
APPENDIX A-AIR SERVICE DEVELOPMENT PLAN

Introduction

This document presents a preliminary air service development plan for the Valdosta Regional Airport (VLD). The purpose of this plan is to assess the demand for existing and additional air service to be used to enhance air service and benefit the air service area served by the Valdosta Regional Airport.

The air service development plan evaluates past performance of the commercial carrier at airport, various population and economic trends in the South Georgia/Northern Florida area and future potential growth in the geographical area which could impact air travel in and out of VLD.

The airline industry has changed dramatically over the last five years and the regional non-hub airports have been impacted by, not only changes in the relationships with air carriers, but also the additional mandated security measures imposed by governmental agencies. Valdosta Regional has managed to show that there is a growing market of potential passengers in the South Georgia/Northern Florida area who find the airport convenient and an easy commute to the major hub of Atlanta which can easily provide service and connections throughout the world. One of the biggest challenges for VLD is its close geographic proximity to the Jacksonville, (JAX), Tallahassee, (TLH), and Gainesville, (GNV) FL airports. With several low cost carriers operating out of JAX, passengers are traveling the 100 miles to JAX for lower fares.

The last air service study which was completed in April 2001 found the geographic region that supports the Valdosta Regional Airport area, (13 counties in southern Georgia and northern Florida), to be growing at a slow but steady rate.¹ At that time, Delta Air Lines, Inc. had purchased Atlantic Southeast Airlines, (ASA), and was operating seven round trip flights a day from VLD to Hartsfield-Jackson International Airport, (ATL). Delta was in the process of replacing turbo-prop airplanes with regional jet equipment. Enplanements and market share had risen and dipped dramatically – declining one year then rising to double digits the following year. An example taken from the 2001 Master Plan Update shows VLD's annual growth rate of enplanements – market share rose 18.3% in 1995 then dropped -.07% in 1996, then rose 16.6% in 1997. The projected market share increase for the period of 1998 to 2019 is reflected at approximately 6.5% percent over the 20 year planning period.²

¹ Sources: Airport Management Records, FAA Aviation Forecasts FY 1999-2010, Wilbur Smith Associates, Inc – Valdosta Regional Airport Master Plan Update – Final Report April 2001.

² Sources: Airport Management Records, FAA Aviation Forecasts FY 1999-2010, Wilbur Smith Associates, Inc – Valdosta Regional Airport Master Plan Update – Final Report April 2001.

The existing physical runway facilities at the airport and their current ability to serve larger and heavier aircraft was noted as the only potential restriction VLD might have to accommodate future air traffic in the 2001 air service study. However, the primary runway (17-35) has recently been extended from 6,300 feet to 8,002 feet, thus removing the potential restriction.

In conversations with airport staff, concerns were based around the continued service by Delta-ASA/Skywest. Since only one commercial carrier is operating at VLD, several issues were addressed, including:

- Is the current air service is adequate to support the Valdosta area;
- How viable is the possibility of losing the established air carrier;
- What can be done to enhance and support the existing and future air service; and,
- What steps should be implemented to move to foster the growth of air service at Valdosta Regional Airport.

Assessment of the Immediate Need for a Second Air Carrier/Replacement of Existing Air Carrier

Information obtained from the US Department of Commerce, Bureau of Economic Analysis³ has expanded the number of counties in the Valdosta Regional Airport Population Catchment Area to include approximately 25 counties, thus providing a broader geographic area of business and leisure or pleasure travelers. A Population Catchment Area is the geographic area in which potential air passengers reside. Population with the catchment area is noted in **Figure 1**. The arrows annotated on the Georgia counties map indicate the most distant counties in the Valdosta Regional Airport Population Catchment Area.

As presented in **Table 1**, analysis of the Population Catchment Area projects an anticipated growth rate for the Valdosta, Lowndes County and the surrounding multiple county areas to have an annual growth rate for the time period of 2005-2010 of approximately 1.4 %. This statistical data reflects the growth rate to double from the period of 2001-2005 which had a region total growth rate of 0.7 %. The VLD region total population was 585,904 in 2000 and rose to 607,490 in 2005. The projected estimated population for the region in 2010 is 652,548 which is based on the extension of current population growth trends.

The Valdosta Regional Airport Population Catchment Area is lagging slightly behind the State of Georgia as a whole with a 7.1% of the Georgia State population in 2000, dropping to 6.7% of the State population in 2005 and projected to continue to decline to 6.2% of the State population in 2010. The overall State of Georgia population growth rose from a 2.0 annual growth rate to a 3.0% projected annual growth rate for the period

³ Source: Selig Center for Economic Growth, Terry College of Business, University of Georgia, based on data from the U.S. Department of Commerce, Bureau of Economic Analysis

2005-2010. The population for the State of Georgia is projected to increase from 9,099,247 in 2005 to 10,529,893 in 2010.

Figure 1 – Geographic Region of Valdosta Regional Airport Catchment Area



Source: Carl Vinson Institute of Government – University of Georgia

Table 1 – Population of Valdosta Regional Airport Catchment Area

Population					
Counties	2000	2005*	Annual Growth Rate 2001-2005	e2010*	Annual Growth Rate 2005-2010
Baker	4,053	4,379	1.6	4,706	1.4
Berrien	16,278	16,946	0.8	18,400	1.7
Brooks	16,478	16,388	-0.1	16,967	0.7
Calhoun	6,324	6,325	0.0	6,924	1.8
Clay	3,357	3,360	0.0	3,416	0.3
Colquitt	42,138	44,402	1.1	48,514	1.8
Cook	15,838	16,574	0.9	18,201	1.9
Crisp	21,990	22,285	0.3	23,437	1.0
Decatur	28,242	28,803	0.4	30,503	1.2
Dougherty	95,923	95,208	-0.1	95,893	0.1
Early	12,347	12,257	-0.1	12,572	0.5
Echols	3,791	4,373	2.9	5,612	5.1
Grady	23,661	24,641	0.8	26,624	1.6
Lanier	7,267	7,737	1.3	8,791	2.6
Lee	24,890	31,499	4.8	40,095	4.9
Lowndes	92,114	97,045	1.0	105,979	1.8
Miller	6,384	6,269	-0.4	6,390	0.4
Mitchell	23,971	24,427	0.4	26,416	1.6
Randolph	7,759	7,249	-1.4	7,079	-0.5
Seminole	9,373	9,265	-0.2	9,560	0.6
Terrell	10,977	11,059	0.1	11,474	0.7
Thomas	42,849	44,770	0.9	48,167	1.5
Tift	38,450	40,367	1.0	43,295	1.4
Turner	9,515	9,621	0.2	10,105	1.0
Worth	21,935	22,241	0.3	23,428	1.0
Region Total	585,904	607,490	0.7	652,548	1.4
Georgia	8,230,087	9,099,247	2.0	10,529,893	3.0
% of State	7.1	6.7		6.2	

* Extension of trends. E County estimates for 2010 are controlled to projected state total may not add up exactly to state total due to rounding. ~ Compound annual rate of growth (percent). Source: *Selig Center for Economic Growth, Terry College of Business, The University of Georgia, based on data from the U.S. Department of Commerce, Bureau of Economic Analysis.

There are several contributing factors for additional growth which are valid in the Valdosta area.

The US Government's recent commitment of troops and civilians moving in and out of Moody Air Force Base along with other business and commercial growth in the area will continue to offer opportunities for growth at VLD. Projected troop and civilian movements of approximately 1,000 passengers a month could increase enplanements by 25%. It is difficult to determine whether or not the military will use VLD for the time saved and convenience of use or will use another regional airport for lower airfares and transport the passengers via ground transportation.

Several VLD regional businesses have purchased corporate aircraft and will use VLD for the convenience the local facility can provide.

According to US Department of Transportation data, Valdosta Regional Airport's top 20 Origin and Destination markets are reflected in **Table 2** and provide interesting insight into passenger travel.

Atlanta is by far, the top market for travel to/from VLD which means that more passengers fly from VLD to ATL than any other city. The passenger count drops dramatically between ATL and the next market, Las Vegas, (LAS). LAS is traditionally a leisure market and almost all of the LAS bound passengers are originating their travel in VLD, (92.91%) as opposed to 7.09% who are returning to other destinations. The rest of the top 10 markets are primarily strong business markets where the majority of the passengers are boarding in VLD.

It is important to note that each airport has a unique passenger profile based on the specific needs of the passenger. This is especially important in business markets such as the New York, (NYC) area airports. Business travelers will chose a specific airport based on where they are doing business. It is important to note that LaGuardia (LGA) number 3 and Newark (EWR) number 18 are in the top 20 markets; however John F. Kennedy, (JFK) is not in the top 20 markets which implies that the VLD international passengers are using the international hub at Atlanta, (ATL) for ease of travel.

Due to time constraints, business travelers are less likely to drive a 100 miles to take less direct service when Delta offers service in most business markets. Several markets, such as ATL-LGA, ATL-DCA, ATL-PHL and ATL-LAX, have hourly or near hourly service in/out of Atlanta. Therefore, it would be easier for a VLD business traveler to board in VLD with short lay-over times in ATL to major business markets than to drive to another airport for a less expensive fare. This type of passenger is more time sensitive and will pay an additional cost to fly out of VLD, whereas a leisure traveler traveling on vacation, possibly with a family, will take the additional time to drive to another airport such as Jacksonville, FL (JAX) to get a lower fare.

Travel time and multiple connections would make travel to another airport less likely for business travelers on a tight schedule.

Table 2 refers to Dominant Airlines as the partner airline marketing the route's longest segment. This indicates that even though ASA, (EV) operates the equipment from VLD to ATL, Delta Air Lines, and (DL) would be shown as the Dominant Carrier. **Figure 2** displays the information in **Table 2** graphically.

**Table 2 – US. DOT Top 20 Markets for Valdosta Regional Airport
 for Calendar Year Ending 1Q2006**

Rank	Destination	Psgs/ Quarter	Psgrs for year ending 1Q06	Average Fare	Gross Fare/w taxes	Revenue	Revenue for year ending 1Q06	% Psgs originating in VLD	% Psgs returning to other destinatio ns
1	ATL	661.7	2,646.7	\$137	\$157	\$90,918	\$363,672	47.59	50.00
2	LAS	288.9	1,155.6	\$189	\$223	\$54,527	\$218,107	92.91	7.09
3	LGA	286.1	1,144.3	\$160	\$191	\$45,769	\$183,075	73.60	24.80
4	LAX	278.5	1,113.9	\$158	\$189	\$43,945	\$175,779	72.95	26.23
5	DCA	251.1	1,004.5	\$151	\$182	\$37,927	\$151,708	69.09	30.91
6	DFW	249.0	995.8	\$200	\$234	\$49,572	\$198,289	79.82	19.27
7	BWI	245.9	983.5	\$185	\$218	\$45,371	\$181,484	67.59	30.56
8	SEA	221.5	886.1	\$224	\$261	\$49,588	\$198,354	57.73	41.24
9	PHL	217.2	868.7	\$140	\$170	\$30,392	\$121,566	62.11	37.89
10	SAT	214.4	857.5	\$253	\$291	\$54,359	\$217,435	77.66	22.34
11	SFO	209.8	839.0	\$157	\$188	\$32,987	\$131,948	63.04	36.96
12	BNA	207.2	828.6	\$139	\$168	\$28,735	\$114,940	71.43	28.57
13	PHX	201.1	804.2	\$174	\$206	\$34,933	\$139,733	80.68	19.32
14	RDU	200.8	803.2	\$147	\$178	\$29,609	\$118,435	57.95	42.05
15	ORD	187.3	749.0	\$192	\$226	\$36,003	\$144,013	69.51	26.83
16	MCI	179.9	719.5	\$136	\$166	\$24,435	\$97,741	60.76	37.97
17	SAN	166.8	667.2	\$163	\$194	\$27,099	\$108,395	69.86	30.14
18	EWR	166.3	665.2	\$187	\$220	\$31,105	\$124,418	52.05	42.47
19	DEN	155.2	620.9	\$212	\$247	\$32,821	\$131,285	60.29	39.71
20	STL	148.6	594.3	\$180	\$214	\$26,786	\$107,143	66.15	33.85
Total		10,245.2	40,980.8	\$188	\$221	\$1,923,955	\$7,695,820	64.95	34.27

Source: Seabury Airline Planning Group, LLC.

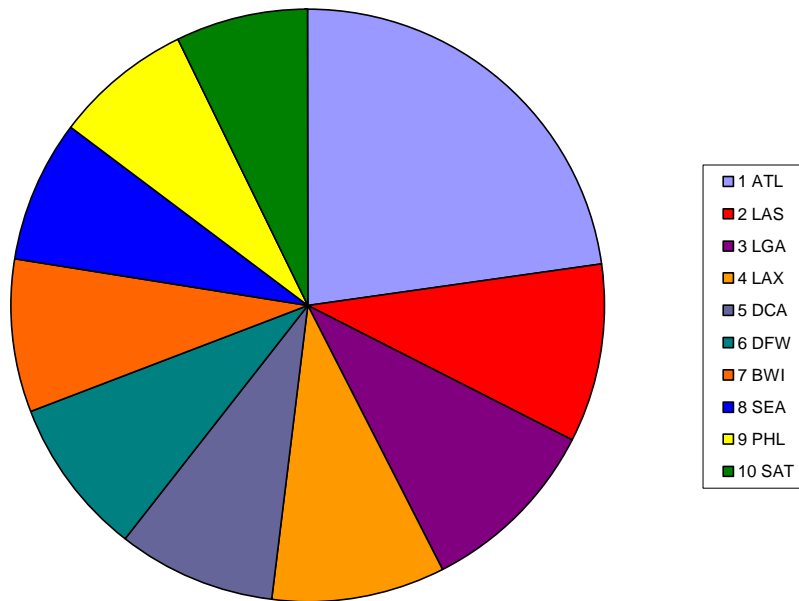
Note: passenger and revenue figures are per quarter and directional.

Passenger counts for the year ending 1Q06 have been extrapolated based on quarterly data.

All Airlines listed are Dominant Airlines, marketing the route's longest segment.

**Figure 2 – US. DOT Top 10 Markets for Valdosta Regional Airport
for Calendar Year Ending 1Q2006**

Top 10 Markets for VLD - Passengers by QTR



Source: Seabury Airline Planning Group, LLC

Valdosta Regional Airport's commercial air service has undergone a recent change in that the major carrier, Delta Air Lines, Inc., offering service with their regional carrier subsidiary, ASA, has sold this regional carrier to Skywest Airlines. SkyWest, Inc. is the parent company of SkyWest Airlines. SkyWest Airlines is a wholly owned subsidiary of SkyWest, Inc; both are based in St. George, Utah. SkyWest, Inc. has recently announced that the purchase of Atlanta-based Atlantic Southeast Airlines (ASA) is complete, as shown in the following press release.



SkyWest
NEWS RELEASE ⁴
FOR IMMEDIATE RELEASE: August 10, 2006

SKYWEST, INC. REPORTS COMBINED JULY TRAFFIC

FOR SKYWEST AIRLINES AND ATLANTIC SOUTHEAST AIRLINES

ST. GEORGE, UT, PR*Newswire/* -- SkyWest, Inc. (NASDAQ: SKYW) reported a 107.5 percent increase in revenue passenger miles (RPMs) for July, while available seat miles (ASMs) increased 99.4 percent compared to the same period last year. The combined airlines generated 1.47 billion RPMs for the month, while ASMs increased to 1.79 billion. Load factor was up 3.2 percentage points to 82.3 percent compared to 79.1 percent for the same period last year. Passenger boardings for July totaled 2,901,690 a 95.8 percent increase over July 2005. SkyWest Airlines, based in St. George, Utah, and ASA, based in Atlanta, Georgia are wholly owned subsidiaries of SkyWest, Inc. SkyWest Airlines operates as United Express and Delta Connection carriers under contractual agreements with United Airlines and Delta Air Lines. ASA operates as a Delta Connection carrier under a contractual agreement with Delta Air Lines. System-wide, SkyWest, Inc. serves a total of approximately 231 cities in the United States, Canada, Mexico and the Caribbean, with approximately 2,468 daily departures. This press release and additional information regarding SkyWest, Inc. can be accessed at www.skywest.com.

FLIGHT STATISTICS
SkyWest, Inc. July Traffic
2006 2005 % Change

Passengers	2,901,690	1,482,343	95.8
Revenue Passenger Miles	1,474,470,396	710,592,027	107.5
Available Seat Miles	1,790,571,950	897,951,672	99.4
Load Factor	82.3	79.1	3.2 pts
Block Hours	114,568	61,525	86.2
Departures	74,619	44,818	66.5

Calendar Year-To-Date
2006 2005 % Change

Passengers	18,437,047	9,352,070	97.1
Revenue Passenger Miles	9,175,778,726	4,253,036,168	115.7
Available Seat Miles	11,562,829,902	5,664,117,910	104.1
Load Factor	79.4	75.1	4.3 pts
Block Hours	741,624	404,207	83.5
Departures	491,046	301,489	62.9

⁴ For more information contact:
 Michael J. Kraupp
 VP Finance and Asst. Treasurer
 Telephone: (435) 634-3203
 Source: http://www.skywest.com/invest/investor_releases/2006/Aug/JUL06-SKYW_Traffic.pdf

The Flight Statistics Table which is part of the SkyWest press release is used to display that SkyWest has almost doubled their passengers, revenue passenger miles, (RPMs) and available seat miles, (ASMs) with the acquisition of Atlantic Southeast Airlines. The load factors have increased year over year accounts for market gains in the markets that they serve – one of which is VLD.

Delta Air Lines, Inc., under contractual agreement, is operating the service between Valdosta Regional Airport and Hartsfield-Jackson Atlanta International Airport using ASA/Skywest equipment in an ASM (Available Seat Mile) Buy agreement with Skywest. Delta has a commitment to the Valdosta Regional Airport and continues to upgrade equipment in the VLD-ATL market.

Delta currently offers three daily non-stop flights in the VLD – ATL market with a total of six round trips a day. The flight segments include one Aerospatiale/Alenia ATR72 Turbo- prop and two Canadair Regional Jets, (CRJ). The ATR will accommodate 66 passengers. Early in September, Delta has upgraded the current 40 passenger CRJ to a 50 passenger CRJ thus providing an additional 10 seats departing VLD and 10 departing ATL on a daily basis. (Sept. 9 – Nov 11, 2006 DL has two flights scheduled for Saturdays.) Both types of equipment are single compartment planes offering coach/economy service.

Effective September, 2006, the approximate number of daily seats out of VLD is 166 seats offered by Delta via the ASA/Skywest contractual agreement. There are a total of 332 seats offered a day in/out of VLD to ATL offered by Delta. Though this number of seats offered by Delta is down from years past, Valdosta's current boardings and load factors are strong, but are not yet at the capacity level to warrant additional Delta/ASA/Skywest service. As the VLD-ATL market continues to grow, the potential for additional service becomes more realistic.

The 2005 historical seats that were offered out of Valdosta by Delta were approximately 55,000 available seats while the 2005 enplanements based on Valdosta Regional Airport data was 40,667. Delta has increased the current seat allotment out of VLD to approximately 60,000 available seats a year effective September, 2006 with the prorated amount for the 2006 calendar year at approximately 57,360 available seats. The year over year increase in available seats from VLD to ATL has increased 4.29% from 2005 to 2006; and a 4.6% increase for 2007.

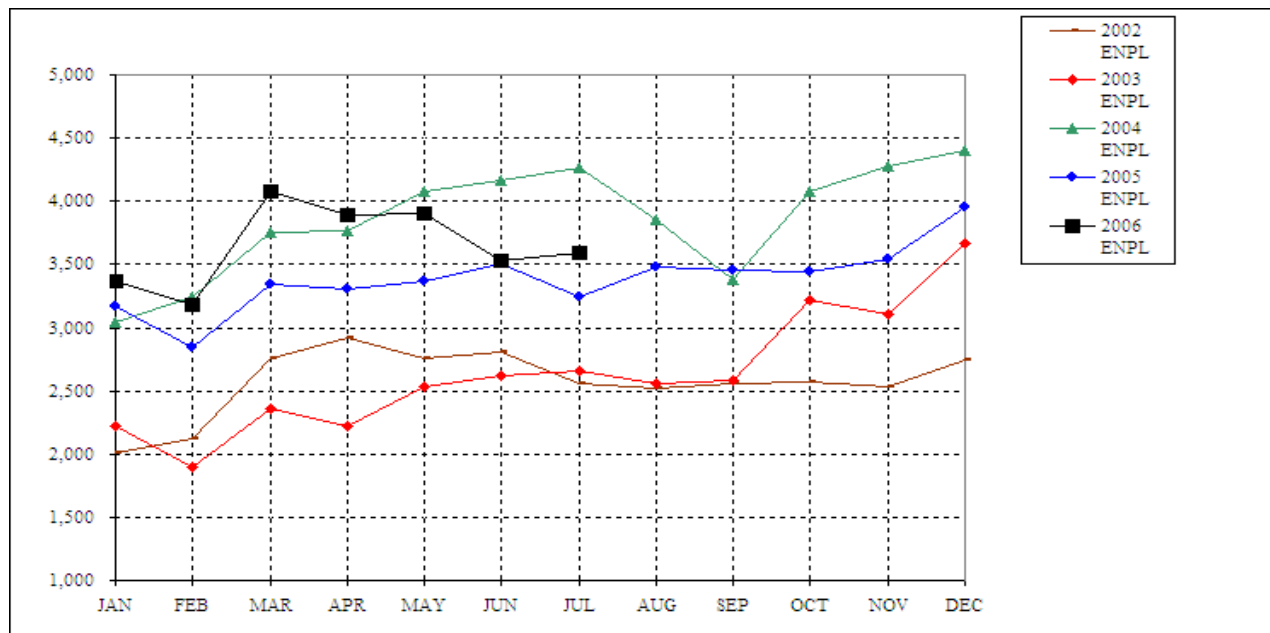
Table 3 and **Figure 4** present current and historical passenger data for VLD.

Table 3 – ASA Enplanement/Deplanement Statistics for VLD

	2002		2003		2004		2005		2006	
	ENPL	DEPL	ENPL	DEPL	ENPL	DEPL	ENPL	DEPL	ENPL	DEPL
JAN	2,009	1,948	2,226	2,291	3,040	3,175	3,174	3,362	3,365	3,375
FEB	2,117	2,171	1,894	2,097	3,238	3,111	2,844	2,741	3,175	3,170
MAR	2,751	3,106	2,361	2,314	3,759	3,790	3,348	3,394	4,074	3,959
APR	2,918	2,683	2,225	2,499	3,763	3,844	3,302	3,264	3,886	3,802
MAY	2,755	2,809	2,534	2,612	4,072	3,871	3,363	3,248	3,906	3,657
JUN	2,806	2,912	2,624	2,706	4,168	4,129	3,501	3,432	3,535	3,423
JUL	2,562	2,630	2,652	2,748	4,269	4,240	3,249	3,457	3,591	3,463
AUG	2,524	2,623	2,553	2,705	3,850	4,026	3,481	3,549		
SEP	2,561	2,459	2,578	2,515	3,385	3,274	3,458	3,109		
OCT	2,567	2,754	3,220	3,257	4,077	4,021	3,447	3,337		
NOV	2,538	2,655	3,110	3,257	4,274	4,191	3,547	3,403		
DEC	2,743	2,579	3,662	3,660	4,406	4,207	3,953	3,794		
TOTAL	30,851	31,329	31,639	32,661	46,301	45,879	40,667	40,090	25,532	24,849

Source: Valdosta Regional Airport, 2006.

**Figure 4
 2002-2006 ASA ENPLANEMENTS/DEPLANEMENTS**



ASA enplanements vary greatly from year to year and month to month with little consistency in travel patterns. VLD appears to have a seasonal passenger increase in boardings in the travel periods from November to December. Enplanements had their strongest year in 2004 with the highest number of travelers in July, November and December. Conversations with the airlines relate these passenger increases to a “sister-city” competitive fare initiative reducing VLD fare levels to levels more competitive with the fare levels being offered in JAX. Airlines have used a “sister-city” concept to lower fares in cities that were not close enough in geographic proximity to be considered co-terminals, but were geographically close enough for passengers to drive from a closer airport to an airport which has lower fares. By taking the lower fares and charging a increase of \$10 or \$20 over the fares of the lower cities fares, passengers were less likely to drive to another airport. In 2005, when the sister-city fare initiatives were no longer in place, the enplanements dropped dramatically and remained almost flat until the 2005 December holiday travel period. In 2006, there was a sharp increase in passenger enplanements in March, however there has been a steady decline or leveling off through July of 2006. As JAX and ATL airports with low cost airlines offer sale fares in the top VLD markets, if the price point is low enough, passengers will drive for the cost savings.

The FAA’s Terminal Area Forecast Report, (TAF) (**Attachment A**), which based on annual national forecast issued February, 2006 projects a 3.3 % growth rate for enplanements from VLD which is about twice the region’s population growth. The report is shown to support projected growth at VLD and to depict historical inconsistencies in past growth patterns. The airport has shown to be able to have a strong growth pattern when the airport has competitive fare levels as noted by the strong growth pattern in 2004.

In conclusion, the socioeconomic data as it relates to population and economic growth in the Valdosta Regional Airport population catchment area is growing at a population rate of 1.4% over the next five years. The FAA TAF projects an increase in enplanements for 2006 at 3.33% and fluctuating between 3.33% and 3.34%. Historical trends might prove the projected TAF data inaccurate and somewhat lower than would be expected. However, reiterating the current Delta seat offering in VLD, the 2005 historical seats that were offered at VLD by Delta were approximately 55,000 available seats while the 2005 enplanements based on Valdosta Regional Airport data was 40,667. Delta has increased the current seat allotment out of VLD to approximately 60,000 available seats a year effective September 2006, with the prorated amount for the 2006 calendar year at approximately 57,360 available seats. The year over year increase in available seats from VLD to ATL has increased 4.29% from 2005 to 2006; and a 4.6% increase for 2007.

Delta continues to add seats at a rate that out paces population growth and enplanements in the Valdosta area. Based on the projected growth, Valdosta Regional Airport should have ample seats available to grow the existing market without the need for additional air service at the present time. Delta’s combined route system with ASA/SkyWest service out of VLD has the ability to provide seamless air service to the

top twenty markets in/out of VLD through the Delta hub in Atlanta where passengers have chosen to fly.

Sensitivity Analysis

Delta's current financial situation is being scrutinized and monitored on a daily basis by the US Bankruptcy courts, the employees, stock holders and especially the traveling public. Based on Delta's August 2006 Traffic Report, System traffic for August 2006 decreased 3.0% from August 2005 with a capacity decrease of 2.9%. Delta's system load factor was 79.9% in August 2006, down 0.1 points from the same period last year.

Domestic travel in August decreased 12.1 percent over August 2005 and capacity decreased 12.5%. The Domestic load factor was 80.3%, up 0.3 points over August 2005. International traffic increased 26.2% year over year with a 27.9% increase in capacity. International load factor was 79%, down 1.1 points from August 2005.

During August 2006, Delta operated its schedule at a 98.6% completion rate compared to 97.1% in August 2005. Delta boarded 9.4 million passengers during the month of August 2006, a decrease of 11.6% from August 2005.

In the Delta monthly and year to date traffic results, shown in **Attachment B**, the RPMs (Revenue per Mile), ASMs (Available Seat Miles), and Load Factors have been shifted to move ASA data from an ASA designated field as it was noted in 2005 to Contract Carriers in 2006. This reflects the selling of ASA to Skywest. It should not be implied that there are no ASA flights operating, merely that they are operating as a contractual carrier for Delta.

Delta's financial reports are indicative of a year over year reduction in capacity, (available seats) which could have a net effect on the number of passengers the airline is able to carry. Delta continues to grow their route system and is adding new service, upgrading the fleet, hedging fuel at reasonable levels and containing costs of doing business while enhancing the passenger experience. Delta appears to be moving in the right direction and hopes to emerge from bankruptcy in the next year. (Attachment B)

One key to the continued profit improvement programs Delta has initiated is to make sure that as many seats as possible can be filled on existing flight schedules. Filling seats does not necessarily mean profitability as have been noted in some low cost carrier markets. The DOT load factor report which relates to the percentage of the plane that is filled to capacity is noted below.

In the DOT - US Onboards (T100) Region Report for Delta flights between VLD and all other airports through May 2006, VLD's load factors have been consistently in the high 60's to low 70's in load factor percents, as shown in **Table 4**. Strong load factors will be the key to keeping Delta service in/out of VLD. With Delta's last reported domestic system load factor average at 79.3%, the US DOT load factors for VLD are somewhat lower than the system average.

**Table 4 – U.S. Onboards (T100) Region Report for DL
 for flights between VLD and all other airports through May 2006**

Date	Deps	Deps/Day	On-Boards	Seats	Load Factor
2Q05	329	3.62	10,415	16,784	62.05
3Q05	302	3.28	10,476	15,450	67.81
4Q05	295	3.21	11,266	15,242	73.91
1Q06	307	3.41	10,860	16,028	67.76
2Q06	231	2.54	7,862	11,752	66.90

*Note: Data is directional.
 Note: Some calendar year quarters may not contain 3 months of data.
 Source: Seabury Airline Planning Group, LLC*

For comparison purposes, included is the same DOT – US Onboards (T100) Region Report for all airlines for flights between JAX and all other airports for the same period of time, shown in **Table 5**. The average load factor for all of the airlines has been substantially greater out of JAX with the exception of fourth quarter 2005. In reviewing fare comparisons between JAX and VLD during this time period, it appears that the VLD fares were more competitive with the JAX fares, thus discouraging normally originating VLD passengers from driving to/from JAX.

**Table 5 – U.S. Onboards (T100) Region Report for DL
 for flights between JAX and all other airports through May 2006**

Date	Deps	Deps/Day	On-Boards	Seats	Load Factor
2Q05	9,567	105.13	803,245	986,881	81.39
3Q05	9,990	108.59	759,279	987,797	76.87
4Q05	9,905	107.66	743,178	972,503	76.42
1Q06	9,361	104.01	722,625	964,242	74.94
2Q06	6,311	69.35	544,414	664,111	81.98

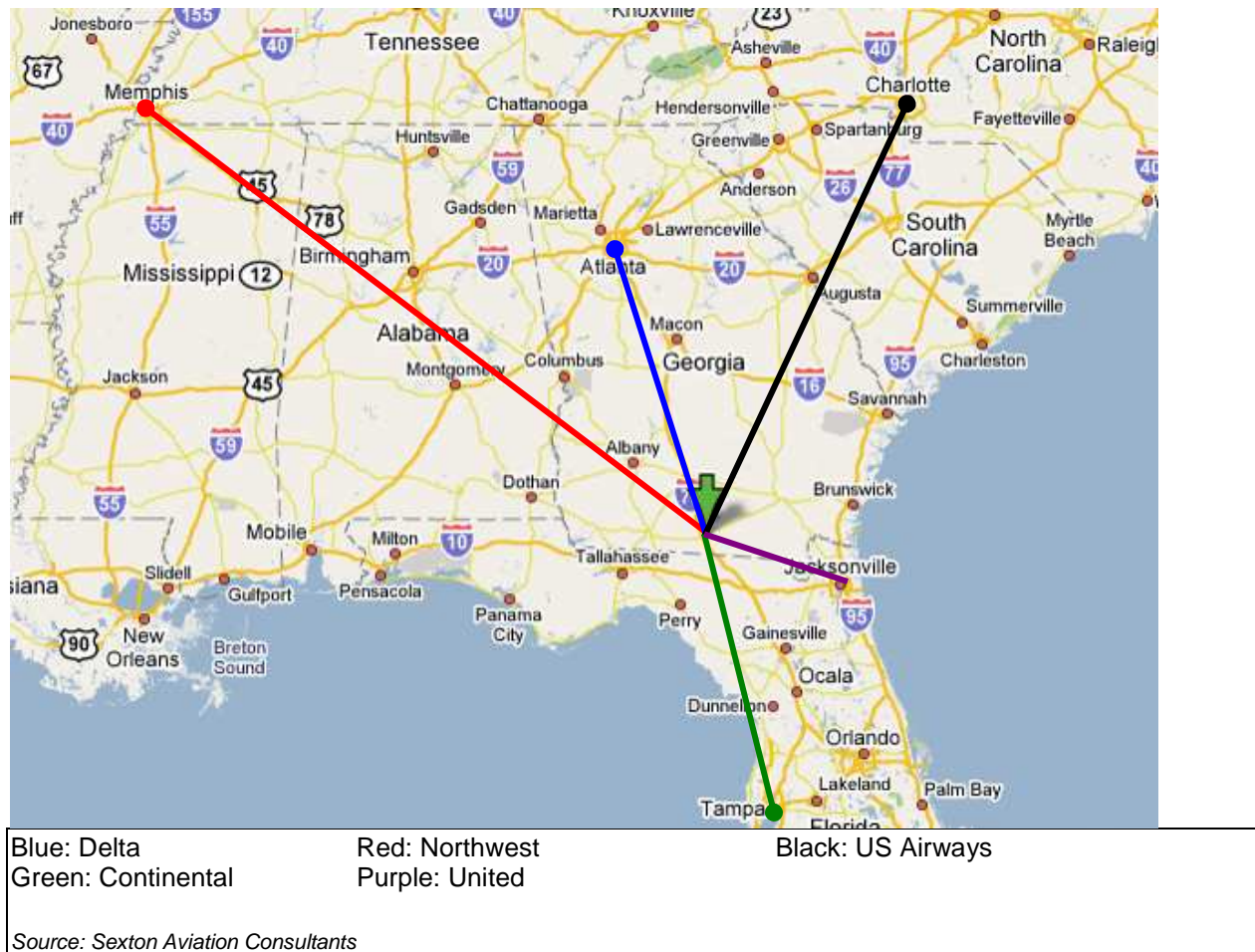
*Note: Data is directional.
 Note: Some calendar year quarters may not contain 3 months of data.
 Source: Seabury Airline Planning Group, LLC*

Delta currently is contracting with ASA/Skywest to fly ASA/Skywest’s planes between VLD and ATL. Delta is actually buying all of the seats on these flights and selling the service under the code-share agreement with ASA/Skywest. At other regional airports which are similar in size to VLD, such as Albany, GA, (ABY), and Brunswick, GA, (BQK), Delta has also contracted with ASA/Skywest to provide available seat mile or “ASM Buy” service.

Delta’s “ASM buy” relationship with ASA/Skywest benefits both Delta and ASA as Delta is able to provide passengers using ASA Regional Jet equipment to connecting flights in the Atlanta hub. ASA benefits as Delta is purchasing all of the seats on each flight under a contractual agreement. In the event Delta is no longer able to provide service from VLD, the most likely candidate to resume service might be ASA/Skywest. Since ASA/Skywest is an airline in itself, if the Valdosta Regional Airport area can validate with strong load factors that it would be beneficial for ASA/Skywest to continue service, it would be beneficial ASA to continue to provide service to VLD.

The current Delta-ASA/SkyWest service to Atlanta is noted in green on the **Figure 4**. The red line reflects possible service with Northwest commuter service via Memphis; the black line represents possible US Airways commuter service via Charlotte; the green line represents possible Continental commuter service via Tampa; and the purple represents possible United Express service via Jacksonville.

Figure 4 – Current Delta-ASA/SkyWest service and potential service options



In reviewing VLD's top 10 origin and destination markets for the year ending fourth quarter 2005, these top markets vary widely within the US: ATL, LGA, DFW, LAX, LAS, BWI, DCA, ORD, PHL and SEA. Two viable alternative carriers might be US Airways and America West. Additional air service possibilities could be a Delta/Northwest merger, Mesa, Colgan Air, Mesaba, and Commuter – air taxi service.

Recommendation is to establish a line of communication with Northwest - Phil Reed, VP Operations and US Airways, Jason Reisinger, VP Planning to establish a plan of action in the event that Delta leaves the Valdosta market. In addition, ongoing conversations with the Delta staff in its Network Systems Division on a regular basis will allow for a good flow of information about the current and future air service at VLD.

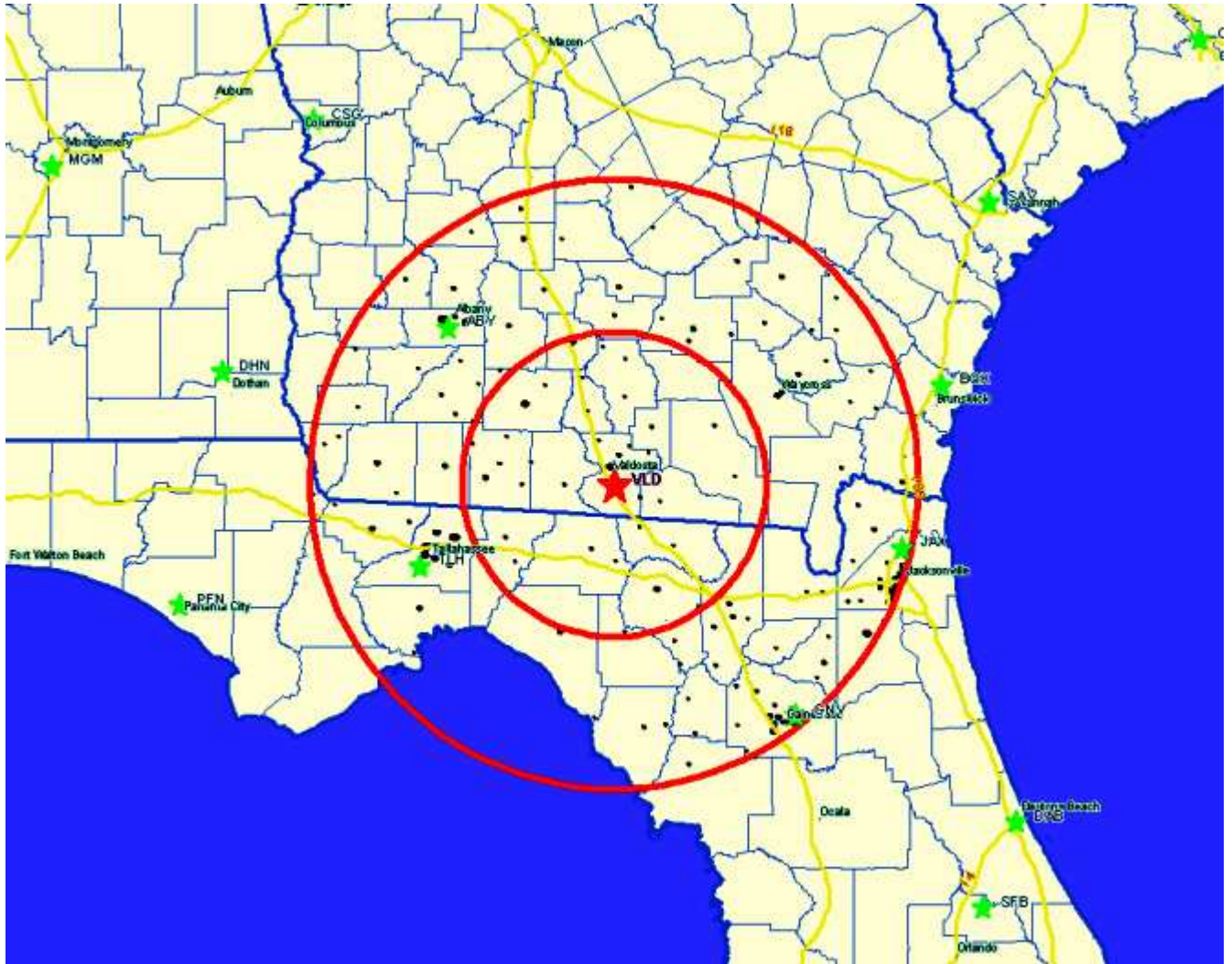
Assessment of Marketing Plan, Public Relations and Incentives

According to VLD airport staff, due to lack of funding, there is no current marketing plan in place. In review the existing marketing/public relations program, it has been determined that additional measures in support of travel in and out of VLD are warranted. This program could be of great value in keeping passengers at VLD who might otherwise travel to neighboring airports for lower airfares. Key components to a successful marketing plan include a marketing/incentive budget which will support initial engagement with businesses, the public and local travel agents, and grants through state and federal programs for funding of new service.

In many cases, incentives are offered to encourage new service, such as Delta service to another hub or the possibility of a new airline in VLD. These incentives can be funded by local airport authorities; civic and business groups and by applying for federal small community air service development grants. In some cities the airport authorities have funded the cost for a new airline to begin service by offering to provide the signage and technology needed for an airline to provide new service at an airport. Large corporations have offered incentives to airlines by contracting with the airline to buy seats on the new service until the service can become profitable on its own. Some resorts offer into charter type agreements with airlines to provide seasonal service. If the service is not profitable for the airline, the resort will incur part of the operational cost. Incentives are not necessarily offered in “hard dollars,” but can be supported through “soft funds” such as the avoidance of paying landing fees and terminal rental. In some cases, incentives become cost prohibited as several low cost air carriers will not consider flying into an airport unless there is substantial funding provided by the airport, local authorities or corporations in the area.

Valdosta’s marketing plan is only as good as the fares flying in and out of the VLD service area. A preliminary review of year over year enplanements/deplanements at VLD shows great deviations in year over year passenger traffic. Some deviations can be validated based on airline service, (available seats offered); however one of the major factors for driving traffic levels is the availability of competitive fares with surrounding airports. As presented in **Figure 5**, JAX, TLH and GNV within 100 miles of VLD, many potential passengers are driving to these cities with lower fares. The larger ring denotes a 100 mile radius of VLD.

Figure 5 – Airports within a 100 miles radius of VLD



Source: Seabury Airline Planning Group, LLC

Jacksonville, FL, a two hour drive from Valdosta, is serviced by major low cost airlines AirTran, jetBlue and Southwest. AirTran is the low cost carrier which competes with Delta in VLD's top market of ATL. AirTran's marketing plan offers sale fares with a short period to purchase tickets, but a long travel period. In September 2006, AirTran offered sale fares as low as \$59 one-way between ATL and JAX while the lowest round trip fare between VLD and ATL was \$279. **Table 6** presents comparison airfares to ATL from neighboring airports.

Table 6 – Fare Comparison Report for VLD and Neighboring Airports

FROM:	VLD	TLH	JAX	ABY	GNV
TO:	11/20/2006	11/20/2006	11/20/2006	11/20/2006	11/20/2006
ATL	314***	294***	243**	214***	424***
DCA	264***	253**	173*	343**	213**
LGA	314***	324***	203*	353***	393***
LAS	414***	323**	223*	447**	351***
DFW	364***	313**	203****	363**	227***
BWI	364***	259**	177*	343**	241**
SEA	414***	484***	143*	704***	343***
LAS	464***	383**	305*	447**	290*
PHL	414***	243**	113**	387**	287*
SAT	464***	279**	189*	544***	321*

NOTE: Does not include PFC + ZP (segment tax) \$2.25/segment leg - Federal tax

Unless otherwise noted below: All fares are for midweek travel with a minimum stay of a Saturday night

Advance Purchase Requirements:

* 7 day advance

** 14 day advance

*** 21 day advance

**** 3 day advance

Source: Jane Shelton, President-South Georgia Travel, Valdosta, GA

Marketing relationships with existing air carriers can prove valuable win/win scenarios for the airport, passengers, and airlines. Lower fares at VLD should discourage “drive traffic” to other airports – especially with higher gasoline costs. Several years ago when Delta’s fares were more in line with the fares at JAX, the enplanements increased dramatically. When the fare levels at VLD increased over the JAX fares, the enplanements began falling.

As more and more travelers use airline and travel websites to select and book their travel plans, these websites have the ability to “drive” airline traffic from one airport to another based on the criteria entered by the traveler. In several tests, when using VLD

as the originating city for travel, one website returned fares from JAX. (www.kayak.com) Some websites also ask if passengers would like to depart from another airport which might have a lower fare, these sites do not take into consideration the time, fuel, parking and other criteria that make up travel to a more distant airport – not to mention the inconvenience. Delta.com did not offer any additional options when VLD service was requested.

It's important for the airport to develop a relationship with the traveling community, so their first reaction is to fly out of VLD. Equally important is to provide the traveling public with competitive fares and excellent service that can be cultivated by developing relationships with Delta and other airport partners. Competitive rates with rental cars, local hotels and concessionaires will enhance the Valdosta Regional travel experience. When people travel, they are now looking at the total cost of travel – not just the air fare.

Another aspect of marketing we will touch on is air cargo marketing. Delta is using primarily the regional jets to service VLD, therefore limiting cargo space on this type of equipment. However, at most airports a sizable portion of the operations are in the form of cargo operations. Valdosta Regional could increase the airport revenue, i.e. landing fees, rent, etc. by developing the air cargo operation from such vendors as Federal Express, UPS and DHL. The airport could work with local businesses to encourage them to use shippers who might be shipping into JAX and then shipping to VLD via ground transportation.

Air Service Implementation Plan

Included in the previous analysis are many ways to move forward with various opportunities for success at VLD. Various components to implementation of the air service plan are detailed below.

In the past Delta has formed marketing relationships with various airport authorities to support travel to/from a specific airport. Delta felt that they would rather promote service out of an airport with little or no competitive airline than to have passengers travel to a neighboring airport and possibly fly on another air carrier. Delta has provided special fares, such as companion fares, special sale fares and “competitive” fare levels with neighboring airports to keep passengers flying on Delta. This approach has been proven to work at Lexington, KY, Daytona Beach, FL and Melbourne, FL and Augusta, GA. In turn for special fares, the airport authorities provided local advertising and awareness programs to enhance air travel out of the targeted airports.

Marketing/Implementation of new service recommendations:

- Regular meetings with Delta representatives and local travel agents to encourage the traveling public to use Valdosta Regional Airport.

- Encourage travel agents to offer tour packages to some of the top VLD origin and destination markets such as New York, Dallas, Los Angeles, Washington, Chicago and Seattle. Las Vegas is always a top travel destination and could be promoted along with other business and pleasure markets.
- Establish a “Why Drive” campaign – *“Why drive to Jacksonville when Valdosta has competitive fares, free parking and is close to home?”*
- Advertise – Print, radio and TV – most of these companies will offer a “charity” rate or run advertisements as a tax incentive to the airport. These ads should be geared to encourage customer service and customer loyalty. Radio ads during drive time should point out that if you fly from your home airport, you can be home faster.
- Print ads can feature the most competitive fares available and note the long drive times to other airports, gas expenses, parking and time spent on the road.
- Encourage airport concessionaires and vendors such as restaurants, rental car companies and hotels to provide advertising for the airport to increase their business in the local area.
- These same companies could offer discounts for passengers arriving and departing from VLD with a mail out coupon to encourage passengers to travel in/out of VLD prior to their making airline reservations.
- Partner with area schools to help children learn more about airports and airline operations – encouraging families to establish a relationship with the VLD airport.
- Participate in parents’ day and various other events at Valdosta State University to promote travel in and out of VLD. Encourage Valdosta State sports and academic teams to fly from VLD.
- Develop a relationship with the travel department or SATO at Moody AFB and encourage them to request government travel fares to and from VLD.
- Solicit information from local businesses and industries in the area regarding their shipping needs. Providing this information to various air transporters encouraging them to grow their business in the Valdosta area.
- A preliminary implementation plan for solicitation of additional air service would be to contact Northwest Commuter service in Memphis, TN, US Airways in Tempe, AZ, Continental Express in Tampa, FL.

With any plan, it's always wise to take baseline analysis of where you are now and where you would like to be in the future. Careful attention to detail with accurate analysis of marketing projects and results – whether good or not, will enable Valdosta Regional Airport to justify funding and secure funding for profitable programs in the future. Always assess the results of marketing initiatives and incentive programs to determine what path works best moving forward.

Summary

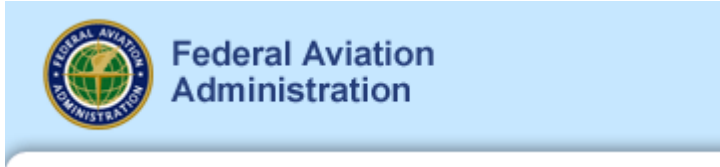
At present, it appears that the current rate of growth of available Delta seats between Valdosta Regional Airport and Atlanta is growing faster than the population base in the area. There are approximately 25 to 30% of the seats offered by Delta remaining available when the flights depart, so the present capacity of seats appears to be adequate to support the Valdosta and surrounding areas. In the likely event that the load factors are increased to near capacity levels, it would benefit Delta and VLD to offer additional flights.

Delta is currently contracting with SkyWest to provide air service between VLD and ATL using ASA/SkyWest equipment. Delta has a strong commitment to the VLD-ATL market and continues to upgrade equipment and flights in the market. In the event Delta should no longer offer service in the VLD-ATL market, several options would be available for consideration. SkyWest, US Airways, Continental Airlines, United Airlines and Northwest Airlines with their commuter service would be good candidates for consideration.

Emphasis and awareness of fare levels at VLD should be brought to the attention of Delta for their consideration in lowering the fares to remain more competitive with surrounding airports. With the ease of use, parking facilities and other amenities at VLD, many passengers would prefer to fly out of VLD if the cost of travel is competitively priced. It is important to note that the “total cost of travel” is being evaluated by business and pleasure travelers making it important to evaluate other amenities for inbound passengers such as rental cars, hotels, etc.

If possible, it is recommended to develop a marketing type relationship with Delta and other airport vendors. Providing advertising in print, radio and television will generate additional airport traffic and will stimulate additional revenue growth by encouraging the Valdosta area passengers to support their local airport.

Attachment A



Federal Aviation Administration
APO TERMINAL AREA FORECAST DETAIL REPORT
Forecast Issued February 2006
REGION:ASO STATE:GA LOCID:VLD
CITY:VALDOSTA AIRPORT:VALDOSTA RGNL

Year	Scheduled Enplanements			Historical Y-O-Y Growth
	AC	Comm.	Total	
1976	19,995	0	19,995	
1977	21,593	0	21,593	7.99%
1978	27,070	0	27,070	25.36%
1979	28,886	0	28,886	6.71%
1980	24,040	0	24,040	-16.78%
1981	20,171	333	20,504	-14.71%
1982	12,654	5,524	18,178	-11.34%
1983	19,896	6,768	26,664	46.68%
1984	5,446	12,241	17,687	-33.67%
1985	65	15,102	15,167	-14.25%
1986	0	14,351	14,351	-5.38%
1987	327	15,648	15,975	11.32%
1988	0	12,914	12,914	-19.16%
1989	0	16,078	16,078	24.50%
1990	0	16,949	16,949	5.42%
1991	99	17,793	17,892	5.56%
1992	158	17,678	17,836	-0.31%
1993	0	18,159	18,159	1.81%
1994	511	18,166	18,677	2.85%
1995	842	21,454	22,296	19.38%
1996	82	22,148	22,230	-0.30%
1997	564	24,362	24,926	12.13%
1998	318	28,093	28,411	13.98%
1999	304	32,805	33,109	16.54%
2000	122	32,687	32,809	-0.91%
2001	317	30,402	30,719	-6.37%
2002	269	29,590	29,859	-2.80%
2003	500	30,059	30,559	2.34%

Attachment A, Continued				
2004	252	44,678	44,930	47.03%
2005*	251	48,205	48,456	7.85%

**Federal Aviation Administration
 APO TERMINAL AREA FORECAST DETAIL REPORT⁵
 Forecast Issued February 2006
 REGION:ASO STATE:GA LOCID:VLD
 CITY:VALDOSTA
 AIRPORT:VALDOSTA RGNL**

Year	Scheduled Enplanements			Projected Y-O-Y Growth
	AC	Comm.	Total	
2006*	251	49820	50071	3.33%
2007*	251	51490	51741	3.34%
2008*	251	53215	53466	3.33%
2009*	251	54998	55249	3.33%
2010*	251	56841	57092	3.34%
2011*	251	58746	58997	3.34%
2012*	251	60715	60966	3.34%
2013*	251	62749	63000	3.34%
2014*	251	64852	65103	3.34%
2015*	251	67025	67276	3.34%
2016*	251	69271	69522	3.34%
2017*	251	71593	71844	3.34%
2018*	251	73992	74243	3.34%
2019*	251	76471	76722	3.34%
2020*	251	79034	79285	3.34%
2021*	251	81682	81933	3.34%

⁵ Additional information on the TAF as provided on the FAA Website: *The Terminal Area Forecast System (TAF) is the official forecast of aviation activity at FAA facilities. These forecasts are prepared to meet the budget and planning needs of FAA and provide information for use by state and local authorities, the aviation industry, and the public. Note: The aviation industry is undergoing significant structural and economic changes. Because of these changes, revisions are expected for large hub airport forecasts before the update of the entire TAF next year.*

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