



AN INDUSTRY IN TURMOIL

STATUS REPORT AND STRATEGY UPDATE ■ OCTOBER 2022





VOLAIRE

AVIATION CONSULTING

- > **TEN TEAM MEMBERS**
- > **200+ YEARS COMBINED EXPERIENCE**
- > **THREE TEAM MEMBERS BASED IN THE NORTHWEST**
- > **40 YEARS OF EXPERIENCE AT WASHINTGON AIRPORTS**

> AGENDA

- > **EAT IN THE CURRENT LANDSCAPE**
 - > SERVICE REDUCTIONS
 - > WENATCHEE PERFORMANCE
 - > REGIONAL COMPARISONS

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- > **INDUSTRY IN CRISIS**
 - > PILOT SHORTAGE
 - > INCREASED COST OF SERVICE
 - > IMPACT ON WASHINGTON

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 - > INCREASED COST OF SERVICE
 - > IMPACT ON WASHINGTON
- > **FUTURE POTENTIAL**
 - > GOALS AND PRIORITIES
 - > NEW OPTIONS FOR SERVICE
 - > COMPETITIVE LANDSCAPE

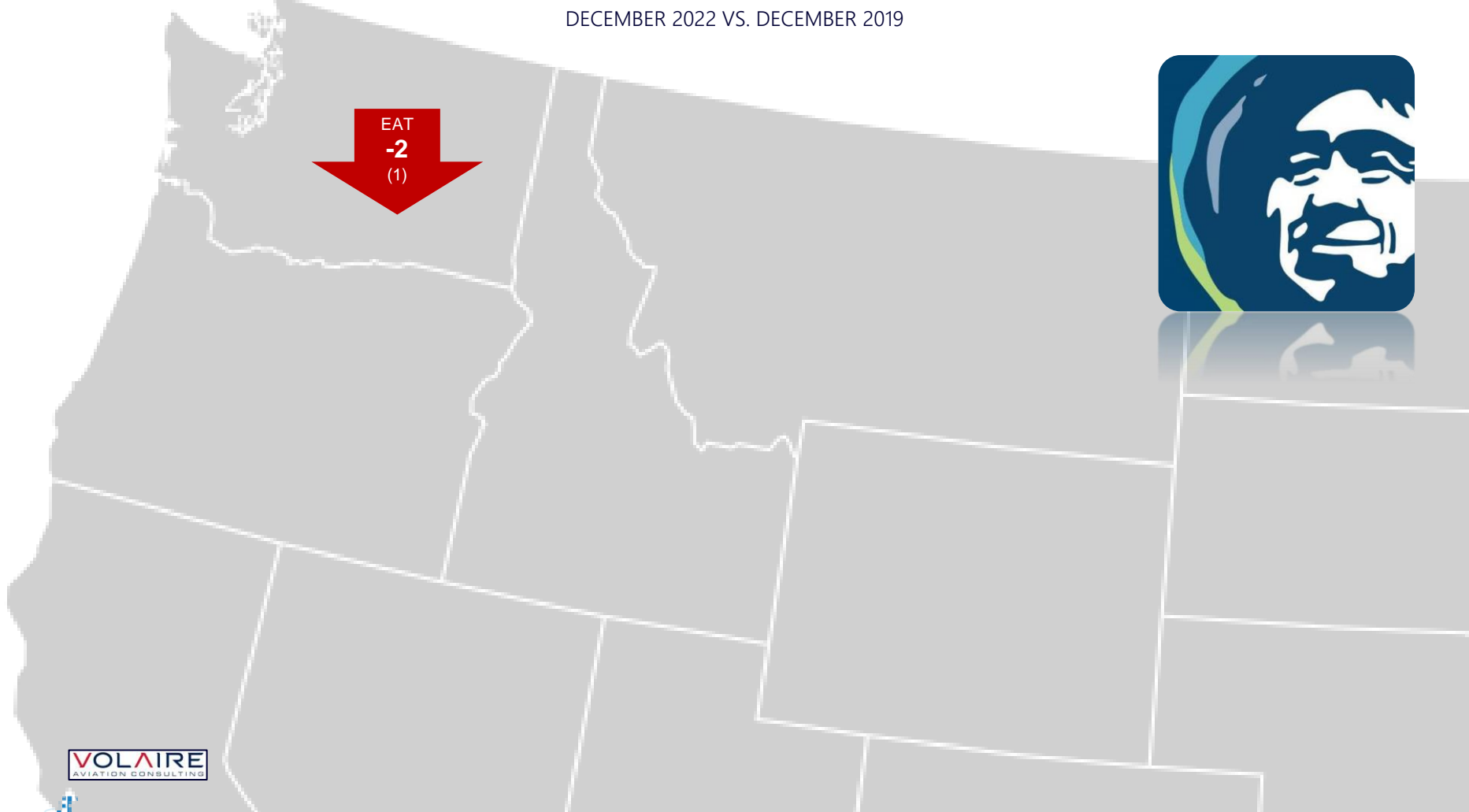


TOPIC ONE EAT IN THE CURRENT LANDSCAPE



> ALASKA'S NORTHWEST CHANGES

ALASKA'S DEPARTURES PER DAY IN PACIFIC NORTHWEST REGIONAL MARKETS
DECEMBER 2022 VS. DECEMBER 2019



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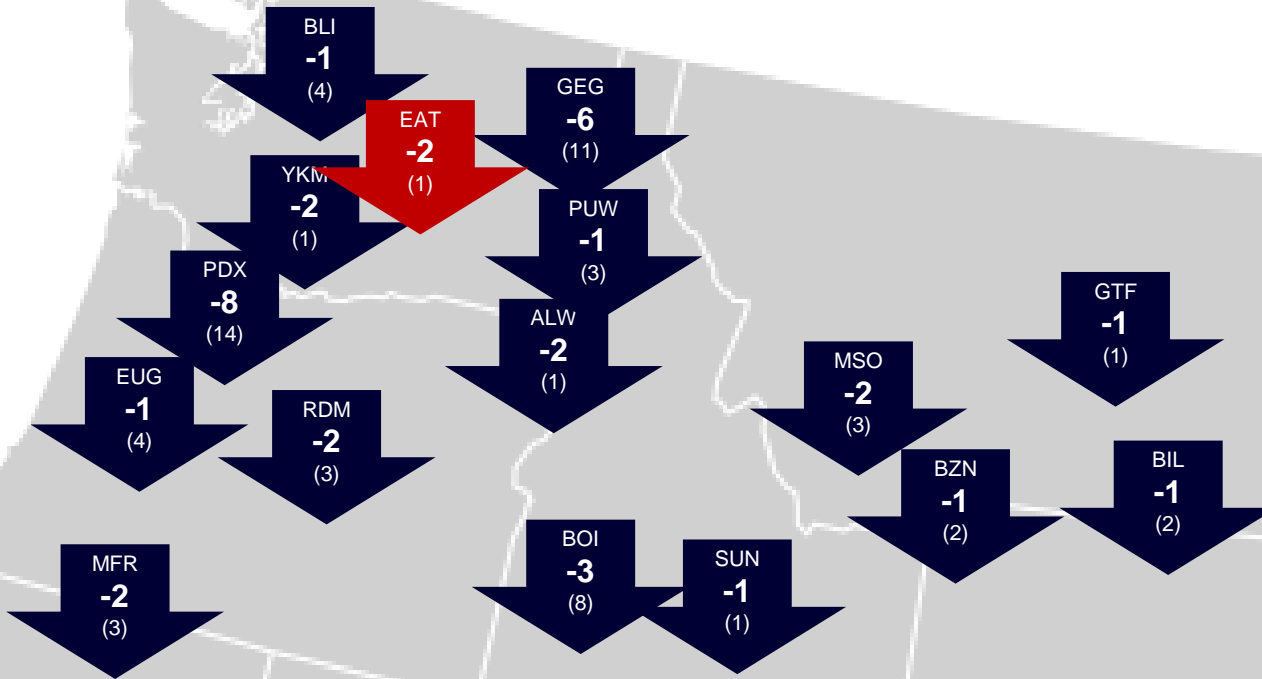
WENATCHEE
WHERE WILL YOU GO TODAY?
PANGBORN MEMORIAL AIRPORT

SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC. CARRIER SCHEDULES

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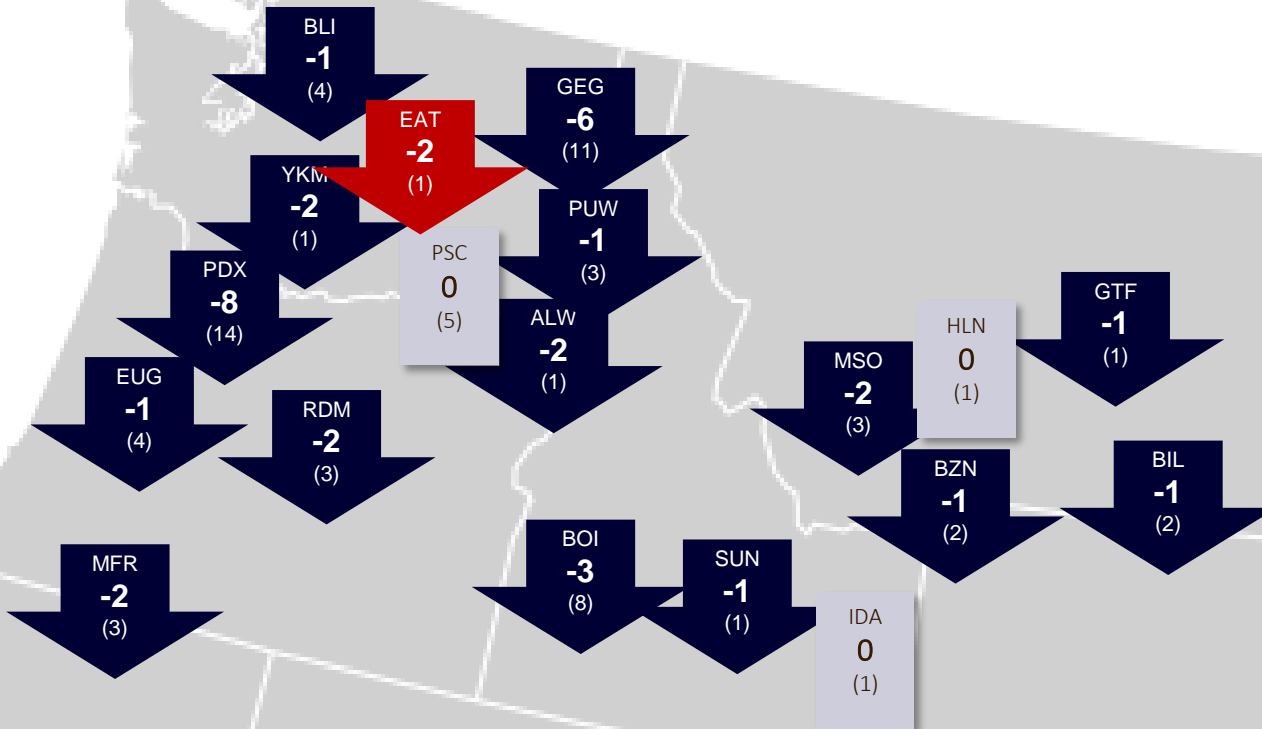


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SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC. CARRIER SCHEDULES

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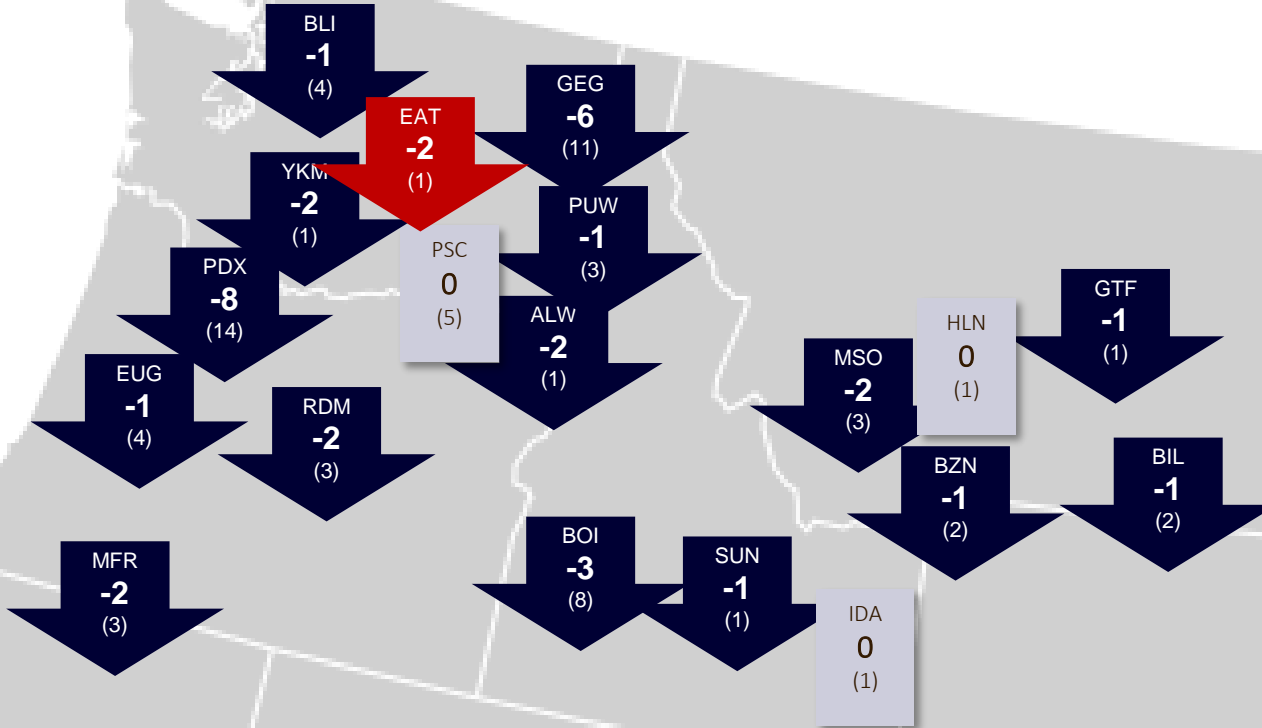


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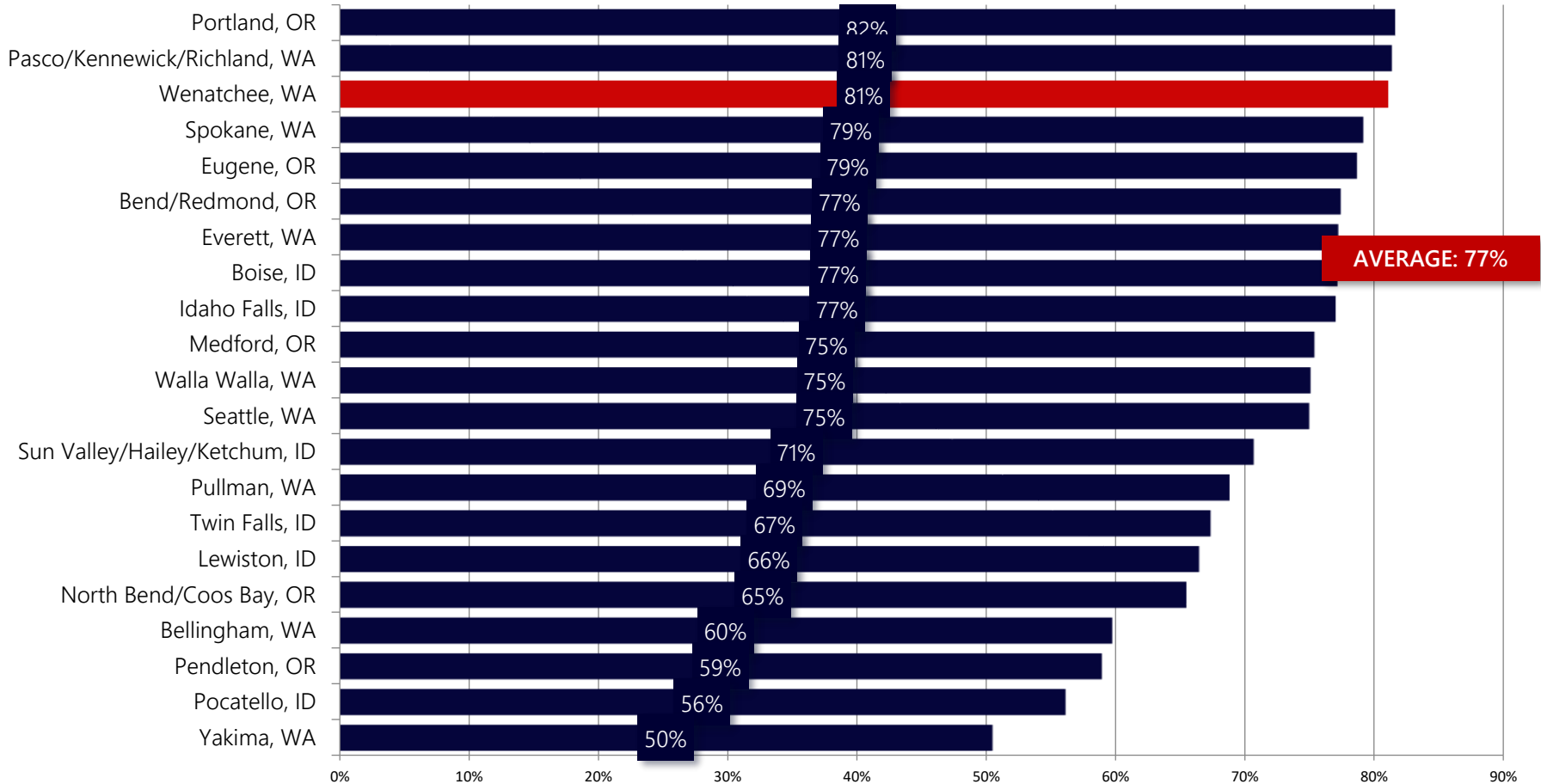
ALASKA'S DEPARTURES PER DAY IN PACIFIC NORTHWEST REGIONAL MARKETS
DECEMBER 2022 VS. DECEMBER 2019



- > LOSS OF 70 SEA DEPARTURES/DAY
- > 33% OF ALL ALASKA AIRLINES SEA FLYING
- > AVERAGE MARKET LOST TWO DEPARTURES/DAY

WENATCHEE IS A TOP PERFORMER

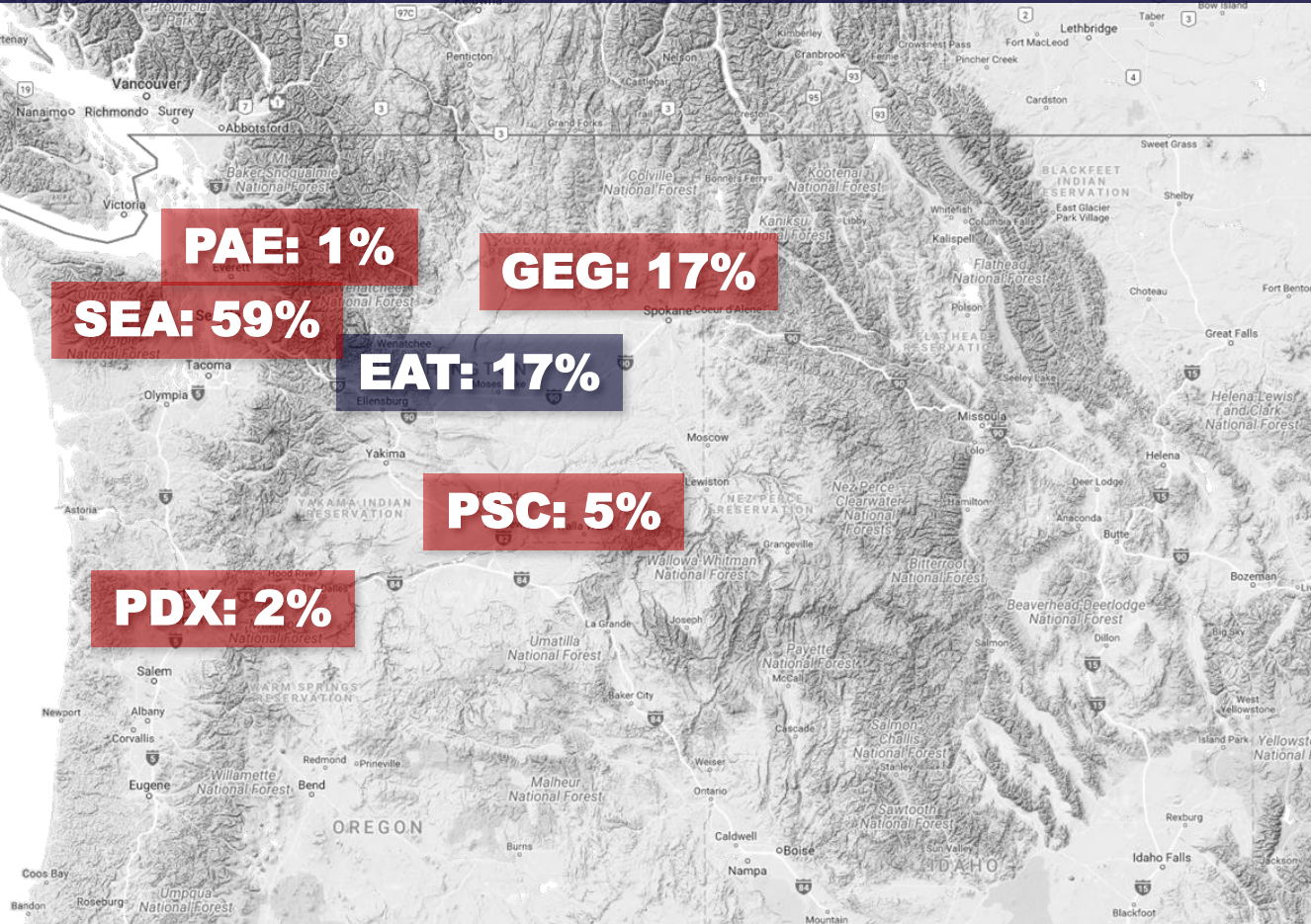
ALASKA AIRLINES LOAD FACTOR IN PACIFIC NORTHWEST MARKETS YEAR ENDED FIRST QUARTER 2022



SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.

MORE DRIVE TO OTHER AIRPORTS

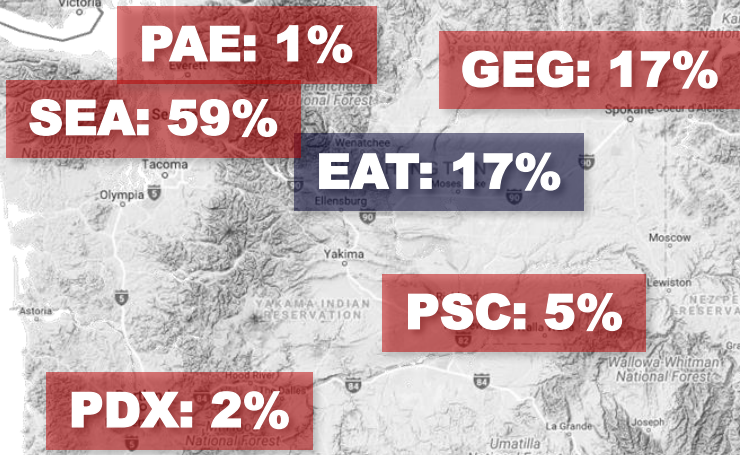
AIRPORTS USED BY WENATCHEE CATCHMENT AREA PASSENGERS CALENDAR YEAR 2019



SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.

> MORE DRIVE TO OTHER AIRPORTS

AIRPORTS USED BY WENATCHEE CATCHMENT AREA PASSENGERS CALENDAR YEAR 2019



- > ALMOST 850 PASSENGERS PER DAY USE OTHER AIRPORTS
- > 635 DRIVE TO SEATTLE
- > 186 DRIVE TO SPOKANE

SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.



TOPIC TWO INDUSTRY IN CRISIS



> MULTIPLE CRISES AT ONCE

Airlines' Challenge Is Cutting Costs, Not Filling Seats

U.S. carriers see no slowdown in demand, despite unease about the economy. But problems with staffing and operations are eating into profits.

Lingering airline crew shortages, surging demand threaten fall and winter travel seasons

THE WALL STREET JOURNAL. The Aviation Crisis Is Now Regional

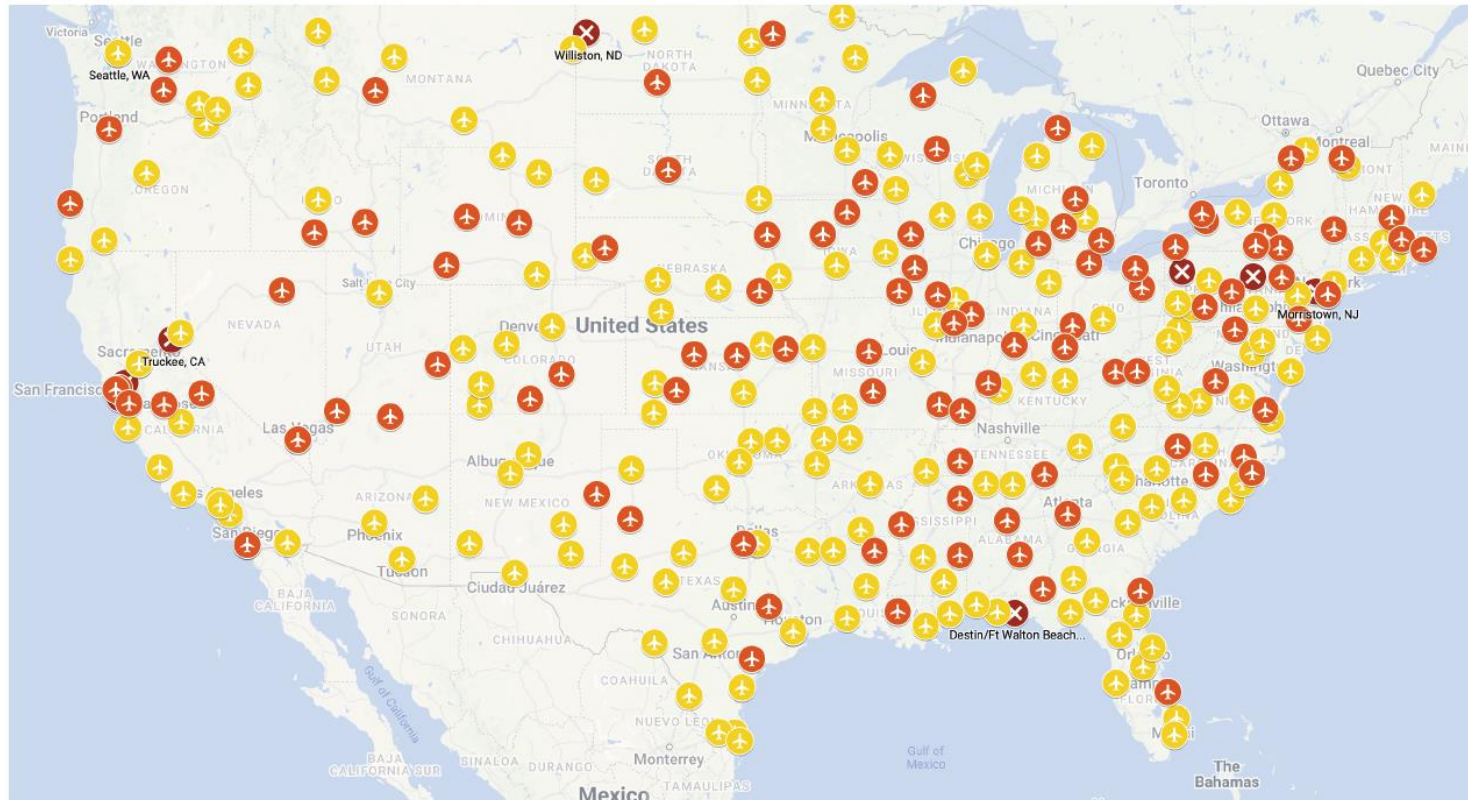
Even as airlines start to emerge from the pandemic, staff shortages and capacity cuts have plunged regional aviation back into a crisis

Increased fuel prices affecting airline ticket prices

SOURCE: VOLAIRE AVIATION CONSULTING ANALYSIS

> 107 AIRPORTS DOWN >25%

CHANGE IN CAPACITY BY AIRPORT FALL 2022 VS. FALL 2019



 **Lost All Service**
(9 airports)

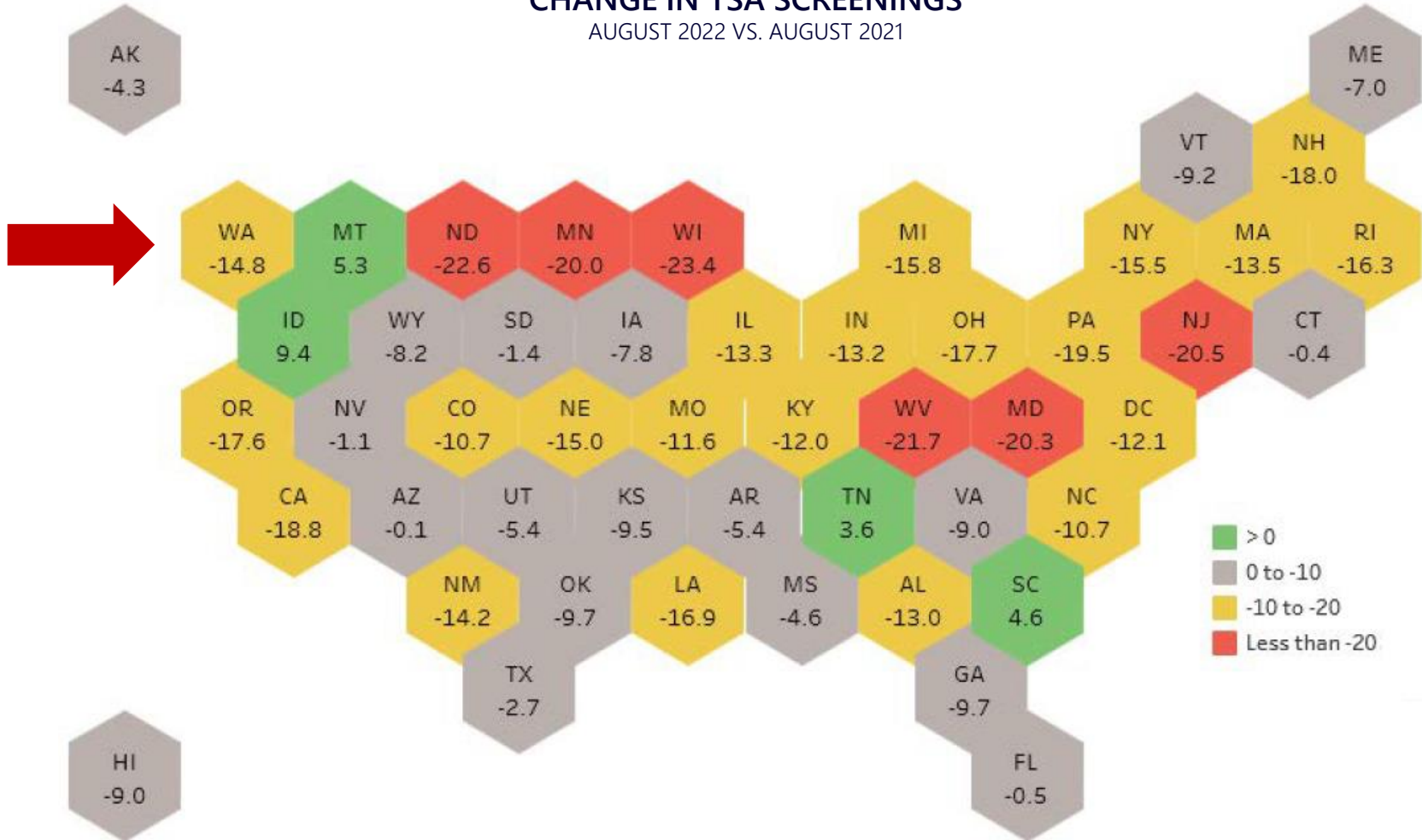
 **Lost up to 25% of Service**
(189 airports)

 **Lost More than 25% of Service**
(107 airports)

SOURCE: REGIONAL AIRLINE ASSOCIATION (RAA)

> WASH: ONE OF MORE IMPACTED

CHANGE IN TSA SCREENINGS
AUGUST 2022 VS. AUGUST 2021

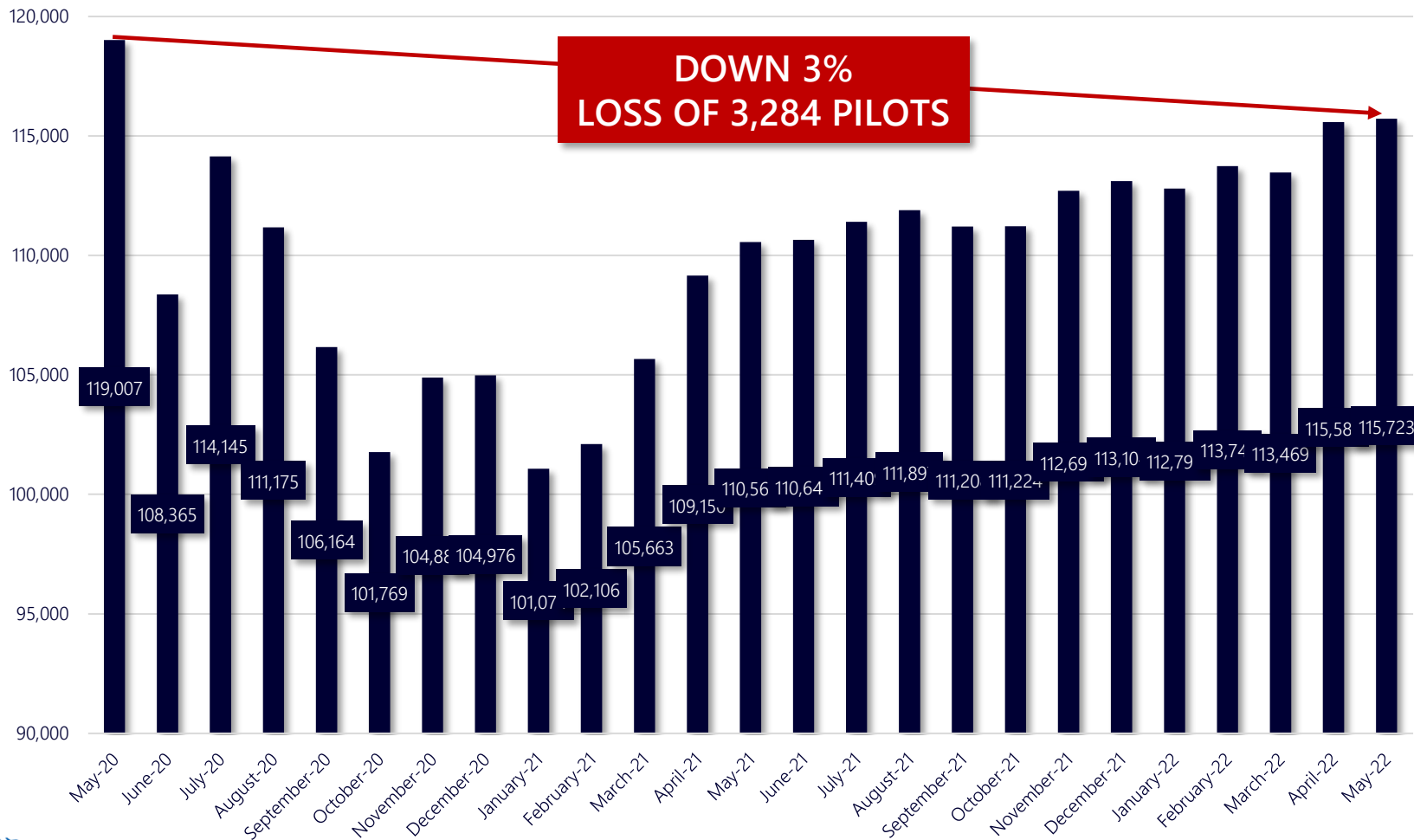


SOURCE: AIRLINES FOR AMERICA

> THE PILOT POOL IS SHRINKING...

AIR TRANSPORT PILOT MEDICAL APPROVALS

MAY 2020 – MAY 2022

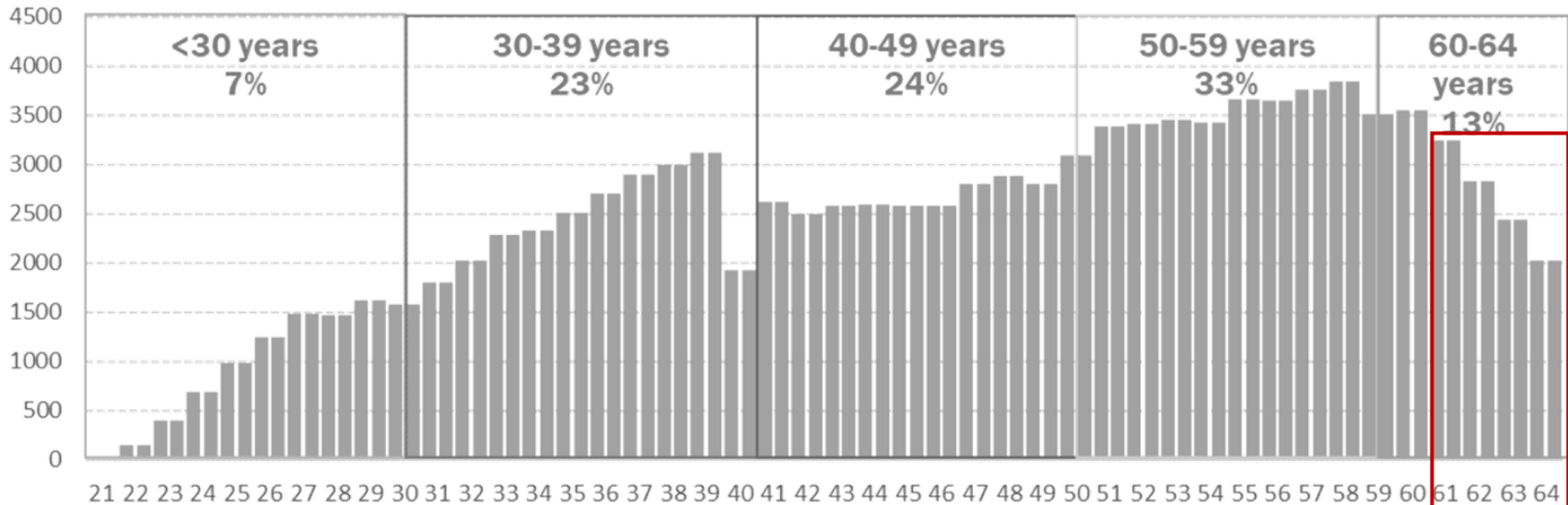


SOURCE: REGIONAL AIRLINE ASSOCIATION (RAA)



...AND IT'S GETTING WORSE

US PILOTS BY AGE
AS OF OCTOBER 2022



EARLY RETIREMENTS

- > MANDATORY RETIREMENT AT 65
- > 46% OF CURRENT PILOTS REACH 65 IN NEXT 15 YEARS
- > MUCH LOWER NUMBERS OF PILOTS BETWEEN 25 AND 30 YEARS OF AGE

SOURCE: REGIONAL AIRLINE ASSOCIATION (RAA)

> THE FLEET IS ALSO SHRINKING

CHANGE IN REGIONAL FLEET SIZE

FALL 2022 VS. FALL 2019

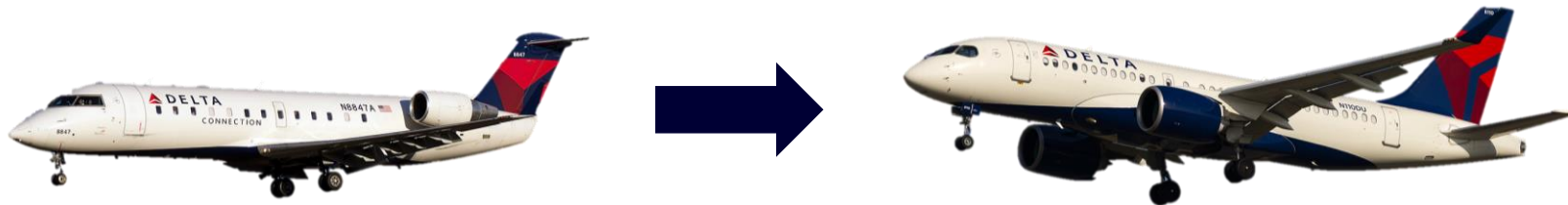


- > ROUGHLY 330 REGIONAL AIRCRAFT HAVE BEEN PARKED
- > ROUGHLY 1,200 FEWER DEPARTURES PER DAY
- > ALMOST 4,000 PILOTS HAVE LEFT FOR NEW JOBS

SOURCE: REGIONAL AIRLINE ASSOCIATION (RAA)

> BEST USE OF EACH PILOT HOUR

CHANGE IN FLEET COMPOSITION
POST-PANDEMIC



> DELTA ENDING 50-SEAT RJ OPERATIONS

SOURCE: VOLAIRE AVIATION CONSULTING ANALYSIS

> BEST USE OF EACH PILOT HOUR

CHANGE IN FLEET COMPOSITION POST-PANDEMIC



- > DELTA ENDING 50-SEAT RJ OPERATIONS
- > ALASKA RETIRING Q400 IN JANUARY

SOURCE: VOLAIRE AVIATION CONSULTING ANALYSIS

> BEST USE OF EACH PILOT HOUR

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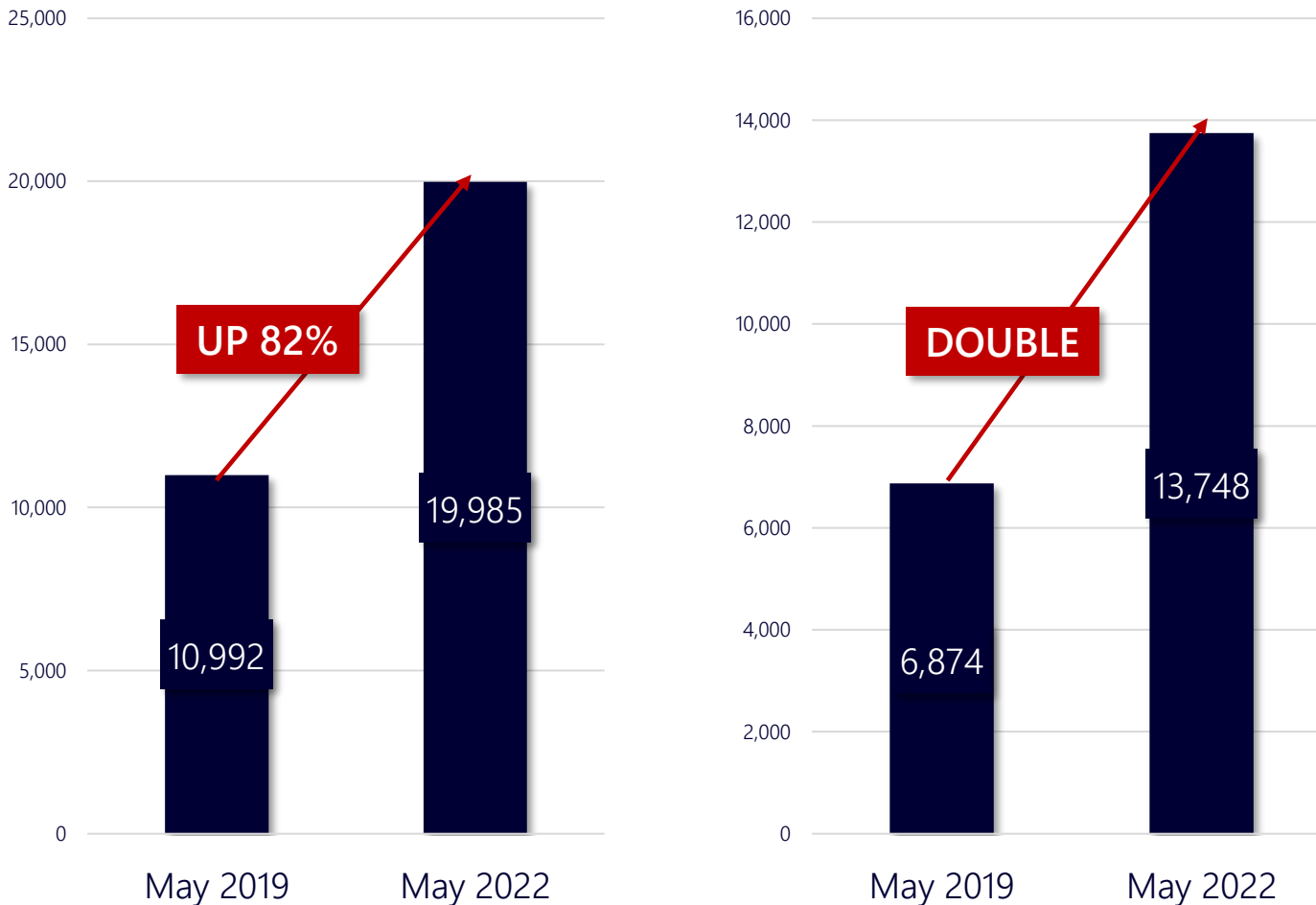
- > "HIGHEST AND BEST USE" OF PILOTS: GENERATE MOST REVENUE PER HOUR
- > SAME QUALIFICATIONS FOR 50-SEAT VS. 76-SEAT VS. MAINLINE
- > NEW PILOT CONTRACTS SQUEEZE SMALL PLANE ECONOMICS

SOURCE: VOLAIRE AVIATION CONSULTING ANALYSIS

> AIRLINES MUST CARRY MORE CREWS

FLIGHT ATTENDANT AND PILOT SICK CALLS

PRE-PANDEMIC VS. POST-PANDEMIC

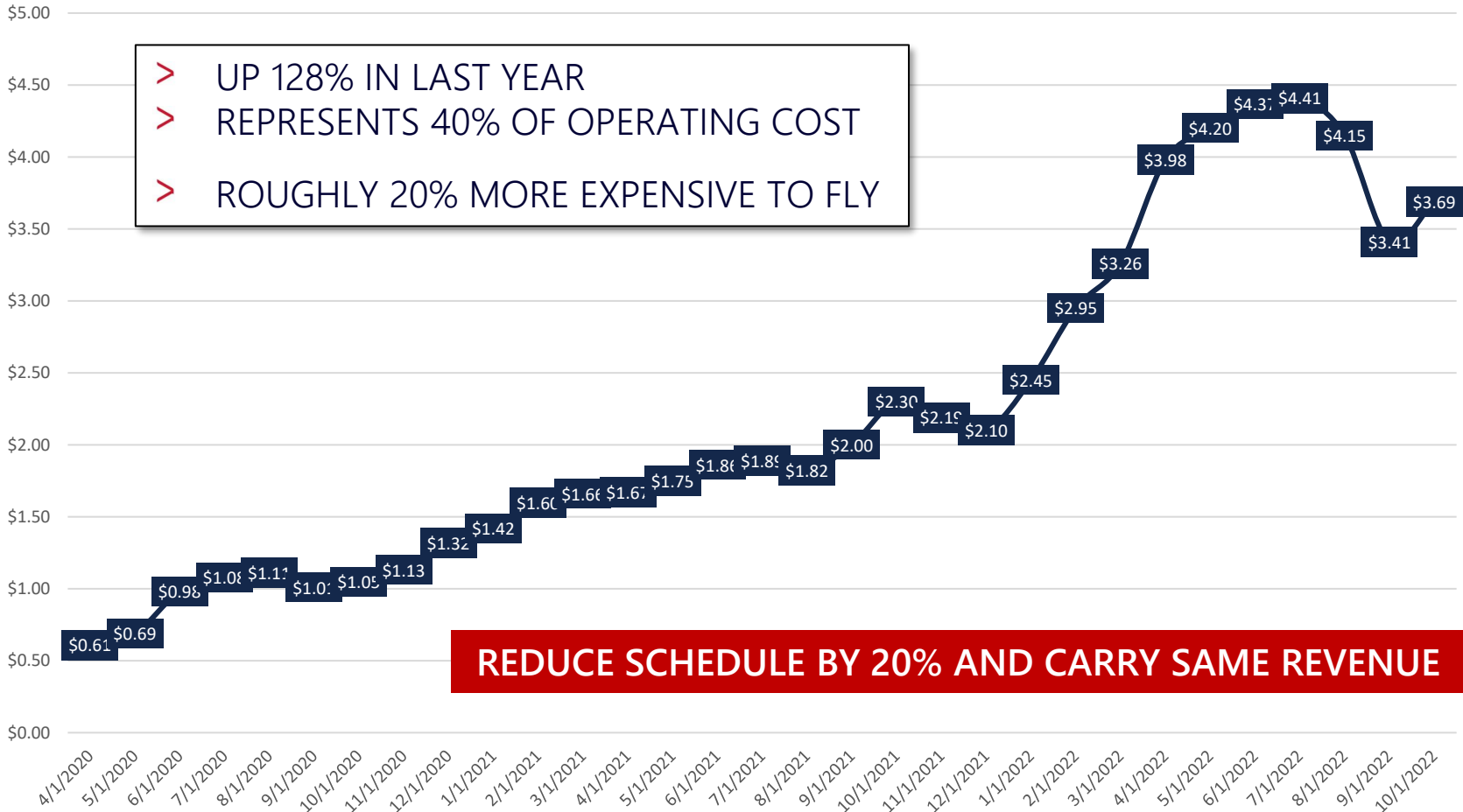


SOURCE: DELTA AIR LINES

JET FUEL PRICES ARE STILL HIGH

AVERAGE PRICE OF JET FUEL PER GALLON, AS PAID BY US MAJOR AIRLINES

APRIL 2020 – OCTOBER 2022



REDUCE SCHEDULE BY 20% AND CARRY SAME REVENUE

SOURCE: AIRLINES FOR AMERICA

> INCREASING COST OF SERVICE

COST OF EACH FLIGHT SEGMENT JUNE 2021 VS. AUGUST 2022

JULY 2021

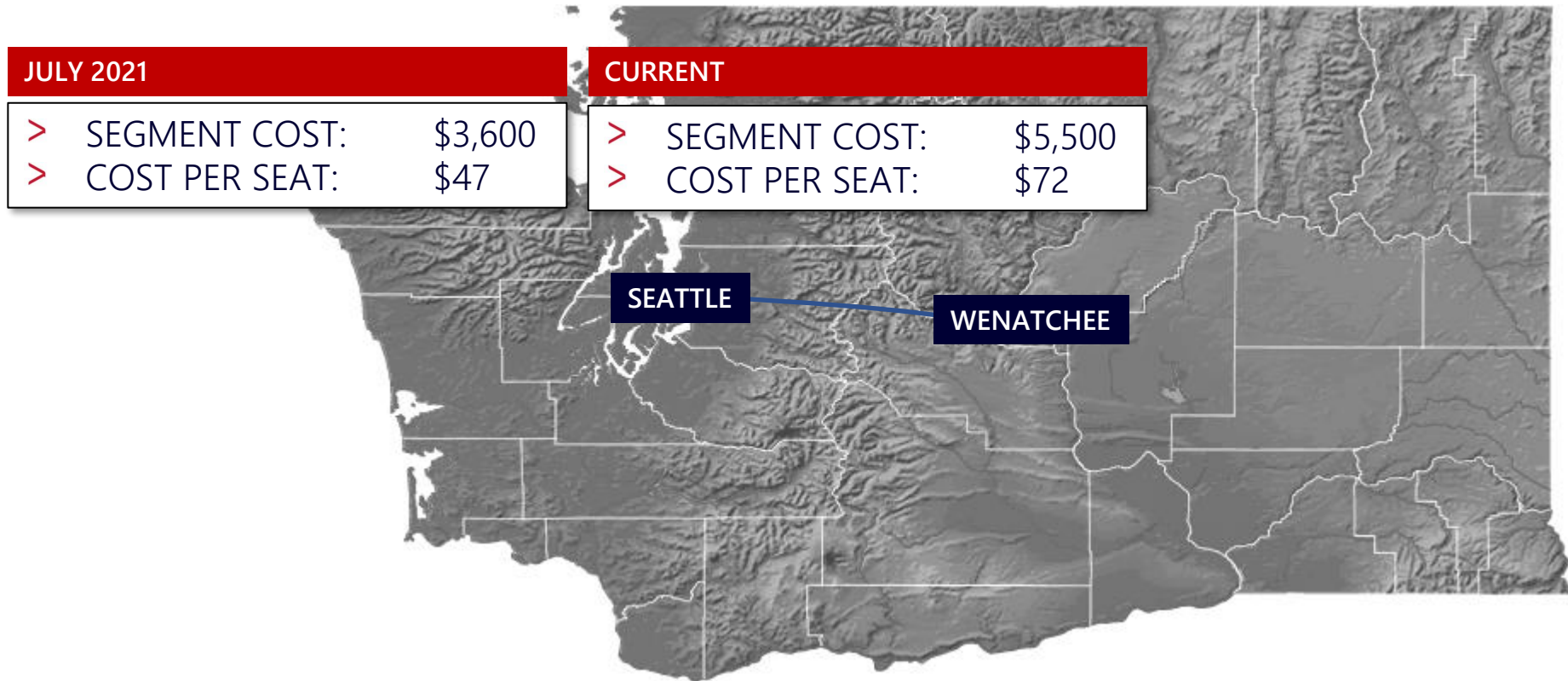
- > SEGMENT COST: \$3,600
- > COST PER SEAT: \$47



SOURCE: VOLAIRE ANALYSIS OF FORM 41 AIRLINE COST REPORTING

> INCREASING COST OF SERVICE

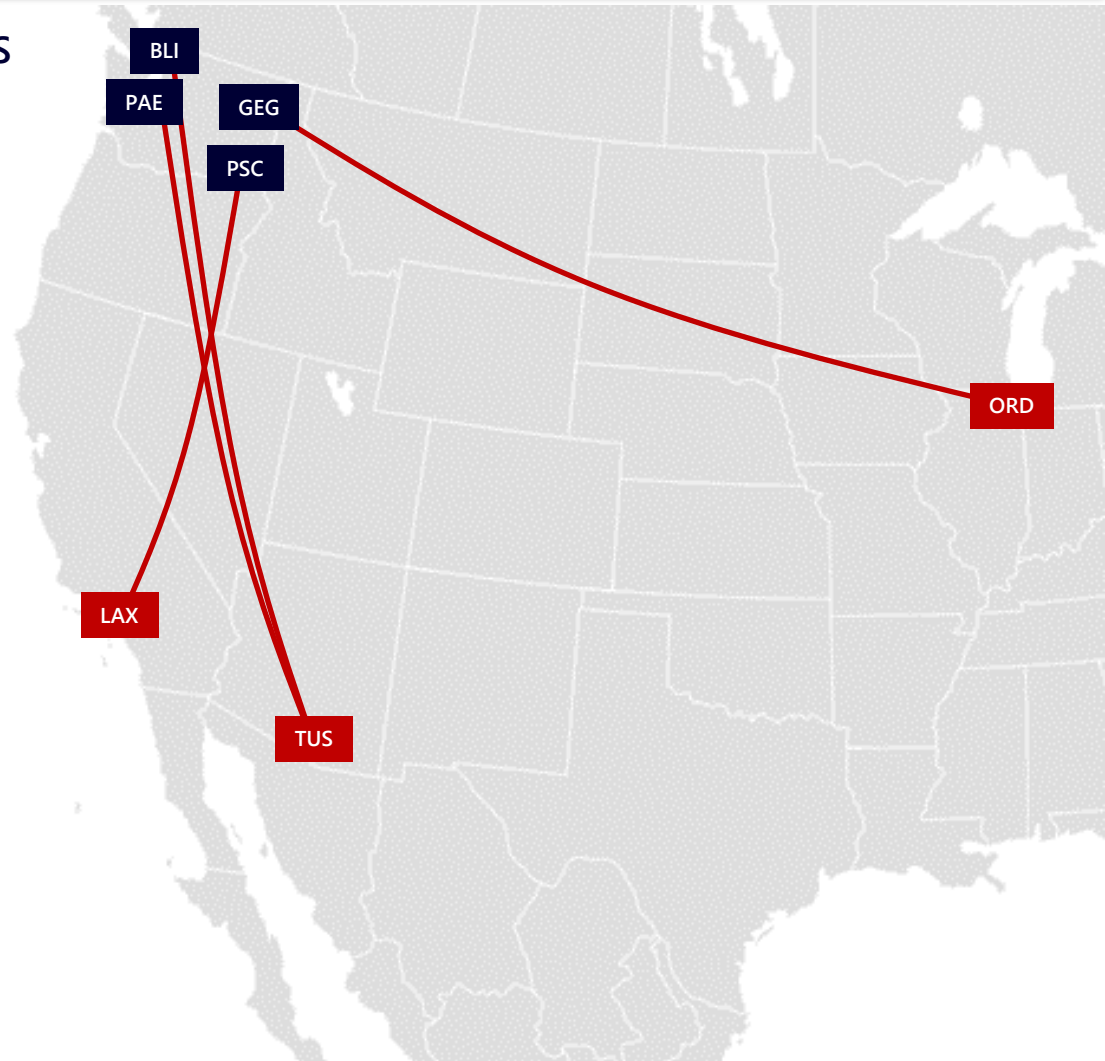
COST OF EACH FLIGHT SEGMENT JUNE 2021 VS. AUGUST 2022



SOURCE: VOLAIRE ANALYSIS OF FORM 41 AIRLINE COST REPORTING

> WASHINGTON: 4 ROUTES LOST

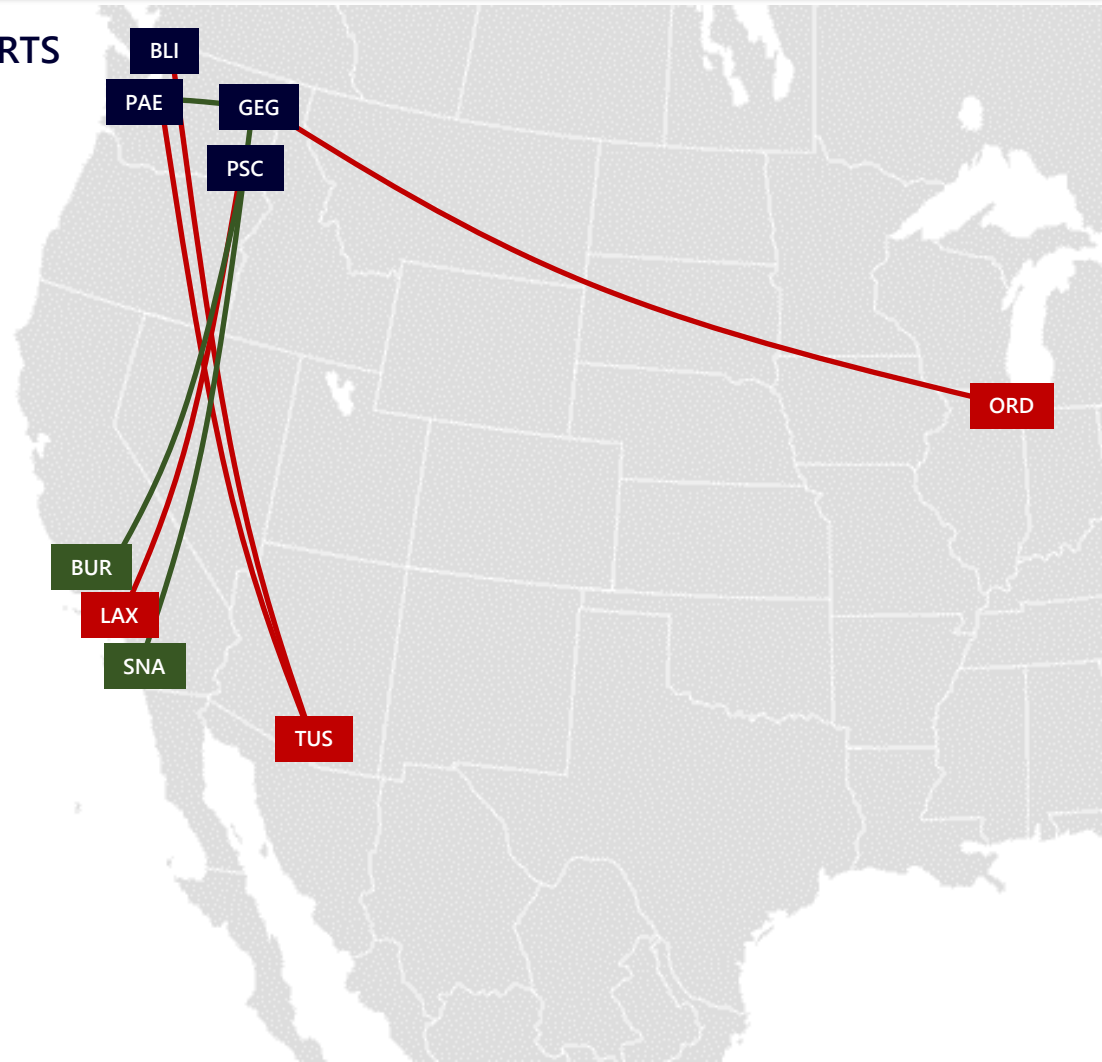
ROUTES LOST AT WASHINGTON AIRPORTS
OCTOBER 2022 VS. OCTOBER 2019 (NOT INCLUDING SEA)



SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.

> WASHINGTON: 3 ROUTES GAINED

ROUTES GAINED AT WASHINGTON AIRPORTS
OCTOBER 2022 VS. OCTOBER 2019 (NOT INCLUDING SEA)

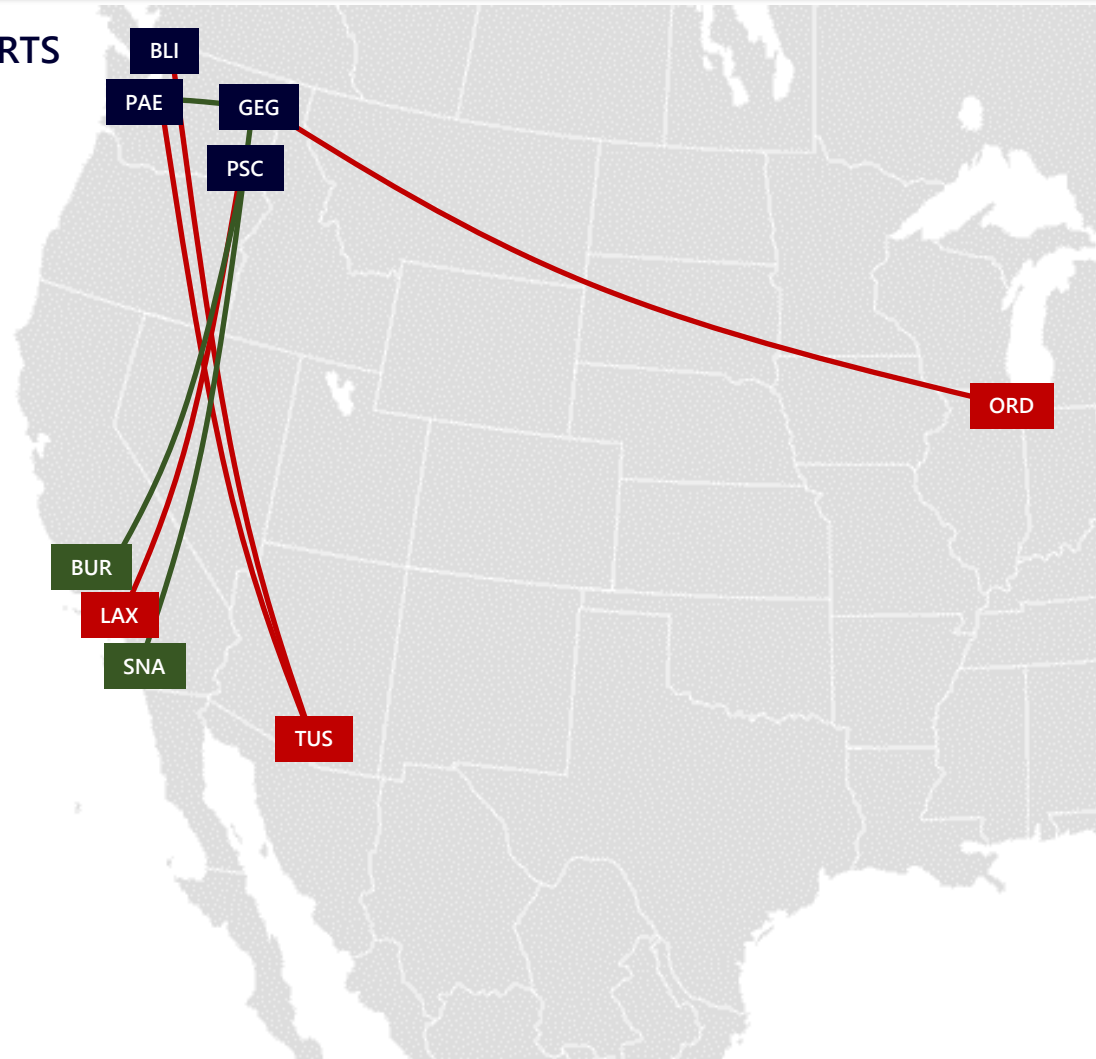


SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.

> WASHINGTON: 3 ROUTES GAINED

ROUTES GAINED AT WASHINGTON AIRPORTS OCTOBER 2022 VS. OCTOBER 2019 (NOT INCLUDING SEA)

- > LARGER PLANES
- > LESS-FREQUENT FLIGHTS
- > FOCUS ON LEISURE PAX
- > BIG PLAYERS:



SOURCE: VOLAIRE ANALYSIS OF AIRLINE DATA, INC.



TOPIC THREE FUTURE POTENTIAL



> GOAL #1: RESTORE FREQUENCY

SEATTLE

WENATCHEE



SEATTLE GOALS

> ALL-JET AS OF JANUARY 9



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SOURCE: VOLAIRE CONSULTING ANALYSIS

> GOAL #1: RESTORE FREQUENCY

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SEATTLE GOALS

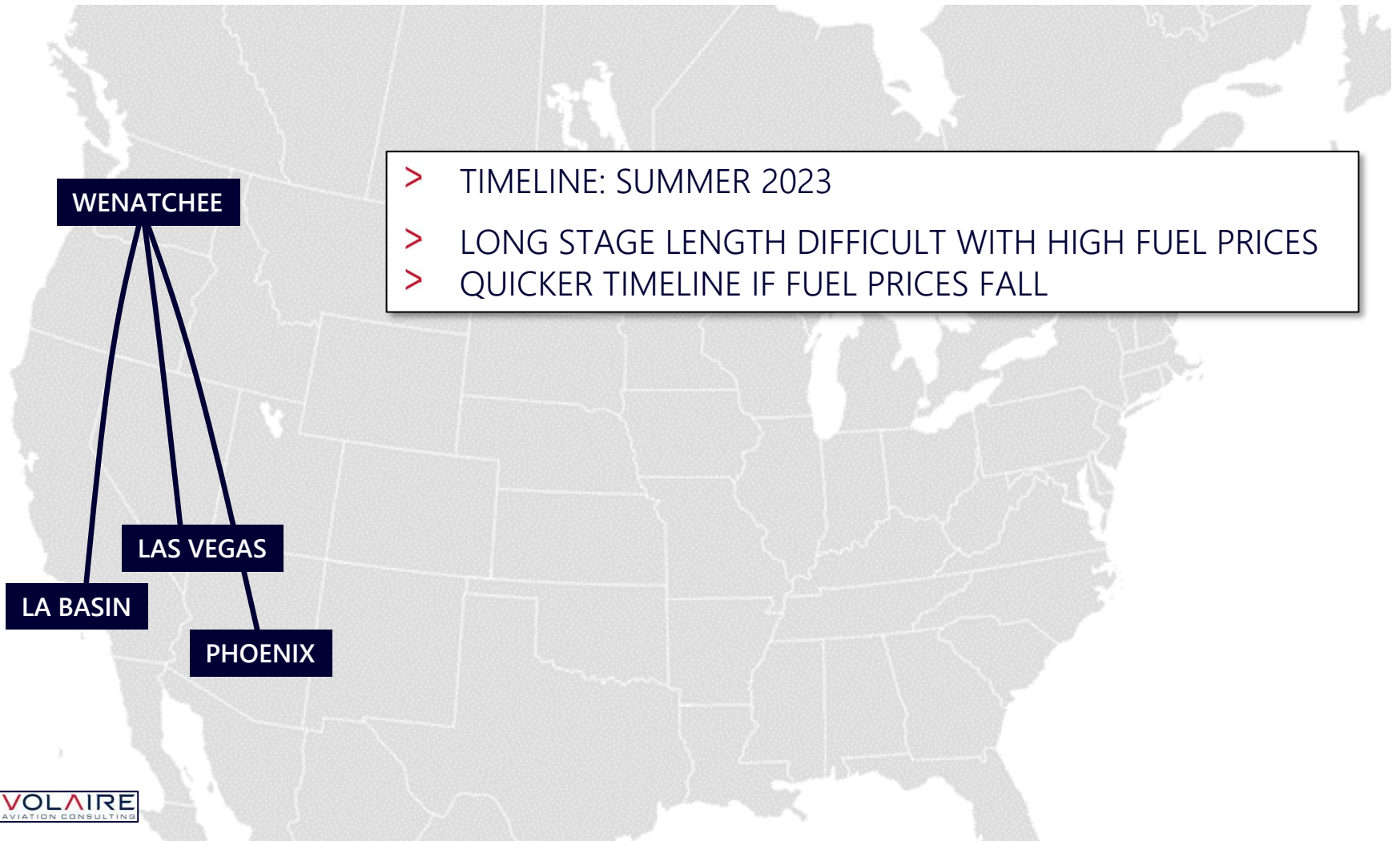
- > ALL-JET AS OF JANUARY 9
- > MUST FILL PLANES TO SECURE MORE FLIGHTS
- > WORK TOWARD SECOND FLIGHT BY SUMMER



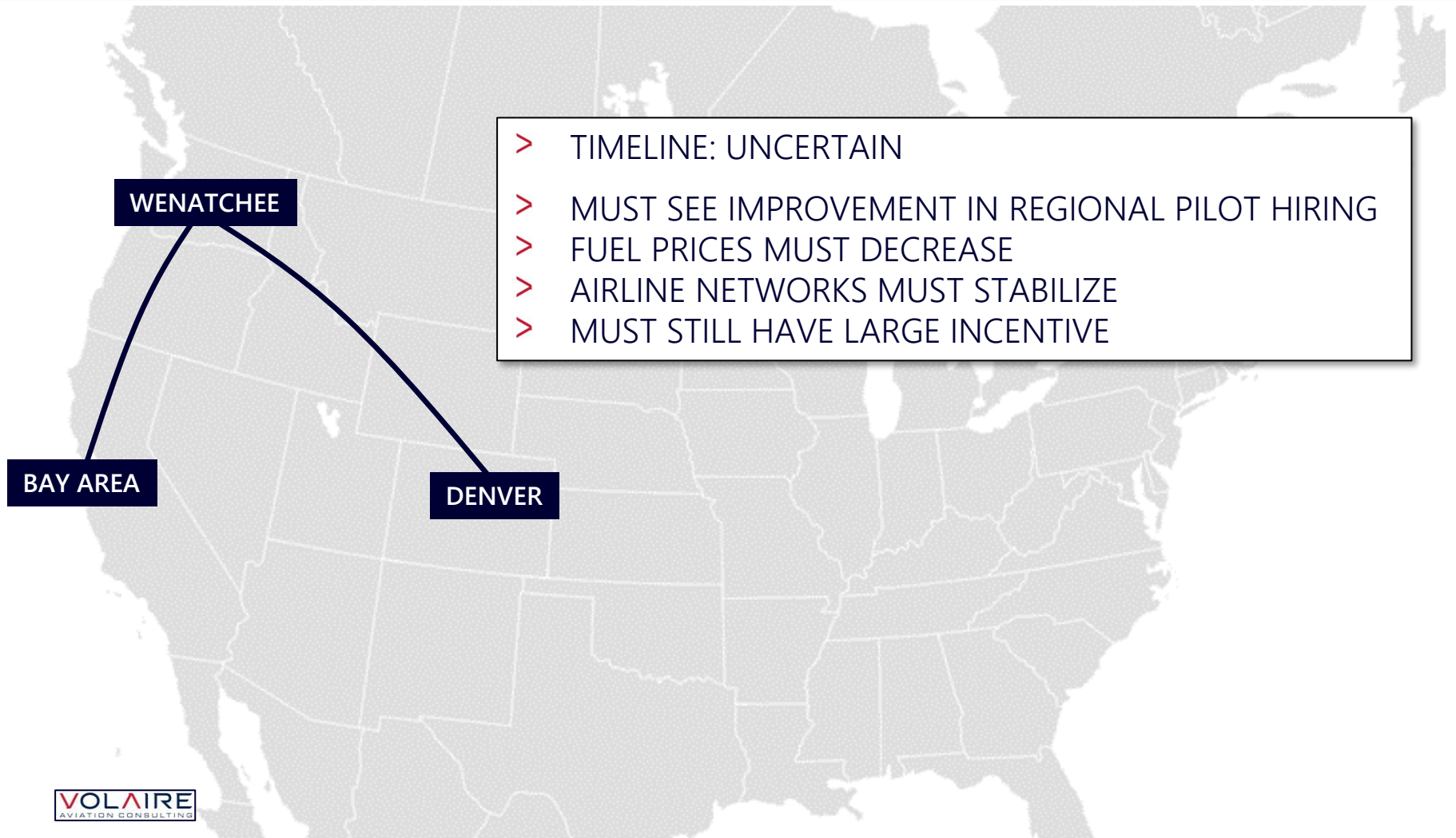
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SOURCE: VOLAIRE CONSULTING ANALYSIS

> GOAL #2: SECURE ULCC SERVICE



> GOAL #3: NETWORK GROWTH



> THE "PART 135" NICHE

TWO TYPES OF COMMERCIAL AIR SERVICE AS OF OCTOBER 2022

TRADITIONAL PART 121

- > SCHEDULED SERVICE
- > 31 SEATS OR MORE
- > PILOTS WITH 1,500 HOURS+

SOURCE: VOLAIRE ANALYSIS

> THE "PART 135" NICHE

TWO TYPES OF COMMERCIAL AIR SERVICE

AS OF OCTOBER 2022

TRADITIONAL PART 121

- > SCHEDULED SERVICE
- > 31 SEATS OR MORE
- > PILOTS WITH 1,500 HOURS+

PART 135

- > SCHEDULED "CHARTER"
- > 30 SEATS OR LESS
- > PILOTS WITH 750 HOURS

SOURCE: VOLAIRE ANALYSIS

> THE "PART 135" NICHE

TWO TYPES OF COMMERCIAL AIR SERVICE

AS OF OCTOBER 2022

TRADITIONAL PART 121

- > SCHEDULED SERVICE
- > 31 SEATS OR MORE
- > PILOTS WITH 1,500 HOURS+

PART 135

- > SCHEDULED "CHARTER"
- > 30 SEATS OR LESS
- > PILOTS WITH 750 HOURS

- > NEW EMPHASIS ON USING PART 135 TO TRAIN PILOTS
- > CAN WORK WELL IN SMALLER REGIONAL MARKETS
- > WILL EVENTUALLY HAVE FULL CODESHARES

SOURCE: VOLAIRE ANALYSIS

> THE "PART 135" NICHE

SkyWest
C H A R T E R



- > REMOVING 30 SEATS FROM 50 SEAT JETS
- > RETAINING DELTA AND UNITED CODESHARES
- > MANY PLANES AVAILABLE

SOURCE: VOLAIRE ANALYSIS

> THE "PART 135" NICHE



- > UNITED AIMS TO GO ELECTRIC BY 2030
- > 30 SEAT PLANES
- > CAN BE OPERATED UNDER PART 135

SOURCE: UNITED AIRLINES

> COMPETITION IS INTENSE



VIRTUALLY ALL US AIRPORTS OFFER LARGE INCENTIVES

JACK PENNING
MANAGING PARTNER
VOLAIRE AVIATION
PORTLAND, OREGON

