

## Idaho Intrastate Air Service Committee Proposal for Air Service Development Services



### **Volaire Aviation, Inc.**

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September 16, 2020

Ryan Bush  
Legislative Services Office  
State of Idaho  
rbush@Iso.idaho.gov

**RE: Response to Request for Proposals for Intrastate Air Service Development Services**

Mr. Bush,

On behalf of Volaire Aviation, I am pleased to present our firm's Proposal for Intrastate Air Service Development Services for the State of Idaho.

Our approach to this project will be methodical and driven by understanding the underlying data and information airlines use to make route planning decisions. The Volaire team has unmatched expertise in analyzing regional airline route options and making specific business cases for additional service. In fact, our route analyses have led airlines to the initiation of more than 100 new routes since the beginning of 2017.

A sign of the industry's trust in our firm, Volaire has worked for 112 airports in the last three years. We understand regional airline planning methodologies better than virtually any other firm, with former network planners for American, Southwest, TWA, and Midwest Airlines on staff.

Voltaire Managing Partner, Jack Penning will be the project lead for the State of Idaho. Jack is based in nearby Portland, Oregon, and has lived in the Pacific Northwest for the last 20 years. Jack has been the air service development consultant for Idaho Falls for the last 14 years. Jack was responsible for recruiting previous intrastate service, when he worked with both Idaho Falls and Boise to secure nonstops on SeaPort Airlines. His knowledge of the region is unmatched – and he is best suited for this project.

Jack recently led a project commissioned by a major airline manufacturer to develop a model for analysis of regional and intrastate airline networks. This model will be ideal for analyzing and forecasting the potential for intrastate service in Idaho. It can be adjusted for varying aircraft types and the costs of specific target carriers. No other firm has a model of this type ready to deploy immediately.

Our team has more than 200 years of combined experience in air service analysis, airline interface, and air service development. We hope to put our experience to work for the State of Idaho.

Sincerely,



Jack Penning  
Managing Partner  
Voltaire Aviation, Inc.

**Project Team**

Volaire Aviation Consulting was formed in January of 2017, but its eight founding members have worked together at a pair of firms since 2008. Volaire’s organizational structure includes four managing partners, who each own a 25% share of the company, and five employees (refer to the chart below).

Jack Penning, our Managing Partner based in Portland, Oregon, will be the lead for the Idaho Intrastate Air Service Project. Jack has extensive experience in air service development for the Pacific Northwest. He has been the consultant of record for Idaho Falls since 2006. He has recruited service between Idaho Falls and seven new markets in that time, including SeaPort’s service between Idaho Falls and Boise. Jack also represents a number of other Pacific Northwest markets including Pasco/Tri-Cities, Medford, Wenatchee, and Bellingham.

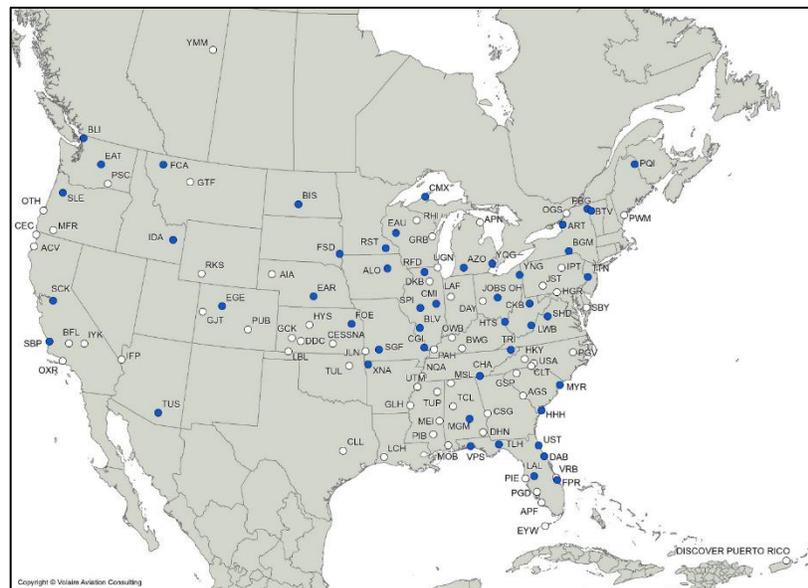


Jack will be supported on this project by Managing Partner Jeff Hayes, Senior Consultant Melissa Galvan Peterson, and Demographic Analyst Lauren Mishler. This project team has a combined 70 years of experience in regional air service analysis and development.

**Clients and Record of Success**

Since January of 2017, Volaire has provided air service development services to 112 clients. 40 of these clients, noted in blue, are on air service development retainers. At any one time, approximately 70 client accounts are active. Volaire has such a large and diverse client group because we do detailed, respected work and o results for our clients.

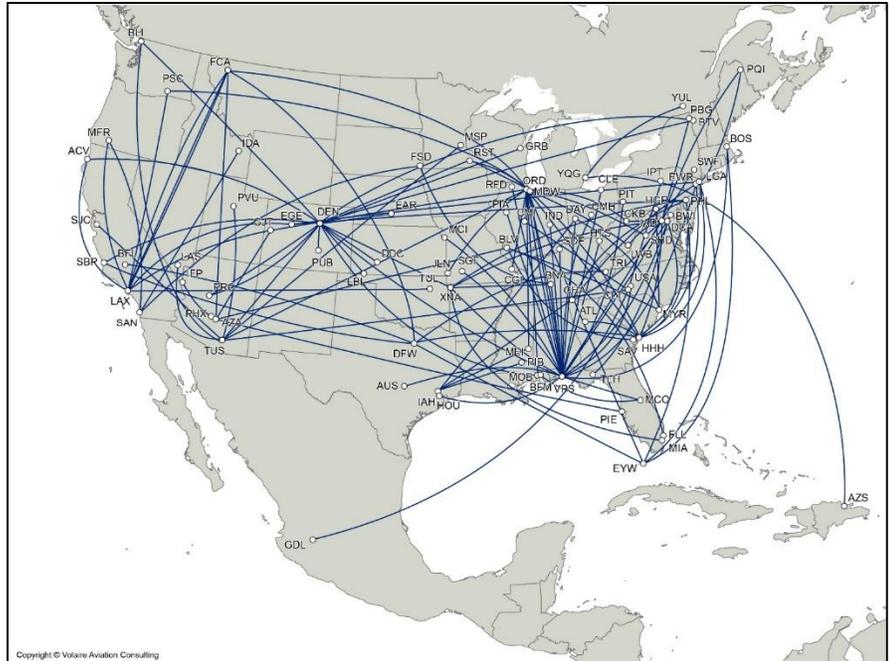
In 2019, Volaire consultants facilitated 48 airline headquarters meetings, essentially an average of one per week. This activity included 12 headquarters meetings at SkyWest Airlines in St. George, six at Delta Air Lines in Atlanta, and five at Alaska in Seattle.



Volaire supported clients at six domestic and international air service conferences in 2019. Volaire consultants facilitated 457 one-to-one airport-airline meetings at these six conferences.

Volaire analysis and research, presented to carriers in person, has resulted in the launch of 104 new routes since the beginning of 2017 (refer to the map to the right). Few firms can match that level of success. It speaks to not only the effectiveness of our business case documents and the quality of our analysis, but also our relationships with executives at dozens of airlines – large and small.

Volaire offers other professional services beyond air service development, including air service marketing and advertising. These additional services are focused on supporting the primary company mission of air service development.



## Proposed Scope of Services

### Project One: Study of Passenger Demand by Market

Volaire will begin its work on developing intrastate service in Idaho by analyzing demand from each of the target markets to Boise, and then the demand between those cities connecting through a Boise hub. Volaire will use its access to deep historical data, dating back to 1990, to determine previous demand for service in each market, along with fare data and historical airline revenue.

Volaire will utilize information from Airline Data, Inc. with archived US DOT traffic and revenue data, along with airline schedule data for each targeted market. Volaire will mesh this data with Sabre MIDT bookings and credit card data from Airlines Reporting Corporation (ARC). Volaire is one of the few air service development firms in the country to spend six figures on airline data each year.

Volaire will also analyze historical US Census population data and US Bureau of Economic Analysis gross metro product economic projections for each target market to best forecast how passengers between those markets and Boise have changed since the last time they had nonstop service.

Volaire will leverage its extensive experience in developing intrastate service to help guide its assessment of market potential. Project lead Jack Penning has worked on a number of intrastate service projects, both successful and unsuccessful, including the launch of intrastate service in Idaho (2012 SeaPort Airlines, BOI-IDA), Oregon, Indiana, and Florida. Jack's experience in this field is unmatched.

Finally, Volaire will develop an analysis of market-by-market potential for success. Volaire will rank each market by major metrics including passengers and revenue. These rankings will be used to develop a network structure in the next phase of the project.

### Project Two: Network Structure, Buildout, Forecast, and Targeted Carriers

Once the market-by-market data analysis is complete, Volaire will build the business plan for an airline network for Idaho intrastate service. Project lead Jack Penning just completed a similar network buildout and route-by-route forecast for a major aircraft manufacturer (the company cannot be disclosed due to an ongoing non-disclosure agreement).

Voltaire developed a network that was exceptionally detailed, including the scaling of a hub, actual flight schedules, specific segment-by-segment passenger and revenue forecasts, and a full analysis of profitability based on differing numbers of departures and connections between each market. All modeling was built in-house and will be used for this project. Voltaire will model routes based on different aircraft types, with specific potential carriers in mind.

Based on the results of this network model, Voltaire will recommend an initial network, and a “developed network,” including market expansion once the most promising markets are up and running. Voltaire will develop a short list of potential target airlines that could serve the network.

### Project Three: Incentive and Funding Plan

Based on the results of the network structure study and forecast, Voltaire will recommend an incentive program and funding plan to support Idaho intrastate service. Forecasts for each route will guide the target funding amounts for the two-year start-up phase of service. Voltaire will provide specific recommendations for funding development.

Voltaire consultants are experts in the Small Community Air Service Development (SCASD) Grant program. In each of the last three years, Voltaire written applications won more funding than any other firm – more than \$4 million. Since the program’s inception, project lead Jack Penning has won more than \$20 million in SCASD Grants for his clients. Voltaire will recommend specific SCASD Grant goals by airport and market including target funding amounts.

Voltaire will develop a detailed explanation of how the funding will be used in a minimum revenue guarantee (MRG) program. On request, Voltaire can provide sample MRG agreements from other markets.

### Project Four: Final Presentation to Committee

Voltaire will prepare a clear and concise presentation outlining the market demand for service, the potential network buildout, targeted airlines, and the funding plan to secure intrastate service. Voltaire will present this, in person, at the Committee’s discretion. This presentation will be in addition to monthly updates, along with the delivery of each deliverable as it is completed. The final presentation will be delivered no later than December 15, 2020.

Optional Work

The Committee may choose to commission additional analysis. Specifically, Volaire is prepared to contact targeted carriers to gauge interest, develop minimum revenue guarantee (MRG) contracts for the State and carriers, and negotiate the MRG. Volaire’s deep experience in developing MRGs in other markets, and working with regional carriers all over North America, make the firm especially well-suited for these additional projects.

Fee Structure and Pricing Options

Voltaire will ensure the scope of work does not exceed \$50,000, including any and all expenses. Our firm will offer pricing per project, invoiced upon completion and delivery, or a retainer to be paid in monthly equal installments during the course of the project (from October to December). Under the retainer option, Voltaire will perform all work listed as optional at no extra cost. Under the per project option, additional optional work will be invoiced hourly. Travel and other direct expenses will be invoiced at cost plus 10%, subject to approval before any expense is incurred.

Per Project Costs

|   |                    |
|---|--------------------|
| Project One: Study of Passenger Demand by Market  | \$2,500 per market |
| (Eight Markets, Boise Included at No Charge as “Hub Market”)  | \$20,000 total     |
| <i>Will include detailed data and analysis for service between Boise (BOI), the “hub market,” and Coeur d’Alene (COE), Sun Valley/Hailey (SUN), Idaho Falls (IDA), Lewiston (LWS), Moscow/Pullman (PUW), McCall (MYL), Pocatello (PIH), and Twin Falls (TWF).</i> |                    |
| Project Two: Network Structure, Buildout, Forecast, and Targeted Carriers   | \$15,000 total     |
| Project Three: Incentive and Funding Plan   | \$5,000 total      |
| Project Four: Final Presentation to Committee   | \$3,500 total      |
| Optional Work Invoiced Hourly   | \$200/hour         |
| Total Project Costs:  | \$43,500           |
| Travel and Expenses Not-to-Exceed   | \$6,000 total      |

As mentioned, the State may choose to pay all project costs as part of a monthly retainer for the months of October, November, and December, with invoices issued on the first of each month in the equal amount of \$14,500 per month (\$43,500 total). Under this arrangement, there will be no additional hourly charges for any optional work – all optional work will be included at no extra cost beyond direct expenses and travel.

The State may commission additional work on an hourly basis if it chooses the per project pricing arrangement. The \$200 hourly rate applies to all members of the project team. Total invoiced hourly charges will not exceed \$6,000.