



## Mammoth Lakes Tourism Monthly Board Meeting

**Wednesday, July 11, 2018 - 9:00-11:00am in Suite Z**

Board Member Call in # (310) 372-7549 - Participant Code 934985 - Host Code 3838

[https://www.dropbox.com/sh/zxanpoyiv7mwd9t/AAB-aHpEDShkXC2UnH79\\_hRJa?dl=0](https://www.dropbox.com/sh/zxanpoyiv7mwd9t/AAB-aHpEDShkXC2UnH79_hRJa?dl=0)

### Meeting Agenda

There was a technical issue with Granicus at the beginning of the meeting. The first 15 minutes of the meeting were not televised due to this issue. A recording of those minutes is available through Mammoth Lakes Tourism. Anyone interested in the recording should contact Emily Bryant at [ebryant@visitmammoth.com](mailto:ebryant@visitmammoth.com) for more information.

1. **Call Meeting to Order – Scott McGuire, Board Chairman, called the meeting to order at 9:15am.**
2. **Roll Call – Present:** Scott McGuire, Brent Truax, John Morris, Sean Turner, Kirk Schaubmayer, Michael Ledesma, Colin Fernie, Eric Clark, Paul Rudder
3. **Board Member Comments/Reports/Agenda Additions**
  - a. Brent Truax – two comments; carnival is getting set up outside; supports Wild Iris and encourage everyone to go have fun. Secondly, the Mammoth Food & Wine Experience this weekend. Also benefitting a good cause, Mammoth Lakes Foundation.
4. **Public Comment – None.**
5. **Minutes –** tabled until our regularly scheduled board meeting August 1<sup>st</sup>
6. **Air Service Workshop**
  1. Introductions – John Urdi gave an introduction of the presenters
    - a. Kent Myers and Bill Tomcich from Air Planners
    - b. Worked together at Vail Associates from 1989 to 1995; created Eagle County program at Vail. In 1995 Bill Tomcich moved to Aspen Skiing Company and worked on air service there after Aspen lost long time carrier, Continental. Bill has managed air service there since then and built it to a very strong program. Since 1998 he has also been President of the central reservations now known as Stay Aspen/Snowmass. Kent Meyers has been working with Mammoth Mountain, Town of Mammoth Lakes and Mammoth Lakes Tourism for the past ten years. Kent is a former marketing executive with Vail Resorts, Steamboat and Beaver Creek. Prior to creating his company, Airplanners, worked on two of the largest resort air service programs in North American as a sponsoring organization. Airplanners currently works with economic development groups, resorts, visitor bureaus and transportation authorities.
    - c. John Urdi stated the presentation would go over where we are in U.S. Air Service, and then walk through local situation, all the options we are looking at, and then a recommendation for winter 2018-19 and beyond.
  2. US Airline Industry Overview – Kent Meyers started off by asking the audience to save origination, destination and other long detailed questions until the end of the presentation, that way we can get through everything.
    - a. Since 2010, net profits in the Air Industry have been in the black, increased up until 2016 and rebounded in 2017. Fuel costs remain low except for this year; went up in the last 7 months. Air Ticket and ancillary revenues (ticket change fees, luggage fees, upgrade fees, etc) are increasing – but ancillary revenues are 18 -20% of their total revenues, basically profit margin. Pilot shortage continues and will get worse before it gets better. Kent Meyers reviewed a chart showing profit history for the air industry.
    - b. The system in the US has two primary systems: hub and spoke. Airline designated hub airports with spoke cities connecting to other spoke cities. Point to point is non-hub airports with flight

to another non-hub airport. Burbank to Mammoth is point to point. Kent Meyers reviewed keys for success to air service.

### 3. MMH Air Service Overview

- a. Kent Meyers gave a review of Alaska at MMH. Met with Alaska Headquarters in the fall of 2017; at the time the Q400 was noted as being a part of the Alaska fleet for the foreseeable future. Change in network planning management occurred at the end of January. On February 1, conference call regarding aircraft availability and new opportunities in San Francisco; we approach Alaska to fly out of SFO because of the merger with Virgin – at the time Alaska stated it was too early to have those discussion. In May, Kent called American and United regarding the LAX and SAN flight because he was concerned about Alaska and ultimately on May 18<sup>th</sup> Alaska cancelled service. After that Delta was immediately contacted about their interest in flights' ultimately on June 21 United committed to year round service to LAX starting December 1, 2018.
- b. Other options being considered: LAX service via United was a top priority, but wanted to consider additional service in the winter. Also wanted to look at additional service out of San Francisco; SFO flight with United loaded in early June. Loaded means in the system and available for booking. Considering service via United out of Denver for the winter.
- c. Also considering: point to point service from the business class jet operators of JetSuiteX, Contour, California Pacific Airways with Burbank, Carlsbad, Oakland, Phoenix, San Jose, San Diego and Orange County.
- d. Looking at United offers from LAX and SFO its different than Alaska. In LAX, the four major Legacy Carriers (American, Delta United and Southwest) each have between 17-19% of the LA market. They will all tell you they have hub operations in LAX – and do to an extent. None have dominance like a typical hub. United does in SFO – serves 93% of the domestic airports. 44% of the market share held by United in SFO. Kent Meyers reviewed the market share United has in LAX – 49% of all domestic markets available at LAX. United subsidy cap amount is 27.8% lower than Alaska for similar service to MMH. Cap number is a not to exceed number for a given season. United has had service here since 2009 and it was good to not have to create a brand new relationship. United has 14 flights going and coming every day between SFO and LAX allowing guest more flexibility to get somewhere if a flight is cancelled and allows for a lot of connectivity. United's cost per round trip is less than Alaska. Subsidy cost, not guest cost. Colin Fernie asked about cost per available seat mile and Kent Meyers stated it is also less by about 6%.

### 4. 2018-19 Loaded MMH Service

- a. LAX service with United Airlines loaded Sunday July 1, 2018
- b. Service starts December 1, 2018 (Alaska Airlines service ends November 30, 2018)
- c. Will run 7-days per week from December 1, 2018 – November 30, 2019
  - i. CRJ – 700 Aircraft – 64 coach seats and 6 first class seats
- d. SFO service loaded with United Airlines for one flight per day seasonally
  - i. Flight will run 12/19/18 – 3/30/19; CRJ 700 - 64 coach seats, 6 first class.
- e. United has already reached out to the Mountain about staff housing and are aware of the needs they have to take on in terms of equipment. Eric Clark commented that the Mountain has had conversations with United because they provide housing to the team that comes here on a seasonal basis. Multiple conversations coming down to operations and United is engaged in the transition.
- f. Kent Meyers reviewed a map showing connections/hub-spoke map of everywhere you can get to via the connections with United. Kent then moved on to additional options being considered.

### 5. 2018-19 Additional MMH Air Service Options Explored (Legacy and Business Class Jet Options)

- a. Options based on Mammoth Lakes second homeowners, visitor base and Ikon pass sales
- b. Denver, Colorado with United Airlines – would provide connections to numerous Midwest and east coast cities; United's second largest hub and the fourth busiest domestic airport in the United States.
- c. Second flight options from SFO or LAX with United Airlines
  - i. Creates more options for domestic and worldwide connectivity

- ii. Redundancy assists with flight cancellations
    - iii. Increased number of available seats
  - d. Business Class Jet Options
    - i. JetSuiteX options within California – 4 times weekly; seasonal service, E135 with 30 seats; looked at Burbank, Carlsbad, Oakland Santa Barbara, San Jose and Orange County.
    - ii. Contour Air - same schedule and aircraft; looked at Oakland and Phoenix
    - iii. Cal Pacific – same schedule; an RJ configured to 50 seats but has to go through a TSA terminal. Still in play with San Diego and Carlsbad.
    - iv. Can divert to Bishop in weather situations at MMH (non-commercial service)
- 6. Service Recommendations
  - a. Kent Meyers reviewed recommendation. For the legacy carriers: daily year round LAX, seasonal San Francisco, daily seasonal Denver. For Business Class Jet: potentially serve Burbank, Orange County and Oakland – all mid-December through end of March. Continue to work with JetSuiteX and Cal Pacific on service out of Carlsbad or San Diego. Kent reviewed summary of seat count. Looking at last years inbound (on fiscal year December 1 through end of November), 46,562 inbound seats. This year if we get all of those flights, we will have 44,690 (*for more detailed information please refer to the chart on page 25 of the presentation located online*). 4% lower but if you really look at the summer season it took a 8% decrease in available seats but there is daily service instead of reducing down to 4 days a week. Kent Meyers reviewed a chart on load factor for 2015-16 season and 2016-17 season; never achieve much higher than a 75% load factor on these flights in any month and in particularly summer. A smaller aircraft will raise load factors; when people can't get a seat, that's actually a good place to be –its how airlines make money, consolidation of seats, drives load factors up and raises revenues. We want the airlines to be profitable and be successful. When we are bumping up against higher load factors, we can find other places to fly. There was a discussion between Paul Rudder and Kent Meyers about fares and his personal experience with Alaska Airlines out of Mammoth. Kent stated he couldn't comment on Alaska because since they have pulled service there is nothing to do about the fares, looking forward to the relationship with United; will continue to monitor but they have always been competitive. Looking at Alaska's historical data it is Kent's opinion that they were not charging enough – in 2009 the average price each way was \$96 and now the fares average at \$105 that would mean over ten years the cost of operating has only gone up 10%, which shows something is wrong.
  - b. Scott McGuire asked about the evaluation with second home owners and the baggage issues, as people coming from Denver are more likely to fly with their skis – If the airlines make their money on incremental costs such as baggage fees, does Denver make more sense to fly over more southern California routes? Second part, will these hubs bring people for longer stays? Kent Meyers answered that the farther travelled equates to length of stay being longer; logically because of the ability for more connections, allows for guests who will be staying longer. In terms of ancillary profits, second homeowners are a reason to operate the service, as they are the best ambassadors to their friends and relatives to come fly in and try Mammoth.
  - c. There was a question from the public about landing/cancellation percentage with United and how that plays into public perception of air service to Mammoth Lakes. Kent Meyers answered that the weather will still play a factor and can't guarantee improvements; Mammoth will continue to be a problem from that angle. Bill Tomcich from Aspen Snowmass commented that SkyWest, partner of United, has been serving their community with CRJ 700 since 2006 and have seen a huge improvement on their operational reliability out of Aspen over those years, to the point that mechanical and maintenance disruptions are almost nonexistent during the winter months. Bill also commented that they have been working with United as the dominant carrier in Aspen since 1995; United is a very different airline today than in the past – among their new core strategies is focusing attributes "uniquely United"; one of those is ski, where they have been losing shares; so there is a redoubled effort to focus on serving those communities and is a great alignment and opportunity for this community. Bill Tomcich communicated his own experiences with air service and surprises from the air industry and felt that the team worked

very quickly to find what is a good solution. He also reiterated that this provided great connectivity, greater than before, for the ski community. The Board and Kent Meyers had a discussion about seat numbers v. demand from IKON. Eric Clark stated that 72% of the new IKON pass holders live in either Colorado or California; 42% in California and 30% in Colorado. Of the California group, 60% live in Southern California, 40% live in Northern California. There was a question from the public about the San Diego market and the Las Vegas market and why those aren't being addressed. Eric Clark stated that United was asked about San Diego but they were unwilling to pick up those flights. Eric further stated that the market is imperative and that we are still looking for options for service there. Kent Meyers stated that Las Vegas is not a true hub only a lot of point-to-point service, which would mean transfers in terms of luggage and terminals. Kent Meyers reviewed the options being looked at for San Diego. John Wentworth asked about the role that the opportunity to move air service operations to Bishop is playing in these conversations with United Airlines? Do they have expectations, if any? Eric Clark stated that United is very much aware of the desire to move air service to Bishop for regional consistent air service. Eric also stated that United has written a letter supporting service in Bishop; a building platform to what air service could be in 3 to 5 years. Eric clarified that the letter supports air service in Mammoth and in Bishop. Eric also clarified that the CRJ 700 will go away eventually as well, and asked Bill Tomcich from Aspen about their future plans around the CRJ 700. Bill Tomcich stated no new CRJ 700's have been built since 2011 and there is a finite lifespan on aircraft. Shorter lifespan with regional jets because they are cycle limited, or flight hours, and once they hit a certain number of cycles they turn into pumpkins. About 20 years before the maintenance becomes prohibitive. Average age is between 10-15 years; going to start being removed from fleets in the early 2020's and expect to see the last by 2031. Something being closely followed by Aspen as the CRJ700 is the only commercial plane that can fly into Aspen; just finished an environmental assessment for some mandatory airport improvements to increase the taxi space separation to allow a new generation of regional aircraft at Aspen. Very relevant information that will help Mammoth- Yosemite Airport, as well as the development of a Bishop airport. Bill Tomcich reviewed more information about new regional aircraft and further details about plans for the CRJ700. Bill further stated that it would be important for both communities (Aspen and Mammoth) to have airports that will support the future aircraft. The Board had a conversation about international connectivity through San Francisco and connectivity for various ski clubs through Denver.

- d. Discussion and **vote** by MLT on recommended air service options. Colin Fernie started the conversation by thanking both Bill Tomcich and Kent Meyers for being in attendance today to be the experts in the room; thank you to the group who figured out service from LA for this winter, would have been hard if we had lost that service. Don't think aircraft type should be a huge part of decision at this point, because what I am hearing is the industry is always changing; need to be willing to adapt. Need to stay a part of the conversation and think the mix of regional carriers and legacy carriers is what will bring us into the future of air service. Bishop may make a lot of sense for long haul and Mammoth can continue to be an option for shorter regional air service. Need to address how difficult it is to get here and provide multiple options to do so. Tremendously supportive of recommendations, in particular would like to see us push Denver and then find a solution for San Diego. Scott McGuire asked for clarification on what staff is looking for from Board today. John Urdi clarified that \$2.3 million dollars has already been approved for winter/summer subsidy; no change to that. Looking for agreement from the Board to move in the direction of recommendations for air service presented here today. Eric Clark also stated that if the Board implements this plan, subsidy risk is not capped at \$2.3 million, and could be significantly more because the Denver flight is an expensive flight. The Mountain believes in the additional risk and is supportive and expecting to pay more but the risk to MLT stays at \$2.3 million. Paul Rudder stated the future is increasing midweek visitation/skier visits and flights from places like Denver that allow people to connect from further away are helping that as most likely they are not just coming for the weekend but staying a full week or into the midweek time period. Michael Ledesma stated that from his perspective the connectivity of United is the most important piece; it's a much better experience in terms of connecting from

longer distances. Scott McGuire asked, in the interest of time, are there any dissenting opinions from the Board or the public that need to be considered. Sean Turner asked how do we make sure we don't lose United like we lost Alaska, and from a marketing perspective how do we market flying differently in the summer versus the winter message. Scott McGuire clarified that Mammoth Lakes did not lose Alaska, Alaska abandoned their service; it was not the fault of the community, nor did the community do anything to cause Alaska to leave. Alaska made a decision based off of old aircraft to no longer service a number of small airports of which Mammoth Lakes was one. Scott McGuire stated it was important the community understand this was not based off of a lack of marketing, and it was a business decision based on planes. Eric Clark stated that from his perspective, the deal with United for year round service from LAX was almost lost when we didn't move fast enough on a decision. Eric stated the Board has approved a subsidy amount and needs to be able to move quicker in terms of making decisions when it comes to air service. Kent Meyers stated that it would be good for the Board to have a decision about what the plan for the next year should be by February. A comment from the public, Eric Wasserman, stated that he thinks from a business and resident stand point it would be nice to have a morning and an evening flight connecting from more long haul locations to give additional options. Requested looking at year round service from San Francisco for additional connectivity. Kirk Schaubmayer stated its taken years to build up the international visitation in the lodging community; supportive of this program moving forward and urge everyone to approach it with patience because it will take a while to build up the service. Additionally, Kirk asked what is typical in terms of time period for building a solvent air market where you do not need to subsidize. Kent Meyers stated timeline can vary greatly but typically trying to get to a consistent 75% load factor. The Board had a conversation about a strategic plan for air service that involved triggers for new markets after those currently being pursued are stabilized and successful. Scott McGuire asked if there were any further comments or questions. Seeing none, Scott McGuire asked for a motion from the Board. Brent Truax made a motion that the Board support the recommended 2018-19 air service program as presented today. Colin Fernie seconded the motion. Unanimously approved.

- e. Meeting was adjourned at 10:55 am.

**Future Meeting Dates:** Next scheduled Board Meeting for **Wednesday August 1, 2018** from 1-3:00pm Suite Z