Mobile Metropolitan Airport System Study

EXECUTIVE SUMMARY

June 12, 2018

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1. Study Overview and Stakeholder Perceptions

VHB was hired by the MAA to conduct a Metropolitan Airport System Feasibility Study

- VHB completed the following to determine the overall feasibility of relocating commercial operations from Mobile Regional Airport (MOB) to Downtown Airport at Brookley (BFM):
  - Community and local business interviews
  - Airline interviews
  - Catchment area analysis
  - 10-year forecasts of traffic, revenue and operating costs
  - Preliminary terminal facility requirements
  - Cost estimates of improving roadway access to MOB
  - Cost estimates to construct a new terminal at BFM
  - Strength and opportunities associated with BFM Airport role change

Interviewed community stakeholders saw the move from Mobile Regional Airport to Downtown Mobile Airport at Brookley as a favorable prospect

- Memorable Quotes from Prominent Stakeholders and Businesses:

- "…according to economic development groups, the [Mobile] Airport's current location hurts economic development."
- "The middle class is growing in area, especially in Baldwin County, which in turn, is allowing for more leisure travel; Brookley is more central location for such travel."
- "No GA/executive growth opportunities at MOB and a lack of access to MOB is a major issue for clients."
- "Brookley commercial operations would be better due to location near downtown and convention center; the latter will be able to increase marketing and business as a result."
- "Brookley commercial operations would be a game changer for cruise-lines due to closer proximity (of airport to the port)."
- "Mobile County receives 3.2 million visitors a year; Baldwin County receives 6 million visitors a year; hence the importance of capturing this market share at Brookley. Brookley would capture east side of the Bay and prevent PNS leakage."
- "If there are full [aviation] services at Brookley with comparable destinations and prices, it would be a game changer for Mobile."
- "[Airport relocation] is a long-time coming."
- "The airport move would be a tremendous economic driver and help with hiring."

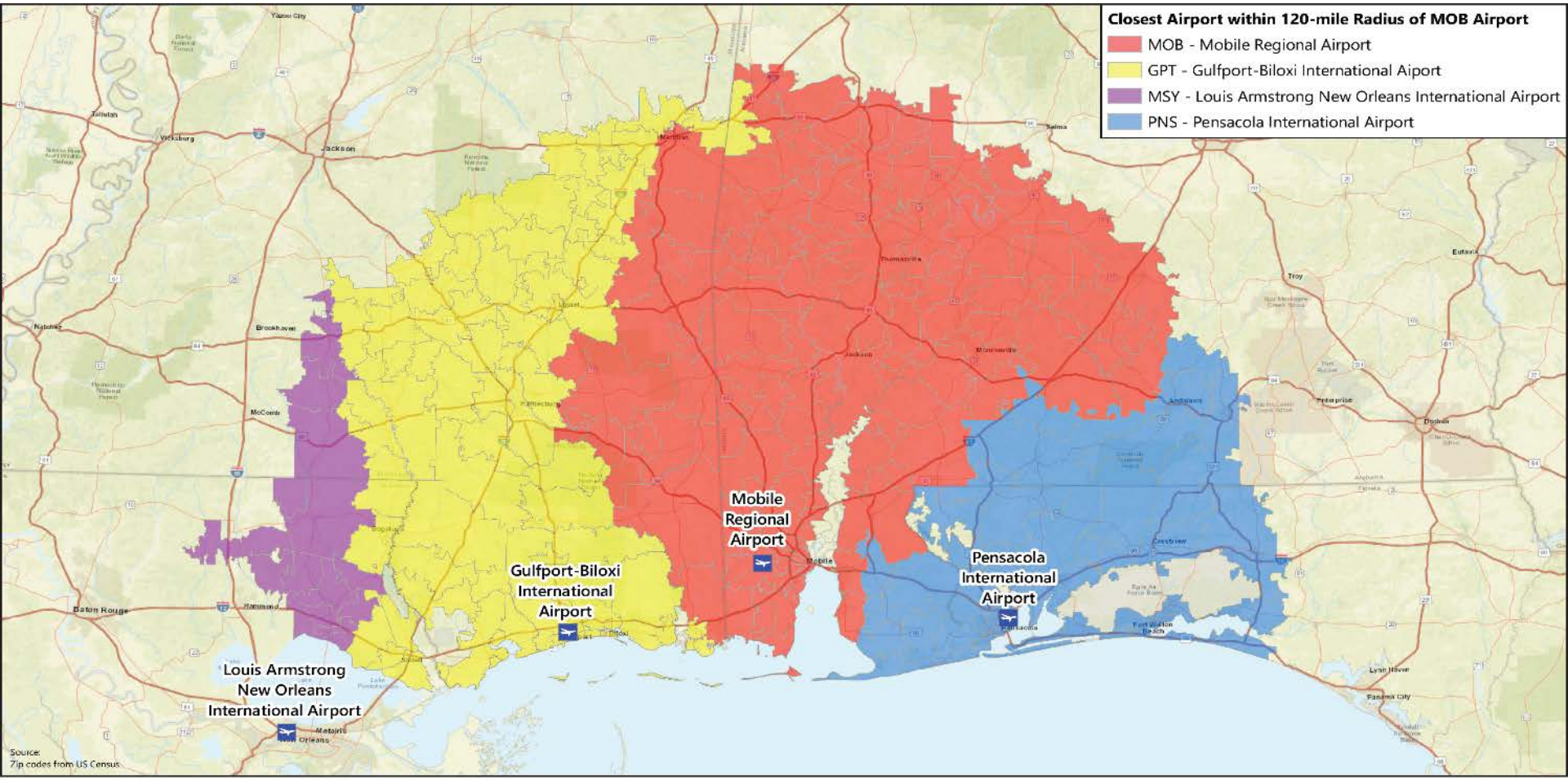
VHB also interviewed airlines that do not currently serve MOB/BFM

Carrier Perspective

- "Mobile Regional Airport is a nice facility, but off the beaten path, not near I-10."
- "It is painful to drive down Airport Boulevard to access the current airport."
- "Access to I-10 is very important as the catchment needs to include passengers from the Pensacola area."
- "Commercial passenger service at BFM does change how we view the market as it would allow leakage recapture from Baldwin County."
- "A temporary Low Cost Carrier (LCC) facility would be fine as long as it has restrooms and a restaurant – the essentials."

2. Catchment Area Analysis

Passengers in the 120-Mile MOB catchment area currently have a choice of four airports



1

METROPOLITAN AIRPORT SYSTEMS STUDY

CLOSEST AIRPORT BY DRIVE TIME WITHIN 120-MILE RADIUS OF MOB AIRPORT

Mobile ▪ Alabama

0 mi 10 mi 20 mi

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Using Airline Reporting Corporation (ARC) data, VHB estimates that MOB captures only 53.8% of its market

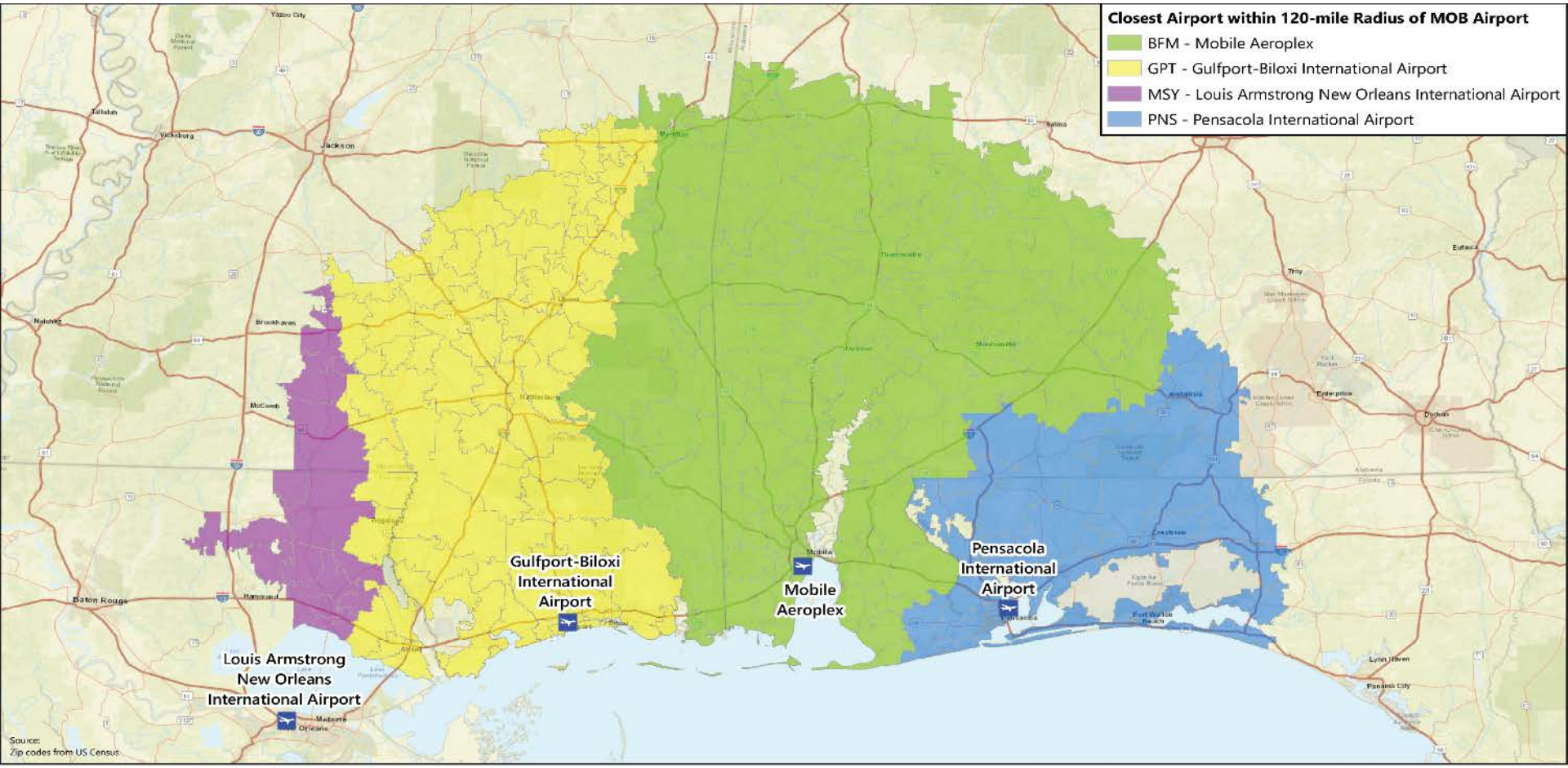
Airport Used	Passengers within Catchment Area Closest to MOB	Share
MOB	7,716	53.8%
PNS	3,730	26.0%
MSY	1,959	13.7%
GPT	925	6.5%
Total	14,330	100%

- MOB "leaks" passengers to PNS, MSY and GPT
- A small number of passengers are "pulled" from locations closer to other airports

Research indicates that drive time and cost are the most influential factors.

Source: VHB analysis of ARC, YE 3Q 2017

With the move of service to BFM, 138,509 people would become closer to the Mobile-area airport



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METROPOLITAN AIRPORT SYSTEMS STUDY

CLOSEST AIRPORT BY DRIVE TIME WITHIN 120-MILE RADIUS OF MOB AIRPORT

Mobile • Alabama

0 mi 10 mi 20 mi

vhb

DATE March 19, 2018

PROJECT NUMBER 36917.00

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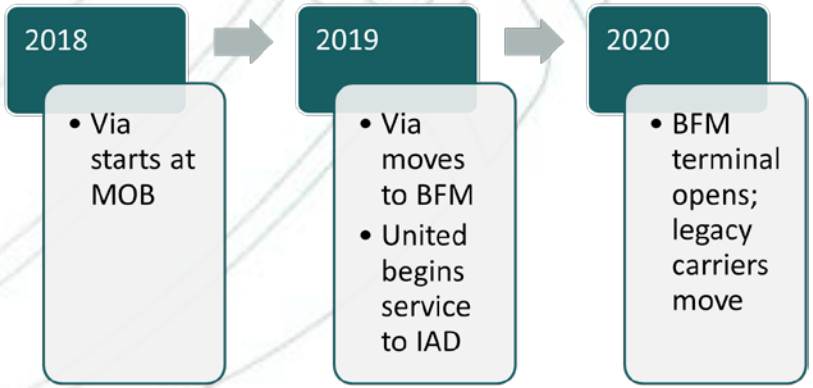
3. Demand for Services

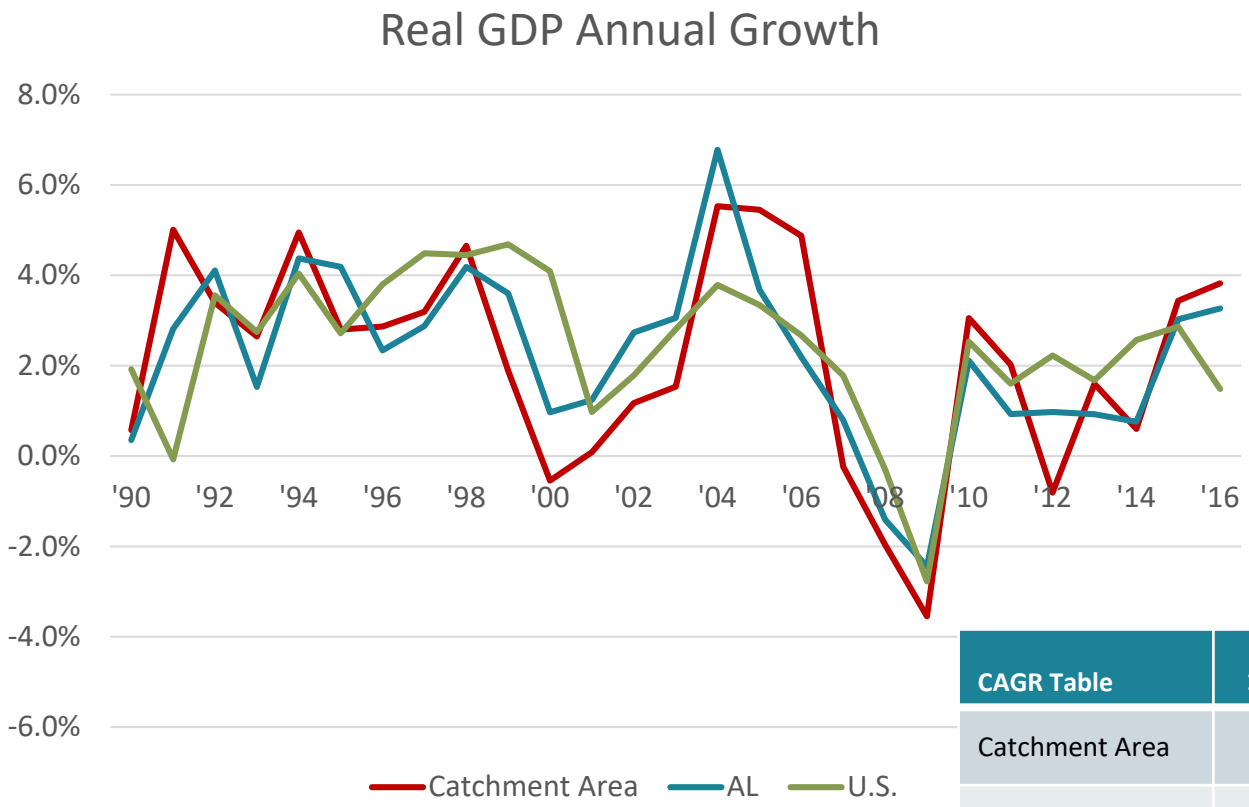
VHB created a 10-year forecast of passenger traffic for the two airports located in Mobile

- Future BFM passenger traffic would depend on any new routes added plus leakage recaptured as a result of commercial passenger operations moving

Project Timeline:



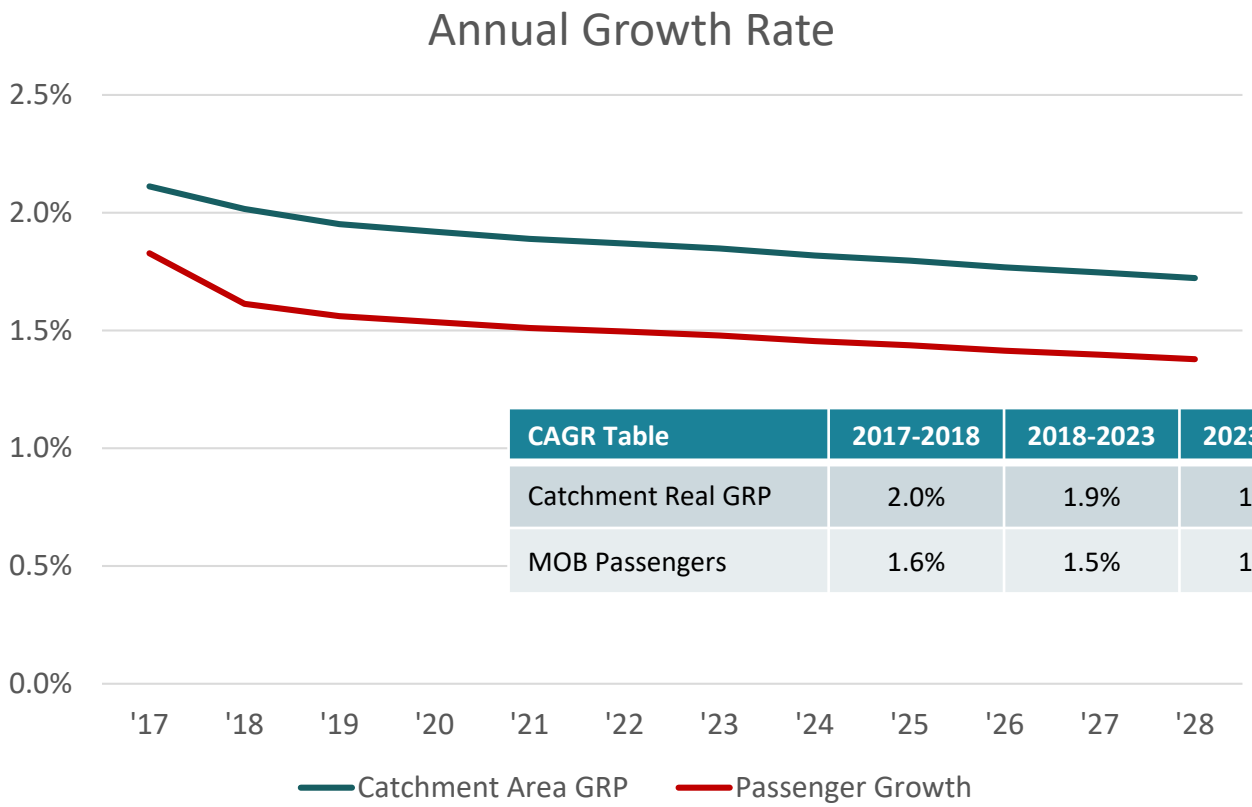
In order to add underlying growth to the market, VHB examined how Mobile has historically compared to AL and the U.S.



CAGR Table	1990-2000	2000-2010	2010-2016
Catchment Area	3.1%	1.6%	1.1%
Alabama	3.1%	1.8%	1.0%
U.S.	3.5%	1.6%	1.2%

Note: Catchment area includes 21 counties in Alabama.
Source: UNDP, Woods & Poole.

Catchment Area GRP is expected to grow 1.8% annually on average over the next 10 years

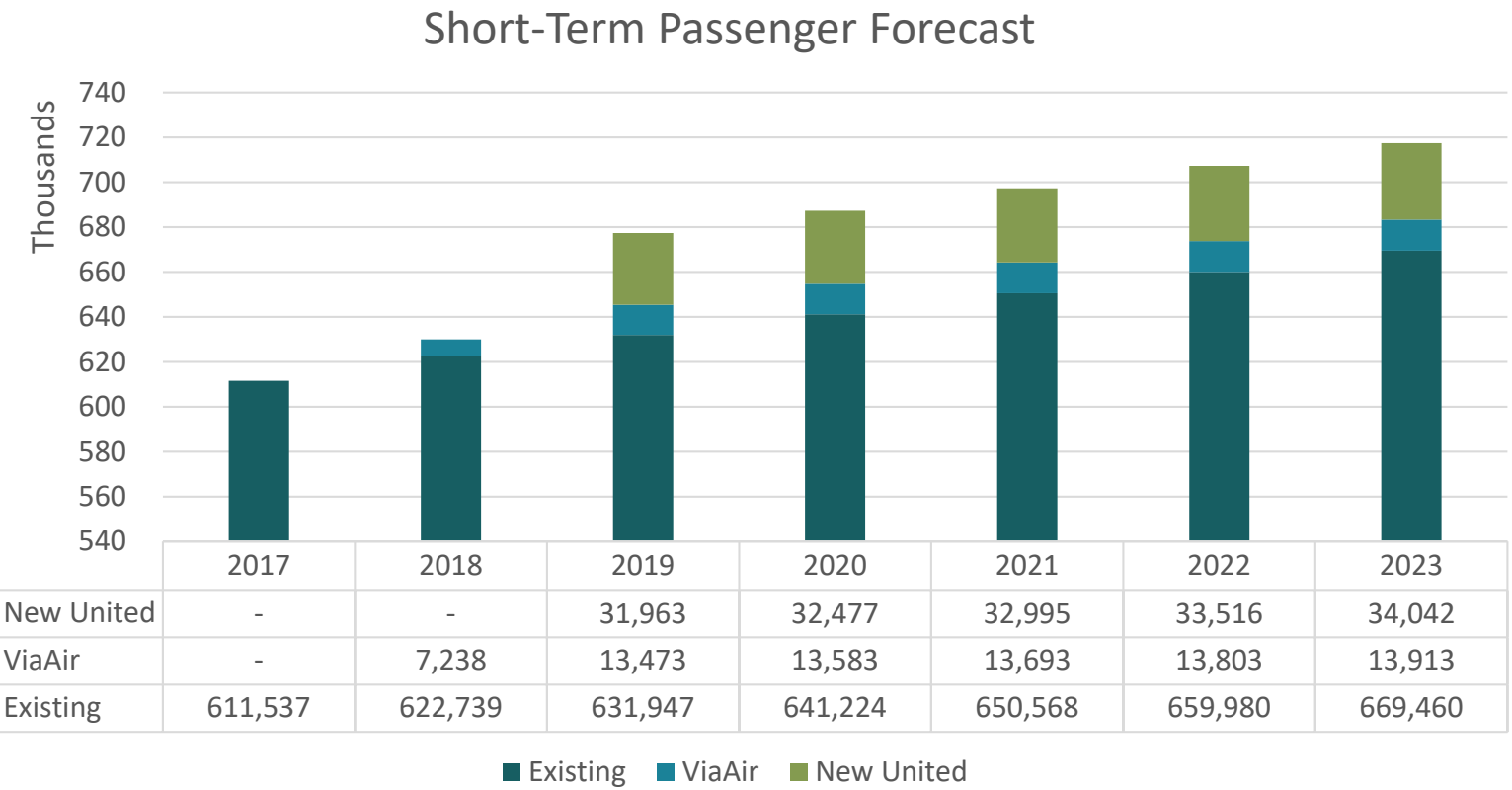


CAGR Table	2017-2018	2018-2023	2023-2028	2018-2028
Catchment Real GRP	2.0%	1.9%	1.8%	1.8%
MOB Passengers	1.6%	1.5%	1.4%	1.5%

Based on underlying economic growth only with existing leakage patterns, enplanements at MOB are estimated to grow to 359,000 in 2028

Source: VHB Analysis and Woods & Poole, Inc.

The addition of new routes increases passengers by 7.2% per year

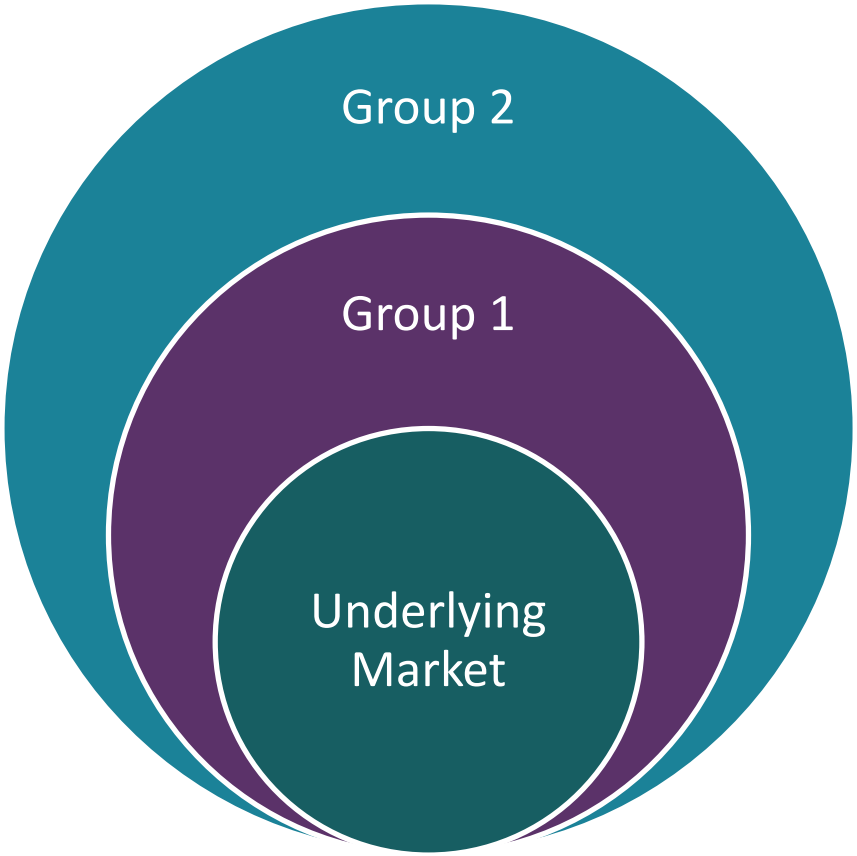


	2017	2018	2019	2020	2021	2022	2023
New United	-	-	31,963	32,477	32,995	33,516	34,042
ViaAir	-	7,238	13,473	13,583	13,693	13,803	13,913
Existing	611,537	622,739	631,947	641,224	650,568	659,980	669,460

*New routes were estimated to come from Via and United Airlines

Source: VHB Analysis

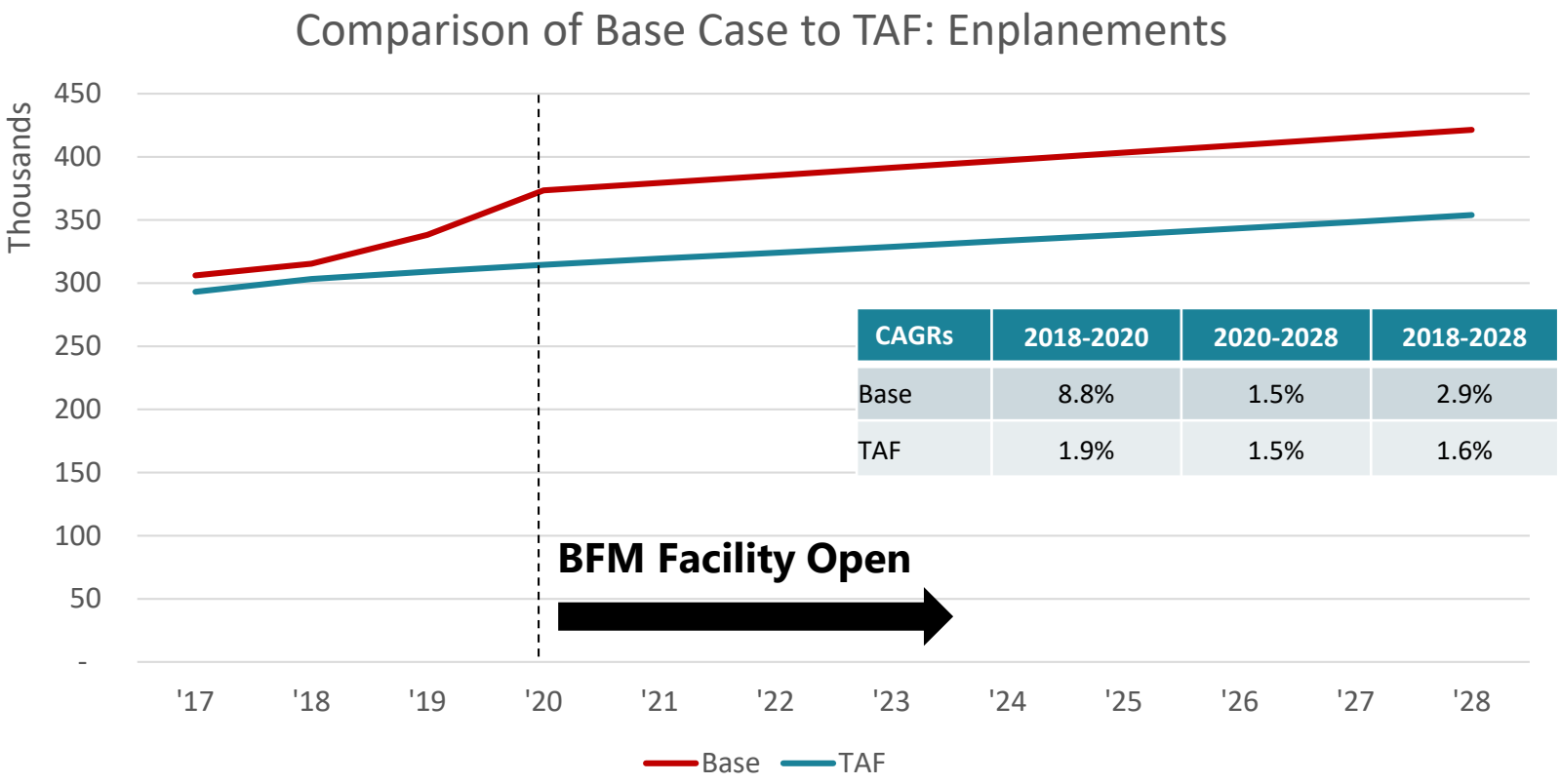
Three leakage recapture scenarios were modelled



1. No recapture (Low Case)
2. Recapture of Group 1 at 80% (Base Case)
3. Recapture of Groups 1 and 2 at 80% (High Case)

- First overall leakage recovery was estimated based on the scenario assumptions and underlying growth
- Then recapture was estimated on the new routes using route-specific factors from ARC
- Route recapture was then subtracted from overall recapture to estimate net recapture
- Net recapture in the Base Case was 60,000
- Net recapture in the High Case was 351,000

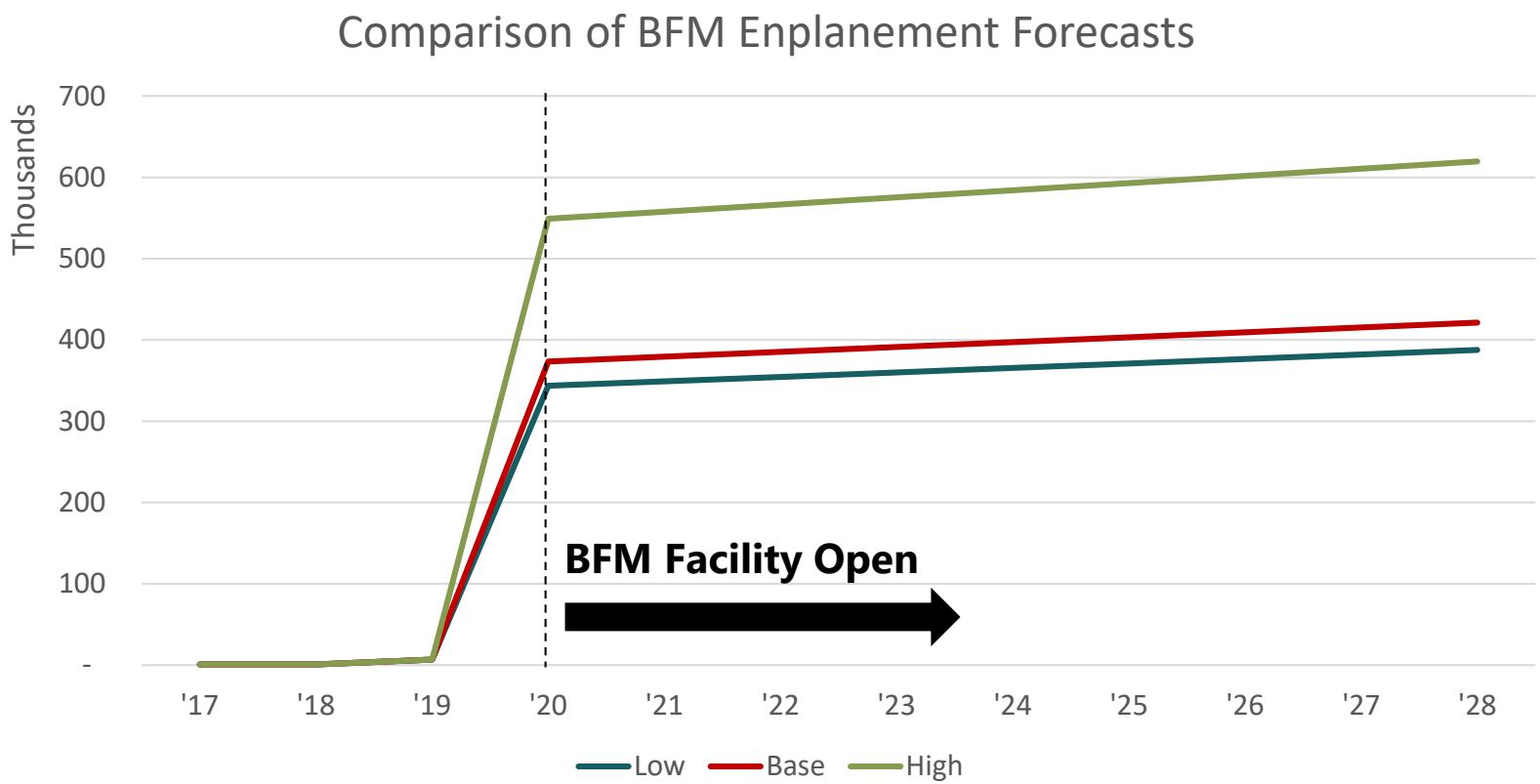
Compared to the FAA TAF, Base Case enplanements are 19% higher in 2028



CAGRs	2018-2020	2020-2028	2018-2028
Base	8.8%	1.5%	2.9%
TAF	1.9%	1.5%	1.6%

Source: VHB Analysis; FAA Terminal Area Forecast FY 2017-2045 (January 2018)

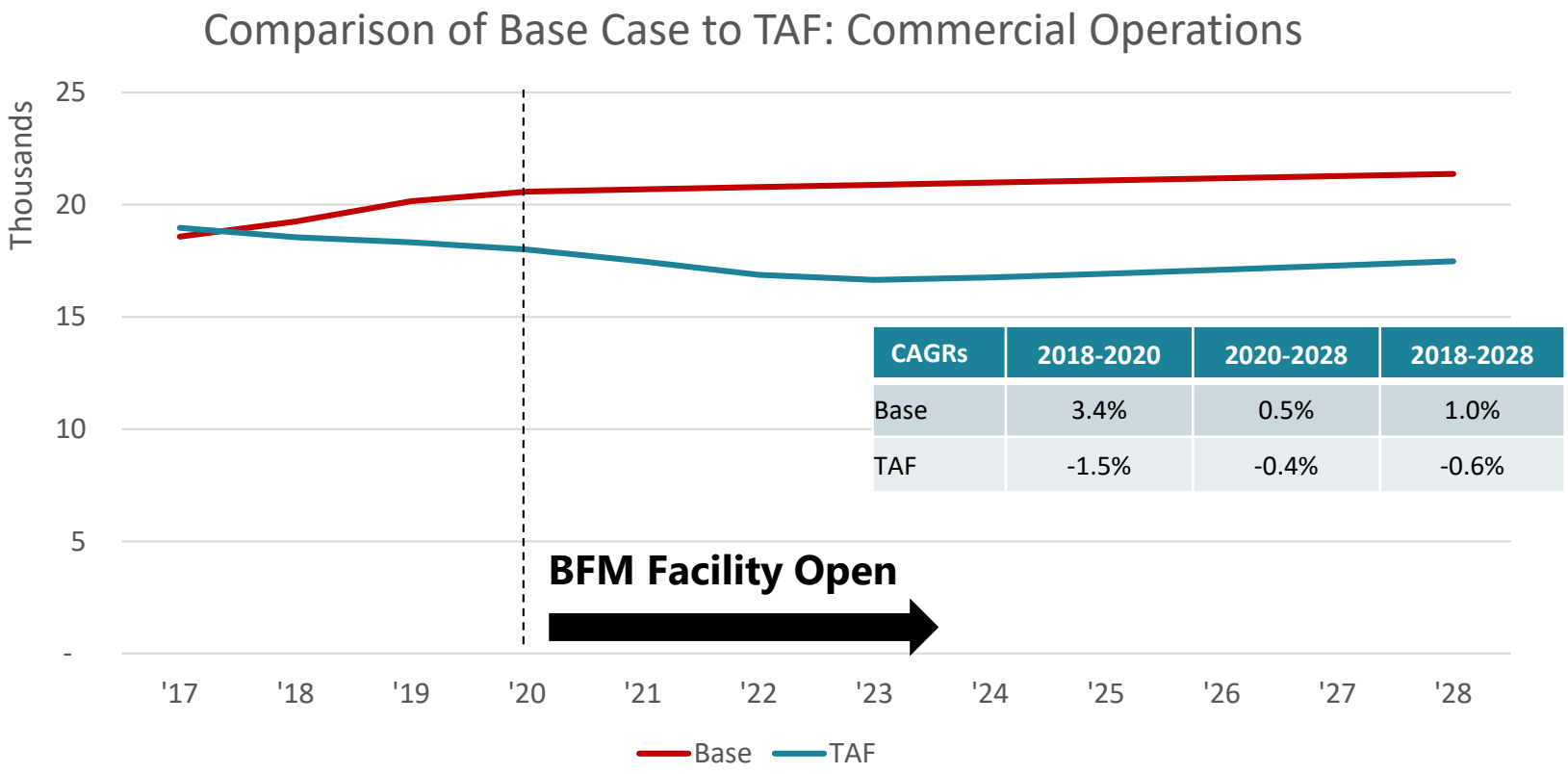
Leakage recovery in the High Case illustrates significant upside



CAGRs	2018-2020	2020-20028	2018-2028
Low	1909.5%	1.5%	84.4%
Base	1995.0%	1.5%	86.0%
High	2440.3%	1.5%	93.3%

Source: VHB Analysis

Compared to the FAA TAF, Base Case commercial operations are 22.3% higher in 2028

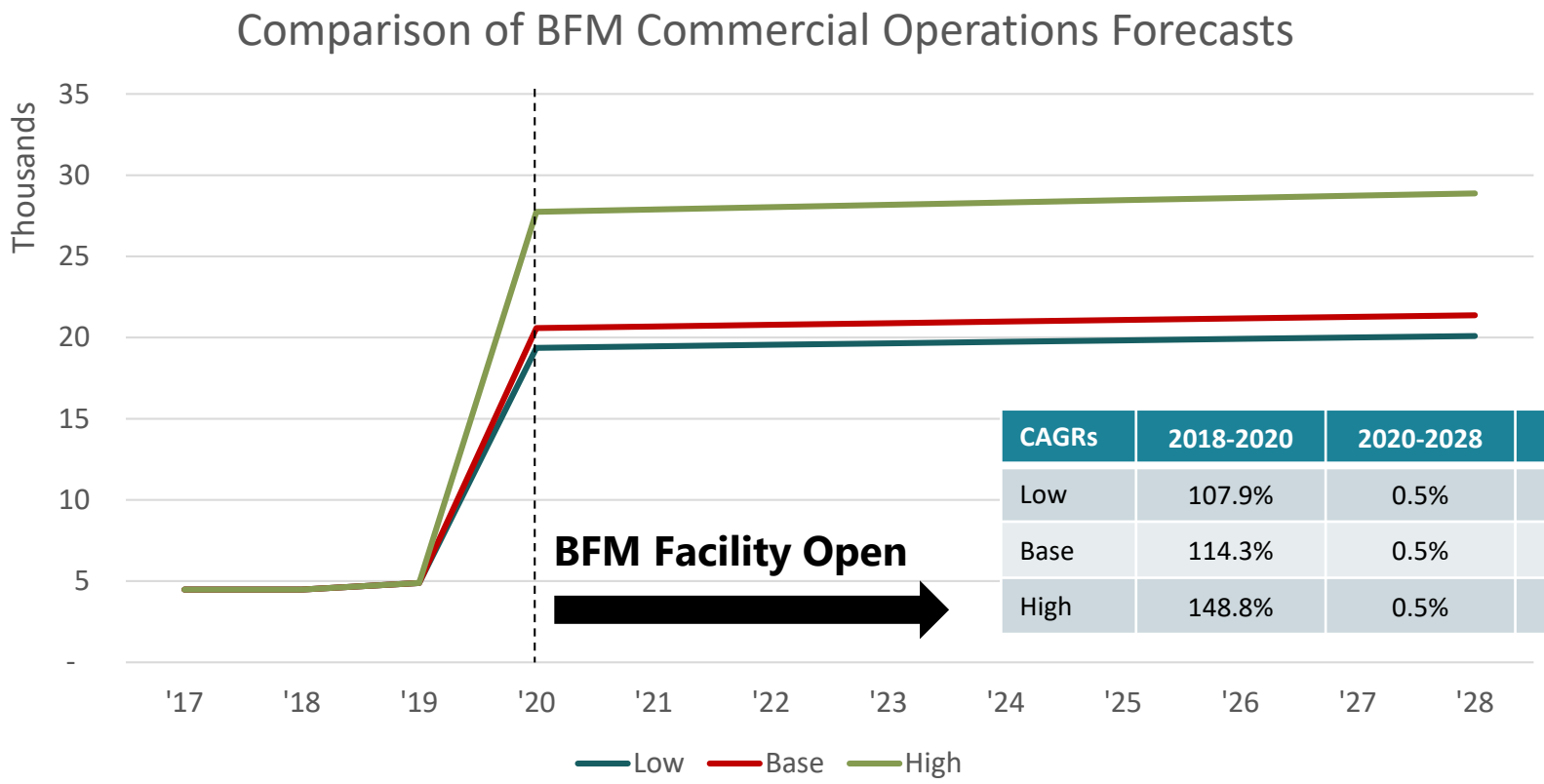


CAGRs	2018-2020	2020-2028	2018-2028
Base	3.4%	0.5%	1.0%
TAF	-1.5%	-0.4%	-0.6%

The TAF forecasts show declining operations for the first five years while the Base Case includes new routes

Source: VHB Analysis; FAA Terminal Area Forecast FY 2017-2045 (January 2018)

The addition of Group 2 recapture, would require significant new flights

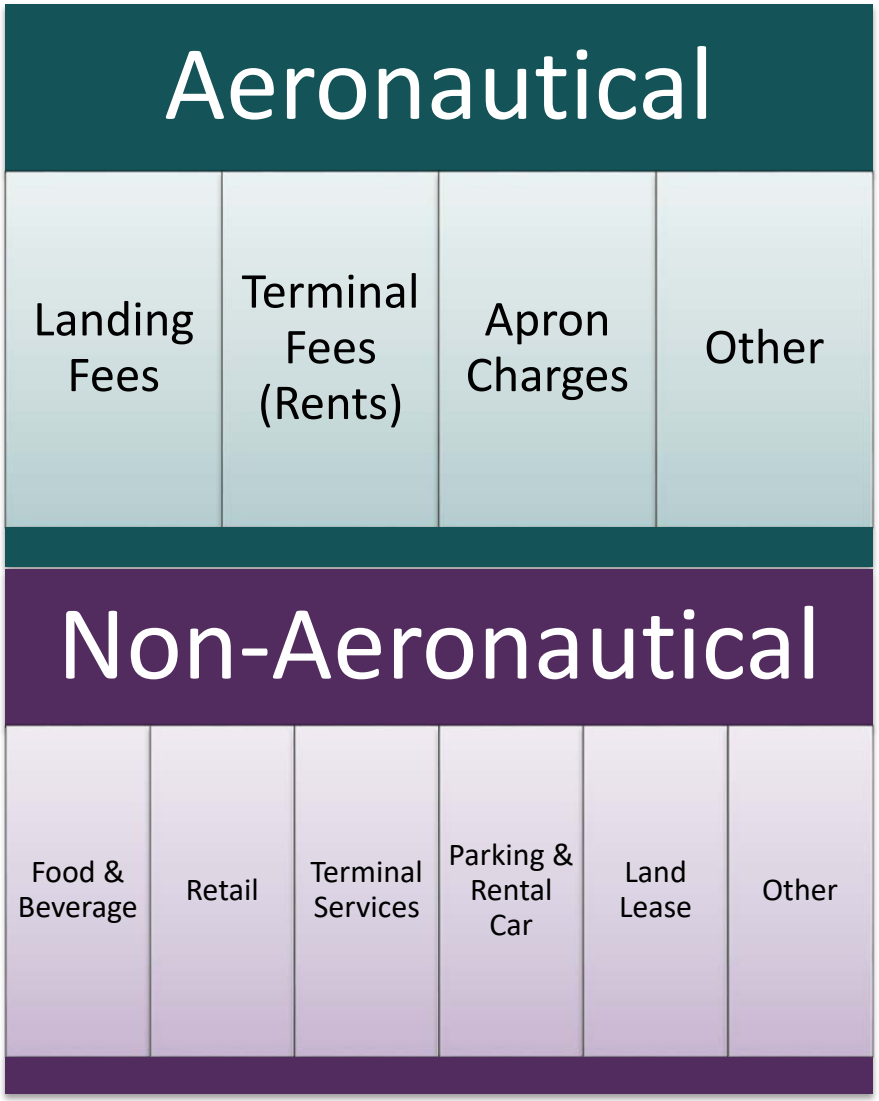


CAGRs	2018-2020	2020-2028	2018-2028
Low	107.9%	0.5%	16.2%
Base	114.3%	0.5%	16.9%
High	148.8%	0.5%	20.5%

Source: VHB Analysis

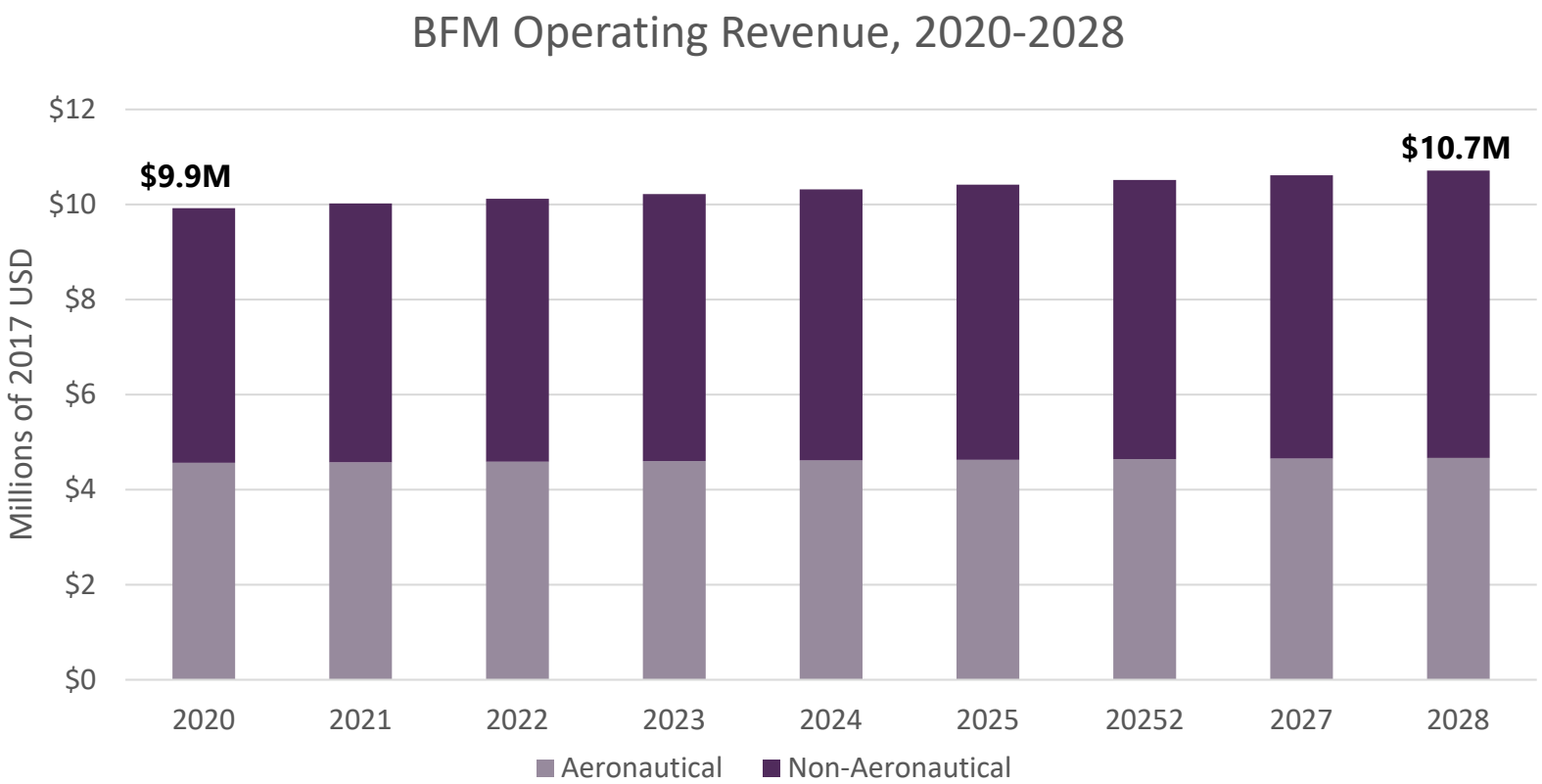
4. Airport Revenue Forecast

Airport revenue can be divided into Aeronautical and Non-Aeronautical



- VHB estimated operating revenue for BFM, including the following revenue categories:
  1. Aeronautical
  2. Terminal-related non-aeronautical
- Land leases, grants, security reimbursements, and facility charges (PFCs, CFCs) are excluded

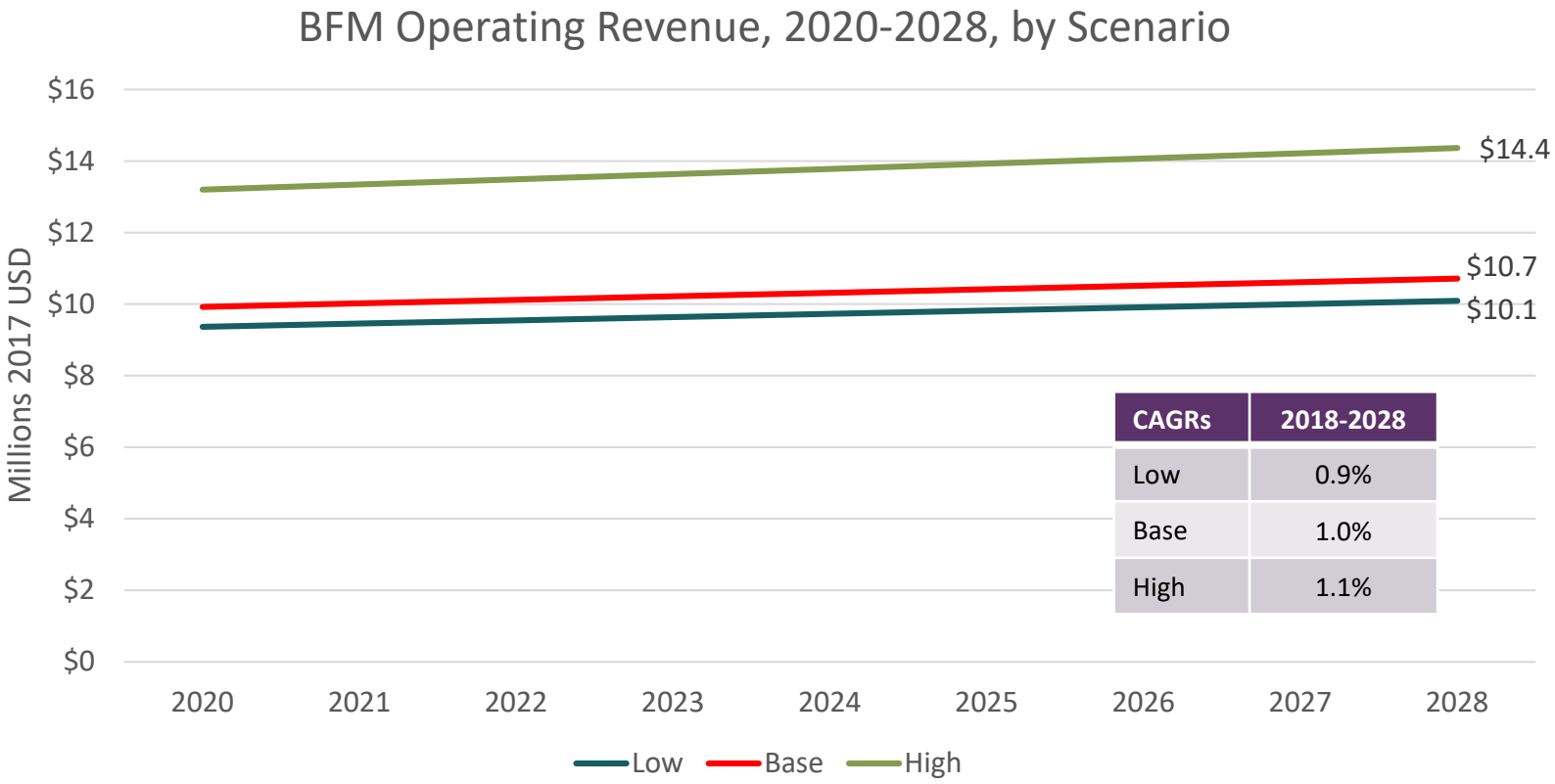
Non-aero is forecast to generate a larger share of operating revenue



CPE	$12.22	$12.06	$11.91	$11.76	$11.62	$ 11.48	$11.34	$11.20	$11.07

Note: Reflects operating revenue for new passenger terminal at BFM only.
Source: VHB Analysis.

Operating revenue reaches $10.7M, with the possibility of reaching $14.4M if greater catchment recapture is achieved



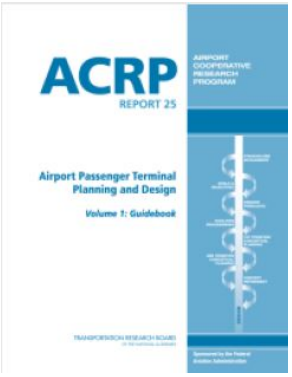
CAGRs	2018-2028
Low	0.9%
Base	1.0%
High	1.1%

Note: Reflects operating revenue for new passenger terminal at BFM only.
Source: VHB Analysis.

5. Preliminary Passenger Terminal Planning Requirements

Preliminary passenger terminal planning: input required for future assessment of facility needs

- In order to estimate future preliminary terminal facility requirements at BFM, two main components should be considered:
  1. Hourly passenger throughput
  2. Hourly passenger aircraft operations
- Input data of the Base traffic forecast analysis and a total of 421,397 enplanements for the year 2028 may be used to run a terminal space program
- Considering the High Scenario traffic forecast, the facility should be planned with the option for further expansion
- VHB recommends utilizing the industry accepted terminal sizing methodologies contained within the TRB ACRP Report 25: ***"Airport Passenger Terminal Planning and Design Guidebook"*** and subsequent ***IATA Level of Service (LOS)*** Standards for space programming purposes



6. Feasibility of Airport Role Change

VHB evaluated the feasibility of changing the role of BFM

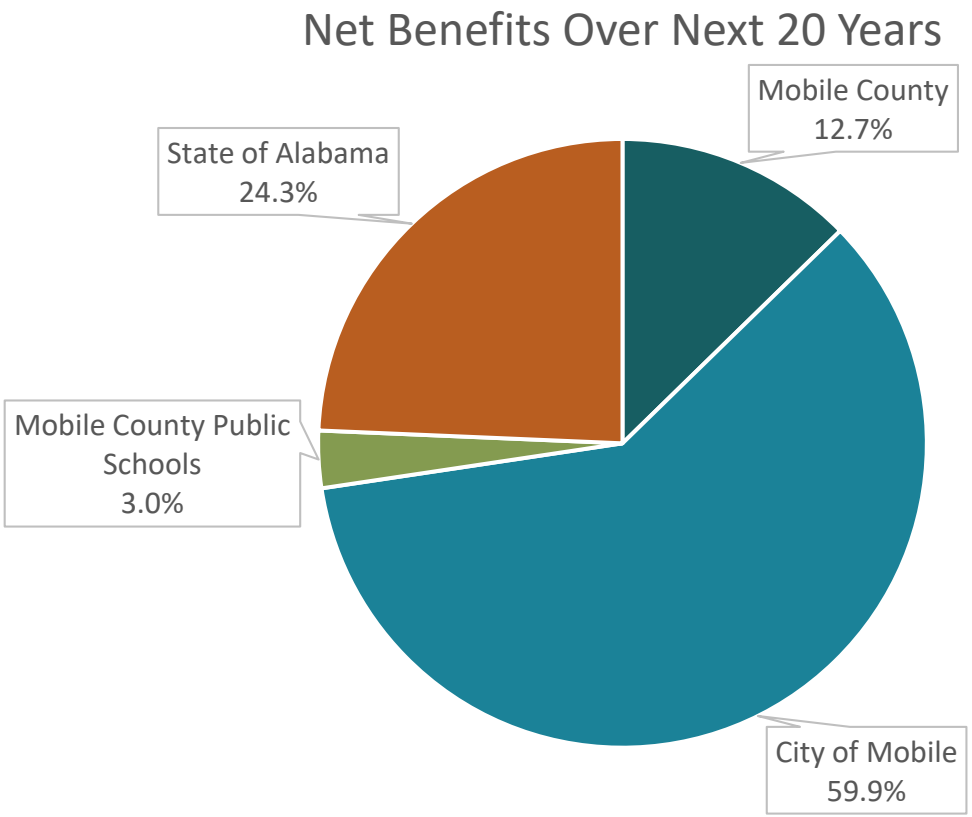
- VHB estimated ROM costs for two options:
  1. Improving roadway access to MOB (i.e., no terminal development at BFM)
  2. Commercial passenger services moving to BFM with a new terminal development
- VHB compared these costs as well as considered qualitative factors (Strength and Opportunities)

Option #1: A Limited Access Roadway from I-65 or I-10 to MOB: Example I-10 Connection to Airport Boulevard

Option #2: A New Terminal Facility at BFM

- VHB conducted an analysis to accommodate a new potential terminal and related facilities on the airport which included a Rough Order of Magnitude (ROM) assessment of associated infrastructure development costs.
- This role change at BFM was based on benchmarking similar sized projects and applying the conditions of the available land areas at BFM.

Fiscal net benefits from Option #2 amount to $1.9B



Taxing District	Net Benefit	Present Value
Mobile County	$235.5M	$120.7M
City of Mobile	$1,111.8M	$570.1M
Mobile County Public Schools	$56.4M	$28.9M
State of Alabama	$451.2M	$231.4M
Total	**$1,854.9M**	**$951.1M**

Note: 5% discount rate used. Mobile County Public Schools includes those inside the cities of Mobile and Prichard
Source: Mobile Area Chamber of Commerce using Total Impact model developed by Impact DataSource

9. Conclusions

Conclusions

- Majority of interviewed stakeholders think favorably / positively on a move from MOB to BFM based on verified inputs such as:
  1. Positive community support
  2. Supportive infrastructure enabling project (River Bridge)
  3. Supportive new development: new international companies creating headquarters in Mobile
  4. Walmart and Amazon expanding in area
  5. More Airbus and VTMAE expansion on the horizon adding more employees
  6. Rising middle class, more income and spending
  7. More attractive to air carriers based on better opportunity at BFM
- Moving commercial operations from MOB to BFM is estimated to be a cheaper option versus building a new access road to MOB
  - Adding better access to MOB is estimated to be more expensive than constructing a new terminal at BFM
- Potential significant economic and fiscal impact of project, pending current economic trends

Conclusions (continued)

- BFM is geographically better positioned to attract additional air service due to its proximity to downtown and ability to attract a larger share of the Airport's catchment area
- People typically use the closest airport. BFM is located closer to 138,000 people in the catchment area than MOB
- Less drive time needed to access BFM for most residents and avoidance of Airport Blvd.
- When interviewed, there was great interest from Low Cost Carriers (LCCs) to provide air service from BFM
  - Via Air is interested in serving the Mobile market from BFM and would like to move their service there as soon as feasible
- ***After careful consideration of construction costs, economic potential, community/business stakeholder input, and an analysis of strengths/opportunities, this study shows that the relocation of commercial service from Mobile Regional Airport (MOB) to the Mobile Downtown Airport at Brookley (BFM) is feasible.***