

# US Aviation Industry Realities & Myrtle Beach

September 2009

The logo for Boyd Group International is centered in a white rectangular box. It features the text "BoydGroup" in a blue serif font, with "Boyd" in a larger size than "Group". Below this, the word "INTERNATIONAL" is written in a smaller, black, all-caps sans-serif font. A thin horizontal line separates "BoydGroup" from "INTERNATIONAL".

**BoydGroup**  
INTERNATIONAL

# Overall Industry Picture



**Plan on uncertainty, surprises and unpleasantness**

- **Declining Air Passenger & Cargo Demand**  
Scheduled airlines are cutting back – everywhere...
- **Airlines are cutting faster than demand is falling – and it is falling**
- **Airlines are reducing fleets**
- **Air traffic control issues and fuel make service to smaller airports less attractive and more costly**
- **Airlines want to see some form of green \$\$\$ before committing to new markets. Incentives are critical**

# After Summer 2008 – Airlines Got Religion

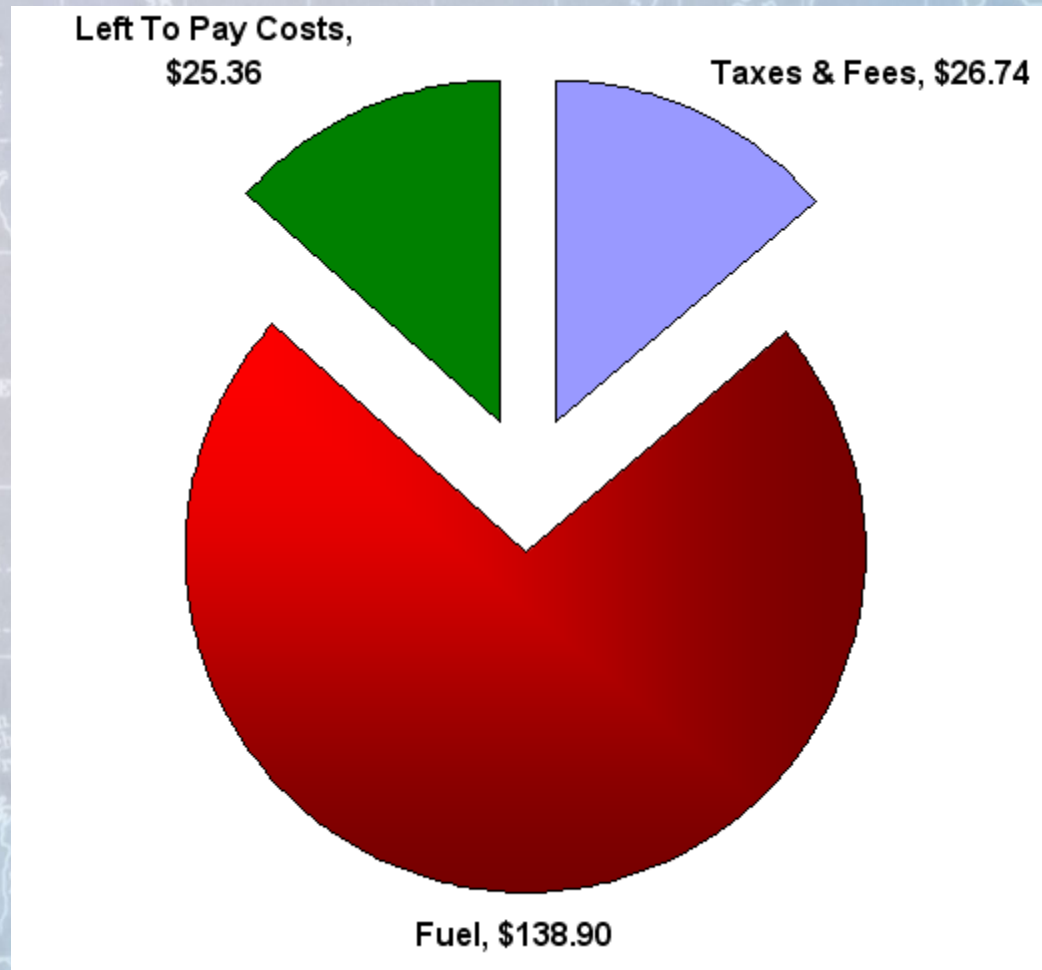
- Avg OW fare: \$191.00
- Taxes & Fees: - \$ 26.74
- Fuel Per Psgr: - \$138.80

Left to pay for all other costs:

**\$25.36**

Does not cover crew costs, or maintenance costs, or aircraft lease costs...

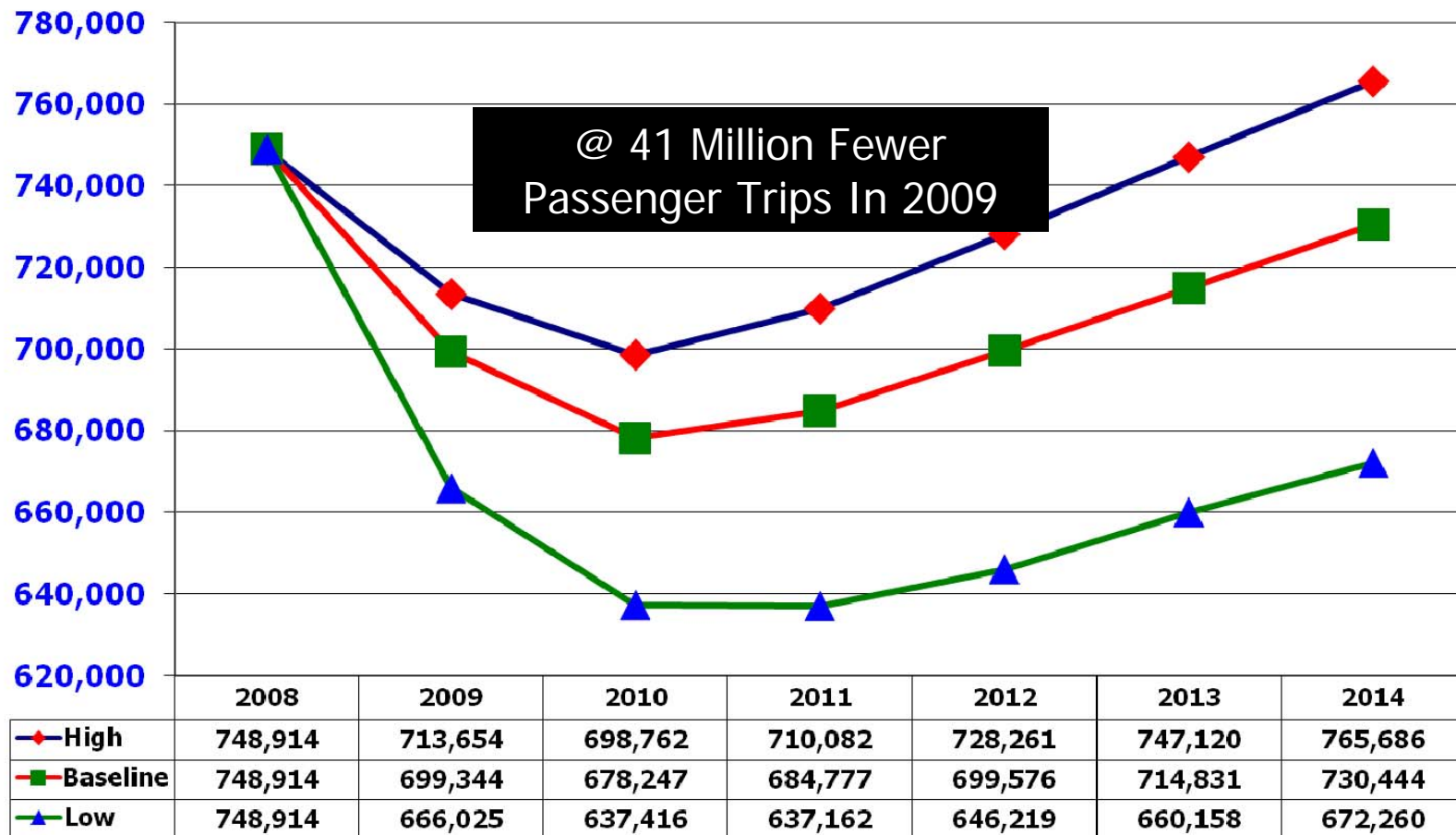
Summer of 2008 was a near-death experience for the airline industry. Today, none of them take any chances



# Demand: Down. But How Far?

## Airports:USA®Enplanement Forecast 2009 - 2104

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# Airlines Are Looking For Zero Risk

## The Industry Is Not Healthy



The economy is not really rebounding, yet

Airlines are cutting capacity – over 12% by the end of the year... and they're doing it pro-actively

It's a seller's market – airlines will move assets where the least risk is – and that means incentives

Across the country, airlines are reticent to move into new markets when they are cutting capacity elsewhere and parking airliners.

That means the need to have strong reasons to enter or to stay in some markets – particularly leisure ones.

Your competition is not asleep

# Let's Talk Myrtle Beach

- This is not a “typical” market...
- Very seasonal – that’s difficult for airlines to manage
- Air service is focused on inbound visitors, and price-sensitive visitors at that
- The Myrtle Beach market is very baggage-intensive
- The traffic base is focused heavily on large metro populations – a few of which make up the majority of MYR visitors
- Major carrier systems deliver passengers from around the nation, but changes in fleets and corporate strategies are affecting leisure markets more than others

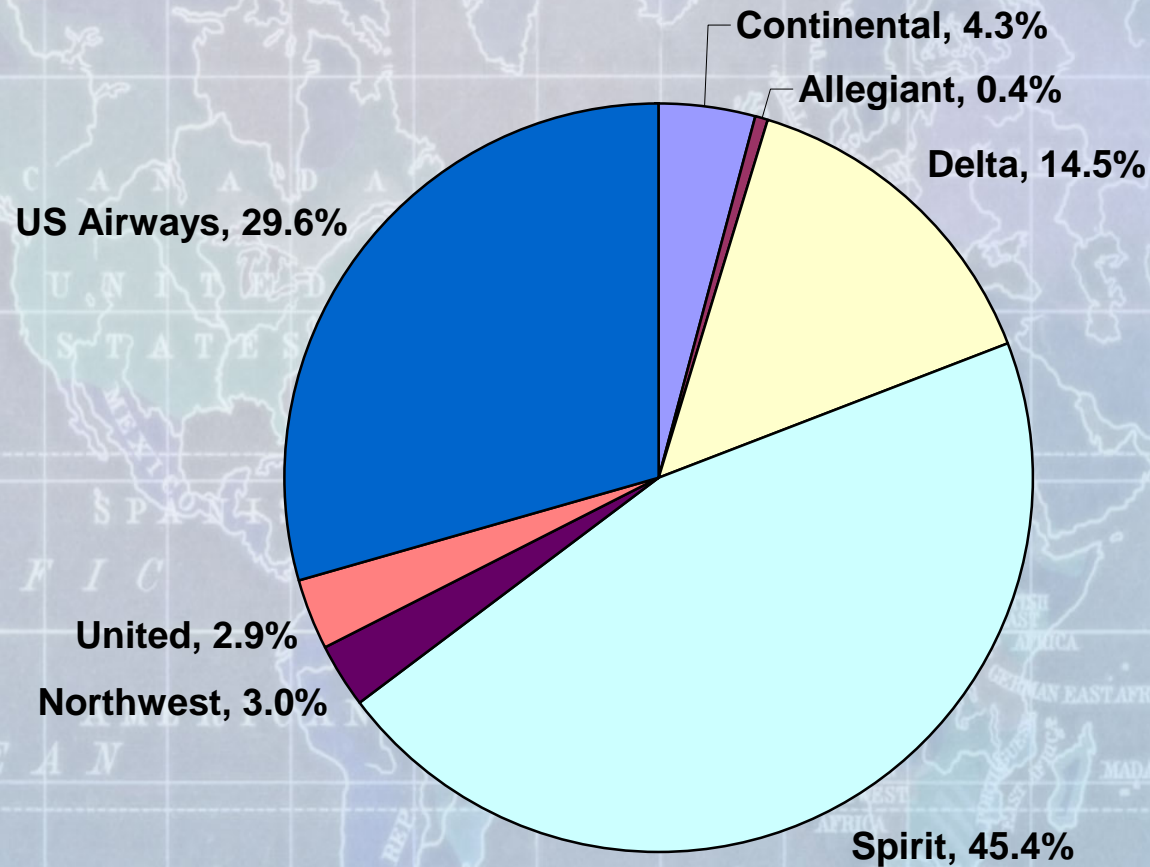


# The Unique Market Place

- Large aircraft – they represent the ability to offer lower per-seat fares, critical to Myrtle Beach
- Low fare programs are critical to building and keeping traffic
- Competition with other leisure venues demands focused and reliable service
- Baggage dependability – having the capacity to carry golf bags and assure delivery with the passenger – not the next day
- Nonstops from major metro areas are also important to generating maximum amount of visitors
- Convincing an airline to commit a \$40 million airplane to serve Myrtle Beach is not easy

# High Dependence on Two Carriers

## Airline Shares at Myrtle Beach YTD 2009



# Myrtle Beach – A Unique Market

Rank	Market	Psgr	PDEW	% Originating	Gross OW Fare	% of Pax
1	New York/LGA	244,448	334.9	36.15%	\$108.41	19.2%
2	Atlantic City	141,975	194.5	34.76%	\$86.78	11.1%
3	Boston	134,033	183.6	31.73%	\$116.49	10.5%
4	Detroit	97,239	133.2	26.02%	\$110.36	7.6%
5	Newark	55,366	75.8	18.69%	\$167.21	4.3%
6	Ft. Lauderdale	49,535	67.9	56.75%	\$106.21	3.9%
7	Philadelphia	29,800	40.8	25.81%	\$166.42	2.3%
8	Chicago/O'Hare	27,637	37.9	23.83%	\$215.62	2.2%
9	Pittsburgh	27,629	37.8	22.89%	\$168.86	2.2%
10	Orlando	20,791	28.5	53.18%	\$151.30	1.6%
	Summary	828,453	1,135	33.27%		65.0%
	Total Market	1,274,655	1,746	32.9%	\$162.80	

Two thirds of all passengers are from just ten cities...

Over 50% from top five

Note that only 32% of passengers are "originating" – that means 68% are visitors.

That means air service access from rest of the world is critical

# What Makes Myrtle Beach Different

- Low fares, high dependence on key metro areas...

	Top Five Mkt%	Passenger Orig	Avg Fare
Columbia	25.7%	67.5%	\$212.20
Charleston	26.0%	41.3%	\$212.17
Savannah	22.6%	35.3%	\$197.79
Greenville-S'burg	19.5%	54.9%	\$241.91
<b>Myrtle Beach</b>	<b>51.5%</b>	<b>32.9%</b>	<b>\$162.80</b>

- Inbound access is critical to the market

# Air Service Access, Stable. Unlike The US



October 2008



October 2009

# Scheduled Access: Stable

## Airports:USA® DATA MINER

### Flights Scheduled - December 2009

Carrier	Dest	Departures				Seats			
		12/1/2008 - 12/31/2008	12/1/2009 - 12/31/2009	Change	% Change	12/1/2008 - 12/31/2008	12/1/2009 - 12/31/2009	Change	% Change
<b>Continental</b>		33	33	0	0.0%	2,442	2,442	0	0.0%
	<b>Newark</b>	33	33	0	0.0%	2,442	2,442	0	0.0%
<b>Delta</b>		149	178	29	19.5%	8,422	8,900	478	5.7%
	<b>Atlanta</b>	149	178	29	19.5%	8,422	8,900	478	5.7%
<b>Spirit</b>		155	155	0	0.0%	22,475	22,475	0	0.0%
	<b>Atlantic City</b>	31	31	0	0.0%	4,495	4,495	0	0.0%
	<b>Boston</b>	31	31	0	0.0%	4,495	4,495	0	0.0%
	<b>Ft. Lauderdale</b>	31	31	0	0.0%	4,495	4,495	0	0.0%
	<b>NewYork/LGA</b>	62	62	0	0.0%	8,990	8,990	0	0.0%
<b>Northwest</b>		28	31	3	10.7%	1,400	2,356	956	68.3%
	<b>Detroit</b>	28	31	3	10.7%	1,400	2,356	956	68.3%
<b>US Airways</b>		221	245	24	10.9%	24,035	21,807	-2,228	-9.3%
	<b>Charlotte</b>	206	227	21	10.2%	23,155	20,631	-2,524	-10.9%
	<b>Wash/Reagan</b>	13	6	(7)	-53.8%	780	300	-480	-61.5%
	<b>Philadelphia</b>	2	12	10	500.0%	100	876	776	776.0%
<b>Total</b>		<b>586</b>	<b>642</b>	<b>52</b>	<b>8.8%</b>	<b>58,774</b>	<b>57,980</b>	<b>-794</b>	<b>-1.4%</b>

# Incentives Make A Local Difference

Let's compare just three markets...

- In just three markets – New York, Chicago, Boston – fares have dropped materially in the last three years due to attracting and keeping new service...

	2006 Fare	2009 Fare	Net Diff	MYR Consumers	Net Savings
LaGuardia	\$127.27	\$87.15	\$40.12	88,368	\$3,545,322
Chicago	\$176.59	\$121.01	\$55.58	10,474	\$582,168
Boston	\$161.90	\$112.80	\$49.10	42,529	\$2,088,158
<b>Totals</b>				<b>141,371</b>	<b>\$6,215,648</b>

- Just these three markets have saved Myrtle Beach consumers over \$6 million dollars annually

# Moving Ahead

- **Air service access to Myrtle Beach is critical to the local economy**
- **Nonstop access from major metro areas is critical to maintaining inbound visitor base**
- **Keeping large aircraft service is also important to fares and to quality of service for the specific target customer base**
- **Every other airport in the nation (OK, most of them) are offering incentives to carriers to attract new service. The number of airliners in service is declining. That means any new service at Daytona Beach comes out of another airport's hide**
- **Incentive programs have produced results. More importantly, they've delivered economic impact to the local travel base as well.**



**Thank You!**