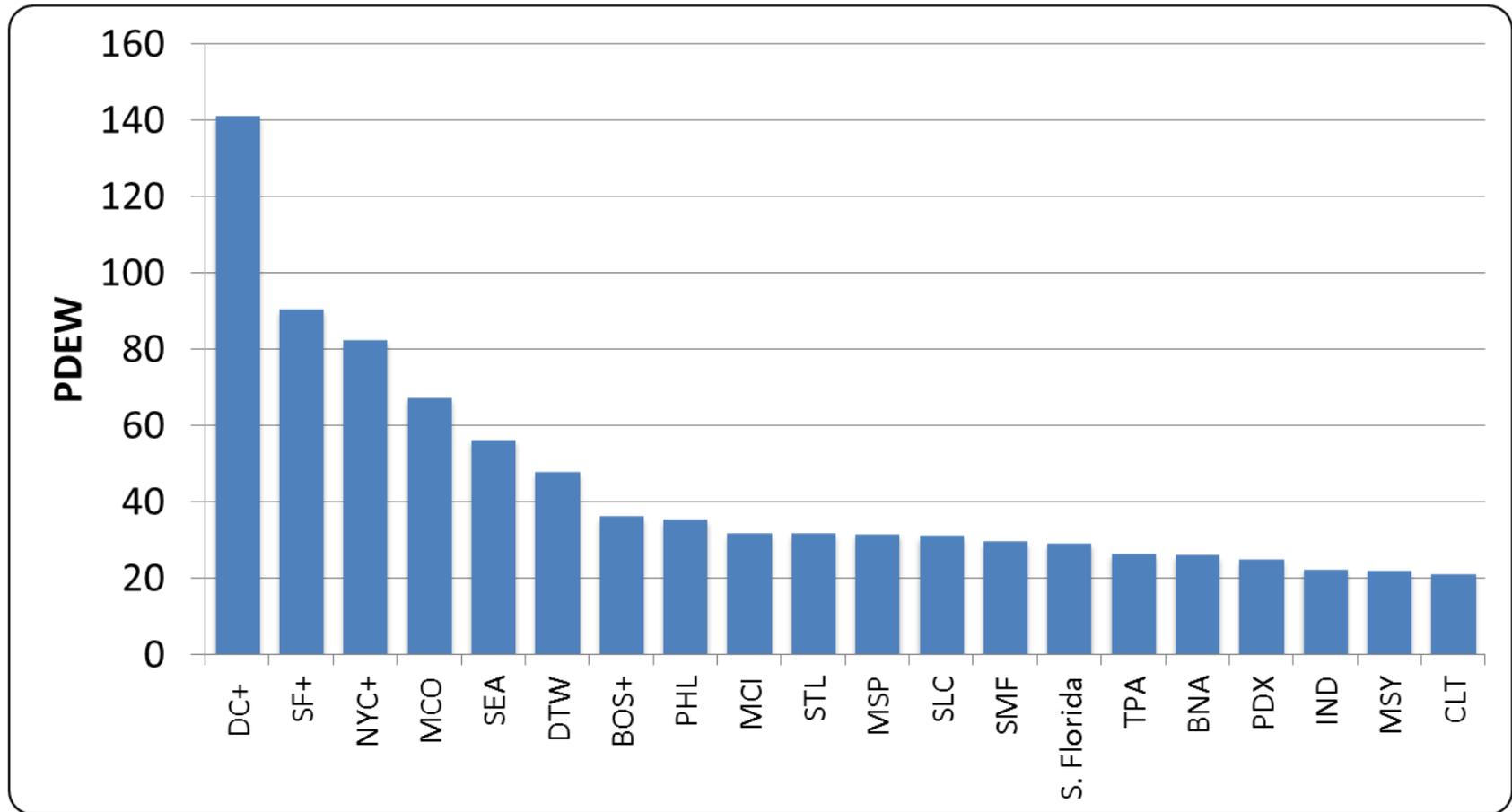
- Encourage new non-stop services by providing temporary financial relief through fee abatements and marketing support
- Remain competitive with other communities that are seeking more air service

- **Key features**

- Non-discriminatory
  - No impact on fees of incumbent airlines
  - Applicable only to new services
  - Priority for “Focus Destinations”
  - All-cargo services also eligible
- Companion framework to be developed for broader community involvement to supplement City’s incentive program



## Major ELP markets without non-stop service





## Current air service initiatives (Q2 2013)

Active Airline Target	Potential Destinations
Alaska Airlines	San Diego, Seattle, Mexico (leisure)
Allegiant Airlines	Orlando, Cancun, Las Vegas
jetBlue	Orlando, Ft. Lauderdale, New York City
Southwest Airlines	Chicago, Baltimore/Washington
United Airlines	Washington DC
Virgin America	San Francisco
Sun Country Airlines	Minneapolis, Cancun
US Airways	Charlotte
Spirit	Dallas, Las Vegas, San Diego
Delta Air Lines	Detroit
Aeromexico	Mexico City, Chihuahua
Volaris	Mexico City
Interjet	Mexico City, Monterrey



EL PASO INTERNATIONAL AIRPORT

# Washington/Baltimore and Chicago: Non-stop Opportunities at ELP



**SOUTHWEST**<sup>SM</sup>

**InterVISTAS**

AVIATION | TRANSPORTATION | TOURISM

December 2012



## The City of El Paso: Growing and Prospering

- **21st largest city in the US**
- **#1 Best midsize city for job growth** (*newgeography.com, May 2011*)
- **#1 Safest Large City in the U.S.** (*CQ Press, December 2011*)
- **#1 Only U.S. city with 26 consecutive months net positive job growth** (*Forbes, December 2011*)
- **#1 Per capita income growth for the past 25 years** (*Portfolio.com, October 2010*)
- **#2 America's Best Performing Cities** (*Milken Institute, December 2011*)
- **#2 Best Economic Growth Among Top 100 US Metro Areas** (*Brookings Institute, July 2010*)
- **#4 Strongest Job Market in the U.S.** (*Business Week, July 2010*)
- **#5 Top U.S. metro area for projected job growth: 2010-2020** (*Bureau of Labor Statistics, February 2012*)
- **#5 Best City for Cost of Doing Business** (*Forbes, February 2012*)



## ELP serves a vibrant, diverse and balanced business market

- The region's location on the US/Mexico border facilitates enormous manufacturing, trade and logistics activity.
  - \$80.1 B (18%) of all trade between the US and Mexico crosses the border at El Paso/Ciudad Juarez (2011)
  - The Port of El Paso has experienced a 70% increase in bi-national trade value from 2009 to 2011, led by a 40% growth in high tech electronics.
  - Ciudad Juarez leads Mexican cities in the creation of new industrial jobs, estimated at 63,000 over the past 3 years
- Business based on the US side of the region is diversified, with manufacturing, technology, services and transportation/logistics activity.
- More than 340 manufacturing plants (maquiladoras) are located in Ciudad Juarez, employing more than 200,000 people. These plants supply the US market and US businesses with components and finished products.
- A new AAA baseball team coming in 2014 and a top-rated Tom Fazio golf course at ELP add Quality of Life elements that attract more businesses



## Fort Bliss is a Major Driver of Economic Activity for El Paso

- Fort Bliss is the fastest growing U.S. Army installation in the United States, and a major beneficiary of the Base Realignment and Closure (BRAC) program. Over 94,000 military personnel and their families are based at Fort Bliss.
- The William Beaumont Army Medical Center is among the Army's premier medical care and teaching facilities. The Medical Center is currently undergoing a \$1.0 billion expansion and relocation program.
- Holloman Air Force Base and White Sands Missile Range, in nearby New Mexico, are also major military facilities that look to ELP for air service.
- The El Paso area hosts tens of thousands of military retirees, drawn by the excellent facilities and services available, and the overall quality of life in the region.





## Expansion at Fort Bliss has increased the military population and the potential for additional inbound and outbound air travel

- From 2006 to 2012 Fort Bliss had a net increase of approximately 20,000 Soldiers, 30,000 family members and an additional 3,000 Department of the Army civilians.
- \$5 billion has been invested in new facilities including the new Army hospital, to be completed in 2015 /2016, that will serve over 90,000 beneficiaries.
- The Army has also made Fort Bliss its centerpiece for Brigade Combat Team Modernization, which routinely brings in weapon system developers, and Test and Evaluation personnel from the East Coast (The Army Test and Evaluation Command in Washington DC and Aberdeen , MD).





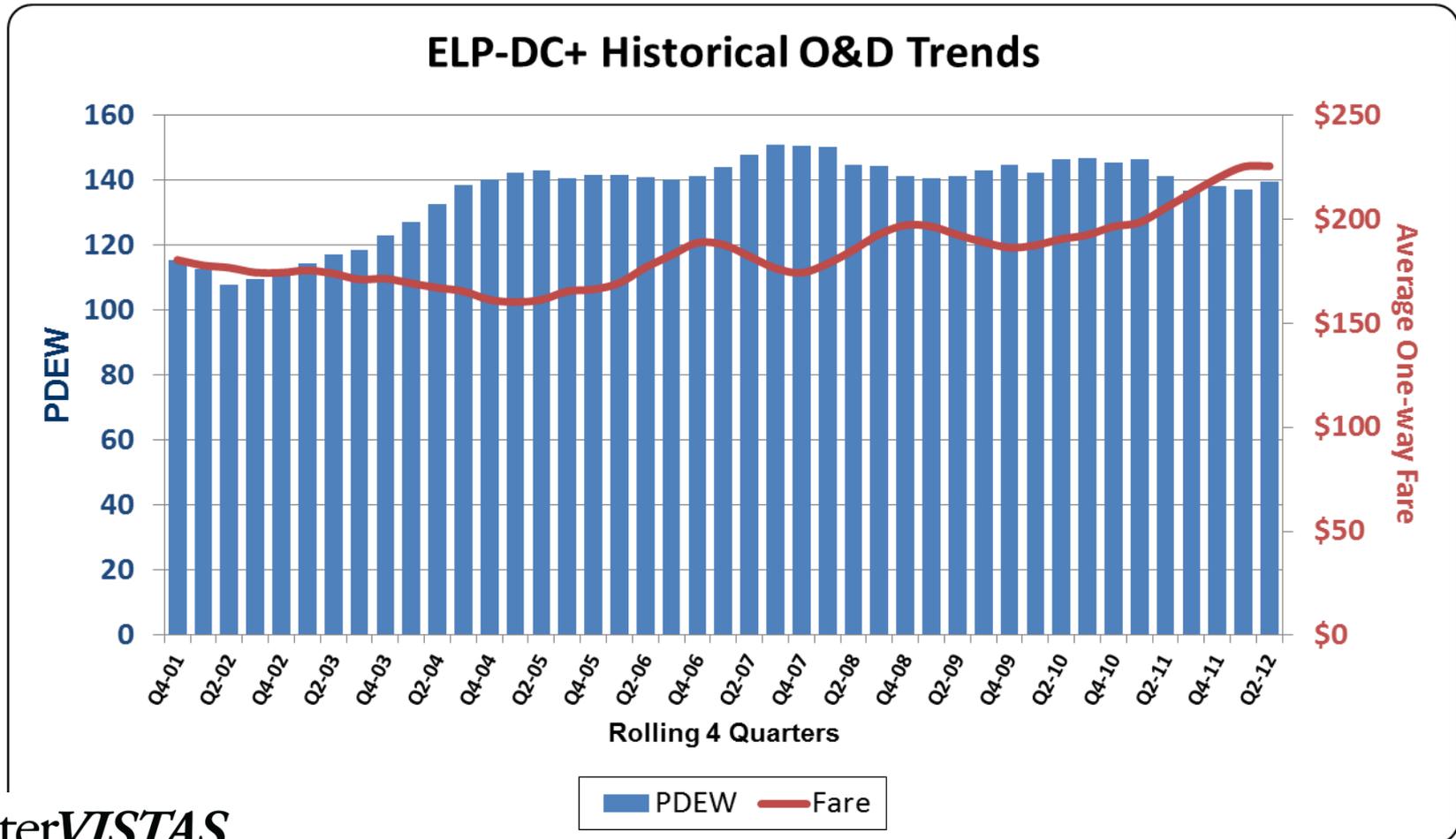
## The major Federal law enforcement agencies in El Paso have strong linkages to the Washington DC area

- Transportation Security Administration (TSA)
- Federal Bureau of Investigation (FBI)
- U.S. Customs and Border Protection (CBP)
- U.S. Immigration and Customs Enforcement (ICE)
- Drug Enforcement Administration (DEA)
- U.S. Marshals Service





Washington DC: This large and important market has maintained its traffic levels even as average fares have trended higher

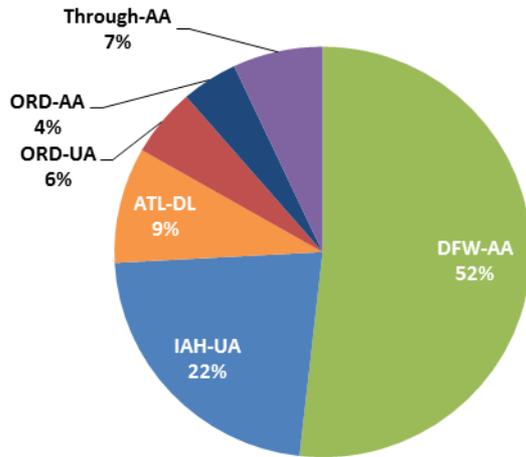




## The majority of El Paso travelers bound for Washington fly on American, United, and Delta

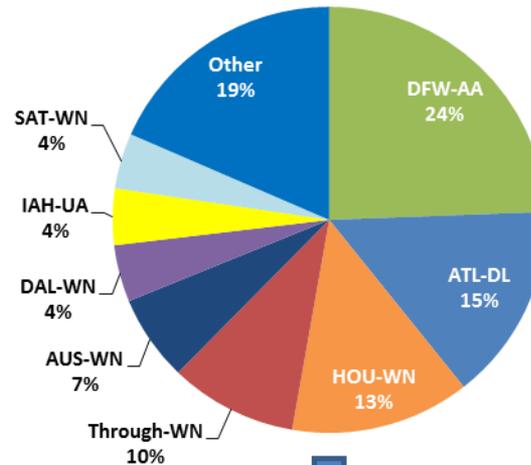
- All ELP-WAS passengers fly on connecting service, due to the lack of a nonstop flight
- Most connections occur in DFW on American, IAH on United, and ATL on Delta
- A small percentage of passengers are connecting on US Airways via the PHX hub

### ELP-DCA



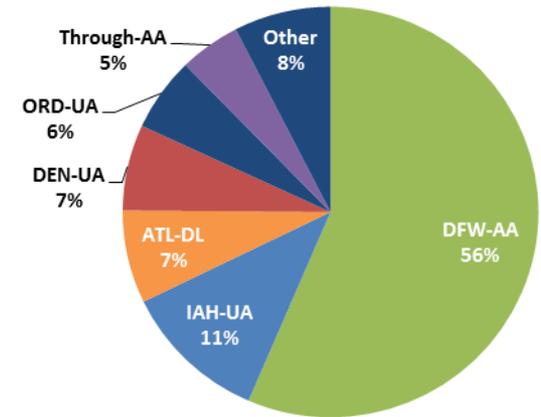
59 PDEW

### ELP-BWI



48 PDEW

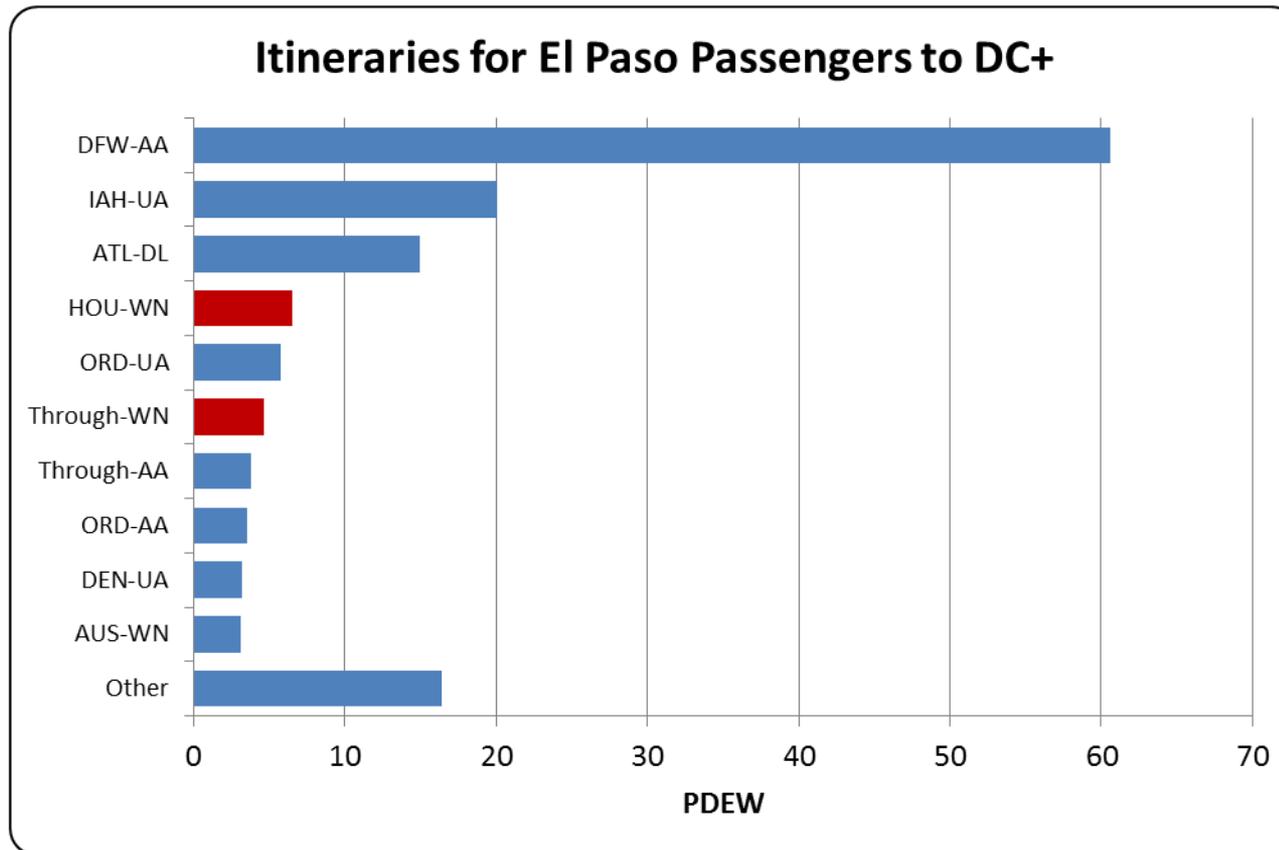
### ELP-IAD



32 PDEW



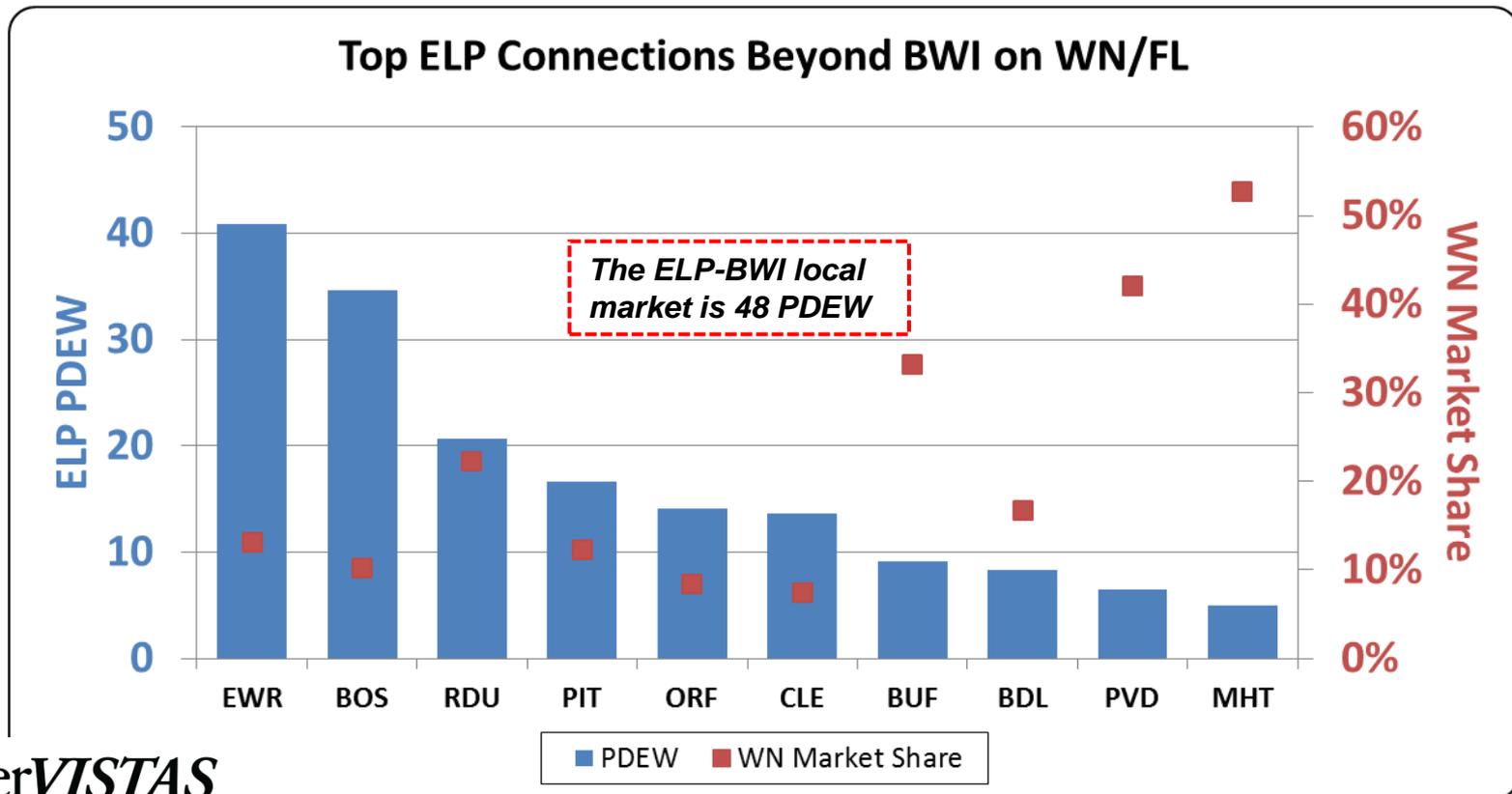
The DFW, IAH, and ATL hubs connect most (67%) of the traffic from El Paso to BWI, DCA, and IAD





## In addition to the sizeable local market, non-stop service to BWI would enable Southwest to access a pool of over 180 PDEW through single connections

- None of these markets have non-stop service from ELP, therefore non-circuitous one stop connectivity on Southwest would be very attractive to passengers
- Southwest could improve their low market share in most of these connecting markets through lower fares and elapsed times for passengers





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