

InterVISTAS

a company of Royal HaskoningDHV



Chico Municipal Airport Catchment Area Analysis Results

September 2017

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Executive Summary

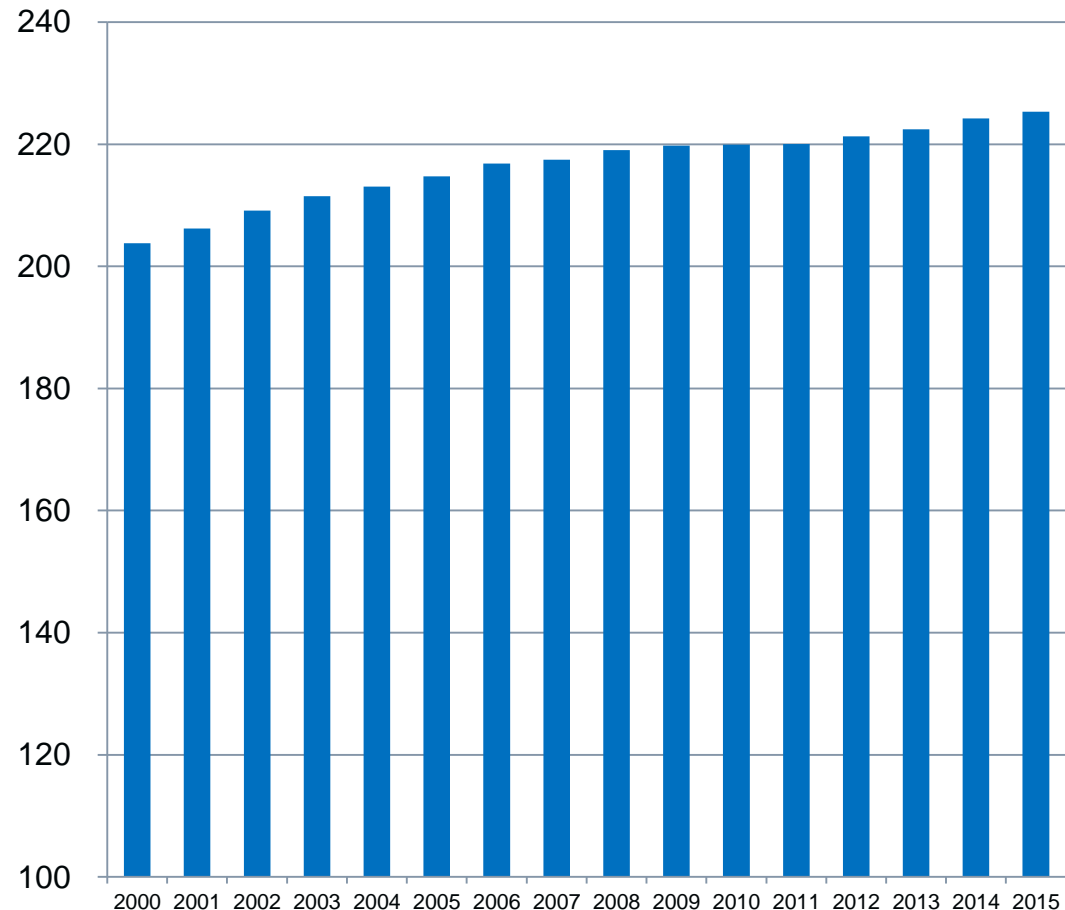
- The Chico metropolitan area population of 225,000+ ranks similar to a number of markets across the U.S. with non-stop air service
- However, previous Chico air service struggled to generate industry average revenue performance
- Based on data from comparable markets as well as more detailed information as reported by the U.S. DOT and ARC, we can project Chico air travel demand including market-specific estimates
- We estimate a total annual Chico demand figure of **682 PDEWs** with Los Angeles, San Diego, Seattle, and New York as top destinations
- In addition, we estimate that 75% of total Chico demand currently travels from Sacramento/SMF – although SFO carries the majority of international traffic
- If CIC can capture 20% of local demand – assuming a single carrier of operation at the airport – it will likely be able to support a 2x/daily pattern with a 70-seat aircraft

Chico market overview



Chico's metro population has recently trended relatively flat

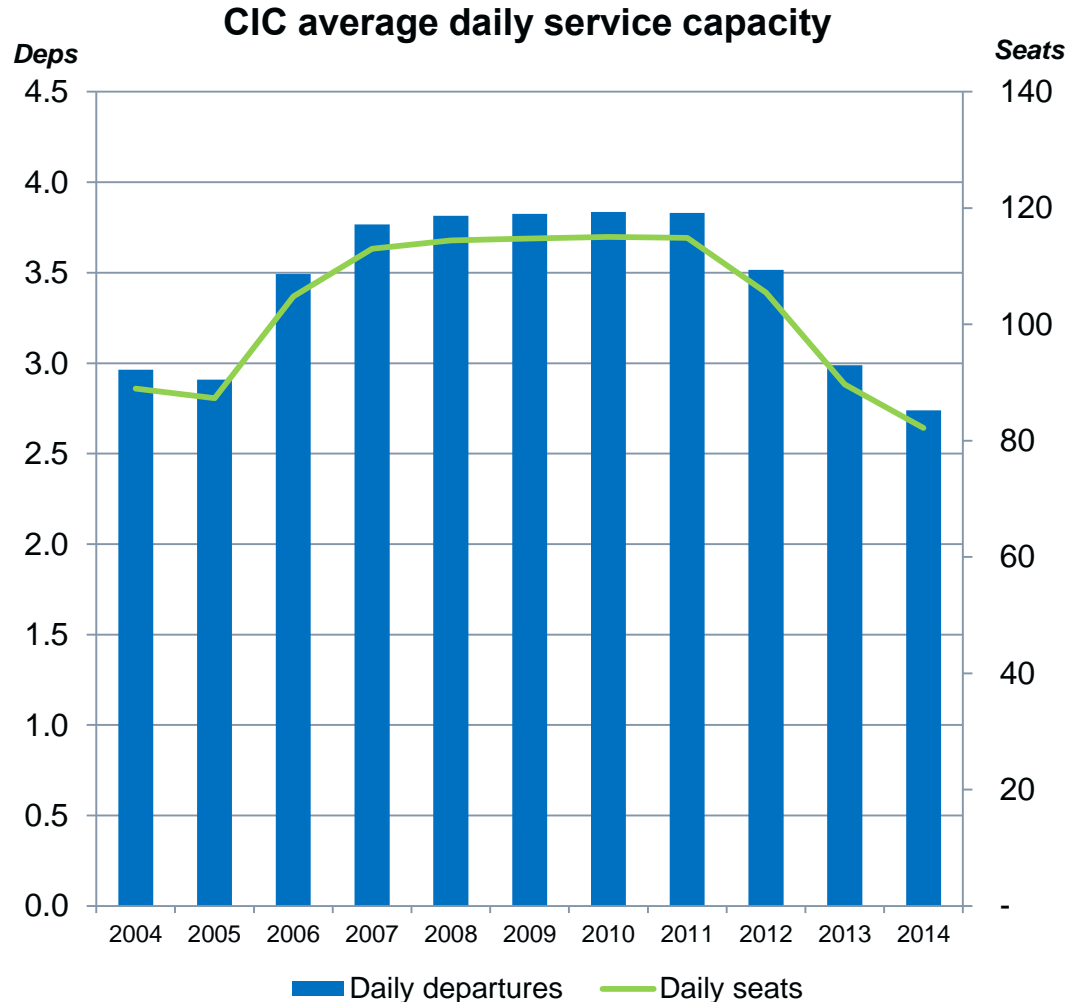
Chico metropolitan area population (thousands)



- 2015 MSA population of 225,000+ ranked #197 among metro regions
- Recent population growth has been modest – only 2% in aggregate over the past five years
- Sacramento now ranks as the #27 MSA with 2.3 million residents

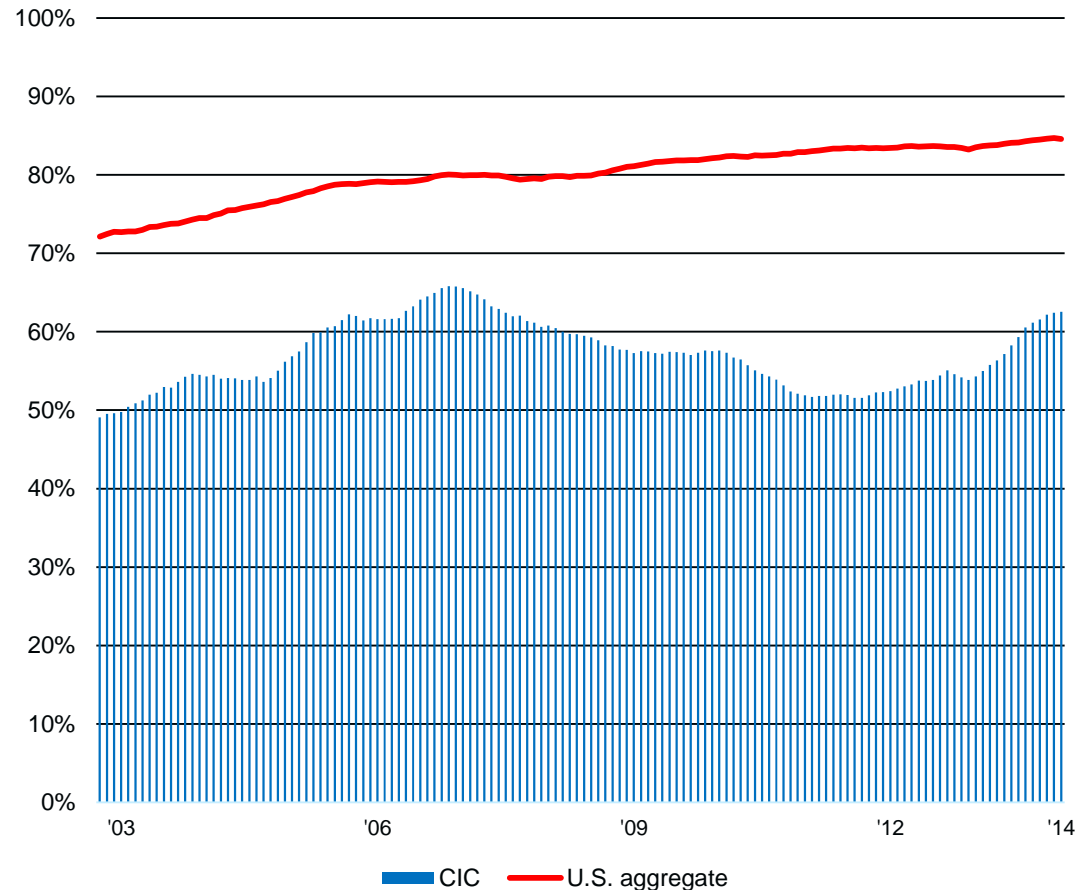
Scheduled service from Chico ceased in 2014

- All recent service was branded as United with 30-seat EMB-120 turbo prop aircraft
- Service levels had been reduced prior to the 4Q14 cessation of service



Chico's load factor trailed overall domestic averages ...

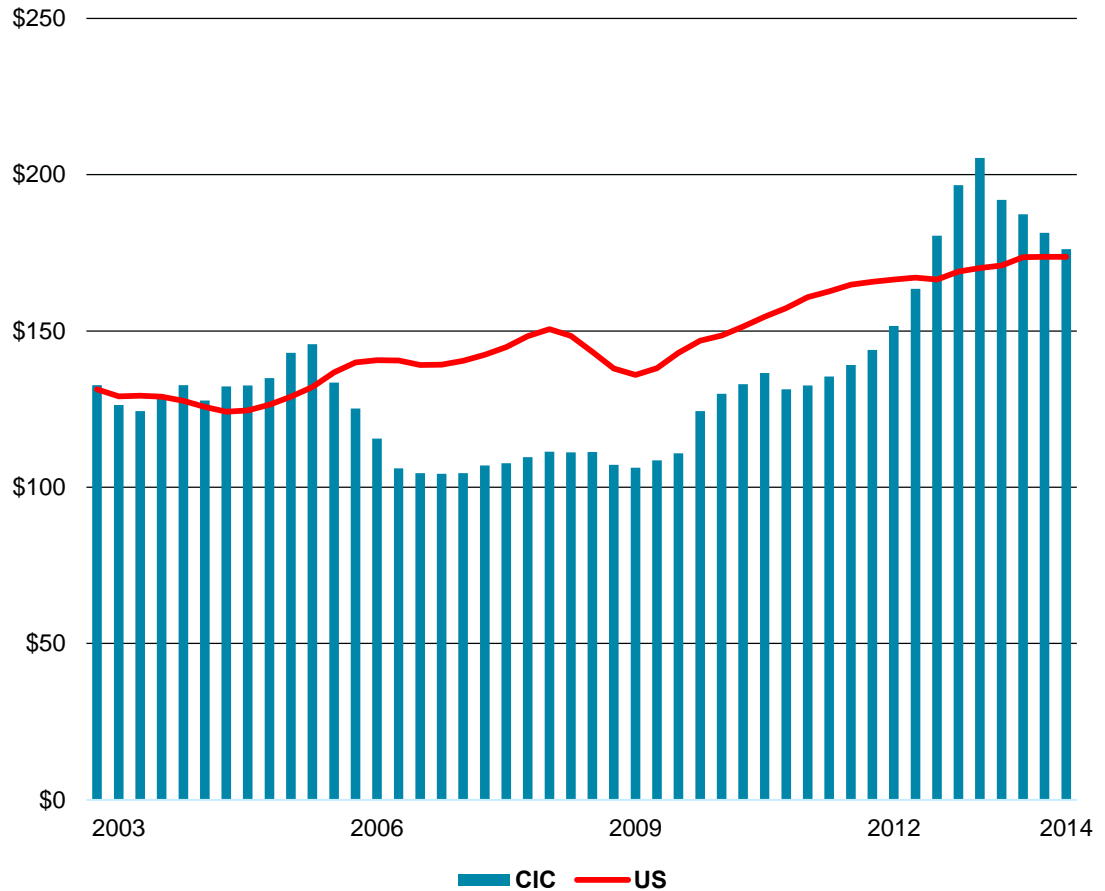
CIC/U.S. rolling 12 month load factor data



- Chico's rolling 12 month load factor at the cessation of service was just under 63%
- Overall domestic industry load factor has plateaued at 85%
- Service patterns and local fares can directly impact these figures

...while fares had improved by the cessation of service

CIC rolling four quarter domestic fares
Adjusted to 1,000 miles



- Chico domestic fares trailed US averages through much of their service period
- However, fare performance exceeded domestic averages* by 2013-14 (on reduced service levels)

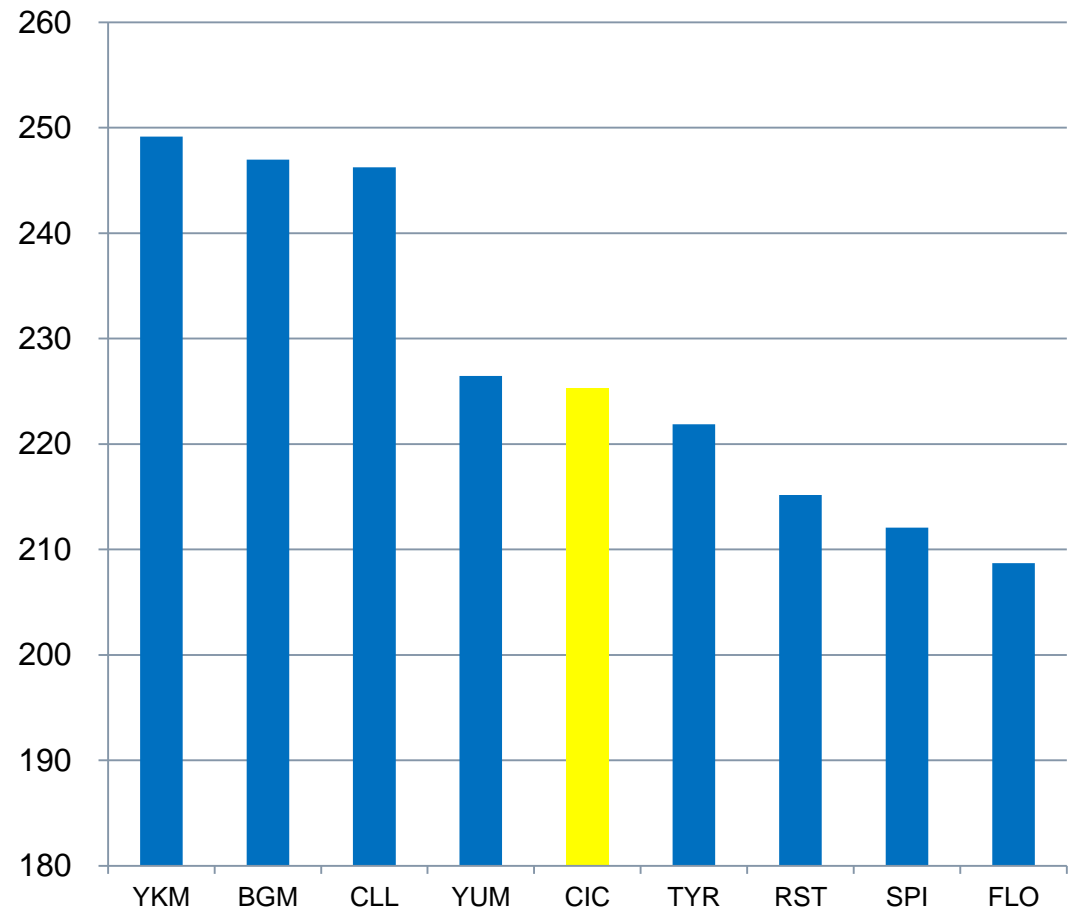
* All data and comparisons adjusted to 1,000 mile stage length
Source: US DOT O&D data via Diio online portal

Comparative market analysis



We examined a basket of markets with demographics similar to CIC

Selected U.S. airports: regional population profiles



- Each of the markets to the right (other than CIC) currently offer scheduled commercial air service
- Regional population in this group ranges from roughly 200k to 250k

These markets offer a variety of traffic and service patterns

Glossary of columns

Miles to medium/long-haul hub

Non-stop destination count

Daily departures

2016 O&D passengers

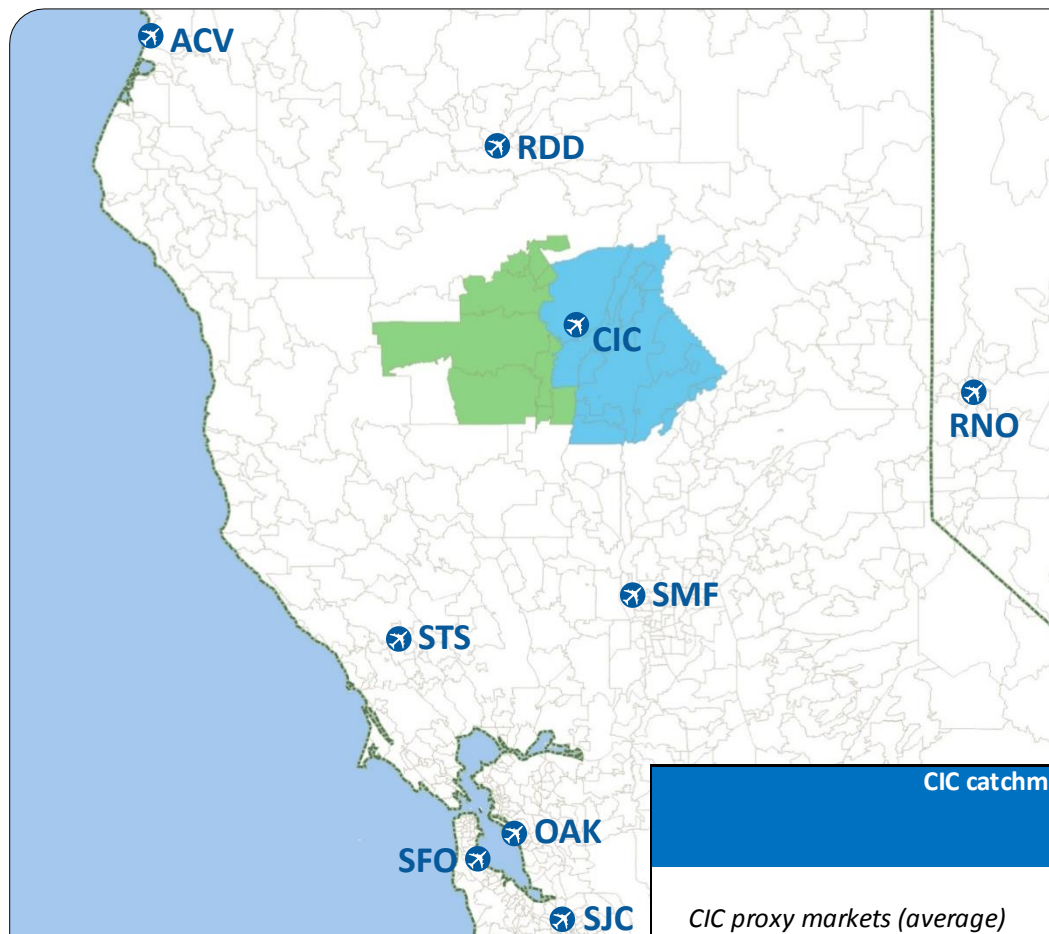
Service and passenger traffic at CIC peer airports <i>Markets similar to Chico based on MSA population</i>						
Airport	Code	Miles to MH/LH	# of N/S dest.	Daily deps.	2016 O&D pax	
Rochester	RST	76	3	13	216,729	
Springfield	SPI	84	4	5	183,540	
College Station	CLL	74	2	6	147,038	
Yuma	YUM	150	1	4	142,451	
Yakima	YKM	103	1	4	137,217	
Binghamton	BGM	141	1	3	134,860	
Tyler	TYR	91	1	4	104,709	
Florence	FLO	91	1	4	89,947	

Evaluating these markets can estimate CIC market potential

- Travel propensity reflects each market's ratio of O&D traffic to regional population
- This group of eight markets was chosen to reflect a diverse set of market conditions – albeit with similarities to Chico
- Market specific results reflect this wide range of conditions

Travel propensity at CIC peer airports						
Airport	Code	Population	Reported O&D pax	Est. capture rate	Catchment area traffic	Travel propensity
Rochester	RST	215,175	216,729	35%	619,226	2.88
Springfield	SPI	212,063	183,540	35%	524,399	2.47
College Station	CLL	246,231	147,038	35%	420,108	1.71
Yuma	YUM	226,444	142,451	35%	407,004	1.80
Yakima	YKM	249,147	137,217	35%	392,049	1.57
Binghamton	BGM	246,980	134,860	35%	385,313	1.56
Tyler	TYR	221,871	104,709	35%	299,169	1.35
Florence	FLO	208,691	89,947	35%	256,992	1.23
Total / average		1,826,602	1,156,491	35%	3,304,260	1.81

We project a CIC catchment area population of 275,000+



Blue = Chico MSA
Green = expanded catchment area region

Note that the entire shaded region is considered the CIC catchment area for the purpose of our analysis

CIC catchment area - projected passenger traffic				
	Population	Catchment area traffic	Travel propensity	PDEW
<i>CIC proxy markets (average)</i>	228,325	413,032	1.81	
Chico MSA	225,307	407,573	1.81	557
Other CIC catchment area	50,530	91,407	1.81	125
Total CIC catchment area	275,837	498,980	1.81	682

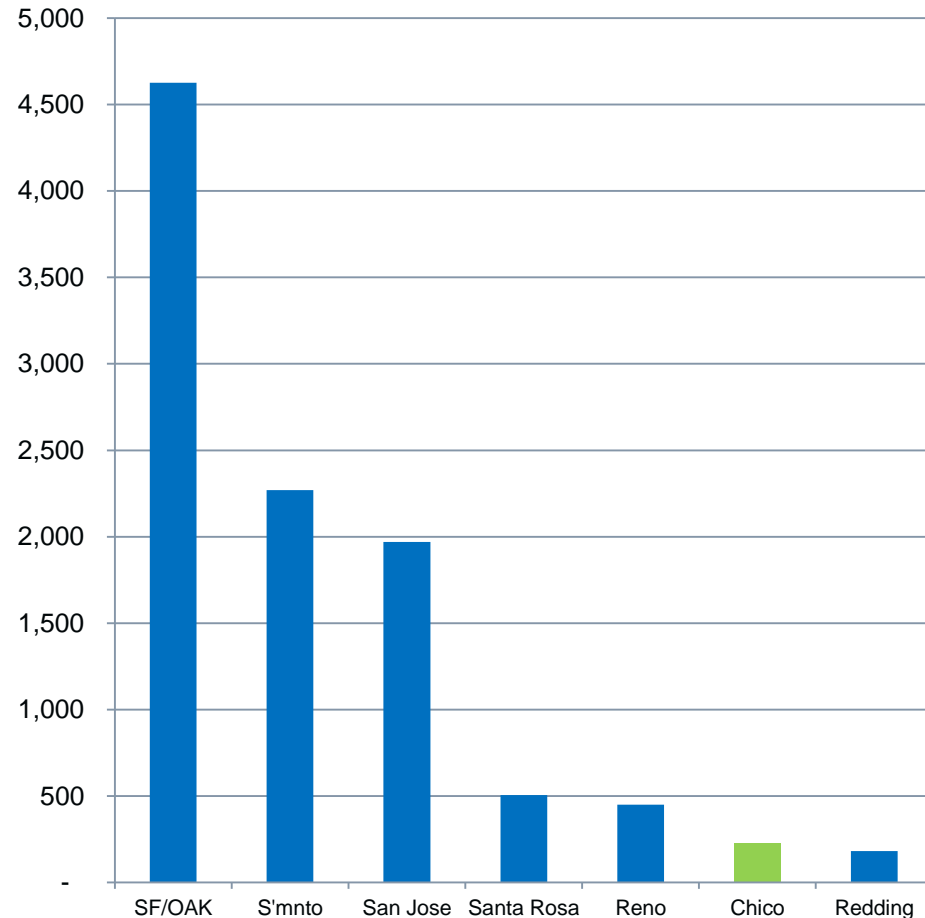
Regional airport discussion



Regional population varies across nearby markets

- Regional Bay Area population now exceeds 4.5 million population – not including the South Bay/San Jose
- Incorporating the South Bay drives the total to over 6 million residents

Regional MSA population totals

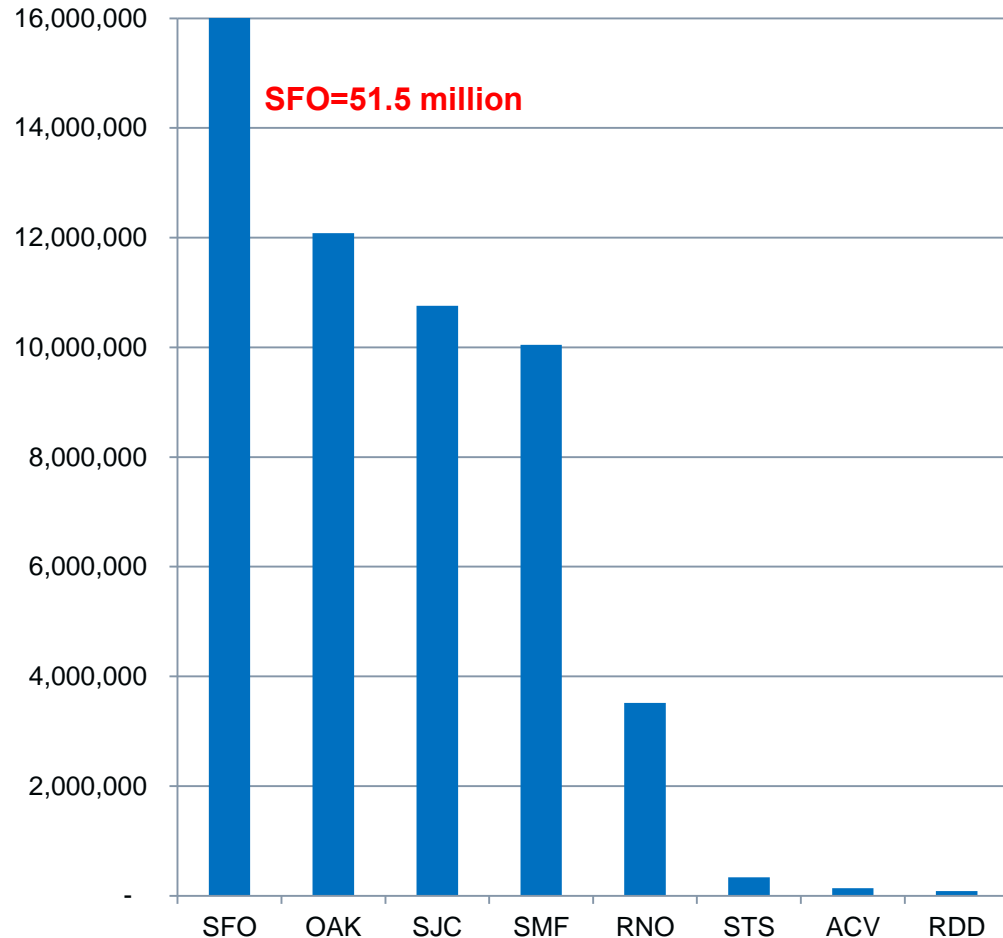


Note: no distinct MSA for the ACV region

Source: Woods and Poole 2016

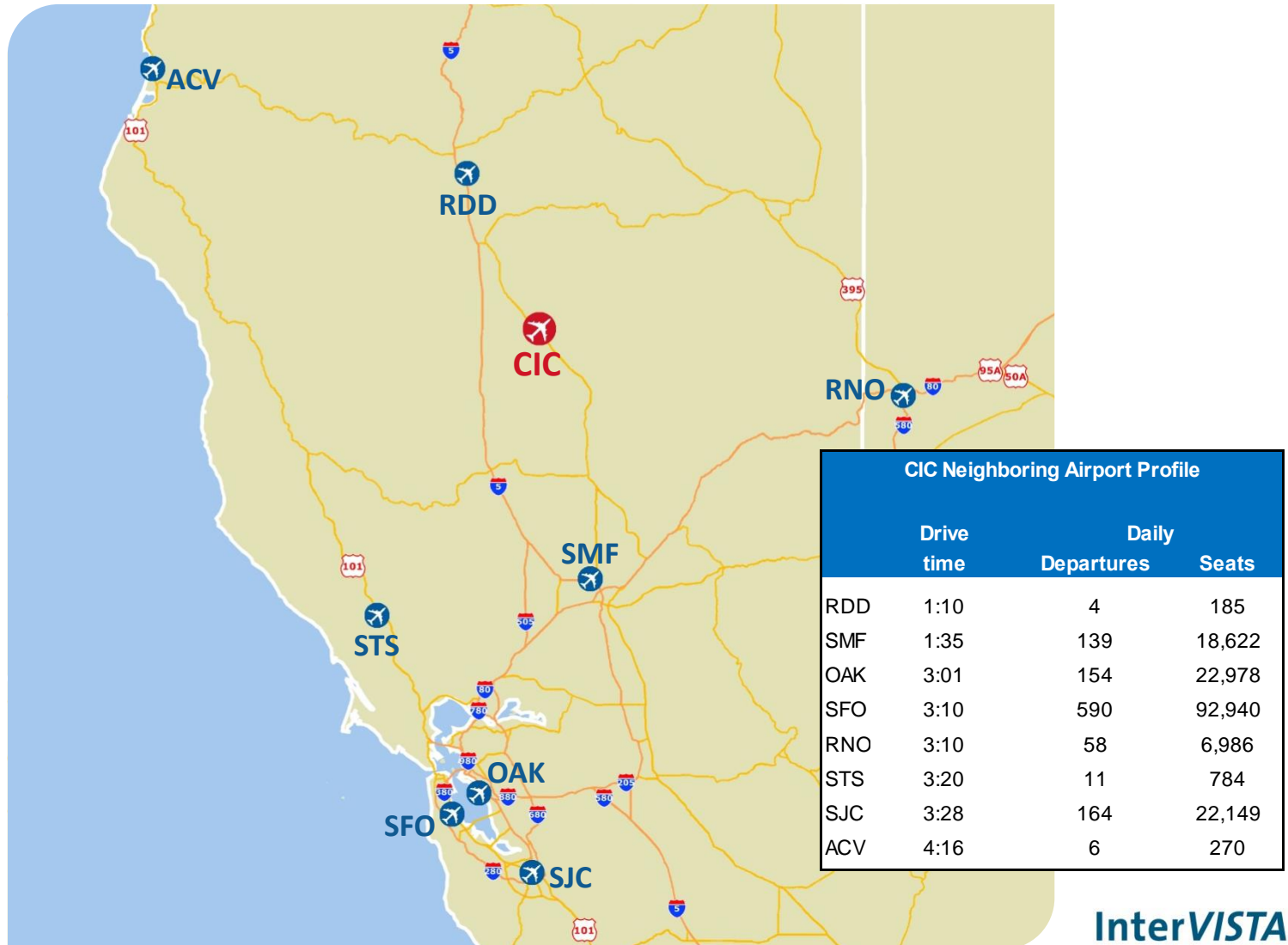
Four regional airports drive more than 10 million annual passengers

Regional airport traffic profiles



- While SFO is clearly the region's preeminent airport, OAK/SJC/SMF drive competitive service patterns
- STS/ACV/RDD remain much smaller competitive threats

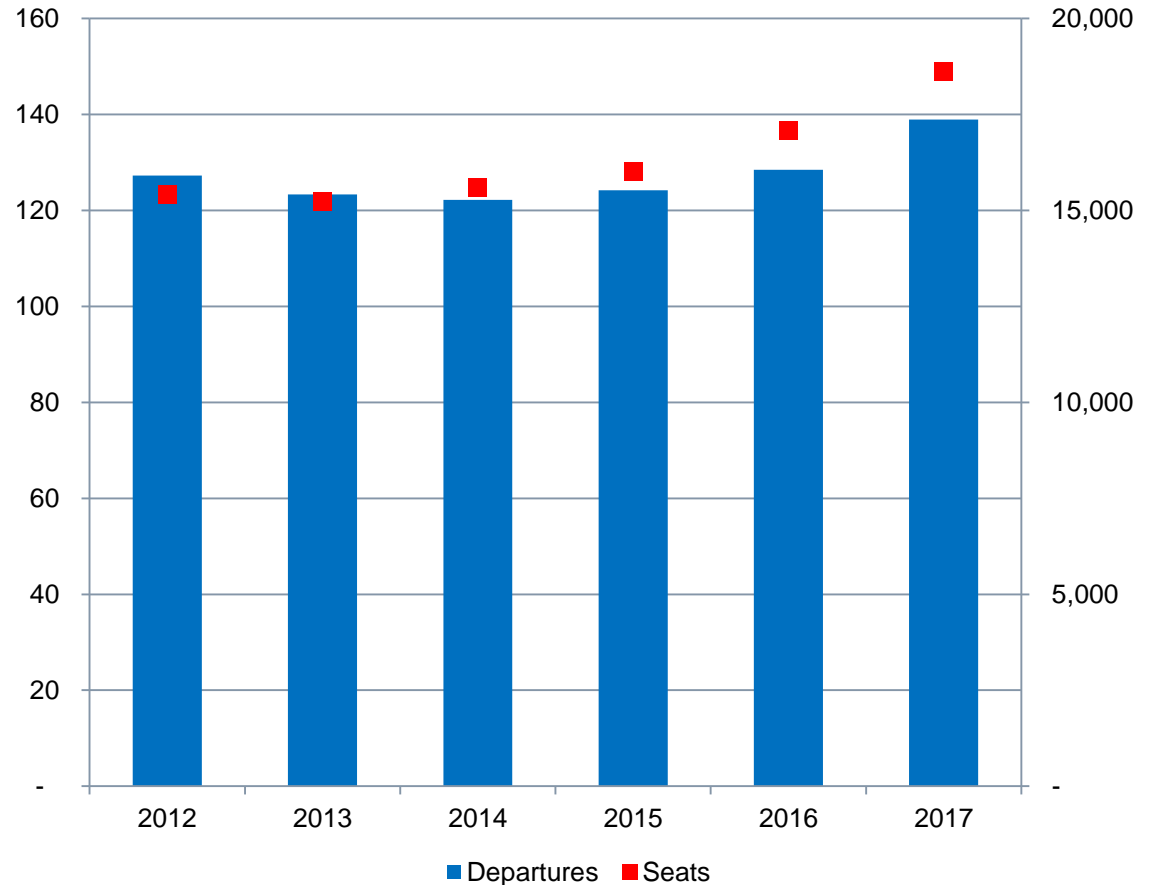
SMF drives a large service profile within a reasonable drive



Capacity growth has recently resumed at SMF

Recent SMF capacity data

- SMF will operate over 160 peak day/peak month departures (July) on nine carriers
- SMF's annual domestic load factor of 84% is roughly in line with industry totals
- SMF's domestic O&D fare* of \$158 is also roughly in line with aggregate industry figures



* adjusted to stage length of 1,000 miles

Source: US DOT and Innovata schedule data via Diio online portal

CIC catchment area results



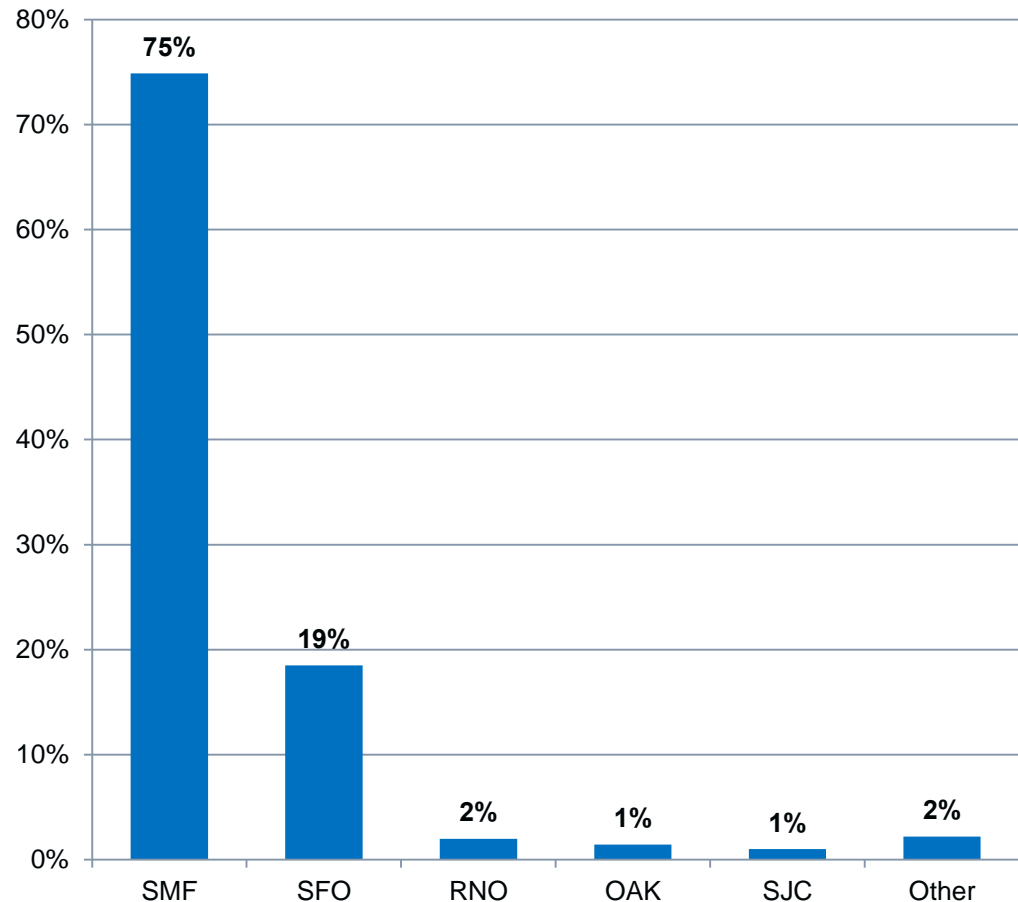
CIC annual O&D demand is estimated at just over 680 PDEW

- Aggregate PDEW estimates are driven by previously discussed propensity to travel data
- We utilize ARC data to further refine this data to airport and market levels throughout the coming pages

Summary – Projected CIC Demand	
Chico catchment area population	275,837
<u>Estimated propensity to travel</u>	<u>1.81</u>
Estimated annual O&D demand	498,980
PDEWs	682

An estimated 75% of Chico passengers utilize SMF

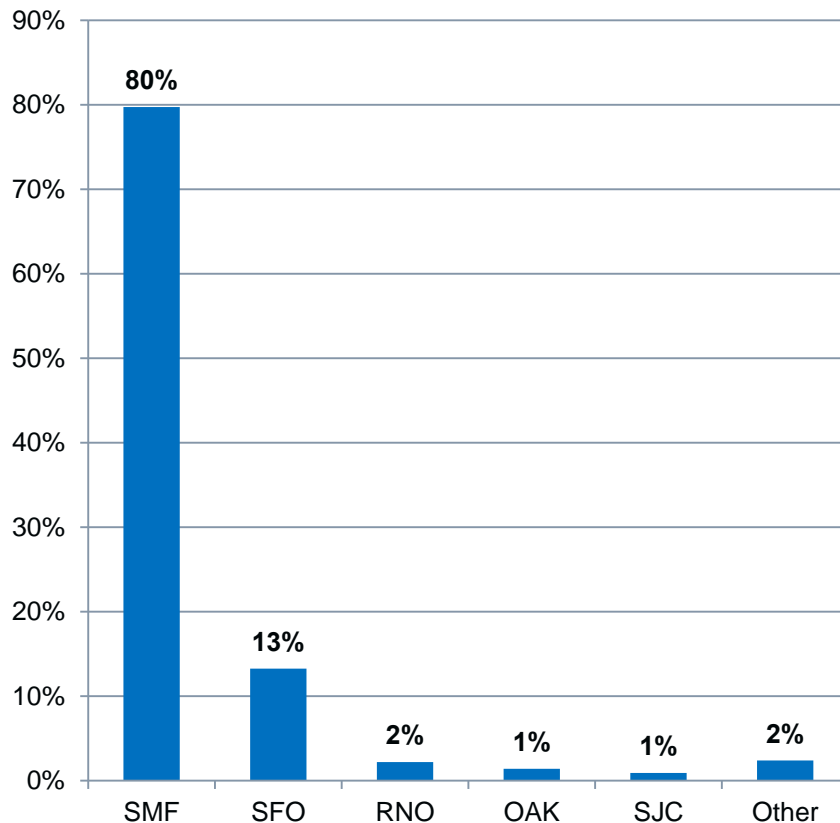
Chico market: projected current airport usage



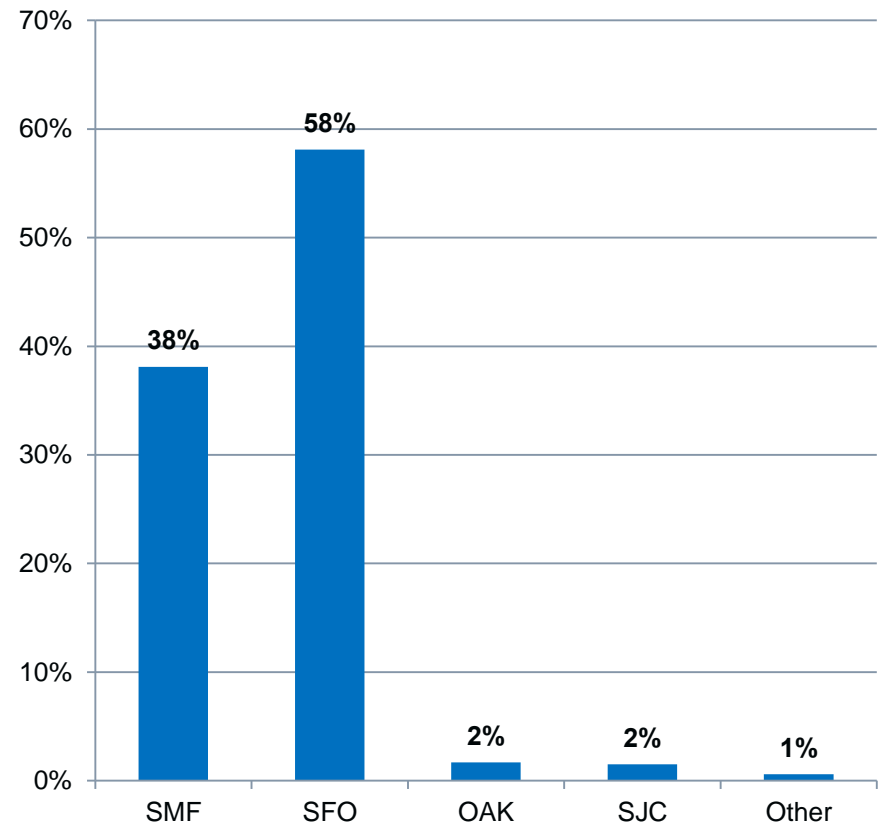
- Heavy SMF usage estimates are driven primarily by proximity and robust schedule profiles
- The three Bay Area airports in total comprise 21% of total Chico usage

SFO's international service profile drives heavy Chico usage

Chico region projected domestic passenger usage



Chico region projected international passenger usage



LAX represents the largest projected O&D market from Chico

CIC's top 20 largest O&D markets

CY 2016

Rank	City / Code	O&D market	Chico O&D	Alternate airports share of CIC passenger demand						Total
				SMF	SFO	RNO	OAK	SJC	Other	
1	LAX	Los Angeles	31,765	88%	9%	1%	1%	1%	1%	100%
2	SAN	San Diego	27,786	76%	16%	2%	0%	0%	6%	100%
3	SEA	Seattle	26,353	94%	2%	2%	1%	0%	1%	100%
4	NYC	New York	22,097	71%	22%	3%	1%	2%	1%	100%
5	LAS	Las Vegas	21,921	59%	39%	0%	0%	1%	0%	100%
6	SNA	Orange County	20,856	67%	13%	13%	0%	0%	7%	100%
7	BUR	Burbank	17,096	75%	25%	0%	0%	0%	0%	100%
8	PDX	Portland	16,816	79%	6%	1%	3%	1%	11%	100%
9	ONT	Ontario	16,177	50%	20%	10%	0%	0%	20%	100%
10	PHX	Phoenix	15,651	85%	12%	1%	2%	1%	0%	100%
11	DEN	Denver	13,883	81%	9%	6%	0%	2%	1%	100%
12	CHI	Chicago	13,046	63%	31%	4%	1%	1%	1%	100%
13	DFW	Dallas	10,793	77%	19%	3%	0%	1%	0%	100%
14	WAS	Washington	9,232	85%	12%	1%	2%	0%	2%	100%
15	BOS	Boston	8,429	81%	17%	0%	2%	0%	1%	100%
16	ATL	Atlanta	7,346	93%	6%	1%	0%	0%	0%	100%
17	LGB	Long Beach	7,336	93%	1%	1%	5%	0%	0%	100%
18	HNL	Honolulu	6,304	61%	11%	0%	22%	6%	0%	100%
19	SLC	Salt Lake City	6,262	89%	7%	0%	3%	0%	2%	100%
20	HOU	Houston	6,246	92%	4%	3%	0%	0%	0%	100%
<i>Subtotal Top 20</i>			<i>305,398</i>	<i>77%</i>	<i>15%</i>	<i>3%</i>	<i>1%</i>	<i>1%</i>	<i>3%</i>	<i>100%</i>
Total			498,980	75%	19%	2%	1%	1%	2%	100%

Regional western markets dominate top Chico destinations

Top CIC O&D markets w/projected 2016 passengers
via SMF

Rank	Market	O&D pax	Percent of total
1	Los Angeles	27,908	7.5%
2	Seattle	24,877	6.7%
3	San Diego	21,064	5.6%
4	New York	15,784	4.2%
5	Orange County	13,904	3.7%
6	Phoenix	13,260	3.5%
7	Portland	13,222	3.5%
8	Las Vegas	12,900	3.5%
9	Burbank	12,822	3.4%
10	Denver	11,183	3.0%
	Other	206,700	55.3%
	Total via SMF	373,624	100%

Top CIC O&D markets w/projected 2016 passengers
via SFO

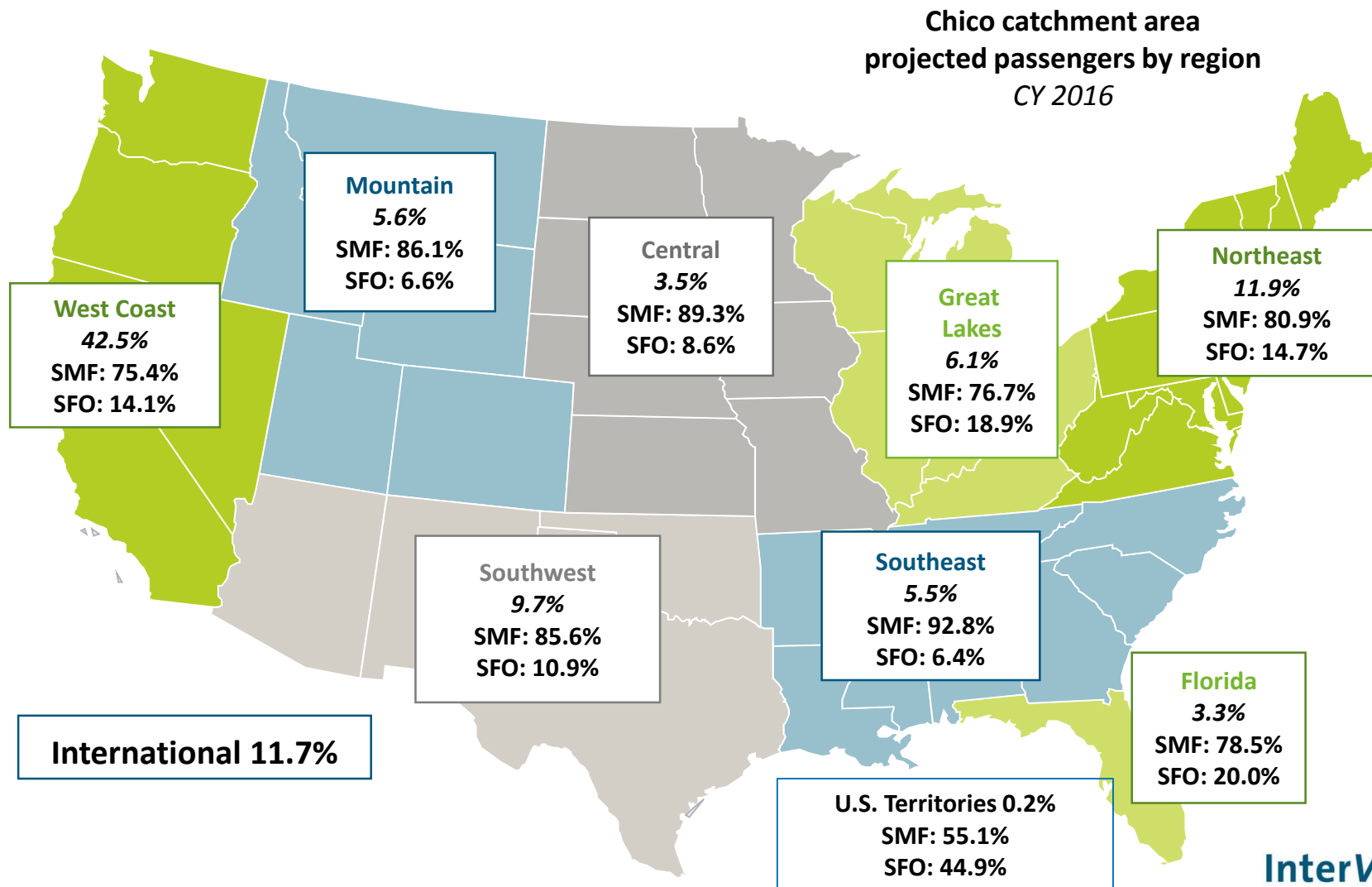
Rank	Market	O&D pax	Percent of total
1	Las Vegas	8,633	9.3%
2	New York	4,840	5.2%
3	San Diego	4,482	4.9%
4	Burbank	4,274	4.6%
5	Chicago	4,002	4.3%
6	Ontario	3,235	3.5%
7	Los Angeles	2,875	3.1%
8	Orange County	2,781	3.0%
9	Dallas/Fort Worth	2,076	2.2%
10	Phoenix	1,848	2.0%
	Other	53,309	57.7%
	Total via SFO	92,354	100%

SMF drives lower fares from CIC passengers than does SFO

SMF drove on average a 16% lower domestic fare than SFO for Chico area passengers

Average domestic fares CIC's top 20 O&D markets				
Rank	Code	Market	via	
			SMF	SFO
1	LAX	Los Angeles	\$105	\$107
2	SAN	San Diego	\$121	\$114
3	SEA	Seattle	\$102	\$126
4	NYC	New York	\$220	\$290
5	LAS	Las Vegas	\$127	\$80
6	SNA	Orange County	\$119	\$114
7	BUR	Burbank	\$117	\$113
8	PDX	Portland	\$107	\$113
9	ONT	Ontario	\$119	\$125
10	PHX	Phoenix	\$155	\$105
11	DEN	Denver	\$177	\$143
12	CHI	Chicago	\$234	\$190
13	DFW	Dallas	\$206	\$168
14	WAS	Washington	\$261	\$300
15	BOS	Boston	\$217	\$284
16	ATL	Atlanta	\$236	\$258
17	LGB	Long Beach	\$78	\$79
18	HNL	Honolulu	\$287	\$268
19	SLC	Salt Lake City	\$162	\$142
20	HOU	Houston	\$240	\$262
		Top 20 average	\$143	\$184
		Average domestic	\$167	\$200

West Coast markets drive 40+% of Chico traffic



A 20% CIC airport capture rate would drive 136 PDEW

- An estimated 20% capture rate could support a 2x 70-seat daily pattern assuming 100% carrier market share
- This conclusion assumes fares consistent with current regional airport levels

Estimated total CIC PDEW at various airport capture rates

