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Proposal under the Small Community Air Service Development Pilot Program

Docket OST-2002-11590-5

From

The Telluride Regional Airport
Authority
1500 Last Dollar Road, Suite One
Telluride, CO 81435
Richard W. Nuttall, Airport Manager
Phone: 970-728-5313
Email: tex@telluridecolorado.net

Dear Sir/Madame:

April 4, 2002

INTRODUCTION

The Telluride Regional Airport is the highest airport in the United States (elevation **9,078'**) that has scheduled air service and has a Part **139** operating certificate. Constructed in **1985**, the Airport is located five miles west of the Towns of Telluride and Mountain Village in **San** Miguel County, Colorado.

The Airport is operated by the Telluride Regional Airport Authority (a volunteer board), and a salaried full-time airport manager. The Airport was established under the Colorado Airports Act, and is a government agency without taxing authority. All revenue to operate and improve the Airport is derived from its operations and grants.

The Airport category is B-III, and is currently limited to turbo-prop commercial service. However, the Airport is also utilized by general aviation aircraft including many private business jets. **An** Airport Master Plan Update is currently being prepared that will improve the runway and safety areas to a C-III category airport. This will allow for small regional jets to utilize the Airport in the future.

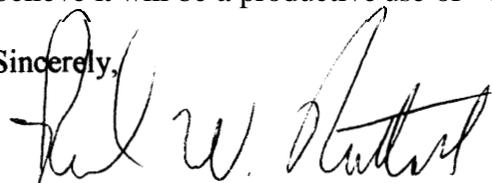
San Miguel County has a population of approximately 6,600 people, which dramatically increases during the ski season and summer months with second home owners and tourists. Scheduled air service is a critical component of the County's economy because of the remoteness of the area. A study conducted by the State of Colorado Division of Aeronautics in **1996** showed that the Telluride Regional Airport contributes approximately **\$70** million per year in economic benefits to the County.

For the past seven years, the Telluride Regional Airport has seen its annual enplanements decline not because of the lack of people wanting to come to Telluride (that has increased as shown by the increase in skier days, festival attendance, real estate sales and sales taxes in Exhibit "D"), but because of the mega carriers focus on jet service and ignoring smaller markets.

Smaller regional airlines with turbo-prop service continue to fill the void. The Small Community Air Service **Program** is a welcome opportunity for our Airport.

Given this opportunity to improve our air service, we have submitted the following proposal that includes a grant request of \$300,000 for your consideration. We hope you find our Airport deserving of a grant. We believe it will be a productive use of funds, and will benefit our community.

Sincerely,



Richard W. Nuttall
Airport Manager

Telluride Regional Airport Proposal
For
The Small Community Air Service Development Pilot Program
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EXISTING AIR SERVICE

The Telluride Regional Airport has two airlines that currently provide daily service. Great Lakes Aviation operates the 19-passenger Beech 1900 from Denver to Telluride. During the winter (December – March), they operate six flights per day, and during the summer (June – September) they operate 4 to 5 flights per day. For the months of April, May, October and November, those flights decrease to 2 flights per day.

America West Express provides service to Telluride from Phoenix. They provide one flight per day using the 37-seat Dash-8. During the months of April, May, October and November, there are no flights from Phoenix. Passengers during these times are forced to drive to Montrose (65 miles) or Grand Junction (130 miles).

In comparison, in 1994, the Telluride Regional Airport had three airlines (United Express, Continental Express and Sky West), which the combined three airlines provided 21 flights per day during the ski season.

When Continental Airlines vacated the market west of the Mississippi in 1994, United Airlines became the dominate airline in Denver. Since then, United has demonstrated a lack of interest in serving Telluride, and has provided limited service through Great Lakes Aviation as to not compete with United's service to Montrose.

Also, in 1994 the Montrose Airport (70 miles north) constructed a 10,000-foot runway, which opened the door to subsidized jet service in 1995. Since 1995, United, Continental and American Airlines have received subsidies to provide jet service to Montrose. Therefore, the departure of Continental and the new runway in Montrose has resulted in a continued decline in scheduled air service to Telluride.

An independent survey conducted two years ago found that ninety percent of the passengers who landed at Montrose whose final destination was Telluride preferred landing in Telluride. Over forty thousand passengers per year are bused from Montrose to Telluride, as opposed to landing in Telluride as they did in 1994 when the Telluride Airport had three airlines and 21 flights per day. The airlines serving the Telluride Regional Airport have not received any subsidies. Exhibit "A" shows enplanement statistics for Telluride since 1991.

A recent fare comparison between Telluride and Montrose showed that a round-trip ticket from Telluride to Scotts Bluff, Nebraska cost \$1,024.00. The same trip and day from Montrose to Scotts Bluff, Nebraska cost \$754.00. A fare between Telluride and Phoenix on America West costs \$350.00, and the fare from Montrose to Phoenix was \$300.00. Fares in Telluride are historically higher. See Exhibit "B" for a historical comparison of fares and passengers.

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STRATEGIC PLAN

The Telluride Regional Airport Authority has a short-term and long-term strategic plan that will enhance air service at the Airport.

Short-Term Plan

The short-term plan has three objectives, which will be achieved in two years.

- 9 A marketing program geared to promote flying to Telluride. The theme of our marketing program is “Fly Telluride, and be only 7 minutes from home or the slopes”. This program has already begun, with direct mail campaign, the development of a media kit, and trade show exposure that is specific to the Telluride market.
- 9 Working with the Airport’s existing airlines (Great Lakes and America West Express) in terms of marketing, and possibly guaranteeing a flight to provide for improved scheduling. We are currently working with both airlines to establish our most effective use of the funds. The Airport has also been lenient in allowing both airlines to stretch out there monthly rents and fees due the Airport since September 11th.
- 9 Find new airline service to new markets not currently being served by the Airport’s existing airlines. Texas and the southeast United States is a large market for Telluride, and represents 26% of our visitors. Therefore, we are in negotiations with Rio Grande Air to provide service from Telluride to Albuquerque with connections with Southwest Airlines. Rio Grande Air is an established non-scheduled carrier that is interested in providing service to Telluride. This service combined with the Southwest Airline connection in Albuquerque would give our passengers a more direct and cost effective method of flying to Telluride.

The above three objectives are the primary reasons for applying for funds through the Small Community Air Service Program. We believe the funds can be used effectively to market and expand the existing air service, and secure Rio Grande Air to provide new service from Telluride to Albuquerque. Exhibit “C” outlines the funding requirements to achieve the short-term goals.

Telluride Regional Airport Proposal
For
The Small Community Air Service Development Pilot Program
Docket OST-200241590

Short-Term Strategic Plan Assessment

Fly Telluride Program: Marketing the Telluride Regional Airport is a critical component in the overall success of the Airport, and to the airlines that serve the Airport. Public perception of mountain airports and the choices the public have for vacations requires a continuous marketing effort.

The airlines have had a 100% safety record since the first commercial flight into Telluride in December 1985. However, the public's perception of mountain airports tends to be more negative, especially in light of the accident that occurred in Aspen last year.

Therefore, a ***Fly Telluride*** marketing program is essential to the overall success of what we do. This is why the Telluride community supports this grant application with marketing dollars. These specific marketing dollars are in addition to the marketing dollars spent each year in marketing the region.

Supporting Existing Airlines: The existing airline service in Telluride is essential to our community's economic health. Great Lakes Aviation is a small regional airline that utilizes the Beech 1900 aircraft. These aircraft have proven to be work horses in the mountains with an excellent safety record.

Great Lakes Aviation has provided our Airport with decent service. We believe the service can be improved by one more additional flight during the winter and summer seasons, and by better marketing the service. The new code-share agreement with United Airlines requires Great Lakes to fly with their own name. Therefore, new marketing efforts will further enhance their service by better informing the traveling public that they can fly directly to Telluride.

America West Express (operated by Mesa Air Group) is struggling with its service to Telluride. Poor scheduling and high fares have lead to load factors in the 40% range. It is agreed by all that a focused marketing program in Phoenix, coupled with competitive fares will boost their load factors. In addition, an earlier morning flight would also enhance their service.

Enhancing the existing airline service requires some "tweaking" with both carriers. We believe that enhanced marketing efforts, coupled with some limited seat guarantees can improve both services until our runway improvements are completed.

New Airline Service: As stated in our short-term goals, new service to Albuquerque will greatly enhance the public's ability to access the Telluride Regional Airport from Texas and the Southeast United States.

Currently, twenty-six percent of our visitors and second home owners come from Texas and the Southeast United States. We have had requests for a more direct route to Telluride by way of Southwest Airlines.

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Last week, I personally drove three hours to Durango, Colorado where Rio Grande Air currently fly's to Albuquerque to try their service, and to fly on Southwest Airlines to Providence, Rhode Island. The trip was effortless (except for having to drive three hours each way to Durango), with no delays or problems. Utilizing non-hub airports was less congested, and the longest I had to wait in any security line was 20 minutes. A direct flight from Telluride to Albuquerque would be a positive addition to our air service and for our passengers.

Rio Grande Air currently utilizes the non-pressurized Cessna Caravan. Telluride will require a pressurized aircraft because of the IFR routes. Therefore, I have been working with a local operator who has a new King Air 200 and Rio Grande Air to put a package together. We expect to be able to start service this year. Part of the funds we are requesting in this grant will contribute to the success of this program.

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Long-Term Plan

The Airport's long-term plan is to upgrade the Airport's runway and safety areas, which will allow for regional jet service in the future. The Telluride Regional Airport is currently updating its Airport Master Plan, which will be completed by August 2002. The runway and safety area improvements are part of the Master Plan Update, and are to be completed over the next five years. Upon completion of these improvements, regional jet service will be possible, and make the Telluride Regional Airport more competitive with surrounding airports.

This project is being supported by the Federal Aviation Administration as part of their overall program to upgrade the mountain airports in Colorado.

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PROGRAM BUDGET

The Telluride Regional Airport Authority will be the Sponsor for this program. The Community will also contribute to this program through its combined marketing programs. Exhibit "C" outlines our proposed budget. Richard W. Nuttall, Airport Manager will be the program director. Mr. Nuttall has twelve years of Airport Management experience (9 years at Telluride), has a B.S. in Finance with experience as a financial analyst, and holds flight instructor certificates in airplanes and helicopters.

FINANCIAL RESPONSIBILTIIY

The Telluride Regional Airport Authority will provide a detailed accounting of any funds received by the Department of Transportation and other entities for this program. A report will be sent to the Department of Transportation detailing where the funds have been spent. At the end of each fiscal year, TRAA completes an independent audit, which can also be provided to the Department of Transportation. Richard W. Nuttall, Airport Manager and Program Director has 12-years experience with federal and state grant reporting requirements.

PROGRAM PROGRESS

The Telluride Regional Airport Authority will provide a quarterly report as to the progress of the program. The quarterly report will include, but not limited to the announcement of any new service, current enplanement statistics and comparing them with previous statistics, any marketing programs, and a financial report. It is anticipated that this program will be in duration for two years. After two years, we anticipate that the new service from Rio Grande Air will be operational and self-sufficient, and the existing air service provided by Great Lakes Aviation and America West Express will be stronger.

After two years, the Telluride Regional Airport Authority and the community will continue to support its air service through marketing, and work towards completing the runway and safety area improvements.

**TELLURIDE REGIONAL AIRPORT PROPOSAL
FOR
THE SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
DOCKET OST-2002-11590**

EXHIBIT "A"

Year	Airline Enplanements	GA Enplanements	Total Enplanements
1990	12,266	5,145	17,411
1991	15,157	6,658	21,815
1992	24,092	11,163	35,255
1993	24,950	11,053	36,003
1994	27,793	14,693	42,486
1995	20,366	12,960	33,326
1996	21,668	8,709	30,377
1997	20,263	9,967	30,230
1998	18,441	12,194	30,635
1999	22,814	14,572	37,386
2000	17,125	17,185	34,310
2001	18,754	16,980	35,734

Year	Airline Operations	GA Operations	Total Operations
1990	3,180	5,075	8,255
1991	2,782	5,536	8,318
1992	3,640	9,816	13,456
1993	3,764	9,891	13,655
1994	4,466	12,347	16,813
1995	3,598	11,408	15,006
1996	3,544	13,793	17,337
1997	3,362	9,253	12,615
1998	3,994	9,008	13,002
1999	3,490	10,630	14,120
2000	2,492	12,608	15,100
2001	3,472	11,640	15,112

Numbers above in color represent highest volume in 11-year history.

Source for Statistics: Telluride Regional Airport Authority

**TELLURIDE REGIONAL AIRPORT PROPOSAL
FOR
THE SMALL COMMUNITY AIR SERVICE DEVELOPMENT PILOT PROGRAM
DOCKET OST-2002-11590**

EXHIBIT "B"

AVERAGE FARE COMPARISON

Outbound Passengers Only			
	Telluride	Montrose	Grand Junction
Year			
2001	\$232.03	\$200.70	\$187.17
2000	\$243.82	\$206.38	\$193.15
1999	\$206.69	\$185.44	\$177.53

AIRLINE PASSENGERS:

Outbound Passengers Only As of September 30, 2001			
	Telluride	Montrose	Grand Junction
Year			
2001	19,630	67,590	117,140
2000	15,980	62,820	123,190
1999	22,040	68,890	128,140

AVERAGE FARE COMPARISON (SIMILAR RESORTS)

Outbound Passengers Only			
	Telluride	Aspen	Vail
Year			
2001	\$232.03	\$242.33	\$235.46
2000	\$243.82	\$248.56	\$219.49
1999	\$206.69	\$220.72	\$209.35

AIRLINE PASSENGERS: (SIMILAR RESORTS)

Outbound Passengers Only As of September 30, 2001			
	Telluride	Aspen	Vail
Year			
2001	19,630	176,220	163,940
2000	15,980	192,340	172,100
1999	22,040	206,030	158,910

Note: Approximately 40,000 passengers from Montrose come to Telluride according to local taxi and limousine operators.

Source for Statistics: Mead Hunt, Inc.

Driving Distances:

Telluride to Montrose: 70 miles

Telluride to Grand Junction: 135 miles

**Telluride Regional Airport Proposal
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EXHIBIT "C"

WHAT WE HAVE NOW:

	Average Daily Seats	Average Monthly Seats
Existing Airline Seats:		
Great Lakes Aviation	114	3,420
America West Express:	37	1,110
Total Existing Seats:	151	4,530

AIRPORT GOAL:

Proposed Additional Airline Seats:

Rio Grande Air (New Service)	20	600	
Great Lakes Aviation (increased Service):	19	570	
America West (Increased Service):	37	1,110	
Total New Seats:	76	2,280	50% Seat Increase

**FUNDS REQUIRED TO
ACHIEVE GOALS:**

	DOT Grant	Airport Funds	Community Marketing	Total Funds
Total:	\$300,000	\$60,000	\$150,000	\$510,000

**ESTIMATED COST BREAKDOWN OF
FUNDS REQUIRED:**

	Rio Grande Air	Great Lakes	America West	Total Funds
Service Guarantees:	\$130,000	\$80,000	\$120,000	\$330,000
Marketing:	\$40,000	\$40,000	\$100,000	\$180,000
Total:	\$170,000	\$120,000	\$220,000	\$510,000

RATE OF RETURN:

The average passenger arriving in Telluride stays for three days, and spends \$200 per day. Therefore, by increasing the number of seats by 2,280 per month, and 80% of those seats are filled with tourists, an economic benefit of \$1,094,400 per month is achieved with a one-time \$510,000 investment.

SAN MIGUEL COUNTY TREND INDICATORS

EXHIBIT " D "

Indicator	1997	1998	1999	2000
County Population	5,567	5,982	6,003	6,594
Telluride School Dist. Enrollment	495	493	502	533
Norwood School Dist. Enrollment	331	307	244	299
Labor Force	4,233	4,382	4,593	4,376
Total Employment	4,051	4,146	4,400	4,218
Unemployment	182	236	193	158
Unemployment Rate	4.3%	5.4%	4.2%	3.6%
San Miguel County Assessed Valuation	\$329,447,420	\$329,926,520	\$341,506,420	\$358,996,290
Total County Gross Sales (State def.)	\$153,642,002	\$172,675,161	\$179,488,431	\$200,632,753
Mountain Village	\$18,509,287	\$20,252,266	\$31,081,645	\$38,152,641
Norwood	\$7,434,610	\$8,858,834	\$9,738,897	\$10,936,594
Telluride	\$103,153,719	\$111,163,983	\$101,990,350	\$110,665,311
Remainder of County	\$24,544,386	\$32,400,078	\$36,677,539	\$40,878,207
Distribution of Gross Sales for County	100%	100%	100%	100%
Mountain Village	12.0%	11.7%	17.3%	19.0%
Norwood	4.8%	5.1%	5.4%	5.4%
Telluride	67.1%	64.4%	56.9%	55.2%
Remainder of County	16.0%	18.8%	20.4%	20.4%
Real Estate Activity				
Town of Telluride				
Total Single Family Houses sold	20	31	33	34
Average Sale Price	\$624,550	\$577,784	\$611,055	\$798,093
Median Sale Price	\$512,500	\$453,000	\$520,055	\$529,500
Town of Mountain Village				
Total Single Family Houses sold	14	19	24	14
Average Sale Price	\$1,231,212	\$1,096,394	\$1,731,482	\$1,725,566
Median Sale Price	\$1,100,000	\$812,500	\$1,450,000	\$1,230,000
Town of Norwood & Outlying Areas				
Total Single Family Houses sold	8	7	22	18
Average Sale Price	\$125,416	\$96,726	\$116,500	\$130,744
Median Sale Price	\$113,140	\$89,000	\$108,750	\$94,250
Telluride Area "Suburban"				
Total Single Family Houses sold	15	27	33	52
Average Sale Price	\$489,374	\$402,476	\$300,845	\$853,992
Median Sale Price	\$347,875	\$319,250	\$377,500	\$337,250
Telluride Regional Airport Enplanements	30,230	30,635	37,386	34,310
Telluride Regional Airport Deplanements	28,985	33,615	35,932	34,702
			1999	2000
Telluride Skier Days (Year of season end)	306,507	375,027	382,467	309,737
				2001
				334,506



When visiting

TELLURIDE

& surrounding areas...

Why

land

anywhere

other than

the Telluride Regional Airport

EX

AIRLINESERVICE



PHOENIX

Frequent daily nonstops from Phoenix (PHX) to Telluride (TEX) with connections nationwide. For reservations or information, call 800-235-9292 or online at www.americawest.com.



GREAT LAKES AVIATION

DENVER

Frequent daily nonstop service from Denver (DEN) to Telluride (TEX) with connections nationwide. Code Share Partners with United Airlines, call 800-241-6522 for reservations or information. And for Code Share with Frontier Airlines call 800-432-1359 or log onto www.peatlakesav.com.

Fly Direct To Telluride Using Denver or Phoenix
As Your Connecting Hubs.



✈ The Telluride Regional Airport is the highest commercial airport in the United States, and is open 365 days a year.

✈ The Telluride Regional Airport offers the convenience of being located just 10 minutes away from the ski slopes and from the towns of Telluride and Mountain Village.



For additional information,
contact Rich Nuttall at (970) 728-5313 or online at tex@telluridecolorado.net
www.tellurideairport.com

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