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AVIATION TRANSPORTATION TOURISM



Edson Airport – Commercial Air Service Feasibility Assessment

Prepared by
InterVISTAS Consulting Group

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Project Overview



InterVISTAS has been engaged by a consortium of stakeholders in Jasper, Hinton and Edson to undertake a two-part project:

Phase I

Assess the viability of potential commercial air services at Edson Airport by:

- Determining the boundaries of the YET catchment area.
- Consulting with a range of stakeholders throughout the catchment area.
- Undertaking supporting research and analysis.

Phase II

If warranted, prepare business cases in support of new YET air service, for presentation to appropriate airlines.

This air service assessment seeks to:

- Quantify air travel demand to/from the Edson Airport Catchment area
- Determine whether the catchment area can support commercial air service.
- Outline a plan for regional stakeholders to follow, in order to secure sustainable, viable air service, and maximise service for business and leisure travellers, and for the economic benefit of catchment area residents.

Fundamentally, the assessment determines whether there is rationale for pursuing specific air services, so that:

- Limited regional resources (financial and human) can be focused on those routes and airlines which offer the greatest potential for success, and
- Community expectations are managed and realistic.

The assessment seeks to identify the order of priority for pursuing new air services and determine which routes warrant full analysis

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ASD Process Overview



The ASD Process

The ASD process involves several important steps:

Market Research

- Required to quantify the true market potential

Air Service Feasibility Assessment & ASD Strategy

- Assess viability of new air services
- Prioritize potential new routes and identify target airlines

Current Project Phase

Detailed Route Analysis

- Needed to understand expected viability of new flights, and impact on existing services

Presenting the New Route Business Case

- The market's qualitative and quantitative strengths must be clearly communicated to prospective air carriers.

Risk Sharing Investment

- An appropriate tool, in certain circumstances, to help airlines commit to new air services.

A Compromise of Needs

Air service development efforts must take into account both market needs and airline objectives.

Cities and regions want easy access and price-competitive options for inbound visitors as well as for outbound residents.

Airlines require a positive and acceptable financial return from each service.

There are three primary types of carriers, each with their own strategies for achieving profitable results.

- Network carriers;
- Low cost carriers; and
- Charter carriers.

As a result, air service development strategies must be tailored for each carrier type.

ASD is a long term, strategic effort

The majority of carriers focus on:

- Short term (frequency and schedule adjustments);
- Medium term (new routes); and
- Long term (new aircraft).

Airline operate with planning cycles - schedules are generally finalized three to six months in advance

Air service development initiatives may take a variable amount of time, ranging from six months to several years.

In some cases, a new air service may never be initiated.

An airline's financial return is dependent upon flight load factor and average yield.

Aircraft are mobile assets worth \$30 - \$300 million. Airlines must generate a sufficient return on these investments.

Aircraft can be easily re-deployed to better performing routes.

Financial return is driven by load factor (sales) and yield (average fare).

Airlines may accept a lower load factor if they can charge higher average fares. Alternatively, if fares are depressed, airlines must achieve higher load factors to achieve the same results.

Airlines will always add new markets based on expected financial performance.

Air service deficiency evaluation involves several steps:

Market review.

- Market size.
- Traffic flow potential.
- Current non-stop, direct and connecting air services.
- Services at similar or competing markets.

Focus on viable markets.

- Which cities could support new non-stop air services?

Incorporate airline strategies in evaluating new opportunities.

- Priorities and constraints vary from carrier to carrier.

Identify route opportunities, appropriate airline options and air service development priorities.

These are examined in more detail in the following sections.

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Catchment Area



An airport's catchment area is defined as the region from which it can reasonably draw passengers.

Catchment areas can be defined in terms of:

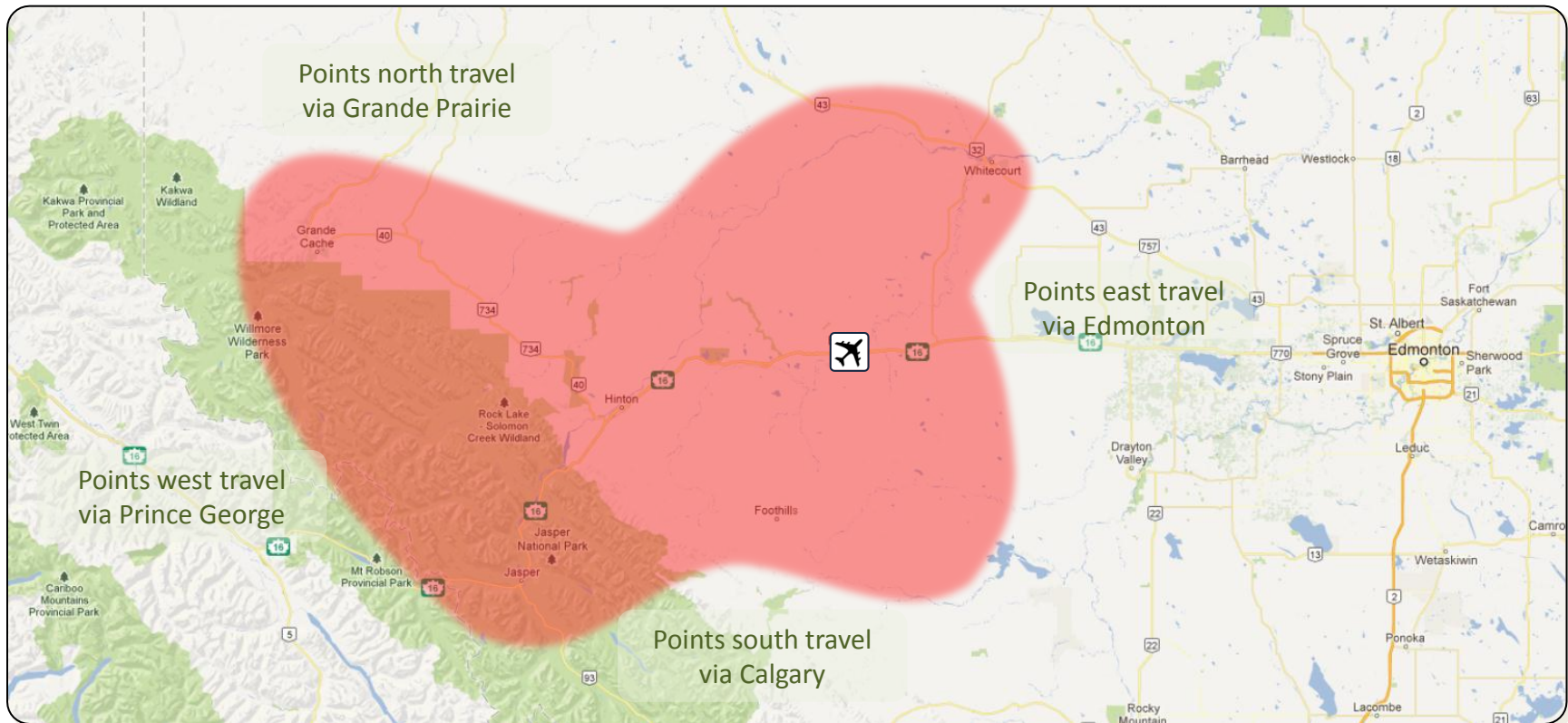
- Drive time isochrones (30, 60, 90 minutes)
- Distance limits (50, 100, 150 km)
- Competitive considerations (distance to competing airports)

The latter definition is preferred. Under this definition, Edson Airport's catchment area is the area within which YET is the closest and/or most accessible airport. Thus, boundaries are roughly determined by the midpoints to Edmonton (east), Calgary (south), Prince George (west) and Grande Prairie (north).

Within this catchment area, YET would be considered the airport of choice *if the passenger's desired air service is offered.*

Catchment Area Map

Edson Airport serves a large and affluent catchment area in west-central Alberta. Based on the most recent Statistics Canada data available, the catchment area population is 75,400 residents. Median household income in the catchment area is 36% higher than in comparable Canadian small markets.



Catchment Area - SWOTCH

Strengths

- Oil & gas business
- Large catchment area
- Relatively isolated catchment area
- High income & low unemployment
- Proactive stakeholder group
- Diversified traffic base

Weaknesses

- Ingrained leakage patterns
- Low population density
- Airport infrastructure
- Seasonality of inbound tourism

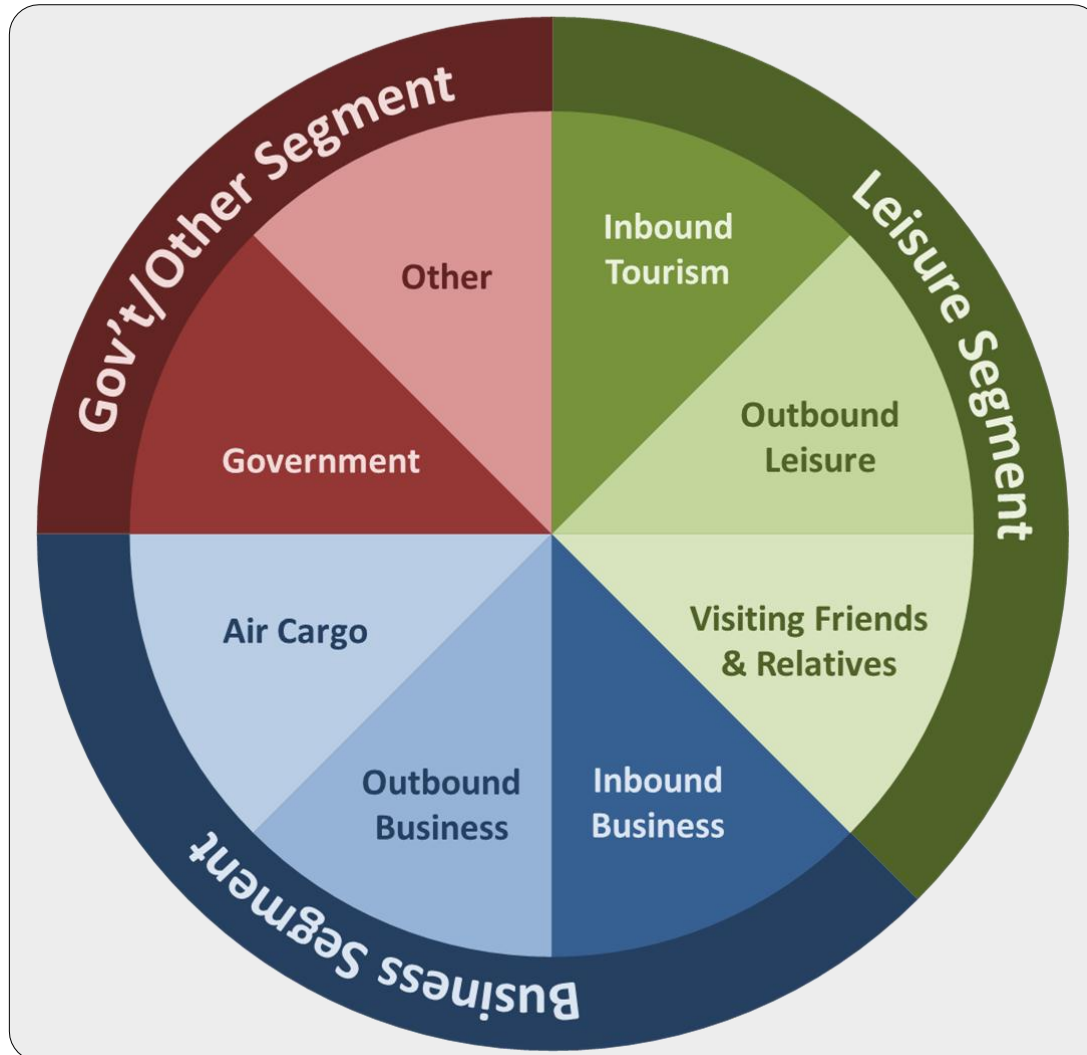
Opportunities

- Population growth & economic development including large projects
- Focus on regional flying by new and established airlines
- Development of in-park and near-park tourism

Threats/Challenges

- Housing costs/disposable income
- Business travel dependent on cyclical industries
- Impact of financial crisis on inbound tourism
- Fixed crew change days for energy sector

Catchment Area – Market Segments



- With an appropriate air service offering, YET can serve multiple market segments, and can maximise potential for long term, self-sustaining commercial flights.
- Charter flights serve only the inbound or outbound leisure market.
- Point-to-point regional flights typically serve a small segment of the business travel market.
- Network carrier flights (including hub connections) serve a broad range of leisure and business travellers.

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Stakeholder Consultations



Consultations were conducted in person and by phone with a wide range of stakeholders in the Edson catchment area, including representatives of the tourism, mining, energy and forestry sectors, as well as local/regional government and economic development.

- Tourism Jasper
- Hertz Jasper
- Parks Canada
- Mountain Park Lodges
- Ski Marmot Basin
- Sundog Tours
- Fairmont Jasper Park Lodge
- Town of Hinton Economic Development
- Teck Coal
- Alberta Health Services
- Trican Well Services
- West Fraser Timber
- Coalspur
- Conoco Phillips
- Talisman Energy
- Suncor
- Husky Energy
- Sanjel Corporation
- Shell
- Canadian Natural Resources Ltd
- Edson Chamber of Commerce

Key themes for discussion included:

- 1) Important Markets for Each Business/Organization
- 2) Development/Growth Expectations
- 3) Importance of Air Service
- 4) Size of the Air Travel Market
- 5) Moving Forward

Details of stakeholder input are confidential, but key themes emerged and are summarized on the following pages.

- Tourism officials/industry will support a possible Calgary-Edson service through tour-operator co-operative promotional programs and through FIT support. While Jasper is predominantly a regional drive market, and this market accounts for the majority of the business volumes, there is a significant long-haul market that is bound for Jasper and arrives into YYC/YVR before transferring to scheduled or chartered ground transportation, rental vehicles or rail. International/long-haul tourism markets bound for Jasper that arrive in YYC/YVR include Canada (especially Toronto and Montreal), the U.S. (California and Texas predominantly), the UK, Germany, Australia, Japan, South Korea, the Netherlands, and the Scandinavian nations.
- The rapidly emerging tourism markets of China and Japan are currently being invested in, with major returns in volumes anticipated over the next 5-10 years. In all cases, air service is relatively good from these long haul/international markets to YYC/YVR, and there are strong prospects that much of this tourism traffic could connect on to an Edson-bound flight, if the volumes can be managed and the luggage requirements of longer stay guests with specialized equipment (such as skis) can be addressed on the connector aircraft.
- The tourism industry confirmed that the opportunity for Jasper to support this business-dependent YYC-Edson flight would come in helping drive day-of-week volumes, and in the shoulder and winter seasons when the hotels have available occupancy. Jasper would build demand for Edson air seats during peak season summer and winter season, and on weekends, as new or returning visitors adjust their travel planning and convert to air service rather than ground transportation to access Jasper.
- In addition to leisure visitation, Jasper believes it can help drive air travel demand through the MICE market – small/mid-sized conventions, corporate meetings, incentive trips or retreats held in Jasper/the Northern Rockies corridor would result in many delegates choosing flights into the region. The long drive from Calgary or Edmonton currently prevents Jasper from accessing most of this market.
- The Jasper business community also believe that beyond Jasper, the YYC-Edson service would generate increased economic impact to tourism operators in Hinton and Edson, as there would be a greater regional packaging opportunity or visitors would extend their stay in all communities and access Willmore Wilderness Park for ATV, snowmobiling etc. that would add to the destination experience they could not have in a federally protected park.
- Some operators pointed to the BC/Alberta regional tourism trip opportunities that could help feed passengers on a YYC-Edson or Edson-YYC service. Operators pointed to the international markets who are cruising, then taking the Rocky Mountaineer/Via Rail across to Alberta, then looking to tour, or the Germans/others who are Rving/touring through the Rockies – there is opportunity for RV/rental car trips to terminate in Edson, and visitors returning to YYC (and connecting home) via an Edson air service, or building a flight journey north/south/both directions as part of a tour operator package or an independent tour involving a BC/Alaska cruising/Rockies train journey/Rockies visit itinerary.
- Jasper community representatives also highlighted that between 10-20% of the workforce are on Temporary Foreign Worker Program visas, and do seek to travel as close to the worksite by air to start their programs, and would seek to travel home during and after their Jasper employment period. The TFWP in Jasper attracts workers from the Philippines, Mexico, Thailand and the UK, who are seen as good prospects for using a potential Edson air service.
- Jasper operators believe they could generate significantly greater international visitor volumes if a regional air service was operational. Ground transportation issues (drive length and conditions) were mentioned by numerous international tour operators as the No 1 barrier to international tourism growth in Jasper.

- As with Jasper, there is a resident base opportunity in Hinton for some summer and winter leisure trips which could use a YET-YYC service and connections beyond from there. While relatively limited, this provides a small base of steady traffic volumes.
- The forestry sector is relatively bullish over the next 5-10 years, and believes there will be strong incremental economic growth. Yet, even though there will be an expected expansion of employment (notably from the local/regional area) and operations generally, there will be only limited opportunity for any significant business travel support of an Edson flight. Generally, the forestry sector in Hinton has only limited need to travel by air, with HQ/regional HQ in places such as Vancouver and Prince George (with only occasional need to report in to these HQs or have HQ staff come to Hinton). There are needs to fly corporately or for training, but only occasionally (perhaps a few times per year).
- If there was an air service through YYC, the forestry sector saw more opportunities to have cargo shipments sent down and back up to Edson, then transferred to Hinton at least 6-8 times per year or more – they have a dependency on small important component parts being serviced or replaced on a fairly regular basis. It appears that there would be greater opportunity with cargo shipments/belly of aircraft traffic rather than passenger traffic, yet overall volumes for either traffic types or both is relatively small.
- Similarly, despite the 20-30 year coal bed play available that may be activated by Coalspur, and other developments at Teck Coal, etc., there would be a major economic impact to Hinton and the surrounding region, but it would not generate significant volumes of air traffic to/from YYC or any other points in Alberta. There may be 300-400 air trips required for the entire year. Again, as with the forestry sector, the coal sector would seek to employ more workers from the local/regional area, with the air trips generated being specialist service providers coming in from Vancouver and other points.
- Well servicing companies in the region employ large crews, typically on cycles of 15/6 days on/off. While most crew members live in the region, they originate from all over the country, and many travel home to BC or Saskatchewan (by car) on days off. The schedule results in cycling one of three crews each week on fixed days (typically midweek). The shift timing (6 days off) and high incomes allow for leisure travel (Las Vegas and Mexico are popular destinations), and this would be enhanced with direct air service from Edson. There are several well servicing companies in the region (both Hinton and Edson). There is also business travel demand between the regional offices and headquarter in Calgary.
- From an economic development perspective, Edson air service would enhance the quality of life offer to attract new prospective employees to Hinton or to retain highly skilled personnel currently living in Hinton, as well as provide the resident base with a convenient travel connection to access the world (via YYC) rather than a long (and at times challenging) drive to other airports.
- Based on geography and historically established professional/personal travel patterns, most community representatives in Hinton spoke more of Edmonton as their air gateway rather than Calgary. There was a view that driving on to Edmonton to conduct other business/visits and fly out of there with an expanded set of choices outweighed flying from closer-in Edson to Calgary and heading on from YYC without having the ability to conduct as much business on route to another point in Canada or elsewhere. This indicates that use of YEG as a primary gateway would continue, even with direct service at Edson Airport.

- While significant support traffic will be generated by Jasper (inbound leisure visits from non-residents, resident outbound leisure traffic, inbound/outbound business traffic) and from Hinton (resident outbound leisure traffic, inbound/outbound business traffic), a significant share of potential air travel for Edson Airport is expected to be generated by the oil and gas sector in/around Edson.
- Discussions with eight companies identified at least 1,200 potential air trips or around 2,400 O/D passengers that could be generated per year – an average of 300 O/D passengers per company.
- The oil and gas sector regularly drove to/from Calgary or were part of a regular company jet/charter trip between Edson and Calgary – while the charters were a good option, they had a fixed schedule and were operating at capacity so it was difficult to secure a seat or choose the specific time you wished to travel. These oil and gas representatives believed that up to 90% of this traffic would move to a scheduled service out of Edson if the flight times were suitable (many sought a daily 6am southbound and a 6pm northbound between Edson-YYC).
- Drilling companies were interviewed in the series of consultations (and they were found to generate the most air traffic and had the greatest O/D potential with a large % of the workforce residing out of province), and there are also numerous other oil and gas companies who were not represented at the interviews. Extrapolating out, there could be at least 10,000 O/D passenger trips and perhaps as much as 15,000 O/D passenger trips generated by the oil and gas sector in Edson currently.
- There were various reasons for these high volumes of potential air travel– HQ for companies were found to be predominantly in Calgary, with regular northbound and southbound trips between the Edson operations and HQ; companies sought to maximize productivity and were looking to minimize travel times between Edson and Calgary; there were also significant and strict safety policies to adhere to that would deter driving via ground travel after long work shifts (safety issues related to the long drive to/from Calgary, particularly in winter, were raised by several respondents).
- Many of the oil and gas companies believed that if an Edson-YYC twice daily service were viable and available, there would be a good opportunity to have a stimulation factor of around 50%, thus potentially growing air travel between YYC-Edson to between 15,000 – 22,500 O/D air passenger trips per annum purely from the oil and gas sector.
- In addition to these business trips, the thousands of employees in the oil and gas sector (with significant disposable incomes) generally sought at least 1 to 2 air leisure trips per year – there could be as much as between 4,000 – 6,000 O & D passenger trips per year additionally generated by personal air travel – residents working in the oil and gas sector typically drove to Edmonton (and sometimes Calgary) to access flights for personal reasons, yet would be inclined to use an Edson-YYC service to expedite the air trip and take a connecting flight in Calgary.
- In total then, there could be as many as 30,000+ O/D passenger trips that could be generated by the oil and gas sector within the Edson area alone.

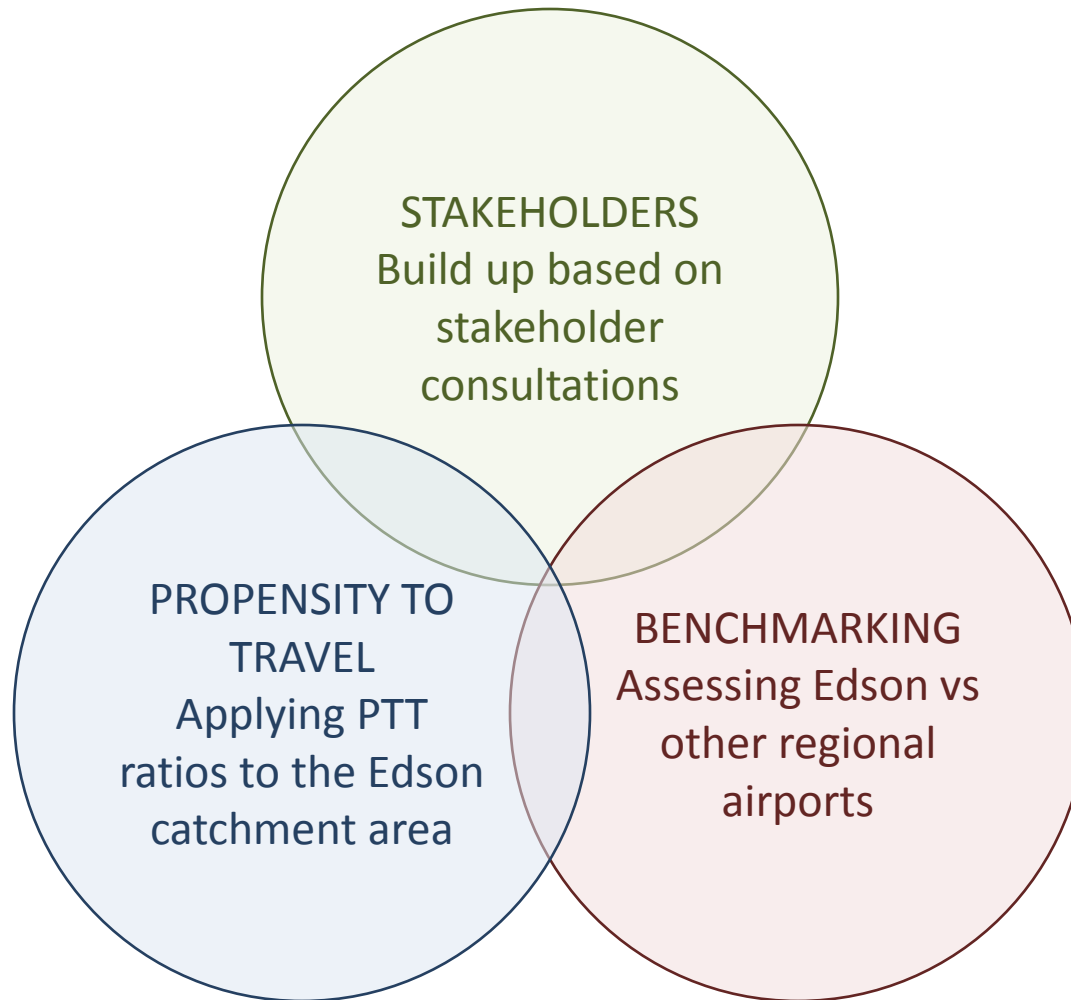
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Air Travel Market Size Estimates



Market sizes have been estimated using several methodologies and cross-checks.



Stakeholders

Edson detailed business/leisure travel estimate:

- 15,000 annual stimulated energy sector trips
- 5,000 annual non-energy sector trips
- 12,000 annual non-business trips
- Total: 32,000 annual trips

Edson catchment area:

- Town of Edson represents ~16% of total catchment area population
- Implies 203,000 annual origin/destination passengers.

Propensity to Travel

Alberta provincial total:

- 3.645 million population
- 15.3 million annual origin/destination passengers
- 4.19 annual trips/capita

Edson catchment area:

- 75,400 population
- 2.76 annual trips/capita (assume 2/3 provincial average)
- Implies 208,500 annual origin/destination passengers.

Average = 205,750 annual passengers

Benchmarking

Average of nine comparable regional airports in Canada:

- 785,000 total population (120-minute drive time)
- 298,000 annual departing seats
- 0.38 departing seats/capita

Edson catchment area:

- 91,300 population
- Implies 34,600 annual departing seats, or 69,200 total in/out seats

Filling 70% of these seats would require 48,400 passengers, or 24% market share of catchment passengers.

Market Size Estimates

Context – Market Size Thresholds

To provide context for this section, the table below provides a general “rule of thumb” passenger volumes required to support service for a range of aircraft types.

Aircraft		Weekly Outbound Frequency	Annual Seats	Annual Passengers (assuming 75% load factor)
Type	Average Seat Configuration			
Small Regional Jet	50	1	5,200	3,900
		3	15,600	11,700
		5	26,000	19,500
		7	36,400	27,300
Large Regional Jet	90	1	9,360	7,020
		3	28,080	21,060
		5	46,800	35,100
		7	65,520	49,140
Narrow-body Jet	140	1	14,560	10,920
		3	43,680	32,760
		5	72,800	54,600
		7	101,920	76,440
Wide-body Jet	250	1	26,000	19,500
		3	78,000	58,500
		5	130,000	97,500
		7	182,000	136,500

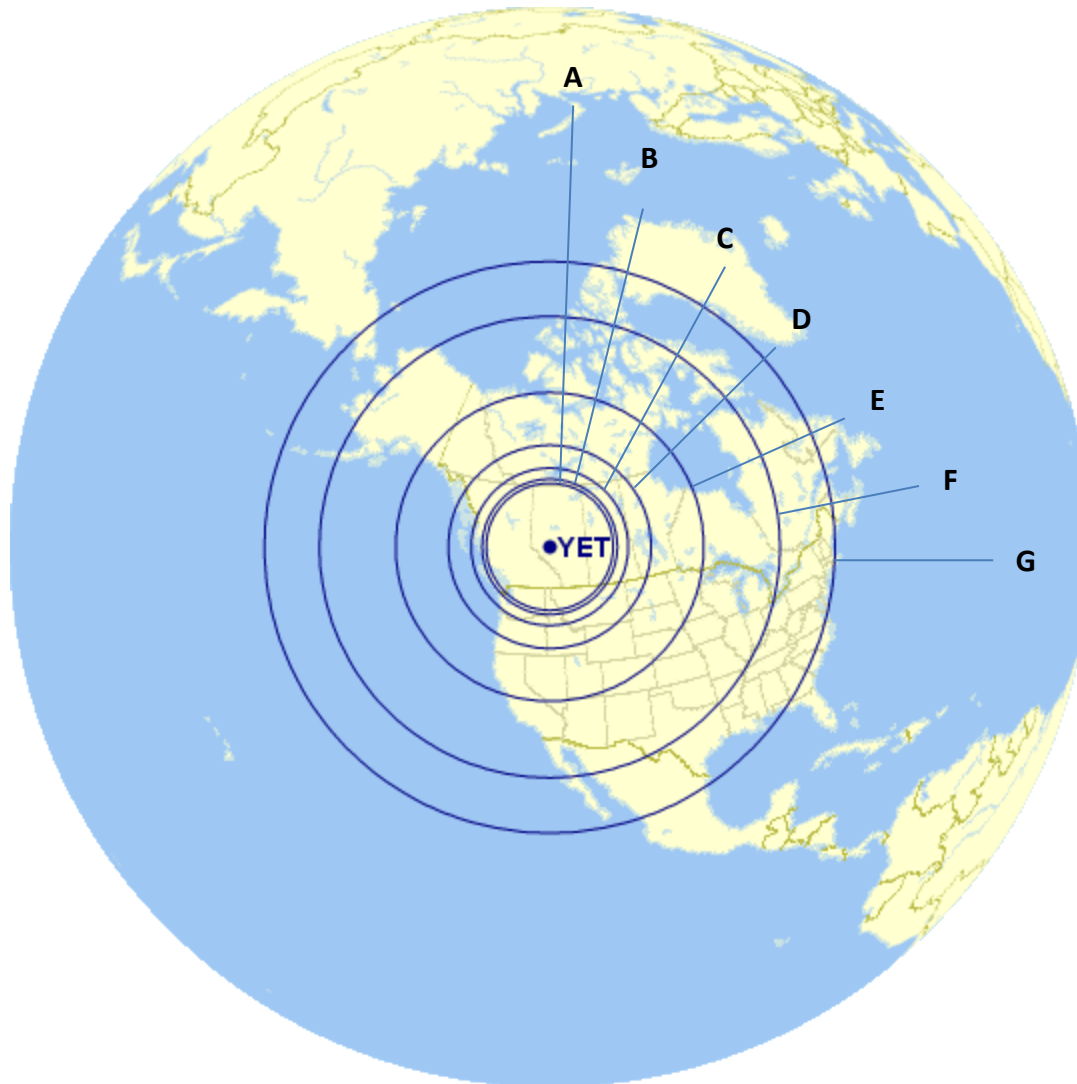
Airlines would need to capture

27,000 – 49,000

annual passengers from the Edson catchment area in order to operate daily service with 50-90 seat aircraft.

Market Size Estimates

Approximate Aircraft Range Limitations from YET



A. Beech 1900 (19 seats)

B. Dash 8-100 (37 seats)

C. CRJ-200 (50 seats)

D. Q400 (78 seats)

E. CRJ-200 (50 seats)

F. CRJ-705 (75 seats)

G. EMB-190 (93 seats)

Top Markets

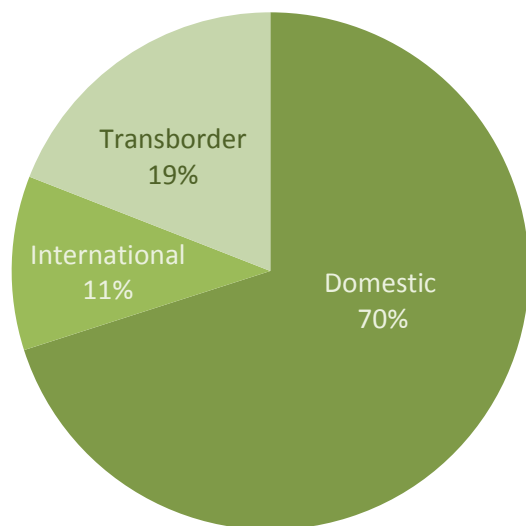
Edson Catchment Area Origin/Destination Passengers

Rank	Code	City	Country	Annual O/D Passengers	Summer	Winter	Average Fare
1	YVR	Vancouver	Canada	22,654	52%	48%	\$239
2	YYZ	Toronto	Canada	17,516	55%	45%	\$363
3	YYC	Calgary	Canada	15,377	46%	54%	\$157
4	YMM	Fort McMurray	Canada	8,670	50%	50%	\$294
5	LAS	Las Vegas	USA	8,612	49%	51%	\$204
6	YWG	Winnipeg	Canada	7,268	52%	48%	\$399
7	YLW	Kelowna	Canada	7,000	55%	45%	\$302
8	YYJ	Victoria (CA)	Canada	6,725	56%	44%	\$355
9	YOW	Ottawa	Canada	5,470	53%	47%	\$530
10	YZF	Yellowknife	Canada	4,613	50%	50%	\$247
11	YXX	Abbotsford	Canada	4,526	51%	49%	\$326
12	PHX	Phoenix	USA	4,469	31%	69%	\$227
13	YQU	Grande Prairie	Canada	4,285	44%	56%	\$281
14	YUL	Montreal	Canada	3,735	57%	43%	\$454
15	LAX	Los Angeles	USA	3,242	51%	49%	\$186
16	YQR	Regina	Canada	3,140	53%	47%	\$345
17	CUN	Cancun	Mexico	3,081	23%	77%	\$302
18	YXE	Saskatoon	Canada	2,886	52%	48%	\$298
19	YQQ	Comox	Canada	2,547	53%	47%	\$344
20	YHZ	Halifax	Canada	2,362	64%	36%	\$509
21	PVR	Puerto Vallarta	Mexico	2,078	27%	73%	\$320
22	PSP	Palm Springs	USA	1,852	23%	77%	\$231
23	MCO	Orlando	USA	1,817	39%	61%	\$281
24	YYT	St Johns	Canada	1,701	63%	37%	\$559
25	OGG	Kahului	USA	1,605	25%	75%	\$330
			Other	58,521	51%	49%	\$463
Edson Catchment Area Total				205,750	51%	49%	\$345

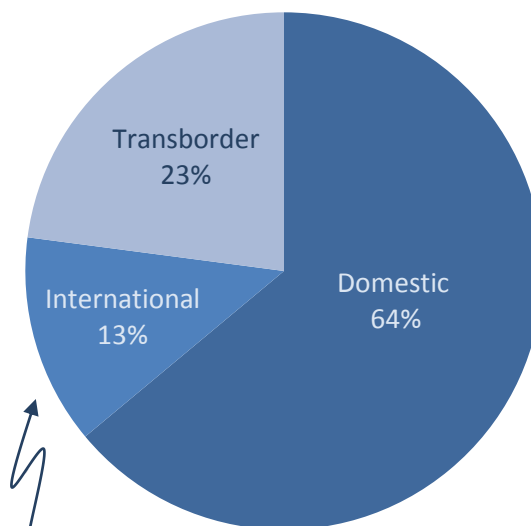
Air Travel Demand by Sector

It is estimated that over two-thirds of Edson catchment area passengers are travelling to/from points in Canada. Slightly more than one-in-five are travelling to/from the United States, and one-in-ten to/from other international points.

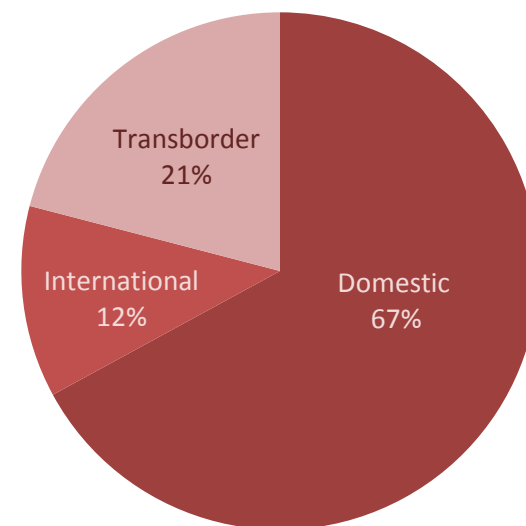
Share of Edson Passengers
(Summer)



Share of Edson Passengers
(Winter)



Share of Edson Passengers
(Total)



Higher transborder/international share
in winter driven by demand
for sunspot vacation destinations.

It is estimated that the Edson Airport catchment area generates approximately 205,000 annual origin/destination passengers.

- Most passengers are travelling to/from Canada. Approximately 60% of domestic passengers are travelling to/from Alberta, BC or Saskatchewan.
- Among international travellers, sunspot destinations generate the highest traffic volumes. Top international markets are Las Vegas, Phoenix, Los Angeles, Cancun, Puerto Vallarta, Palm Springs and Maui.
- Annual air travel demand is relatively evenly split between the summer season (April-September) and winter season (October-March). However, seasonality varies significantly by destination.

The Edson Airport catchment area generates sufficient air travel demand to support regularly scheduled commercial flights.

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Appropriate Level of Air Service



The Edson catchment area air travel market is estimated at 205,000 annual origin/destination passengers.

- However, even with new air services operating at YET, many passengers will continue to utilize Edmonton or Calgary airports for their flights (due to choice of airline, availability of non-stop service, flight frequency and/or lower airfares).
- As a result, YET flights will not capture 100% of the Edson air travel market.

Benchmarking analysis suggests that YET can support approximately 69,000 annual arriving/departing seats on scheduled commercial flights.

- Filling these seats to an average load factor of 70% would require 48,400 annual onboard passengers.
- This represents approximately 24% of the total air travel demand (205,000 passengers) generated in the catchment area. This seems reasonable.

A total of 69,000 annual in/out seats is roughly equivalent to:

- 14 return flights/week with 50-seat aircraft (e.g. Bombardier CRJ-200, Dash 8-300)
- 9 return flights/week with 75-seat aircraft (e.g., Bombardier CRJ-705, Q400)
- 7 return flights/week with 93-seat aircraft (e.g., Embraer 190)
- 5 return flights/week with 140-seat aircraft (e.g., Boeing 737)

Individually, no market is large enough to support the capacity that regularly-scheduled YET flights would provide.

- Even capturing 100% of Edson's largest individual air travel market (Vancouver – 22,600 annual passengers) would fill only 60% of a daily flight operated with 50-seat aircraft. Capturing half of the Vancouver market would fill only 30% of the aircraft.

Small aircraft operators can provide limited service on point-to-point routes (e.g., weekday flights to/from Calgary), but historically such flights have been challenged by high cost, passenger aircraft acceptance and airline financial weakness.

As a result, air service it is recommended that flights be pursued to/from a network carrier hub (serving both point-to-point and connecting passengers).

Air Service Opportunities



Calgary ●

- Third largest O/D market for YET (~15,000 annual passengers).
- Key market for energy sector short trips/meetings.
- Considerable stimulation potential for both business and inbound tourism sectors.
- Hub airport for both Air Canada (35 nonstop routes) and WestJet (34 nonstop routes)
- Short stage length (199 air miles) may be a challenge for route economics.
- Target carriers:
 - WestJet (Q400)
 - Air Canada (Dash 8-100/300 or CRJ-200)

Las Vegas ●

- Largest international market for YET (~8,600 annual passengers).
- High demand outbound leisure market.
- Potential for limited frequency scheduled service (1-2 flights/week) or seasonal charter program.
- Target carriers:
 - WestJet (737)
 - Casino charters (MD-80)

Fort McMurray ●

- Fourth largest market for YET (~8,600 annual passengers).
- Not a focus for either AC or WS, but potential for energy shift worker transfer or inbound leisure visits. Either could likely be accommodated by limited frequency service.
- Target carriers: regional operators

Vancouver ●

- Largest O/D market for YET (23,000 annual passengers).
- Key market for forestry & mining sectors
- Key gateway for international visitors.
- Considerable stimulation potential for both business and inbound tourism sectors.
- Hub airport for Air Canada (50 nonstop routes) and focus city for WestJet (24 nonstop routes)
- Air Canada regional feed from YVR to Vancouver Island & Central BC may attract energy shift workers.
- Potential for limited frequency, seasonal service. Most likely in summer (in conjunction with road/rail package), potentially in winter (ski market) assuming sufficient cargo capacity to handle equipment.
- Target carriers:
 - Air Canada (Dash 300 or CRJ-200)
 - WestJet (Q400 or 737)

Toronto ●

- Second largest market for YET (~17,500 annual passengers).
- Hub for AC (126 routes) and WS (50 routes).
- Potential for limited frequency, seasonal service.
- Route distance may be a challenge (1,800 miles), requiring scarce EMB-190 jets or high-capacity 737 aircraft .
- Precedent exists for long haul ski/leisure markets, such as Toronto-Kelowna, operated by both AC and WS.
- Target carriers:
 - Air Canada (EMB 190)
 - WestJet (737)

Although Edson Airport can support direct air service, it is expected that the majority of catchment area passengers will continue to use the current primary gateway: Edmonton International.

- Passengers will always have motivation to use YEG: greater choice of airlines, more non-stop routes, lower fares, etc.
- Much of the traffic eventually using Edson Airport will be the result of ‘modal shift’ – travellers currently using other modes of transportation to reach the catchment area (car from Calgary, train from Vancouver, etc.), who may fly if air service is available. This is incremental air travel, and will not be shifted from YEG.
- In addition, improved air access to Edson will generate increased demand for business and leisure travel to the catchment area – as the region’s primary gateway, YEG is expected to benefit from this increased demand.
- Opportunity may exist to explore niche services between Edson and Edmonton, providing connectivity for international visitors, for example.

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ASD Targets & Implementation Plan



Based on stakeholder consultations and market size analysis, it appears that the Edson catchment area generates sufficient air travel demand to support commercial air services.

Recommendations include:

- 1) Proceed to Phase II of the project.
- 2) Develop customized business case packages in support of new YET service for presentation to WestJet and Air Canada. Develop 'generic' business case package for use with other airlines (including regional point-to-point flights).
- 3) Future phase: meet with AC/WS network planners at corporate headquarters to present YET business case and advance YET evaluation by the carriers.
- 4) Future phase: undertake detailed assessment of YET facility improvements needed to support commercial air services, and identify funding options.
- 5) Future phase: evaluate/negotiate financial incentives for new air service, if required and if appropriate.

Recommended Primary Target: WestJet

WestJet Pros:

- Introducing 78-seat Q400 turboprops into fleet in mid-2013, which are appropriate for the size of the Edson market and short route distances.
- Operates a primary hub at YYC, providing connectivity to over 30 destinations in Canada, the United States and international destinations.
- Based in Western Canada, and familiar with regional markets and travel patterns in Alberta.
- High degree of customer loyalty in Western Canada, and track record of using low fares to stimulate air travel demand.

WestJet Cons:

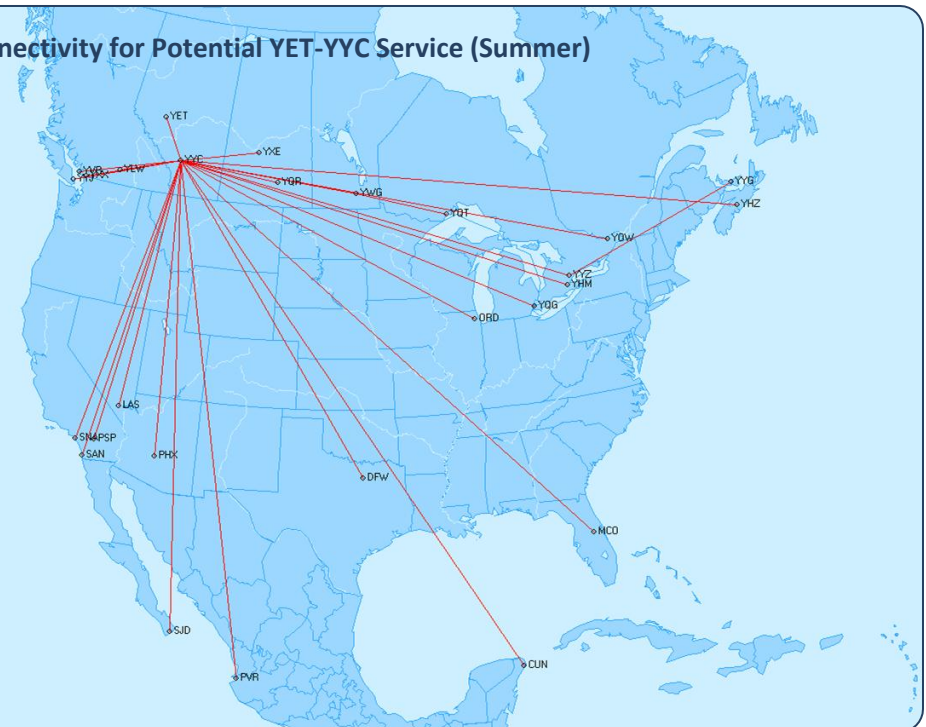
- Dominant carrier in Edmonton, with passenger market share of approximately 46%. As a result, WS likely captures the largest share of Edson passengers currently, and risks cannibalization of traffic by serving YET directly.
- Scarce regional aircraft and demand for Q400 service from many Canadian/US airports means WS may not have aircraft to allocate to YET for several years.

WestJet is recommended as the primary airline target for Edson service.

Potential routes:

- Calgary (Q400)
- Vancouver (Q400 or 737)
- Las Vegas (737)

WestJet Connectivity for Potential YET-YYC Service (Summer)



Recommended Secondary Target: Air Canada

Air Canada Pros:

- Air Canada operates a wider range of regional aircraft than WestJet, including those configured with 19, 37, 50, 70, 73, 74, 75 and 93 seats.
- Operates a secondary hub at YYC, providing connectivity to over 30 points in Canada, the United States and international destinations.
- With a mature regional network in Canada and the United States, AC may have greater availability of regional aircraft, with ability to pull frequency from under-performing routes.
- May be interested in moving strategically into the YET market to deny traffic to WS at YEG.

Air Canada Cons:

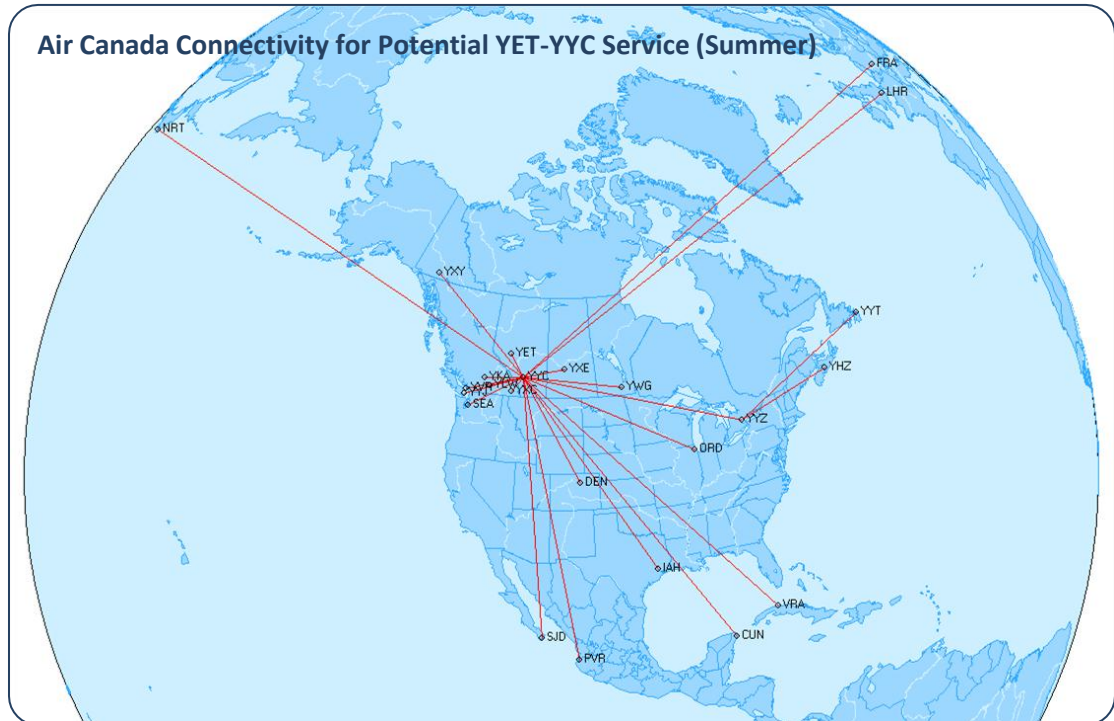
- Regional services in Alberta and BC have historically been priced very highly (e.g., Lethbridge-Calgary, etc.). This has suppressed demand by business travellers, has not stimulated leisure travel, and has resulted in continued surface leakage to larger airports.

Air Canada is recommended as the secondary airline target for Edson service.

Potential routes:

- Calgary (Dash 8-100, Dash 8-300, Q400)
- Vancouver (CRJ-200)

Air Canada Connectivity for Potential YET-YYC Service (Summer)



Developing a credible business case for new flights is critical in generating additional air services. Business cases should include not only background information and statistics, but strategic route analysis conducted from an airline planner's perspective.

The core of the business case is the detailed route analysis required for airline planners to commit to a new air service. InterVISTAS will undertake this analysis using Profit Essentials, a high-speed traffic and revenue allocation model, to forecast the market share, traffic composition, connectivity and load factor of a potential new air service. Profit Essentials is a sophisticated Quality Service Index (QSI) route planning application used by airlines, aircraft manufacturers, governments, airports and consultants around the world.

Presentation packages will be designed to build a persuasive business case to justify new air service, and to motivate airline network planners to undertake a serious assessment of the Edson market. Components include:

- 1) Economic, demographic and tourism information for the airport's catchment area
- 2) Airport facility information, including airport fees
- 3) Market sizes, traffic trends, traffic leakage, and air services benchmarking
- 4) Suggested new air services, fleet type and specific flight schedules
- 5) Traffic stimulation modeling
- 6) Competitive analysis
- 7) Detailed route analysis, including market share and load factor forecasts
- 8) Flight revenue forecasts
- 9) Strategic considerations
- 10) Next steps and contact information.

To provide a quantitative foundation for the YET business cases, InterVISTAS will:

- 1) Develop realistic flight schedules for each priority route, designed to maximize connectivity, appropriately serve the YET business/leisure markets, and fit the target airlines' hub strategy
- 2) Determine the most appropriate aircraft type and viable flight frequency for the route
- 3) Provide a conservative and realistic assessment of traffic stimulation potential for the new air service
 - Note that InterVISTAS has developed a unique and defensible methodology for estimating traffic stimulation, and will provide customized estimates for the proposed local (nonstop) markets (e.g., YET-YYC) and each connecting market (e.g., YET-YYC-YYZ, etc.)
- 4) Provide detailed traffic flow forecast results, including:
 - The online and codeshare single and double connecting markets for the new flights
 - The expected market share that the new flights will capture in each non-stop and connecting city pair
 - The forecast load factor for the new flights
 - The proportion of local vs. connecting passengers on the flights
 - The forecast flight revenue (both sector prorated and network contribution)
- 5) Provide an assessment of the impact of the new services on the airline's existing operations at Edmonton International, to quantify potential cannibalization.

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Cautions & Challenges



It is important that expectations for developing new air services are realistic. As previously described, ASD timelines are measured not in weeks or months, but in years. Several risk factors and challenges may impact the potential timing of new YET air services. Examples include:

- Air Canada's financial situation presents a challenge for market expansion
- WestJet's limited small aircraft fleet. With only 20 firm orders for Q400 aircraft, WestJet will have far more route options than planes. Edson will be evaluated against many other options, including:
 - Existing routes: Q400s can be used for frequency increases or 737 jet replacement on routes currently served by WestJet.
 - Connecting the dots: Q400s can be used to introduce service between existing WestJet cities that do not have nonstop service (Prince George-Calgary, Regina-Winnipeg, etc.).
 - New markets: There are many other new markets in Canada and the United States not currently served by WestJet (Lethbridge, Brandon, Sudbury, etc.)
- Edson Airport infrastructure improvements are required to support regularly scheduled commercial air service. Both airside and landside facilities must be assessed. Landside improvements are clearly required, but can likely be accomplished at low cost.
- Edson-Calgary would be a short stage length flight (199 miles). This presents cost and revenue challenges for airlines. As a result, WestJet has reduced ultra-short haul flying over the past decade: in 2002, one-in-five WestJet flights was less than 250 miles. Now, just one-in-ten flights is under 250 miles.

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Contact Information



John Weatherill

Executive Vice President, Route Development

john.weatherill@intervistas.com

+1 403 991 1669

Paul Clark

Vice President, Destination & Customer Experience

paul.clark@intervistas.com

+1 604 717 1837

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www.intervistas.com