

Attachment 4: Volaire – Strategic Initiatives

STRATEGIC INITIATIVES

HUMBOLDT COUNTY AIRPORTS DIVISION



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PURPOSE OF STUDY



The goal of this report is to lay the groundwork for the final strategic business plan for Humboldt County's Airport System. The final strategic plan will include the best strategic business options from this report, along with previous governance recommendations, financial analysis recommendations, and the strategic marketing plan report.

The first goal of this report is to develop options for a new mission and vision statements for the Airport System along with core values to support both the mission and vision. This report also seeks to review the current state of the system's business, with a particular focus on current scheduled airline service. This report will not deeply delve into non-airline-related business, but rather review the findings of the previous financial analysis that detailed the performance of all sectors of the system's business portfolio.

Finally, this report will develop lists of strengths, weaknesses, opportunities, and threats (a SWOT analysis) for the Airport System as a whole and for many of the potential strategic business options for the airport's future. These analyses will provide insight into the potential for each business option and the challenges each option might face. This report will not recommend any strategic business option over another, but lay out each option as a standalone business idea. This report will be vetted by system stakeholders, leading to a final strategic plan with a clear list of priorities culled from the options included herein.

**"THE GOAL OF THIS REPORT
IS TO LAY THE
GROUNDWORK FOR THE
FINAL STRATEGIC BUSINESS
PLAN FOR HUMBOLDT
COUNTY'S AIRPORT
SYSTEM."**

MISSION, VISION, AND CORE VALUES



It is important, in beginning the strategic planning process, to begin by developing a defined mission and vision for what the Airport System should become. Key airport stakeholders were gathered, on site, at the Humboldt County Courthouse to work through the mission and vision of the Airport system and to develop a set of core values that would drive the system's future. In this session, the mission and vision were not written, but both were fully defined. The goal of this document is to take these definitions and develop several written mission and vision statement options from which County leadership will choose.

AIRPORT SYSTEM MISSION OPTIONS

The mission statement of an organization is its reason for being. It defines how that organization will aim to serve all of its diverse stakeholders. In other words, the mission must define who the Airport System is today and what the Airport System values.

The current mission statement seeks to do this, but it lacks a focus on what should be a business or enterprise mentality of the Airport System. While it is true the system is a public service, first and foremost, it is also designed to run as a breakeven enterprise. The current mission reads:

"The aviation division is responsible for managing six county airports in a manner that ensures aeronautical safety, safety of the traveling public, continued air service, and complies with federal, state and/or local aviation rules, regulations and advisories."

The stakeholder group felt the mission was too much a statement of system tasks and not aspirational enough. The group also felt the mission statement should cover those in the County who have little day-to-day interaction with the airports in a way that would help them understand the importance of the airports. The group suggested a number of ideas for inclusion in a new mission statement, including:

- > “More than just an airport”
- > Financially viable, self-sustaining, business-like
- > Community partner/leader
- > Integral part of the community/region
- > Safe
- > Financially innovative
- > Ambitious/relentless
- > Foster economic development
- > Looking to the future

With these ideas in mind, the following three mission statement options are offered from which the County can choose the one it feels best states the ongoing objectives of the Airport System. Each is designed to be clear, concise, and easy to remember, while incorporating as many of the stakeholder group’s ideas as possible.

Option One:

The Humboldt County Airport System leads regional economic development driven by worldwide connectivity and a relentless passion for safety and innovation.

Option Two:

We are relentlessly driven to be a leading regional transportation system, focused on connecting our community to global opportunity.

Option Three:

We are more than just a system of airports. We are an economic driver for all of northern California. We foster development through innovation and dedication to our community.

AIRPORT SYSTEM VISION OPTIONS

The vision statement of an organization is its statement of what that organization wants to become. Vision statements are future-looking declarations of an organization's purpose for existing and aspirations. In addition to goals for the system's mission, the Airport System stakeholder group also developed ideas as to what should be included in the system's vision statement. It should be noted, the system has no current vision statement, so the County is starting from scratch.

The group suggested several ideas for inclusion in a vision statement, including:

- > An economic driver that improves the health and safety of the region
- > Easy to work with
- > Safe
- > Economic growth
- > Easy to get from A to B
- > Gateway to possibility
- > Access point in emergencies

A set of three vision statement options for the Airport System has been developed with these ideas in mind. The vision statement is designed to be concise, much like the mission statement, but also to set a forward-looking tone.

Option One:

We bring the heart of the Redwood Coast to the world.

Option Two:

The people of the Humboldt County Airport System work tirelessly to ensure its position as the gateway to possibility for an entire region.

Option Three:

It is our promise to make things easy, reflecting the culture of the Redwood Coast.

AIRPORT SYSTEM CORE VALUES

Core values are designed to be the elements that support both the mission and vision of an organization. Core values are the beliefs of the organization in which the organization is emotionally invested. Core values are also designed to lay out how an organization treats people – both employees and customers – and how an organization does business. The Airport System stakeholder group chose the following core values for the system and its employees:

- > Striving for excellence
- > Future-focused
- > Safe
- > Secure
- > Compliant
- > Convenient
- > Working for the public benefit
- > Ethical
- > Community partner
- > Customer-focused
- > Responsive
- > Accessible
- > Pro-active
- > Community leaders

Optional Value Statement:

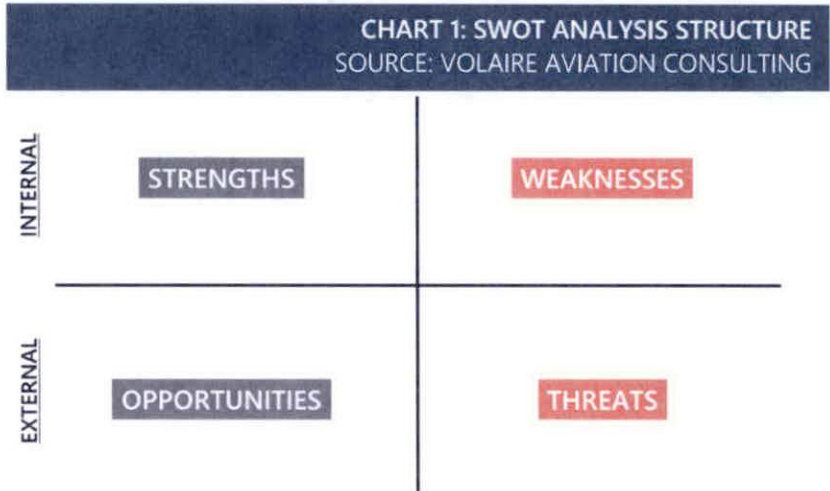
The people of the Humboldt County Airport System strive for excellence in safety, security, and convenience, with their ethical, responsive, and future-focused spirit, as they work to lead the community through a customer-focused approach.

Together, the mission, vision, and core values of the Humboldt County Airport System will help to set expectations and guide thinking about future strategic business options. They also provide a clear indication to employees of expectations.

SWOT ANALYSIS



The first step in developing strategic business options is to understand the market position of the Airport System. This is done through a “SWOT analysis” – a process that identifies the strengths, weaknesses, opportunities and threats (refer to chart 1). Specifically, a SWOT analysis provides a basic outline of potential opportunities and threats. The purpose of the analysis is aimed at ensuring the best utilization for future Airport business while also understanding the potential cost.



In a SWOT analysis, strengths and weaknesses are internal – they are factors that exist within the Airport System and that are caused by the Airport System or County, itself (refer to chart 1). Opportunities and threats are external and exist outside the Airport System or the County. These items are caused by factors the Airport System will not be able to control.

Each of the four pieces of the SWOT analysis are taken one-at-a-time to ask important questions about all four aspects of the system. Specifically, for strengths (internal), the following questions were analyzed:

- > What advantages do we have?
- > What do we do better than anyone else?
- > What unique or lowest-cost resources can we draw upon that others can't?

-
- > What do people in our market see as our strengths?

For weaknesses (internal), each of the following questions was explored:

- > What could we improve?
- > What should we avoid?
- > What are people in our market likely to see as weaknesses?
- > What factors cause us to lose business?

In the category of opportunities (external), each of the following questions was asked:

- > What interesting trends could change our business?
- > Are there changes in technology to leverage?
- > Are there changes in government policy to leverage?
- > What changes in social patterns, population profiles, lifestyle changes, etc. can we spot?

Finally, in the category of threats (external), the following questions were analyzed:

- > What obstacles do we face?
- > Who are our competitors?
- > What are our competitors doing?
- > Are products or services changing?
- > Is changing technology threatening our position?

The Airport System stakeholder group developed the SWOT analysis included in this report during a day-long session at the Humboldt County Courthouse in Eureka. SWOT analyses were completed for several different

strategic business options, and these will be detailed throughout the report. The SWOT analysis included in this section of the report focuses on the Airport System, as a whole.

The Airport System SWOT found that the County is fortunate to have six strategically located airports with strong employees, a good reputation with the Federal Aviation Administration (FAA), and that the airports are well positioned to serve the County's residents (refer to chart 2). At the same time, several of the County's airports have major facilities challenges, the system has inadequate staffing, and factors in the County's control, such as property management, are not always kept up to date.

CHART 2: AIRPORT SYSTEM SWOT ANALYSIS
SOURCE: VOLAIRE AVIATION CONSULTING

	STRENGTHS	WEAKNESSES
INTERNAL	<ul style="list-style-type: none"> > SIX STRATEGICALLY LOCATED AIRPORTS > GOOD FAA REPUTATION FOR LEVERAGING GRANTS > STRONG COUNTY SUPPORT > ESTABLISHED LAND USE PLAN/LAYOUT PLAN > GOOD FACILITIES AT MOST AIRPORTS > WELL LOCATED TO SERVE RESIDENTS 	<ul style="list-style-type: none"> > KNEELAND FAILING RUNWAY > DINSMORE FAILING RUNWAY/LIMITED DEMAND > MURRAY LONG TERM FACILITY CONDITION > GENERAL INFRASTRUCTURE > INADEQUATE STAFFING LEVEL > NO PROFESSIONAL MANAGER > AGING STRUCTURES > INADEQUATE HANGAR SPACE/WAITING LIST > PROPERTY MANAGEMENT
	OPPORTUNITIES	THREATS
EXTERNAL	<ul style="list-style-type: none"> > INCREASED HANGAR SPACE > INCREASED LEASE RATES > REVIEW OF AIRPORT ROLES IN SYSTEM 	<ul style="list-style-type: none"> > COASTAL COMMISSION REGULATIONS > SAFETY AREA ENCROACHMENT > MEDIA IMPRESSIONS > FEDERAL AND STATE BUDGETS > FEDERAL AND STATE REGULATIONS > COMMUNITY PERCEPTIONS > AIR SERVICE AT OTHER REGIONAL AIRPORTS

The Airport System as a whole has several opportunities, including the ability to potentially generate revenue through new lease rates, through new and expanded facilities, and through a review of the role of each airport within the system (refer to chart 2). The system also faces a number of external threats including Coastal

Commission regulations on and near some airports, development encroaching near airports, community impressions, outside budgets, and service at other airports in the region.

It will be important to keep these strengths, weaknesses, opportunities, and threats in mind in the analysis of future strategic options. The options more likely to be successful will leverage the Airport System's strengths while avoiding external threats. Upcoming sections of this report will walk through strategic options, one-by-one, developing an outline of each idea and an individual picture of the SWOT factors for each option. The final strategic business plan will build off the intelligence gathered for each strategic option in this report, laying out a path for the options believed to meet with the most success.

CURRENT BUSINESS REVIEW



The Humboldt County Airport System relies upon scheduled airline service, and the passengers it generates, for a large portion of its operating revenue. While the Airport System and its six airports mean many things to different stakeholders, airline service is the single most important piece of current business, and will be the focus of this section of this report.

That is not to disregard other business within the system's airports. The land leases provided to other County agencies and to private companies are critical to both the County and the movement of people, goods, and services throughout the region. Air cargo service provided at Murray Field is equally as important in ensuring the County's businesses are connected to customers around the world. But changes and potential growth in these lines of business will be explored in more detail in the strategic options section of this report.

AIR SERVICE

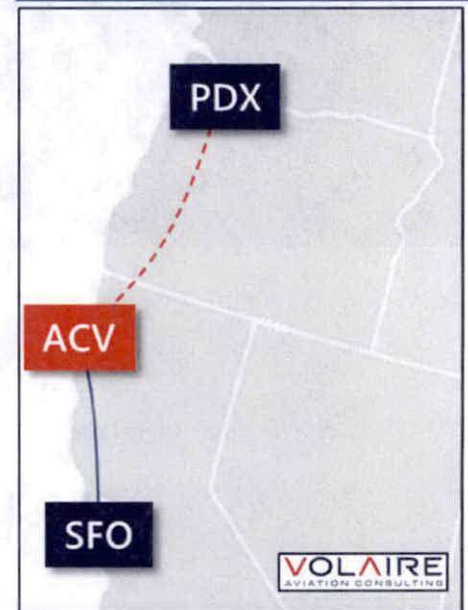
The passengers using airline service at Arcata-Eureka Airport (ACV) generate more than \$1 million in annual operating revenue to the Airport System, or about half of the revenue required to operate the entire six airport system. It is not an overstatement to say the Airport System would have difficulty operating were it not for airline passengers using ACV.

Just as this report was being prepared, the Airport System lost one of the two airlines serving the Arcata-Eureka market. On August 4, 2017, PenAir announced it would terminate service between ACV and Portland, Oregon

(PDX) effective August 8. Arcata-Eureka's airport was not alone in the loss of PenAir service, as the airline ended service between Portland and North Bend/Coos Bay, Redding, and Klamath Falls on the same date. PenAir continues to fly between Portland and Crescent City, it's only remaining route in the Pacific Northwest, but only due to a continuing multi-million-dollar annual subsidy provided by the federal Department of Transportation's Essential Air Service (EAS) program.

PenAir's abrupt cancellation of four markets indicates financial stress. It also leaves ACV with service on just one airline to one hub – United Express flights (operated by SkyWest Airlines) to San Francisco (SFO) (refer to map 1). This

MAP 1: ACV AIRLINE SERVICE
SOURCE: VOLAIRE CONSULTING



coming October, ACV available airline seats will be down almost 28% from the previous October (refer to chart 3). In October of 2016, Arcata-Eureka Airport (ACV) enjoyed an average of 344 daily

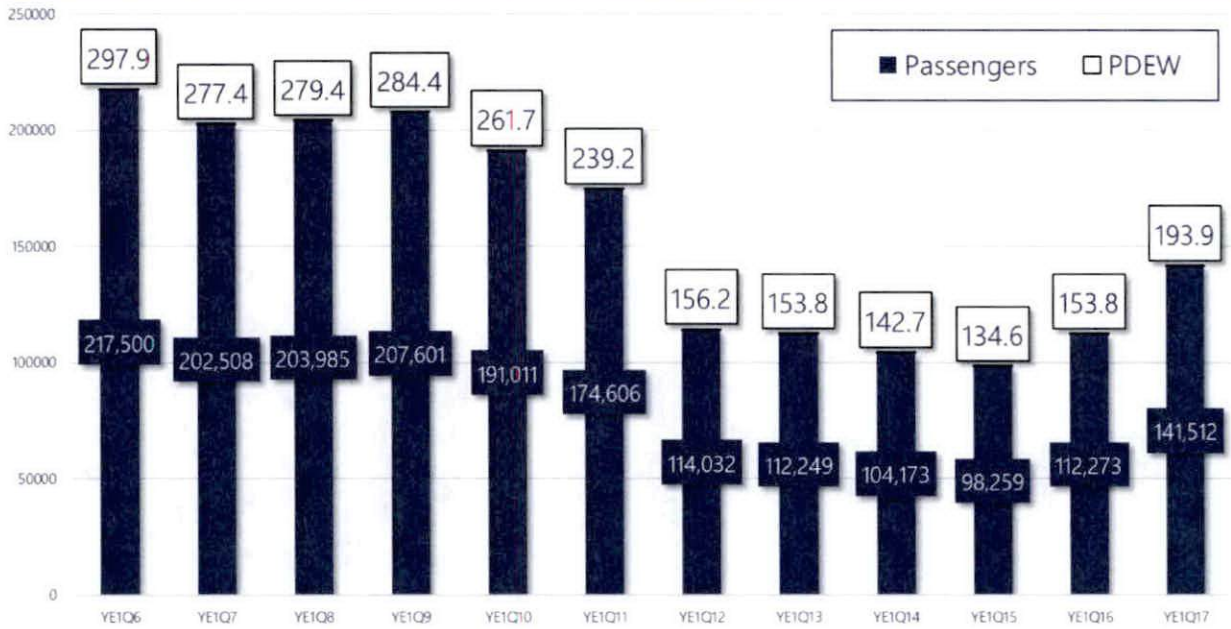
CHART 3: SCHEDULED AIRLINE SERVICE AT ACV
OCTOBER 2017 VS. OCTOBER 2016; SOURCE: OAG AIRLINE SCHEDULE FILINGS

Carrier	Non-Stop Destination	Oct-16		Oct-17		
		Departures Per Day	Seats Per Day	Departures Per Day	Seats Per Day	Capacity Change
PenAir	PDX	1	30	0	0	-100.0%
	RDD	2	60	0	0	-100.0%
PenAir Total		3	90	0	0	-100.0%
United	SFO	4.1	254	4	249	-2.0%
United Total		4.1	254	4	249	-2.0%
ACV Total		7.1	344	4	249	-27.6%

of 2017, it will have just 249 daily departing seats, limiting the number of passengers that can use the Airport. This will also have an impact on Airport System revenue.

The bright spot for ACV is the fact that, even with fewer seats, the Airport has not generated enough passengers to fill the reduced number of seats since 2010, so the ultimate impact might be planes with more passengers on each flight, and only marginal passenger loss. As of the year ended first quarter 2017, ACV captured an average of 194 passengers per day each day (PDEW), or more than 141,000 total passengers (refer to chart 4). This is still fewer than the 249 daily departing seats scheduled for October.

**CHART 4: PASSENGERS AT ARCATA-EUREKA AIRPORT (ACV)
YE1Q06 – YE1Q17; SOURCE: US DOT DATABASE OD1A**

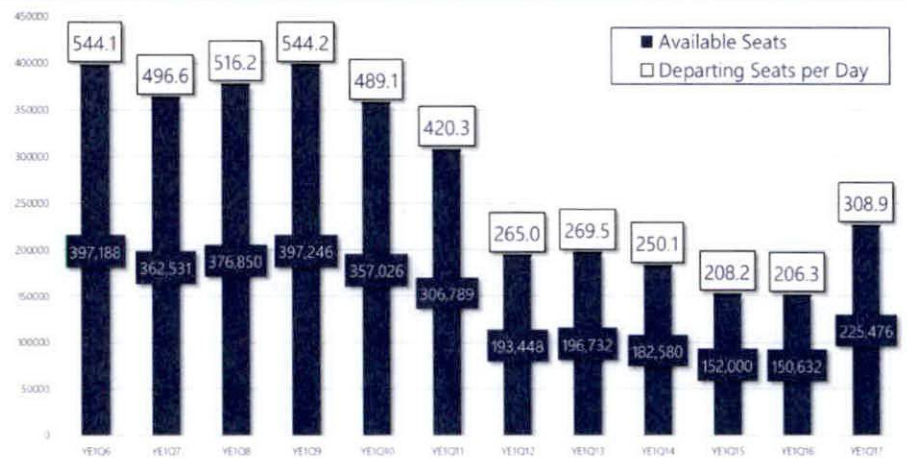


Arcata-Eureka passengers have declined 35% since the previous peak in 2006 (refer to chart 4). As of the year ended first quarter 2006, the Airport generated an average of 298 passengers per day each day (PDEW), or a total of 217,500 passengers. The reason for the decline was the loss of service. In 2010, Delta ended non-stop service to Salt Lake City (SLC).

In 2011, Alaska Airlines ended its non-stops to both Los Angeles (LAX) and Seattle/Tacoma (SEA). United was the only carrier in the market until 2016, when PenAir launched its short-lived service to Portland.

The market's airline capacity

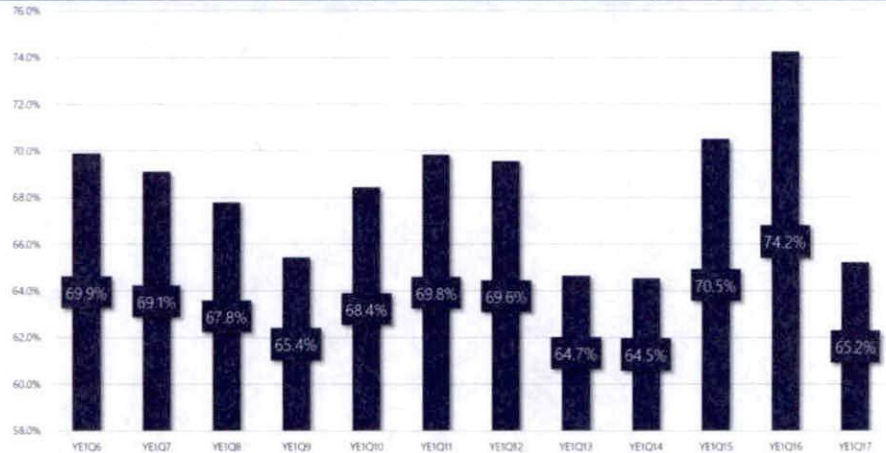
**CHART 5: AVAILABLE AIRLINE SEATS AT ARCATA-EUREKA AIRPORT (ACV)
YE1Q06 – YE1Q17; SOURCE: US DOT DATABASE OD1A**



peaked as of the year ended first quarter 2009, with an average of 544 daily departing seats (refer to chart 5).

October 2017 capacity is scheduled at 249 departing seats per day. October's capacity at ACV, offered entirely by United, represents a loss of an average of 295 departing seats per day or 54% of airline capacity in the market.

**CHART 6: LOAD FACTOR AT ARCATA-EUREKA AIRPORT (ACV)
YE1Q06 – YE1Q17, SOURCE: US DOT DATABASE OD1A**



Even with capacity fluctuations, the Arcata-Eureka market fills roughly the same number of seats. Going back to 2006, all but two years saw the average number of seats filled by paying passengers, otherwise termed the “load factor,” between

64% and 70% (refer to chart 6). Both the year ended first quarter 2015 and the year ended first quarter had load factors above 70% - the only two such years since 1990. With additional capacity on PenAir, the load factor at ACV in the year ended first quarter 2017 dropped to 65%. For comparison purposes, the average national load factor for the year ended first quarter 2017 was 84% - ACV lagged the national average by almost 20 points.

When compared directly to the United (UA) regional markets from San Francisco (SFO) operated by SkyWest Airlines, Arcata-Eureka lags the average load factor by 11-points (refer to chart 7 on next page). United service at ACV filled an average of 71% of its seats as of the year ended April 2017, the most recent data available. Just ten SFO markets ranked below Arcata-Eureka, one of which (SMX – Santa Maria) has been discontinued. The average load factor for regional service on United at SFO was 82% for the period.

In the PenAir (KS) Portland (PDX) network, ACV generated the highest percentage of seats filled of any market. As of the year ended April 2017, ACV filled almost 57% of PenAir seats, which was almost eight points higher than the hub average of 49% (refer to chart 8). Nearby Crescent City filled just 40% of available seats, but its service has a federal subsidy to cover its cost.

Despite ACV having the highest load factor in the Portland system, PenAir performed poorly in all markets. It's target load factor for all markets would have been greater than 70%, a mark it

was unable to achieve in any market since the inception of service. The airline most definitely lost money serving the Arcata-Eureka market.

The poor performance of service between ACV and Portland cannot be blamed on the Arcata-Eureka market. An analysis of the operational performance of service shows that, as of the year ended April 2017, PenAir has cancelled 79 scheduled flights on the route, or 5.4% of all scheduled flights (refer to chart 9 on next page). ACV's PenAir performance was actually better than the hub average, which saw 7.8% of all flights cancelled. But the national average for cancelled flights hovers around 1.0%. With so many flights cancelled, and many more severely delayed, Arcata-Eureka passengers could not rely upon the service to get them where they

CHART 7: LOAD FACTOR UA AT SFO
YE1Q17; SOURCE: DOT OD1A

Airport	Load Factor
AUS	89.6%
RDM	89.5%
RNO	86.4%
MFR	86.4%
PSC	85.4%
PSP	84.3%
ABQ	82.4%
FAT	82.2%
BZN	81.4%
EUG	81.1%
BOI	80.8%
TUS	77.8%
SBP	77.8%
MSO	77.3%
RDD	74.4%
JAC	73.0%
OTH	72.3%
OKC	72.2%
ACV	71.3%
OMA	70.9%
ASE	68.0%
SBA	68.0%
XNA	64.4%
SUN	62.0%
FCA	61.5%
MRY	61.3%
SMX	59.5%
MMH	56.1%
BFL	52.3%
Totals	82.3%

CHART 8: LOAD FACTOR KS AT PDX
YE1Q17; SOURCE: DOT OD1A

Airport	Load Factor
ACV	56.6%
LMT	55.5%
OTH	46.8%
RDD	44.5%
CEC	40.4%
Totals	49.0%

needed to go, so they used other carriers and sometimes other airports. This resulted in low load factors. Poor operational reliability is the main reason PenAir service from the Portland hub was not successful.

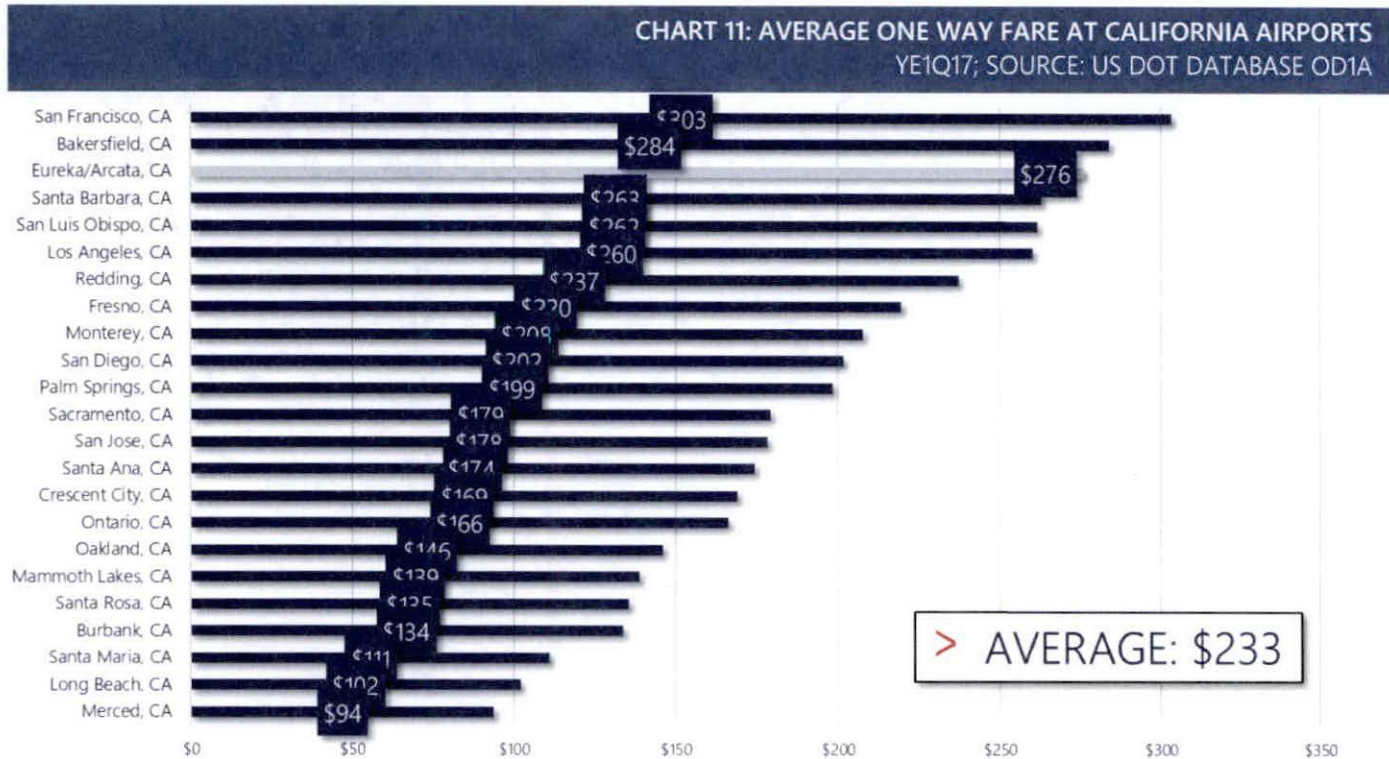
San Francisco is infamous for fog and that fog creates havoc with airline schedules. ACV's United service to SFO had a 5.0% cancellation rate as of the year ended April 2017, which was 1.4 points above the hub average of 3.6% of flights cancelled (refer to chart 10). ACV had the seventh-highest cancellation percentage for the period, which indicates some of the cancellations were caused by fog at ACV, itself. Only one market served by SkyWest as United from SFO had more cancelled flights than Arcata-Eureka's 134 – Santa Barbara with 200. Higher than average cancellations at ACV result in a slightly

CHART 9: CANCELS/KS AT PDX YE1Q17; SOURCE: DOT OD1A			CHART 10: CANCELS/UA AT SFO YE1Q17; SOURCE: DOT OD1A		
Airport	Canceled	Cancel %	Airport	Canceled	Cancel %
OTH	67	10.8%	MMH	64	29.2%
RDD	73	9.4%	MRY	108	7.6%
CEC	123	8.4%	ASE	36	7.4%
LMT	56	7.2%	OTH	34	6.4%
ACV	79	5.4%	SUN	18	6.0%
Totals	398	7.8%	JAC	17	5.1%
			ACV	134	5.0%
			RNO	115	4.7%
			RDD	101	4.7%
			PSC	36	4.5%
			SBA	200	4.4%
			TUS	72	4.2%
			RDM	97	4.2%
			SBP	95	4.1%
			BZN	16	3.8%
			MFR	112	3.7%
			PSP	104	3.6%
			FAT	71	3.0%
			BFL	35	3.0%
			EUG	22	2.4%
			XNA	16	2.3%
			BOI	57	2.0%
			OKC	13	1.8%
			OMA	7	1.5%
			SMX	9	1.4%
			AUS	9	1.1%
			ABQ	6	0.8%
			MSO	0	0.0%
			FCA	0	0.0%
			Totals	2,796	3.6%

lower load factor than similarly-situated markets. But cancellations will always be a problem from the SFO hub and there is not much the airlines or the airports can do about it without building a new San Francisco runway in the Bay.

Despite lower load factors in Arcata-Eureka, United is still highly profitable in the market. The key is the market generates higher than average fares, which make up for fewer passengers on each flight. As of the

year ended first quarter 2017, the average one-way fare, before taxes and fees, in the ACV market was \$276 (refer to chart 11). This ranks as the third highest in California, behind only San Francisco (SFO) and Bakersfield.



The overall average fare for all passengers flying into and out of California airports was \$233 one way, again net of taxes and fees, for the year ended first quarter 2017 (refer to chart 11). The fare for passengers using ACV was 19% above the average for the State. While this can be frustrating for local travelers, it is important that ACV generate a higher fare to support service on regional jet aircraft, which are more expensive to operate on a per seat basis than larger jets.

Still, high local fares cause many Humboldt County passengers to drive to other airports to catch flights. This is a problem that is common in regional markets around the world – not just in California or the United States.

It is referred to as “drive diversion” or “passenger leakage” as passengers from the local area “leak” to other airports for service.

The most recent ACV passenger retention and leakage study was completed using zip coded ticket data for calendar year 2016. It shows that just 50% of passengers traveling to and from Humboldt County via scheduled airline service used Arcata-Eureka Airport (refer to chart 12). Almost 73,000 total passengers, or an average of 199 per day, drove to San Francisco for flights – 27% of all passenger demand in the market. Another 32,500 passengers, or an average of 89 per day, drove to Sacramento for flights, representing another 12% of local passenger demand. If ACV retained just 10% more

CHART 12: HUMBOLDT COUNTY PASSENGERS BY AIRPORT
CALENDAR YEAR 2016; SOURCE: ARC TICKET DATA

RANK	ORIGIN AIRPORT	YE 4Q 2016	
		PAX	%
1	ACV	132,411	50
2	SFO	72,558	27
3	SMF	32,504	12
4	OAK	14,992	6
5	OTHER	13,904	5
Total		266,370	100

passengers traveling to and from Humboldt County it could support another daily jet flight. If ACV retained just 15% more passengers it could support a new, daily non-stop destination.

Each day, 367 airline passengers who travel to and from Humboldt County use other airports, aside from ACV, to access the area. In 2016, 133,959 total passengers traveled to and from Humboldt County through airports in the San Francisco Bay Area and the Sacramento area. With so many available passengers, there is high confidence additional service at ACV could be successful. But with lower than average load factors, prospective carriers likely believe the market has more capacity than it can fill today, not understanding the unique factors that work against full flights.

To overcome this perception the community will have to aggressively incentivize additional air service through fee use waivers at the airport, marketing cash, and larger revenue guarantees under which the community takes the commercial risk on new flights instead of putting that risk entirely on the carrier beginning service. Other communities use the financial levels to recruit additional service under similar circumstances.

Further air service development strategy will be explained later in this report. In on-site interviews with regional airport stakeholders, the importance of airline service to the community was made clear. Stakeholders said they need additional air service for doctor recruitment. Beyond that specific situation, stakeholders believe additional service is the key to attracting new and expanded business to the County. Moreover, air service is critical to both the regional economy and the airport system budget.

ON-FIELD BUSINESS

The majority of Humboldt County Airport System operating revenue that is not related to scheduled airline service comes through land and facilities leases at the County's airports. These leases were detailed in the Airport System Financial Analysis document, completed in June of 2017. This report is not designed to go back through the leases in detail, but it is important to provide an overview of lease revenue since it is such a large portion of the system's operating revenue.

Together, land leases and building leases on the County's airports generate \$250,000 per year, according to an analysis of internal County revenue statements for fiscal year 2016. Building leases, rented by square foot, generate a little more than \$171,000 per year while land leases, also by square foot, generate almost \$77,000 per year in revenue.

Lease rates, however, vary greatly, and not just by airport. They vary greatly at each airport by tenant. The current County lease rate for new leases on space in existing buildings is 79-cents per square foot per month. The current County land lease rate is 35-cents per square foot per year. Many tenants' leases remain from agreements that were signed a number of years ago, with much lower rates than current. It would benefit the airport system to develop a set of standard lease rates based on the quality of the land being leased and in the interest of maximizing land lease revenue without discouraging use of the land.

FUTURE STRATEGIC OPTIONS



Before a formal strategic plan can be developed, a wide range of potential strategic options must be analyzed, and then compared to each other in terms of potential success. Due to the number of airports in the Humboldt County system – six throughout the County – there is no shortage of potential business development options. Some options are strong for the short-term while others are better suited for long-term planning.

This report is designed to lay out each option for future development, before determining which options should be included in the final strategic plan. Instead, in this report, each option's strengths, weaknesses, opportunities, and the threats will be analyzed, in order to give a clear picture of the steps ahead should the option be chosen as a strategic goal in the future. This report is the foundation on which the final strategic plan for the Airport System will be built.

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FOR THE AIRPORT SYSTEM
WILL BE BUILT.”**

The options included in this report come from a combination of sources, including independent analysis by consultants at Volaire Aviation, input from the airport division and Public Works, input from elected officials, suggestions from airport stakeholders, and experience and expertise from other airport systems. Some options must be included in the strategic plan for the Airport System, such as air service development. Other options may not be developed beyond this document. But the goal of this document is to lay out all potential business and strategic options so Airport System leadership can determine the best path forward.

SWOT: AIR SERVICE DEVELOPMENT

While the Humboldt County market has a lot of attractive attributes for airlines analyzing where to allocate additional capacity, it is not without its weaknesses and threats. In an on-site meeting, Airport System stakeholders developed a SWOT (strengths, weaknesses, opportunities, and threats) analysis for air service development – the expansion of airline service at Arcata-Eureka Airport (ACV) (refer to chart 13).

CHART 13: ARCATA-EUREKA AIRPORT (ACV) AIR SERVICE DEVELOPMENT SWOT
SOURCE: VOLAIRE AVIATION CONSULTING

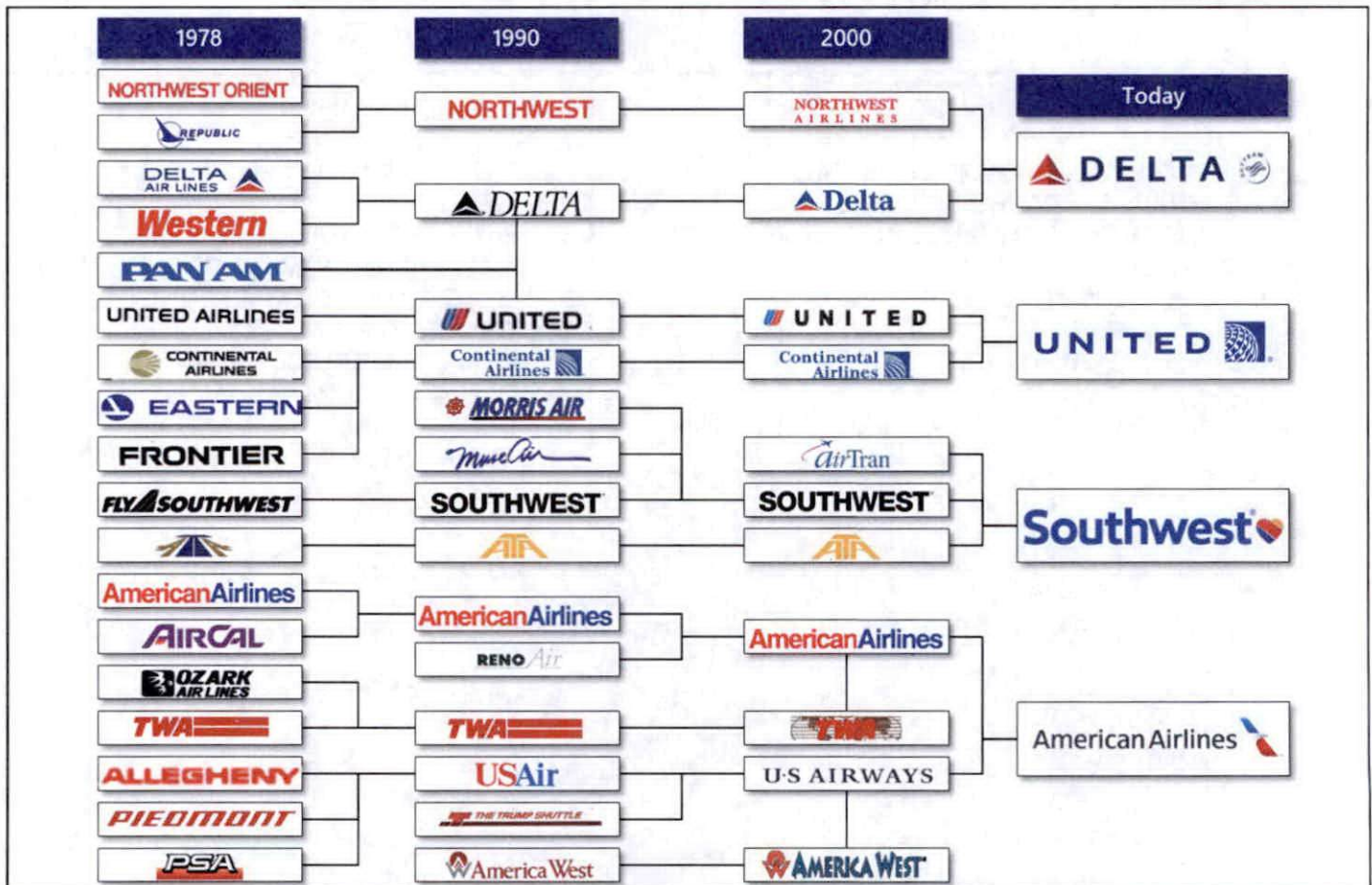
		STRENGTHS	WEAKNESSES
INTERNAL		<ul style="list-style-type: none"> > FLY HUMBOLDT/AIR SERVICE COALITION > QUALITY OF CAR PARKING AT ACV > MEDIA SUPPORT > SPACE FOR GROWTH IN PASSENGER TERMINAL > WEATHER MONITORING SYSTEM/AWOS > LOW AIRLINE COSTS > CURRENTLY SUCCESSFUL/PROFITABLE SERVICE > CURRENT SCASD GRANT FUNDING 	<ul style="list-style-type: none"> > RUNWAY LENGTH AT ACV/AIRCRAFT SIZE > WEB PRESENCE > MARKETING AND BRAND AWARENESS > DECISION-MAKING TIME WITH COUNTY GOVERNANCE
		<ul style="list-style-type: none"> > INCREASED INBOUND TOURISM > RNAV APPROACHES > LOBBYING FOR CHANGE IN PILOT REGULATIONS > TARGETED NEW SERVICE: <ul style="list-style-type: none"> > LOS ANGELES > SEATTLE > SALT LAKE CITY > DENVER > INCREASING SIZE OF MARKET/POPULATION 	<ul style="list-style-type: none"> > SAFETY AREA ENCROACHMENT > WEATHER > PILOT SHORTAGE > FLEET MIX/RETIREMENT OF SMALLER AIRCRAFT > LIMITED TOURISM MARKETING > CHANGING REGULATIONS > COMMUNITY PERCEPTIONS > OPERATIONAL PERFORMANCE > DRONES > COMPETITION WITH OTHER AIRPORTS
EXTERNAL			

This SWOT analysis guides the process of determining which air service development efforts might lead to successful service and which are likely to fail. There is strong local support for air service, and a strong local coalition that wants to do whatever it can to recruit and support new service. At the same time, ACV is limited by its runway length in the types of aircraft it will be able to host.

There are several external threats, outside the County's control, that will determine future success in air service development. These include a growing pilot shortage, a decreasing number of airlines, a shrinking fleet of aircraft in commercial service, and a general impression among many airline executives that smaller markets are not worth the financial risk as compared to larger markets.

Airline mergers have set in motion a huge reduction in both competition and the number of cities with scheduled service. Since 2001, 94 cities in the US have lost all scheduled airline service. The airline industry was deregulated in 1978, allowing airlines to fly wherever they want without applying for government approval. In 1978 there were 18 major airlines in the country (refer to chart 14). Today, those 18 have been merged into four mega-carriers that carry 89% of all passengers.

CHART 14: NETWORK AIRLINE MERGERS SINCE DEREGULATION
1978 – PRESENT; SOURCE: VOLAIRE AVIATION CONSULTING

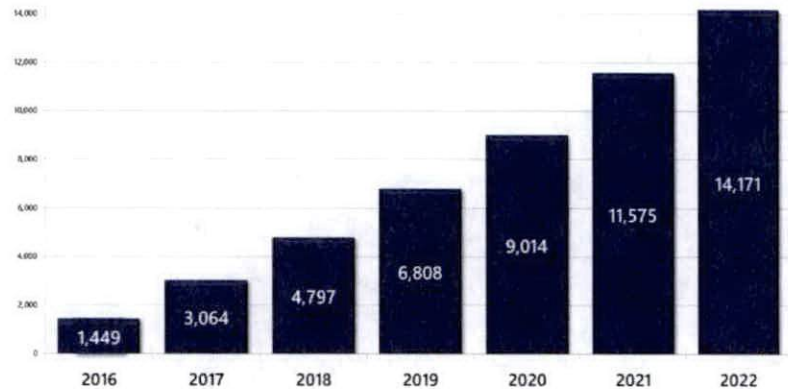


Smaller carriers still exist, but they have been pushed to the margins of the industry. Combined, airlines such as Alaska, JetBlue, Virgin America (now owned by Alaska, and soon to be merged into Alaska), Frontier, and Spirit carry less than 10% of US passengers. Outside of Alaska, none of these carriers serve smaller communities like Arcata-Eureka.

ACV's airline targets are subsequently limited. The only carriers serving cities like Arcata-Eureka are United (which already serves ACV), American, Alaska, and Delta. Delta has cut service to 44 smaller cities in the last decade, including ACV. That means the only real targets for service expansion, outside of smaller regional carriers, are American, Alaska, and United. These three airlines must weigh potential expansion at ACV against their entire networks, which collectively serve more than 500 cities. It is easy to see that the competition is not from nearby cities in California – competition for aircraft and crew time is worldwide, meaning the ACV business case has to be better than dozens, if not hundreds, of other routes.

The competition for crew time has never been more intense. In 2012, the Federal Aviation Administration (FAA) increased the number of hours of pilot experience required to fly a commercial aircraft from 250 to 1,500. At the same time, new crew rest requirements reduced crew productivity by 25%. These changes have resulted in a profound pilot shortage nationwide.

CHART 15: CUMULATIVE PILOT RETIREMENTS IN THE US
2016 – 2022; SOURCE: REGIONAL AIRLINE ASSOCIATION

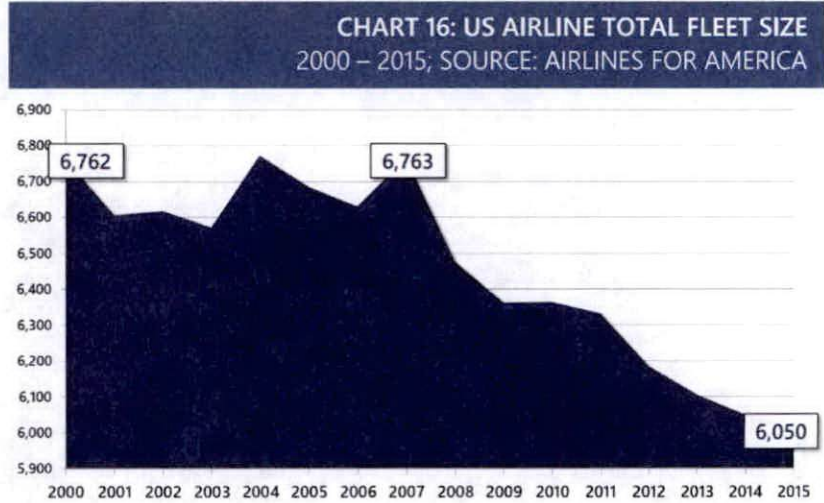


Additionally, pilots are required to retire at the age of 65. By 2022, more than 14,000 pilots in the US face mandatory retirement (refer to chart 15). Today, all regional airlines in the country collectively employ 17,000 pilots. By 2022, 82% of regional pilots will be absorbed by major carriers. Meanwhile, only 1,000 new pilots are being certified each year. By 2022, there will be just 6,000 new pilots to fill at least 14,000 open jobs. More

communities will lose service because airlines will not be able to fly as many regional aircraft as they do today.

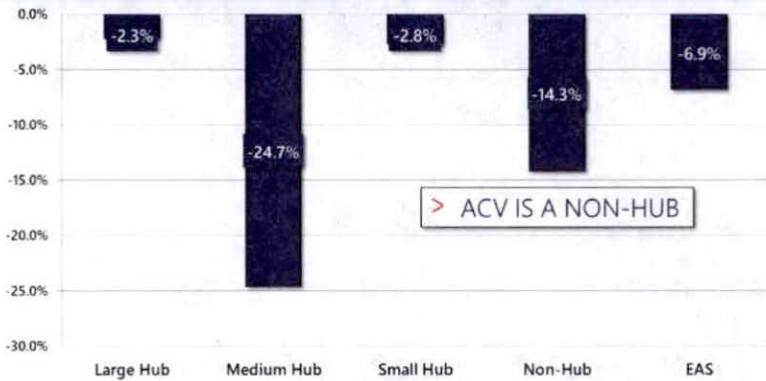
The pilot shortage likely contributed to PenAir’s decision to end service at ACV.

With airlines finding it more difficult to hire qualified pilots, they have been rapidly reducing the size of their fleets of aircraft. Since the middle of 2007, airlines in the US have retired 11% of their fleet, removing more than 700 aircraft from service (refer to chart 16). They have also moved away from smaller aircraft, like the 30-seat turboprops that United used to use in the Arcata-Eureka market, to larger jets, like the 76-seat jets United now uses on some ACV flights. Only markets that can support larger jets with sufficient passenger demand will retain service.



Fleet retirement has caused each size airport in the US to lose capacity. ACV is classified as a non-hub. Airports in that classification have lost an average of 14% of available airline seats since 2005 (refer to chart 17). ACV, itself, has lost 54% of capacity since 2005 – almost four times the average in airports of its size.

CHART 17: CHANGE IN SCHEDULED AIRLINE DEPARTING SEATS 2005 – 2015; SOURCE: OAG AIRLINE SCHEDULE DATA



Only medium hub airports, which generate about 20-times the passengers of ACV, have lost more seats than non-hubs.

Despite these factors, it is clear ACV can support additional flights, and new destinations. As previously mentioned, Arcata-Eureka Airport retains just 50% of passengers traveling to and

from Humboldt County, with many driving to San Francisco and Sacramento to catch flights.

When all Humboldt County airline passengers are considered – not just those that fly in and out of ACV – it is clear there are a number of large markets that could support non-stop service. For example, the Los Angeles Basin airports (Los Angeles, Orange County, Burbank, and Ontario) generate a total of 50.5 passengers per day each way (PDEW) to and from Humboldt County, with less than 50% flying in and out of ACV (refer to chart 18).

While Los Angeles is Humboldt County’s top unserved market, Portland now ranks second with the loss of service on PenAir (refer to chart 18). The Portland market generates an average of 19.3 local passengers per day each way (PDEW) – not including passengers who connect to other flights at PDX.

The markets of Phoenix, Denver, Seattle/Tacoma, and Salt Lake City could all provide good connection opportunities for Humboldt County passengers, but they also have relatively strong local passenger demand. Phoenix generates an average of 13.8 passengers per day each way (PDEW) locally, while Denver generates 12.5 PDEW, Seattle generates 5.9 PDEW, and Salt Lake City generates an average of 4.3 PDEW (refer to chart 18).

A list of air service development targets will constantly change, as it must be built around airline strategy, and no airport can control strategy. It is the job of the airport to tailor its targets to an established airline business plan. The most successful airports can do this nimbly, changing the focus of their air service development programs based on airline feedback.

CHART 18: HUMBOLDT COUNTY'S TOP 25 TRUE PASSENGER MARKETS
CALENDAR YEAR 2016; SOURCE: ARC TICKET DATA

RANK	DESTINATION	ACV O&D PAX	DIVERTED PAX	TRUE MARKET PAX	TRUE MARKET PDEW
1	Los Angeles, CA	8,149	9,189	17,338	23.8
2	Portland, OR	10,956	3,118	14,075	19.3
3	San Diego, CA	7,290	6,733	14,023	19.2
4	San Francisco, CA	13,037	296	13,333	18.3
5	Las Vegas, NV	3,988	8,037	12,025	16.5
6	Phoenix, AZ (PHX)	2,902	7,172	10,074	13.8
7	Denver, CO	4,615	4,520	9,134	12.5
8	Orange County, CA	4,992	3,905	8,897	12.2
9	Newark, NJ	3,544	2,365	5,909	8.1
10	Burbank, CA	2,713	2,947	5,660	7.8
11	Chicago, IL (ORD)	3,023	2,170	5,193	7.1
12	Washington, DC (IAD)	2,588	2,583	5,171	7.1
13	Ontario, CA	2,981	1,922	4,903	6.7
14	Boston, MA	2,551	2,069	4,620	6.3
15	Minneapolis, MN	2,053	2,531	4,584	6.3
16	Honolulu, HI	1,399	2,982	4,381	6.0
17	Seattle, WA	2,040	2,240	4,280	5.9
18	New Orleans, LA	748	2,619	3,367	4.6
19	Salt Lake City, UT	1,463	1,642	3,105	4.3
20	Houston, TX (IAH)	1,905	965	2,870	3.9
21	Orlando, FL (MCO)	1,256	1,351	2,608	3.6
22	Dallas, TX (DFW)	1,320	1,259	2,579	3.5
23	Detroit, MI	873	1,639	2,511	3.4
24	Kona, HI	611	1,851	2,462	3.4
25	Philadelphia, PA	1,662	777	2,439	3.3
Top 25 Domestic		88,658	76,882	165,540	226.8
Total Domestic		123,963	111,662	235,625	322.8

In on-site interviews in Eureka, Airport System stakeholders were clear in their priorities for service – and Los Angeles was their number one target. Regional chambers of commerce, hospitals, and other businesses ranked LA service as their #1 priority. Humboldt State University also needs access to Southern California as 40% of its students come from that area.

With non-stop service provided only to San Francisco, there are many potential target routes for airline expansion at Arcata-Eureka Airport. Among the targets are Los Angeles, Portland, Phoenix, Denver, Seattle/Tacoma, and Salt Lake City (refer to map 2). Each market has at least one airline with a hub, which is critical for the connectivity required to make small community air service successful.

MAP 2: AIR SERVICE DEVELOPMENT TARGET MARKETS
SOURCE: VOLAIRE AVIATION CONSULTING



Los Angeles service would likely be operated to LAX. Several potential target airlines operate hubs at LAX, including Alaska, American, and United. In Portland, Alaska would be the main target for service, as it is the only hub carrier at PDX. American operates the only major airline hub at Phoenix, so it would be the natural target for service. In Denver, United has a huge hub that would be the main target for service, but Frontier also operates a small hub and has recently added limited service to smaller communities. Both Alaska and Delta operate hubs at Seattle/Tacoma, although Alaska is much more aggressive in its expansion in small communities than Delta. Delta hubs at Salt Lake City, and it used to serve the ACV – Salt Lake City route, but it has shied away from small community expansion in recent years.

While a strong business case can be made for service on any of these routes, Humboldt County will be competing against communities all over North America for the aircraft and crew time. For it to move to the top of the list of potential new routes, it will not only have to aggressively court target airlines, but offer best-in-class incentives to reduce airline risk in starting a new market. It is highly unlikely ACV will win additional service on the business case alone. The County has an opportunity to leverage a rejuvenated Fly Humboldt air service development organization to build an enhanced incentive program and land additional flights.

ROLE OF FLY HUMBOLDT

Fly Humboldt supports and promotes air service at Arcata-Eureka Airport. It was created by volunteers to both promote service and recruit new service and it is not affiliated directly with the County of Humboldt. However, it is known and the group is dedicated to improving air service in the community. And while it has no funding or other support, it could be formalized into a non-profit or foundation with a board and mission of promoting and expanding air service at ACV.

**“MOST COMMUNITIES THAT
SEEK TO INCENTIVIZE AIR
SERVICE DO SO THROUGH
OUTSIDE THIRD PARTIES
BECAUSE OF LIMITATIONS ON
AIRPORT INCENTIVES IMPOSED
BY FEDERAL LAW.”**

Many communities use similar formal organizations for air service development. Most communities that seek to incentivize air service (which includes virtually all non-hub airports in the country) do so through outside third parties because of limitations on airport incentives imposed by federal law.

The Federal Aviation Administration (FAA) puts many restrictions on the use of airport revenue to ensure fair treatment to all airport users. The key to determining legal uses of airport revenue lies in the definition of different types of income generated by an airport and the source of that income. In general, airport revenue cannot be used for air service incentives outside of fee waivers and marketing support, and only for a limited

period of time. However, the FAA does not lump all airport income into the definition of "airport revenue," making it legal for airports to use some other income sources to support air service beyond waivers and marketing incentives.

The critical factor in determining the legal use of airport income is the definition of "airport revenue." The FAA currently defines "airport revenue" as:

"Airport revenue generally includes those revenues paid to or due to the airport sponsor for use of airport property by the aeronautical and nonaeronautical users of the airport. It also includes revenue from the sale of airport property and resources and revenue from state and local taxes on aviation fuel.

"Revenue generated by the airport for the aeronautical and nonaeronautical use of the airport includes, but is not limited to, the fees, charges, rents, or other payments received by or accruing to the sponsor from air carriers, tenants, concessionaires, lessees, purchasers of airport properties, airport permit holders making use of the airport property and services, etc."

The FAA does not allow airport revenue, in any form, to be used for certain incentives to develop or support airline service. Specifically, FAA policy reads:

"The direct subsidy of air carrier operations is a prohibited use of airport revenue. Prohibited direct subsidies do not include support for airline advertising or marketing of new services to the airport."

Airports are allowed to use “airport revenue” to market their service and to provide fee waivers under current FAA regulations – with one caveat. Airports may not place a burden on incumbent carriers, in the form of increased airport fees, in order to raise money for incentives for new carriers or new service.

There is no comprehensive research available to determine the number of airport authorities and districts leveraging their tax income to support airline service. Limited research has been done on the topic, and because of the often-confidential nature of airline negotiations and agreements, it can be difficult to find detail on how the programs are structured.

However, a number of destinations have been open in discussing how they have leveraged tax income to support new service. Two major ski resort destinations in Colorado use sales taxes to support service (refer to chart 19). A ski resort in California has been open about its use of a hotel tax to guarantee airline revenue on new routes. The City of Bismarck, North Dakota used general fund tax revenue for new service. While the State of Wyoming continually subsidizes service to its remote airport through tax income.

CHART 19: AIRPORTS LEVERAGING TAX REVENUE FOR AIRLINE SERVICE
SOURCE: VOLAIRE AVIATION ANALYSIS

Market	Type of Tax	Annual Amount	Service Supported	Type of Program
Gunnison, CO	Sales (1%)	\$3,500,000	Alaska Airlines, Los Angeles American Airlines, Chicago and Dallas/Ft. Worth United Airlines, Houston	Revenue Guarantee Revenue Guarantee Revenue Guarantee
Steamboat Springs, CO	Sales (0.25%)	\$4,000,000	Alaska Airlines, Seattle/Tacoma, San Diego United Airlines, Houston	Revenue Guarantee Revenue Guarantee
Mammoth Lakes, CA	Hotel Tax	\$1,500,000	Alaska Airlines, Seattle, San Diego, Orange County United Airlines, Los Angeles, San Francisco	Revenue Guarantee Revenue Guarantee
Bismarck, ND	City Gen. Fund	\$200,000	Frontier Airlines, Denver	Revenue Guarantee
State of Wyoming	Income Tax	\$6,400,000	Multiple Services to Multiple Airports	Direct Subsidy

The county in which Gunnison, Colorado's airport sits collects a 1% sales tax on behalf of the airport (refer to chart 19). That funding, which totals roughly \$3.5 million per year, is used exclusively for developing new and enhanced air service. In the last five years, the funding has led to new service from three airlines on four new

routes, illustrating its success. It is important to note; the funding never touches the airport. While the airport works on airline recruitment, all of the air service agreements are signed directly between the county and the air carrier, so as to avoid airport non-discrimination FAA rules.

The same arrangement is used in Steamboat Springs, Colorado, where Hayden County collects the sales tax and negotiates revenue guarantee agreements with airlines independently. The tax in Steamboat generates roughly \$4 million per year and has been used in the last three years to leverage service on two carriers to three new markets (refer to chart 19 on previous page).

In Mammoth Lakes, California, the airport receives funding from hotel taxes and a Tourism Business Improvement District

(TBID), put into effect in September 2013, with a five-year life. The funds from the TBID are collected by the town of Mammoth Lakes and then distributed by Mammoth Lakes Tourism, a 501(c)6 nonprofit. The TBID money is used to provide minimum revenue guarantees to the airlines, but again, the guarantee comes from the non-profit and the tax never touches the airport, itself.

In Bismarck, North Dakota, the City owns and operates the airport. The City used general fund revenue, from property taxes, to fund a revenue guarantee for Frontier Airlines service (refer to chart 19 on previous page). Again, because the tax revenue was not collected by the airport, itself, it did not have to abide by FAA non-discrimination rules. The Frontier service, in fact, was launched on a route where an incumbent already provided daily service (United to Denver).

In all of these cases, the tax funding is provided a revenue guarantee to a carrier – and not a direct subsidy. A revenue guarantee agreement includes a negotiated target-revenue amount for the carrier to earn. If the carrier earns less than the targeted amount, the community makes-up the difference. If the airline earns more than

“...ALL OF THE AIR SERVICE AGREEMENTS ARE SIGNED DIRECTLY BETWEEN THE COUNTY AND THE AIR CARRIER, SO AS TO AVOID AIRPORT NON-DISCRIMINATION FAA RULES.”

the targeted amount, the community owes nothing. These agreements reduce community risk and still provide an airline with its targeted margin on a new route.

The State of Wyoming's airport system uses a straight subsidy methodology on its airline-support projects. Wyoming subsidizes service to four of its airports. The Air Service Enhancement Program subsidizes flights to the Yellowstone Regional Airport in Cody, the Jackson Hole Airport, the Gillette-Campbell County Airport, and the Rock Springs airport. The direct subsidy is paid to the airline regardless of the number of passengers it carries or the revenue it earns.

CHART 20: AIRPORTS WITH OTHER ANNUAL PROGRAMS TO SUPPORT AIRLINE SERVICE
SOURCE: VOLAIRE AVIATION ANALYSIS

Market	Type of Support	Annual Amount	Service Supported	Type of Program
Eagle/Vail, CO	Business Guarantee	\$500,000	Air Canada, Toronto	Revenue Guarantee
			American Airlines, New York Kennedy	Revenue Guarantee
Telluride, CO	Business Guarantee	Varies	American Airlines, Dallas/Ft. Worth	Revenue Guarantee

Other resort destinations lean on local businesses (primarily the resorts, themselves) to develop airline service. Research shows both Eagle/Vail and Telluride, Colorado have business coalitions that collect funding from resorts and associated companies to be used for airline revenue guarantees in the support of new service (refer to chart 20).

Humboldt County lacks a large resort or a single large business that could fund guarantees for new service. Fly Humboldt has done a good job getting airline attention by developing non-financial support from many local stakeholders. But to truly be able to compete with the airports listed above, a permanent air service development fund, independent of the Airport System, must be developed. Funding for this could come from many sources, but it will likely need some kind of government component.

In on-site interviews, many stakeholders were supportive of an additional room tax option with the Humboldt Lodging Alliance, with all funds dedicated to an air service development fund that could either be administered by the County or by an independent non-profit in the form of Fly Humboldt. This could provide a continuous flow of funding for the development of airline service, putting ACV in position to compete with other airports for the precious resource of aircraft and crew time.

PARKING CHANGES

As mentioned in the previous financial analysis document, airline passenger vehicle parking is one of the main sources of revenue for the system. The County outsources the management of its parking operation to Republic Parking on a 20-year contract that will expire in 2021. Under this contract, Republic collects all gross receipts for parking fees and pays the County rent based on its share of those receipts. Republic is responsible for staffing the kiosk, but the County is still responsible for all maintenance and upkeep of the parking lots.

In 2015, Arcata-Eureka Airport (ACV) passenger vehicle parking generated more than \$400,000 in total gross receipts (refer to chart 21). Based on the agreement with Republic, the County only retained 56% of the gross receipts, or \$223,000, with the rest going to Republic. In 2016, parking gross receipts increased by 30%, to almost \$519,000. But the County only retained 59% of the revenue – a total of just over \$305,000.

CHART 21: BREAKDOWN OF ACV PARKING RECEIPTS
SOURCE: REPUBLIC PARKING REPORTING

Year	Gross Parking Fees	County Share	Republic Share	County %
2015	\$400,306	\$223,007	\$177,299	55.7%
2016	\$518,721	\$305,327	\$213,394	58.9%
Total	\$919,027	\$528,334	\$390,693	57.5%

Over the two-year period from 2015 to 2016, Republic Parking generated almost \$391,000 in total revenue from managing the parking lots at ACV (refer to chart 21). Republic, based on its agreement with the County, retained 42.5% of all parking revenue for the two-year period.

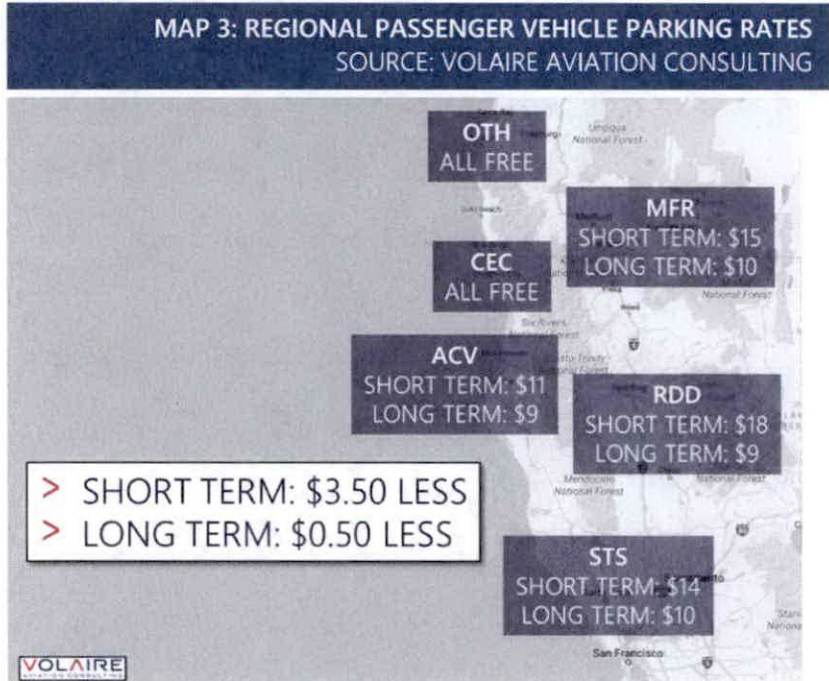
It is recommended, at the conclusion of the Republic Parking contract, the County take over the management of the ACV parking operation. Parking automation, including all equipment and technology required, costs between \$250,000 and \$450,000 to install, based on which system an airport chooses. The County can cover the expense of installing the system in just two years through the re-patriation of revenue currently being spent on Republic management. Beyond the two-year payoff phase, an automated system would allow the County to access at least \$200,000 per year in additional parking revenue based on recent financial results.

Arcata-Eureka Airport also has the cheapest parking rates among peers with similar levels of airline service. ACV's short-term rate caps at \$11

per day while its long-term rate caps at \$9 per day (refer to map 3). Medford, Redding, and Santa Rosa all have higher short-term rates, and two of the three have higher long-term parking rates. The average short-term rate in the region is \$3.50 more than ACV's rate and the average long-term rate is 50-cents more.

Based on this disparity, it is recommended that the County raise the cap on the short-term passenger parking rate to \$14 per day. It is also recommended that the cap on the long-term parking rate be raised to \$10 per day. It is forecasted that this will increase total parking receipts by \$25,000 to \$50,000 per year, with about half that amount going directly to the Airport System after its payment to Republic Parking.

One other current challenge with passenger vehicle parking at ACV is the ability of passengers to avoid parking in the actual lot. Airport employees report people park illegally on the streets surrounding the airport to avoid



paying for parking. It is recommended that the County and Airport System work together to begin to crack down on this practice, which will likely raise revenue by pushing people to parking lots and legal parking.

RENTAL CAR FACILITY

The current service facility for rental cars at Arcata-Eureka Airport is inadequate for the tenants' needs. The service center is not the area where the cars are rented and dropped off and it is entirely outdoors next to an aging building. This makes the work of preparing cars for their next rental difficult, at best, and in many cases impossible in inclement weather.

Planning for the development of a permanent rental car service facility has already started. The facility could, additionally, include an automatic car wash, which is not present on the field. This could be used to provide an additional service to those who park their cars at the airport while traveling, generating additional Airport System revenue. High traffic automated car washes report earnings between \$750,000 and \$850,000 per year.

The facility has not yet been designed, so the Airport System has no solid cost estimate. In research for this section of the report, no other similar project could be found through open records.

However, in research of other automated cash wash construction projects, which mirror this project, the cost estimate ranges from \$600,000 on the low end to \$1 million on the high end.

The cost of the facility would be paid through rental car fees, passed on to consumers who rent cars at ACV. Current rental car tenant companies are supportive of the concept. The potential challenge from this funding source would be the potential loss of air service. While deemed unlikely, a loss of air service would likely cause

“THE FACILITY COULD, ADDITIONALLY, INCLUDE AN AUTOMATIC CAR WASH... USED TO PROVIDE AN ADDITIONAL SERVICE TO THOSE WHO PARK THEIR CARS AT THE AIRPORT...”

rental car companies to pull service from the airport. This would leave the airport's owner on the hook for any additional debt owed on the facility.

PET CARE FACILITY

There is no large animal boarding and pet care facility near Arcata-Eureka Airport. Many travelers seek to board their pets while they travel, so it is possible a pet care facility could be well-used if located near ACV. The County has plenty of land on which to develop a facility, but the question would be who operates the facility, and is it built with County funds and leased, or does the County recruit a company to start the business and build it themselves?

A recent study of veterinary clinics and boarding facilities designed to benchmark the cost of building new locations showed the median square footage of a facility was 6,775. The average cost to build a facility was \$120 per square foot,

or a total of \$813,000 (refer to chart 22). This estimate does not include the cost of purchasing all the equipment that would be needed to operate the facility, including actual kennels, computer systems for record keeping, and other creature comforts. Facilities are often more expensive in California due to strict animal treatment regulations. The costs of these "extras" is estimated at \$71,000.

A pet care and boarding facility has many on-going costs, but the largest of them is labor. It is estimated it would cost \$18,000 per month, or \$216,000 per year to staff a limited facility (refer to chart 22). Total ongoing annual costs are estimated at \$233,520 per year. The total first year investment would be almost \$1.2 million.

CHART 22: COST OF PET CARE FACILITY AT ACV
SOURCE: VOLAIRE AVIATION CONSULTING

Item	Average Start-Up Cost	Average Monthly Cost	Average Annual Cost
Facility Construction	\$813,000		
Facility Build-Out	\$50,000		
Insurance	\$800	\$650	\$7,800
Basic Equipment	\$5,000		
Grooming Equipment	\$3,750		
Signage	\$3,500		
Computer Systems	\$5,000	\$50	\$600
Advertising		\$500	\$6,000
Permits and Licenses	\$1,200	\$100	\$1,200
Utilities	\$600	\$150	\$1,800
Web Site Design	\$850	\$10	\$120
Staffing		\$18,000	\$216,000
Total	\$883,700	\$19,460	\$233,520

In order for a pet care facility to break even based on the estimates provided, but not including the one-time building and start-up costs, it would need to welcome 6,672 overnight pets per year at a nightly cost of \$35 per pet. This averages to 18 pets per night. This estimate does not include grooming income. In order to reach this number, 19% of all local airline passengers would have to house pets at the facility. It is difficult to imagine that demand for the facility would be that high. But if the facility could also leverage other customers, it could potentially be viable outside the start-up cost.

ACV TERMINAL RESTAURANT

While smaller, regional airports with less than half million annual passengers typically have difficulty generating sufficient business to support in-terminal restaurants, ACV had a successful restaurant for many years and has an ideal space, on the second floor of the terminal, for a new restaurant. Those regional airports, such as San Luis Obispo, that are able to support on-field restaurants, mainly because they are located in areas near local population with few dining options. This is certainly the case at ACV with nearby McKinleyville.

This project has been stalled for a number of months, despite the fact that the County and the Airport System have dedicated up to \$250,000 to build out the space. According to Airport System stakeholders interviewed on-site, the planning for the restaurant has been slow, mainly because the Public Works Department has many higher-priority jobs in the queue ahead of the restaurant. Still, many believe the Airport System is losing revenue by not working expeditiously to find a tenant and get the restaurant open.

Airline representatives were clear in on-site interviews that they believe passengers will make a habit of using the restaurant. They said they often get requests for a full-service restaurant and have no options to which to send passengers. Additionally, when flights are delayed, airlines report their passengers would often like a restaurant in which to pass the time, especially if Wi-Fi is offered for free.

Local businesses interviewed for this report said they would use the restaurant at ACV for business meetings.

Many businesses, such as the hospitals, would like to conduct new employee interviews right at the airport to make trips much quicker.

It is recommended the Airport System and the County fast-track the development of the airport terminal space at ACV for a restaurant. It is then recommended that the Airport System begin an expedited recruitment of a restaurant operator for the space.

SWOT: AIR CARGO

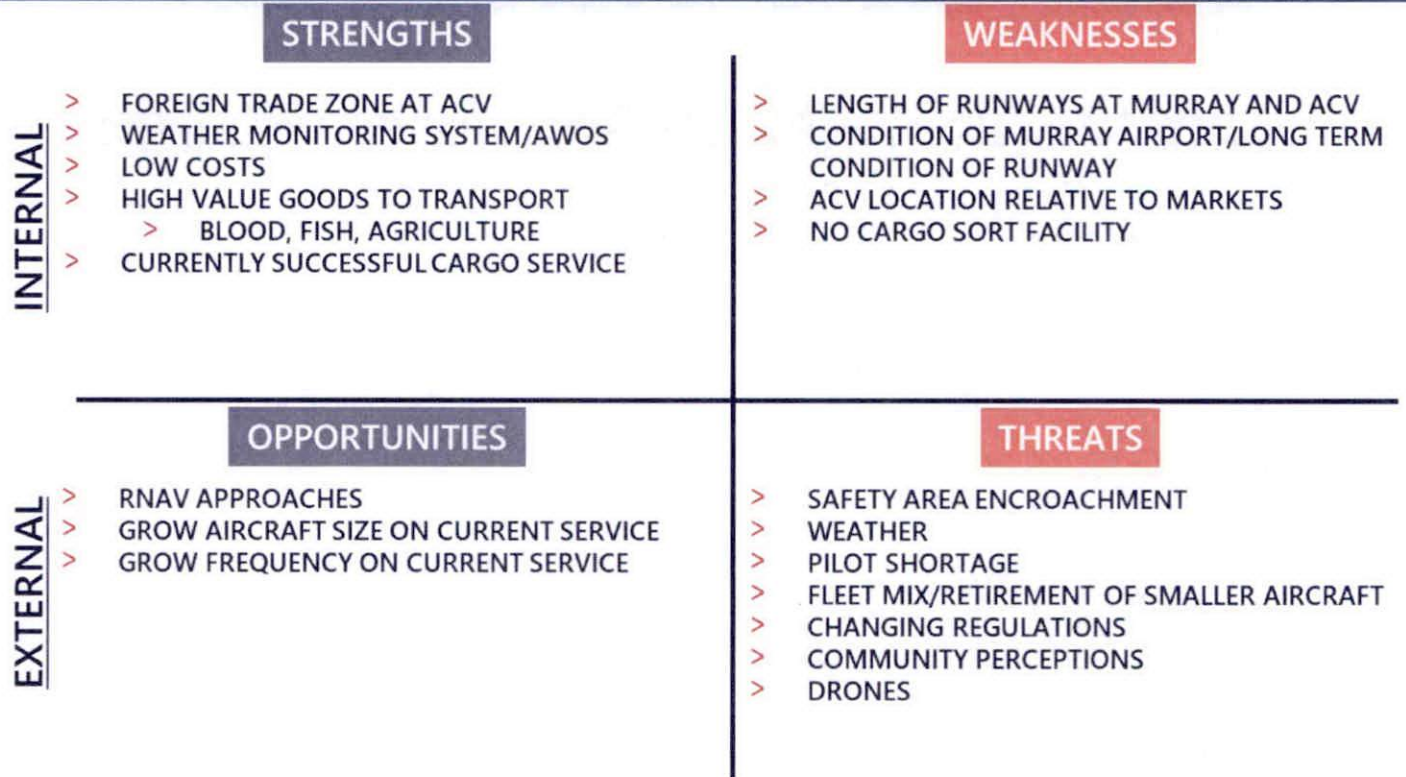
More than 3,400 pounds of air cargo is shipped through Humboldt County airports, on average, each day. Cargo is critical to the isolated regions within Humboldt County. Typically, the main cargo airport in a community is the same airport that hosts scheduled passenger airline flights. That is not the case in Humboldt County, where Murray Field, near Eureka, is the main cargo airport while Arcata-Eureka Airport captures only cargo transported on passenger airline flights.

The Airport System stakeholder group completed a SWOT (strengths, weaknesses, opportunities, and threats) analysis with cargo service in mind. It found that there are many high value goods from the region that most often should be transported by air including fish, high-value agricultural products, and blood from the Northern California Blood Bank (refer to chart 23 on next page). These items are currently transported on service provided by feeders for FedEx and UPS from Murray Field and on airline flights at ACV.

While most cargo goes in and out of Murray Field, Arcata-Eureka Airport has a foreign trade zone designation, which could help with international shipments (refer to chart 23). The challenge at ACV is that the runway is likely too short for flights to international destinations aside from Canada. The real opportunity might be to grow the size of current cargo aircraft serving the market by increasing demand, and then to have those aircraft move to ACV from Murray Field.

CHART 23: SWOT OF AIR CARGO SERVICE IN HUMBOLDT COUNTY

SOURCE: VOLAIRE AVIATION CONSULTING



Murray's long-term position is a weakness, as its infrastructure is much weaker than ACV with a shorter and narrower runway and narrow taxiways (refer to chart 23). Murray is also built on sinking wetlands and within the zone of the Coastal Commission, which will make long-term improvements to the field difficult. It has no indoor cargo sort facility, which is a challenge for its air cargo users, but building a facility at Murray could be a poor investment with a deteriorating runway and taxiways.

Over the longer term it will likely be in the best interest of the Airport System to work to move cargo carriers to ACV, which has better facilities, a better approach system in poor weather, and room for a sort facility. But the carriers, themselves, currently prefer Murray Field because it is closer to their markets in Eureka and in towns to the south.

It is important to understand that air cargo is a niche product and it does not work as a shipment method for most cargo. A recent study shows air cargo accounts for just half-a-percent of all worldwide shipments (refer to chart 24). At the same time, cargo shipped by

air represented \$6.8 trillion in value, or 35% of the value of all shipments. Only high value, expensive items go by air. The question must be how much high value cargo is generated in Humboldt County?

CHART 24: VALUE OF AIR CARGO
SOURCE: VOLAIRE AVIATION CONSULTING

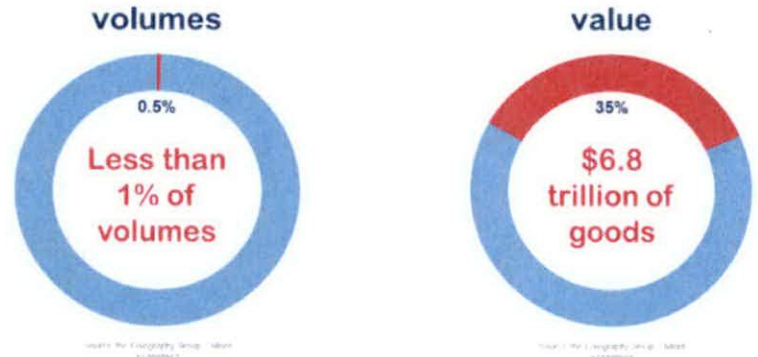
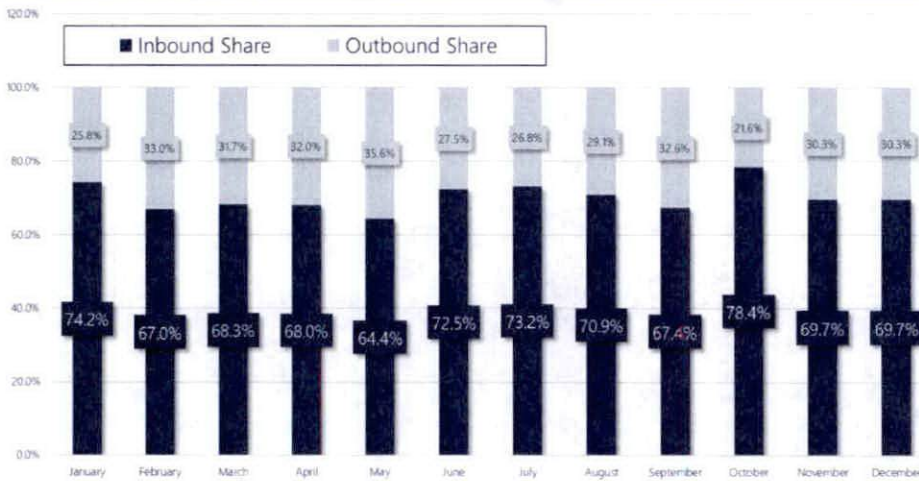


CHART 25: INBOUND/OUTBOUND SPLIT OF AIR CARGO AT EKA AND ACV 2016; SOURCE: HUMBOLDT COUNTY



An analysis of air cargo data from 2016 shows that most of the air cargo handled at Humboldt County airports is inbound to the market (refer to chart 25). Only a smaller share of cargo is actually generated in the County. Usually, for a larger cargo operation to work, air

cargo operators would like to see a balance between inbound and outbound cargo.

Overall, 70% of air cargo handled at ACV and Murray Field (EKA) is inbound to Humboldt County, while 30% of the cargo is generated in the region (refer to chart 25 on previous page). The share of outbound cargo peaks in May, when it represents 36% of all shipments by air. Inbound cargo peaks in October, when it represents 78% of all air shipments.

Total air cargo handled at Murray Field and Arcata-Eureka Airport is down by 32% in the last decade – a loss of an average of 1,599 pounds of cargo a day

(refer to chart 26). Air cargo at the airports peaked in 2007, with an average of 5,100 pounds per day. By 2016 that number had fallen to an average of 3,400 pounds per day.

CHART 26: HUMBOLDT COUNTY AIRPORTS' AIR CARGO
2006 – 2016; SOURCE: HUMBOLDT COUNTY

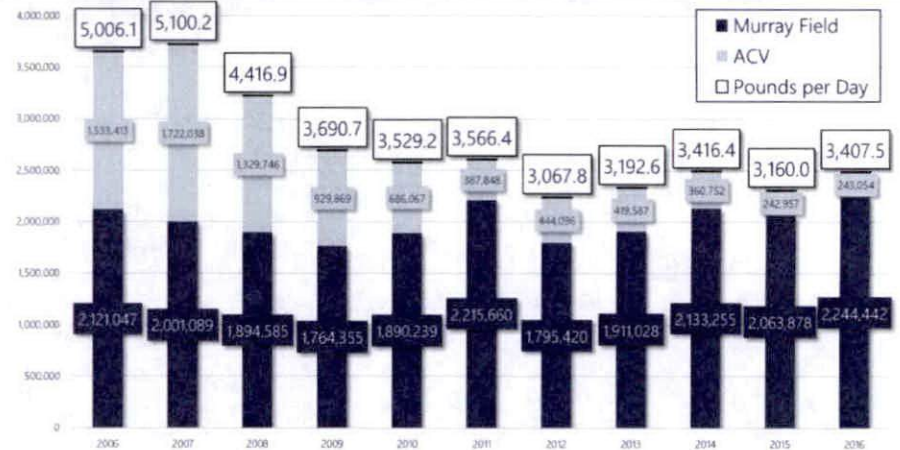
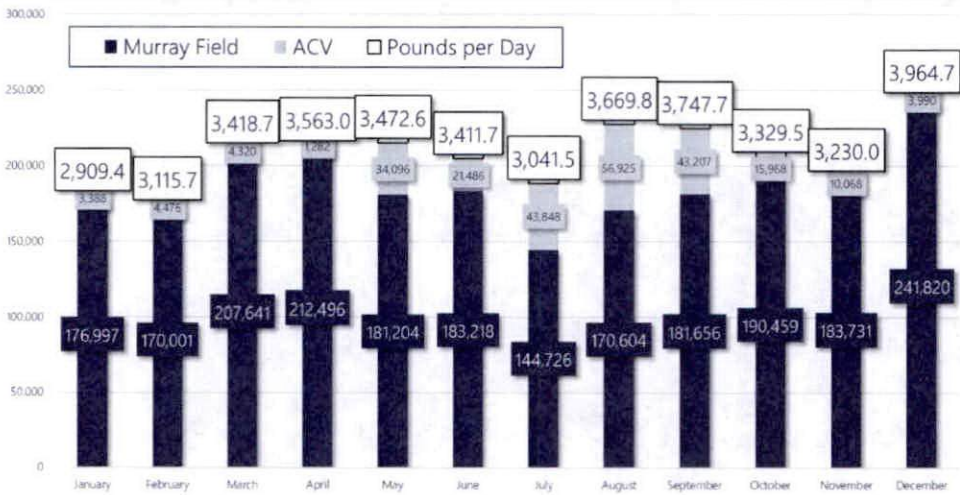


CHART 27: HUMBOLDT COUNTY AIRPORTS' AIR CARGO
2016; SOURCE: HUMBOLDT COUNTY



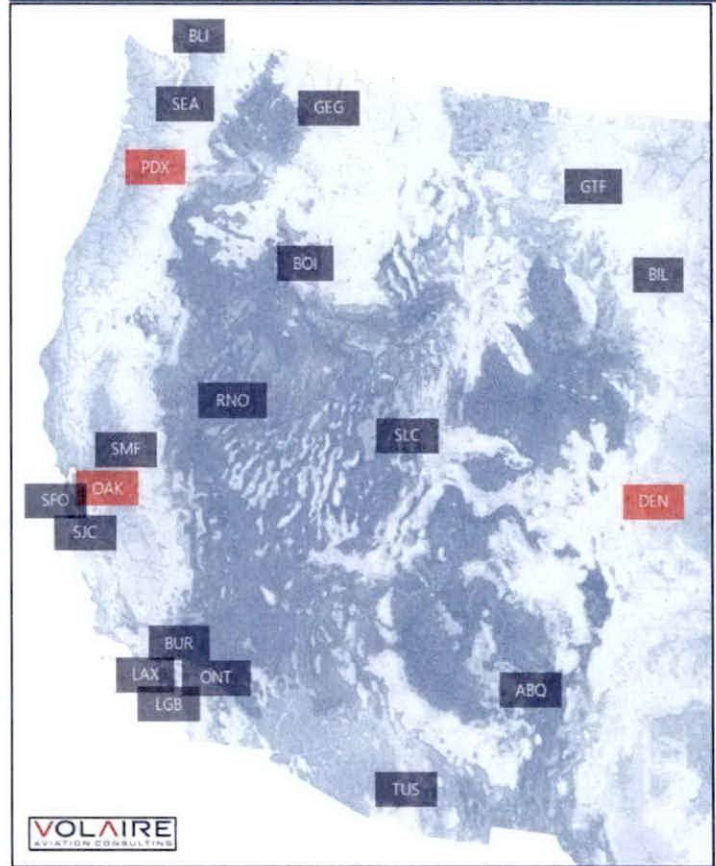
During that period, however, cargo carried by dedicated air cargo airlines at Murray Field increased by almost 6%. ACV's air cargo, carried by passenger airlines, has dropped 84% in the last decade. ACV lost Delta service in 2010 and Alaska

Airlines service in 2011. The loss of those two carriers resulted in the decline in air cargo, as there were many fewer passenger flights on which cargo could travel.

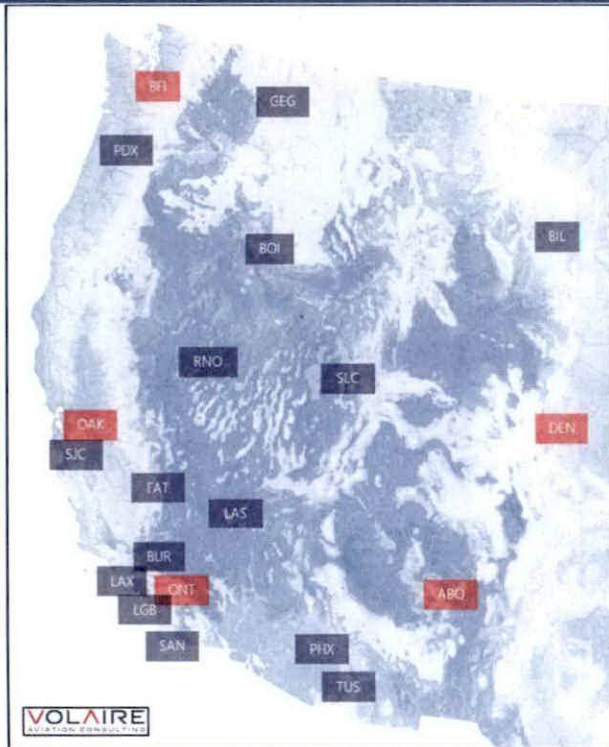
Humboldt County's air cargo peaks in December, but is not terribly seasonal. It is common for regional markets to see a cargo peak during the holiday shipping season. Otherwise cargo demand is very steady, averaging around 3,400 pounds per day (refer to chart 27 on previous page). Passenger airlines carry a large share of cargo through ACV in the summer, while they carry a small share the rest of the year.

The amount of air cargo shipped through Murray Field and ACV is consistent with the amount that is carried throughout the FedEx and UPS systems by smaller, feeder aircraft. Humboldt County would need to

MAP 4: FEDEX JET SERVICE CITIES (BLUE) AND HUBS (RED) AS OF AUGUST 2017; SOURCE: VOLAIRE AVIATION CONSULTING



MAP 5: UPS JET SERVICE CITIES (BLUE) AND HUBS (RED) AS OF AUGUST 2017; SOURCE: VOLAIRE AVIATION CONSULTING



generate about five times its annual air cargo to support a large jet cargo flight each day, or about 12.5 million pounds of high value shipments.

Each of the FedEx markets west of the Rockies with jet service supports at least that much air cargo (refer to map 4). As is clear on the map, FedEx reserves its jet fleet for large cities, such as the LA Basin, the San Francisco Bay Area, or Denver, or places of extreme isolation and poor road and rail connections, such as Great Falls. FedEx does not serve any of Arcata-

Eureka's peer markets with jets. Even larger cities in the west do not have FedEx jet service, including Medford, Eugene, Pasco/Tri-Cities, Santa Barbara, and Bakersfield.

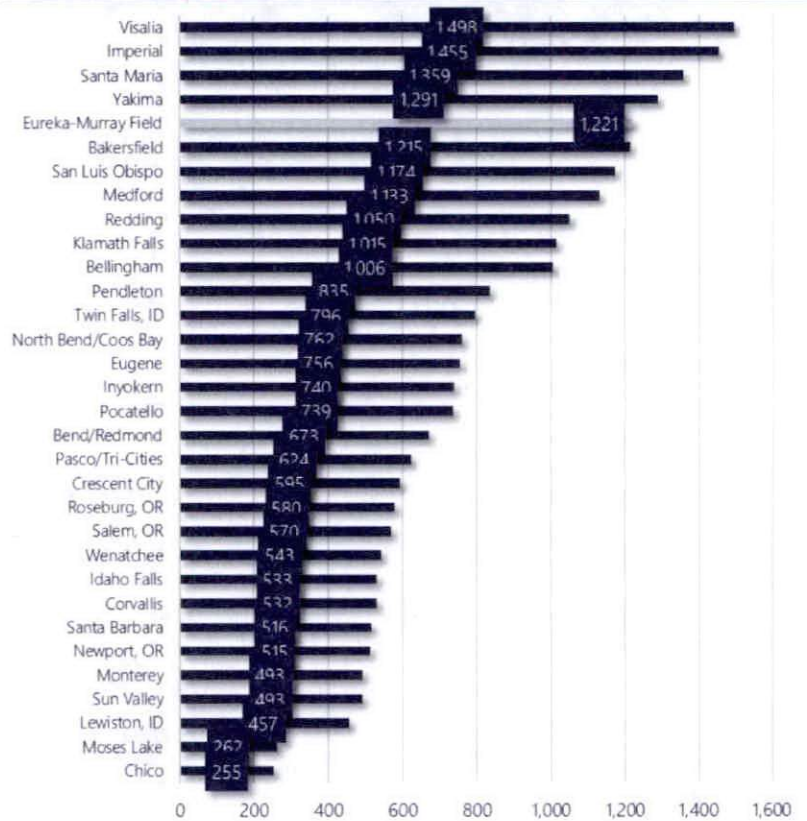
The UPS "mainline" jet system in the west is very similar to that of FedEx, although UPS serves a slightly different set of mid-sized cities (refer to map 5 on previous page). Again, the UPS network is built around very large cities, with only limited jet service to cities such as Fresno – which has a population four times the population of Humboldt County.

FedEx is the only air cargo carrier operating in

Humboldt County that files its cargo tonnage with the Department of Transportation. The data allows a comparison of the Humboldt County market against the other cities to which FedEx flies regional, feeder aircraft. As of the year ended April 2017, Murray Field had 1,221 total FedEx flight operations, ranking it the fifth most flown market in the west (refer to chart 28). Murray Field has 52% more departures than the average regional western market, which had 803 in the 12-month period.

Despite the relatively large number of FedEx departures, each Murray Field FedEx flight carried less cargo than most other markets. In other words, Humboldt County FedEx flights operate with more empty space than peer market flights. The average western regional FedEx market generated 0.8 tons of air cargo per flight as of the year ended April 2017 (refer to chart 29 on next page). Murray Field flights had 17% less cargo per departure.

CHART 28: DEPARTURES IN FEDEX WESTERN REGIONAL MARKETS
YEAR ENDED APRIL 2017; SOURCE: US DOT TABLE T100



The fact that Humboldt County cargo flights operate with lighter loads than peer markets is a concern. It would indicate the market has plenty of excess capacity for additional cargo on its current flights, and that there is not demand for additional flying or larger aircraft. Air cargo data over the last decade for both Murray Field and ACV shows that demand has declined significantly since 2006.

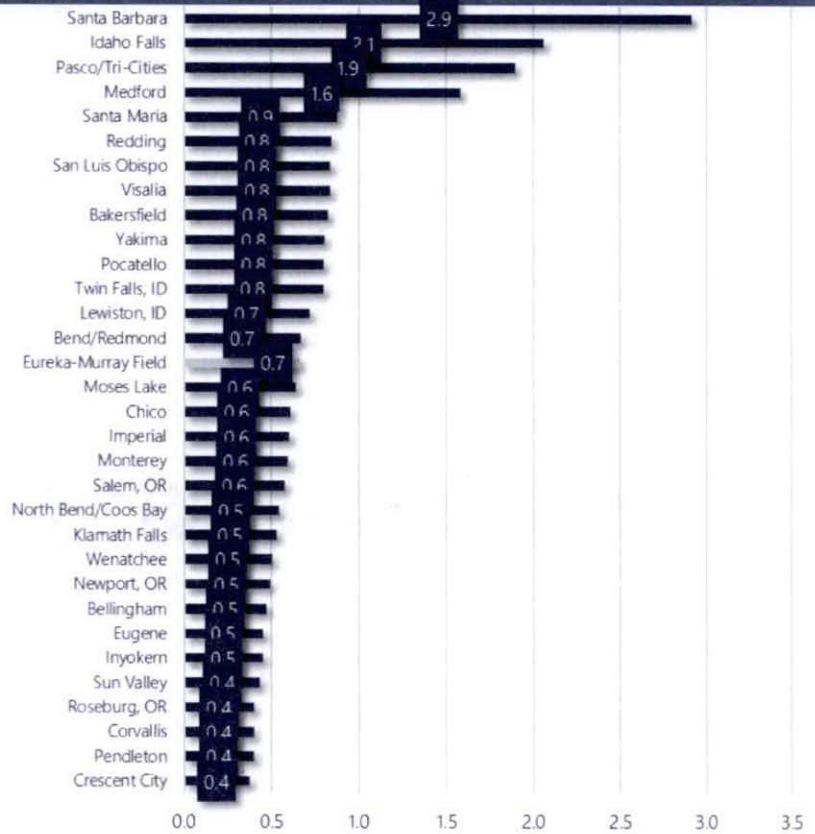
It is likely much of the demand for air cargo is now being satisfied by ground cargo lines. There are a number of established trucking lines that take cargo directly to the Bay Area for shipment either by ground or air. In order to build air cargo service

in Humboldt County, the Airport System will need to find a way to convince those doing the shipping by ground that there is an economic reason for them to switch to shipping by air. It is unlikely the air cargo carriers will do this on their own.

It is also unlikely Humboldt County could support a cargo hub. Each of the cargo hubs operated by major cargo airlines is located in a huge metro area such as the Bay Area, Denver, Seattle/Tacoma, or even Portland. There is not sufficient demand for local cargo for Humboldt County airports to be able to support the infrastructure for a large connecting hub.

Over the medium to long term it is recommended that the County's focus on air cargo be in building a safe and reliable sort facility for the current type of aircraft serving the air cargo market. The facility should be built so

CHART 29: TONS PER DEPT., FEDEX WESTERN REGIONAL MARKETS
YEAR ENDED APRIL 2017; SOURCE: US DOT TABLE T100



that it can be expanded if air cargo demand increases. It is not recommended that a sort facility be built at Murray Field, as that airport will not be able to accept larger aircraft than current – even larger prop aircraft. The sort facility should be built at ACV, and cargo carriers should be encouraged to move to ACV to consolidate passenger and cargo service in the same airport.

It is not recommended that cargo development be a short-term goal for the Airport System. It should be evaluated and studied again once air cargo demand is seen to rise by at least 25%, approaching air cargo levels last seen in 2006.

SWOT: LAND DEVELOPMENT

The Humboldt County Airport System has a significant portfolio of available land for development. The biggest key will be finding airport-friendly uses for the land. Some of the more specific areas for development, such as the beachside access adjacent to Arcata-Eureka Airport (ACV) will be detailed on their own in this report. This section is designed to provide an overview of the stakeholder group's on-site SWOT (strengths, weaknesses, opportunities, and threats) analysis for land development.

One of the strengths of the County's Airport System is the fact that it has well-located, marketable property, especially adjacent to its flagship airport, ACV (refer to chart 30 on next page). ACV has an updated airport land use plan that can already guide development. Most of the available land is also adjacent to road access and utilities, reducing the cost of development, although road access could be improved at secondary airports.

One of the threats to airport land development is the fact that airports are required by federal law not to sell most of their land – so they are forced to lease land for development. This can make some developers hesitate. Another specific threat to the airports in Humboldt County is the fact that portions of Murray Field and ACV are within the governance area of the Coastal Commission, which severely limits the types of developments that

will be approved. It is also important to ensure any development on airport land does not encroach upon the safety areas that extend from the end of each runway.

CHART 30: SWOT OF LAND DEVELOPMENT AT HUMBOLDT COUNTY AIRPORTS
SOURCE: VOLAIRE AVIATION CONSULTING



Airport land development is a balancing act, ensuring the main mission of the airport – to provide aviation access to the region – is not degraded by the development. For example, many airports have developed golf courses on airport land as it would seem to be a compatible use. Golf courses are low, do not interfere with airplanes, and golfers do not generally care about a little noise from a landing plane every now and then. But golf courses also provide homes for many species of birds. Birds and airplanes do not mix. As it turns out, golf courses are a poor use of airport land.

Generally, the best uses of land near an airport are for commercial facilities, such as shops, restaurants, gas stations, hotels, and big box stores, and light industrial. With industrial development, the Federal Aviation Administration warns airports against any facility that emits a steam or smoke plume, as those can reduce visibility for aircraft in certain weather conditions.

This report will specifically review, in upcoming sections, the use of airport land for solar farms, additional beachside development of a hotel and gas station, the building of additional hangars, and the potential for outdoor advertising. Beyond these specific land development initiatives, the Airport System should work with local economic development agencies to showcase available land to potential users. Under current governance, the Airport System doesn't have much extra time to work on land development. The County could consider contracting out property management to a private firm to reduce staff time and to have an interested party working on development within the already-approved land-use plan.

ON-AIRPORT SOLAR FARMS

Airport interest in solar energy is growing rapidly as a way to reduce airport operating costs and to demonstrate a commitment to sustainable development. There are more than 15 solar airport farms in the United States. The Indianapolis International Airport is home to the largest airport-based solar farm in the world. Comprised of two phases, the IND Solar Farm creates 17.5 MW AC of power, which has the capacity to power 3,210 homes for a year. Solar is a renewable energy source that contributes to national goals of sustainability, energy independence, and air quality improvement. It is particularly well-suited to airports because of available space and unobstructed terrains. And it does not need unobstructed sunshine to generate electricity. It can work in frequently cloudy climates, like Humboldt County.

The Humboldt County Airport System has already started work on a plan to place solar on-field at Arcata-Eureka Airport (ACV). At the same time, runway lighting would be replaced with LEDs to reduce electric expense.

The Airport System has the opportunity to apply for a \$5 million grant to pay for the installation of a 17-acre solar farm, the land for which is included in ACV's soon-to-be-released land use plan. The grant application is due on October 20, 2017. The cost for evaluation of the project will be between \$15,000 and \$20,000.

A solar farm at ACV would be owned and operated by the Redwood Coast Energy Authority, which would pay for a land lease to use the airport land, and pay the airport for the energy generated by the panels. The County's Public Works Department estimates the solar farm would save the Airport System a significant amount in energy costs per year once it is fully operational. Maintenance of the system would be the responsibility of the Redwood Coast Energy Authority.

The Airport System also has a plan in place for a new runway lighting system at ACV using LED technology instead of traditional bulbs. The runway lighting system must be replaced by 2020, and LED lighting would save at least \$10,000 in annual energy costs on top of the savings generated by the solar farm.

ADDITIONAL AIRPORT HOTEL/BEACHSIDE DEVELOPMENT/GAS STATION

Arcata-Eureka Airport (ACV) has hundreds of acres of land that could be developed, including a prime piece of real estate along the Pacific Ocean, south of Clam Beach and north of McKinleyville. The land between the current passenger terminal building and the beach could be well suited for commercial development because it also features a limited access interchange with Highway 101.

During the Airport System stakeholder group's on-site SWOT (strengths, weaknesses, opportunities, and threats) session, the group identified potential demand for an additional airport hotel in this area, potential commercial development, and the potential for a self-service gas station. There has been no specific consulting work done by hotel occupancy experts, so there is no solid data on occupancy of the current airport hotel at ACV and true demand for additional rooms. Similarly, there has been no independent study of demand for an additional gas station in the McKinleyville market, but it would stand to reason there would be significant traffic from nearby Highway 101 and from users of airline service at ACV.

Volaire consultants sought to determine the likely cost of investment in building a new hotel, perhaps leveraging an oceanside location for customers, and the cost of a fully-automated self-service gas station. It is not envisioned that the County will have the financial resources to develop either option on its own. But it is important to understand the potential investment that would be required when determining the validity of the ideas as part of the strategic business plan for the Airport System.

Two types of hotels were studied – a Hampton Inn-style lower cost hotel and an Embassy Suites-type higher end hotel. Hilton Hotels and Resorts publishes estimates for the cost of building new hotels each year,

and their estimates, as the largest builder of new hotels in the country, were used for this report. They show the total cost of building a 101-room, Hampton Inn-style hotel on ACV adjacent property would be almost \$7 million (refer to chart 31).

The Embassy Suites-type hotel would be larger, with the cost estimates representing hotel with 174 rooms. For this type of development, Hilton estimates the total cost at almost \$11.4 million (refer to chart 31). Neither of these options include the cost of the land. In the case of the Airport System, the land would be offered under

CHART 31: COST OF BUILDING A HOTEL AT ACV
SOURCE: VOLAIRE AVIATION CONSULTING

Item	Hampton Inn-Type	Embassy Suites-Type
Design & Engineering	\$220,000	\$500,000
Permits and Licenses	\$95,000	\$125,000
Construction	\$5,426,600	\$8,556,000
Guestroom Furnishings	\$411,000	\$1,117,000
Other Furnishings	\$610,000	\$960,000
Signage	\$15,600	\$18,000
Inventories	\$40,000	\$50,000
Insurance	\$30,000	\$50,000
Total	\$6,848,200	\$11,376,000

a long-term land lease, which could be structured with low costs to entice a developer to choose Airport owned land.

To put the cost of hotel development in perspective, the Hampton Inn-style hotel, with 101 rooms, would cost \$67,800 per room to build, again before land acquisition. Amortized over a period of 15 years, the hotel would need to generate \$12.38 per room in revenue per night at 100% occupancy just to cover the cost of construction.

An automated airport gas station is also an expensive proposition, but the cost could be mitigated if it was included in the construction of a new rental car service facility. If it was included, and the rental car agencies agreed to use it, it could potentially be profitable.

Estimates from a company that specializes in building gas stations show the total cost of a station adjacent to the ACV passenger terminal would be more than three-quarters of a million dollars before the land lease is taken into account (refer to chart 32). The largest expense is the underground fuel tank, which is expensive to build and certify to California code.

CHART 32: COST OF BUILDING A GAS STATION AT ACV
SOURCE: VOLAIRE AVIATION CONSULTING

Item	Unstaffed Gas Station
Design & Engineering	\$50,000
Permits and Licenses	\$15,300
Above Ground Structure	\$250,000
Permitted Fuel Tank	\$400,000
Signage	\$10,000
Insurance	\$30,400
Total	\$755,700

Assuming a 10-cent per gallon margin to the station, the station will need to sell almost 7.6 million gallons of fuel to cover the cost of construction, again before land acquisition. The station would need to fill the equivalent of 504,000 cars and trucks with fuel just to cover the cost of construction.

While it is recommended the Airport System work with local tourism and economic development agencies to determine demand for companies looking to build hotels and gas stations, both are relatively risky ventures. It is not recommended that the County or Airport System build either option on its own.

RATES AND CHARGES CHANGES

In the previous financial analysis document completed for the Airport System it was identified that lease rates and charges vary widely by tenant and have not been fully reviewed in a number of years. It is recommended the Airport System management develop a standard lease rate methodology and that all leases be updated within the next two years.

Lease rates for the airport system vary greatly for private tenants. Some of the variation is due to the quality of the buildings leased, or the specific space requested. But it is important to point

out the differences in this analysis. At Arcata-Eureka Airport (ACV), building tenants pay anywhere from 7-cents per square foot per month for hangar space to as much as \$3.32 per square foot per month for office

space (refer to chart 33). Only three leases are well below the current standard build lease rate of 79-cents per square foot per month, but if those three leases were brought up to County standard rates the additional revenue per year would total more than \$33,000.

Land lease rates at airports throughout the system, for private lessees, range from a penny per square foot per year to 42-cents per square foot per year (refer to chart 34). Most of these lease rates are near the current County standard of 35-cents per square foot per year. It would still benefit the airport system to develop a set

CHART 33: AIRPORT SYSTEM BUILDING LEASE RATES
FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY DOCUMENTS

Airport	Building Leases	Monthly Rate Per Sq Ft
ACV	Cornucopia (Airport Advertising)	\$ 1.54
ACV	FAA SSC Air Freight Storage Bldg.	\$ 0.70
ACV	FAA SSC Terminal Office	\$ 1.31
ACV	Murphy's Markets - Building Rent	\$ 0.07
ACV	Mercer, Fraser & Company - Kodia Hangar	\$ 0.07
ACV	(TSA) Terminal Rent	\$ 3.32
ACV	United/Skywest Airlineoffice	\$ 1.00

CHART 34: AIRPORT SYSTEM LAND LEASE RATES
FISCAL YEAR 2016; SOURCE: HUMBOLDT COUNTY DOCUMENTS

Airport	Land Leases	Annual Rate Per Sq Ft
ACV	Humboldt Trap and Skeet Club	\$ 0.01
ACV	Mercer, Fraser & Company - Land Lease	\$ 0.37
ACV	Mercer, Fraser & Company - Tiedowns	\$ 0.39
ACV	CAL-ORE LIFE FLIGHT	\$ 0.38
GAR	Hans Lange	\$ 0.32
GAR	John Zulauf (Jesse Gray)	\$ 0.32
GAR	Paul Hutchinson (Jesse Gray)	\$ 0.36
GAR	South Cox / Ben Wilke	\$ 0.42
GAR	Trent Sanders	\$ 0.36
ROH	Fortuna ACE Hardware, INC	\$ 0.35

of standard lease rates based on the quality of the land being leased and in the interest of maximizing land lease revenue without discouraging use of the land.

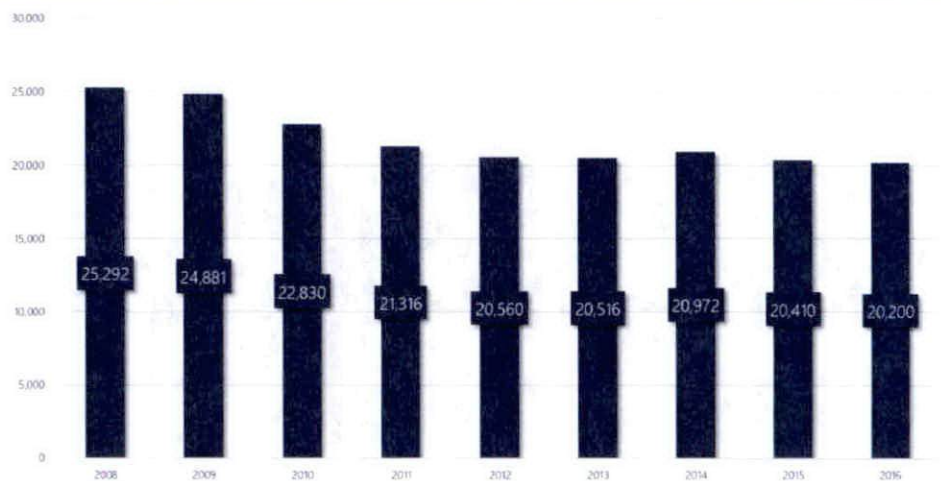
Finally, on lease rates, the airport system has not negotiated a new lease with its main Fixed Base Operator (FBO), Northern Air at Murray Field, since 2005. The lease expired in 2010, but no new lease was furnished for the analysis in this report. The lease includes Northern Air fees of just \$1,355 per month which includes the concession fee (\$75 per month) and the rental of two buildings, including a hangar. This fee is significantly lower than the fees charges to most other FBOs in California. While it is important to warrant low fees to encourage business expansion, it is recommended as part of the strategic business plan project, that FBO lease terms be reviewed against peer markets and adjusted accordingly in the next new lease.

INCREASE GENERAL AVIATION ACTIVITY/FUELING

During the Airport System stakeholder group’s on-site SWOT (strengths, weaknesses, opportunities, and threats) session, many in the group felt the System should work to grow general aviation use of all airports. The primary purpose of the airports in Rohnerville, Garberville, Dinsmore, and Kneeland is to serve general aviation – both tenants and transient pilots who are passing through the region from other areas.

While virtually all general aviation hangars at Humboldt County’s airports are currently leased, the number of general aviation aircraft in California continues to decline. In 2008, more than 25,000 general aviation aircraft were based in

CHART 35: CALIFORNIA-BASED GENERAL AVIATION AIRCRAFT
2008 – 2016 (ESTIMATED); SOURCE: FAA SURVEY



the State (refer to chart 35). In 2016, the Federal Aviation Administration (FAA) estimates just 20,000 aircraft are based in California – a decline of 20% and a loss of more than 5,000 aircraft. The decline has been steady and is a long-term trend.

As the number of aircraft in the general aviation fleet declines so do total operations. An operation is defined as a landing or take-off of an aircraft. In 1999, nationwide there were more than 40,000 general aviation operations at

airports that have the capability to track aircraft take offs and landings (refer to chart 36). Smaller airports, such as Rohnerville and Garberville do not have current technology to track all operations – so this chart does not include all general aviation flights. It does show a clear trend, however – the decline of general aviation operations. By 2016, the FAA reports general aviation operations have fallen by 38% since 1999.

CHART 36: UNITED STATES GENERAL AVIATION OPERATIONS 1999 – 2016 (ESTIMATED); SOURCE: FAA SURVEY

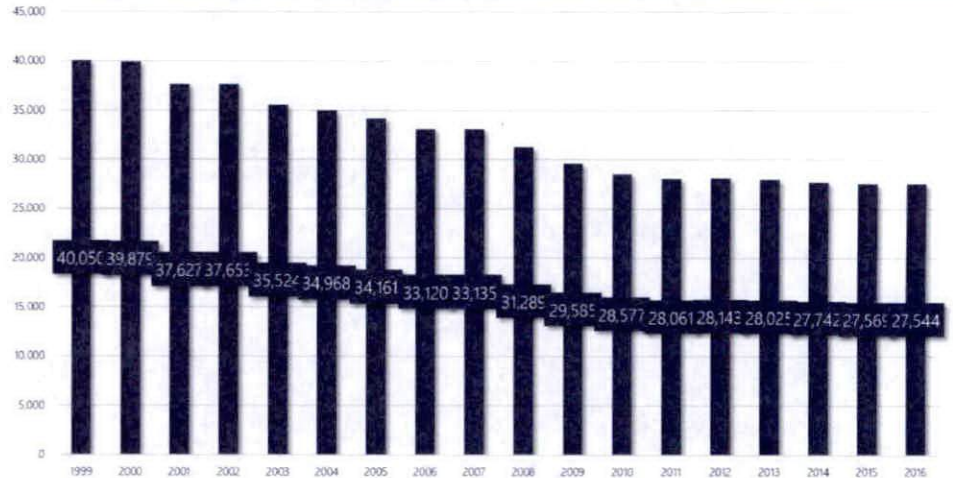
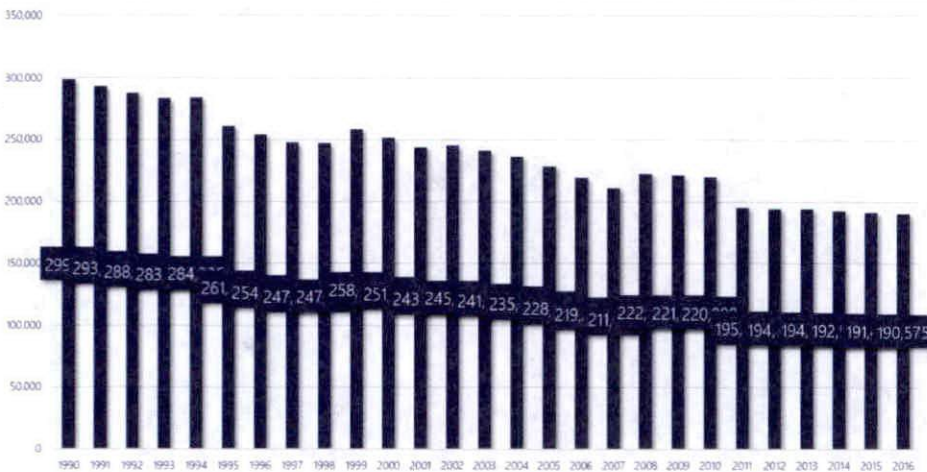


CHART 37: PRIVATE, GENERAL AVIATION PILOTS IN THE UNITED STATES 2008 – 2016 (ESTIMATED); SOURCE: FAA SURVEY



This report has previously discussed the commercial airline pilot shortage facing the country. There is also a declining number of general aviation, or private pilots. In 1990, there were almost 300,000 private, general aviation pilots in the United States (refer to chart 37). As of

2016, there were less than 200,000 such pilots. In the last 26 years, the private pilot population in the country has declined by 36% - almost the same percentage decline as general aviation flights. Fewer pilots own fewer planes that generate less traffic across the country.

One of the main reasons an increase in general aviation activity would be attractive to the Humboldt County Airport System is so it could generate additional revenue by selling more fuel. General aviation traffic does not generally pay landing fees or produce large amounts of revenue from parking fees.

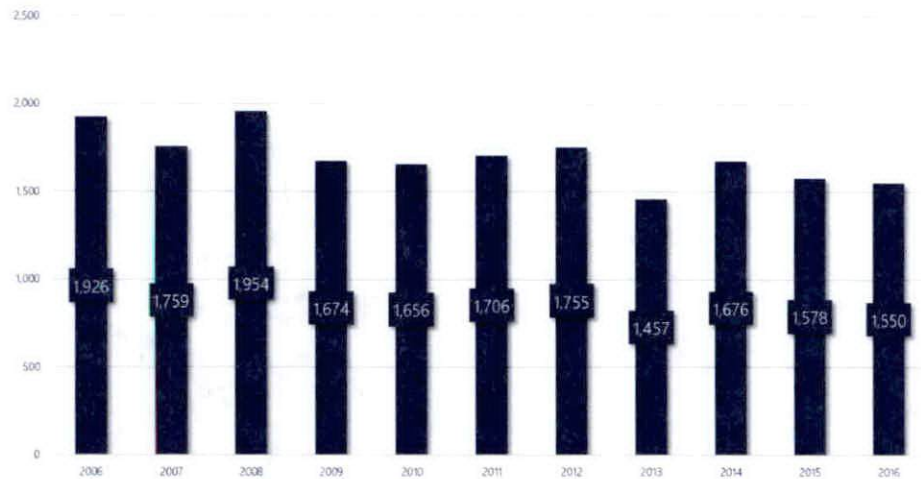
Fueling is typically the main source of income for an airport from general aviation.

With the decline in general aviation aircraft, pilots, and flights, general aviation fuel

sales are also waning. Since 2008, total general aviation fuel sales in the US have fallen by 19.5%, from almost two million gallons to less than 1.6 million gallons in 2016 (refer to chart 38). While some years have been better than others for fuel sales, the general aviation industry has not rebounded from the 2008 recession like the rest of the national economy.

It is also true that aircraft are becoming more efficient and burning less fuel per mile and flight hour. But the general aviation fleet is an exception. It is rapidly aging and general aviation aircraft sales, outside of business jets, have declined each year for the last decade. Older general aviation aircraft are flying longer, and fewer are being replaced.

CHART 38: GENERAL AVIATION FUEL SALES IN THE UNITED STATES 2008 – 2016 (ESTIMATED; IN THOUSANDS OF GALLONS); SOURCE: FAA SURVEY



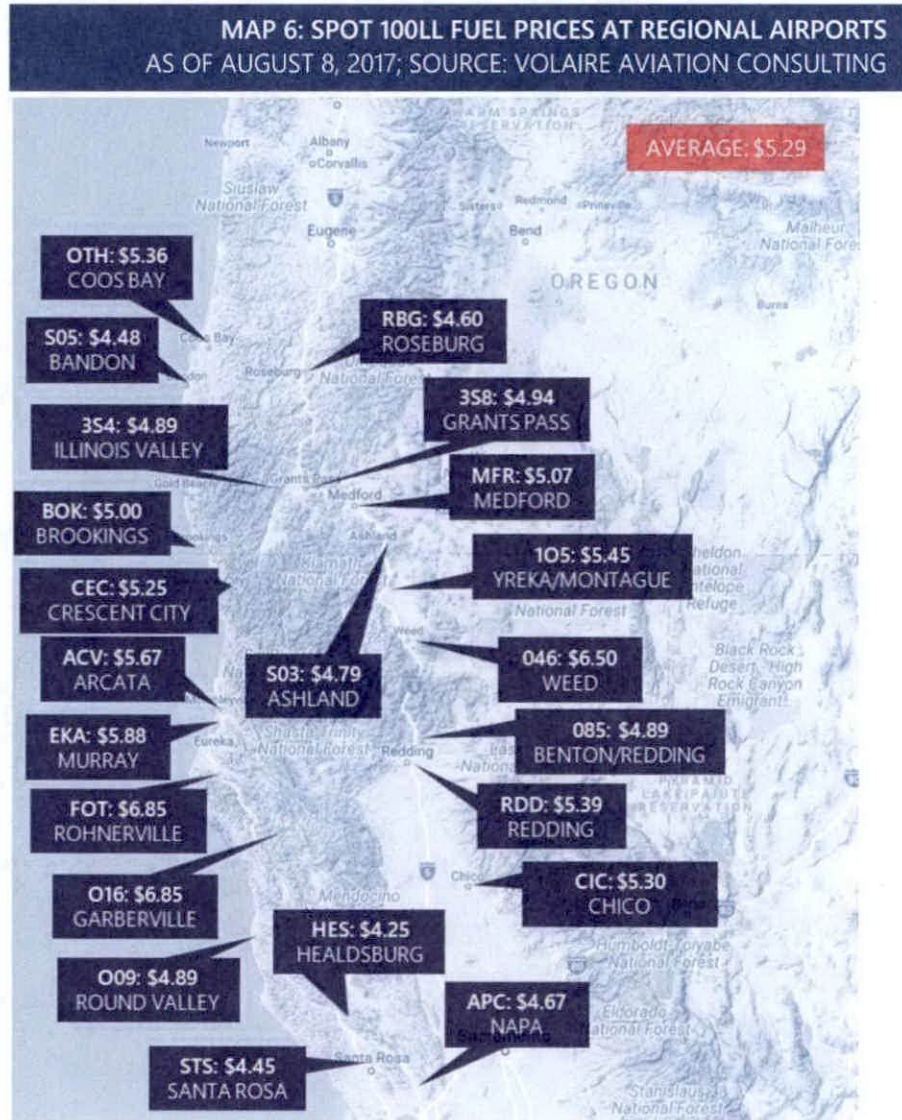
More airports are working to chase the declining number of general aviation pilots and their aircraft. In the

SWOT session, the Airport System stakeholder group presented the idea of capturing more transient traffic – aircraft flying past the area but not to or from the area – by offering fuel prices much lower than those at other airports in the region. Some expressed concern that most general aviation traffic goes up the valley in Northern California, and not along the coast, and would use airports in that part of the State regardless of fuel pricing in Humboldt County.

Volaire consultants benchmarked current 100LL (low lead fuel used in many general aviation aircraft) and Jet A (jet fuel) prices against all airports in the region. In general, prices for 100LL fuel are much

higher in Humboldt County than at other airports in the region (refer to map 6).

The price for 100LL fuel at ACV is not exorbitant at 7.2% above the regional average (refer to map 6). It is the highest, however, of airports with major navigational aids, including Coos Bay (OTH), Roseburg (RBG), Medford (MFR), Crescent City (CEC), Redding (RDD), Chico (CIC), Napa (APC), and Santa Rosa (STS). In other words, for general aviation pilots with instrument ratings, there are other equally well-equipped airports at which to buy fuel for less.



Fuel at both Rohnerville (FOT) and Garberville (O16) is much more expensive than all other airports in the region – the highest of all 22 airports in the sample (refer to map 6). At \$6.85 per gallon of 100LL, FOT and O16 have fuel prices 29.5% higher than the regional average. This is caused by the fueling system at both airports. In both cases, the fuel tank is underground. Underground tanks require much more maintenance and permitting costs due to California regulations. These extra costs must be recovered by the fuel sales, themselves. The Airport System could likely bring fuel prices down at these airports if it decommissioned the underground tanks and installed new, above ground tanks at both airports.



Jet A fuel prices in the region average 71-cents less than 100LL fuel prices, at \$4.58 per gallon (refer to map 7). Fewer airports offer Jet A fuel in the region than 100LL fuel. The ACV price for Jet A is only three-cents above the regional average. It is also less than nearby Crescent City. Still, ACV's price is higher than Coos Bay, Medford, Redding, and Santa Rosa, giving Jet A aircraft operators other choices with lower costs.

All the Humboldt County airports have higher fuel pricing than their peers. But there are good reasons for why fuel is priced the way it is and it is difficult to make a recommendation to lower fuel prices because the current fueling revenue is important to the system.

There has been no reliable study looking at pilot behavior following an aggressive move to lower fuel prices and undercut regional competition. There is no accurate way to forecast whether or not the Airport System would actually generate more revenue by lowering fuel prices than it does today with higher fuel prices. While it would stand to reason that airports would grow their share of the transient fueling market with lower prices, there is no solid data on the size of that market or the potential number of additional customers.

Kyle Gabel, the owner and operator of Northern Air, the Fixed Base Operator (FBO) at Murray Field reported, in an on-site interview, that his transient general aviation traffic has declined steadily over the last ten years. He said ten years ago Northern Air would sell 100,000 gallons of fuel per year to transient aviation users. In 2016, he reported he sold just 30,000 gallons of fuel to transient users. Gabel's overall theory is that the transient aviation population is in decline and national data proves that. He also reported most transient traffic avoids the coast and goes up the valley.

"...THE UNDERGROUND FUEL TANKS AT ROHNERVILLE AND GARBERVILLE REQUIRE EXTRA, DIFFICULT INSPECTIONS AND ARE EXPENSIVE TO MAINTAIN..."

As mentioned the underground fuel tanks at Rohnerville and Garberville require extra, difficult inspections and are expensive to maintain under California regulations. It would cost an estimated \$25,000 each to move the tanks above ground, reducing the expense in maintaining them, and reducing fueling costs at those two airports. It is recommended the Airport System use trust fund money that could be available to pay for these two projects to eventually reduce the cost of fueling at Rohnerville and Garberville.

The Airport System could choose to experiment with lower fuel prices to determine if it will increase demand for fuel, both from locally-based pilots and transient traffic. If this option is chosen, it is recommended the experiment coincide with the large, annual private aircraft dispatcher's conference which takes place each February. It would be easy to spread the message of low fuel among the dispatchers, who are responsible for determining where and how aircraft are routed. They would have the most control over increasing transient traffic at Humboldt County airports.

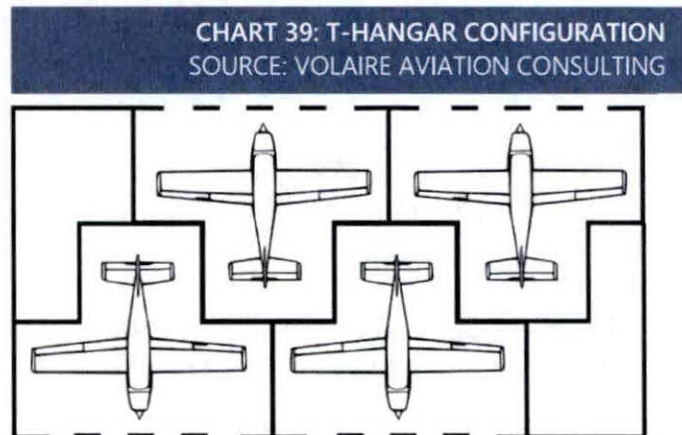
INCREASE HANGAR RENTALS

While it is true that general aviation traffic is declining, the number of private pilots has fallen, and the number of aircraft based in California is in decline, there is a waiting list for hangar space at four of the County's airports: Arcata-Eureka, Murray Field, Rohnerville, and Garberville. The most recent list has 43 people waiting for hangar space, some with very specific requests.

The Garberville Pilots' Association reported, in an on-site interview, there is a lack of hangar space across the system and all airports have demand. But the group says there is a particular need for smaller T-hangars (refer to chart 39) and not for large commercial hangars. This matches demand in the current hangar waiting list for all Humboldt County

airports. T-hangars are less expensive to build than large hangars that are typically in a rectangular shape, but no hangar configuration is inexpensive to construct.

In reviewing the hangar waiting list, it is important to note that only eight people have been added to the list in the last two years. Just 19% of those on the list were added in 2016 or 2017. Many of the requests are significantly older – dating back to 2003. Some of the requests have been recently verified, but not all. Before



the County were to take any action on hangar development it would need to go through the list and determine how many actual new leases would be signed.

Some on the list have requested hangars at multiple airports. With that in mind, there are more requests for Murray Field than any other airport, with 22 people on the waiting list. There are 19 people on the waiting list for hangars at Rohnerville, while there are another 12 waiting for hangar space at Arcata-Eureka (ACV). There is hangar space currently available at ACV, but it is not suited to the smaller aircraft owned by those on the waiting list. There are seven hangar requests at Garberville, but there are no requests for any type of space at either Dismore or Kneeland. Those airports are not well-suited for based aircraft.

The current Aviation Advisory Committee stated they believe “hangar squatting” is an issue – people using the hangars for storage for things other than aircraft. The Federal Aviation Administration (FAA) requires hangars be used primarily for the storage of working aircraft. It is unclear if this is a widespread problem or a smaller

problem, as the Airport System is understaffed and does not have time to conduct full inspections of all hangars.

“IT IS ALSO RECOMMENDED THAT THE AIRPORT SYSTEM WORK THROUGH THE CURRENT HANGAR WAITING LIST TO DETERMINE THE VALIDITY OF THE REQUESTS.”

That vast majority of hangar rent is up-to-date, so the County is generating revenue regardless of what is stored in a hangar.

Nonetheless, it could be in the best interest of the County to ensure

hangars are being used for their intended purpose, and it might help to start clearing the hangar waiting list without having to build new hangars.

It is therefore recommended the County consider a hangar census and inspection on all airfields where hangars are present, to ensure each hangar has a primary aviation use. In the case of hangars being used for storage of items other than aircraft and parts, the County should work to move those tenants to other storage facilities and begin to clear those on the hangar waiting list into hangars that become available.

It is also recommended the Airport System work through the current hangar waiting list to determine the validity of the requests. Once a definite and updated number of requests can be developed for each airport, the County can begin work to determine the cost/benefit of building additional hangars. The estimated cost of T-hangar development in California is \$55 per square foot, with each hangar encompassing 1,200 square feet. It will cost an estimated \$66,000 per hangar to build new.

FIXED BASE OPERATOR (FBO) AT ACV/AVIONICS SHOP

The only Fixed Base Operator (FBO) in the Humboldt County Airport System is at Murray Field. FBOs handle transient aircraft, providing fuel and other services as they transit the area. FBOs provide terminals for private jets that bring high-level business travelers to the area. FBOs provide aircraft maintenance services for locally-based aircraft.

It is highly unusual for a main, commercially-served airport to be without an FBO, as is the case at Arcata-Eureka Airport (ACV). It is the only airport with scheduled airline service, but without an FBO, between San Francisco and Portland. Moreover, the current FBO, Northern Air at Murray Field, operates at an airport with a short and narrow runway and limited navigational aids for poor weather.

Northern Air, in an on-site interview, reported that the market for an FBO's services is limited in Humboldt County. As such, they would not consider opening a second location at ACV. They do not believe a second location would be profitable. They also said their customers, who tend to fly smaller prop and jet aircraft, prefer to use Murray Field and might not use their services if they were located at ACV.

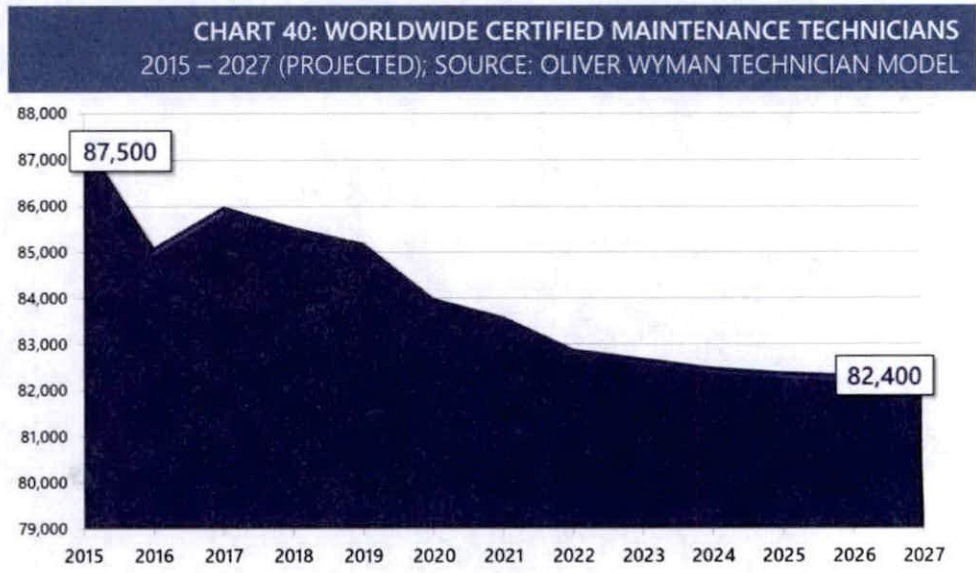
**"IT IS HIGHLY UNUSUAL FOR
A MAIN, COMMERCIAL-
SERVED AIRPORT TO BE
WITHOUT AN FBO, AS IS THE
CASE AT ARCATA-EUREKA
AIRPORT (ACV)."**

Even without an FBO, the County handles all fueling services at ACV and does service both transient aircraft and aircraft that are traveling to and from the area. The County's main building for services is the terminal building that handles passenger airline flights. The fueling operation at ACV is an important part of the revenue picture for the Airport System.

Mercer Fraser, a large tenant at ACV, would be willing to open an FBO at ACV, but in an on-site interview, representatives said the company would want the fueling franchise. That franchise would likely be required to make any FBO operation profitable at ACV. However, the County's loss of the fueling franchise would put a dent in Airport System revenue.

The only airport in the County's system with aircraft maintenance services is Murray Field. Northern Air provides maintenance at Murray, and can provide maintenance when needed at ACV, on an on-call basis. Companies such as Mercer Fraser reported they would like to have full-time maintenance services at ACV, but Northern Air is not interested in providing those services from a full-time perspective.

Northern Air performs many kinds of aircraft maintenance except for engine overhaul and avionics work. It will work at all County airports depending on demand. But it reports it has been difficult to keep maintenance technicians on staff. This challenge is not unique to Northern Air, or Humboldt County, as a mechanic shortage has developed across the aviation industry. This shortage will make it difficult for any competing maintenance company to open operations in the County.



In 2015, there were 87,500 certified aircraft maintenance technicians working worldwide (refer to chart 40). By 2027, industry forecasts show the number of certified technicians dropping by 5.8% to 82,400. It will get more difficult for smaller FBOs to hire technicians as large airlines increase salaries in an attempt to stay adequately staffed. The business model for an emerging maintenance company will be difficult for the next decade. It is unlikely a company will have the ability to start a stand-alone maintenance facility at ACV or at any of the other County airports.

The County could choose to build a small FBO terminal at ACV to handle inbound general aviation and corporate traffic and give those traveling by private aircraft a private terminal experience. It is unlikely a private company will be interested in developing an FBO at ACV without the fueling contract and it is not recommended that the County give up its fueling operation at ACV.

MURRAY FIELD RESTAURANT

It has been several years since the restaurant at Murray Field closed. It was in the main building that Northern Air leases to run its Fixed Base Operation (FBO). It was open for breakfast and lunch. Many people say it had a strong following. There is no solid sales data from when it was open to determine if it made or lost money.

Restaurants at primarily general aviation airports used to be quite common. It was a fairly regular occurrence for those that owned small, private aircraft to travel around the region on weekends and have breakfast or lunch at a stop along the way. It became known as the \$100 hamburger. As general aviation traffic has declined, and the number of general aviation pilots has fallen, many of these restaurants have closed.

The average start-up cost for a restaurant in California is \$125,000, assuming the restaurant is moving into a space that is already built-out and ready to operate. This is a high cost for a restaurant that would likely be

busy only on weekend mornings. It is unlikely a private entrepreneur will find a sufficient customer base to make a full-service restaurant at Murray Field feasible.

OUTDOOR ADVERTISING AT ACV

As previously mentioned in this report, ACV's physical plant is large and there is significant space for development. During the Airport System stakeholder group's on-site SWOT (strengths, weaknesses, opportunities, and threats) session, the group developed an idea to place outdoor advertising along the roadways leading to and from the passenger terminal and passenger vehicle parking lot. There is significant traffic on these roads for outdoor advertising to be potentially attractive, especially if signage is sufficiently close to Highway 101 so as to be seen by passing motorists.

In the grand scheme of development, the building of an outdoor billboard is not terribly expensive. A two-sided wood billboard, 14-feet high by 28-feet in width, is estimated to cost \$27,200 to build (refer to chart 41). A billboard of the same size, but with a steel frame, is estimated to cost \$66,700. The only seriously expensive billboard developments are the new digital boards, which can be sold to multiple customers at the same time. These billboards begin around \$350,000, and tend to be much larger and wider than static displays.

CHART 41: ESTIMATED BILLBOARD COST
SOURCE: VOLAIRE AVIATION CONSULTING

Type of Billboard	Size	Cost to Build
Wood. Two-Sided	14x28	\$27,200
Steel, Monopole Static	14x28	\$66,700
Steel, Monopole Digital	14x48	\$350,000

CHART 42: BILLBOARD LIFE AND BREAKEVEN COST
SOURCE: VOLAIRE AVIATION CONSULTING

Type of Billboard	Useful Life	Monthly Breakeven Cost
Wood. Two-Sided	25 Years	\$453.33
Steel, Monopole Static	45 Years	\$1,111.67
Steel, Monopole Digital	10 Years	\$5,833.33

The average wooden billboard structure will last about 25 years (refer to chart 42). The same sized steel billboard will last for 45 years, on average. Digital billboards tend to be damaged by the weather, and only typically last for ten years which may be surprising to some.

Assuming it will take five years, or 60 months, to recoup the investment in a billboard, the billboard developer would need to earn a little more than \$450 per month on a wooden billboard (refer to chart 42). A steel billboard

would need to earn \$1,112 per month to be paid off within five years. A digital billboard would need to earn more than \$5,800 per month to be paid off within five years, but has the advantage of having multiple advertisers rotating on screen at any time.

Billboards in and around Arcata and Eureka, at roughly the same size as the ones quoted in this report, currently cost between \$600 and \$1,500 per month, depending on location. Freeway-adjacent billboards cost much more than those that are on city streets. It is likely ACV-adjacent billboards could be leased at the lower end of the range. There are no currently-available billboards anywhere between McKinleyville and Eureka, indicating there may be strong current demand for outdoor advertising here.

The Airport System has two choices regarding outdoor advertising. It could recruit a private company, such as Lamar or Outfront Media, to build the signs and sell the advertising, paying a land lease for the space, or a percentage of sales. Or it could build and lease the billboards itself, generating additional income. There is less risk in recruiting an outside party to build and manage the billboards, while there is likely higher reward in the Airport System building and managing billboards on its own. Moreover, if the model works at ACV it could be duplicated at Murray Field, and potentially other County airports.

ACADEMIC PARTNERSHIPS/COLLEGE AVIATION PROGRAMS

As reported in this document, there is a shortage of pilots for scheduled airline service. There is also a shortage of aircraft mechanics. The number of colleges and universities offering aviation programs continues to shrink. For example, the University of Illinois closed its pilot training and maintenance programs five years ago. Kansas State University is currently exploring options to divest its programs because of the high cost of operating, maintaining, and insuring its fleet of aircraft.

There is not sufficient infrastructure in North American for student pilot and mechanic training. There could be a niche for a college or university that wants to grow enrollment by offering these programs in the west. The challenge is that most of those students who enter programs are looking to make a career in the industry with a major airline, and major airlines require a bachelor's degree. Community college aviation training programs are not sufficient for most students.

Most university pilot and mechanic training programs use higher-end, faster aircraft with more advanced systems to better prepare students for working in an airline environment. A common training aircraft, a Beechcraft Baron, costs \$1.1 million. A pilot training program would usually need at least four in operation at any one time to gain economies of scale. The investment required to start an aviation program is clearly prohibitive.

Perhaps an even bigger challenge is the ability to find flight instructors and mechanic instructors to teach the courses. Northern Air, the Fixed Base Operator (FBO) at Murray Field, operates a private flight training program. In an on-site interview, Northern reported they have a difficult time keeping and finding flight instructors, as they are quickly being hired to work for regional airlines. The same would be true in a university environment.

"...IN A PHONE INTERVIEW, THE UNIVERSITY SAID IT HAD LITTLE TO NO INTEREST IN WORKING ON A PROGRAM."

While there are two higher education institutions in Humboldt County, a two-year institution like College of the Redwoods is a poor match for two reasons. First, most students will need a bachelor's degree in order to obtain the jobs they are aspiring to. And second, a community college is unlikely to have the financial wherewithal to purchase the equipment needed to develop the program.

The best fit in Humboldt County for an aviation degree program would be through Humboldt State University. However, in a phone interview, the University said it had little to no interest in working on a program. The upfront cost is just too high for a University looking to reduce its expenses.

FUTURE ROLE OF EACH AIRPORT IN THE SYSTEM

The Humboldt County Airport System struggles with limited staff (only 12 employees for the entire system) to oversee six airports separated by as much as 82 miles. In on-site interviews, Airport System employees said they spend 90% of staff time at ACV, and that is still not enough time to keep ACV up to the standard they would like to see. Murray Field is checked somewhat regularly because it is the closest to ACV, where all the

“EACH OF THE THREE OTHER AIRPORTS HAVE MAJOR ISSUES THAT WILL CAUSE THE COUNTY TO UNDERTAKE EXPENSIVE FIXES SO THAT THEY REMAIN SAFE.”

Airport System staff is based, and it is the busiest in terms of aircraft operations.

Secondary airports in the system get little attention. Rohnerville and Garberville airports are only checked monthly by staff. It is at least six months between checks at Dinsmore, which has only one based

aircraft. Kneeland, meanwhile, is only formally checked once per year, according to employees of the Airport System. Most issues with these airports are reported to system employees by users.

Because of their location, large number of based aircraft, mix of traffic, and the relatively good condition of their physical plants, Arcata-Eureka Airport (ACV), Rohnerville Airport, and Garberville Airport are the three best positioned airports for the future of the County. Each of the three other airports have major issues that will cause the County to undertake expensive fixes so that they remain safe.

Murray Field (EKA)

Murray Field is the busiest airport in Humboldt County, in terms of aircraft operations, with 55,500 take-offs and landings as of the most recent available FAA data (calendar year 2014). Murray Field also has more based

aircraft than any other airport in the County, with a total of 47 according to the most recent FAA aircraft census.

But ACV could easily support the extra traffic if Murray were unusable.

Tenants at Murray Field report that it is sinking into the wetlands. It is below sea level. Pilots report there are berms and strange cracks throughout the runway and taxiways. These are signs of settling. The Airport System reports the airfield is getting more difficult to maintain. It is impossible to predict how long the current infrastructure will hold up, but engineers interviewed for this report said eventually the entire airfield will need to be re-built in order to provide better drainage and to stop the settling.

Murray Field is located inside the jurisdiction of the California Coastal Commission, which is charged with protecting the natural coast. Engineers said that this will cause long-term

improvements to be difficult. Engineers said that even if the airport could eventually be re-built in place, it would likely be cheaper to use the Murray Field land for environmental mitigation in exchange for the development of additional environmentally sensitive land at ACV. In this way, a closure at Murray could be developed as a showcase project.

Murray's Fixed Base Operator (FBO), Northern Air, the only FBO in the County, said in an on-site interview that there is little future at Murray Field due to the limited infrastructure including the short and narrow runway. The FBO reports some of the fencing is down, the field gets little attention, and many buildings are in disrepair. The FBO worries that their own facility is sinking. Northern Air would be willing to move completely to ACV if there was a similar building for lease.

This is not to say that Murray must immediately be closed. But rather to point out that the County must plan for Murray's future – either re-built or closed.

"...ENGINEERS INTERVIEWED FOR THIS REPORT SAID EVENTUALLY THE ENTIRE AIRFIELD WILL NEED TO BE RE-BUILT IN ORDER TO PROVIDE BETTER DRAINAGE AND TO STOP THE SETTLING."

Kneeland Airport (O19)

Kneeland Airport is the smallest, physically, of all Humboldt County airports, covering just 14 acres. It has one runway, which is quite narrow, at just 50 feet in width and 2,252 feet in length. Kneeland's advantage is that it is located atop a mountain ridge at 2,700 feet in elevation (above mean sea level), keeping it out of the coastal

"A REPAIR WOULD BE AN ENVIRONMENTAL NIGHTMARE DUE TO A PROTECTED WEED AT THE END OF THE RUNWAY THAT IS CRUMBLING."

fog. It is an alternate airport for general aviation traffic bound for the County's other airports in low visibility. But pilots interviewed for this report say it is very rarely used.

The Department of Forestry operates a Helitack helicopter base adjacent to the field, but does not use the actual runway. Kneeland has no based aircraft, according to the FAA's aircraft census completed before the writing of this report. Kneeland only has one significant user of its aviation facilities on a regular basis – the US Coast Guard. The Coast Guard uses the field for helicopter operations when there is low visibility at its ACV base. The Coast Guard does not, however, use the airport's runway.

The Airport System reports the end of Kneeland's runway is crumbling as a large hill slides. The length of that runway has been reduced and it is not currently published to the correct length. A repair would be an environmental nightmare due to a threatened/endangered plant at the end of the affected runway. A runway repair would require an expensive environmental mitigation study that would cost at least \$20,000 according to engineers.

Kneeland, meanwhile, has been removed from the Federal Aviation Administration (FAA) funding list. This has caused the Airport's FAA funding to drop from \$150,000 per year to just \$10,000 per year. Kneeland, in its

current state of repair, costs the County little to keep open. But a long-term fix to the runway deterioration will likely cost several million dollars and it is unclear if the FAA would be willing to fund the fix.

Kneeland is an important piece of the County's aviation infrastructure – for helicopters. The US Coast Guard relies upon Kneeland as an alternate helibase when fog closes ACV. The Coast Guard reported, in an in-person interview for this report, that it would have to relocate out of Humboldt County if it could not use Kneeland as an alternate for its helicopters.

Kneeland's main apron would be large enough, and sufficient, for it to remain open as a helicopter base. The runway is not needed for the clear majority of the aviation users of the facility. Over the long-term the County will have to decide whether to invest in the environmental study and cost to re-build the airport's runway, or to transition it to a helicopter-only facility.

Dinsmore Airport (D63)

Dinsmore Airport is an infrequently used general aviation airport located one mile from Dinsmore. The Airport, according to the FAA survey, has just one based aircraft, which is an ultra-light. It is not frequently used by general aviation, with just 1,600 total operations per year. The Airport has one runway, which is 2,510 feet in length and only 48 feet wide, limiting its usefulness for anything larger than a single-engine aircraft. The Airport is used most frequently by helicopters, as hospitals use it as a medivac point. The runway is not needed for medivac operations.

Several Airport System stakeholders interviewed for this report said that Dinsmore is obsolete. It was built for mill traffic which no longer exists. Moreover, the runway is next to the Van Duzen River, which is encroaching upon its south edge. The Airport is also surrounded by many large trees, that continue to grow, impeding the

runway safety area. Eventually a number of the large trees will have to be removed. The County will also need to work to stop river encroachment with some type of dyke-system if the runway is to be maintained.

Hospitals in the area report they use the facility for medivac flights two to three times per week, but only using their helicopters. They never use the airport's runway. Hospitals say they will fight to keep the helipad open, but they have little use for the runway.

Much like Kneeland, the County will have a long-term decision to make about whether to slow the river's encroachment at Dinsmore and protect the runway or to make the transition to a helicopter-only facility. With only one ultra-light based on the field, the relocation of tenants will be a limited problem.

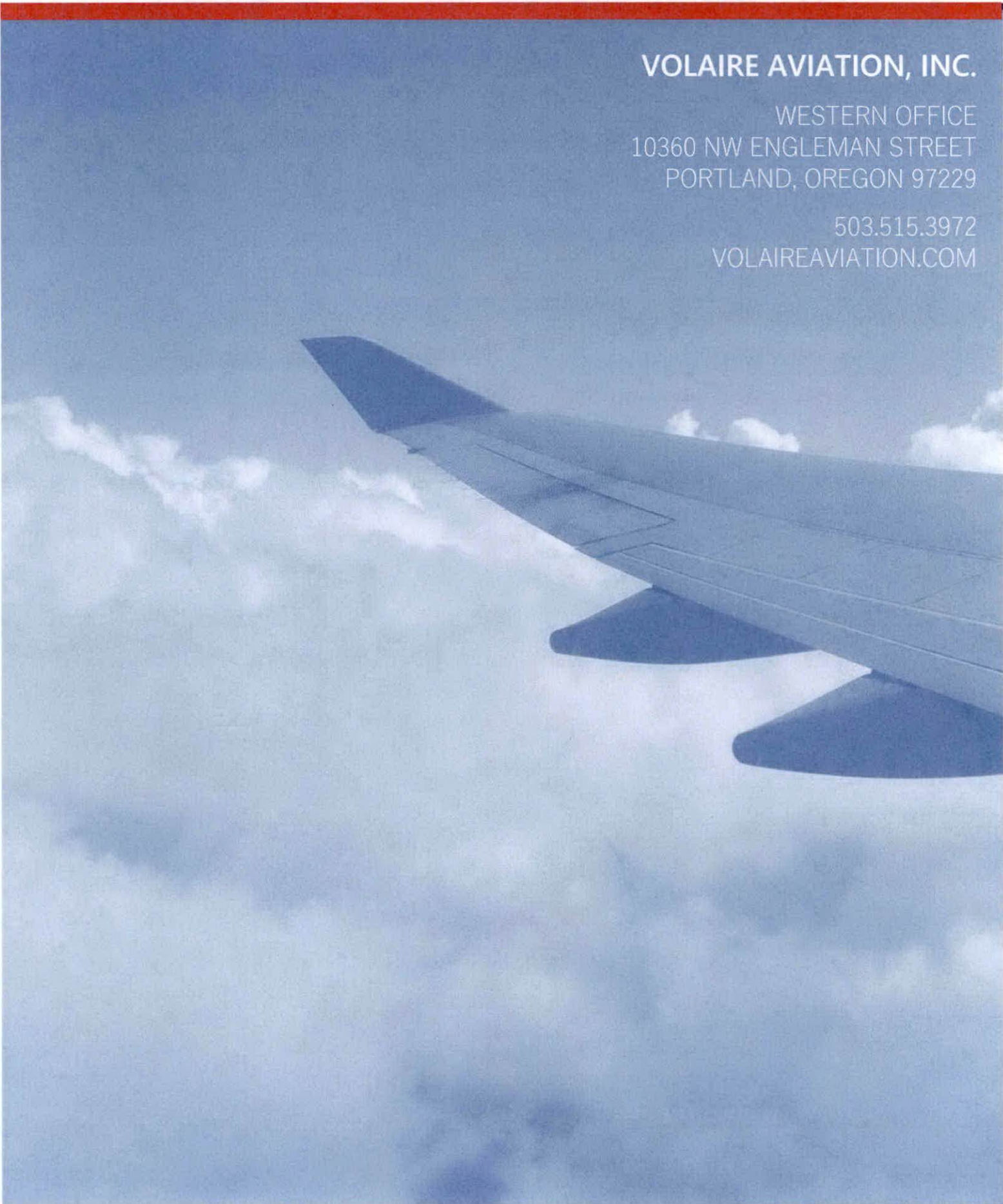
Airport Summary

This report is not designed to recommend airport closures. That is beyond the scope. But it is clear the County's leadership will face major decisions regarding Murray Field, Kneeland Airport, and Dinsmore Airport. The County must be prepared to solicit stakeholder and constituent input to consider potential airport closures as facilities deteriorate.

VOLAIRE AVIATION, INC.

WESTERN OFFICE
10360 NW ENGLEMAN STREET
PORTLAND, OREGON 97229

503.515.3972
VOLAIREAVIATION.COM



Attachment 5: Volaire – Marketing Plan

STRATEGIC MARKETING PLAN

HUMBOLDT COUNTY AIRPORTS DIVISION



Fly Humboldt!
More Flights/More Destinations

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EXECUTIVE SUMMARY



This report covers the marketing focused areas of study into the Humboldt County aviation division, as related to passenger airline service. The division operates six airports in the County, as a sub-department of Public Works. Its current mission is to operate those airports safely and efficiently. The airport division has just 12 employees to oversee all six airports.

To prepare this report, Volaire Aviation Consulting led an online research survey, hosted community focus group sessions, conducted online market research, compared the results to industry-related standards and benchmarked the aviation system against, its regional and industry peers. Volaire consultants have a combined five decades of experience in airport marketing and public relations, including significant experience with California airports and like-sized airports. That experience was applied to the analysis in this report.

**“VOLAIRE CONSULTANTS HAVE
A COMBINED FIVE DECADES OF
EXPERIENCE IN AIRPORT
MARKETING AND PUBLIC
RELATIONS...”**

This report has several sections. First, it aims to review how the main, commercial service airport, California Redwood Coast – Humboldt County Airport (ACV) is perceived by the local community and by both current and potential travelers. Following this research component, our intent includes the development of marketing message recommendations for the airport, based on those defined perceptions. The overarching result of those research elements include the development of a marketing plan for airline passengers, both in-bound and out-bound, complete with audience targeting, messaging, media placement recommendations and budget options.

This passenger marketing strategy is designed to be a guide for all future initiatives. The marketing strategy is a living document, therefore there is no rigid priority assigned to each goal. Each program goal is set in place to help meet the identified airport objectives. However, a relative scale is indicated with those projects of higher priority generally being closer to the top of the list.

REGIONAL PERCEPTION SURVEY RESULTS



Beginning in August 2017, Volaire Aviation partnered with the Airport to conduct an online survey with the local community. The primary goal of the market research was to provide the Airport with information necessary to improve marketing efforts, drive decision making, and increase passenger traffic.

The survey link was distributed by Humboldt County, in partnership with the Airport and the Redwood Region Economic Development Commission. The online survey was meant to last an average of 3 to 4 minutes and included 18 questions. Fieldwork began on August 21st and was completed on September 12th. A total of 537 respondents participated in this survey. The section below includes a snapshot of the results that are most relevant to the recommendations found within this marketing plan. Full survey results are included in Appendix A of this report.

Survey Results and Recommendations

1. Loyalty Among ACV travelers is High, Above Average. Brand and Name Recognition is low.

Loyalty proved to be high among those surveyed, in that an overwhelming number of respondents noted ACV is the airport that comes to mind first when considering air travel. An important factor to note is while the airport may have come to mind first, the number of names listed when referring to the airport is quite concerning. The names listed for the airport when asked this question ranged from:

- > ACV
- > Arcata
- > Arcata-Eureka (or Arcata/Eureka – ACV)
- > Arcata Airport

expectations of the community and convey to the public that the airport is a regional transportation asset and ensure any marketing efforts done in the future by the airport, resonant with the audience. To do this, the airport should look for opportunities for community involvement and awareness and potentially consider a rebrand of the name/brand of the airport, or at least consider changing the advertising associated name/brand, as defined to the public. Creating positive attitudes towards the airport is critical to overall success, especially in a close-knit community. What is being advertised and what is being absorbed by the audience is a very important component of this process.

These survey questions, along with survey questions related to the Airport's three-letter code, ACV, ('Do you know the three-letter airport code for the commercial airport located in Arcata-Eureka?'), indicate the public, while confused by the airport's name, do in fact understand and relate to the reference of the airport's 3-letter code.

2. Of the airport's users, most feel they have a positive relationship with the airport and advocate for its use when possible and/or know to check it and choose to use it when logical. Responses included:

- > I advocate for the Airport, flying from it and recommending it to others - 22.6%
- > I choose the Airport over others whenever possible - 26.5%
- > I use the Airport only when it makes the most sense - 39.6%
- > I often choose other airports - 20.9%
- > I don't consider using the Airport - 7.8%
- > I am not familiar with the airport in Arcata-Eureka (ACV) - 0.4%
- > Other (included open ended comments) - 20.1%

3. Proximity from home to Airport and Convenience and the Top-Factors as to Why Travelers Choose ACV

When asked “What are the main reasons you choose or would choose to fly to or from the airport in Arcata-Eureka (ACV) instead of other area airports,” convenience topped the list. 74% of respondents used the word “Convenient” to describe the airport, making it the top word associated with the airport. The main reasons why respondents choose to fly to or from ACV instead of other area airports are:

- > “Convenience;”
- > “Shorter drive from home to airport;”
- > “Small, easy to navigate terminal;”
- > Other factors ranked included friendly staff and cheaper parking options.

Overall, close-to-home, convenience and drive time are key differentiators for ACV when compared to the competition. Other notable differentiators stem from its local, hometown feel that provides customers with quick, friendly, and easy to use services. Convenience and drive time play a large role in the overall comparison of travel price and, as noted later in this document, serve well for the recommendation that the airport may need to explore the addition of a travel cost calculator to its website and marketing materials, to better show how parking cost, driving costs, time spent at airport, and time waiting are less for locals than if the same travelers were to use competitive airports. This could then be further shared at the airport, on social media, and other advertising/marketing efforts, so that members of the traveling public truly understand the cost savings associated with convenience.

4. Ticket Fares and Flight Options are Factors that are Possibly Hurting Usage of ACV

When asked the question, “What are the main reasons you choose or would choose to fly to or from another airport instead of the Airport in Arcata/Eureka,” lower fares and flight options topped the list. “Ticket fare pricing” proved to be the top factor as to why respondents chose to utilize other airports (83%) and both “More frequent flights or nonstop options” and “More reliable service” were secondary factors as to why respondents

would choose to fly to or from other airports. It is important to note that "Affordability of Fare," "Flight times to Destinations," and "Nonstop Options" also topped the list for the question related to items that could/should be improved at ACV.

When asked what non-stop domestic air travel destination(s) respondents would choose to travel to if offered by the Airport in Arcata/Eureka, Portland, Sacramento, Los Angeles and Denver topped the list. Volaire Aviation understands the reality of an airline flying directly from ACV to some of these locations is likely *not* feasible due to industry dynamics of such routes. However, the public often does not understand underlying reasons for why a route would or would not make sense to an airline. Community education on this point is necessary and recommended.

Based on these results, the airport should continue to raise awareness of current airline options and availability/connectivity, provide tips on the best time to purchase a flight ticket, educate the community on the true value of their local airport and continue to evaluate additional air service offerings, perhaps by working with another airline on a seasonal basis which may lower fares to select markets. If airline partners (United) are willing, price point ads in the market may help alleviate the participants' preference for some of the options seen in San Francisco and other alternate airports. However, coordination with United would need to occur to ensure the appropriate rules on airfare advertising are followed. Education will be key in obtaining public support for the service already provided. A continual effort should be made to help passengers understand true costs of flying from a competitor (both costs to the community and costs to the passenger). The Airport System should also further promote its differentiators including awareness of any airport renovations, its easy-to-use terminal, and the free (or less expensive) amenities not available from other airports.

FOCUS GROUP FINDINGS



On August 3, 2017, Volaire Aviation worked with the County to host and conduct a series of community focus groups. The purpose of the focus groups was to identify items the airport should focus on when considering next steps to market the facility. Attendees of the Focus Groups included individuals from the following companies and local organizations:

- > Experimental Aircraft Association
- > US Coast Guard
- > Humboldt State University
- > Humboldt County Administrative Office
- > Humboldt County Economic Development
- > Northern Air
- > College of the Redwoods
- > North Coast Community Blood Bank
- > Humboldt County Public Works
- > Humboldt Harbor District
- > McKinleyville Chamber of Commerce
- > California Center for Rural Policy
- > GHD Inc.
- > Sequoia Personnel Services
- > Humboldt County Aviation
- > St. Joseph's Health (Hospital)
- > City of Eureka
- > Arcata Economic Development Corporation
- > Headwaters Fund, Fortuna Business District
- > Redwood Region Economic Development Commission

The combined findings from the three Focus Group Sessions are summarized below:

FEEDBACK ON CURRENT AIRPORT NAME / IDENTITY

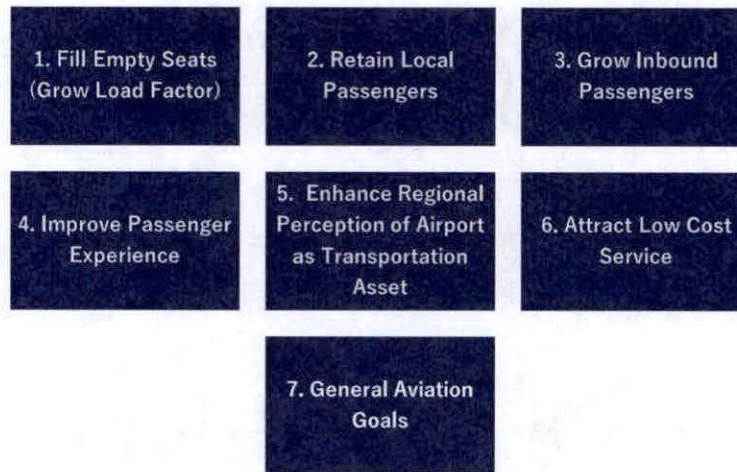
When the open-ended question, "what do you call the main commercial service airport in town," was posed to the group, the following responses were recorded:

- > Most call the airport "ACV"
- > Some call it Arcata-Eureka Airport
- > Many simply say, "The Airport"
- > Some posed the question back, "What's the name of our airport?"
- > Arcata-Eureka is also confusing because the airport isn't in either town
- > Arcata Airport
- > Many noted that they "Can't remember the full "California Redwood Coast" Airport name.
- > Airport representatives in the group referred to the airport by the full, official name.

The results of the focus group question are in-line with what was shown through the survey questionnaire. While the focus group attendees are in the category considered to be "stakeholders" of the airport, many still brought up a concern the full, current airport name is either hard to remember or does not resonate well with locals. This will be addressed in a later section of this report, but leads to the question of whether the Airport and the County need to invest in a brand building exercise, or work to develop/build a new airport brand (and potential name) based off the feedback received; one which better resonates with the community and the traveling public.

IDENTIFICATION OF MAIN MARKETING PROGRAM GOALS

To streamline the main marketing program goals, the focus groups were asked to identify overarching program goals. These elements and suggestions were then paired with the rest of the findings to develop the main strategic marketing goals that will be defined within this document. The following chart includes the goals that were shared as examples with the focus group.



Below are additional program goal suggestions, provided by focus group attendees:

- > Awareness of cargo service at Murray and value to community;
- > People sometimes think Murray Field is ACV and end-up at the wrong airport;
- > Educating community leaders (businesses) on how air service development works;
- > Educate people about art in airport program;
- > Top of mind community awareness;
- > Increase corporate/general aviation;
- > More development on airport property;
- > New enhanced restaurant.

Overcoming Brand Challenges to Increase Brand Loyalty

Throughout the brand development process, both brand attributes (positive airport qualities) and brand

challenges were uncovered. To ensure the updated airport brand resonates with the community and with both inbound and outbound travelers, we need to also work to overcome some of the identified challenges.

IDENTIFICATION OF AIRPORT BRAND ATTRIBUTES

To fully understand the airport's positive brand qualities (or attributes), the focus group participated in an exercise to identify positive items, related to the airport experience, that resonate with the community and with travelers. These attributes should be taken into consideration as the airport further develops its brand and all future marketing/advertising messaging.

- > Close to Home
- > Easy Hub for Connections
- > Close-in Parking
- > Shorter Drive Time
- > Small Terminal
- > Shorter Lines
- > Great café
- > Friendly/helpful staff
- > The airport is economically important – brings in a lot of money to the community
- > Quick flights to major cities
- > Friendly TSA agents
- > Good airline customer service agents (SkyWest)
- > Pleasant environment in terminal (stress free & clean)
- > No need to rush
- > Relaxed atmosphere
- > Run into people you know
- > Critical to health and safety of region (whole system)
- > Quick trip to hotel / some with shuttle
- > Rental car options
- > Stress free and clean
- > Good internet – FREE
- > Delivery for lost luggage

It is important to note the above section contains the full list of attendee feedback items. We will later consolidate this list into key attributes.

IDENTIFICATION OF AIRPORT BRAND CHALLENGES

On the flip side, to fully understand the airport's positive brand challenges (or negatives) the focus group participated in an exercise to identify challenge related items, related to the airport experience, that may come to mind when the community thinks of ACV. These challenges should be taken and reviewed by airport and county staff to improve customer perceptions and overcome how these challenges may impact future use of the airport. Not all of these challenges fall within the control of the airport, as many are industry related issues. However, understanding challenges allows us to combat perceptions that surround those challenges, ultimately creating a better overall customer experience for the traveling public.

BRAND CHALLENGES

- > Limited Service Options / Schedule
- > Limited Options in Terminal
- > Connection(s) Required
- > Sometimes Unreliable
- > (More) Expensive fares
- > Limited/Confusing website presence
- > Misconceptions about the services available at the airports
- > Operational performance
- > People think it's a short drive from SFO
- > Lack of adequate ground transportation
- > Cost of flights
- > Website(s) confusing (multiple sites)
- > Difficult to get a cab
- > Difficult to get one-way car rental
- > Group feels it is a detriment that Airport falls under County Public Works vs. seen as Economic Development

The remaining focus group findings, as listed below, identify airport features and area keywords that will be important as the airport and associated consultants work to tailor marketing and brand messaging to the respective audience groups.

REGIONAL IDENTITY KEYWORDS – Keywords associated with the regional area

- > Far Northern California
- > Redwoods
- > Buy Local
- > Americana
- > Outdoors
(kayaking/ocean/coast/camping)
- > Clean and clear (air and water)
- > University
- > Fishing / charter fishing (Salmon/Oysters)
- > Easy Vacation Location
- > Family friendly
- > Great restaurants /Foodies
- > Tribal connection/communities
- > Festivals
- > Rural residents and progressive county
- > 1st city to have a green party majority.
- > Victorian buildings. Ferndale.
- > Art District: Most artists per capital
- > Cannabis / Emerald Triangle
- > Farming: (Oldest farmers market in CA/Farm to plate organic
- > GMO free county
- > Humboldt

BRAND IDENTITY KEYWORDS - Key words associated with the airport brand (ACV).

- > Convenient
- > Close to Home
- > Connectivity
- > Friendly
- > Hassle Free / Easy
- > Spacious (cozy / plenty of seating)
- > Easy parking / Close-in parking.
- > Cheap parking
- > Value

KEY WORDS THAT DESCRIBE THE FULL AIRPORT SYSTEM – Additional keywords associated with the airport system as a whole (vs. simply the commercial service airport, ACV).

- > Need to identify economic development opportunities
- > Close to Ranches
- > Stargazing
- > Coast Guard tie-in
- > Appreciation – jet fuel for wild fires
- > Rundown/worn down

BRAND ADVOCATES – The focus group was asked to help identify local champions or advocates that either currently use and support the facility or should be targeted for increased education and future support of the facility.

- > Hospitals
- > Hotel owners and operators
- > Airport adjacent businesses
- > Internal employees of County
- > Chamber(s) of Commerce
- > Convention and Visitors Bureau
- > Tribes
- > University
- > Agencies- harbor district / fishing industry
- > Anglers associations
- > Parks & Recreation– Redwood State National Park
- > Government agencies
- > Humboldt Growers Association
- > Cannabis Association

STRATEGIC OPTIONS FOR MESSAGING - The focus group attendees were asked to list recommendations and thoughts related to future airport marketing messaging:

- > Manage your delay, manage your stay
- > Safe to book a two-hour layover
- > Needs a clearer name – the long name isn't resonating

- > Airport is tied to efforts to improve the area by boosting the economy and growth of the region
- > Airport is critical to the future of the economy
- > Building on Fly Humboldt brand
- > If keeping name, need to tie in the redwoods and imagery to inbound advertising = Gateway to Redwoods
- > Emerald Triangle – It was noted that the airport should consider digital targeting as related to the people searching for the emerald triangle, as ACV is the only commercial airport in emerald triangle.
- > Work to incorporate CVB message of “experience the magic”
- > Real Northern CA/ North Coast
- > Need to work to alleviate current perception of anxiety/risky to fly due to cancelations.

Shortly after the Focus Group Sessions, it was announced the Airport would be losing one of the two airlines serving the Arcata-Eureka market. On August 4, 2017, PenAir announced it would terminate service between ACV and Portland, Oregon (PDX) effective August 8. Arcata-Eureka’s airport was not alone in the loss of PenAir service, as the airline ended service between Portland and North Bend/Coos Bay, Redding, and Klamath Falls on the same date.

This change in the market dynamics also signifies a change in the marketing recommendations for the Airport system, as there are less seats to fill and different options to consider when formulating a marketing plan for the airport. In October of 2016, Arcata-Eureka Airport (ACV) enjoyed an average of 344 daily departing airline seats. As of October 2017, ACV will

have just 249 daily departing seats, changing the number of passengers that can use the Airport. As noted in the Strategic Initiatives section of this report, the potential marketing

CHART 1: SCHEDULED AIRLINE SERVICE AT ACV
OCTOBER 2017 VS. OCTOBER 2016; SOURCE: OAG AIRLINE SCHEDULE FILINGS

Carrier	Non-Stop Destination	Oct-16		Oct-17		Capacity Change
		Departures Per Day	Seats Per Day	Departures Per Day	Seats Per Day	
PenAir	PDX	1	30	0	0	-100.0%
	RDD	2	60	0	0	-100.0%
PenAir Total		3	90	0	0	-100.0%
United	SFO	4.1	254	4	249	-2.0%
United Total		4.1	254	4	249	-2.0%
ACV Total		7.1	344	4	249	-27.6%

highpoint for ACV is the fact that, even with fewer seats, the Airport has not generated enough passengers to fill the reduced number of seats since 2010, so the ultimate impact might be planes with more passengers on each flight, and only marginal passenger loss, especially with an increased airport passenger marketing effort for the upcoming year.

Key Items for Consideration When Working to Overcome Brand Challenges to Increase Repeat Users

By looking at the Airport's brand challenges, Airport management can work to overcome said challenges and begin to change the community perception of the airport; thus, creating a better customer experience for the user. Based on the challenges identified, below are a few items to consider. By keeping challenges top-of-mind, the Airport can continually strive to create more awareness in the community and improve both perception of the airport and the overall airport experience. It should be understood all Airport improvements or modifications take resources and many of these items cannot be corrected.

Education and Awareness

- **Benefits to using ACV** → Create marketing one sheeter to distribute to business entities, partners, and at events. Incorporate same list/infographic onto website and social media to highlight ease of use and the impact the airport has on the region.
- **Name Recognition** → Explore a simplification of the Airport's name for brand and advertising purposes.
- **Identification of Scheduling Issues/Coordination with ASD/Planning:** There are ways to work with airline on schedule to reduce chance of delays and cancellations.

Facility and Aesthetics

- **Facility Improvements** → As financing permits, consider minor improvements to terminal facility that may enhance overall customer experience. Refresh areas each year on annual basis. Continually strive for clean facility.

Perception

- **Perception of limited nonstop flights** → Highlight hub connectivity in all advertising and messaging.
- **Cancellations/Unreliable** → Communicate monthly stats and include ontime performance numbers.

Habit - Alternate Airports

- **Nonstops** → Showcase the likelihood of having to connect regardless of airport chosen.
- **Nonstops** → Highlight fact that 5+ hour drive is equivalent to a flight connection.
- **Lower Fares** → Highlight value of local airport and consider more prominent placement of cost comparison tool. Highlight tool on social media and in materials provided to local business travelers.
- **Habit** → Incentivize business community through corporate travel programs and/or run community giveaway contests to encourage those who enter to use ACV. Understanding of cost associated with drive times.

AIRLINE PASSENGER MARKETING PLAN



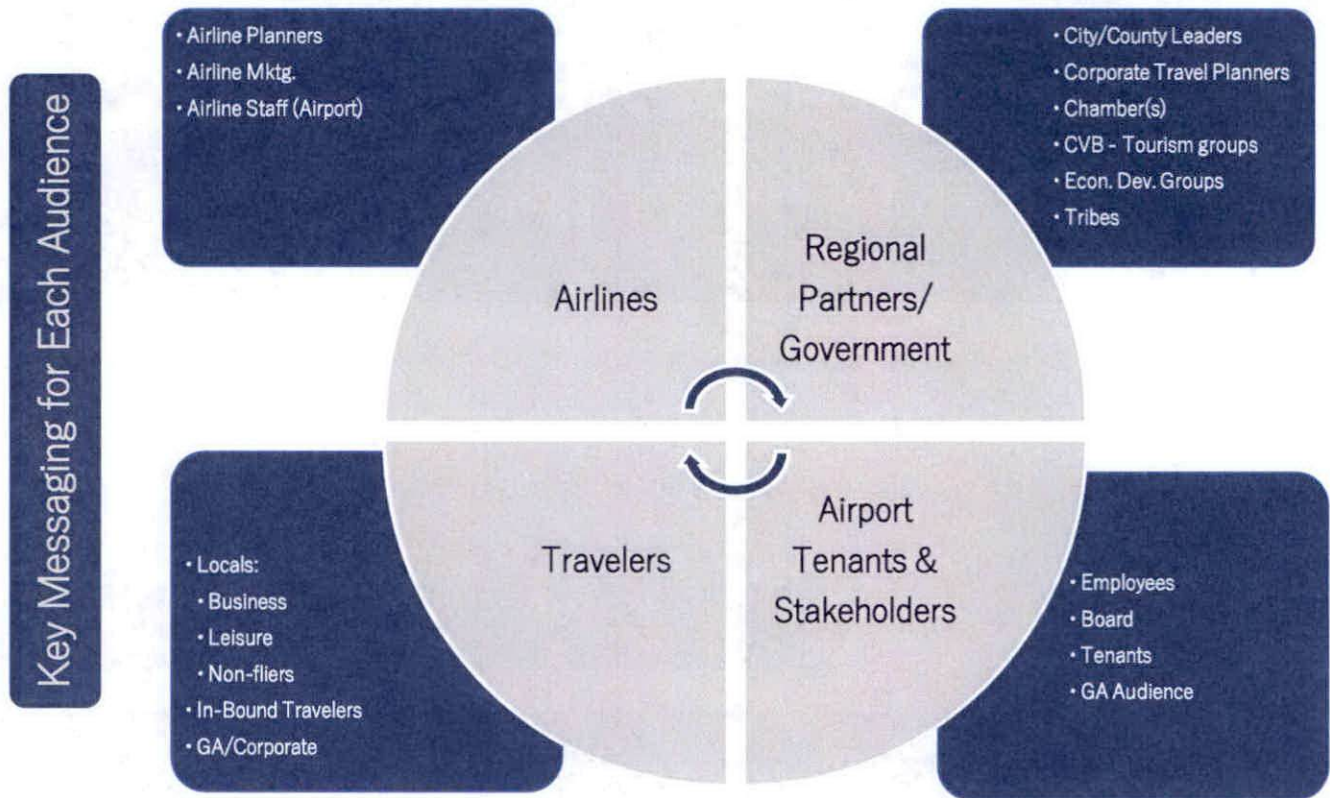
The airport is unique from other entities within the region as it must serve all categories of people and businesses. Advertising messages that complement the airport brand should be developed with the goal of speaking directly to each of these target audience groups. Platforms and sample creative copy is included in subsequent sections.

CHART 2: OVERVIEW OF PASSENGER MARKETING PROGRAM



PART ONE: Target Audience

In any marketing plan, there are several target audience segments that need to be reached; regardless of what message is being communicated. ACV's audience is no different. These segments are described below and are all important to the success of the airport.



As determined through the focus group research, in addition to the segments listed above, we also need to be mindful of additional, key audience segments. These additional segments are relevant to keep in mind when determining the advertising and marketing mix.

- > Tribal Marketing – including various niches
- > Overseas inbound travelers
- > National Parks
- > Hotel owners and operators
- > Health care professionals
- > Casinos
- > Specialized tourism (bird watching, specific outdoor activities, fishing/salmon)
- > Southern tourism vs. Northern area tourism

Target Audience Segments

Local Audience (Outbound)

The local audience is best described as those residing within ACV's local catchment area that could utilize the daily United Airlines service to San Francisco on a continuing basis. This audience lives year-round within the region and California Redwood Coast - Humboldt County Airport (ACV) would be considered their "home" airport. The catchment area surrounding ACV has an estimated 266,370 origin and destination passengers,

based on a study conducted by a consultant hired by the County (Mead and Hunt). The airport could easily be used for both business and leisure related trips on a continuing basis for these residents.

Visitor/Non-local Audience (Inbound)

The second audience to consider is the inbound visitor or non-local audience. With the tourism associated with the region, the opportunity for increased inbound visitor travel is viable. Additionally, corporate travel (inbound and outbound) also needs to be considered. Given the varied demographic of the laborer working locally at the associated companies, the assumption that business travel in both directions occurs, is fair. In addition to the corporate travel mentioned, there exists two higher education institutions in Humboldt County, including: Humboldt State University and a two-year institution, College of the Redwoods. Humboldt State University offers a unique international addition to the population, creating travel needs to many international locations. As noted in the recommendations section of this document, dedicated corporate and community outreach efforts to all local businesses, including both higher education entities, will help the airport to determine inbound (and outbound) corporate travel needs as well as, potentially, provide an outlet to reach inbound travelers.

The two target audience segments may have differing motives or trip purposes, but there are commonalities between them; namely entrenched travel habits and price sensitivity. Without reliable scheduled service, the above noted audience groups would be forced to travel quite a distance to utilize another airport to travel into or out of. As shown in a 2017 True Market Estimate Study, conducted by a consultant hired by the County (Mead and Hunt), it was determined that within the catchment area of the airport there are an estimated 266,370 origin and destination passengers. Through the study, it was shown that ACV retained only 50 percent of passengers from this area. San Francisco International Airport (SFO), captured twenty-seven percent of catchment area passengers and approximately 12 percent drove and used Sacramento International Airport (SMF). Remaining passengers (6%) used Oakland International Airport (OAK) and (5%) other airports, including: Rogue Valley International-Medford Airport, Del Norte County Regional Airport, San Jose International Airport and Redding Municipal Airport.

While the airport is successful in retaining more than 50% of their local traffic, the fact that they are losing the remainder to airports a considerable drive distance away is concerning and must be taken into consideration when crafting airport advertising messaging and working on new retention marketing efforts.

Communication Platforms by Target Audience Segments

There are traditional and non-traditional means of communicating with various audiences. Understanding the difference is important for many reasons.

Traditional Advertising Platforms

Traditional advertising refers to the most common venues for placement including newspaper, radio, television, and billboards. These platforms allow advertisers to reach most individuals with a given message in the designated marketing area. In relation to California Redwood Coast - Humboldt County Airport (ACV), the use of traditional platforms will allow the creative messaging to be dispersed throughout the catchment area and reach the target audience groups in a timely manner. Potential challenges to traditional advertising include the lack of measurable, real-time analytics to ensure the message is effective within the catchment area and audience attention spans. Details on a few of the most common traditional platforms are included in the following sections:

Newspaper/Print: Contrary to some reports, print news (or print media) is not necessarily an aging platform. To exist in print is to be forever captured in a tangible product. Newspaper and other print articles live with the consumer – in the office, at home, and can be physically shared, living long after the print date. An individual that sees a print ad in the local newspaper advertising United Express service from ACV may choose to retain it as a reminder to check airfare prices and availability or to show their friends and family. In doing this, they prolong the lifespan of the ad. By including print advertising in the airport budget, the airport can continue to maintain and enhance valuable relationships with local media. It is recommended to include print media across

the extended catchment area to educate potential airport patrons of airport's offering. Often print ads can be complemented using cross placed digital ads (on local news sites) for message consistency and increased reach; albeit pared down to a more manageable size.

Radio: 93% of American adult consumers (18+) still listen to some form of radio on a weekly basis, outperforming TV use, computer use, and smartphone use according to the *2016 Nielsen Audio Today* report. The airwaves are still a powerful tool to educate and inform listeners. As potential passengers in the region may drive various distances between cities or work locations, radio is an important platform to utilize. We recommend the continued use of the radio platform. Compelling radio ad copy (:15, :30, and :60 spots), focused on engaging listeners while also informing them of the ACV option is crucial. The incorporation of promotional sponsorships in partnership with the local radio stations is one way the airport can create additional awareness and generate increased exposure by trading prizes (airfare) for promotional time on the air as detailed in the recommended budget section of this plan.

Television: In 2016, *Statistica* estimated the average US consumer watched an average of 4 hours and 46 minutes of television per day. Due to the cost-prohibitive nature of TV advertising in the local market paired with the limited airport marketing budget, only a limited amount of TV advertising has been recommended for ACV now, and this is dependent on the final budget allotment chosen by the County and the Airport. If budget limitations exist that limit the budget to a point lower than the options provided in the budget section of this document, we recommend the airport hold off on TV advertising for the time being and focus on the other channels described. TV advertising (production) can also prove to be cost prohibitive. If limited by budget, airports can get creative and write copy and provide imagery for station produced spots. Another option is to include weather and traffic sponsorships, which require limited production resources, but still allow the airport to reach an intended audience at key times.

Out of Home Advertising/Outdoor Billboards: The United States is an increasingly mobile market with more and

more decisions made “on the go” while “out of home”. Drivers stuck in traffic or on a long commute have time to think about things including their desire for a vacation. Out of home and billboard advertising capitalizes on this and with the proper messaging, directs the consumer to an action benefitting the product advertised. In the case of ACV, proper placement of billboards along high traffic areas leading into or out of the region can resonate with the driver and increase awareness about the airport while beginning the education process of the importance of using the local facility. Creative needs to be extremely simple, clear, and concise with eye catching imagery to be effective. Other items to consider that fall within the bounds of this category include bus wrap advertising, bench advertising, and event center signage. Out of home advertising has only been included in the budget recommendations for a modest amount, due to budget allotments, however, should the airport’s marketing budget increase in future years, this is a platform we urge the airport to consider for a larger scale awareness campaign.

Non-Traditional Advertising Platforms

Non-traditional advertising is just that; advertising done on platforms outside of traditional platforms. Non-traditional advertising can be high impact, is often less expensive, and can be customized to the airport’s needs. Examples of non-traditional advertising platforms are briefly discussed below.

Digital Advertising: Digital advertising allows advertisers to reach and appeal to their core audiences in new, more precise ways while providing real-time, trackable metrics. These metrics can then be used to further refine the intended message to bring about additional conversions. Additionally, this type of advertising can provide the airport with a way to target consumers when they are in the mind-set to travel by incorporating tactics that show search patterns and purchase patterns of the individual. A strong, targeted digital strategy for ACV and United Express can ensure all the target audiences know of, and utilize, the flight options.

Social Media Advertising: From Facebook ads to Twitter ads and everything in between, social media advertising is on the rise and is a key component of a digital advertising strategy. Twitter was one of the early leaders in

recognizing the potential to reach consumers and with a 60 percent growth year over year, they continue to prove their worth as an option for brands. This growth stems from a focus on mobile optimization. As more consumers turn to their smartphones for access to the world, using social media and specifically using social media to target consumers on their mobile phones, is vital. Social media advertising is also cost effective and very targeted. With the ability to hyper target consumers based upon geography or behavior, Facebook ads are an essential way to reach the target audiences previously discussed. Including social media into a comprehensive overall strategy is necessary for California Redwood Coast - Humboldt County Airport (ACV) to spread service awareness with a strong call to action and trackable results.

Community Sponsorships: Showing the airport is an active and willing participant in the local community ensures the airport is top of mind locally while also helping the airport to become a source of local pride within the community. Interactions by airport staff with the community, whether participating in a local event, career day or assisting in coordination of airline ticket giveaways, furthers the airport's stance as a transportation asset to the region. Long-term community sponsorships with area sports teams and local universities can also give the airport opportunities to interact with and educate the public on airline service options. This community participation and presence is key for ACV as it works to develop brand advocates, educate local travelers, and increase use of the airport and the United Express service.

PART TWO: Competitive Landscape

In defining the elements of the strategic marketing plan, it is important to also outline the Airport's competitive landscape. This process creates an understanding of the marketing challenges and associated opportunities to retain passengers. The airport should monitor changes within this landscape throughout the course of the program period.

Competitive and Relevant Airport Landscape

Airports within the same catchment area compete with other airports for a finite number of passengers.

Research has also shown that despite the propensity for staying and flying from ACV due to drive times, passengers will look to travel far distances by car if it means saving a significant amount on air fare or additional nonstop flight options. Information available shows multiple strong, yet distinctly different, competitive airports which must be considered when planning the marketing and advertising program and three others that should be taken into consideration. Messaging surrounding the time-value of the travel times associated with flying from these alternate airports also should be considered.

1. **San Francisco International Airport (SFO) – 5 hrs. 20 min from ACV (300+ miles)**
2. **Sacramento International Airport (SMF) – 5 hrs. 17 mins from ACV (297 miles)**
3. Oakland International Airport (OAK) – 5 hrs. 16 mins (300 miles)
4. Del Norte County Regional Airport (CEC) – 1 hrs. 36 mins (72 miles)
5. Rogue Valley International-Medford Airport (MFR) – 3 hrs. 41 mins (177 miles)
6. San Jose International Airport (SJC) – 5 hrs. 34 mins (341 miles)
7. Redding Municipal Airport (RDD) 3 hrs. 17 mins (153 miles)

As noted earlier in this report, a 2017 True Market Estimate Study, conducted by a consultant hired by the County (Mead and Hunt), determined that within the catchment area of the airport there are an estimated 266,370 origin and destination passengers. Through the study, it was shown that ACV retained fifty percent of passengers from this area. Despite the long drive time, San Francisco International Airport (SFO) captured approximately twenty-seven percent of catchment area passengers and twelve percent drove and used Sacramento International Airport (SMF). Each of these airport options provide greater flight frequencies and destination options for travelers, specifically low-fare service options. Remaining passengers utilized Oakland International Airport (OAK) and other airports, including: Rogue Valley International-Medford Airport, Del Norte County Regional Airport, San Jose International Airport and Redding Municipal Airport. Though these additional, smaller airport competitors are not ideal for business travel (inbound or outbound) they do all come into play when travelers are looking for a "good flight deal" or specific nonstop options to leisure destinations.

Time is of the essence to many travelers and factoring in drive time or equating the drive as an “initial connection via the road” needs to be brought top of mind to local travelers. Time on the road can mean lost productivity to both business travelers and leisure travelers. Recommendations on how to improve this perception are included in later sections of this report.

Peer Airport Overview

When looking at ways to best market the airport, it is also important to develop a peer airport set. By doing so, we can look at the challenges/opportunities and wins of airports which can be likened to the same challenges and opportunities as ACV.

Airports with similar Air Service patterns or challenges include:

- > Redding Municipal Airport (RDD)
- > Southwest Oregon Regional Airport (OTH)
- > San Luis Obispo County Regional Airport (SBP)

Sample Messaging from Airports on Peer list (per online research):

- > OTH: General FlyOTH message + focus on destination
- > SBP: Together, we'll fly... message.
 - > Focus on community coming together for air service initiatives and connectivity on carriers.



In addition to looking at peer airports that are regionally close to ACV, it is also important to look at other industry examples to determine ways that ACV can view future marketing efforts.

- > **Focus on Cost Savings:** Chippewa Valley Regional Airport - Eau Claire, WI (EAU) is part of the Essential Air Service program and has United Express (SkyWest) operations to Chicago (ORD). Due to their proximity to larger airports, they have built messaging around the cost savings associated with staying local verses driving long distances. EAU chose to focus on encouraging their target audience to try their online cost calculator, a tool which calculates the cost savings associated with saving on drive time to/from the airport. This was used as a Call to Action for the ads, in the hope that providing end-users with an action to take, they will encourage people to consider booking trips from EAU rather than automatically booking a flight from an alternate airport option.



- > **Fly/Check Local Airport First:** The concept of a CHECK [Airport] FIRST campaign is something that is seen industry wide within many smaller, regional airports. The idea behind this concept is we want local travelers to know that while we do not expect them to always book from the local airport, we want them to get into the habit of at least checking options from the local airport, each time they book a flight. The sample to the right is from an airport in Toledo, Ohio. This airport also has the challenge of leaking to a large airport, but in the case of Toledo that airport is less than 40 minutes away. This campaign of encouraging local travelers to



'Check TOL First' has been running (with yearly modifications) for several years, and since starting the program the airport has seen success in increased passenger numbers year-over-year as well as an increase in flight options. This example is relevant to ACV in that the concept of resonating with local travelers that their time on the road is valuable and to always at least check ACV before booking from another airport could prove to go a long way in increasing local passenger retention and keeping people off the road to SFO and other alternative airports.

PART THREE: Strategy Goals, Objectives and Actions

The ACV strategic marketing plan is meant to be used as a guide for future airport marketing and communications initiatives. As the program components shift, the strategy plan elements may also evolve. The plan itself is a living document. For example, since the onset of the August 2017 Marketing Focus Groups, the air service options at the airport have already changed. The Airport must manage its strategic marketing plan as a moving element and be prepared to shift or modify marketing funds and resources as the air service picture continues to evolve – be it positive or negative. Throughout the course of the program, the Volaire team can be available to work with airport staff, if requested, to prioritize goals and modify action items based on changing market dynamics. Each main goal includes objectives. For this plan, action items (tactics) to reach the objectives are defined in the next section of this document. Many of these goals are related to the next, meaning that the underlying objectives and tactics may at times overlap which is intended for a successful, overall program. The four main program goals (below) are further explained in the following sections of the strategic marketing plan.

GOAL 1: INCREASE OVERALL PASSENGER ENPLANEMENTS

- > **Objective 1:** Retain local passengers and reduce leakage (outbound).

- > Alter perception of locals to understand San Francisco International Airport (SFO) hub connectivity;
- > Educate the community on the options / connectivity through SFO;
- > Educate travelers regarding the costs associated with travel to alternate airports (5+ hrs.).
- > **Objective 2:** Grow inbound passengers. Grow awareness to visitors/non-locals through partnerships and targeted advertising.

GOAL 2: IDENTIFY AND DEVELOP AIRPORT BRAND AWARENESS AND RECOGNITION

- > **Objective 1:** Further identify options to better brand the airport to reach the traveling consumer (inbound and outbound) through marketing messaging and/or a potential revamp of the airport name and brand. Develop brand recognition so advertising messaging is retained by the consumer and encourage repeat visits.

GOAL 3: STRENGTHEN ACV'S IMAGE AND OVERALL AWARENESS WITHIN THE COMMUNITY BY CULTIVATING THE PERCEPTION OF THE AIRPORT AS A REGIONAL TRANSPORTATION ASSET

- > **Objective 1:** Corporate outreach to stakeholders to promote the benefits of using ACV and the value of the United / SFO connectivity from the local airport.
- > **Objective 2:** Community outreach to the public to increase awareness of the airport's flight offerings.
 - > Higher profile in business attractions and retention activities;
 - > Higher profile at local community events.

GOAL 4: ATTRACT ADDITIONAL AVIATION TRAFFIC TO ACV/REDWOOD COAST

REGION*

- > **Objective 1:** Increase Passenger Load factors
 - > Gain the interest of a small seasonal carrier for less than daily service to a seasonal or alternate destination;
 - > Encourage United Airlines to add additional frequencies/lift;
 - > Goal of gaining the interest of another carrier to another hub destination.

** Goal 4 will be further defined in the Air Service Development Plan.*

PROGRAM GOAL 1
Increase Overall Passenger Enplanements

The first goal of the marketing strategic plan is to successfully increase overall passenger enplanements at ACV. This program goal includes two main objective sets. One focuses on the retention of local passengers (outbound traffic) thereby reducing leakage to competitive airports. The second focuses on growing inbound passengers (visitors or non-local traffic) to the region. Each of the objectives includes a list of recommended action items which are defined to help the airport reach these objectives and accomplish goal one.

OBJECTIVE 1:
Retain local passengers and reduce leakage

For the airport to successfully retain additional passengers and reduce leakage to competitive airports, it is imperative to choose relevant platforms that reach the traveling public and understand what perceptions we are trying to alter and what educational elements need to be considered. The high leakage rates to nearby airports, paired with the shift in consumer behavior to book travel online, mandates a more complex approach to air service marketing. Through research and discussions, it has been made clear the airport needs to communicate the message that flying to the San Francisco hub from ACV is a good option, especially as opposed to opting to drive to SFO to begin the trip there.

The messaging used needs to encourage potential travelers to choose to start and end their trips at ACV with United Express. While the United Airlines brand is likely known to most travelers, the airport and the airline must remain top of mind to ensure travelers think of ACV first rather than second when deciding which airport to choose. Communications also need to ensure potential passengers fully understand the options available from the San Francisco (SFO) hub. This requires an aggressive, multi-layered approach with various levels of advertising, public relations and outreach actions (tactics), including the following recommendations:

1. **Traditional Marketing Methods:** Utilize traditional advertising and public relations methods to connect with potential travelers, educate consumers on options/connectivity and create top of mind awareness. In this section, we will also want to target some of the key audience groups that were noted in the focus group overview through industry or niche related publications, if possible.
2. **Targeted Digital Marketing Methods:** Targeted approach to reach potential customers when they are in the mindset to book travel. Includes both targeted online digital and owned media items such as the airport website and airport social media. In this part of our marketing program, we will also want to target some of the additional niche audience groups through industry related online publications and behavioral targeting.
3. **Earned Media/Public Relations:** Opportunity for the airport to benefit from public relations appeal of being the local community airport and incorporate a corresponding educational message.
4. **Community Sponsorships and Partnerships:** Humanizes the airport and allows the airport to interact with the public fostering trust through community sponsored events and outreach while also educating the public on options available through the ACV-SFO connection and on the cost associated with the long 5+ hour drive to most viable, alternate airport options.

The chart below includes recommendations for action items the airport should take to achieve this objective and accomplish the underlying goal of retaining passengers and reducing leakage to competing airports.

ACTION Traditional Advertising	ACTION Digital Media	ACTION Earned Media/ Public Relations	ACTION Develop Partnerships/ Outreach
<ul style="list-style-type: none"> • Multi-phased campaign (including potential ticket trade) promoting air giveaways and radio spots. • Series of print ads in local newspaper and/or travel publications. • Series of targeted ads in niche publications, associated with focus group findings related to Fishing, Tribal marketing, Casino marketing, etc) 	<ul style="list-style-type: none"> • Update Airport website to include new messaging. • Identify possibility of new airport website. • Social Media targeted campaign (paid ads) • Targeted Digital Program • SEO from (new) Website or landing page (*depends on budget allocations) • Local news website ads (local digital) 	<ul style="list-style-type: none"> • Press release series • Work to secure quarterly local news (radio/tv/print) interviews to highlight importance of airport. • Host annual Chamber/CVB event to get people to airport. • Develop calendar to speak at local organization events/meetings • Travel agency event • Promotions - Trip Giveaways 	<ul style="list-style-type: none"> • Corporate Outreach and identification of Business Travel Opportunities • Partner collaboration through social media • Community outreach at regional events

The plan identifies a combination of traditional advertising methods and new media methods paired with earned media and community partnerships/outreach to advertise the air service options and connectivity from ACV. It is important to plan all four action sections to ensure the program is cohesive and each component of the advertising program works together with the others.

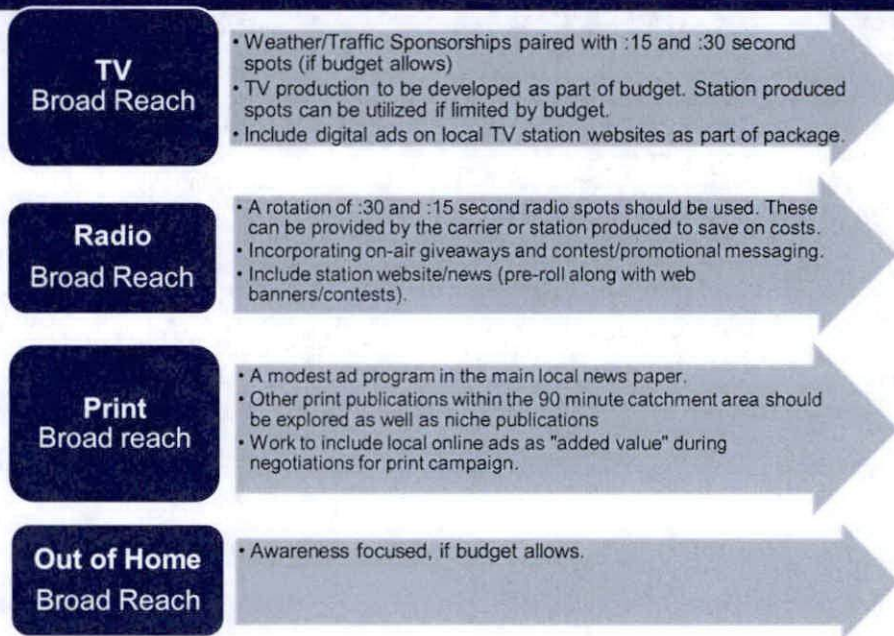
Media placement for LOCAL AWARENESS should be timed around two main objectives:

- > Fare sales, giveaways and airline route advertising;
- > Brand building and awareness.

The following section provides details of each of these action items. A combination of traditional advertising methods and targeted online/digital methods should be used to advertise the airport and airline service. We recommend ACV start with a media/advertising strategy that reflects the shift to online travel planning while also working to advance top of mind awareness and education.

ACTION ITEM 1: TRADITIONAL ADVERTISING AND MARKETING METHODS

The use of **traditional advertising platforms** will allow the airport to reach broad audiences throughout its extended catchment area. Components of the traditional advertising portion of the plan will include:

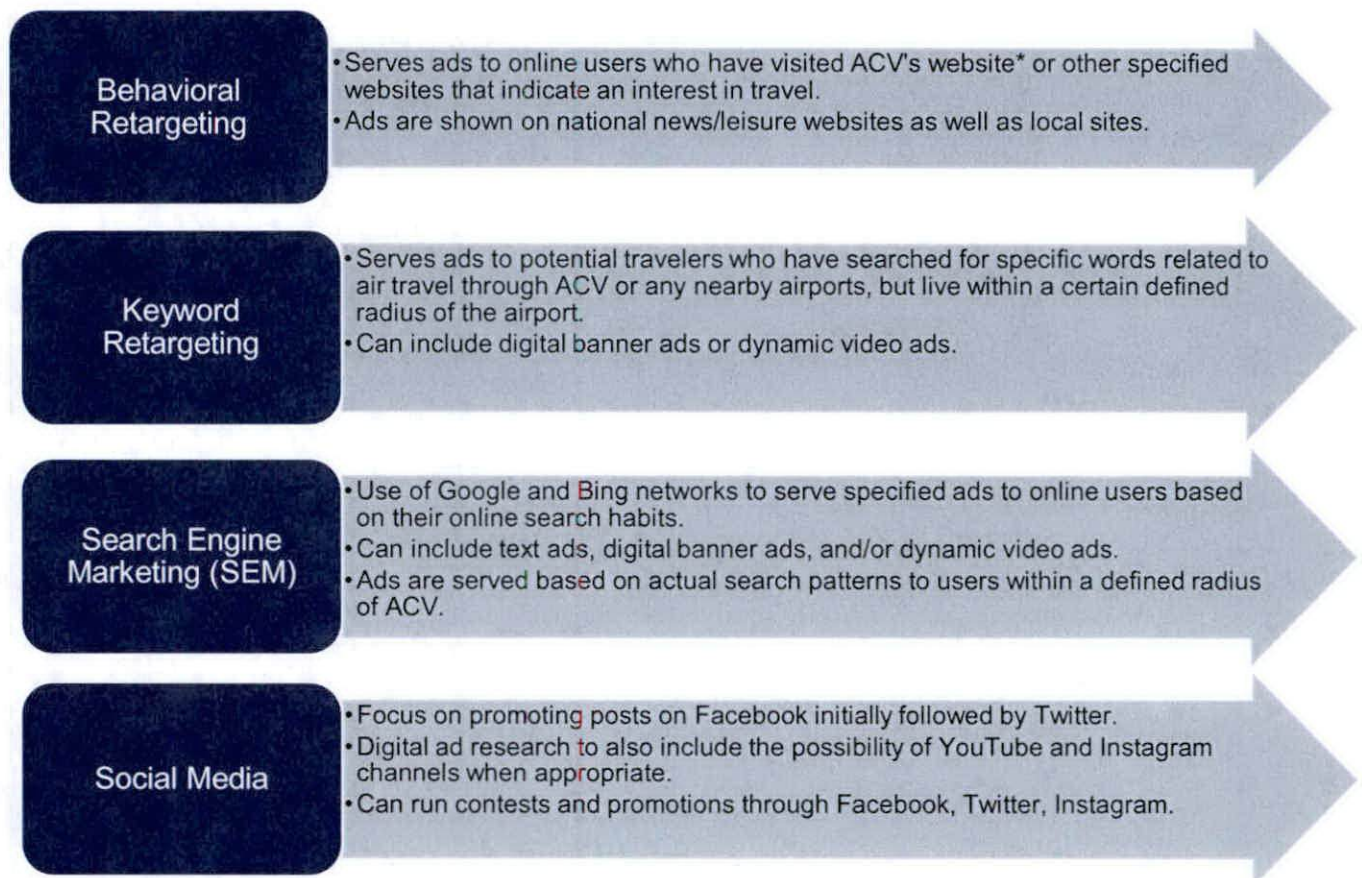


The airport would also benefit from the production of modestly priced commercials or promotional vignettes, which could be used for online digital advertising both locally and in social media campaigns. A very modest Out-of-Home advertising allotment is included in the recommended plan/budget cycle. To make the most of that modest amount, we recommend the airport always keep an open eye out for strategically positioned billboards (preferably digital) that could help put the ACV message in highly visible locations. The Airport will also want to wait to place the out-of-home advertising until the correct awareness message is crafted. Often, airports will find willing community partners that will either trade for airport-ad space or provide in-kind Out-of-Home advertising options to the airport.

This plan for traditional media placement will also support local media outlets and enhance local relationships. All the traditional elements identified are designed to reach a wide-range of passengers.

ACTION ITEM 2: DIGITAL ADVERTISING AND MARKETING METHODS

The use of **Digital Advertising and Marketing**, including the enhancement of the airport's social media program, will allow ACV to directly target local audience groups. This type of program provides the strongest measurable metrics. The enhanced use of social media as part of a digital strategy will also create real-time communication opportunities between the airport and the traveling public. Another positive of digital media advertising involves the cost. Digital advertising usually costs a fraction of what traditional advertising does allowing the airport to extend the life of any digital campaign and the results are fully trackable. Each of these methods will allow the airport to target a specific audience group, for local inbound marketing. In the following section of the plan we will discuss the use of digital advertising for in-bound marketing purposes.



In the budget recommendations section of this document, we have allocated funds for a twelve (12) month digital advertising campaign. The budget is based off a quote received from a national digital advertising group who specializes in targeting airports. It is recommended ACV consider a program allowing them to digitally target passengers while in the mindset to travel. Specifically, such a program would aim to reach the following targets:

- > People who have shown interest and intent to book a flight by performing a travel planning or research related activity online.

We recommend a combined Search Engine Marketing (SEM) Campaign and a Behavioral Display Targeted Campaign. If the budget allows we also recommend the airport consider a Location Based Mobile element. The recommendations are based off the recommendation of one such media partner, Advanced Media New York, a well-respected leader in the digital media space, with over 400+ networks and over 400,000 brand safe sites. There are companies all over the country that offer similar media placement options; but not every digital company is created equally. These details have been included as recommendations for the digital media spend of ACV and to provide a baseline for what a digital program could help the airport accomplish. If requested by the Airport, Volaire Aviation can facilitate a connection between ACV and various recommended digital partners for quote purposes.

Elements of recommended SEM Campaign, based on budget allotments:

- > Would target people who live within a (50) mile radius of the airport and are searching for flight tickets/ fares;
- > Program ads for ACV will be placed in front of these people aimed at converting them to consider flying out locally rather than driving to SFO or another alternate option airport;
- > Will also include targeting for those living within the defined radius, but specifically searching for SFO, SMF, OAK, CEC and others – and prompt them to instead click to book from ACV.

Elements of recommended Behavioral Display Targeted Campaign, based on budget allotments:

- > Serve the ACV message and brand across the digital targeting network of over 400,000 powerful internet sites;
- > Target a (30-50) mile radius around the airport, creating a custom audience based on travel / airline travel intent, and millennials with interests such as arts, dining, etc.;
- > Serve approximately 14,285 targeted impressions per month based on the above.

Location Based Mobile (budget pending):

Location based mobile (Lat/Long Mobile Targeting) can be extremely impactful as it targets digital devices based on their specific location.

- > Provides an opportunity to target mobile devices based on knowledge that they have recently traveled from SFO, SMF, OAK, CEC, etc, but their owner resides in the ACV area. The Airport would target them once they are back within the catchment area to encourage them to book their next trip locally, reaching frustrated travelers (tired of the drive) and increasing conversion to ACV.

Importance of Social Media Engagement

In addition to paid social media ads, the airport should continue to work to strengthen their brand presence through organic media. ACV already participates in one strong, social media channel: Facebook and has a modest presence on some of the other social channels. However, the airport's associated Facebook page, Fly Humboldt, creates the most attention with 4,732 "likes"; a very nice audience to begin further social interactions with. While an additional 1,591 "like" the Airport's California Redwood Coast - Humboldt County Airport page, which is a designated "place" on Facebook. This dual presence on Facebook is likely confusing to the consumer and we highly recommend the consolidation of the accounts. Should the airport decide to rebrand or rename the Airport we recommend they wait to consolidate social accounts until that brand/name is determined.

Benefits of an ongoing airport social media program:

- > Trust within the online community. It sets the airport up as the “expert” on travel needs;
- > Allows the airport to have a conversation with past, present and future travelers, rather than simply allowing travelers to have a conversation about the airport, with no airport involvement;
- > Social interaction keeps the airport top of mind and helps the airport to grow brand advocates;
- > Offers a platform to host contests and promotions;
- > Social media provides an additional channel for targeted paid advertising (per above plan).

While we encourage the development of a full, month-by-month social media calendar, to be used on whichever page the airport deems most strategic to keep live, below are some base-line ideas for what could be included in a weekly post-schedule for ACV.

Monday	Tuesday	Weds	Thursday	Friday	Sat	Sunday
Good news to start the week <ul style="list-style-type: none"> • Link to an interesting article • Make use of hashtags <i>#FlyACV</i>	Travel Tip Tuesday Link to an article <ul style="list-style-type: none"> • Make use of hashtags <i>#FlyACV</i> <i>#CheckACV</i> <i>#TravelTipTuesday</i>		Start with ACV (to be based on new messaging /branding that the airport chooses for new campaign) <ul style="list-style-type: none"> • Post or ACV Service Feature (Connectivity) • Link to book at UA or to a link on a cool place to visit from ACV. • Use hashtags 	Photo Friday Ask users to share their photos from the airport or from the community <ul style="list-style-type: none"> • Could be a contest 		Sporadic Weekend Content <ul style="list-style-type: none"> • Leisure Related • Aviation Facts/News • Community partner/ Stakeholder highlight • Make use of scheduled posts feature • Include Hashtags

Below is a sample of two posts that would fit into the chart above.

Insert DATE	Industry News/ Service/ Runway	United has XXX+ daily flights out of SFO. Flights serve ___ destinations and more than ___ of them easily connect with our nonstop service from	www.united.com	#TravelThursday #FlyHumboldt #UnitedAirlines
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		ACV (or Humboldt). Book today! www.United.com		
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Our recommendation is the airport spend the next six (6) months focusing on improving engagement and posting via the Facebook platform and then move to integrate Instagram and Twitter back into the daily social media plan. Twitter is more often used as an interactive communications tool. The airport is already doing better than many airports as it has a Twitter presence. Should an issue arise, the airport can turn to Twitter and use it as a crisis communications tool. Instagram will be useful for the airport as the airport works to develop more dynamic photo content for use on Facebook and Twitter. The airport also needs to look at confusion on Twitter though, as it relates to a FlyHumboldt account verses the use of the airport name. By posting to Instagram and encouraging travelers to also post Instagram photos of their travels, the airport can, in turn, share those posts back onto the Facebook page, and in turn have user-generated content to work from.

In this plan, there are recommendations for the development of social media based promotions/contests. We recommend the airport consider hosting a photo-challenge contest as one of these promotions. There are many social media contest platforms available that allow for companies to host photo sharing contests. Woobox.com is a recommended platform for this type of contest. Through a platform such as Woobox, the airport can set up a seamless photo-sharing contest directly linked to a contest specific hashtag. Participants will be encouraged to post their travel/contest photos in one of four ways, each time using the #ContestHashtag. They will be able to enter by posting a photo and hashtag to: the airport Facebook page, to their own Twitter account (using the dedicated hashtag), to their own Instagram account (using the dedicated hashtag), or by uploading to a contest entry form. Promotions such as the one outlined allow the airport to encourage user-generated content, grow followers on all platforms, and create engagement on social media channels – all while promoting the airport brand through a giveaway.

Importance of Owned Media Elements – Airport Website

In addition to social media, the airport also needs to look at the brand presence that shows up on their website. The airport's website is a key component to many of these advertising elements. It's the portal to the airport and will be extremely useful in implementing and communicating the new brand to the public, both inbound and outbound. Because of this strong correlation, it is our recommendation that a complete redesign of the website be undertaken. The airport does not currently have a fully functioning website that can act as a true customer focused portal to passengers. Rather, the airport has a page on the county site, that provides some relevant information to travelers and has a secondary-site, FlyHumboldt.com which offers additional, limited information to some travelers but does not serve as an official airport website. With a new website, or online airport portal, the airport can better initiate some of the recommended digital media and advertising tactics.

ACTION ITEM 3: EARNED MEDIA/PUBLIC RELATIONS

The use of **Earned Media (Public Relations) tactics**, will allow the airport to generate publicity through non-paid promotional efforts. The distribution of press releases or participation in high-profile community events are examples of public relations efforts. Earned media can also be gained through organic traffic on the Airport's social media platforms or the Airport website. Earned media coverage is an essential and powerful tool to an integrated marketing program. Earned media often carries more weight and credibility in the minds of travelers than paid advertising because it is viewed and often delivered through a neutral news reporter.

Program Recommendations

Press Release Series: To secure earned media, the airport should create a schedule for press events and releases each time something news-worthy arises. This could include terminal modifications, website/customer service enhancements, positive schedule/aircraft modifications as they can also serve as earned media for general airport awareness. A sample schedule for an airline modification or the celebration of a milestone number of years of airline operations at the airport might include:

- > Schedule Modification/Aircraft Modification or Airline Anniversary Press Release: any announcement on new flight times or aircraft type;
- > Rolling invite to the local media out for a photo op / Interviews with airport officials to discuss new schedule/aircraft;
- > Media Advisory -New Aircraft Modification or Airline Anniversary (3-4 days prior to event);
- > Aircraft Modification Arrival Date/Airline Anniversary celebration and photo op;
- > Editorial piece from local dignitary in response to new aircraft modification or impact of the airline on the airport/region.

Examples of Earned Media Opportunities:

- > New airport enhancement unveiling to public;
- > Chamber/Economic Development/Travel Professional events hosted by Airport at the Airport;
- > Develop speaking calendar to speak/exhibit at local organization events/meetings;
- > Host travel agent event at airport;
- > Promotions/Trip Giveaways – incorporate into key speaking engagements/meetings (gift cards);
- > Anniversary of years of service at airport by United Express
- > Quarterly release on enplanements from airport (when positive);
- > Any opportunity to get the media to the airport for a positive photo-op.

ACTION ITEM 4: DEVELOPMENT OF PARTNERSHIPS THROUGH OUTREACH

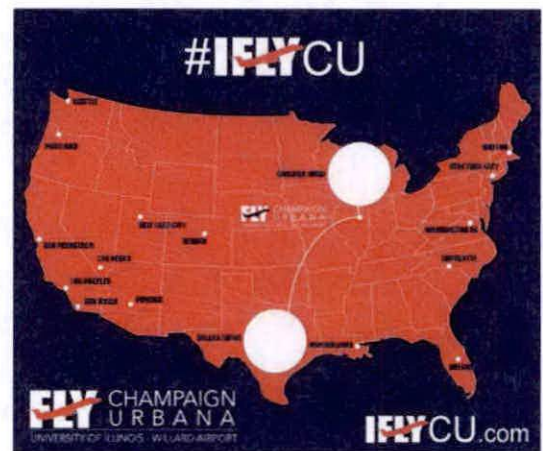
By further developing partnerships with local economic development, tourism partners and local corporations, the airport will be able to maximize partnership marketing efforts and continue to position itself as the regional transportation asset. The airport has a long list of supporters and partners, both corporate and tourism related and it is commendable. Objective two discusses partnerships with tourism/regional partners. In this section, for objective one (outbound traffic generation), we will focus on the development of partnerships to enhance awareness locally. In-bound traffic generation will be discussed in goal section number two.

Local Awareness and Reduction of Passenger Leakage

To grow awareness, the airport should work to sponsor or be present at two community events per quarter at a minimum. The opportunity for visibility at widely attended events will allow airport officials the chance to share any news regarding United Express, provide the opportunity for face-to-face interaction and education and begin to turn the dial on local travel patterns and habits. Face-to-face conversations about the airport are valuable and allow the airport's message to get through to stakeholders and the traveling public, especially given the understanding that awareness is key.

Community Events

From local races (KS/KS, charity races) to parades, festivals and golf tournaments, a presence at well attended community events will allow ACV to get the airport message in front of potential travelers throughout the community in a non-intrusive or overly "sales-y" way. Sponsorship and exhibit opportunities at events may include: interactive booths, giveaways (promo items or contests), email signup sheets to grow an email database of interested individuals, and signage to support the airline and the airport. To the right is an airport example (Fly Champaign Urbana/Willard Airport) of an interactive banner/game created by the airport to increase awareness and education surrounding the airport's two nonstop destinations – while highlighting the connectivity available through each of those destinations. Players of this game were encouraged to throw a ball or paper airplane through the holes/targets for a chance to win prizes/giveaway items. By bringing an interactive, educational component to local community events, ACV could also benefit from top-of-mind awareness while succeeding in educating travelers on options from ACV through United's San Francisco (SFO) hub.



Corporate Outreach

Corporate outreach is essential to the overall success of almost any airport and its air service. ACV is no different. Business travelers provide a consistent revenue stream for airlines making it imperative businesses know about corporate programs offered by United Airlines along with how it can benefit the company's bottom line. Meetings with major corporations and their designated travel planners ensure candid conversations about corporate support for the service occurs. In addition to airline representatives (if possible), airport staff should be present to answer any questions related to the facility which inevitably arise during these discussions. Airport staff together with airline representatives present a united front in assuring corporations their travel dollars are important and impactful to the airport and the airline. Many corporations may be familiar with such programs, but a check in conversation or phone call is always appreciated in the event a previously uninterested company is now interested in what United can offer. We recommend the airport contact United representatives to request a community visit/corporate outreach blitz with a goal of better understanding the business market. This component will overlap into all areas of this program.

Speaking Circuit

There are several monthly nonprofit and civic organizations that routinely seek out speakers. These types of organizations provide a useful platform to answer community questions about the status of the service as well as transmit positive messages. The events also provide more populous opportunities with which to educate and inform community leaders thereby increasing the potential to develop airport brand ambassadors. We recommend that the airport start with groups including:

- > Greater Eureka Chamber of Commerce
 - > Arcata Chamber of Commerce
 - > Arcata Economic Development Corporation
 - > Rotary Clubs within the local area
 - > Eureka! Leadership Program
-

-
- > Humboldt County CVB
 - > Tribal Groups
 - > Casino Leadership
 - > Humboldt Lodging Alliance

These events can serve as a sounding board as the attendees are typically the heartbeat of the community and can communicate perceptions. We highly recommend the continuation and expansion of this program. The insight into the airport and air service that can be gained at these meetings may help identify potential issues before they become problematic and the opportunities are priceless when it comes to educating the public on the importance of traveling from ACV. Providing airport and airline marketing collateral also assists in knowledge retention to those in attendance.

Beyond the more standard speaking circuit identified above, there exists the digital speaking circuit. This circuit includes reoccurring segments on live local shows, often morning or noon broadcasts, which allow the airport to communicate with the viewers on a few topics. Typically, these continuing segments last a few minutes and discuss current industry trends, or offer advice, but the opportunity to plug key messaging always exists. The airport should consider pitching a series to local TV or radio producers that could be mutually beneficial. The station receives the latest airport information in a timely fashion and the airport provides key message points along with a host of other material.

Development of Presentation Materials:

To conduct effective meetings, materials need to be developed for use at such meetings. Without seeing past airport presentation materials, we generally recommend the materials to incorporate items such as:

- > Focus on airport message / refresh of look and materials to match airport advertising brand/materials;
 - > Three main points per slide + visual elements;
 - > Highlight the importance of increasing load factor;
-

- > Highlight connectivity and options;
- > Highlight drive times / costs associated with travel from "alternate" airports.

Promotional Items

Promotional items are fun items for giveaway that include ACV branded elements. To stay top of mind with the local public, ACV will benefit from obtaining and stocking promotional items that can easily be distributed at community events and sponsored activities. Recommended (and affordable) items include: pens, luggage tags, stress balls, coffee mugs, glass screen cleaner, and t-shirts. A common term for these giveaway items is SWAG (short for "Stuff We All Get"). One way to utilize the items and have fun while doing so, is to put together SWAG bags. As airport staff monitors social media and "listens" to what is being said by passengers traversing the terminal, they can choose to surprise their top social influencers onsite with a bag of ACV goodies. SWAG bags can also be given away as runner-up prizes during contests or as part of celebrations such as service anniversaries. Having items on hand can also help the airport receive "in-kind" sponsorship opportunities at some key local events. Often event organizers are on the search for items to fill conference bags and/or set out on the tables of community/chamber meetings.

Stakeholder and Local Government Partnerships

The Airport may be able to take advantage of free local municipal advertising opportunities with inserts in utility bills. We recommend the airport explore this opportunity, along with any other partnership opportunities that include free space or advertising mentions, to get in front of the local population. The city and county websites are also a platform for the airport to include an awareness message on, often for free. These websites may also can place tracking pixels which allow the airport, through digital means, to retarget the consumer later; a cohesive approach to the digital function. Since the airport is a department of the County, we highly recommend that the County work to include a retargeting pixel on the main website for purposes related to the airport's pending digital marketing campaign.

Chamber and Economic Development Partnerships

The airport should have a presence whenever local partners are promoting the region and talking to potential visitors/new companies. The airport can leverage all local opportunities made available through chambers and economic development partnerships. These opportunities will help the airport get in front of local businesses and potential business travelers. Local opportunities may include: events (sponsorship opportunities and attendance opportunities), website presence, e-newsletter space, chamber lists and publications, and support at Airport sanctioned events and press conferences. Trade for airline vouchers/flight giveaways for a membership contest or member-drive can also be a good way to receive an added presence in a chamber newsletter/website. While the airport may not always be able to secure free vouchers from airline partners, we have seen many airports still use ticket vouchers for promotions, and simply create a voucher themselves and book/purchase the flights for the winner of the promotion.

Humboldt County Convention and Visitors Bureau Partnership

While primarily an inbound marketing tactic, the airport should leverage its relationship with the Convention and Visitors Bureau to partner, whenever possible, in promotion of the region. Those same individuals the CVB wants to bring in, need the gateway to do so. ACV can be that gateway providing a mutually beneficial relationship. While the CVB currently mentions the United Airlines access through San Francisco via ACV and has a special page dedicated to air travel, which highlights the airport, the page is quite difficult to find. We recommend the airport build on their relationship with the CVB and request that the CVB add a link to the ACV website as well with the reciprocal note that should the airport redesign their website, they fully intend to provide a direct link to the CVB site.

OBJECTIVE 2:
DESTINATION PASSENGER AWARENESS: Grow inbound passengers by creating awareness to potential visitors (non-locals)

For the airport to achieve success in passenger boardings, this plan must also focus on inbound (visitor) awareness of the routes and establish destination passenger awareness of the United Airlines service and all future air service options. Since the region can be viewed as a destination market, it is essential to market to travelers that fit the demographic profile of area visitors (to a moderate extent in San Francisco but more so within other strategic in-bound markets, that offer connectivity through SFO) to both establish and enhance awareness of the air-access point into the area. Marketing in such a broad area will be a challenging task, but the airport is fortunate to have several strong and willing tourism partners to assist with inbound marketing efforts.

The funding for most of the inbound marketing efforts should come in coordination with local partners (SFO inbound connections to ACV) and established destination marketing efforts. This section is meant to act as a guide for the airport and for the airport's partners when determining inbound advertising and marketing. A collaborative effort between the destination marketing entities in the region and the airport will help all involved. It is essential to market to travelers that fit the demographic profile of area visitors and business travelers to establish awareness of the preferred access point into the area.

ACTION
Public Relations

- Press Outreach via recurring CVB or Economic Development programs.
- FAM Trips if relevant through CVB.
- Travel Writer events via CVB.
- Promotions - trip giveaway to the area in partnership with CVB programs.

ACTION
Digital Media

- Digital Retargeting Campaign from CVB website(s).
- Social Media targeted campaign - include giveaway in partnership with CVB (win trip to area event/etc)

ACTION
Partnerships

- Identify opportunities to promote the airport at tourism events including tourism trade shows, promoting inbound travel to the area.
- E-blast to CVB subscribers/database in areas that would benefit from being reminded about air access to region.

ACTION ITEM 1: INBOUND (VISITOR/NON-LOCAL) PUBLIC RELATIONS EFFORTS

Press Outreach

Any press related outreach for inbound travel should be in coordination with local economic development officials, the CVB and tourism/group sales focused organizations, including the Humboldt Lodging Association. Prior to moving forward with a press campaign within any area (SFO or beyond), the airport should reach out to the Convention and Visitors Bureau as well as other identified partners for information on past press efforts and coverage of the region and to best understand key in-bound market cities. If possible, the airport would largely benefit from viewing a heat map or list of visitor profiles or website inquires, which the CVB will likely have on hand. If relevant to the partner organizations, the airport (and partners) can work together to reach out to press contacts in key inbound markets to pitch the story of air-access to the region and ease of connectivity through SFO to ACV. Additionally, the partnership could include collaborative promotions/giveaways to fly travel writers or contest winners to the region.

Other Suggestions include:

- > Press Release Series
- > Press Releases for media contacts in key markets, as associated with the inaugural flight and other events;
- > Outreach through tourism partners to travel trade groups in key regions (as identified through research);
- > Collaborative promotions/giveaways in key out-market cities
- > Media luncheons or FAM events to discuss the ease of travel + destination attributes with travel writers and travel professionals and media.

ACTION ITEM 2: INBOUND ADVERTISING EFFORTS

Inbound Advertising

- > **Second Home Research:** To best reach repeat visitors to the area the airport should identify second home owners or seasonal residents to the area (if any) and work to target them directly through outreach efforts. This can be done by researching the county tax records in key markets, and work to target those individuals directly through outreach efforts. There may or may not be a concentrated area of second home destinations to highlight, but this will not be known until the research is complete.
- > **Digital Targeting:** It is recommended the airport work with partner organizations and tourism partners to do a targeted advertising push to individuals that have online search habits indicating they frequently visit the region and/or have interest in visiting the region, and ultimately fly into ACV. More detail on this is described below.

Reaching in-bound tourists (through Digital Media):

To effectively reach the *Tourist Audience* as well as some of the Transient Local (Inbound portion only), a strong digital strategy is needed in select inbound markets. The airport should seek the assistance of tourism partners to better understand the key potential traveling audience and assist in efforts to target those individuals for trips to the region.

Components of a digital strategy can vary, but should include a custom display ad campaign, search engine marketing campaign to reach those actively searching by keywords the airport/airport partners would pick, a limited YouTube Targeted Pre-Roll campaign, social media ads to include Facebook and Twitter at a minimum, and finally a fully customizable landing page with retargeting capabilities to continue to transmit the airport message after a user leaves the site. The use of many of the regional and airport keywords that were determined through the Airport focus groups will help the airport to develop a solid keyword and focused target

list for a new digital media campaign.

Depending on the length of each campaign, how long each component in the campaign is run for, and which markets the budget allows advertising in, airport partners should set aside approximately \$50,000 to accomplish this, in collaboration with the CVB and other tourism entities. It is further recommended to pick two to four markets from those defined (process above) to begin with. The real-time results can then be used to further refine the second set of markets to ensure the campaigns are as effective as possible. Creative should be compelling focusing on the area strengths and identifiers paired with a solid call to action regarding the air service to the region, so that visitors understand that flying to ACV really is the only option into the other area (sans an undesirable 5+ hour drive).

Specialty/Niche Digital Targeting: Through the focus group process, it was brought to the attention of Volaire Aviation that there are various specialty or niche tourism/travel opportunities that the airport should be mindful of. These niche markets will be especially useful when planning an in-bound digital targeting/advertising campaign. Some of these focus group recommended areas of specialized tourism markets include

- > Salmon Fishing Targeting
- > Targeting to bird watchers
- > Emerald Triangle targeting: As noted on Wikipedia, this term “refers to a region in Northern California (Mendocino County, Humboldt County, and Trinity County) which is named due to it being the largest cannabis-producing region in the United States. Growers have been cultivating cannabis plants in this region since the 1960s. The industry exploded in the region with the passage of California Proposition 215 which legalized use of cannabis for medicinal purposes in California. Growing cannabis in The Emerald Triangle is considered a way of life, and the locals believe that everyone living in this region is either directly or indirectly reliant on the marijuana business. While this niche market is a bit progressive, targeting this audience group came up multiple times during the focus group sessions. As a result, we recommend the airport coordinate efforts with tourism entities and test the concept of

reaching interested parties through digital targeting.

- > Outdoor recreation

To reach these niche groups through digital targeting, the airport should work with an experienced digital media vendor, as described in the previous (out-bound advertising related) goal section and use enhanced keyword and online behavioral targeting to reach these key groups. A digital program aimed at reaching these individuals would be work if done in collaboration with tourism partners as it would benefit all parties involved (i.e. more visitors flying to the area equates to more lodging room nights and more economic visitor spend in the area). Targeted advertising to these individuals would allow the airport (and partners) to serve up ads to individuals who have recently expressed interest in travel to areas associated with the behaviors or recreational activities that are defined through the program, while letting them know that they can easily fly on United Airlines, right into the airport (ACV) and experience what the Redwoods region has to offer.

In addition to the niche groups pointed out above, regional identifier keywords, as defined through the focus group sessions will also come into play when considering digital targeting for inbound tourism and passengers. These terms might include the following:

- > Far Northern California
- > Redwoods
- > Outdoors
(kayaking/ocean/coast/camping)
- > University
- > Fishing / charter fishing
(Salmon/Oysters)
- > Easy Vacation Location
- > Family friendly
- > Great restaurants /Foodies
- > Tribal connection/communities
- > Festivals
- > Rural residents and progressive county
- > 1st city to have a green party majority.
- > Victorian buildings. Ferndale.
- > Art District: Most artists per capital
- > Cannabis / Emerald Triangle
- > Farming: (Oldest farmers market in CA/Farm to plate organic
- > GMO free county

ACTION ITEM 3: UTILIZE PARTNERSHIP MARKETING OPPORTUNITIES

Tourism, corporate travel and development partnerships are key to the airport's efforts to grow community and corporate support. The airport is fortunate to have supportive and engaged tourism/community partners who are all willing to assist for the betterment of the community. The airport also falls under a County department which should benefit the airport by allowing for additional economic development and partnership opportunities.

Recommendations:

- > Work with partners to identify opportunities to promote the airport at tourism/development events including tourism trade shows;
- > Coordinate with all local partners to include mention of airport service in any relevant e-blasts that might reach in-bound travelers;
- > Work with tourism partners on a FAM trip to speak with media, travel trade and travel planners in key cities;
- > Work with tourism partners to add collateral on United's service into packets distributed at tourism events;
- > Secure space on partner websites and inquire about tracking pixels for digital retargeting.

Corporate Outreach

As noted above, corporate outreach is essential to the overall success of almost any airport and its air service. As a part of the recommended corporate outreach program, it is also important to ensure that the airport identifies corporations that have significant in-bound travel to the region. At times, that travel may be secondary to the company, in the form of consultants, educators, or contractors. By working directly with the local corporations, the airport can create a program to work with the companies to reach in bound travelers. The first step is to meet with the corporations and identify the opportunities.

Partnering through Social Media

By partnering with tourism groups for social media efforts the airport can use shared tourism posts to make its social media profiles more appealing to an inbound audience by noting there's no need to drive to the region when you can fly quite easy. It is also important to partner with United Airlines for other collaborative messaging on social media and share relevant United posts.

PROGRAM GOAL 2

Identify and Develop Brand Awareness and Recognition

As identified in both the online regional survey and the local stakeholder focus groups, recognition of ACV as the only local airport is high, but use and recognition of the airport's official name (California Redwood Coast – Humboldt County Regional Airport) is not highly recognized or retained. However, the airport did recently adopt the new name, and we understand the difficulties that may come with a second legal name change in such a short period of time.

For this reason, Humboldt County should explore the possibility of keeping California Redwood Coast – Humboldt County Regional Airport as the official, legal airport name but incorporating an updated brand name into the logo and future messaging.

This has been shown at other airports, including the University of Illinois, Willard Airport. Willard Airport conducted a branding exercise, complete with local stakeholder support, which identified the need to keep the airport's legal name the same, but rebrand based on the desire to identify the airport with its regional way finders, making the airport easier to identify for potential travelers and stakeholders. While the region is known by many names, including Champaign/Urbana, Champaign, Champaign County, east central Illinois, the University of Illinois, and "Illini," it was found critical that the airport be known by the most visible of those names – and the most commonly used of those names outside the immediate community. Findings showed

the importance of moving away from using the term Willard in branding and moving towards the use of the most common regional city way finders. Based on these factors, the updated consumer-facing brand of the airport became:

Fly Champaign-Urbana

University of Illinois – Willard Airport

Legally, the name of the airport did not change with the rebrand, as the FAA continues to recognize it as University of Illinois-Willard Airport. However, the main consumer-facing brand will include the wayfinding term of Champaign/Urbana – the two cities the region is known for and the terms that are identified with when travelers are looking to fly from the airport. The full legal name is now only used for legal documentation and not within passenger marketing/advertising/branding efforts.

By developing something similar, California Redwood Coast – Humboldt County Regional Airport could keep the current legal name, but streamline the brand of the airport to better resonate with travelers, both locals and inbound. We would encourage the airport to develop a brand that connects the airport back to the most recognized communities it serves, and the closest major cities to its location. It would also strive to connect the airport to its wayfinding term that is found on booking sites and airport information monitors. As it stands now, HUMBOLDT does not bring up ACV within the Kayak.com search engine and when typing in CALIFORNIA REDWOOD to the Kayak.com search engine, the Redding airport (a competitor) actually populates instead of ACV. Similarly, while the term California does in fact pull up all California airports on United.com, the term Humboldt does not populate in the flight search box on United.com. The importance of marketing a brand that can be found within the search engines cannot be understated.

We recommend the airport invest in a rebrand process, as a follow-up to this full strategic plan. While this current strategic plan process did not include an airport rebrand or name recommendation, many of the focus group findings from this report can be incorporated into such a process. It is important to note that the following

next steps are recommended:

- > Determine whether the County and airport are open to a brand name change and full airport re-brand;
- > Conduct a secondary Focus Group session, aimed at fully understanding the relationship of the airport name and brand with the community it serves;
- > Incorporate results of both sets of Focus Groups (August 2017 and the future session) into the process;
- > Develop a new logo and brand promise for the airport, based on findings;
- > Use re-brand process to develop distinct advertising messaging that resonates with all target audience groups identified within this plan;
- > Design and launch a new airport website that associates with the new brand.

PROGRAM GOAL 3

Strengthen ACV's Image and Overall Awareness within the Community by Cultivating the Perception of the Airport as a Regional Transportation Asset

Airports are vast economic engines and strong assets to the local community; California Redwood Coast – Humboldt County Regional Airport (ACV) is no different. In fact, given the distance between ACV and other airport options, one might argue ACV is even more important to the economic vitality of the area. Developing and building the perception of the airport as a regional transportation asset will help in both passenger and air service marketing efforts. This program goal touches on the importance of corporate outreach and community support through awareness. This awareness often means outreach at high profile, public events. Top line items for consideration include:

- > **Identify opportunities for earned media**
- > **Utilize an Economic Impact Study to identify the Airport's impact**
 - > Use findings to increase relationships with government and community stakeholders;
 - > Create a brochure and video web link to showcase findings.
- > **Grow community support and educate on importance of air service**
- > Encourage more local businesses to follow the example of other states and require use of the local airport, when within a certain cost-differential.

- > Educate local stakeholders on the service offerings at the airport and the importance of the success of those flights;
- > Highlight what the region would look like without Network Carrier service to a hub city to help to drive-home the need to support the airport.

OBJECTIVE 1:
Corporate Outreach to Stakeholders to promote the benefits of using ACV and the Value of the United/SFO connectivity.

Corporate outreach can be done several ways, but is generally thought of as communicating with regional top employer's face to face. Face to face corporate outreach, whether with Airport staff or their designee, is preferred for a variety of reasons as noted in the diagram below. Not only does it allow for a connection between travel coordinators and staff, but also shines light on any potential city pairs that do not connect that should for the business community and identifies underlying patterns of use that is important for the airline to know.



Because of the important nature of the objective, the airport should begin by compiling a list of the region's top employers and note which organizations might have travel needs. Coordination with area Chambers of



Commerce and economic development groups may make this task easier. Often chamber partners will send out an email on behalf of the airport alerting their membership of the initiatives and providing the “foot in the door” the airport might need. Arrangements to meet either individually at their place of business or through community meetings such as a Chamber morning coffee meeting, should be arranged. While not always possible, it is advisable to request a United representative join the Airport for these meetings.

Sample questions for these meetings include:

- > What is the biggest challenge to utilizing ACV for your company?
- > Why do you choose/not choose to utilize ACV when booking corporate/personal travel?
- > When choosing an airport other than ACV for business or personal travel – what airport do you choose?
- > Please tell us the five (5) top travel destinations for your company?
- > How many trips did your company take in calendar year 2016 (or 2017)?
- > Does your company participate in an airline business rewards program/have any airline contracts in place? Which carriers?
- > Does your company work with vendors or have offices located outside the region, that may create the need for future in-bound travel?

These questions, when evaluated after the corporate conversations have taken place, may begin to yield a pattern which could allow ACV to communicate with the airline. For example, if company XYZ is not using an airline business travel rewards program, the corporate account representative could be notified or details on how to sign up for the program should be provided to the company. If the representative is successful in securing their business, ridership from company XYZ could have a significant, positive effect on boarding numbers and load factors for ACV.

The timeline for corporate outreach should begin as soon as the airport has the means to conduct relevant meetings. As mentioned before, many airports benefit from having the added assistance of either an airline representative or an air service consultant, to better engage the corporate travel managers and ensure that all relevant questions are considered during the meeting. After evaluating progress, the airport can decide whether to increase efforts into battleground market areas (areas outside the immediate catchment area).

As a follow up to each meeting, the airport can consider developing region-wide or company specific business travel challenge programs. These programs can include rewards for flying from ACV, incentives (reduced parking, free coffee, etc.) to come back and/or the opportunity to enter a contest for those that choose to book a trip from ACV. Increasing business travelers' usage of the airport is a huge component in stopping leakage from ACV. We recommend ACV work on developing a corporate travel program and communicating this during corporate outreach meetings.

Finally, it is imperative to note the importance of not only communicating with local corporations, but also the need to communicate with potential businesses looking to relocate to the area. This is normally done through partnerships with the chamber(s) and economic development groups. Airport information should be included in all business requests for proposals, welcome packets, and prominently located on any land development websites. When looking for land or an area to relocate business to, air service and the ability to access the national air transportation system is more crucial than can be stated here. Not only does it affect the ability for clientele to access the business if it is national or international company, but it also affects employees. Those who may relocate to the area for a position with the new company should be told they can easily traverse the globe from ACV.

Development of Corporate Outreach Programs

One additional item for consideration is the development of a Corporate Travel Advisory Board. Corporate Travel Advisory Boards are common in marketing-centric airport environments when the airport is tied into the local community and committed to maintaining corporate support. This type of program can be developed to include quarterly meetings that allow the members to weigh in on airport and airline development efforts. These programs are typically started to provide a sounding board for local corporate travel managers to voice concerns and recommendations to the airport. Common feedback might include schedule changes, key routes to the company and customer service comments. These groups provide an opportunity for members to offer valuable feedback on the Airport with the expectation that it will help the Airport curb leakage problems such as the one that exists at ACV today.



An example of a corporate advisory program is the Capital Region International Airport – LAN (Lansing, MI) – Mid-Michigan Business Travel Coalition (Formerly called the Business Travel Trust). The Mid Michigan Business Travel Coalition consists of more than 200 businesses, governmental and educational organizations. The group represents many of the largest employers in the region and includes small businesses. The dedicated website for the group is: <http://mitravelcoalition.com/>. While this is a large scale program, ACV could easily replicate the model on a smaller scale, to encourage community/corporate buy-in to the airport and develop a communications channel between corporations and the airport.

Informational Corporate Survey

To reach all local corporations prior to setting up a meeting blitz, the airport may want to consider a travel survey designed just for the corporate consumer. Through this program participants will be asked to complete a survey via an online tool. The survey will inquire about interest in participation in future meetings to discuss the findings. Survey questions will include corporate travel trends, yearly travel spend and airline loyalty. This type of program can be useful when staffing levels are limited and a strong economic development partnership

is established. It provides initial outreach to all the corporations with the promise of a formal follow-up meeting. Often it is found that airports have more success with these surveys when they partner with the local Chamber of Commerce to assist in sending the survey link to its membership base.

OBJECTIVE 2:
Community outreach to the public to increase awareness of the airport's flight offerings.

By further developing partnerships with economic development groups, local government entities, local colleges, and tourism partners, the airport can maximize related partnership marketing efforts. Partnerships will help the airport grow and maintain a solid image as the strategic air transportation leader in the region.

The first step to increasing public awareness through community outreach is by identifying opportunities to promote the airport at tourism and community events. Tourism and development partnerships are key to the airport's efforts to grow community awareness and support. As previously identified, the airport should engage all local chambers and tourism entities (including those outside the local counties) to ensure the airport has a presence at community events. These events could be an upcoming festival or county fair, popular farmer's markets, or community expositions. In terms of what the airport could do at said events would depend on the location, cost for booths, and staff availability. Becoming an official sponsor, hosting a booth onsite and interacting with the public, or providing airport SWAG (logo embellished items) for giveaway to attendees are all possible choices.

Hosting an Airport Event

The airport should take the opportunity to host or sponsor Chamber and economic development events in the main terminal whenever possible, as a way to get people to visit the facility and start to "talk" about the airport. The Airport should also aim to have a presence at networking events and send a representative to participate in events and activities around the region. In addition, the airport may want to explore the possibility of a

community open house or static display allowing the community to access the airport. This reaches across all aspects of the marketing plan. An event, regardless of the size, would not only serve to market the airport and its services, it could draw additional general aviation traffic from around the area, and further the goal of community outreach. An airport event is not without drawbacks however so a partnership with larger regional entity to help with hosting and set up details is extremely beneficial.

Speaking Circuit

As previously discussed, community civic groups are also a great way to expand the airport's reach and community awareness. With various monthly nonprofit and civic organizations routinely seeking speakers, the airport could easily make itself available. The events also opportunities with which to educate and inform community leaders thereby increasing the potential to develop airport brand ambassadors and receive community feedback. These events can serve as a sounding board as the attendees are typically the heartbeat of the community and can communicate perceptions. The more traditional speaking circuit should be coupled with the digital circuit also previously mentioned. Morning or Noon radio and TV shows should be explored to communicate the airport's message and instill the new airport messaging within the local community.

PROGRAM GOAL 4

Attract Additional Aviation Traffic to ACV and the Entire Humboldt County Airports System

Commercial service passenger marketing is but one aspect of the airport. To be a comprehensive plan, the airport's marketing program must also consider the concept of both air service marketing (continued marketing to carriers) and general and corporate aviation. From providing lifesaving medical to corporate flight departments that utilize the airfield, growing general and corporate aviation awareness is not just nice, but significant to the overall growth (and financial health) of the airport. While the second section of this report contains a full Marketing Plan for Expanded Air Service, it is important to understand that air service marketing (marketing to carriers) goes hand in hand with passenger marketing efforts and that many of the findings that

will come out of the afore mentioned tactics, including corporate outreach efforts, can later be used to enhance efforts to attract new air service.

OBJECTIVE 1:

Grow Visibility to Carriers through Increased Load Factors

By moving forward with the recommended advertising and marketing tactics, the airport will hopefully make strides to increase load factors, enhance community involvement and buy-in and ultimately have increased stats and background information to provide carriers in future air service development outreach meetings. Below are a few marketing related recommendations that reflect industry standards and should help ACV to stay competitive with peer set airports. In addition to the items that will be noted in the Air Service Development Plan/Marketing Plan for Expanded Air Service, we recommend that each of these items be included in future presentations to carriers.

Incentive Program Elements:

- > **Research and determine opportunities to set ACV apart from peer airports**
 - > Identify unique opportunities to mitigate costs/risks to airlines;
 - > Rewrite policy to include incentives for increased frequency to current routes/airlines;
 - > Incorporate Marketing Incentives for less-than daily options and outline full plans as they relate to projected carrier marketing/advertising efforts.

1. Develop an Airport Promotions Program and Airport Community Engagement Plan to Share with Carriers:

- > **Promotions Program Elements:**
 - > Outline plans for marketing/promotion of potential new service;
 - > Identify promotional and marketing plans unique to potential new air service routes that can further differentiate ACV from peer airports;
 - > Identify community partners (visitor counsels/attractions) that will assist in marketing the new

route;

- > Highlight all marketing funds available (airport and partner funds) while incorporating social media, grass roots efforts, in-kind and airline relationships.

> **Community Outreach Elements**

- > Highlight all the airport's community and corporate partners;
- > Helps show that the airport and the community are willing to step up and support new commercial air service options;
- > Include a listing of community contacts and identify airport's relationship each group.

2. Incorporate these items into an updated Air Service Development Presentation, tailored uniquely for each airline visit/meeting.

- > Incorporate clean, concise points that showcase the story of the airport;
- > Highlight what makes ACV and the associated area stand out as compared to other markets across the country that may be aiming for similar service;
- > Include the elements from sections 1-2 above (Incentives, promotions, outreach);
- > Incorporate airport colors, theme, and brand into presentation.

OBJECTIVE 2:

Expand Awareness to General Aviation and Corporate Operators at ACV and all Airports within the Humboldt County Airports System

While other marketing tactics for General and Corporate Aviation are being explored throughout the full strategic plan, expanding GA and Corporate awareness is part of the overall marketing strategy and therefore falls under this marketing goal. It is recommended the airport explore the relevance and insight to be gained from initiating an FBO passenger intercept survey, as well as a tenant survey. The surveys would provide information that would aid in understanding the public perception of the health of general aviation and would furnish the airport with suggestions for improving the overall pilot, corporate flight department and tenant experience.

Hangar Availability

Providing a section on the airport website devoted to aircraft hangars available for sale and/or rent (at all air fields) is suggested. This provides not only awareness of the opportunity to pilots, but will also be accessed when a potential buyer/renter is searching online for hangar space. The airport will show up in search results, where previously it may not have appeared. This will showcase the airport website (aka front door of the airport) to the general aviation pilot/aircraft owner, showing them the entire airport opportunity available to their business, which is key when making the decision to relocate a business to a new airfield.

Conference Sponsorships, Attendance and Publications

There are several aviation conferences and publications geared toward the general aviation pilot and corporate flight community. They include: National Business Aviation Association (NBAA) Schedulers and Dispatchers Annual conference, National Air Transportation Association (NATA) conference, and National Agriculture Aviation Association (NAAA) for example.

**PART FOUR:
PROGRAM MESSAGING RECOMMENDATIONS**

There are multiple elements that need to be included within an effective advertising message, but these elements can be summed up with the following words: clear, concise, and compelling. An effective message is clear. It uses easy to understand language free of jargon. An effective message is concise; it is crisp and memorable rather than long or mundane. Finally, it is compelling with meaningful information designed to rouse action by the consumer. It leaves no room for interpretation. As it pertains to creative messaging for ACV, the core message should include answers to the following:

- > Why should the targeted audience use ACV? What's in it for the potential traveler?
- > Where can the consumer go to find information on the flights?
- > What's in it for the target audience?

Incorporation of Travel Education into Messaging

Throughout the focus groups, it was brought to our attention that education on the travel process might be a way to resonate with travelers and overcome aversions that some travelers may have based on past delayed flight experiences.

Ad Messages that include a Call to Action (CTA)

For a call to action to be effective, it needs to be simple and easy to remember and consistent for the life of the campaign. The call to action should send a message to the audience that tells them what to do with no need for clarification. We want to be sure the airport is using a continuous, clear, memorable call to action to ensure that the message "sticks with" each audience after it is absorbed. Supplementing the call to action with a tag/statement to explain to the audience group why flying from ACV is to their own personal and community advantage is also important, depending on the media type. We want to ensure we are letting the audience know we understand they have choices in travel and that while travel can be stressful, we are doing what we can at ACV to alleviate those stresses.

It is very important to note that our findings and recommendations have shown that the airport should embark on a re-branding process and that process really should be completed before true advertising messaging is developed. Based on that determination, the follow sections are best practices and guidelines for the airport to use when determining future advertising messaging and incorporating the airport brand into that message.

CTA Sample: *Check ACV First. Book now at United.com*

Based on the focus group and survey feedback, the airport should incorporate some version of a Check ACV or Start your flight (search) with ACV) educational message into its future ad campaign, complete with a concise call to action. The messaging should continue to include the message of Check ACV First for consistency and to educate the local audience on the importance of supporting their airport. This message addition will allow the airport to start to encourage local travelers to at least check ACV as an option before opting to book from another airport.

In the case of this very base-line ACV focused call to action, the airport also needs to tell the audience they should book a flight on United Airlines from ACV. It is important to note the secondary messaging in the CTA also spells out how to take the action and book the ticket, at united.com. "Now" implies immediately to take advantage of the opportunity to book.

The messaging samples included below all fall under this train of thought, but incorporate various ways to use a call to action to increase interest and encourage potential passengers to take an action and book a flight. It is important to note that all ads that include mention of the operating airline carrier and/or the use of the carrier's logo should be sent to United Marketing for general approval prior to the start of an ad campaign.

Sample Message Tags and Key Ad Phrases to Build Creative From:

Based on the research conducted, we highly recommend that the airport consider developed a few sample

creative messages that could be incorporated into future ACV ad campaigns. It is important to remember that each of these messages will need to be further defined based on the advertising channel (print/digital/etc.) but the concepts can work across various platforms. Each sample includes a main advertising message plus a call to action as well as a secondary mention of the airport and air carrier, all important elements for ACV to include in all future advertising. It is recommended that each ad also incorporate both the airport logo and airline logo, when possible.

- > "Your United Connection is closer to home than you think."
 - o ACV-SFO- [INSERT DESTINATION OF CHOICE]
 - o Book now at United.com
- > It all Starts with ACV*.
 - o Fly United to San Francisco (SFO) and Connect to Your Destination of Choice!
 - o Check ACV First.
 - *It is important to note that this "ACV" terminology will possibly change if the airport conducts a rebranding exercise.
- > ACV-SFO-The World.
 - o Your Trip begins at ACV.
 - o Book your trip now at United.com
- > Your global connection is closer than you think.
 - o United through Chicago (ORD).
 - o Check ACV First. Book your trip now at United.com
- > Why Drive when you can Fly?
 - o Quick San Francisco Connection – To Endless Opportunities!
 - o Book your trip from ACV at United.com **OR** Calculate your True Trip Costs Here
 - o (Link to plan recommended Cost Calculator with imagery linking the 5+ hour drive to another airport to a flight connection…)

These basic sample tags can be used interchangeably in all advertising mediums and are meant to inform the audience they should fly ACV or at least consider checking for flight options from ACV before booking a flight from another airport location. This is an important message that cannot be overlooked, but needs to be expanded upon to better reach the consumer and include a CTA and mention of the service options and carrier. Should the airport conduct a rebranding exercise, the terminology used in these sample tags could change. For example, we have inserted the term ACV as a placeholder for the airport, but depending on the branding process this could change to Arcata or Humboldt or another term associated with the new brand and airport.

Note: full airport creative development is outside of the scope of this plan. Suggestions above are relative to the research. Full creative messaging can be developed at the request of the airport and should not be developed until the airport decides about rebranding efforts.

Supporting Copy

When developing ad copy for the campaign, the program should focus on including details the traveling public needs to know about the airport's air service options. These copy points will need to be modified to fit each specific audience group, but will ultimately include the following key points:

- > Commercial air service on United Express is available from ACV;
- > Service is 4x daily to United's San Francisco (SFO) hub;
- > United Airlines offers (quick) connection options from SFO (to the world);
- > Flying from ACV through SFO saves travelers the drive (and cost of the drive) to an alternate airport;
- > Tickets can be booked at united.com;
- > Include imagery that either defines the concept of connecting through ORD or incorporates an image that will resonate with the viewer and encourage them to want to book a trip.
- > Should the airport decide to integrate a cost calculator into their (new) website – it would be important to include that comparison of trip costs can be calculated at the airport's website

Supporting Radio Copy

When developing supporting campaign radio copy, the advertisements' copy points should elaborate on the details that people need to know about the ACV air service. The amount of copy included in each advertisement will vary depending on available space and run-time. Copy will need to include the following information:

- > Incorporate advertising messages and descriptive terms that are running on other mediums (print/digital) to ensure a cohesive message across channels;
- > Highlight the connectivity available through the airport and addresses a perceived lack of travel options out of ACV;
- > Service is provided by United Express;
- > Service is to United's San Francisco (SFO) Hub;
- > Service is 4x daily;
- > The SFO connection offers over [insert actual number] + destinations worldwide;
- > SFO connection offers over [insert number] easy international connections through the United hub.
- > Highlight the ease of use of ACV as compared to the long drive associated with starting a trip at a distant, larger airport.

**PART FIVE:
RECOMMENDED BUDGET**

We recommend the airport utilize the advertising plan recommendations provided to develop the framework for the allocated media buy budget. It is noted the airport's budget is extremely limited, but marketing the airport and the service offerings, is important. The budget includes a combination of traditional placement and new media methods to advertise current service. Since no specific budget allotment was provided, we have suggested two sample budgets, the first based at \$45,000 for the year and the second set at \$75,000 for the year. Both budgets are reasonable for an airport the size of ACV and in-line with peer airports with one network carrier/one hub destination. In addition to these allocated amounts, we do recommend the airport set aside an air carrier marketing incentive budget that lines up with the airport's air carrier incentive program, to save for air service development efforts and to use to launch new service if/when the option becomes available to the airport.

The suggested placement allocations within the sample budget(s) reflect the national consumer shift to online travel planning, while simultaneously working to advance familiarity with ACV in the local community. The proposed program will support United Airlines through traditional advertising methods while focusing on defining and communicating the real customer value of flying from ACV to connect onwards, as compared to driving to alternative airports. It is also recommended the airport consider modest website enhancements (incorporation of updated ads/messaging) and stronger social media integration to attract more travelers to the airport.

The first sample budget for this program includes \$45,000 in airport marketing funds. With this smaller budget, all elements of the strategic plan may not be able to be integrated in a timely fashion. Therefore, the authors of the report are providing two budgets; a budget based on a lower, \$45,000 cash allocation and a recommended future marketing budget amount (modest increase up to \$75,000) to assist in reaching these objectives.

In-kind Partnership Funding

In-kind agreements are often done as trade or in conjunction with partners that have a vested interest in the airport's success. A value attached to said in-kind agreements should be noted in the program budget and how it is allocated. This frees up funds to reallocate to other line items which may need a boost to be effective. In-kind partnership funding is not known now and while important, is not included in the budget breakdowns. In-kind relationships are also very important when working to develop new air service options for the airport as they add to the marketing mix that the airport can provide a new carrier.

Fiscal Planning Consideration

The authors note that budgeting for marketing dollars can be problematic. An airport, regardless of its size, faces a finite pool of money used to not only operate the airport, but undertake capital projects and potentially, pay down debt service. The strongest point to consider is what would happen if the airport does not advertise.

- > Can the airport afford to rest on their laurels and trust the community knows of the air service options?
- > Can the airport (or county), afford to risk the air carrier reallocating their assets to another airport?
- > What would happen if the airport saw a dip in load factors?
- > For each additional enplaned passenger, the airport sees an increase in revenue, supporting the cause for increased advertising efforts.

The above points are not meant to pit department against department, but rather evoke reflection and employee conversation. The airport, and the air service it brings, is truly a regional transportation asset. The cost of maintaining and helping that asset flourish, may be small when viewed from that perspective. The negatives the region could face if the air service is lost is immeasurable. Exploring all funding avenues to assist in boosting the budget should be undertaken.

ACV Airport
Sample Marketing Budget - Budget Option 1 - \$45,000
2017-2018 Strategy

<u>DESCRIPTION</u>		<u>United/ACV Awareness - BUDGETED</u>
<u>TRADITIONAL</u>		
	% of Budget	
TV/WX/Local Online News - Incorporate online advertising on TV news sites	11%	\$5,000.00
Radio	13%	\$5,750.00
Print/Local Publications/Local Online News	7%	\$3,000.00
Out of Home (Billboards, Bus Advertising, Bench adv.)	5%	\$2,400.00
<u>ONLINE/DIGITAL</u>		
Advanced Digital Targeting Networks (SEM, targeted display, geo-fencing) (*assumes 12-month program at \$550/mo.	15%	\$6,600.00
Social Media Advertising (Ads/Boosting - *assumes avg of 250/mo. for year)	7%	\$3,000.00
TRADITIONAL/NON-TRADITIONAL ADVERTISING SUBTOTAL	57%	\$25,750.00
<u>COMMUNITY AND CORPORATE OUTREACH</u>		
Outreach Program (Corp and Community)	4%	\$2,000.00
Community Event Sponsorship	4%	\$2,000.00
Promotions/Contest (Online) (includes creative estimate and contest mgt platform cost)	4%	\$1,650.00
Promotions/Contests - Ticket Giveaways	4%	\$2,000.00
OUTREACH SUBTOTAL	13%	\$5,650.00
<u>OTHER MARKETING COMPONENTS</u>		
Email Marketing Program (e-blasts)	1%	\$500.00
Website Update/Design	22%	\$10,000.00
Video Production	0%	\$0.00
Updated Creative Content	6%	\$2,500.00
Promotional Collateral / Print Items	1%	\$600.00
Misc/Other Items	0%	\$0.00
SUB-TOTAL (Other)	30%	\$13,600.00
BUDGET TOTAL		\$45,000.00

ACV Airport
Sample Marketing Budget - Budget Option 2 - \$75,000
2017-2018 Strategy

<u>DESCRIPTION</u>		<u>United/ACV Awareness - BUDGETED</u>
<u>TRADITIONAL</u>		
	% of Budget	
TV/WX/Local Online News - Incorporate online advertising on TV news sites	13%	\$10,000.00
Radio	8%	\$6,000.00
Print/Local Publications/Local Online News	6%	\$4,500.00
Out of Home (Billboards, Bus Advertising, Bench adv.)	8%	\$6,000.00
 <u>ONLINE/DIGITAL</u>		
Advanced Digital Targeting Networks (SEM, targeted display, geo-fencing) (*assumes 12-month program at \$850/mo.	14%	\$10,200.00
Social Media Advertising (Ads/Boosting - *assumes avg of 250/mo. for year)	4%	\$3,000.00
TRADITIONAL/NON-TRADITIONAL ADVERTISING		
SUBTOTAL	53%	\$39,700.00
 <u>COMMUNITY AND CORPORATE OUTREACH</u>		
Outreach Program (Corp and Community)	4%	\$3,000.00
Community Event Sponsorship	5%	\$3,500.00
Promotions/Contest (Online) (includes creative estimate and contest mgt platform cost)	2%	\$1,650.00
Promotions/Contests - Ticket Giveaways	3%	\$2,000.00
OUTREACH SUBTOTAL	11%	\$8,150.00
 <u>OTHER MARKETING COMPONENTS</u>		
Email Marketing Program (e-blasts)	1%	\$500.00
Website Update/Design	17%	\$13,000.00
Video Production	10%	\$7,500.00
Updated Creative Content	7%	\$5,000.00
Promotional Collateral / Print Items	1%	\$800.00
Mics/Other Items	0%	\$350.00
SUB-TOTAL (Other)	36%	\$27,150.00
BUDGET TOTAL		\$75,000.00

**PART SIX:
SUCCESS AND MEASUREMENT**

Success is only known when it can be measured and with United Airlines service, the measurement of program success all funnels back to enplanements and load factors. How the airport arrives at this measurement though can be difficult for a variety of reasons. Is the load factor high because of our marketing or because of a fare sale? What component of the program was most successful? To answer these questions, it is suggested to use a combination of factors.

First, there are many free resources available. Building UTM codes into any site-specific ads which leave an airport controlled site or landing page is crucial to understanding how that ad performed. At the end of the campaign, the airport can inquire with the vendor the ad was placed with for data on that particular UTM coded ad. It allows the airport to see if the platform utilized was worth the investment.

Secondly, integrating Google Analytics into the airport's website, if not already done, is essential to provide a monthly baseline for activity being driven to the website. The airport can build trackable links to include in social media posts and monitor the effectiveness of social media posts. An example of this is bitly which is a common URL shortening service.

Lastly, a simple graph or chart tracking items such as Facebook "likes" and Twitter "followers" month over month or quarterly can be effective in seeing not only success, but also airport social media trends. Measurement does not need to stop there. Program success tracking can extend to passenger enplanements and parking lot license plate counts (i.e. number of cars within targeted drive radius if specific program ads placed in that vicinity is used). A sample success metric chart is included below.

2017	FB Page Likes	Twitter Followers	Enplanements	Website Activity
January				
February				
March				
April				
May				
June				
July				
August				
September				
October				
November				
December				
Total				

VOLAIRE AVIATION, INC.

WESTERN OFFICE
10360 NW ENGLEMAN STREET
PORTLAND, OREGON 97229

503.515.3972
VOLAIREAVIATION.COM

