

DRAFT

MINUTES

Monday, December 12, 2011
10:00 A.M.

Manistee County Blacker Airport
Conference Room

Members Present: Ervin Kowalski, Chairperson; Paul Schulert, Vice-Chairperson; Duane Anderson; Glenn Lottie; Dale Picardat; and Ross Spencer

Members Absent: Bob Wilson

Others Present: Barry Lind, Airport Manager; George Saylor, Airport Authority Attorney; Ken Grabowski, Manistee News Advocate; Paul Bosschem, Mowry Leasing & Rental; and Rachel Nelson, Airport Authority Secretary

Ervin Kowalski, Chairperson, called the meeting to order at 10:00 A.M. Roll was taken by the Secretary.

Mr. Bosschem stated that things have been going well with the car rentals at the airport. They recently added two vehicles to their fleet, bringing their total to ten vehicles available at the airport. Vehicles are also available through Enterprise, however, it was noted that Enterprise has still not signed a contract. Mr. Lind noted that he has a meeting with Enterprise on December 22, 2011. Enterprise will not be listed on the airport's website until the contract has been signed.

The Chairman confirmed that each member had received a copy and had an opportunity to review the minutes from the regular meeting of the Airport Authority held on Monday, November 14, 2011.

There was a motion by Mr. Picardat, supported by Mr. Spencer to approve the Airport Authority regular meeting minutes of Monday, November 14, 2011, as presented. Motion carried by unanimous vote.

Mr. Schulert informed the Authority that he and Mr. Picardat met with Mitch Deisch, City Manager, to discuss the potential changes to the by-laws, specifically, the possibility of removing the City of Manistee's seat on the Airport Authority. This will be discussed at a City Council meeting in January. Mr. Saylor provided additional history on the situation. When the City signed the transfer agreement for the airport in May 1997, the County wasn't sure how things would be set up, so the term "advisory board" was used. Mr. Saylor hopes that these discussions will help to clarify the documents from the transfer.

Mr. Anderson stated that there was not an update from the Engineer of Record RFP Committee.

There was no report from the Promotion Committee.

Mr. Lind stated that American Eagle requested a ten day extension for EAS bids for the airport. Mr. Lind requested that the due date for bids be extended to December 5, 2011, so that bids for service at Manistee, Ironwood, Rhinelander, and Alpena would be due at the same time. The due date was extended and Manistee received one bid from Air Choice One, Ironwood and Rhinelander received one bid from Great Lakes, and Alpena did not receive any bids. This was the second round of bids for Alpena. Two bids were received during the first round of bids, however, one was not valid and the other was for service to Cleveland, so the bids were rejected. Air Choice One's bid is for service to Chicago O'Hare with a Cessna Caravan 8 seat turbo-prop aircraft. The average fare would be \$69 each way. There are two options in the bid - three round trips daily (18 per week), with a maximum of 15,000 seats per year, for a subsidy of \$1.6 million; or four round trips daily (24 per week), with a maximum of 20,000 seats per year, for a subsidy of \$1.9 million. Several Airport Authority members flew on one of Air Choice One's aircraft after the last meeting, and agreed that the plane was impressive, comfortable and quiet. There are two pilots, but no restrooms, and the plane can't go very high or very fast. It was noted that the flight to Chicago would take 1 hour and 15 minutes.

Charter Air Transport submitted a bid to the airport for service with the Alternate EAS program. In this program, the EAS would contract directly with the airport for service, and the Airport Authority would then contract with a company to provide the service. Charter Air Transport would provide service to Chicago Midway with an Embraer EMB-120 30 seat turbo-prop aircraft. They would provide two round trips daily during May through October, and one round trip daily during November through April, for a maximum of 29,640 seats per year. They would have an average fare of \$69 each way, and a subsidy request of \$2.3 million.

Mr. Lind stated that there are three options. The Airport Authority can reject all offers and go for a re-bid; recommend acceptance of Air Choice One's bid (and waive the right to twin engine aircraft); or pursue the Alternate EAS program. Mr. Lind provided a chart showing passenger numbers from 2001 through 2011 to aid in the discussion (APPENDIX A), and provided information on important factors to consider (fares, customer service/reliability, aircraft type, growth potential, interline/codeshare, timeframe for starting service, frequency, and hub) (APPENDIX B). Mr. Lind stated that if the Airport Authority chose the Alternate EAS program, they would be able to go back to the regular EAS program in the future if they chose to do so. After discussion,

There was a motion by Mr. Spencer, supported by Mr. Picardat to reject Air Choice One's bid and elect to pursue the Alternate Essential Air Service (EAS) program; and to direct Mr. Saylor and Mr. Lind to enter into contract negotiations with Public Charters, Inc. and Charter Air Transport, Inc.

A roll call vote was taken:

Yeas: 6 (Anderson; Lottie; Picardat; Spencer; Kowalski; Schulert)

Nays: 0

Absent: 1 (Wilson)

Motion carried.

Sheets were handed out showing airplane passenger numbers for 2011 as well as the previous six years (APPENDIX C). There were no Airport incidents to report. Mr. Lind presented a report on airfares which compares flights from Manistee, Traverse City and Grand Rapids for travel in December 2011 (APPENDIX D). Mr. Lind noted that Frontier's advanced bookings have slowed. He anticipates that there should be around 1,400 passengers in both December and January. Frontier has confirmed that their last day of service in Manistee will be March 10, 2012.

Mr. Lind reported that the parking lot project is almost completed. A few final items will be completed in spring 2012, including the re-stripping. The t-hangar project was delayed due to hitting a gas line, however, they should be able to restart this week.

Mr. Lind has continued to work with MDOT regarding the right of way approvals for cutting trees off the north side of the airport. The property owner has been contacted. Mr. Lind noted that the FAA has changed how they flight check approaches, and the scope of the tree issues could be much larger than anticipated.

With there being no further business to come before the Authority, the meeting was adjourned at approximately 12:10 P.M.

Respectfully submitted,

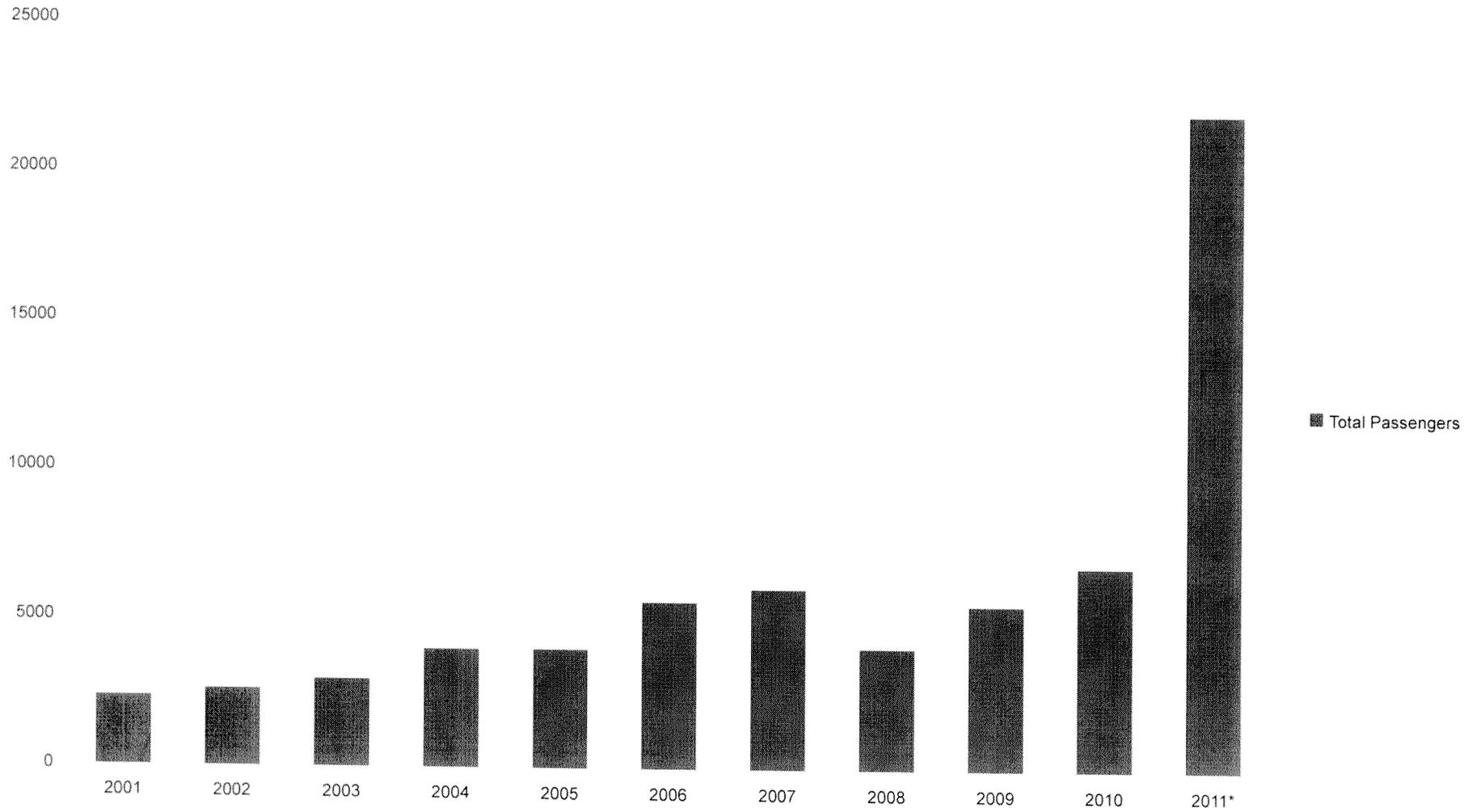
Rachel Nelson, Airport Authority Secretary

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EAS Update 12/12/11



APPENDIX A

EAS Update 12/12/11

- Fares

- Both Carriers Indicate they intend to offer some seats for \$99 RT

- ~~Air Choice One plans lower average fare~~

- Lowest Fares to Chicago in the state

- Average Fares Over the last 10 weeks:

- GRR \$310.91

- MBL \$361.67

- TVC \$403.07

- Hypothetical Chicago Fares (average + \$99)

- ORD \$310.39

- MDW \$331.35

- ~~Slight Advantage Air Choice One~~

EAS Update 12/12/11

- Customer Service / Reliability
 - Both Carriers would have spare aircraft available (but remote)
 - Both Carriers would have local maintenance personnel
 - Both would work diligently with the community to provide good customer service
 - TIE

EAS Update 12/12/11

- Aircraft Type
 - 30 Seat Twin Engine Pressurized Turboprop with Flight Attendent and Lavatory
 - 8 Seat Single Engine Unpressurized Turboprop, no Flight Attendent and no Lavatory
 - Advantage Charter Air Transport

EAS Update 12/12/11

- Growth Potential
 - Growth with Air Choice One is limited
 - Only 20,000 total seats available, impossible to achieve 10,000 enplanements
 - Does not currently have authority to fly greater than 9 seat aircraft
 - Charter Air Transport under Alt EAS
 - Initial Schedule has about 30,000 seats
 - 10,000 enplanements with 67% load factor
 - Future of EAS Program is a consideration
 - Advantage Charter Air Transport

EAS Update 12/12/11

- Interline / Codeshare
 - Both carriers lack interlines and code share agreements
 - Air Choice One should get an interline and baggage agreement soon
 - Charter Air Transport may get an interline with Frontier (Frontier has indicated they would look into it)
 - Returns us to needing to book separate tickets as was the case when Great Lakes provide service
 - TIE

EAS Update 12/12/11

- Timeframe for starting service
 - Air Choice One almost certainly would be ready 3/11/12
 - Charter Air Transport Anticipates being ready in March '12, but needs to secure DOT approval first, what if DOT doesn't approve?
 - Advantage Air Choice One

EAS Update 12/12/11

- Frequency
 - Air Choice One would have 4 daily flights
 - Charter Air Transport would have 2 or 1
 - Even though Charter Air Transport would have more seats available most days it would have less frequency
 - Advantage Air Choice One

EAS Update 12/12/11

- Hubs

- Chicago Midway – Average low fare \$232.35
 - Major Southwest Airlines Hub
 - Frontier, Delta, Porter, Volaris
 - Southwest has 57 non-stop destinations compare to 41 for all carriers at Milwaukee
- Chicago O-Hare – Average low fare \$199.73
 - Major United and American Hub
 - Significant low fare competition
 - Non-stops and connections to anywhere in the world

EAS Update 12/12/11

- Hubs
 - O'Hare is big, can be intimidating, has reputation for delays
 - Midway is similar to in size to Milwaukee
 - Either hub has significantly more local traffic potential than Milwaukee
 - TIE

Manistee County Blacker Airport

Enplaned/Deplaned

	2005			2006			2007			2008			2009			2010			2011		
	MW	Out/In	Total	GL	Out/In	Total	GL	Out/In	Total	GL	Out/In	Total									
Jan		141/118	259		150/101	251		210/164	374		234/169	403		138/106	244		212/145	357		201/169	370
Feb		183/147	330		137/133	270		198/184	382		215/200	413		112/93	205		196/150	346		202/194	396
Mar		168/199	367		197/203	400		224/229	453		213/200	413		149/139	288		216/231	447		225/215	440
Apr		132/152	284		191/218	409		183/239	422		18/38	56		119/140	259		272/255	527			
May		162/152	314		200/217	417		238/251	489		0/0	0		184/180	364		263/302	565			
Jun		147/169	316		233/283	516		252/309	561	GL	94/113	207		166/213	379		311/366	677		1454/1525	2979
Jul		232/208	440		318/332	650		340/348	688		278/301	579		388/439	827		521/551	1072		1206/1342	2548
Aug		223/228	451		349/358	707		348/305	653		300/293	593		429/359	788		482/395	877		1595/1568	3163
Sep		171/158	329		268/267	535		278/217	495		219/190	409		285/293	578		240/233	473		1833/1567	3400
Oct		131/135	266		263/221	484		276/248	524		173/174	347		282/275	557		270/246	516		1332/1234	2566
Nov		159/148	307		210/205	415		275/280	555		168/166	334		257/269	526		236/242	478		1024/1004	2028
Dec		142/146	288		224/242	466		203/205	408		159/122	281		228/279	507		194/235	429		722/715	1437
Total			3951			5520			6004			4035			5522			6764			20520

On-time Performance

	2005		2006		2007		2008		2009		2010		2011		
	Cancel/Delay	On-time													
Jan										13%/25%	62%	23%/22%	55%	15%/38%	48%
Feb										18%/16%	66%	13%/32%	55%	15%/28%	58%
Mar										8%/11%	79%	11%/19%	70%	21%/19%	60%
Apr										10%/16%	74%	13%/17%	70%	***	***
May										2%/10%	88%	12%/10%	78%	3%/25%	72%
Jun										7%/18%	75%	6%/26%	68%	6%/20%	74%
Jul										4%/16%	80%	5%/19%	76%	0%/37%	63%
Aug										2%/12%	86%	4%/5%	91%	0%/36%	64%
Sep										0%/9%	91%	18%/16%	66%	0%/23%	77%
Oct							11%/31%	57%	10%/8%	81%	15%/13%	72%	1%/5%	94%	
Nov							13%/32%	55%	3%/10%	87%	16%/16%	68%	2%/11%	87%	
Dec							36%/44%	20%	25%/39%	36%	32%/25%	43%			

APPENDIX C

December Travel as of 12/08/11**Best Fares**

	MBL	TVC	GRR
Atlanta (ATL)	413 F9/UA	404 DL	293 FL
Boston (BOS)	413 F9/UA	383 DL	295 UA
Dallas (DFW)	320 F9	412 AA	358 F9
Denver (DEN)	330 F9	446 UA	259 F9
Houston (HOU)	328 F9	480 AA	378 UA
Kansas City (MCI)	220 F9	378 UA	244 F9
Las Vegas (LAS)	374 F9	328 UA	328 UA
Los Angeles (LAX)	378 F9	318 UA	318 UA
Milwaukee (MKE)	201 F9	359 UA	288 F9
Minneapolis (MSP)	331 F9/UA	373 AA	389 F9/UA
New York Area (NYC)	270 F9	319 DL	290 DL
Orlando (MCO)	300 F9	259 DL	208 FL
Philadelphia (PHL)	429 F9/UA	427 UA	388 DL
Phoenix (PHX)	318 F9	473 UA	328 UA
Portland (PDX)	408 F9	561 UA	339 UA
San Diego (SAN)	342 F9	513 UA	338 UA
San Francisco (SFO)	348 F9	460 UA	331 F9
Seattle (SEA)	368 F9	473 AA	358 UA
St Louis (STL)	353 F9/UA	433 AA	327 UA
Washington DC Area (WAS)	300 F9	261 DL	199 FL

Average Fare	\$337.20	\$403.00	\$312.80
Change from last month	-\$26.10	\$0.00	\$10.15
Change from two months ago	-\$15.90	\$47.05	\$10.35
Fares Pulled 12/08/11 for travel 1/11/12 - 1/18/12			

Best Fares +7 days parking

	MBL	TVC	GRR
Atlanta (ATL)	413 F9/UA	444 DL	347 FL
Boston (BOS)	413 F9/UA	423 DL	349 UA
Dallas (DFW)	320 F9	452 AA	412 F9
Denver (DEN)	330 F9	486 UA	313 F9
Houston (HOU)	328 F9	520 AA	432 UA
Kansas City (MCI)	220 F9	418 UA	298 F9
Las Vegas (LAS)	374 F9	368 UA	382 UA
Los Angeles (LAX)	378 F9	358 UA	372 UA
Milwaukee (MKE)	201 F9	399 UA	342 F9
Minneapolis (MSP)	331 F9/UA	413 AA	443 F9/UA
New York Area (NYC)	270 F9	359 DL	344 DL
Orlando (MCO)	300 F9	299 DL	262 FL
Philadelphia (PHL)	429 F9/UA	467 UA	442 DL
Phoenix (PHX)	318 F9	513 UA	382 UA
Portland (PDX)	408 F9	601 UA	393 UA
San Diego (SAN)	342 F9	553 UA	392 UA
San Francisco (SFO)	348 F9	500 UA	385 F9
Seattle (SEA)	368 F9	513 AA	412 UA
St Louis (STL)	353 F9/UA	473 AA	381 UA
Washington DC Area (WAS)	300 F9	301 DL	253 FL

Average Fare	\$337.20	\$443.00	\$366.80
Change from last month	-\$26.10	\$0.00	\$10.15
Change from two months ago	-\$15.90	\$47.05	\$10.35

Parking Fees for one week are \$0 at Manistee, \$40 at Traverse City and \$54 at Grand Rapids