

REAP Adopted March 30, 2010

Kansas Affordable Airfares Program Report

The Executive Committee is charged to administer the Kansas Affordable Airfares Program and assure that all statutory requirements for programming, evaluation, accounting and auditing, financial management, and reporting are met. Under this administration, REAP is responsible for evaluating and awarding funds for the purpose of the KAAP.

Overview and Process Review

On July 13, 2009, REAP took action to award \$4,875,000 to a proposal from Sedgwick County under the Kansas Affordable Airfares Program. This action left \$125,000 uncommitted in the state appropriation for Kansas Affordable Airfares Program for fiscal year 2010. REAP recommended that the uncommitted funds not be requested from the State of Kansas at the time of initial award, but remain available for later action if additional opportunities that meet the purposes of the Kansas Affordable Airfares Program arose.

These remaining funds of \$125,000 were made available through an addendum to the original request for proposals and require a local match of \$41,250 at the time of the award.

Since the initial award addressed the highest priority of maintaining affordable airfares to eastern U.S. destinations, highest priority for this award was given to maintaining affordable airfares to western U.S. destinations. Priority was also given to proposals that impact a majority of Kansans.

The addendum was released on March 16, 2010 through posting on the REAP website and provided to the necessary outlets, including: the Kansas Association of Airports, League of Kansas Municipalities, all major news papers in the State, and Department of Commerce. Proposals were accepted through 5:00 PM, March 29, 2010, and the selection of a successful proposal(s) was scheduled for March 30, 2010.

RFP Addendum Presentation(s)

In accordance with the Kansas Affordable Airfares Program as adopted by REAP on March 30, 2009 and then amended on March 16, 2010, to assure that all statutory requirements are met, submittals to the Request for Proposals Addendum were requested to present. As of March 29, REAP received one proposal for funding for the FY 2010 Addendum.

Sedgwick County Proposal

In presenting its proposal Sedgwick County provided evidence documenting that after the revenue guarantee expired in the summer of 2009 Frontier continued serving the Wichita market without a guarantee. However, with changing market conditions and competitive factors Frontier has reassessed the economic viability of Wichita service.

Frontier provides daily non-stop round trip flights between Wichita and Denver. In addition to providing low-fare competition to that market, Frontier offers low-fare competition via one-stop service to all major western U.S. cities. Frontier serves 16 of the top 50 destinations of travelers using the Wichita airport.

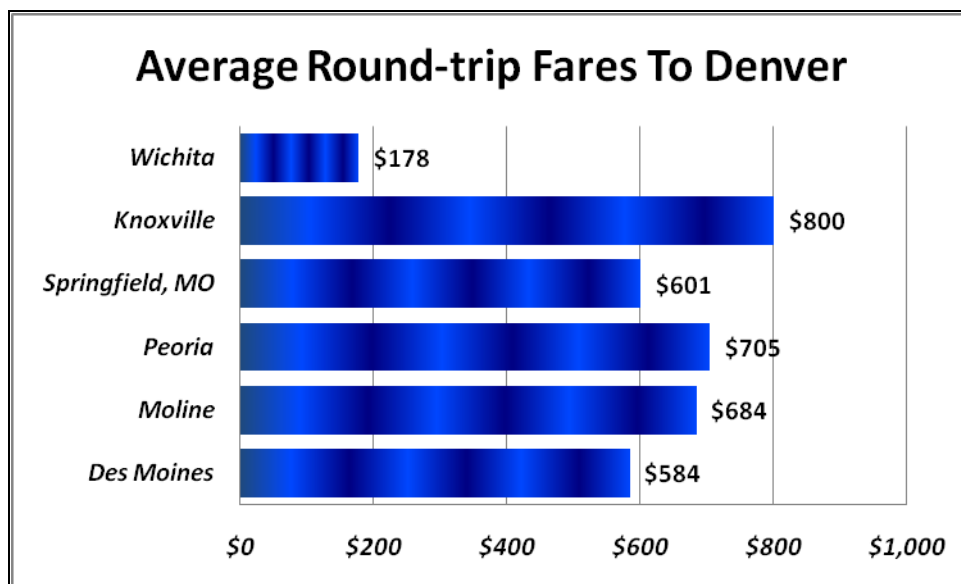
Since Frontier entered the Wichita market:

- the number of passengers using the Wichita airport for destinations served by Frontier has increased 14%, while the number flying between Wichita and top-50 destinations not served by Frontier has decreased 3%; and
- the 16 destinations served by Frontier have seen a 29% decrease of average one-way fare, while the rest of the top 50 have seen only a 4% decrease.

If Frontier were to leave the market, the impact on travelers to western destinations would be immediate and severe. In the third quarter of 2007, immediately prior to Frontier’s entry into the Wichita market, average one-way fares to the 16 destinations served by Frontier were \$227, 28% higher than the average of \$178 for all other destinations in the top 50. In the third quarter of 2009 – the most recent for which data are available – average one-way fares to the 16 destinations served by Frontier were \$160, 5% lower than the average of \$169 for all other top-50 destinations.

Furthermore, if Frontier were to leave Wichita, fares to those 16 destinations would immediately increase to levels well above the current ones, and the sudden rise in cost would be matched by a decrease in the number of passengers using the Wichita airport to travel to those destinations.

An indication of how substantial the fare increase might be can be inferred from the following chart. It compares the current round-trip Denver fares of Wichita, which has low-fare competition provided by Frontier, with the Denver fares of other similar cities that do not have low-fare competition. This data suggest that if Frontier left the Wichita market, round-trip fares quickly would increase to at least three times the current price.



Executive Committee Action

Based on a review of that proposal, the REAP Executive Committee recommended the proposal from Sedgwick County be awarded \$125,000. This proposal: 1) addresses all statutory criteria for the allocation of funding including the priority of maintaining affordable airfares to western U.S. destinations and impacting a majority of Kansans; 2) renews a contract with Frontier for the period of April 1, 2010 – June 30, 2010; and, 3) provides for a local match of \$41,667.