

Response to Request for Proposal  
**Idaho: Intrastate Passenger Air Service Study**

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Intrastate Commercial Air Service Committee

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## Cover Letter: Greetings from The ArkStar Group

Dear Members of Idaho's Intrastate Commercial Air Service Committee:

The ArkStar Group feels there is tremendous opportunity to bring intrastate air service to Idaho and respectfully submits this response to the Request for Proposal of August 26, 2020.

The ArkStar Group is the only consulting group in the space whose principal is a part owner and was President and CEO of a FAA Part 121 regional airline - - The American Airlines affiliate in the Caribbean - - as well as officer at AMR Corporation, the holding company for the largest airline in the world. In this latter role, he managed relationships with many small regional airlines on behalf of American Airlines. This combination of airline operational and commercial experience provides a unique understanding of the inner workings of the type of regional airline needed for intrastate air service in Idaho and the detailed maintenance, crew resource and schedule needs that will allow an air carrier to be viable - - and at what cost. We are in the best position to provide a funding proposal for the Intrastate Commercial Air Service Committee, each community, and the Idaho legislature.

ArkStar is currently the Air Service Development consultant with the Lewiston – Nez Perce County Regional Airport (LWS) and has worked with the LWS management team in their role at a previous airport since 2017. Working for LWS for only six weeks, we have provided detailed analysis of opportunities for United Airlines and Alaska Airlines service, and are already in discussions to expand the airport's portfolio.

We enjoy a unique space in the air service development industry, especially in the scope of services that we offer regional airports at our price point. We urge you to consider the following **Points of Pride** for The ArkStar Group:

- The Principal at ArkStar was Vice-President Planning at the world's largest airline, American Airlines, in charge of commercial activity at the regional network for over a decade including negotiating prorate and capacity purchase agreements with over 25 airlines on behalf of American. This experience will help identify market potential in the fashion used at American Airlines; viable airline candidates and articulate to the Commission and stakeholders how Minimum Revenue Guarantees, Prorate and Capacity Purchase business models work.
- The Principal was also responsible for managing American's relationships with all its regional carriers for over a decade. Other key personnel has managed operations for a United Airlines regional carrier. This experience will help to evaluate each potential Idaho airlines aptitude for reliable and safe operations considering the terrain of Idaho, crew and spare aircraft commitments, maintenance capability and passenger perception.
- ArkStar is the only consultancy that has personnel who have negotiated prorate and capacity purchase agreements on behalf of mainline air carriers with regional airlines and on behalf of regional airlines with mainline air carriers. This unparalleled experience will provide Idaho the expertise needed to establish successful commercial relationships adding to the sustainability of Idaho intrastate air service.
- Overseeing route planning, Key Staff have launched and/or managed 500+ markets throughout the United States, Canada, Mexico and the Caribbean. This experience will help with the Passenger Demand Assessment, Air Service Comparisons and Air Service Development Best Practices.
- The Principal at ArkStar negotiated with personnel from the Air Service Development Committee of the State of Wyoming and the Wyoming Department of Transportation to launch Cheyenne – Dallas/Ft. Worth service as well as managed American Airlines relationships with both organizations.

- ArkStar is the only consultancy with the capability to assess the markets, identify candidate air carriers, negotiate with them and then **stay on** to ensure their success through Intensive community-based “boots on the ground” sales strategies employed at American Airlines proven successful in hundreds of small markets.
- ArkStar also has Emmy-Award winning media geared towards regional markets. In every deployment industry benchmarks have been exceeded.

### Record of success

- 100% success in bringing air service to communities, or securing agreements with air carriers to do so
- 8 new routes launched or under contract to carriers in the last two-and-a-half years
- Authored 13% of all the winning DOT Small Community Air Service Development Grant proposals in 2018, including the largest grant awarded

We look forward to the prospect of bringing our record of success, unparalleled experience, network of contacts, and comprehensive service offerings to the State of Idaho.

**Gary D. Foss**, Managing Partner

## ArkStar Group Staff & Services: Representing 150+ Years of Experience



### **Gary Foss** | Managing Partner

- VP of Planning & Marketing for American Airlines Regional Network – 12 Years (AA for 34 total years)
- President & CEO of American Airlines operator Seaborne Airlines – 5 Years



### **Chuck Howell** | Senior Director

- President & COO of Great Lakes Airlines – 15 Years
- President of Corporate Airlines (American Connection) – 6 years



### **Michael Gordon** | Director of Air Service Development

- Frontier Airlines Network Planning – 9 years
- Air Service Consulting – 3 years
- Silver Airways Network Planning – 1 year



### **Josh Stone** | Director of Air Service Analytics

- US Airways / American Airlines – 2 years
- Seaborne Airlines / Silver Airways – 2 years
- CommutAir (United Express) – 2 years
- Colorado Springs Airport – 1 year
- Air Service Consulting – 11 years



### **Diana Koteki** | Director of Marketing & Sales

- Executive Sales at American Airlines – 33 years
- Air Service Consulting – 1 year



**Cheri Kirkpatric | Director of Marketing & Sales**

- 20+ years in Sales and Marketing at Eastern Air Lines and American Airlines
- Air Service Consulting – 1 year



**Harold Jessurun | Creative Director**

- 20+ years in travel marketing creating production in multiple mediums
- Emmy Award Winner



**Laura Wells | Director of Implementation**

- 30 years owning, operating, planning, and scheduling multiple airlines

**Airport Services**

- Airline Business Case Development
- Airport – Airline Meetings
- ‘Boots on the Ground’ Marketing
- Digital and Out of Home Marketing & Measurement
- True Market and Leakage Analysis & Trending

**Airline Services**

- Network & Route Planning
- Schedule Planning & Distribution
- Pricing & Revenue Management
- Marketing Development & Branding
- Management Consulting

**Fulfillment of Scope of Work**

**Analysis of Idaho's Current Air Service, and Historical Intrastate Commercial Air Service**

Analyze air service history in each community, with a focus on intrastate service.

*The ArkStar Group intends to provide a comprehensive inventory of current service at each community identified, as well as a detailed analysis of service history including previous operators, performance while services were offered, and an assessment of why any such service was discontinued – for both interstate and intrastate service. It is important to consider both elements as historical traffic to out of state destinations that could now flow over the comprehensive service at Boise can stand to bolster the case for intrastate service, depending on the commercial functions of a potential contracted carrier.*

**Projected Staff Hours and Cost:**

<b>Resource</b>	<b>Rate</b>	<b>Hours</b>	<b>Total Cost</b>
Principal	\$275	10	\$2,750
Director/Manager	\$200	20	\$4,000
Analyst	\$100	20	\$2,000
<b>Total</b>		<b>35</b>	<b>\$8,750</b>

**Passenger Demand Assessment**

Evaluate each significant population center in the state for travel demand to Boise, and beyond. (Deliverable: Passenger Demand Study for each community)

*The ArkStar Group will identify a reasonable service area for each of the nine communities. We will provide an analysis of both traffic that is demonstrated by each community's airport, as well as the true demand which will associate credit card data for zip codes located within each community's service area. This expanded analysis will provide insight into the traveler characteristics of those passengers including actual destinations, airlines, fares, and routings regardless of which*

airport they ultimately used to obtain such service. **This will result in an individual Demand and Leakage/Capture Study for each of the nine communities as well as a comprehensive summary that delineates findings at the State level.** This study will be suitable for air service development activities for each airport, including other services outside this scope of work.

Projected Staff Hours and Cost:

Resource	Rate	Hours	Total Cost
Principal	\$275	18	\$4,950
Director/Manager	\$200	45	\$9,000
Analyst	\$100	60	\$6,000
<b>Total</b>		<b>123</b>	<b>\$19,950</b>

**Market Potential, Suggested Intrastate Routes and Airlines**

Develop a forecast of potential demand by utilizing historical data from Idaho communities, historical and current benchmarks throughout the country, and demographic characteristics.

Where appropriate, identify potential operators based on demand for each community, and as part of an overall consolidated portfolio. Identify which airports/markets can support economically viable service to Boise.

*Utilizing the findings from the previous two items, ArkStar will produce the prescribed forecasts based on several potential operators and schedules – and will highlight the most viable options among those carriers. This integration is a natural expansion of the previous two components and our optimized forecasting mechanisms enable us to provide dozens of forecasts to provide the Committee and Legislature with the most informed and comprehensive set support for decision-making in the implementation phase of this project.*

Resource	Rate	Hours	Total Cost
Principal	\$275	3	\$825
Director/Manager	\$200	30	\$6,000
Analyst	\$100	15	\$1,500
<b>Total</b>		<b>32</b>	<b>\$8,325</b>

**Air Service Comparisons**

Identify peer markets that have seen success with intrastate air service, or short-haul trips from smaller markets

*We intend to prepare a comparison of current and relevantly recent markets that are/were served on an intrastate (or near intrastate basis) as well as on a short haul, point to point basis. Discussion will include carrier strategy surrounding the purpose of the markets, and the drivers of the intrastate service.*

Resource	Rate	Hours	Total Cost
Principal	\$275	2	\$555
Director/Manager	\$200	15	\$3,000
Analyst	\$100	20	\$2,000
<b>Total</b>		<b>32</b>	<b>\$5,550</b>

**Air Service Development Best Practices for Idaho**

Assess federal Small Community Air Service Development Fund applicability to supplement state and local investment. Provide a funding proposal for each community, based on overall local vs state impact for each airport analyzed.

The ArkStar Group has had a very successful experience in preparing proposals for the Federal Small Community Air Service Development Grant Program. Our staff has been working with Department of Transportation personnel for over 30 years, having dozens of successful proposals. A unique opportunity that exists in the scenario that the State moves to implement an intrastate proposal is for multiple markets to apply together as a Consortium, potentially enabling larger grant amounts. An analysis must be undertaken to prioritize an intrastate proposal as opposed to its own preexisting and local priorities. **A set of recommendations will be provided that shows potential federal participation in the implementation of an intrastate air service program, alongside state and local participation as part of a broader funding plan.**

Resource	Rate	Hours	Total Cost
Principal	\$275	3	\$825
Director/Manager	\$200	8	\$1,600
Analyst	\$100	10	\$1,000
<b>Total</b>		<b>21</b>	<b>\$3,425</b>

## Cost Proposal

### Proposal for Required Study Components

The hourly rates and estimated hours by resource type were identified in the previous page and are reiterated here:

- Principal: \$275 per hour
- Director/Manager: \$200 per hour
- Analyst/Support Staff: \$100 per hour

The total per-hour fee as projected in the previous section totals \$46,000.

**ArkStar also offers a NOT TO EXCEED fee of \$39,790 – representing a 13.5% discount over our normal hourly rates.**

### Proposal for Committee-Optional Additional Services

ArkStar proposes the same rates as above for optional services as outlined in the RFP, with the addition of potential implementation staff

- Principal: \$275 per hour
- Director/Manager: \$200 per hour
- Analyst/Support Staff: \$100 per hour
- 'Boots on the Ground' Staff: \$50 per hour

**Additionally, ArkStar offers the NOT TO EXCEED fee of \$10,000 per month to include these and other implementation activities on a timeline that is agreeable to both the State and to ArkStar.**

### A note on expenses:

Other expenses related to this agreement will be billed at cost. These include air fare, hotel, meal, rental car, travel incidentals, presentation printing, binding, mailing, shipping and similar costs. Expenses will be approved by the Committee's designee in advance.