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Proposal under the Small  
Community Air Service Development Pilot Program

Docket OST-2002-11590- 55

From  
The Chisholm-Hibbing Airport Authority  
11038 Highway 37  
Hibbing, MN 55746  
Dave Danielson, Airport Director

Phone: 218-262-3452  
e-mail: [chaa@cpinternet.com](mailto:chaa@cpinternet.com)



**CHISHOLM • HIBBING AIRPORT AUTHORITY**

218-262-3451  
FAX: 218-262-6245

11038 Hwy 37  
HIBBING, MN 55746

April 18,2002

Ms. Read Van De Water  
Assistant Secretary for Aviation and International Affairs  
Docket Operations and Media Management Division  
SVC-124  
Room PL-401  
Department of Transportation  
400 7th street, SW  
Washington, DC 20590

Dear Ms. Van De Water,

On behalf of the Chisholm-Hibbing Airport Authority, we respectfully submit our proposal for the "Small Community Air Service Development Pilot Program."

As you review our proposal, you will note that 20 years ago, we had close to 35,000 passengers depart from our airport each year. Today, our annual enplanements are around 10,000, due to inconvenient flight schedules and unfavorable ticket prices. If awarded the D.O.T. funds, we will utilize the money to provide incentives for our existing airline to minimize the financial risk of adding a third daily flight (fourth flight in summer months). We would also conduct a feasibility study to add a fourth daily flight.

We are committed to making this program work. Together, the Minnesota Department of Transportation, the surrounding communities, and the Chisholm-Hibbing Airport Authority have the potential and will contribute the necessary financial support to this program. A committee of surrounding community leaders has already been working on improving our air service for the past year.

Given this opportunity to improve our air service, we respectfully submit the following proposal that includes a grant request of \$597,500.

Sincerely,

Dave Danielson  
Airport Director

## Historical Service/Overview

The Chisholm-Hibbing Airport was constructed in 1931 and is located two and one half miles southeast of Hibbing, 70 miles northwest of Duluth, and 200 miles north of Minneapolis. The Chisholm-Hibbing Joint Airport Commission was established in 1958, and the Chisholm-Hibbing Airport Authority was established by the legislature in 1984.

The Chisholm-Hibbing Airport Authority consists of six appointed board members — three from Chisholm and three from Hibbing. The Authority employs an Executive Director, an Office Manager, and maintenance personnel, and it supervises the airport's crash fire rescue department.

The Chisholm-Hibbing Airport is the first in the country to implement a dual instrument landing system without a tower, resulting in more reliable and safer air carrier operations.

The airport terminal and parking lot facilities were totally revamped in 1997 (a \$1,080,000 project) to better serve the flying public.

### Service Providers

North Central started air service at the Hibbing airport in 1951. They later merged with Republic Airlines, which remained in service until June of 1985, when Express took over. Express operated until August 1997, when Mesaba Airlines took over and continues its operation today.

### Service Frequency

Existing Air Service:

Daily flight: HIB-MSP (174 nonstop miles per flight)

Aircraft: SAAB 340 (34 pax)

Seat Allotments: 34/day (two flights per day)  
and 49/day (three flights per day during summer months)

Flight Frequency: two/day; three/day for summer months

### Available fares (as of April 12,2002):

Chisholm/Hibbing round-trip to Mpls/St. Paul:

Average walk-up tomorrow fare: ..... \$461.50

Average advance fare (7 days): ..... \$316.50

Average advance fare  
(7 day over weekend): ..... \$399.00

Average advance fare (30 days): ..... \$312.50

Average advance fare  
(30 days over weekend): ..... \$168.50

Chisholm-Hibbing Airport Enplanement History			
1980	34,307	1991	14,332
1981	28,354	1992	16,519
1982	25,519	1993	15,376
1983	33,831	1994	14,452
1984	27,643	1995	13,077
1985	21,455	1996	11,081
1986	22,959	1997	14,471
1987	18,320	1998	14,547
1988	17,058	1999	15,258
1989	16,038	2000	12,484
1990	17,043	2001	9,399

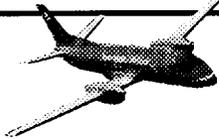
## Events affecting enplanements:

- December 1993: Flight 5719 crash
- August 1998: Northwest Airlines pilot strike
- June 2000: Daily flight Schedule reduced from five to three
- September 11, 2001: Daily flight schedule further reduced (three flights to two)

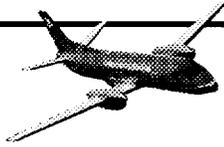
## An analysis of air service needs or deficiencies:

The Chisholm-Hibbing Airport once supported seven flights a day. The airport now has only two daily flights, yet the area's population has not significantly changed.

Our area business travelers find it nearly impossible to make connections when flying from Hibbing. Consequently, many business travelers drive one hour to the Duluth Airport, which offers 16 daily flights. The average ticket price from Duluth is approximately \$100 less than a Hibbing departure, further propelling the Hibbing airport's traffic decline.

 <b>Hibbing Airfare Rates Comparison</b> <b>April 15 - 17, 2002</b>				
Destination	Airport	From HIB	From DLH	From MSP
Boston	BOS	\$1581.50	\$1506.00	\$1503.00
Detroit	DTW	1194.50	866.00	1122.00
Los Angeles	LAX	1967.00	1959.48	1894.50
Phoenix	PHX	957.98	1257.50	647.50
Seattle	SEA	1766.50	1753.00	1688.00
Toronto	YYZ	1758.75	1603.30	1483.95

No Saturday stay; Less than 21 day advance  
Coach class, round trip



## Hibbing Airfare Rates Comparison May 14 - 21, 2002

Destination	Airport	From HIB	From DLH	From MSP
Atlanta	ATL	\$300.50	\$263.00	\$198.00
Boston	BOS	379.00	341.50	276.50
Chicano	ORD	283.00	175.98	178.00
Dallas	DFW	348.00	<b>224.50</b>	275.50
Denver	DEN	330.50	303.00	<b>208.00</b>
Detroit	DTW	337.50	285.00	265.00
Houston	IAH	397.00	<b>363.48</b>	324.50
LaGuardia	LGA	363.00	328.48	<b>290.50</b>
Las Venas	LAS	592.00	588.00	496.50
Los Angeles	LAX	379.00	<b>301.50</b>	276.50
Miami	MIA	425.50	277.98	<b>334.00</b>
Nashville	BNA	323.00	289.48	250.50
New Orleans	MSY	401.50	367.98	329.00
Newark	EWR	369.00	<b>319.48</b>	
Orlando	MCO	395.00	<b>361.48</b>	322.50
Philadelphia	PHL	340.50	303.00	
Phoenix	PHX	356.00	<b>318.50</b>	
Pittsburgh	PIT	304.00	<b>270.50</b>	231.50
Salt Lake Citv	SLC	350.50	320.98	
San Diego	SAN	385.00	<b>341.50</b>	276.50
San Francisco	SFO	639.50	363.00	<b>308.00</b>
Seattle	SEA	400.50	363.00	278.00
St. Louis	STL	286.50	177.00	<b>214.00</b>
Toronto	YYZ	278.47	261.71	<b>265.97</b>
Washington DC	DCA	472.00	310.00	417.50

21 day average purchase; Saturday night stay  
Coach class, round trip

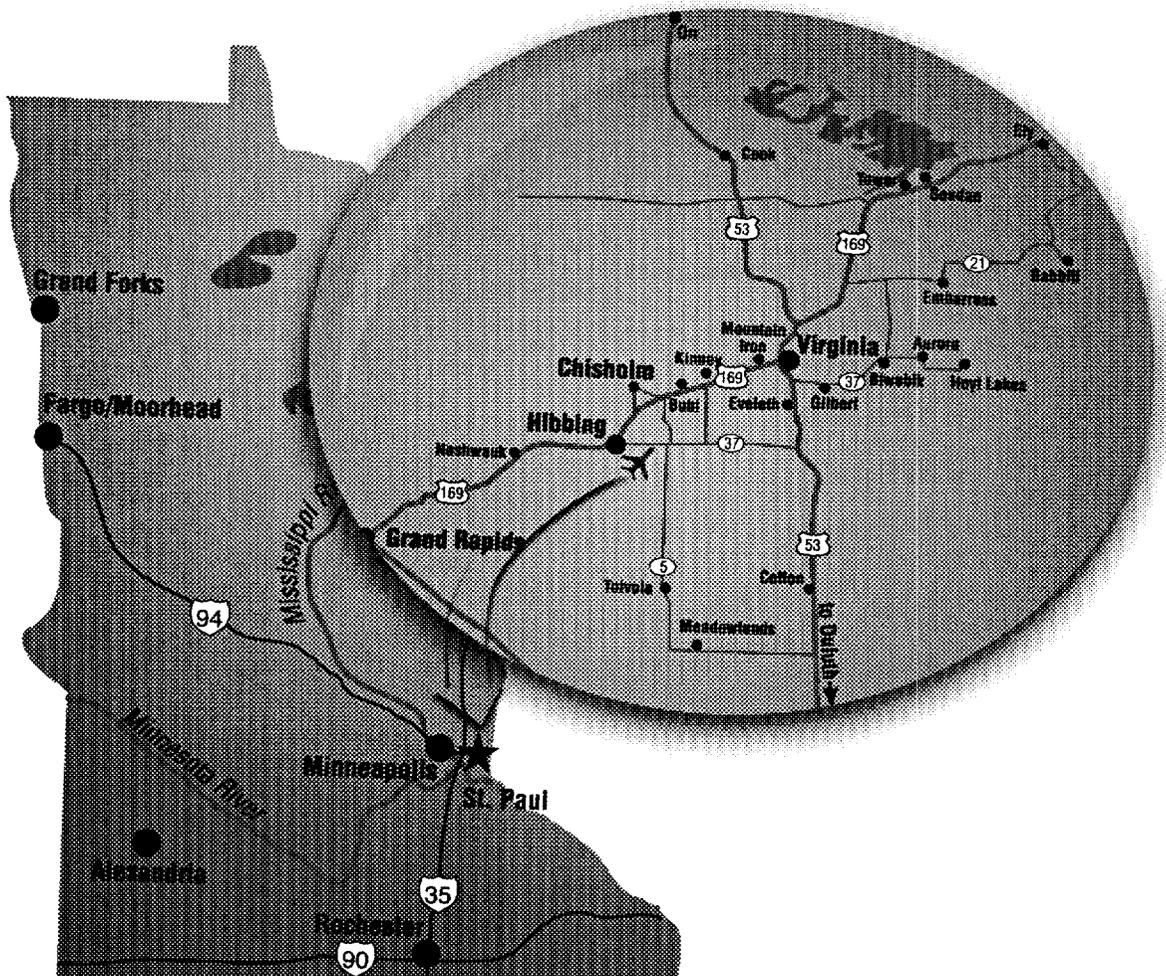
# Community Overview

## Introduction/Location

The areas served by the Chisholm-Hibbing **Airport** include Grand Rapids on the west border and Ely on the east border. The areas also include communities north to Orr, Minn., and south to Cotton, Minn., and all rural townships and unorganized townships within.

According to the 2000 Census Bureau data:

- Total population of this area is 134,381.
- Median household income, Itasca County – \$34,616
- Median household income, St. Louis County – \$37,389
- Per Capita Income, Itasca County – \$20,861
- Per Capita Income, St. Louis County – \$26,460



## Economic Conditions

Prior to the year 2000, taconite mining and its related industries along with pulp paper and OSB manufacturers made up 40 percent of the gross regional product of northern St. Louis County and Itasca County. These economic conditions have affected people's willingness to buy and to fly.

However, recent efforts to diversify the local economy beyond our natural resources-based industries have proven successful in these early years of diversification. The development outlined below supports the fact that our region has more individuals who will be flying.

The following businesses represent a partial list of diversified businesses that have recently located to northeastern Minnesota:

New Businesses	New Jobs
Anderberg Communications .....	.35
Blue Cross/Blue Shield of Minnesota .....	.200
Belcorp, Inc. ....	.60
Delta Dental .....	200
Entronix .....	160
Irresistible Ink .....	.60
Navagant Integrated Services .....	133
Northwest Airlines Reservation Center .....	.600
Reptron Manufacturing .....	550
Sykes Enterprise .....	340
Woodline Manufacturing .....	.40
Major Businesses in Market Area	Number Employed
Northwest Airlines .....	600
National Steel .....	.800
Blandin Paper .....	600
Potlach Corp (Sappi, Inc.) .....	500
Boise-Cascade .....	500
U.S. Steel (Minntac) .....	1,700
Inland / ISPAT Mining .....	500
ASV Manufacturing .....	200
Hibbing Taconite .....	.850
EVTAC Mining .....	.400
Reptron .....	.600
Hibbing Hospital .....	.400
University Regional Medical Center .....	.550
Virginia Regional Medical Center .....	.550
Itasca Medical Center .....	.350
SMDC clinics .....	600
Arrowhead Promotion .....	.300

## Tourism Attractions

Northeastern Minnesota is the most desirable area for travel in the state according to surveys conducted by the *Minneapolis Star Tribune*.

Next to the metro area of Minneapolis/St. Paul, the area specified as the Arrowhead region had the most visitors of any tourism area in Minnesota.

The Minnesota Office of Tourism conducts annual surveys of vacationers from Minnesota and outside of Minnesota. The five most popular tourism destinations continue to be:

- Natural scenery
- Fishing
- Visiting state/national parks
- Historical sites
- camping

The area has a national park, the Boundary Waters Canoe Area, more than 1,500 lakes, a long history of iron mining and timber, beautiful scenery, over 3,000 miles of inter-connected snowmobile trails, an assortment of top quality golf courses, skiing, hunting and more.

Tourism is the third-largest industry in northern Minnesota. The economic impact of travel and tourism on northeastern Minnesota totaled 15,735 jobs and \$348 million in wages and \$875 million to total economic output<sup>1</sup>.

<sup>1</sup>Source: MN Office of Tourism.

Over the last five years, the region has averaged an annual growth rate of 10percent in the tourism sector.

The main tourism generators of northeastern Minnesota are linked to an organization called the NLTA which provides a professional and uniform marketing campaign and coalition to bring tourists to the region.

Where do tourists come from? In a recent Northern Lights Tourism Alliance survey of lodging facilities in northeastern Minnesota, tourists came from:

- |                     |      |
|---------------------|------|
| • Twin Cities ..... | .51% |
| • Chicago .....     | .11% |
| • Des Moines .....  | .9%  |
| • Madison .....     | .4%  |

Other smaller markets:

- |                |              |
|----------------|--------------|
| • Indiana      | • Colorado   |
| • Ohio         | • Nebraska   |
| • North Dakota | • California |

# Strategic Plan

Our strategic plan is to increase passenger traffic at the Chisholm-Hibbing Airport by 50%. This goal will be accomplished by obtaining a third daily flight (fourth in summer months), by providing financial incentives to Mesaba Airlines. Secondly, we will conduct a marketing study to determine if adding a fourth daily flight (fifth in summer months) is feasible. Thirdly, we will roll out an intense “fly local” marketing campaign.

## Public-Private Partnership

The Chisholm-Hibbing Airport Authority will be the entity that supervises this program. Dave Danielson, Airport Director, will be the community’s sponsor to accept program reimbursements.

The Chisholm-Hibbing Airport, along with the Minnesota State Department of Transportation, are committed to increasing enplanements at the Chisholm-Hibbing Airport and have the potential to give this project the necessary financial support.

The Chisholm-Hibbing Airport is also very fortunate to have the support of community leaders from all of the surrounding communities. The “Air Service Committee,” which formed in July of 2001, has been diligently working on our efforts to restore additional daily flights.

## Funding Analysis

### Funding Incentives to Mesaba Airlines:

If awarded the D.O.T. funds, we will utilize the money to provide incentives for Mesaba Airlines to minimize the financial risk of adding a third daily flight (fourth flight in summer months).

We have calculated the incentive at \$2,000.00/day, for a 250-day trial period, for a total of \$500,000.00.

We will then conduct a marketing study to determine if adding a fourth daily flight (fifth flight in summer months) is feasible. We estimate the cost of this study to be approximately \$97,500.00.

Total D.O.T. grant request is **\$597,500**

### Marketing Plan:

When the third daily flight is added, we will promote increased flying out of the Chisholm-Hibbing Airport.

We have already designed billboard signage for two sides of one of our large buildings on the airport property and have obtained financial assistance from the Minnesota Department of Transportation for the campaign. Total local funds allocated for this project are approximately \$25,000.00.



We will also employ a media advertising/promotional campaign, utilizing local radio, television, and newspaper advertisements at the following estimated costs:

Television Advertising .....	\$50,000
Radio Advertising: .....	\$25,000
Print Ads: .....	\$25,000

The entire marketing campaign will be funded locally.

### An explanation of how the community will provide assurances that its own funding contribution is spent in the manner proposed:

The Chisholm-Hibbing Airport, with support from the Minnesota Department of Transportation and our local communities, has the potential to commit the necessary funding for advertising/promotional purposes to support this program. Copies of canceled checks for any media and promotional expenses will be provided in quarterly reports.

Please see the attached letter from Minnesota Department of Transportation, which supports our endeavors.

### Financial Responsibility/Program Progress:

The Chisholm-Hibbing Airport Authority will provide a detailed quarterly report as to the progress of this program. The quarterly report will include, but not be limited to, current enplanement statistics, comparisons with past enplanement statistics, marketing programs, all elements of the advertising campaign, along with a detailed financial report.

Chisholm-Hibbing Airport Authority  
Operating Budgets for the years

• 2000 • 2001 • 2002

(see attached budgets)

**CHISHOLM-HIBBING AIRPORT AUTHORITY  
PROPOSED 2000 OPERATING BUDGET**

**CASH RECEIPTS**

Flight Fees	16,000
Fuel Flowage-FBO	11,000
Sale of automotive fuels	3,300
Rent - Building B	1,200
Rent - Building C (FBO)	2,400
Rent - Building D (FBO Maintenance)	23,400
Rent - Building E-1	4,800
Rent - Building E-3	19,400
Rent - building F	44,000
Rent - Building H & I (T-Hangars)	34,000
Tanker Base	7,800
Maintenance Agreement-State of MN	64,000
Interest Income	6,000
<del>Tax</del> Levy	323,900
Total Cash Receipts	<b>\$561,200</b>

**CASH DISBURSEMENTS**

Personnel Expenses	212,000
Office supplies	1,300
Telephone	6,500
Postage	650
Travel	3,000
Advertising	30,000
License and dues	750
Insurance	25,000
Cleaning supplies	3,000
Shop supplies	5,000
Motor fuels and lubricants	14,000
Field repair and maintenance	26,000
Building repair and maintenance	8,000
Equipment repairs and maintenance	8,000
Professional services	12,000
Crash fire rescue	16,000
Equipment - replacement	12,000
Electricity	30,000
Heating fuels	15,000
Refuse removal	2,500
Notes payable - T hangars	25,500
Drainage Project	18,000

**(CONT. - PROPOSED 2000 OPERATING BUDGET)**

<b>Land Acquisition</b>	<b>30,000</b>
<b>Janitor services</b>	<b>12,000</b>
<b>IRRRB - 2000 payment</b>	<b>40,000</b>
<b>Director's fees</b>	<b>5,000</b>
<b>Total Cash Disbursements</b>	<b>\$561,200</b>

**EXCESS OF RECEIPTS OVER DISBURSEMENTS -0-**

CHISHOLM-HIBBING AIRPORT AUTHORITY  
2001 OPERATING BUDGET

## CASH RECEIPTS

Flight Fees	8,000
Fuel Flowage-FBO	6,000
Sale of automotive fuels	3,000
Rent - Building B	1,200
Rent - Building C (FBO)	2,400
Rent - Building D (FBO Maintenance)	23,400
Rent - Building E-1	4,800
Rent - <b>Building</b> E-3	19,400
Rent - Building F	44,000
Rent - <b>Building H &amp; I</b> (T-Hangars)	34,000
Tanker Base	8,000
Maintenance Agreement-State of MN	64,000
Interest Income	3,000
Tax <b>Levy</b>	484,900
Total Cash Receipts	\$706,100

## CASH DISBURSEMENTS

Personnel Expenses	270,000
Office supplies	1,300
Telephone	6,500
Postage	650
Travel	4,500
Advertising	60,000
<b>License and dues</b>	750
Insurance	26,000
Cleaning supplies	3,000
Shop supplies	7,500
Motor <b>fuels and</b> lubricants	15,000
Field <b>repair and</b> maintenance	29,000
Building <b>repair and</b> maintenance	8,000
Equipment <b>repairs and</b> maintenance	8,000
Professional services	18,000
Crash fire rescue	63,200
Equipment - replacement	12,000
Electricity	30,000
Heating fuels	15,000
Refuse removal	3,000
Notes payable - T hangars	25,500
Drainage Project	30,000

<b>Land Acquisition</b>	<b>50,000</b>
<b>Janitor Services</b>	<b>12,000</b>
<b>Director's fees</b>	<b>7,200</b>
<b>Total Cash Disbursements</b>	<b>\$706,100</b>

**EXCESS OF RECEIPTS OVER DISBURSEMENTS -0-**

CHISHOLM-HIBBING AIRPORT AUTHORITY  
2002 OPERATING BUDGET

CASH RECEIPTS

Flight Fees	7,200
Fuel Flowage-FBO	16,000
Sale of automotive fuels	2,700
Sale of electricity	2,400
Sale of heating fuels	12,000
Miscellaneous Income	2,000
Rent - Building B	1,200
Rent - <del>Building</del> C (FBO)	2,400
Rent - Building D (FBO Maintenance)	13,200
Rent - Building E- 1	2,400
Rent - Building E-3	19,448
Rent - Building F	28,000
Rent - Building H & I (T-Hangars)	33,600
Tanker Base	8,000
Maintenance Agreement-State of MN	52,000
Interest Income	5,000
Tax Levy	462,051
Total Cash Receipts	\$669,599

CASH DISBURSEMENTS

Personnel Expenses	286,400
Office supplies	1,200
Telephone	7,200
Postage	700
Travel	2,000
Advertising	16,000
License and dues	800
Insurance	25,000
Cleaning supplies	3,500
Shop supplies	9,000
Motor fuels and lubricants	12,000
Field repair and maintenance	12,000
Building repair and maintenance	10,000
Equipment repairs and maintenance	12,000
Professional services	18,500
Contract services	8,000
Crash fire rescue	63,000
Electricity	27,000
Heating fuels	27,000
Water	200
Sewer	200

Refuse removal	3,500
Notes payable - T hangars	6,399
Snow blower replacement	37,000
Deer fencing project	34,000
<del>Hangar</del> site prep	16,000
Terminal security	8,000
Pickup truck	1,000
Ramp plow	4,000
Janitor services	11,000
Miscellaneous <i>Expenses</i>	7,000
<b>Total Cash Disbursements</b>	<b>\$669,599</b>

**EXCESS OF RECEIPTS OVER DISBURSEMENTS -0-**

# Letter of Support



Minnesota Department of Transportation

Office of Aeronautics  
Mail Stop 410  
222 East Plato Boulevard  
St. Paul, MN 55107-1618

Phone: 651/296-8202  
Phone: 651/297-1600  
Fax: 651/297-5643  
Fax: 651/296-1828

April 16, 2002

Ms. Read C. Van de Water  
Assistant Secretary for Aviation and International Affairs  
Department of Transportation  
400 7<sup>th</sup> Street SW  
Washington, DC 20590

Re: Docker OST-2002-11590: Chisholm-Hibbing, Minnesota Municipal Airport

Dear Ms. Van de Water:

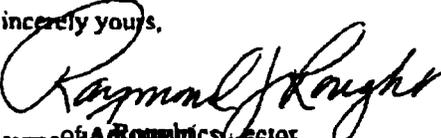
The Minnesota Department of Transportation, Office of Aeronautics is writing in support of the Chisholm-Hibbing Municipal Airport's application under the Small Community Air Service Development Pilot Program. This does not, in any way, diminish our support for the joint proposal from St. Cloud and Brainerd, as expressed in our letter of support for their application. We think both proposals have merit and should be included in the program.

The Office of Aeronautics provides financial support to airports with commercial air service for advertising the service and for assessing the feasibility of service enhancements. Up to \$200,000 per year is earmarked for the program. The Chisholm-Hibbing Airport has received two state grants for air service promotion.

The Chisholm-Hibbing market is underserved, with only two flights a day to the hub at present. We do not think two flights is adequate service, particularly when those flights are shared with another spoke city. In our view, adequate service consists of at least three flights a day. Small cities need a morning flight and an evening flight to accommodate business travelers. The third flight adds flexibility in scheduling to suit local demand patterns.

The Office of Aeronautics supports Chisholm-Hibbing's application to be a part of the Air 21 Pilot Program. State funding will continue to be available through the Minnesota Air Service Marketing Program. These funds will supplement the funding available through the Air 21, Small Community Air Service Development Pilot Program.

Sincerely yours,

  
Raymond A. Koenig, Director

An equal opportunity employer