WALLA WALLA REGIONAL AIRPORT

Passenger Demand Analysis

YEAR ENDED JUNE 30, 2019

Mead & Hunt

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INTRODUCTION & METHODOLOGIES

INTRODUCTION

Achieving air service success requires thoroughly understanding the market and the needs of local stakeholders, airlines, and trends impacting the aviation industry. Air service development efforts are most effective when they follow a plan consistent with industry trends, the air service needs of the community and specific strategies of target airlines for additional air service. Walla Walla Regional Airport (ALW) is subject to several trends that will impact its air service efforts, including:

- Airline mergers have concentrated industry capacity with the “big four” airlines controlling over 80 percent of the U.S. domestic market.
- Smaller regional aircraft are being replaced by larger regional aircraft at an accelerated rate driven in part by a regional airline pilot shortage.
- Connecting passengers are funneled through fewer major hubs and short-haul markets were reduced or eliminated by select carriers.
- Competition for air service has increased with incentives and community partnerships becoming more important to the airline decision-making process.
- Low-cost carriers and ultra-low-cost carriers, as a group, are growing steadily in domestic markets and the reaction and competition from traditional network carriers is evolving rapidly.
- Six consecutive years of strong industry financial performance have airlines investing in growth opportunities but volatile fuel costs and the potential for a slowing economy may temper future growth.

With these trends in mind, the responsibility is on airports to monitor their market and be proactive with their air service development efforts, especially when performance issues are noted. When service improvements or new service is sought, it is important that airports and communities know and understand their market, and the *Passenger Demand Analysis* is a critical tool in helping communities do so. It provides objective air traveler data, compiled from industry accepted sources using standard methodologies.

OBJECTIVES

The objective of the *Passenger Demand Analysis* is to develop information on the travel patterns of airline passengers who reside in the ALW catchment area. The report provides an understanding of the ALW situation and formulates strategies for improvement. This analysis includes:

- The originating airports used by air travelers
- Diversion of airline passenger traffic to competing airports
- An estimate of total airline passengers in the catchment area and related destinations
- Airlines used by local air travelers
- Average airfares by origin and destination airport
- Service levels at ALW and competing airports
- An assessment of the air service situation at ALW

METHODOLOGY

The *Passenger Demand Analysis* combines Airline Reporting Corporation (ARC) ticketed data and U.S. Department of Transportation (DOT) airline data to provide a comprehensive overview of the air travel market. For the purposes of this study, ARC data includes tickets purchased through travel agencies in the ALW catchment area (**Exhibit 3.1**, page 5) as well as tickets purchased via online travel agencies (e.g., Expedia, Orbitz and Travelocity) by passengers in the ALW catchment area. It does not capture tickets issued directly by airline web sites (e.g., www.aa.com, www.united.com) or directly through airline reservation offices. The data used include tickets for the zip codes in the catchment area, NOT all tickets. As a result, ARC data represents a sample to measure the air travel habits of catchment area air travelers.

Data for travel agencies located within the catchment area is reported by the zip code of the travel agency. Online travel agency data (e.g. Expedia, Orbitz, and Travelocity) is reported by the customer zip code used to purchase the ticket. Although limitations exist, ARC data accurately portrays the airline ticket purchasing habits of a large cross-section of catchment area travelers, making the data useful to both airports and airlines.

A total of 6,498 ARC tickets for the year ended June 30, 2019, were used in this analysis. Adjustments were made to account for Allegiant, Frontier Airlines, Southwest Airlines and Spirit Airlines at the diversionary airports since they do not process tickets primarily through ARC.

EXECUTIVE SUMMARY

DATA SOURCE/ CATCHMENT AREA

The *Passenger Demand Analysis* includes 6,498 ARC tickets from the ALW catchment area for the year ended June 30, 2019. The catchment area has an estimated population of 75,397 in 2019 and 10 zip codes. In addition to ARC data, Diio Mi origin and destination data and schedule data is used throughout the report.

DEPARTURES AND AVAILABLE SEATS

For the year ended June 30, 2019, ALW had nonstop service by one airline, Alaska Airlines, to one destination, Seattle-Tacoma International Airport (SEA). All service was provided on Alaska's 76-seat Bombardier Q400 turboprop aircraft. For the year ended June 30, 2019, there was a total of 881 departures from ALW offering nearly 67,000 seats.

AIRPORT USE

Thirty-six percent of catchment area travelers used ALW, while 34 percent diverted to Pasco's Tri-Cities Airport (PSC), 13 percent to Portland International Airport (PDX), 11 percent to SEA and the remaining 6 percent to Spokane International Airport (GEG).

TRUE MARKET

ALW's total air service market, called the true market, is estimated at 256,602 annual origin and destination passengers. Domestic travelers accounted for 240,455 of the total true market (94 percent). International travelers made up the remaining 16,147 passengers (6 percent). While PSC was the primary diversionary airport for both domestic and international travelers, PSC carried a lower percentage of international travelers than domestic. PDX carried the third highest share of domestic travelers while SEA carried the second highest share of international travelers. GEG was the least used airport of the diversionary airports for both domestic and international travelers.

DESTINATIONS

Seventy percent of travelers were destined to or from one of the top 25 markets. Seattle, with the nonstop service provided by Alaska, was the number one destination with 16 percent of passengers. ALW retained 72 percent of passengers to Seattle. The next largest markets were Denver, Las Vegas, Los Angeles and San Francisco with retention of 17, 19, 34 and 25 percent, respectively. Nine of the top 25 markets had retention rates equal to or greater than 40 percent while 11 markets had retention rates equal to or lower than 25 percent.

REGIONAL DISTRIBUTION

Thirty-nine percent of travelers were destined to the West region, followed by 26 percent to the Northwest region. ALW's highest retention occurred in the Northwest region. The lowest retention occurred to the Northeast region. Of the international travelers, the top three international regions were Mexico and Central America, Canada, and Asia.

AIRLINES USED

With service by only Alaska Airlines, Alaska served all air travelers to/from ALW. However, through codeshare partners, other carriers provided connecting service at SEA accounting for 4 percent of flown passengers based on data reported by the airlines to the U.S. DOT.

Diverting passengers to the competing airports were estimated using an approximation of carrier share with ARC data. An adjustment was made for Allegiant, Frontier Airlines, Southwest Airlines and Spirit Airlines. Carrier shares of diverting ALW catchment area passengers were Alaska with 30 percent, Delta 27 percent, United 17 percent and Southwest 9 percent. Allegiant, American Airlines, Frontier, Hawaiian Airlines and Spirit each had a share of 6 percent or less and other various airlines served 4 percent of diverting passengers.

PASSENGER ACTIVITY

For the year ended June 30, 2010, through the year ended June 30, 2019, ALW's origin and destination passengers (as reported by the airlines to the U.S. DOT) increased at a compounded annual growth rate (CAGR) of 3.9 percent compared to a 4.3 percent CAGR at PSC. PDX and SEA had similar CAGRs of 4.9 and 4.5 percent, respectively, while GEG had the lowest CAGR of 2.8 percent.

DOMESTIC AIRFARES

For the year ended June 30, 2019, the one-way average domestic airfare for ALW was $161. ALW had a lower average fare than PSC, PDX, SEA and GEG due to the fares and type of service offered by Alaska. In individual markets, ALW had a higher fare than all of the competing airports in 10 of the top 25 markets.

AVERAGE FARE TREND

From the year ended June 30, 2010, through the year ended June 30, 2019, the average domestic airfare for ALW passengers increased at a CAGR of 1.3 percent. PSC's average fares increased at a 0.7 percent CAGR over the 10-year period. PDX had the lowest CAGR in fares at 0.5 percent, while SEA had a CAGR of 1.0 percent. GEG had the highest CAGR at 1.8 percent.

NONSTOP SERVICE

For the year ended June 30, 2019, ALW offered nonstop service to one of the top 25 destinations with an average of 17 weekly roundtrips. PSC had nonstop service to nine of the top 25 destinations on 129 weekly roundtrips. PDX and SEA had nonstop service to 23 of the top 25 destinations, while GEG had nonstop service to 15 of the top 25 destinations.

AIR SERVICE OPPORTUNITIES

The close proximity of PSC to the Walla Walla community, about 52 miles or one hour or less drive, is an issue when airlines consider adding service. With PSC's airlines capturing 34 percent of the ALW catchment area, it will be challenging to convince an airline of the need to operate to both airports, especially longer stage length routes.

The most appropriately sized aircraft to serve the ALW market are 70-seat or smaller regional jets and turboprop aircraft. Potential hubs for ALW within a reasonable operating distance of these smaller aircraft include Denver, Los Angeles, San Francisco, Phoenix-Sky Harbor, PDX and Salt Lake City. The best airline opportunity for ALW is pro-rate service by SkyWest Airlines to one of United's hubs; however, PSC's current Denver and San Francisco service will be a factor to overcome in the discussions. Less-than-daily service to leisure markets is also challenging at ALW due to Allegiant's existing service at PSC. Other airline opportunities with small regional carriers operating turboprop aircraft should be explored, like Boutique Air.

ALW's focus should continue to be on improving Alaska's SEA service. With additional load factor improvement, Alaska will consider either additional frequency to SEA or nonstop service to their other close-in hub, PDX.

AIRPORT USE

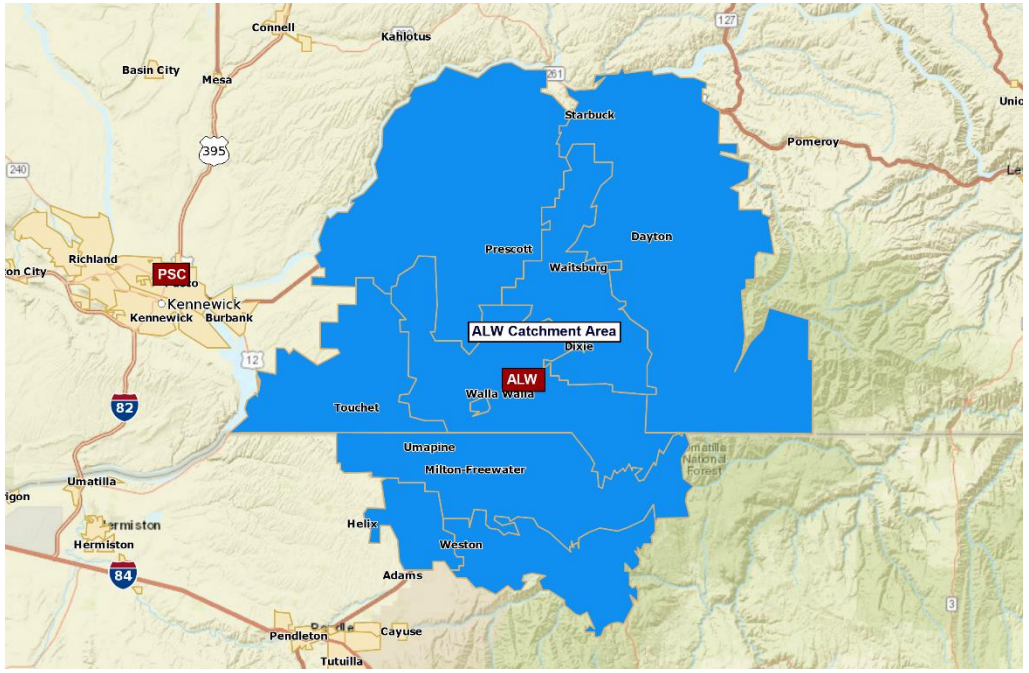
To understand airport use, it is important to understand the relative size of the catchment area, current air service and passenger activity. ALW's use was determined using year ended June 30, 2019, ARC data for the zip codes from the catchment area.

AIRPORT CATCHMENT AREA

An airport catchment area, or service area, is a geographic area surrounding an airport where it can reasonably expect to draw passenger traffic and is representative of the local market. The catchment area contains the population of travelers who should use ALW considering the drive time from the catchment area to competing airports. This population of travelers is ALW's focus market for air service improvements and represents the majority of travelers using the local airport.

Exhibit 3.1 identifies the ALW catchment area. It is comprised of 10 zip codes within the U.S. with a population of approximately 75,397 in 2019 (source: U.S. Census Bureau, Woods & Poole Economics, Inc.).

EXHIBIT 3.1 ALW CATCHMENT AREA



One airline served ALW to one hub for the year ended June 30, 2019, Alaska Airlines to SEA. Peak monthly flights and seats during the 12-month period were provided in December.

AIR SERVICE

Catchment area airport use is affected by a variety of factors including destinations offered, flight frequency, available seats, type of aircraft, airfares and distance to a competing airport. **Table 3.1** provides ALW's total departures and seats for the year ended June 30, 2019. Alaska Airlines provided service to SEA with peak departures and seats in December 2018 during the 12-month period.

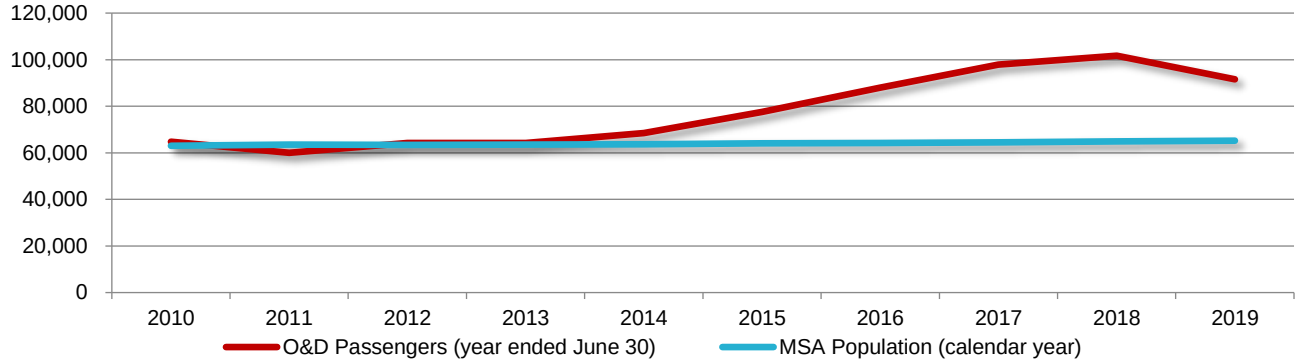
TABLE 3.1 DEPARTURES AND SEATS BY AIRLINE AND DESTINATION (YE Q2 2019)

DESTINATION	MARKETING CARRIER	CY 2018						CY 2019					
		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
Seattle, WA	Alaska	80	76	60	62	82	88	68	56	75	77	80	77
Total Departures		**80**	**76**	**60**	**62**	**82**	**88**	**68**	**56**	**75**	**77**	**80**	**77**
Total Seats		**6,080**	**5,776**	**4,560**	**4,712**	**6,232**	**6,688**	**5,168**	**4,256**	**5,700**	**5,852**	**6,080**	**5,852**

PASSENGER AND POPULATION TRENDS

Exhibit 3.2[1] plots origin and destination passenger trends from 2010 to 2019 compared to population trends at ALW. The Walla Walla, WA Metropolitan Statistical Area (MSA) was used as a surrogate for the growth trend of the ALW catchment area population. During the 10-year period, passengers have grown at a 3.9 percent compounded annual growth rate (CAGR), while population grew at a CAGR of 0.4 percent. More recently, passengers declined by 10.0 percent year-over-year for the year ended June 30, 2019.

EXHIBIT 3.2 PASSENGERS AND POPULATION TRENDS



[1] *Source: Diio Mi; Woods & Poole Economics, Inc.*

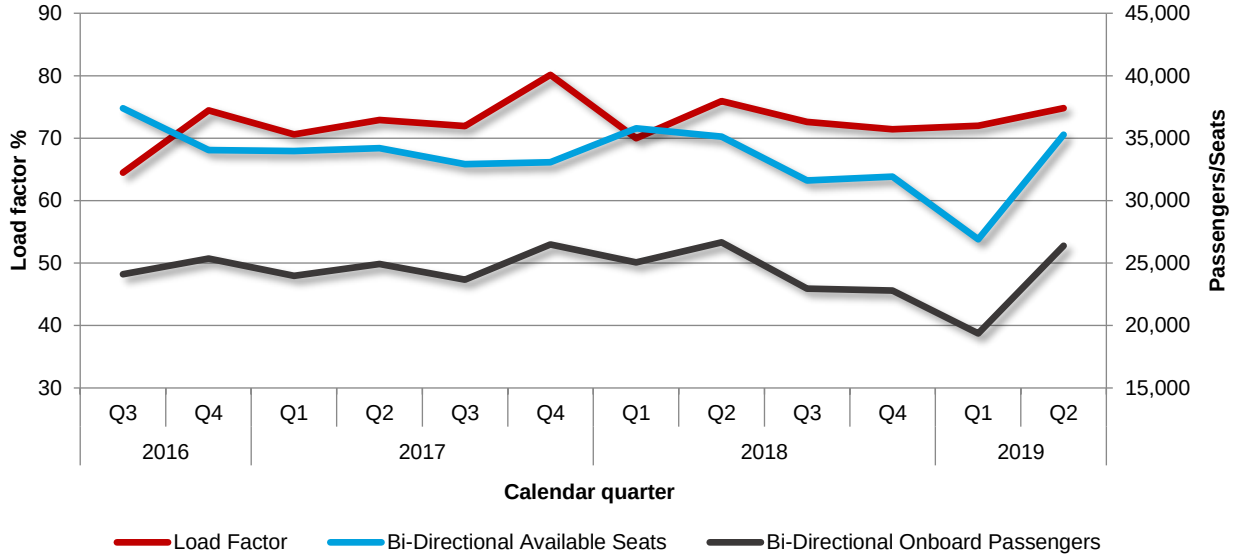
Load factors dropped in two of the last four quarters despite a decrease in seat capacity in three of the last four quarters.

LOAD FACTOR, AVAILABLE SEATS AND PASSENGERS

Exhibit 3.3 shows ALW's bi-directional available seats, bi-directional onboard passengers and load factors for arrivals and departures by quarter from the third quarter 2016 through the second quarter 2019. Load factors improved in two of the last four quarters with decreases in seats in three of the last four quarters. The lowest load factor during the 12-quarter period was in the third quarter of 2016 at 64 percent, while the high was in the fourth quarter of 2017 at 80 percent.

Over the three-year period, available seats were lowest in the first quarter of 2019 at 26,904, while the highest number of seats was in the third quarter of 2019 at 37,392. The low for onboard passengers at ALW through the three-year span was in the first quarter of 2019, and the high for onboard passengers was in the second quarter of 2018. Passengers declined year-over-year in each of the last four quarters compared to the prior year.

EXHIBIT 3.3 LOAD FACTOR, AVAILABLE SEATS AND ONBOARD PASSENGERS



ALW retains 36 percent of its catchment area passengers, with PSC being the largest diversionary airport at 34 percent.

AIRPORT USE

Exhibit 3.4 shows the airports used by ALW catchment area travelers. An estimated 36 percent of the catchment area's air travelers used ALW for their trips; 34 percent diverted to PSC, 13 percent to PDX, 11 percent to SEA and 6 percent to GEG.

DOMESTIC AND INTERNATIONAL ITINERARIES

Table 3.2 shows passengers by domestic and international itineraries. Thirty-seven percent, or 87,834 domestic travelers, and 23 percent, or 3,681 international travelers, used ALW. PSC was the top diversionary airport for domestic and international passengers; however, SEA and PDX each captured a higher share of international travelers than domestic travelers. GEG captures a small share of the catchment area.

EXHIBIT 3.4 AIRPORT USE

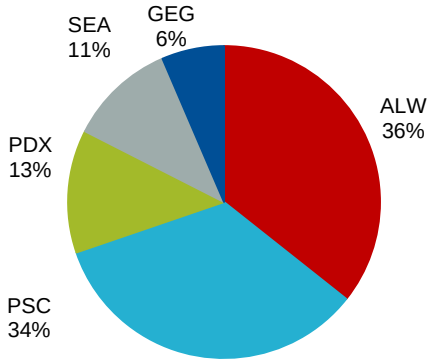
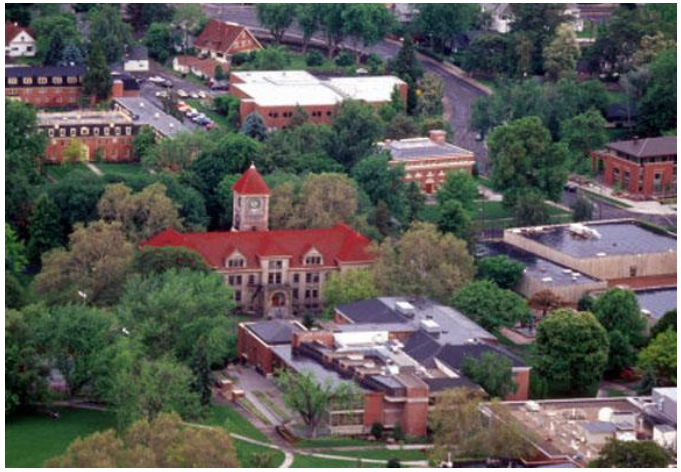


TABLE 3.2 AIRPORT USE - DOMESTIC & INTERNATIONAL COMPARISON

RANK	ORIGINATING AIRPORT	AIRPORT USE YE Q2 2019 PAX	AIRPORT USE YE Q2 2019 %
Domestic			
1	ALW	87,834	37
2	PSC	82,870	34
3	PDX	29,680	12
4	SEA	23,930	10
5	GEG	16,141	7
Subtotal		**240,455**	**100**
International			
1	PSC	4,618	29
2	SEA	4,440	27
3	ALW	3,681	23
4	PDX	2,987	18
5	GEG	421	3
Subtotal		**16,147**	**100**
Domestic and International			
1	ALW	91,515	36
2	PSC	87,488	34
3	PDX	32,667	13
4	SEA	28,370	11
5	GEG	16,562	6
Total		**256,602**	**100**



AIRPORT USE BY COMMUNITY

Airport retention rates by community are an important aspect to understanding the overall ALW catchment area. **Table 3.3** shows how retention varies among the local communities within it. ARC tickets include local travel agency data which is reported by the agency zip code and online travel agency data which is reported by the passenger zip code.

Overall, the Walla Walla community generates the highest number of true market passengers, with almost 170,000 annual passengers, followed by College Place and Milton Freewater. Communities with lower than average retention (less than 25 percent) included Dayton, Waitsburg and Prescott. The highest retention (greater than 35 percent) included Walla Walla, Weston and Dixie.

TABLE 3.3 AIRPORT USE BY COMMUNITY

COMMUNITY	% AIRPORT USE					TRUE MARKET PASSENGERS
	ALW	PSC	PDX	SEA	GEG	
Walla Walla	38	33	10	12	6	169,136
College Place	35	34	13	12	6	33,640
Milton Freewater	31	31	29	4	4	26,053
Dayton	15	45	18	9	13	7,703
Waitsburg	22	43	3	25	7	7,222
Touchet	26	58	6	1	8	5,784
Prescott	18	52	0	2	28	2,899
Athena	33	14	45	7	0	1,730
Weston	46	34	20	0	0	1,297
Dixie	85	15	0	0	0	1,138
Total	**36**	**34**	**13**	**11**	**6**	**256,602**

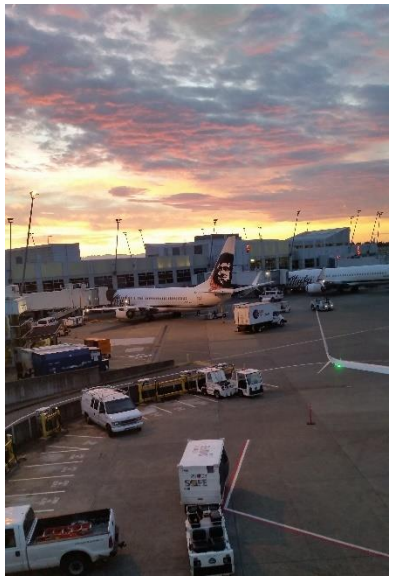
TRUE MARKET

The true market portion of the *Passenger Demand Analysis* provides the total number of passengers in the catchment area; specifically, it analyzes the portion of passengers diverting from the ALW catchment area. This section investigates destinations associated with travel to and from the catchment area. In addition, destinations are grouped into geographic regions to further understand the regional flows of catchment area air travelers.

TRUE MARKET ESTIMATE

The airport catchment area (**Exhibit 3.1**, page 5) represents the geographic area from which the airport primarily attracts air travelers. Domestic airlines report origin and destination traffic statistics to the U.S. DOT on a quarterly basis. Used by itself, these traffic statistics do not quantify the total size of an air service market. By combining ARC tickets with passenger data contained in the U.S. DOT airline reports, an estimate of the total air travel market by destination was calculated. The total air travel market is also referred to as the “true market”. Passengers are estimated for domestic and international markets on a destination basis. Adjustments were made to account for Allegiant, Frontier Airlines, Southwest Airlines and Spirit Airlines, which are under-represented in ARC data.

The ARC data used in this report includes information on initiated passengers ticketed by local or online travel agencies. This enables the identification of passenger retention and diversion. According to U.S. DOT airline reports for the year ended June 30, 2019, 58 percent of ALW origin and destination passengers initiated air travel from ALW, and the other 42 percent began their trip from another city (e.g. Los Angeles, Dallas and Phoenix). For the purposes of this analysis, it is assumed that travel patterns for ALW visitors mirror catchment area passengers.



TOP 25 TRUE MARKET DESTINATIONS

The top 25 destinations for ALW (shown in **Table 4.1**) accounted for 70 percent of the travel to/from the ALW catchment area. Seattle was the largest market with 40,150 annual passengers (55.0 passengers daily each way) and accounted for 16 percent of all catchment area travel. Denver, Las Vegas, Los Angeles and San Francisco made up the remaining top five markets. ALW had nonstop service to one of its top 10 destinations.

TABLE 4.1 TRUE MARKET ESTIMATE - TOP 25 DESTINATIONS

RANK	DESTINATION	ALW REPORTED PAX	DIVERTED PAX	TRUE MARKET	PDEW
1	Seattle, WA	29,060	11,090	40,150	55.0
2	Denver, CO	2,426	11,537	13,963	19.1
3	Las Vegas, NV	2,481	10,800	13,281	18.2
4	Los Angeles, CA	4,465	8,588	13,053	17.9
5	San Francisco, CA	3,095	9,469	12,564	17.2
6	Orange County, CA	2,019	5,673	7,692	10.5
7	San Diego, CA	2,879	3,773	6,652	9.1
8	Phoenix, AZ (PHX)	2,728	3,858	6,586	9.0
9	Boston, MA	943	4,533	5,476	7.5
10	Oakland, CA	1,076	3,900	4,976	6.8
11	Sacramento, CA	2,259	2,434	4,693	6.4
12	Ontario, CA	2,111	2,477	4,588	6.3
13	Phoenix, AZ (AZA)	0	4,222	4,222	5.8
14	Minneapolis, MN	755	3,439	4,194	5.7
15	Portland, OR	1,256	2,870	4,126	5.7
16	Anchorage, AK	1,797	2,246	4,043	5.5
17	Chicago, IL (ORD)	1,670	2,352	4,022	5.5
18	Salt Lake City, UT	388	3,218	3,606	4.9
19	San Jose, CA	1,816	1,387	3,203	4.4
20	Houston, TX (IAH)	307	2,834	3,141	4.3
21	Dallas, TX (DFW)	824	2,268	3,092	4.2
22	Austin, TX	612	2,375	2,987	4.1
23	Kahului, HI	690	2,225	2,915	4.0
24	Palm Springs, CA	914	1,974	2,888	4.0
25	Burbank, CA	1,133	1,531	2,664	3.6
Top 25 destinations		**67,704**	**111,073**	**178,777**	**244.9**
Total domestic		**87,834**	**152,621**	**240,455**	**329.4**
Total international		**3,681**	**12,466**	**16,147**	**22.1**
All markets		**91,515**	**165,087**	**256,602**	**351.5**

Seattle and San Jose had the highest retention rates, exceeding 55 percent, while Phoenix-Mesa, Salt Lake City and Houston-Intercontinental had the lowest retention rates, below 15 percent.

TOP 25 DOMESTIC DESTINATIONS

Table 4.2 shows the percentage of passengers by market and originating airport for the top 25 domestic destinations. Thirty-eight percent of passengers used ALW for travel to the top 25 domestic markets. Overall, the highest retention rates by market (equal to or greater than 40 percent) included Seattle, San Diego, Phoenix-Sky Harbor, Sacramento, Ontario, Anchorage, Chicago-O'Hare, San Jose and Burbank. These markets have a strong Alaska Airlines presence. The lowest retention rates (equal to or less than 25 percent) included Denver, Las Vegas, San Francisco, Boston, Oakland, Phoenix-Mesa, Minneapolis, Salt Lake City, Houston-Intercontinental, Austin and Kahului.

TABLE 4.2 TOP 25 DOMESTIC DESTINATIONS BY ORIGINATING AIRPORT

RANK	DESTINATION	ORIGIN AIRPORT %					TOTAL PAX
		ALW	PSC	PDX	SEA	GEG	
1	Seattle, WA	72	25	0	0	3	40,150
2	Denver, CO	17	49	3	14	17	13,963
3	Las Vegas, NV	19	62	5	1	14	13,281
4	Los Angeles, CA	34	34	17	12	3	13,053
5	San Francisco, CA	25	39	33	2	2	12,564
6	Orange County, CA	26	20	14	25	15	7,692
7	San Diego, CA	43	31	4	7	15	6,652
8	Phoenix, AZ (PHX)	41	21	11	14	12	6,586
9	Boston, MA	17	21	46	12	4	5,476
10	Oakland, CA	22	25	23	20	10	4,976
11	Sacramento, CA	48	33	12	6	0	4,693
12	Ontario, CA	46	14	27	9	4	4,588
13	Phoenix, AZ (AZA)	0	100	0	0	0	4,222
14	Minneapolis, MN	18	48	14	11	9	4,194
15	Portland, OR	30	65	0	0	4	4,126
16	Anchorage, AK	44	30	4	19	4	4,043
17	Chicago, IL (ORD)	42	27	16	11	4	4,022
18	Salt Lake City, UT	11	75	0	11	3	3,606
19	San Jose, CA	57	32	9	3	0	3,203
20	Houston, TX (IAH)	10	68	7	15	0	3,141
21	Dallas, TX (DFW)	27	51	4	16	2	3,092
22	Austin, TX	21	47	0	14	19	2,987
23	Kahului, HI	24	11	43	22	0	2,915
24	Palm Springs, CA	32	23	10	32	3	2,888
25	Burbank, CA	43	27	23	8	0	2,664
Top 25 Domestic		**38**	**37**	**11**	**8**	**6**	**178,777**
Total Domestic		**37**	**34**	**12**	**10**	**7**	**240,455**

The top markets at diversionary airports tended to be markets with nonstop service at the diversionary airport or eastern destinations.

TOP 10 DOMESTIC DESTINATIONS BY ORIGINATING AIRPORT

Table 4.3 shows the top 10 markets when passengers exclusively fly out of ALW as well as the top 10 markets when passengers fly exclusively from PSC, PDX, SEA and GEG. The top markets at diversionary airports tended to be markets with nonstop service offered at the diversionary airport or eastern destinations.

TABLE 4.3 TOP 10 DOMESTIC DESTINATIONS BY ORIGINATING AIRPORT

RANK	ALW		PSC		PDX	
	DESTINATION	PAX	DESTINATION	PAX	DESTINATION	PAX
1	Seattle, WA	29,060	Seattle, WA	9,916	San Francisco, CA	4,160
2	Los Angeles, CA	4,465	Las Vegas, NV	8,173	Boston, MA	2,538
3	San Francisco, CA	3,095	Denver, CO	6,905	Los Angeles, CA	2,204
4	San Diego, CA	2,879	San Francisco, CA	4,863	Washington, DC (IAD)	1,287
5	Phoenix, AZ (PHX)	2,728	Los Angeles, CA	4,421	Kahului, HI	1,267
6	Las Vegas, NV	2,481	Phoenix, AZ (AZA)	4,222	Ontario, CA	1,233
7	Denver, CO	2,426	Salt Lake City, UT	2,717	Oakland, CA	1,165
8	Sacramento, CA	2,259	Portland, OR	2,691	Orange County, CA	1,055
9	Ontario, CA	2,111	Houston, TX (IAH)	2,146	Phoenix, AZ (PHX)	734
10	Orange County, CA	2,019	San Diego, CA	2,071	Las Vegas, NV	689

RANK	SEA		GEG	
	DESTINATION	PAX	DESTINATION	PAX
1	Denver, CO	1,925	Denver, CO	2,353
2	Orange County, CA	1,920	Las Vegas, NV	1,794
3	Los Angeles, CA	1,631	Orange County, CA	1,184
4	Oakland, CA	997	Seattle, WA	1,174
5	Phoenix, AZ (PHX)	925	San Diego, CA	981
6	Palm Springs, CA	914	Phoenix, AZ (PHX)	808
7	Anchorage, AK	749	Austin, TX	559
8	Lihue, HI	710	Oakland, CA	508
9	Kahului, HI	652	Minneapolis, MN	376
10	Boston, MA	638	Raleigh/Durham, NC	346

TOP 15 INTERNATIONAL DESTINATIONS

Table 4.4 shows the percentage of passengers for the top 15 international destinations by originating airport. Only the top 15 international destinations are shown due to the smaller market sizes involved with international itineraries and limited available data. ALW retained 22 percent of the catchment area passengers destined for the top 15 international markets.

Guadalajara, Cancun and Puerto Vallarta, Mexico were the top three international markets. The highest retention (greater than 30 percent) was to Puerto Vallarta, Mexico, San Jose del Cabo, Mexico and Vancouver, Canada, all markets with strong Alaska Airlines service. The lowest retention (10 percent) was to Cancun, Mexico City and Paris, France.

TABLE 4.4 TOP 15 INTERNATIONAL DESTINATIONS BY ORIGINATING AIRPORT

RANK	DESTINATION	ORIGIN AIRPORT %					PASSENGERS	
		PSC	SEA	ALW	PDX	GEG	TOTAL	PDEW
1	Guadalajara, Mexico	74	2	13	10	1	2,291	3.1
2	Cancun, Mexico	28	8	10	40	14	1,416	1.9
3	Puerto Vallarta, Mexico	30	20	32	18	0	1,374	1.9
4	San Jose del Cabo, Mexico	20	24	40	13	3	1,316	1.8
5	Calgary, Canada	18	40	21	18	2	839	1.1
6	Edmonton, Canada	18	40	21	18	2	676	0.9
7	Mazatlan, Mexico	18	40	21	18	2	611	0.8
8	Victoria, Canada	18	40	21	18	2	582	0.8
9	Vancouver, Canada	13	23	54	10	0	545	0.7
10	Ixtapa/Zihuatanejo, Mexico	18	40	21	18	2	436	0.6
11	Mexico City, Mexico	78	6	10	6	0	403	0.6
12	Seoul, South Korea	18	40	21	18	2	321	0.4
13	Hong Kong, Hong Kong	18	40	21	18	2	305	0.4
14	Paris-De Gaulle, France	12	65	10	11	2	273	0.4
15	San Jose, Costa Rica	28	31	22	19	0	271	0.4
Top 15 International		**34**	**23**	**22**	**18**	**3**	**11,659**	**16.0**
Total International		**29**	**27**	**23**	**18**	**3**	**16,147**	**22.1**

Most airline hubs are directional and flow passenger traffic to and from geographic regions, not just destinations within the region.

FEDERAL AVIATION ADMINISTRATION (FAA) GEOGRAPHIC REGIONS

It is important to identify and quantify air travel markets, but it is also important to measure air travel by specific geographic regions. Generally, airlines operate route systems that serve geographic areas. Additionally, most airline hubs are directional and flow passenger traffic to and from geographic regions, not just destinations within the region. Therefore, air service analysis exercises consider the regional flow of passenger traffic as well as passenger traffic to a specific city. Accordingly, this section analyzes the regional distribution of air travelers from the airport catchment area. For this exercise, the FAA geographic breakdown of the U.S. is used (**Exhibit 4.1**).

EXHIBIT 4.1 FAA GEOGRAPHIC REGIONS

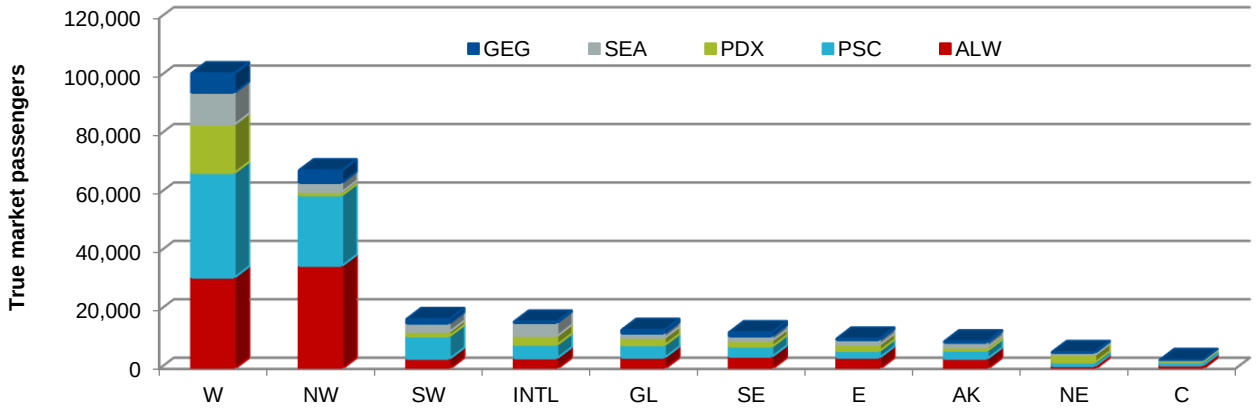
REGIONAL DISTRIBUTION OF TRAVELERS

Table 4.5 and **Exhibit 4.2** divide catchment area travel into the FAA's nine geographic regions and one catch-all international region. The West region was the largest traveled region for ALW catchment area passengers, with 39 percent of passengers. The Northwest region was the second largest with 26 percent of passengers. ALW's retention rates were highest to the Northwest, East and Central regions. The lowest retention rates were to the Southwest and Northeast regions.

TABLE 4.5 REGIONAL DISTRIBUTION OF TRAVEL BY AIRPORT

AIRPORT		REGION										
		W	NW	SW	INTL	GL	SE	E	AK	NE	C	TOTAL
ALW	Pax	31,310	35,301	3,499	3,681	3,890	4,225	3,897	3,498	1,023	1,191	91,515
	%	34	39	4	4	4	5	4	4	1	1	100
PSC	Pax	35,822	24,182	7,699	4,618	4,247	3,470	2,299	2,798	1,231	1,122	87,488
	%	41	28	9	5	5	4	3	3	1	1	100
PDX	Pax	16,545	1,124	1,537	2,987	2,454	1,956	2,075	1,058	2,577	354	32,667
	%	51	3	5	9	8	6	6	3	8	1	100
SEA	Pax	10,888	3,072	2,809	4,440	1,549	1,486	1,607	1,620	674	224	28,370
	%	38	11	10	16	5	5	6	6	2	1	100
GEG	Pax	6,586	4,271	1,487	421	1,177	1,371	456	414	229	151	16,562
	%	40	26	9	3	7	8	3	2	1	1	100
Total	**Pax**	**101,151**	**67,951**	**17,030**	**16,147**	**13,318**	**12,509**	**10,333**	**9,388**	**5,734**	**3,042**	**256,602**
	%	**39**	**26**	**7**	**6**	**5**	**5**	**4**	**4**	**2**	**1**	**100**
ALW Retention %		**31**	**52**	**21**	**23**	**29**	**34**	**38**	**37**	**18**	**39**	**36**

EXHIBIT 4.2 REGIONAL DISTRIBUTION OF TRAVEL



Mexico and Central America was the largest international region, garnering 53 percent of ALW catchment area international passengers.

DISTRIBUTION OF INTERNATIONAL TRAVEL

Table 4.6 shows international travelers by airport and region. Six percent of catchment area travelers had international itineraries. Mexico and Central America was the most frequented international region with 53 percent, or 8,499 of the total 16,147 catchment area international travelers, followed by Canada with 19 percent of the total and Asia with 12 percent of the total. Europe was the fourth largest region with 11 percent of international travel. The remaining top international regions were, in order of greatest to least: the Middle East, Australia and Oceania, South America, the Caribbean, and Africa.

TABLE 4.6 REGIONAL DISTRIBUTION OF INTERNATIONAL PASSENGERS

REGION	ORIGINATING AIRPORT					TRUE MARKET	% OF COLUMN	ALW RETENTION %
	PSC	SEA	ALW	PDX	GEG			
Mexico & Central America	3,414	1,425	1,813	1,552	294	8,499	53	21
Canada	546	1,145	866	526	58	3,142	19	28
Asia	374	793	439	360	37	2,002	12	22
Europe	177	779	376	378	20	1,731	11	22
Middle East	46	131	82	75	5	338	2	24
Australia & Oceania	43	116	71	64	5	298	2	24
South America	9	19	10	9	1	48	0	21
Caribbean	8	19	10	9	1	47	0	21
Africa	0	14	14	14	0	41	0	33
Total passengers	**4,618**	**4,440**	**3,681**	**2,987**	**421**	**16,147**	**100**	**23**
% of row	**29**	**27**	**23**	**18**	**3**	**100**	**-**	**-**

AIRLINES

Information in this section identifies airline use by catchment area air travelers. The information is airport and airline specific. The intent is to determine which airlines are used to travel to specific destinations. The airline market share at ALW is based on U.S. DOT airline reported data. Airline market share at diverting airports is based on ARC data and is an estimation of the carrier's share of diverted passengers.

AIRLINES USED AT ALW

Table 5.1[2] provides the airline share for the top 25 true markets and total share by airline at ALW. With Alaska Airlines as the only carrier providing nonstop service, Alaska carries all of the passengers to/from ALW; however, approximately 4 percent of passengers connect to one of Alaska's codeshare partners at SEA.

TABLE 5.1 AIRLINES USED AT ALW

RANK	TOP 25 TRUE MARKETS	AIRLINE %		TOTAL PAX
		AS	OTHER	
1	Seattle, WA	100	0	29,060
2	Los Angeles, CA	100	0	4,465
3	San Francisco, CA	100	0	3,095
4	San Diego, CA	100	0	2,879
5	Phoenix, AZ (PHX)	97	3	2,728
6	Las Vegas, NV	100	0	2,481
7	Denver, CO	98	2	2,426
8	Sacramento, CA	100	0	2,259
9	Ontario, CA	100	0	2,111
10	Orange County, CA	99	1	2,019
11	San Jose, CA	100	0	1,816
12	Anchorage, AK	99	1	1,797
13	Chicago, IL (ORD)	95	5	1,670
14	Portland, OR	100	0	1,256
15	Burbank, CA	100	0	1,133
16	Oakland, CA	100	0	1,076
17	Boston, MA	98	2	943
18	Palm Springs, CA	100	0	914
19	New York, NY (JFK)	93	7	867
20	Dallas, TX (DFW)	81	19	824
21	Minneapolis, MN	87	13	755
22	Kahului, HI	98	2	690
23	Newark, NJ	100	0	672
24	Nashville, TN	100	0	669
25	Atlanta, GA	82	18	665
Total Top 25		**99**	**1**	**69,270**
Total All Markets		**96**	**4**	**91,515**

[2] *Source: Diio Mi*

Alaska Airlines and Delta Air Lines carried the highest share of catchment area passengers at PSC with respective shares of 35 and 34 percent.

AIRLINES USED AT PSC

Table 5.2 shows the airlines used and top destinations when travelers from the catchment area used PSC. Alaska had the highest share of catchment area passengers at PSC, carrying 35 percent of diverting passengers. Delta Air Lines had the second highest share at 34 percent, followed by United Airlines (19 percent) and Allegiant (10 percent). Other airlines carried the remaining 2 percent of passengers.

TABLE 5.2 AIRLINES USED AT PSC

RANK	TOP 25 TRUE MARKETS	AIRLINE %					TOTAL PSC PAX
		AS	DL	UA	G4	OTHER	
1	Seattle, WA	76	22	0	0	1	9,916
2	Las Vegas, NV	25	27	3	45	0	8,173
3	Denver, CO	4	9	86	0	0	6,905
4	San Francisco, CA	57	20	20	0	2	4,863
5	Los Angeles, CA	9	55	18	16	2	4,421
6	Phoenix, AZ (AZA)	0	0	0	100	0	4,222
7	Salt Lake City, UT	4	96	0	0	0	2,717
8	Portland, OR	87	13	0	0	0	2,691
9	Houston, TX (IAH)	48	24	29	0	0	2,146
10	San Diego, CA	32	59	10	0	0	2,071
11	Minneapolis, MN	5	88	8	0	0	2,012
12	Dallas, TX (DFW)	30	33	30	0	7	1,589
13	Sacramento, CA	33	67	0	0	0	1,564
14	Orange County, CA	50	50	0	0	0	1,514
15	Austin, TX	25	25	50	0	0	1,400
16	Phoenix, AZ (PHX)	40	44	8	0	8	1,391
17	Oakland, CA	100	0	0	0	0	1,231
18	Anchorage, AK	75	25	0	0	0	1,198
19	Boston, MA	14	79	7	0	0	1,139
20	Chicago, IL (ORD)	19	44	37	0	0	1,087
21	San Jose, CA	36	64	0	0	0	1,017
22	New Orleans, LA	58	17	25	0	0	847
23	Burbank, CA	92	0	8	0	0	715
24	Bellingham, WA	100	0	0	0	0	687
25	Palm Springs, CA	29	29	43	0	0	674
Total Top 25		**37**	**32**	**17**	**13**	**1**	**66,191**
Total All Markets		**35**	**34**	**19**	**10**	**2**	**87,488**

AIRLINES USED AT PDX

Table 5.3 shows the airlines used and top destinations when travelers from the catchment area used PDX. Like PSC, Alaska carried the highest share of catchment area passengers, with a 23 percent share of diverting passengers. United had the second highest share at 22 percent, followed by Southwest Airlines, American Airlines and Delta. Other airlines carried 21 percent of passengers.

TABLE 5.3 AIRLINES USED AT PDX

RANK	TOP 25 TRUE MARKETS	AIRLINE %						TOTAL PDX PAX
		AS	UA	WN	AA	DL	OTHER	
1	San Francisco, CA	32	43	7	0	0	19	4,160
2	Boston, MA	69	9	20	0	0	3	2,538
3	Los Angeles, CA	16	11	20	14	18	21	2,204
4	Washington, DC (IAD)	0	95	4	0	0	0	1,287
5	Kahului, HI	30	24	0	18	0	27	1,267
6	Ontario, CA	20	26	54	0	0	0	1,233
7	Oakland, CA	0	0	50	0	0	50	1,165
8	Orange County, CA	88	0	12	0	0	0	1,055
9	Phoenix, AZ (PHX)	0	7	42	36	15	0	734
10	Las Vegas, NV	46	0	27	0	0	27	689
11	Chicago, IL (ORD)	29	35	0	23	0	12	661
12	Kona, HI	20	27	0	0	20	33	627
13	Burbank, CA	83	0	17	0	0	0	607
14	Sacramento, CA	60	0	20	0	20	0	579
15	Minneapolis, MN	0	0	3	0	26	71	576
16	Nashville, TN	0	11	38	0	22	29	570
17	Detroit, MI	45	45	6	0	0	4	498
18	Dallas, TX (DAL)	0	0	100	0	0	0	454
19	Honolulu, HI	0	32	0	0	0	68	452
20	Orlando, FL (MCO)	54	9	16	0	0	21	435
21	Denver, CO	0	0	33	0	0	67	354
22	Philadelphia, PA	0	0	12	85	0	3	321
23	Fort Lauderdale, FL	16	0	17	63	0	4	297
24	Palm Springs, CA	83	17	0	0	0	0	289
25	Lihue, HI	0	75	0	0	0	25	284
Total Top 25		**31**	**23**	**19**	**6**	**4**	**17**	**23,335**
Total All Markets		**23**	**22**	**21**	**7**	**6**	**21**	**32,667**

Like PSC and PDX, Alaska Airlines carried the highest share of diverting passengers at SEA, carrying 29 percent of diverting passengers.

AIRLINES USED AT SEA

Table 5.4 shows the airlines used and top destinations when travelers from the catchment area used SEA. Alaska had the highest share of catchment area passengers at SEA, carrying 29 percent of diverting passengers. Delta had the second highest share at 22 percent, followed by Southwest, United and American. All other carriers combined for the remaining 13 percent of passengers.

TABLE 5.4 AIRLINES USED AT SEA

RANK	TOP 25 TRUE MARKETS	AIRLINE %						TOTAL SEA PAX
		AS	DL	WN	UA	AA	OTHER	
1	Denver, CO	10	19	20	15	29	8	1,925
2	Orange County, CA	13	83	4	0	0	0	1,920
3	Los Angeles, CA	40	49	3	0	0	8	1,631
4	Oakland, CA	45	0	55	0	0	0	997
5	Phoenix, AZ (PHX)	29	12	25	0	35	0	925
6	Palm Springs, CA	68	32	0	0	0	0	914
7	Anchorage, AK	100	0	0	0	0	0	749
8	Lihue, HI	0	0	0	80	0	20	710
9	Kahului, HI	6	18	0	23	0	53	652
10	Boston, MA	31	31	1	0	0	37	638
11	Dallas, TX (DFW)	0	0	0	27	54	19	498
12	New Orleans, LA	29	0	11	29	29	2	489
13	San Diego, CA	53	11	15	21	0	0	478
14	Minneapolis, MN	32	53	1	0	0	14	475
15	Houston, TX (IAH)	0	0	0	86	0	14	475
16	Chicago, IL (ORD)	43	0	0	9	35	13	448
17	Ontario, CA	81	0	19	0	0	0	435
18	Austin, TX	42	42	9	0	0	7	416
19	Philadelphia, PA	0	0	3	0	82	15	401
20	Salt Lake City, UT	73	24	3	0	0	0	400
21	Dallas, TX (DAL)	51	0	49	0	0	0	393
22	Baltimore, MD	51	0	34	0	0	15	356
23	Orlando, FL (MCO)	39	20	6	0	30	5	337
24	Kona, HI	0	50	0	50	0	0	295
25	Sacramento, CA	40	0	40	20	0	0	290
Total Top 25		**32**	**25**	**12**	**12**	**11**	**8**	**17,248**
Total All Markets		**29**	**22**	**12**	**12**	**12**	**13**	**28,370**

Unlike the other diversionary airports, Southwest Airlines carried the highest share of diverting passengers at GEG, carrying 35 percent of passengers.

AIRLINES USED AT GEG

Table 5.5 shows the airlines used and top destinations when travelers from the catchment area used GEG. Southwest had the highest share of catchment area passengers at GEG, carrying 35 percent of diverting passengers, followed by Delta (28 percent), Alaska (18 percent), United (12 percent) and American (4 percent) with other airlines carrying only 3 percent.

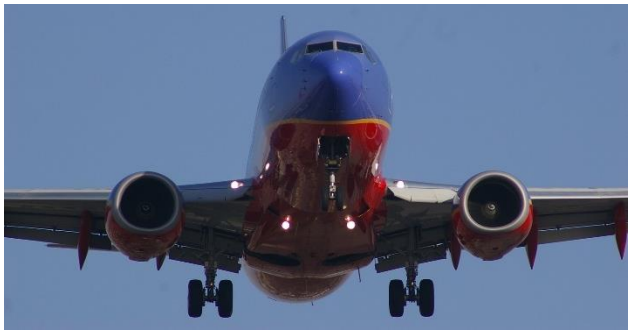


TABLE 5.5 AIRLINES USED AT GEG

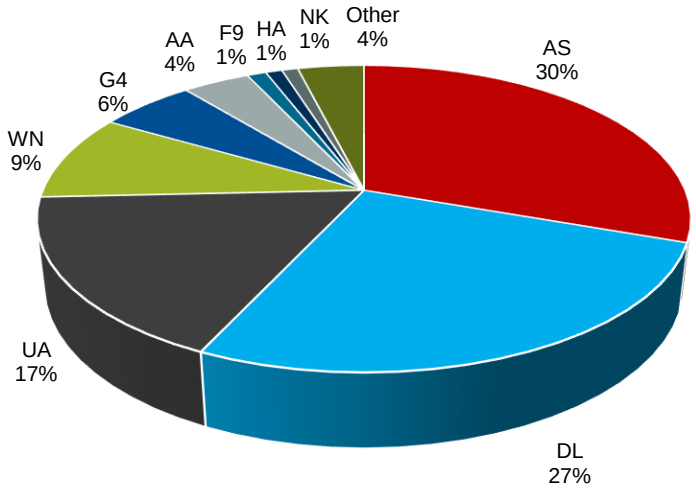
RANK	TOP 25 TRUE MARKETS	AIRLINE %						TOTAL GEG PAX
		WN	DL	AS	UA	AA	OTHER	
1	Denver, CO	40	20	0	32	0	8	2,353
2	Las Vegas, NV	56	29	4	4	0	7	1,794
3	Orange County, CA	10	0	90	0	0	0	1,184
4	Seattle, WA	0	63	37	0	0	0	1,174
5	San Diego, CA	43	46	10	0	0	0	981
6	Phoenix, AZ (PHX)	47	0	13	0	40	0	808
7	Austin, TX	37	0	47	16	0	1	559
8	Oakland, CA	100	0	0	0	0	0	508
9	Minneapolis, MN	6	67	0	0	0	27	376
10	Raleigh/Durham, NC	11	22	0	65	0	3	346
11	Detroit, MI	12	86	0	0	0	1	344
12	Los Angeles, CA	24	76	0	0	0	0	331
13	San Antonio, TX	39	39	13	0	9	0	308
14	Orlando, FL (MCO)	14	28	0	42	14	2	272
15	Dallas, TX (DAL)	100	0	0	0	0	0	227
16	San Francisco, CA	2	98	0	0	0	0	225
17	Boston, MA	10	54	0	36	0	0	218
18	Fort Lauderdale, FL	31	23	0	46	0	0	202
19	Portland, OR	0	0	100	0	0	0	179
20	Ontario, CA	64	0	36	0	0	0	176
21	Chicago, IL (ORD)	0	0	0	100	0	0	155
22	Anchorage, AK	0	100	0	0	0	0	150
23	Medford, OR	0	17	83	0	0	0	138
24	Reno, NV	43	57	0	0	0	0	134
25	Tampa, FL	43	0	0	0	54	3	133
Total Top 25		**34**	**29**	**18**	**12**	**4**	**3**	**13,274**
Total All Markets		**35**	**28**	**18**	**12**	**4**	**3**	**16,562**

When ALW catchment area travelers divert to alternate airports, the largest percentage of diverting air travelers use Alaska Airlines, followed by Delta Air Lines, United Airlines and Southwest Airlines.

DIVERTING PASSENGER AIRLINE USE

Exhibit 5.1 shows the airlines used when travelers from the catchment area originated from any other airport besides ALW. Overall, Alaska carried the highest number of diverting passengers, with 30 percent, followed by Delta with 27 percent, United with 17 percent and Southwest with 9 percent. Allegiant, American, Frontier Airlines, Hawaiian Airlines and Spirit Airlines each had shares of 6 percent or less. Other airlines accounted for 4 percent of passengers.

EXHIBIT 5.1 DIVERTING PASSENGER AIRLINE USE



FACTORS AFFECTING AIR SERVICE DEMAND AND RETENTION

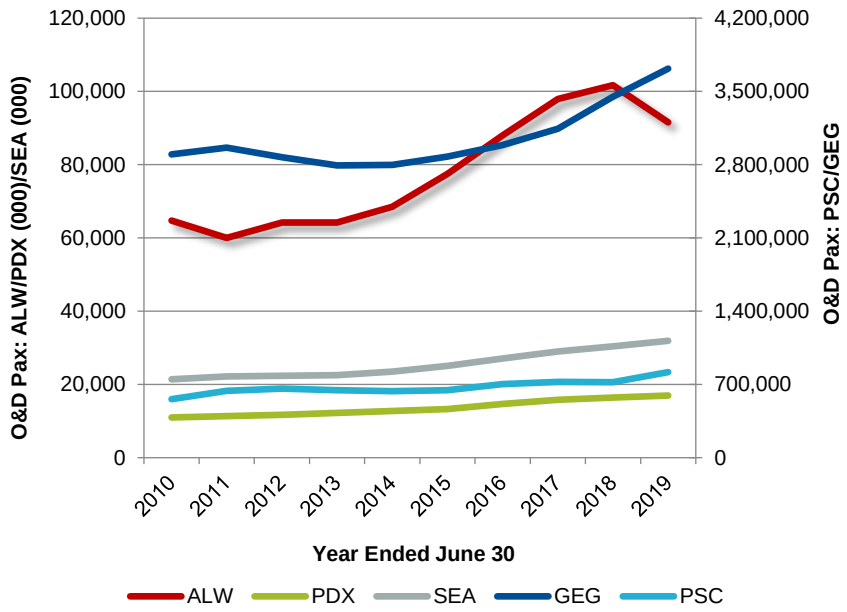
This section examines several factors that have affected and will continue to affect air service demand in the Walla Walla area and ALW's ability to retain passengers. The factors affecting ALW's ability to retain passengers included in this section are airfares, nonstop service availability, and the quality and capacity of air service offered at ALW and the competing airports.

PASSENGER ACTIVITY COMPARISON

To better understand the changes in passenger volumes at ALW and the competing airports, **Exhibit 6.1** provides a depiction of origin and destination passengers over the last 10 years by year ended June 30 passenger totals as reported to the U.S. DOT. During this period:

- ALW's passengers increased at a CAGR of 3.9 percent and ranged from 60,000 in 2011 to nearly 102,000 passengers in 2019.
- PSC passengers increased at a 4.3 percent CAGR and ranged from nearly 560,000 in 2010 to 818,000 in 2019.
- PDX and SEA had similar growth rates, with CAGRs of 4.9 and 4.5 percent respectively. In 2019, PDX served nearly 17 million passengers while SEA served nearly 32 million.
- GEG had the lowest growth rate at a CAGR of 2.8 percent, ranging from 2.8 million in 2013 to 3.7 million in 2019.

EXHIBIT 6.1 PASSENGER TRENDS



AIRFARES

When a traveler decides which airport to access for travel, airfares play a large role. Airfares affect air service demand and an airport's ability to retain passengers. One-way airfares (excluding taxes and Passenger Facility Charges (PFC)) paid by travelers are used to measure the relative fare competitiveness between ALW and the competing airports. Fares listed for the competing airports are for all air travelers using the airport and are not reflective of the average fare paid only by catchment area travelers diverting to these airports.

Table 6.1[3] shows one-way average airfares for the top 25 catchment area domestic destinations. Average airfares are a result of many factors including length of haul, availability of seats, business versus leisure fares and airline competition. ALW's overall average domestic fare for the year ended June 30, 2019, was $161. Due to the type of service provided in the market by Alaska Airlines, ALW's average fare was lower than each of the competing airports.

In individual markets, ALW had a higher fare than all of the competing airports in 10 of the top 25 markets. The highest fare differentials (greater than $60 one-way) compared to the lowest fare offered at a competing airport occurred in the Oakland, Chicago-O'Hare, Salt Lake City and Houston-Intercontinental markets. Compared to PSC alone, ALW had a lower fare in 13 of the top 25 markets.

TABLE 6.1 U.S. DOT AVERAGE DOMESTIC ONE-WAY FARES

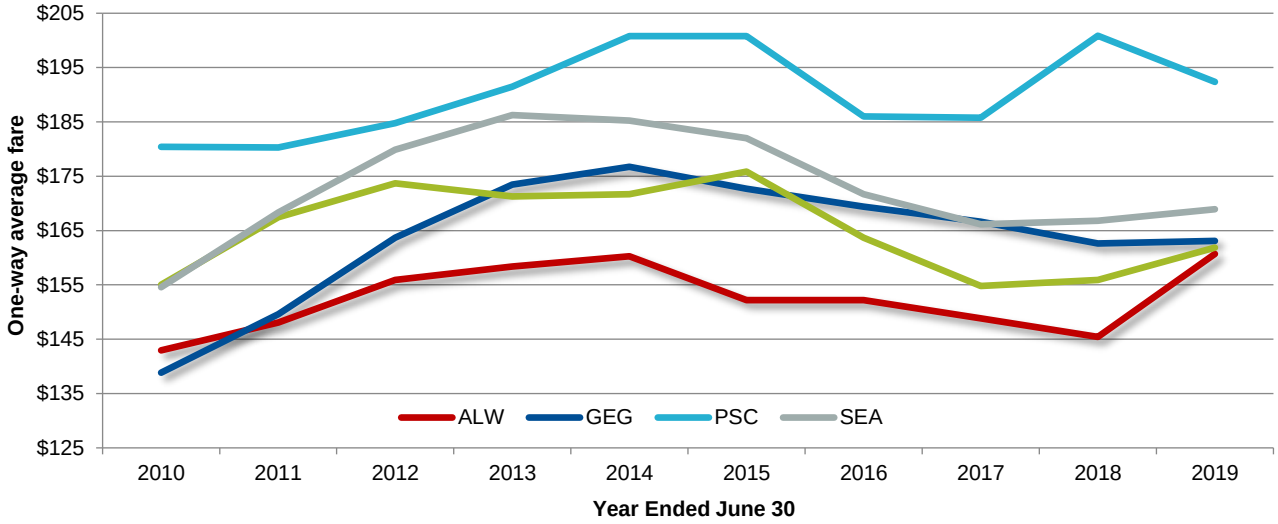
RANK	DESTINATION	AVERAGE ONE-WAY FARE					ALW MAX DIFF.
		ALW	PSC	PDX	SEA	GEG	
1	Seattle, WA	$91	$96	$108	-	$90	$2
2	Denver, CO	$145	$203	$126	$124	$124	$22
3	Las Vegas, NV	$126	$105	$92	$102	$112	$34
4	Los Angeles, CA	$149	$128	$116	$132	$149	$33
5	San Francisco, CA	$159	$152	$108	$129	$159	$51
6	Orange County, CA	$162	$156	$139	$141	$150	$23
7	San Diego, CA	$159	$157	$125	$123	$133	$36
8	Phoenix, AZ (PHX)	$141	$191	$128	$131	$145	$13
9	Boston, MA	$212	$250	$219	$211	$235	$0
10	Oakland, CA	$168	$170	$104	$115	$140	$64
11	Sacramento, CA	$165	$178	$116	$107	$130	$58
12	Ontario, CA	$180	$184	$127	$139	$146	$53
13	Phoenix, AZ (AZA)	-	$70	-	-	-	-
14	Minneapolis, MN	$166	$241	$161	$155	$211	$11
15	Portland, OR	$153	$133	-	$108	$113	$45
16	Anchorage, AK	$232	$249	$196	$187	$217	$45
17	Chicago, IL (ORD)	$229	$238	$182	$168	$228	$61
18	Salt Lake City, UT	$199	$183	$135	$152	$157	$64
19	San Jose, CA	$158	$158	$104	$125	$133	$54
20	Houston, TX (IAH)	$274	$250	$244	$196	$224	$78
21	Dallas, TX (DFW)	$232	$210	$187	$175	$224	$57
22	Austin, TX	$178	$200	$149	$170	$177	$29
23	Kahului, HI	$289	$281	$243	$266	$298	$47
24	Palm Springs, CA	$143	$166	$126	$138	$164	$17
25	Burbank, CA	$174	$180	$122	$137	$150	$53
Average Domestic Fare		**$161**	**$192**	**$162**	**$169**	**$163**	**($1)**

[3] *Source: Diio Mi; Note: Year Ended June 30, 2019; Fares do not include taxes or Passenger Facility Charges*

ALW's average domestic fare increased at a CAGR of 1.3 percent, a higher percentage than PSC, PDX and SEA but a lower percentage than GEG.

Exhibit 6.2 tracks the average fares at ALW and the competing airports from the year ended June 30, 2010, through the year ended June 30, 2019. Based on U.S. DOT airline data, average fares at ALW have ranged from $143 (2010) to $161 (2019) with a CAGR of 1.3 percent. The average fare at PSC ranged from $180 (2010/2011) to $201 (2018) with a CAGR of 0.7 percent. PDX had the lowest CAGR in fares over the 10-year period at 0.5 percent, ranging from a low of $155 (2010) to a high of $176 (2015). SEA had a slightly higher CAGR but similar average fares compared to PDX with a CAGR of 1.0 percent and fares ranging from $155 (2010) to $186 (2013). GEG had the highest CAGR at 1.8 percent but the lowest minimum fare at $139 (2010) with a high of $177 (2014).

EXHIBIT 6.2 10-YEAR AVERAGE DOMESTIC ONE-WAY FARE TREND



ALW offered nonstop service to one of the top 25 catchment area destinations with an average of 17 weekly departures for the year ended June 30, 2019.

NONSTOP SERVICE AVAILABILITY

Travelers drive to competing airports to access air service for many reasons, one of which is nonstop service availability. **Table 6.2**[4] compares the level of air service offered at ALW with that offered at the competing airports. For the year ended June 30, 2019, ALW offered nonstop service to one of the top 25 catchment area destinations with an average of 17 total weekly frequencies. PSC had service to nine of the top 25 markets with 129 weekly frequencies. PDX and SEA offered the highest service levels with nonstop service to 23 of the top 25 destinations, with PDX offering 1,194 weekly frequencies to the top 25 markets and SEA offering 2,126 weekly frequencies to those markets. GEG offered nonstop service to 15 of the top 25 destinations and 392 weekly frequencies.

TABLE 6.2 NONSTOP SERVICE COMPARISON

RANK	DESTINATION	AVG WEEKLY DEPARTURES				
		ALW	PSC	PDX	SEA	GEG
1	Seattle, WA	17	66	193	0	155
2	Denver, CO	0	18	70	128	33
3	Las Vegas, NV	0	3	68	136	16
4	Los Angeles, CA	0	2	118	205	7
5	San Francisco, CA	0	7	113	189	15
6	Orange County, CA	0	0	27	87	0
7	San Diego, CA	0	0	41	95	6
8	Phoenix, AZ (PHX)	0	0	62	120	21
9	Boston, MA	0	0	14	45	0
10	Oakland, CA	0	0	56	71	14
11	Sacramento, CA	0	0	58	99	7
12	Ontario, CA	0	0	20	19	0
13	Phoenix, AZ (AZA)	0	2	0	0	0
14	Minneapolis, MN	0	10	39	68	16
15	Portland, OR	0	1	0	193	55
16	Anchorage, AK	0	0	21	137	0
17	Chicago, IL (ORD)	0	0	49	111	7
18	Salt Lake City, UT	0	20	54	81	26
19	San Jose, CA	0	0	72	117	7
20	Houston, TX (IAH)	0	0	17	47	0
21	Dallas, TX (DFW)	0	0	35	79	8
22	Austin, TX	0	0	9	22	0
23	Kahului, HI	0	0	20	28	0
24	Palm Springs, CA	0	0	11	25	0
25	Burbank, CA	0	0	28	26	0
Total Top 25 Frequencies		**17**	**129**	**1,194**	**2,126**	**392**
Total All Markets		**17**	**129**	**1,781**	**4,062**	**421**
Number of Top 25 Served		**1**	**9**	**23**	**23**	**15**
Total Destinations Served		**1**	**9**	**79**	**123**	**17**

[4] *Source: Diio Mi; Year Ended June 30, 2019*

QUALITY OF AIR SERVICE AT COMPETING AIRPORTS

The quality of air service offered by an airport is a factor in a traveler's decision when selecting which airport to originate travel from. In general, passengers prefer larger aircraft over smaller aircraft and jet aircraft over turboprop aircraft.

Table 6.3[5] provides ALW's and the competing airports total departures by aircraft type for year ended June 30, 2019. ALW offered a total of 881 departures and 66,956 seats. All of ALW's service was provided on 76-seat turboprop aircraft. In comparison, PSC offered 6,685 departures and 520,380 seats for the year ended June 30, 2019. Thirty-five percent of PSC's departures were on turboprop aircraft whereas 59 percent were on regional jet aircraft. The other three competing airports had significantly higher service levels; however, each had a strong share of turboprop and regional jet departures.

TABLE 6.3 DEPARTURES BY AIRCRAFT TYPE BY ORIGIN

AIRCRAFT TYPE	SEAT RANGE	TOTAL DEPARTURES YE Q2 2019				
		ALW	PSC	PDX	SEA	GEG
Turboprop	<9	-	-	1,099	-	-
	50+	881	2,320	17,657	31,410	6,686
Regional jet	30-50	-	749	5	-	593
	51-70	-	660	21	26	247
	71-100	-	2,513	15,775	38,682	4,541
Narrow body jet	70-125	-	-	2,189	6,982	430
	126-160	-	364	21,129	28,456	5,573
	>160	-	79	33,608	97,719	3,806
Wide body jet	160-240	-	-	697	2,452	-
	241-300	-	-	413	3,600	-
	>300	-	-	-	1,897	-
Total Departures		**881**	**6,685**	**92,593**	**211,224**	**21,876**
% Turboprop Departures		**100%**	**35%**	**20%**	**15%**	**31%**
% Regional Jet Departures		**0%**	**59%**	**17%**	**18%**	**25%**
Total Seats		**66,956**	**520,380**	**11,920,762**	**29,456,331**	**2,418,338**

[5] *Source: Diio Mi*

An increase in retention of 10 percentage points would create an estimated additional 25,660 annual passengers (35 passengers daily each way) for ALW.

RETENTION RATE SENSITIVITY

Considering the previous factors of airfares, nonstop service and quality of service, a retention rate sensitivity follows in **Table 6.4**. The purpose is to show how small changes in passenger retention can affect passenger volume. Passengers in total and for each of the top 25 markets are calculated using varying degrees of retention. An increase in retention of 10 percentage points would create an estimated additional 25,660 annual passengers (35 passengers daily each way) for ALW.

TABLE 6.4 RETENTION RATE SENSITIVITY

RANK	DESTINATION	REPORTED PAX	RETENTION %	RETENTION IMPROVEMENT		
				5%	10%	15%
1	Seattle, WA	29,060	72	31,067	33,074	35,081
2	Denver, CO	2,426	17	3,123	3,820	4,517
3	Las Vegas, NV	2,481	19	3,144	3,808	4,471
4	Los Angeles, CA	4,465	34	5,118	5,771	6,423
5	San Francisco, CA	3,095	25	3,724	4,353	4,982
6	Orange County, CA	2,019	26	2,404	2,790	3,175
7	San Diego, CA	2,879	43	3,211	3,544	3,876
8	Phoenix, AZ (PHX)	2,728	41	3,057	3,387	3,716
9	Boston, MA	943	17	1,217	1,491	1,765
10	Oakland, CA	1,076	22	1,325	1,574	1,823
11	Sacramento, CA	2,259	48	2,494	2,729	2,963
12	Ontario, CA	2,111	46	2,340	2,570	2,799
13	Phoenix, AZ (AZA)	0	0	211	422	633
14	Minneapolis, MN	755	18	965	1,174	1,384
15	Portland, OR	1,256	30	1,463	1,669	1,876
16	Anchorage, AK	1,797	44	1,999	2,202	2,404
17	Chicago, IL (ORD)	1,670	42	1,871	2,072	2,274
18	Salt Lake City, UT	388	11	568	747	927
19	San Jose, CA	1,816	57	1,976	2,136	2,296
20	Houston, TX (IAH)	307	10	464	620	777
21	Dallas, TX (DFW)	824	27	978	1,133	1,287
22	Austin, TX	612	21	761	911	1,060
23	Kahului, HI	690	24	836	981	1,127
24	Palm Springs, CA	914	32	1,058	1,202	1,346
25	Burbank, CA	1,133	43	1,266	1,400	1,533
Total Top 25		**67,704**	**38**	**76,642**	**85,580**	**94,518**
Total Domestic		**87,834**	**37**	**99,857**	**111,880**	**123,902**
Total International		**3,681**	**23**	**4,485**	**5,289**	**6,092**
Total of All Markets		**91,515**	**36**	**104,345**	**117,175**	**130,005**

SITUATION ANALYSIS

ALW is situated about 52 miles from PSC, an approximate one hour or less drive. The other competing airports require a much longer drive, with PDX 250 miles distant, SEA nearly 300 miles away, and GEG 157 miles to the north. The proximity of PSC to the Walla Walla community has been and will continue to be an issue when airlines consider adding service. Currently, PSC's airlines capture 34 percent of the ALW catchment area. With ALW's catchment area population of nearly 75,000 and airfares that are comparable in many markets, it will be challenging to convince an airline of the need to operate to both airports, especially longer stage length routes.

The most appropriately sized aircraft to serve the ALW market are 70-seat or smaller regional jets and turboprop aircraft. Potential hubs for ALW within a reasonable operating distance of these smaller aircraft include Denver (second largest true market), Los Angeles (fourth largest true market), San Francisco (fifth largest true market) and Phoenix-Sky Harbor (eighth largest true market). Other hubs within a reasonable operating distance include PDX and Salt Lake City although local market sizes are smaller than the previously mentioned hubs. PSC currently has service to Denver, Las Vegas, Salt Lake City and San Francisco; however, service to Las Vegas is summer seasonal and less-than-daily. PSC's service will make ALW's chance of obtaining service from these carriers difficult given the ALW market sizes and that these carriers are likely already serving a sizable share of the ALW market with their PSC service.

Less-than-daily service to leisure markets will also be challenging at ALW due to Allegiant's existing service at PSC. At only 52 miles, Allegiant is likely capturing a significant share of ALW's leisure-focused travelers at PSC. While there are some cases where Allegiant will serve two markets within relatively close proximity, the population sizes tend to be much larger. They typically focus on markets with population sizes larger than ALW, with recent service announcements primarily focused on much larger metropolitan areas.

The best opportunity to add an additional air carrier at ALW is pro-rate service provided by SkyWest Airlines with their 50-seat regional jets. Pro-rate service, also referred to as “at-risk” service, is a type of marketing agreement where a regional airline, in this case SkyWest, flies a city-pair route at its own expense with no guaranteed payment and assumes all the risk of success or failure, often involving a revenue-sharing agreement with a major airline. Currently, SkyWest has existing pro-rate agreements with American Airlines (although limited), Delta Air Lines and United Airlines. SkyWest does not have a pro-rate agreement with Alaska Airlines at this time. United is actively growing the markets they serve and support additional pro-rate flying by SkyWest. Delta, on the other hand, has not added much pro-rate flying with SkyWest for quite some time. Because of this, efforts with SkyWest should focus on United’s hubs including Denver, Los Angeles and San Francisco.

ALW is encouraged to meet with the major carriers, particularly United, to help educate these carriers on ALW and the need for expanded service. This will aid in SkyWest’s attempts to add service if they decide to do so as the major carriers must approve the service addition. Other carrier service such as Boutique Air with their smaller turboprop aircraft should also be explored.

ALW’s primary focus should continue to be on improving Alaska’s SEA service. In recent years, ALW has made great strides in improving passenger loads on the ALW-SEA service. In 2010, load factors for the year ended September 30, 2010, averaged only 57 percent. For the year ended September 30, 2019, load factors averaged 73 percent, a considerable improvement. Load factors for this same time period peaked in 2015 at 77 percent, following a robust marketing campaign funded through the Small Community Air Service Development Program. The results of these marketing efforts were profound. With load factors dipping somewhat since then, another strong marketing program could prove beneficial. To add service, Alaska typically would like to see load factors exceeding 80 percent on average. If loads improve, it’s possible Alaska will consider adding back in the third roundtrip and/or consider service to PDX.

TOP 50 TRUE MARKETS

TABLE A.1 TOP 50 TRUE MARKETS

RANK	DESTINATION	REPORTED PAX	RETENTION %	TRUE MARKET	PDEW	DIVERTING PASSENGERS			
						PSC	PDX	SEA	GEG
1	Seattle, WA	29,060	72	40,150	55.0	9,916	9,916	9,916	9,916
2	Denver, CO	2,426	17	13,963	19.1	6,905	6,905	6,905	6,905
3	Las Vegas, NV	2,481	19	13,281	18.2	8,173	8,173	8,173	8,173
4	Los Angeles, CA	4,465	34	13,053	17.9	4,421	4,421	4,421	4,421
5	San Francisco, CA	3,095	25	12,564	17.2	4,863	4,863	4,863	4,863
6	Orange County, CA	2,019	26	7,692	10.5	1,514	1,514	1,514	1,514
7	San Diego, CA	2,879	43	6,652	9.1	2,071	2,071	2,071	2,071
8	Phoenix, AZ (PHX)	2,728	41	6,586	9.0	1,391	1,391	1,391	1,391
9	Boston, MA	943	17	5,476	7.5	1,139	1,139	1,139	1,139
10	Oakland, CA	1,076	22	4,976	6.8	1,231	1,231	1,231	1,231
11	Sacramento, CA	2,259	48	4,693	6.4	1,564	1,564	1,564	1,564
12	Ontario, CA	2,111	46	4,588	6.3	633	633	633	633
13	Phoenix, AZ (AZA)	0	0	4,222	5.8	4,222	4,222	4,222	4,222
14	Minneapolis, MN	755	18	4,194	5.7	2,012	2,012	2,012	2,012
15	Portland, OR	1,256	30	4,126	5.7	2,691	2,691	2,691	2,691
16	Anchorage, AK	1,797	44	4,043	5.5	1,198	1,198	1,198	1,198
17	Chicago, IL (ORD)	1,670	42	4,022	5.5	1,087	1,087	1,087	1,087
18	Salt Lake City, UT	388	11	3,606	4.9	2,717	2,717	2,717	2,717
19	San Jose, CA	1,816	57	3,203	4.4	1,017	1,017	1,017	1,017
20	Houston, TX (IAH)	307	10	3,141	4.3	2,146	2,146	2,146	2,146
21	Dallas, TX (DFW)	824	27	3,092	4.2	1,589	1,589	1,589	1,589
22	Austin, TX	612	21	2,987	4.1	1,400	1,400	1,400	1,400
23	Kahului, HI	690	24	2,915	4.0	306	306	306	306
24	Palm Springs, CA	914	32	2,888	4.0	674	674	674	674
25	Burbank, CA	1,133	43	2,664	3.6	715	715	715	715
26	Washington, DC (IAD)	509	22	2,338	3.2	231	231	231	231
27	Orlando, FL (MCO)	598	26	2,307	3.2	664	664	664	664
28	Guadalajara, Mexico	309	14	2,291	3.1	1,689	1,689	1,689	1,689
29	Lihue, HI	568	25	2,273	3.1	639	639	639	639
30	New Orleans, LA	494	23	2,167	3.0	847	847	847	847
31	Dallas, TX (DAL)	480	23	2,103	2.9	550	550	550	550
32	Nashville, TN	669	33	2,058	2.8	510	510	510	510
33	Bellingham, WA	600	32	1,903	2.6	687	687	687	687
34	Kona, HI	553	33	1,697	2.3	221	221	221	221
35	Honolulu, HI	656	40	1,641	2.2	184	184	184	184

TABLE A.1 TOP 50 TRUE MARKETS

RANK	DESTINATION	REPORTED PAX	RETENTION %	TRUE MARKET	PDEW	DIVERTING PASSENGERS			
						PSC	PDX	SEA	GEG
36	Detroit, MI	593	38	1,584	2.2	148	148	148	148
37	New York, NY (JFK)	867	57	1,536	2.1	347	347	347	347
38	Fort Lauderdale, FL	422	29	1,453	2.0	422	422	422	422
39	Cancun, Mexico	141	10	1,416	1.9	400	400	400	400
40	Philadelphia, PA	436	31	1,398	1.9	109	109	109	109
41	Newark, NJ	672	48	1,396	1.9	403	403	403	403
42	Reno, NV	406	29	1,389	1.9	464	464	464	464
43	Puerto Vallarta, Mexico	436	32	1,374	1.9	415	415	415	415
44	Atlanta, GA	665	50	1,343	1.8	403	403	403	403
45	Kansas City, MO	598	45	1,316	1.8	555	555	555	555
46	San Jose del Cabo, Mexico	524	40	1,316	1.8	262	262	262	262
47	Raleigh/Durham, NC	476	38	1,270	1.7	222	222	222	222
48	Baltimore, MD	455	36	1,248	1.7	364	364	364	364
49	Medford, OR	553	44	1,245	1.7	277	277	277	277
50	Juneau, AK	390	32	1,236	1.7	446	446	446	446
Top 50 Destinations		**80,774**	**37**	**220,075**	**301.5**	**77,054**	**77,054**	**77,054**	**77,054**
Total Domestic		**87,834**	**37**	**240,455**	**329.4**	**82,870**	**29,680**	**23,930**	**16,141**
Total International		**3,681**	**23**	**16,147**	**22.1**	**4,618**	**2,987**	**4,440**	**421**
Total All Markets		**91,515**	**36**	**256,602**	**351.5**	**87,488**	**32,667**	**28,370**	**16,562**

GLOSSARY

AIRLINE CODES

AA	American Airlines
AS	Alaska Airlines
DL	Delta Air Lines
F9	Frontier Airlines
G4	Allegiant Air
HA	Hawaiian Airlines
NK	Spirit Airlines
UA	United Airlines
WN	Southwest Airlines

AIRPORT CATCHMENT AREA (ACA)

The geographic area surrounding an airport from which that airport can reasonably expect to draw passenger traffic. The airport catchment area is sometimes called the service area.

AIRPORT CODES

ALW	Walla Walla, WA
AZA	Phoenix-Mesa, AZ
DAL	Dallas-Love Field, TX
DFW	Dallas-Fort Worth, TX
GEG	Spokane, WA
IAD	Washington-Dulles, DC
IAH	Houston-Intercontinental, TX
JFK	New York-Kennedy, NY
MCO	Orlando-International, FL
ORD	Chicago-O'Hare, IL
PDX	Portland, OR

AIRPORT CODES (CONTINUED)

PHX	Phoenix-Sky Harbor, AZ
PSC	Pasco, WA
SEA	Seattle-Tacoma, WA
LHR	London-Heathrow, UK

ARC

Acronym for Airline Reporting Corporation.

AVERAGE AIRFARE

The average of the airfares reported by the airlines to the U.S. DOT. The average airfare does not include taxes or passenger facility charges and represents one-half of a roundtrip ticket.

CAGR

Abbreviation for compounded annual growth rate, or the average rate of growth per year over a given time period.

DESTINATION AIRPORT

Any airport where the air traveler spends four hours or more. This is the Federal Aviation Administration definition.

DIVERSION

Passengers who do not use the local airport for air travel, but instead use a competing airport to originate the air portion of their trip.

FAA

Acronym for the Federal Aviation Administration.

HUB

An airport used by an airline as a transfer point to get passengers to their intended destination. It is part of a hub and spoke model, where travelers moving between airports not served by direct flights change planes en route to their destination. Also an airport classification system used by the FAA (e.g., non-hub, small hub, medium hub, and large hub.

INITIATED (ORIGIN) PASSENGERS

Origin and destination passengers who began their trip from within the catchment area.

LOAD FACTOR

The percentage of airplane capacity that is used by passengers.

LOCAL MARKET

The number of air travelers who travel between two points via nonstop air service.

MSA

Acronym for Metropolitan Statistical Area. MSAs have at least one urban cluster with a population of at least 50,000 plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

NARROW-BODY JET

A jet aircraft with a single aisle designed for seating over 100 passengers.

NONSTOP FLIGHT

Air travel between two points without stopping at an intermediate airport.

ONBOARD PASSENGERS

The number of passengers transported on one flight segment.

ORIGIN AND DESTINATION (O&D) PASSENGERS

Includes all originating and destination passengers. In the context of this report, it describes the passengers arriving and departing an airport.

ORIGINATING AIRPORT

The airport used by an air traveler for the first enplanement of a commercial air flight.

PASSENGER FACILITY CHARGE

Fee imposed by airports of $1 to $4.50 on enplaning passengers. The fees are used by airports to fund FAA approved airport improvement projects.

PAX

Abbreviation for passengers.

PDEW

Abbreviation for passengers daily each way.

POINT-TO-POINT

Nonstop service that does not stop at an airline's hub and whose primary purpose is to carry local traffic rather than connecting traffic.

REFERRED PASSENGERS

Origin and destination passengers who began their trip from outside the catchment area.

REGIONAL JET

A jet aircraft with a single aisle designed for seating fewer than 100 passengers.

RETAINED PASSENGERS

Passengers who use the local airport for air travel instead of using a competing airport to originate the air portion of their trip.

TRUE MARKET

Total number of air travelers, including those who are using a competing airport, in the geographic area served by ALW. The true market estimate includes the size of the total market and for specific destinations.

TURBOPROP AIRCRAFT

A type of engine that uses a jet engine to turn a propeller. Turboprops are often used on regional and business aircraft because of their relative efficiency at speeds slower than, and altitudes lower than, those of a typical jet.

U.S. DOT

Acronym for U.S. Department of Transportation.

WIDE-BODY JET

A jet aircraft with two aisles designed for seating greater than 175 passengers.

FOR MORE INFORMATION, PLEASE CONTACT
MEAD & HUNT, INC | 476 SALTY WAY | EUGENE, OR 97404
541-521-5962 | TRINA.FROEHLICH@MEADHUNT.COM | WWW.MEADHUNT.COM

Mead & Hunt