LYNCHBURG REGIONAL AIRPORT COMMISSION MEMBER UPDATE

Wednesday, April 12, 2023

REPORT

FEBRUARY 2023 PASSENGER TRAFFIC IMPACTED BY FEWER FLIGHTS

With February airline flights and available seats scheduled at their lowest levels since June 2020 due to the continuing regional airline pilot shortage, it came as no surprise that LYH's February passenger traffic finished the month down 19.2% over the same month last year. But with 27.3% fewer scheduled seats in February, the resulting passenger loads remained strong as American's flights departed LYH 85.8% full while once again demonstrating the extent to which our region remains significantly underserved.

MAJOR AIRLINES CONTINUE TO ADAPT TO SCHEDULE, OPERATIONAL CHALLENGES

With an air traffic controller shortage now adding to the ongoing pilot shortage, the spring and summer peak travel season is shaping up to be an even greater challenge for the airlines, particularly the regionals. In response to the expected surge, one way the majors are looking to avoid more operational meltdowns like last summer is simply to schedule larger aircraft in major markets in order to pack more passengers on each flight. For instance, last month United scheduled about 3,600 domestic routes using wide-body aircraft, and deployed 364-seat Boeing 777s between its major hubs and Orlando. For American and other major network carriers, this "upgauging" has meant decreasing their reliance on regional feeder airlines where the pilot shortage is most acute and unit costs are higher. In fact, with hundreds of regional jets still parked for lack of crews, a number of larger airports where Delta operates, like Las Vegas, Houston, Dallas and San Antonio are not even served by regional jets anymore.

In all, over the past two years the three major U.S. network carriers have exited some 74 domestic (and mostly regional) airports including 19 by American, 17 by Delta and United leading with 38. Fortunately, the vast majority of those airports are still served by competing carriers, but it does point to a disturbing trend that is setting up in the airline industry as airlines respond by increasing their average seats per departure and more regional airports are reduced to just one airline. That means smaller markets like LYH can expect to offer fewer daily flights than pre-pandemic, but on larger aircraft with less frequency and longer connecting times at the hub.

In the short-term for LYH, however, these latest developments translate into a reduced May schedule, just when we found some relief in April with the addition of a fifth daily roundtrip to Charlotte (most days). In the meantime, we are continuing to work closely with American network planning officials to add more flights this summer, and are trying to set up an in-person headquarters meeting with them soon. I'll have more on this at Monday's meeting.

PASSENGER TERMINAL PROJECTS UPDATE

Restrooms – As reported last time, the bids we received for the remodeling of six of the restroom facilities in the main terminal were unfortunately well above our consultant's estimates. In response, a further refinement of the project details was undertaken and slight adjustments have now been made to the bid package. As a result, the project will go back out to solicit new bids later this month, with bids expected to be received and reviewed in May. Following a coordination with our consultant and the City Procurement Department, we now expect final contractor selection by late-May. Construction is planned to begin this Summer. As you will recall, this project involves a complete remodeling of the original terminal restrooms with a new motif that incorporates features with a distinctive local flare and will include new touchless, high-efficiency fixtures, sinks and hand dryers.

Terminal Security Checkpoint and Exit Lane Expansion - This planned upgrade and expansion of the passenger security checkpoint to eliminate a major choke-point for both departing and arriving passengers has now reached the 90% design phase. We are currently projecting to be at the final 100% design point in late Spring,

COMMISSION MEMBER UPDATE

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with the project going out for bid sometime in Summer. We are targeting initial construction to commence in late fall. Funding is still expected to be provided through the use of state entitlement funds at 100%.

Ticket Counter Belts and Baggage Claim Modernization - The ticket counter belts and baggage claim carousal were originally installed when the terminal was built in 1992 and are both reaching the end of their useful life. At this point, we have identified a Consultant to provide modernized plan-drawing options. Funding is expected to be provided through the use of state entitlement funds.

LYH POLICE CHIEF RETIREMENT...NEW CHIEF AT THE HELM

In February our longtime Police Chief, William Coffey, retired after having served over 40 years in law enforcement, including five years of service as the airport police chief. Chief Coffey was recently recognized at the state-wide police academy as the longest active law enforcement officer among academy graduates in the history of the police academy. Out of 100 class graduations held, Coffey graduated from the first class.

On a related note, through a recruitment process undertaken by Chief Coffey, I am pleased to announce that I selected for his replacement Ron Henry as the new airport police chief, which was effective March 1, 2023. Mr. Henry was previously the chief of law enforcement with the Virginia's Conservation Police for over 30 years, and has served as an airport police officer since 2018. All tenants and surrounding law enforcement agencies have been advised of the leadership change.

AIP FUNDING PLANNED FOR 2023 RUNWAY 4 RUNUP PAD PROJECT

Federal funding in the form of an FAA AIP grant will be used to construct a new runup pad at the south end of Taxiway "B" in order to reduce congestion due to the high number of LU School of Aeronautics' training aircraft using Runway 4. The project involves construction of a dedicated pad that will match an existing pad serving the Runway 22 end of the airport's main runway. State entitlement will provide 10% matching funds for the 90% FAA grant. Currently the project is under design and will go out for bid in the summer, with construction to follow in the fall.

LYH HOSTS THIRD ANNUAL UNITED WAY 5K AIRPORT RUNWAY RUN

Lynchburg Regional Airport is once again partnering with United Way to sponsor an annual "5K on the Runway." Scheduled for Sunday, April 30th, the run will begin at 8:00 a.m. and be completed by 10:00 a.m. At this point, the event's plan and safety/security protocols have been reviewed and approved by the FAA, along with TSA review to be completed shortly. Coordination meetings with all parties, including tenants, will be held up to the time of the race. This event is a great way to involve the community and raise awareness of LYH and the aviation services the airport provides, and typically attracts considerable local/regional media coverage.

AGENDA FOR THE COMMISSION MEETING

The Commission Agenda for Monday's meeting includes a status update on the airport's 2024 operating budget approval process, along with an update on recent airline meetings and a presentation of the airport's latest passenger demand analysis and passenger leakage evaluation. Finally, Cedric Simon, Assistant Airport Director, Operations and Maintenance will provide a briefing on our latest FAA Airport Capital Improvement Plan as presented to City Council's Physical Development Committee, and an update on the performance of the airport's new self-service Avgas fueling facility. In the meantime, if you have any questions, or would like to discuss anything prior to the meeting, please feel free to call me at (434) 455-6089.

Respectfully yours, Andrew LaGala, A.A.E. Airport Director

LYNCHBURG REGIONAL AIRPORT COMMISSION Monday, April 17, 2023 4:00 p.m.

AGENDA FOR THE COMMISSION

1. Call to Order

CONSENT AGENDA

- 2. February 6, 2023 Commission Meeting Minutes
- 3. Lynchburg Regional Airport April 2023 Air Service Update
- 4. February 2023 Passenger Traffic Report

Consent Agenda Recommended Action: Receive and File

REGULAR AGENDA

- 5. Report of the Airport Director
 - A. A status update on the airport's FY 2024 Airport Operating Budget submission
 - B. A report regarding the outcome of recent meetings at the Routes Americas airline planners' conference
 - C. A presentation to outline the initial results from airport's most recent ADI passenger demand analysis and passenger leakage evaluation
- 6. Report of the Assistant Airport Director, Operations and Maintenance
 - A. An overview of the latest FAA-proposed Airport Capital Improvement Plan (ACIP) for 2023 2028
- 7. Miscellaneous business
 - A. Inquiries and/or comments by Commission Members
- 8. Reports of airport businesses
- 9. Hearings of citizens upon Commission matters
- 10. Next Commission meeting: June 5, 2023
- 11. Adjournment

MINUTES OF THE LYNCHBURG REGIONAL AIRPORT COMMISSION MEETING February 6, 2023 4:00 p.m.

PRESENT:

Janice Crawford Dan Deter Mark Elliott Frank Rogers Massie Ware Greg Patrick John Marcinik

ABSENT:

Jones Stanley

STAFF PRESENT:

Andrew La Gala, Airport Director Cedric Simon, Assistant Airport Director Ops and Maint Cathy Vance, Assistant Airport Director Finance and Admin Carmen Singh, Marketing Coordinator Wes Campbell, Finance Manager

(1) <u>CALL TO ORDER</u>:

The meeting was called to order at 4:00 p.m. by Mr. Massie Ware. It was noted that Jones Stanley was not in attendance and that John Marcinik was joined in remotely.

(2) APPROVAL OF February 6, 2023 CONSENT AGENDA

Mr. Massie Ware confirmed that everyone had received the items from the Consent Agenda; the Nov. 14, 2022 Commission Meeting Minutes and asked if there were any questions, comments or changes regarding the consent agenda items. There were no comments.

(3) REPORT OF THE AIRPORT DIRECTOR

A. FY 2023 1st Quarter Financial Report

- 1. Airport Operating Budget continues to recover and stabilize from COVID pandemic
- 2. 1st Quarter Operating Revenue Highlights
 - i. YTD total revenues up 27.8% compared to same period last year
 - ii. Airline landing fees up 35.8%
 - iii. Car rental concession fees up 10.9%
 - iv. Parking lot concession fees up 91.5%
 - v. FBO rents up 25.2%
- 3. Expenses are inline with projected budget
- 4. CARES/CRRSA related grant revenue: \$2.45 million remaining to be drawn down
 - i. COVID-related funds earmarked for (1) capital reserve and (2) revenue-generating capital projects
 - ii. Bottom Line: without COVID-related grant funds expect FY 2023 operating surplus of about \$150,000

B. 2024 Proposed Operating Budget

- 1. Total Airport Projected Revenue: \$4,428,983
- 2. Total Projected Expenses: \$4,264,436
- 3. Transfer to airport capital budget: \$1 Million
- 4. YE operating budget surplus: \$165,457 (w/o CARES)

C. CY 2022 Airline Performance/Results

- 1. AA scheduled flights and seat availability improved...both peaked in June
- 2. Total passengers handled: 148,077...up 8.9% over 2021
- 3. Passenger traffic finished within 90% of 2019 pre-pandemic levels
- 4. AA's 1,771 total departing flights in 2022 averaged 84.4% full...a yearly record
- 5. But AA service levels trending lower...
 - December 2022 scheduled seats down 46% compared to 2019 monthover-month
 - ii. Winter/spring AA scheduled flights/seat capacity reduced to just four 50-seat RJ departures daily
 - iii. EMB-145 performance and operational issues further challenging seat capacity per flight
 - iv. Worsening airline pilot shortage causing disproportionate impact on regional airlines
 - v. Outcome of communications with AA network planning officials

D. Air Service Strategic Plan Update: Situation Analysis

- By far, the regional airline pilot shortage is LYH's biggest challenge to more air service throughout 2023 and beyond
- 2. Due to the severe pilot shortage, regional airlines now have more than 500 regional aircraft parked for lack of pilots
- AA has been particularly impacted due to its historic emphasis on regional market hubfeed
- 4. Virginia is especially vulnerable as regional airlines provide 57% of all the air service in the state
- 5. Since pandemic 5% of regional airports have lost all air service...161 U.S. airports have lost at least 25% of their commercial flights...and 60 have lost more than half of their air service
- 6. U.S. Bureau of Labor predicts 18,100 annual demand for airline pilots, but supply of qualified pilots still short by about 8,000
- 7. Airline pilot training is falling behind. Why? For most aspiring pilots, the lack of financial resources to afford the extremely high cost of flight training and acquire the minimum flight hours to qualify reduces the pilot supply to meet current demand
- 8. Air travel demand has remained strong...creating greater need for pilots by the major airlines
- 9. That leaves fewer pilots to fly regional aircraft in markets like LYH as regional pilots are hired away by the majors
- 10. Improvement is not expected until 2024 or later
- 11. Communications with AA network planning officials for more service are ongoing but uncertain
- (4) LYH opportunities exist for new-entrant (U)LCCs but limited
- (5) Major challenges remain to ensure additional flights/seat capacity to meet strong local market demand and need for passenger access to major airline hub connectivity

E. Air Service Strategic Plan Update: Strategies and Tactics

- 1. STRATEGY: Return AA service levels to pre-pandemic levels at CLT hub
 - i. TACTIC: Provide latest LYH market and airline performance data to American Airlines' network planning officials
 - ii. TACTIC: Secure a targeted air service development consultant with specific experience and relationships with AA
- 2. STRATEGY: Continue to pursue a second, full-service hub airline to serve LYH

i. TACTIC: Monitor United Airlines' Washington Dulles hub status and

route developments for signs of regional expansion

ii. TACTIC: Solicit support from the Governor's office and General

Assembly to grow United Airlines' IAD hub

3. STRATEGY: Pursue opportunities to attract new-entrant, low-fare or ultra-low fare airlines

to serve LYH

i. TACTIC: Secure the services of an air service consultant with specific experience with new-entrant ultra-low cost carrier (ULCC) to make LYH's case for adding service

ii. TACTIC: Follow-up with low cost carrier (LCC) from the recent Take-Off route planners' meeting with additional market and expanded market-model data for possible nonstop, weekly service to Florida

F. Air Service Strategic Plan: Financial Incentives

- 1. Airline financial incentives are necessary in current air service development environment to remain competitive
- 2. Requires short-term airline revenue guarantees or start-up subsidies
- 3 Sources for LYH include the City of Lynchburg and local corporate sponsor(s)
- 4. Grant funding under the U.S. DOT's Small Community Air Service Development Program is also a possibility...but funding limited and very competitive

G. Lease Agreements Update

- 1. Items below to be presented in public hearing to City Council for approval:
 - i. Reef Parking Amendment
 - ii. Virginia State Police new Agreement in negotiations

(4) REPORTS OF AIRPORT BUSINESSES

Mr. Massie Ware asked if there were any questions or comments from the citizens present. Mr. Ware asked how the construction project was going, and Andrew replied we are working on the public utility side along with the parking area. That whole area will be build site ready, tier 4, by the end of this construction season. Andrew also said we are working with LU on their hangar on the south ramp and building out the rest of the pavement.

(5) HEARINGS OF CITIZENS UPON COMMISSION MATTERS

There were none.

(6) Next Commission Meeting: April 17, 2023

(7) ADJOURNMENT

There being no further business, the meeting was adjourned.

Lynchburg Regional Airport Commission Effective April 2023 AIR SERVICE UPDATE

CR7

CRJ-700

Summary	For th	e month of April we have 5 daily departures on most days. We have								
Carrier Profile	<u>Airline</u>		Destination	<u>Departures</u>	<u>Seats</u>	<u>Equipment</u>				
			Charlotte	5	250	ER4				
			TOTAL:	Monthly Seats: 7	7,150 Sc	heduled Flights: 143				
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LYNCHBURG REGIONAL AIRPORT TRAFFIC STATISTICS FOR February 2023

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← Indicates change from last report

