

MINUTES
Approved by the Committee
Intrastate Commercial Air Service Committee
Wednesday, September 23, 2020
9:00 A.M.
Room WW42
Boise, Idaho

Cochair Troy called the meeting to order at 9:09 a.m.; a roll call was requested.

Members present: (in-person) Cochair Representative Troy, Rebecca Hupp, and Jeff Marker; (via Idaho Falls) Cochair Senator Johnson, Rick Cloutier, Bill Connors, Gary Peters, and Scott Turlington; (via video conference) Scott Kennedy, Jeff Newgard, and Carol Waller.

Other attendees: Ryan Bush, Jennifer Kish, Christine Otto, Soren Jacobsen - LSO staff; Caroline Merritt - True North Public Affairs; Jack Penning - Volaire Aviation, Inc.; Mark Sixel - Sixel, LLC; Gary Foss - ArkStar Group; William Swelbar - Swelbar-Zhong Air; Mike Boyd - Boyd Group International; Joe Pickering, Jeff Hartz - Mead & Hunt.

NOTE: presentations and materials distributed to members are posted to the Idaho Legislature's website: <https://legislature.idaho.gov/sessioninfo/2020/interim>; and copies of those items are on file with the Legislative Services Office in the State Capitol.

Cochair Troy made opening remarks, reviewed the scope of the [RFP](#) that had been circulated, and noted the proposal scoring sheet provided to the members for evaluating the presentations.

At 9:20 a.m., Jack Penning for [Voltaire Aviation, Inc.](#) was introduced for his response to the RFP.

- Scott Turlington asked whether Voltaire had deployed its proprietary model to any commercial facilities and, if so, what were the results of the actuals in comparison to the projected model. Mr. Penning answered that Voltaire wanted to model in a market already in service to be able to compare data. Voltaire modeled it against a market/network in the Midwest (St. Louis) and found the model to be within 10% of the actual fare and number of passengers with data from the year before. Voltaire deployed the model in California and Oregon, as well as overseas, and were still waiting for reports to see how well it held, since the model was deployed just before the pandemic.
- Gary Peters inquired whether Voltaire had actual experience with off-site issues to better determine resource issues for regional carriers. Mr. Penning responded that fellow employee Mike Mooney was head of dispatch for many years with Midwest Airlines and Skyway in the Midwest, so yes, Voltaire had actual operations experience in its ranks. Additionally, Voltaire Aviation had team members from American Eagle (aka Envoy) and understood the ins and outs of small regional operations.

At 9:35 a.m., Mark Sixel for [Sixel, LLC](#) was recognized for his response to the RFP.

- Rebecca Hupp asked Mr. Sixel to provide some successful examples of the work he has done. Mr. Sixel responded that his company had most recently worked in Twin Falls with a Small Community Air Service Development Program (SCASDP) grant for service to Denver, which was now scheduled to begin in the spring rather than the fall due to Covid. Additionally, Sixel Group put together a route from Sandpoint to Boise in the 1990s with Salmon Air using a pre-purchase ticket program; created service to Boise from Idaho Falls with Horizon; and created an intrastate service in Indiana with Frontier Airlines using a SCASDP grant.
- Ms. Hupp inquired what was necessary to make this intrastate endeavor viable. Mr. Sixel felt that success would depend on having a number of different cooperating carriers providing smaller planes (9 to 30 seat capacity) with a consistent daily schedule - or maybe alternating days - for flights that provided good departure/arrival times to the destinations.

At 9:45 a.m., Gary Foss for [ArkStar Group](#) was called upon for his response to the RFP.

- Scott Kennedy asked about ArkStar's experience with SCASDP grants considering the time balance of those grant programs and how to sustain service afterwards. Mr. Foss explained that grants were used for minimum revenue guarantees at the start of a program or for marketing purposes. ArkStar works with other carriers to mitigate ramp-up curves because it takes about 2-3 years to maintain steady revenue. He noted that ArkStar was successful in tapping into infrastructure grants with other departments/agencies.
- Scott Turlington inquired whether grants were available for charter service. Mr. Foss explained that there were not normally grants for charter service because it was not scheduled service; federal grants were often meant to stimulate commercial, scheduled service. He noted that there were charter service opportunities but it was a different dynamic.
- Rebecca Hupp asked about ArkStar's best success story as a consultant. Mr. Foss reported that ArkStar Group created service from Salina, KS, to both Chicago, IL, and Denver, CO; new service to Hays, KS, from Chicago; created successful service from Brownsville, TX, to Chicago; brought service into Pierre, SD, and also into Watertown, SD; launched Colorado Springs, CO, service to Phoenix, AZ; successfully negotiated contract for service from Farmington, NM, to Denver; and will be working on a contract for Lewiston, ID. He expressed ArkStar's experience with industry contacts and the importance of working with individuals at the department of transportation.
- Ms. Hupp requested ArkStar to identify the greatest challenge for an intrastate travel program in Idaho. Mr. Foss replied that the challenge would be finding a carrier that already had a strong infrastructure that would not overextend itself in such a service and was able to put the proper commercial agreements in place. He emphasized that it was important to match the right commercial agreement with the right operator. He noted it was important for a carrier to have access to the right service and parts for its fleet, as well as the flight staff.

At 10:15 a.m., William Swelbar for [Swelbar-Zhong Air](#) was recognized for his response to the RFP.

- Cochair Johnson asked for more explanation about Washington's (DC) focus on air service. Mr. Swelbar explained that Washington would be focused on getting the airline industry back to the right side of the curve, hence, it would encourage service to small communities with CARES Act money. However, he believed that, on the "other side" of the pandemic, the industry would move away from smaller airplanes and the industry itself would be more compact.
- Rebecca Hupp inquired about the issues critical to the success of this program and Swelbar's experience with MRGs (minimum reserve guarantees) and whether that would play into its success. Mr. Swelbar explained that it would be difficult to easily "flip a switch" to connect all nine airports. He noted that the new demographic of Idaho's population might have a different expectation of what air travel should be. As for experience with MRGs, Mr. Swelbar explained that he had good and bad experiences. He noted that it was necessary to have sound footing under a program initially started with an MRG.
- Ms. Hupp inquired about Swelbar's timeline for completion. Mr. Swelbar replied that, if the process went as submitted, it would be completed in 90 days. He recommended a demographic study be completed initially to observe the new population and to evaluate any pandemic fallout before implementing a program. Cochair Troy asked for more clarification about items for the longer timeline. Mr. Swelbar believed that a more comprehensive data study would tell the story of what Idaho needs better than traditional airline historical data.

At 10:35 a.m., Mike Boyd for [Boyd Group International](#) was introduced for his response to the RFP.

- Rebecca Hupp inquired about the effectiveness of the Wyoming model. Mr. Boyd responded that he wasn't sure how long the program would be effective, but it was worth looking at as a model. He noted that the plan was written before any pandemic impact.

- Gary Peters asked about Boyd Group's experience on the airlines side of the story and understanding why intrastate service fails. Mr. Boyd explained that he had grown up with all aspects of the airline industry and he had to admit that things were changing. He noted that travel was almost unnecessary due to technical advances; for example, it was cheaper to attend meetings via computer than the cost and time to travel. He commented that a city being serviced by an airline had to necessitate a desire or need to visit (i.e., a capital city, a specialized industry, unique medical services, family members/events, etc.)

At 11:00 a.m., Joseph Pickering and Jeff Hartz for [Mead & Hunt](#) were introduced for their response to the RFP.

- Rebecca Hupp asked what role MRGs or SCASDP grants would play and how effective they would be to the success of the program in Mead & Hunt's plan. Mr. Hartz noted that airlines were risk averse and they would look for incentives, no matter how small. He observed that, even with confidence in the data, airlines would embrace any federal cushioning.
- Ms. Hupp inquired whether there were any parallels with the Wyoming model in the plan for Idaho. Mr. Pickering noted that the state of Wyoming was focused on the return on investment and created the WY Air Service Enhancement Program, which focused on struggling small communities. Wyoming had to make hard decisions about which cities were included for the best success. He noted that it had to be the best airline with the best route to sell itself, and it had to have the state's buy-in/backing for the process to succeed for tourism and business.
- Scott Turlington asked whether the data Mead & Hunt used was a proprietary process or whether the data was from a third-party vendor. Mr. Hartz explained that the data was used from three different vendors, and that Mead & Hunt could choose the data per the need. The data could tell where individuals lived versus where they worked. Mr. Pickering added that the company assessed 10+ multiple vendors and noted that transportation groups have been using this data also.

After a brief break, the members individually listed their top two/three candidates and explained reasons for the ranking. **A motion was made by Jeff Newgard to offer a contract to Volaire Aviation Inc. A substitute motion was made by Rebecca Hupp to offer a contract to Mead & Hunt; a roll call vote was taken and, with 8 ayes and 3 nays, the substitute motion passed.**

At 12:00 p.m., Cochair Troy requested a motion to approve the minutes of the August 7, 2020, meeting. **Ms. Hupp made a motion to approve the minutes as presented and edited; with no objection, the motion was approved.**

At 12:05 p.m., the meeting was adjourned.