Proposal under the Small Community Air Service Development Pilot Program

Sponsors: City of Hailey, Idaho
          Blaine County, Idaho

Contact: Rick Baird, Airport Manager
         Friedman Memorial Airport
         PO Box 929
         Hailey, Idaho 83333
         Phone: (208) 788-4956
         Email: rickbaird@sunvalley.net

Docket #: OST-2003-15065

Date: June 30, 2003
June 30, 2003

Docket Operations and Media Management
M-30, Room PL-401
Department of Transportation
400 7th Street, SW
Washington, DC 20590

RE: Small Community Air Service Development Pilot Program
Docket OST-2003-15065
City of Hailey (ID) and Blaine County (ID) - Grant Application

Dear Sir/Madam:

Included with this letter is Friedman Memorial Airport’s Small Community Air Service Development Pilot Program grant application. The City of Hailey (ID) and Blaine County (ID), owners/sponsors of the Friedman Memorial Airport, and the Friedman Memorial Airport Board and Blaine County Air Transportation Advisory Group (BCATAG) have formed a public-private partnership for the purpose of securing commercial air service deemed critical to the economic development of the region. Horizon Air has agreed to provide the proposed seasonal air service contingent on funding and implementation of the Strategic Plan detailed in the attached application.

This plan builds on the success of the Sun Valley-Los Angeles service that was initiated December 15, 2002 as part of the 2002 Small Community Air Service Development Pilot Program. With regard to the Sun Valley-Los Angeles service and the proposed Sun Valley-San Francisco Bay area service, the overall goal of both of these efforts is to improve the economic vitality of the region by providing access to important population centers located on the west coast. The proposed seasonal Sun Valley-San Francisco Bay area service is the first step in securing twelve-month service to the San Francisco Bay area. Our plan is to implement twelve-month service the following year if seasonal Sun Valley-San Francisco Bay area service is successful.

The purpose of this grant request is to:
- Secure seasonal (December 15, 2003 – March 31, 2004) scheduled commercial air service to/from the San Francisco Bay area, a high profile, under served market for the Sun Valley community.
- Support local economic activity by improving air service between Sun Valley and the San Francisco Bay area.
- Improve air service to a remote region whose airport, Friedman Memorial Airport, is significantly restricted by high altitude and mountainous terrain.
Proposed service:
- Sun Valley (SUN) – San Francisco Bay area, 1 round-trip daily provided by Horizon Air’s 70-seat Dash 8 Q-400.

The attached application meets the priorities established by the Secretary of Transportation (Order 2003-4-22, Appendix A):
- The proposed service will reduce airfares by at least 11 percent in the Sun Valley-San Francisco Bay area market.
- The community will fund 52.5 percent of the total proposed air service program.
- The airport sponsor and the BCATAG have formed a public-private partnership to support the proposed air service initiative.
- The proposed air service will benefit all segments of the community and provide stimulus to the region’s core recreation industry.

Grant application sponsor contacts:

Susan McBryant, Mayor
City of Hailey
P.O. Box 3509
Hailey, ID 83333
Phone: (208) 725-3858
Email: dembryant@aol.com

Rick Baird, Airport Manager
Friedman Memorial Airport
P.O. Box 929
Hailey, ID 83333
Phone: (208) 788-4956
Email: rickbaird@sunvalley.net

The many members of the Sun Valley community that have participated in preparing this application appreciate the Department of Transportation’s continued support of critical air service improvements to our community. The economic benefit to our isolated community of the non-stop Sun Valley-Los Angeles service initiated as part of last year’s Small Community Air Service Development Pilot Program cannot be overstated. We understand that we are competing for grant funds with other communities and we ask that you consider this application the second giant step in improving air service to our area. We forward to working with you as you evaluate the merits of the Friedman Memorial Airport’s Small Community Air Service Development Pilot Program grant application.

Best regards,

Susan McBryant
Mayor

Enclosure
June 19, 2003

Mike Reynolds  
Acting Assistant Secretary for Aviation and International Affairs  
U.S. Department of Transportation  
400 7th St.  
SW Washington DC 20590

Re: Horizon Air Letter of Intent  
Small Community Air Service Development Pilot Program – Grant Application  
City of Hailey (ID), Blaine County (ID), and the Blaine County Air Transportation Advisory Group (BCATAG)

Dear Sir:

In conjunction with the attached grant application filed by the City of Hailey (ID), Blaine County (ID) and BCATAG, Horizon Air intends to provide the air service described herein. This commitment is contingent on the Department of Transportation’s grant offer and acceptance by the sponsors, the City of Hailey (ID) and Blaine County (ID). The amount of the grant shall be sufficient to fund the elements of the application’s Action Plan for which federal funds are specifically requested.

Additionally, Horizon Air’s commitment to provide air service hinges on full funding and implementation of the applicant’s complete Action Plan by all parties. It is our understanding that grant offers will be made on or before September 30, 2003. If the federal government does not make a grant offer to the City of Hailey (ID) and Blaine County (ID) on or before that date, Horizon Air, at its discretion, is under no further obligation to provide the air service described in the reference grant application.

Horizon Air looks forward to working with the Department of Transportation, the City of Hailey (ID), Blaine County (ID) and BCATAG on this important air service initiative. Please contact Bruce Tecklenburg, Horizon Air’s Manager of Schedule Planning if you have any questions concerning this letter-of-intent and/or specifics about Horizon Air.

Regards,

Patrick Zachwieja  
Vice President of Marketing and Planning

Cc: Bruce Tecklenburg
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SMALL COMMUNITY AIR SERVICE DEVELOPMENT PILOT PROGRAM
DOCKET OST-2003-15065

SUMMARY INFORMATION

All applicants must submit this information along with their proposal. Previous applicants may incorporate by reference all or any portion of their initial proposals in Docket OST-2002-11590, but must also submit this summary information to be considered for a grant award from the FY 2003 funding for the Pilot Program in this docket.

A. APPLICANT INFORMATION: (CHECK ALL THAT APPLY)

☐ Consortium ☐ Community now receives EAS subsidy

<table>
<thead>
<tr>
<th>Community Name</th>
<th>City of Hailey, Idaho</th>
<th>Phone: (208) 725-3858</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address1</td>
<td>PO Box 3509</td>
<td>Fax: (208) 725-0145</td>
</tr>
<tr>
<td>Address2</td>
<td></td>
<td>Email: <a href="mailto:dcmbryant@aol.com">dcmbryant@aol.com</a></td>
</tr>
<tr>
<td>City, State Zip code</td>
<td>Hailey, Idaho 83333</td>
<td>County: Blaine</td>
</tr>
<tr>
<td>Point of Contact</td>
<td>Susan McBryant, Mayor</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Community Name</th>
<th>Phone:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address1</td>
<td>Fax:</td>
</tr>
<tr>
<td>Address2</td>
<td>Email:</td>
</tr>
<tr>
<td>City, State Zip code</td>
<td>County:</td>
</tr>
<tr>
<td>Point of Contact</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Community Name</th>
<th>Phone:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address1</td>
<td>Fax:</td>
</tr>
<tr>
<td>Address2</td>
<td>Email:</td>
</tr>
<tr>
<td>City, State Zip code</td>
<td>County:</td>
</tr>
<tr>
<td>Point of Contact</td>
<td></td>
</tr>
</tbody>
</table>

DESIGNATED LEGAL SPONSOR: (MUST BE A GOVERNMENT ENTITY)

Name: Rick Baird
Title: Airport Manager
Organization: Friedman Memorial Airport Authority
Address1: PO Box 929
Address2:                        
City, State Zip code: Hailey, Idaho 83333
**PUBLIC/PRIVATE PARTNERSHIPS: (LIST ORGANIZATION NAMES)**

<table>
<thead>
<tr>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Friedman Memorial Airport Authority</td>
<td>1. Blaine County Air Transportation Advisory Group</td>
</tr>
<tr>
<td>2. City of Hailey, Idaho</td>
<td>2.</td>
</tr>
<tr>
<td>4.</td>
<td>4.</td>
</tr>
<tr>
<td>5.</td>
<td>5.</td>
</tr>
</tbody>
</table>

**B. PROJECT INFORMATION**

**PROJECT PROPOSAL: (CHECK ALL THAT APPLY)**

- ✔ Marketing
- ✔ Personnel
- □ Travel Bank
- □ Subsidy
- ✔ Revenue Guarantee
- □ Start Up Cost Offset
- □ Study
- □ Upgradable Aircraft
- □ Increase Frequency Secure
- □ Service Restoration
- □ Regional Service
- □ Launch New Carrier
- □ First Competitive Service
- □ Secure Additional Carrier
- □ New Route
- □ Low Fare Service
- □ Surface Transportation
- □ Other (specify)

**PROJECT GOAL: PROJECT IS INTENDED TO ADDRESS PROBLEMS INVOLVING (CHECK ALL THAT APPLY)**

- ✔ High Fares
- ✔ Insufficient Air Service
- □ Access to National Transportation System Needed
- □ Unique Airport Circumstance
- □ Other (specify)

Please provide a brief synopsis (in one paragraph) of the highlights of your proposal.

Seasonal (12/15/03-3/31/04) SUN-San Francisco Bay area service with Horizon Air Dash 8 Q-400, one round trip daily. The proposed service will be supported with extensive marketing by the Sun Valley/Ketchum Chamber & Visitors Bureau, Sun Valley Company, local businesses, and an airline revenue guarantee. The service is designed to support the area’s recreation based economy. This is the first step in securing year-round, non-stop service between SUN and the San Francisco Bay area. If the seasonal service is successful, 12-month service is planned for the following year.
**PROJECT COST:**

Federal amount requested: $225,000
Total local financial contribution:
  - Airport funds: 
  - Non-Airport funds: $165,290
State financial contribution:
  - Existing funds: 
  - New funds: 
In-kind contribution: $82,800
(amount & description)
Total cost of project: $473,090

**C. AIR SERVICE DEVELOPMENT ZONE:** (CHECK BOX IF INTERESTED IN DESIGNATION) □

**D. AIRPORT INFORMATION:** (WHERE SERVICE WOULD BE PROVIDED)

Airport Name: Friedman Memorial Airport
Airport City: Hailey
Airport State: Idaho
Airport Code: SUN

**AIRPORT CLASSIFICATION:** (AS OF JUNE 2002, PER FAA’s AIRPORT HANDBOOK)

☑ Non Hub ☐ Small Hub ☐ Medium Hub ☐ Other

**EXISTING LANDING AIDS:**

☐ Full ILS ☐ Outer/Middle Marker ☑ Published Instrument Approach
☐ Localizer ☑ Other (specify) TLS Approach to be commissioned late 2003

**EXISTING SERVICE:**

☐ Jet service ☐ Low Fare Service ☑ Turboprop

**AIR CARRIER(S) SERVING AIRPORT:**

<table>
<thead>
<tr>
<th>Air Carriers</th>
<th>Air Carriers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Horizon Air (Alaska Airlines)</td>
<td>6.</td>
</tr>
<tr>
<td>2. SkyWest Airlines (Delta Air Lines)</td>
<td>7.</td>
</tr>
<tr>
<td>3.</td>
<td>8.</td>
</tr>
<tr>
<td>4.</td>
<td>9.</td>
</tr>
<tr>
<td>5.</td>
<td>10.</td>
</tr>
</tbody>
</table>

Section 1 / Summary Information
CURRENT FLIGHT INFORMATION: (please provide attachment if you need more room)

Number of non-stop roundtrip flights per destination: Per week: LAX-7, SLC-63, SEA-7
Number of one-stop, single-plane roundtrip flights per destination per week (identify services that are seasonal and dates of service):
Aircraft Type (include number of seats):

| Aircraft Type (include number of seats): | De Havilland Dash 8 400 – 70 seats | Embraer Brasilia 120 – 30 seats |

ENPLANEMENTS (LAST FIVE CALENDAR YEARS TO THE EXTENT APPLICABLE)

<table>
<thead>
<tr>
<th>Year</th>
<th>ENPLANEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>61,430</td>
</tr>
<tr>
<td>1999</td>
<td>68,303</td>
</tr>
<tr>
<td>2000</td>
<td>70,189</td>
</tr>
<tr>
<td>2001</td>
<td>59,990</td>
</tr>
<tr>
<td>2002</td>
<td>64,147</td>
</tr>
</tbody>
</table>

E. Airfares: (Provide current available airfares for top 3 O&D markets-if applicable)

<table>
<thead>
<tr>
<th>O&amp;D Market</th>
<th>Airfare:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seattle, WA (SEA)</td>
<td>$120.32*</td>
</tr>
<tr>
<td>Los Angeles, CA (LAX)</td>
<td>$180.03*</td>
</tr>
<tr>
<td>Salt Lake City, UT (SLC)</td>
<td>$102.47*</td>
</tr>
</tbody>
</table>
* Source: Data Base Products, Inc., Calendar Year 2002, One-Way Average Fares

F. Proximity of other airports: (per June 2002 FAA Handbook)

What is your closest:

<table>
<thead>
<tr>
<th>Type of Airport</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-hub (w/ jet service)</td>
<td>Magic Valley Regional Airport, Twin Falls ID</td>
</tr>
<tr>
<td>Small Hub</td>
<td>Boise Air Terminal</td>
</tr>
<tr>
<td>Medium Hub</td>
<td>Portland International Airport</td>
</tr>
<tr>
<td>Large Hub</td>
<td>Salt Lake City International Airport</td>
</tr>
<tr>
<td>Low-fare service</td>
<td>Boise Air Terminal</td>
</tr>
</tbody>
</table>
2. Community Profile

Airport Catchment Area
The destination resort communities of Ketchum and Sun Valley are located in Central Idaho, at the northern end of the Wood River Valley. The towns of Hailey and Bellevue lie 11-14 miles to the south and are home to a majority of the residents of Blaine County. To the north lies the 750,000-acre Sawtooth National Recreation Area. Sun Valley is the site of America's first destination ski resort, built in 1936, and the area has been a popular vacation destination for the past 60 years.

Ketchum, located one mile east of Sun Valley, is a historic mining town that now serves as the commercial hub of shops, restaurants, art galleries, theatres, museums and lodging for the area. Tourism is the main economic force in the area, although there has been significant growth in recent years in the high-tech industry.

The Friedman Memorial Airport catchment area¹ includes two counties, Camas and Blaine. The Boise Air Terminal to the west (154 miles), Magic Valley Regional Airport (64 miles) and Pocatello Regional Airport to the south (150 miles), and Idaho Falls Regional Airport to the east (140 miles) reduces the potential catchment area for Friedman Memorial Airport.

Exhibit 1
Friedman Memorial Airport
Airport Catchment Area

¹ An "airport catchment area" is the geographic area surrounding an airport from which that airport can reasonably expect to draw passenger traffic. The airport catchment area is sometimes called the service area.
Proximity to Competing Airport
The closest airport for residents and visitors of the Hailey/Ketchum area is Friedman Memorial Airport. However, there are five other airports within driving distance of the Sun Valley/Wood River Valley. The largest of the competing airports, Salt Lake City International Airport, is 282 miles from the Hailey/Ketchum area, or 5 hours driving. Boise Air Terminal is 138 miles from the Hailey/Ketchum area, or 2.5 hours driving. Other competing airports include Magic Valley Regional Airport (approximately 76 miles), Idaho Falls Regional Airport (approximately 154 miles), and Pocatello Regional Airport (approximately 157 miles).

Exhibit 2
Friedman Memorial Airport
Competing Airports

Source: Microsoft MapPoint 2002

Economic & Demographic Indicators
The economy of the Sun Valley/Wood River Valley is largely based on tourism. In the winter, visitors come to enjoy snow skiing at Sun Valley, as well as snowmobiling, cross-country skiing and ice-skating. Summer visitors enjoy golf, tennis, fishing, camping, hiking, river rafting, and summer music and arts festivals.

Because the Sun Valley/Wood River Valley area is primarily a tourism market, a significantly higher percentage of passengers utilizing the Friedman Memorial Airport originate from a
remote location with Sun Valley/Wood River Valley as their destination. As such, the economic and demographic analysis, although useful in understanding the air service market, is not the basis of support for the proposed service. The local economy is, to a large extent, based on bringing people from out of the area to access the recreation opportunities provided by the businesses in the area.

The Friedman Memorial Airport catchment area economic measurements and demographics were evaluated and compared to other Idaho airports based on six leading economic and demographic indicators: population, employment, total earnings, manufacturing earnings, retail sales, and personal income. Compared to the five other commercial air service airports in the state of Idaho, the Friedman Memorial Airport catchment area is ranked sixth in all six of the economic and demographic indicators. This is due to its relatively small catchment area resulting from the proximity of Boise, Twin Falls, Pocatello and Idaho Falls airports and its resort destination based economy/identity.

| Table 1 |
| Friedman Memorial Airport  
Idaho Airport Catchment Area Comparisons – 2001 Estimates |
<table>
<thead>
<tr>
<th>Airport Rank</th>
<th>Catchment Area</th>
<th>Population (000's)</th>
<th>Employment (000's)</th>
<th>Manufact. Earnings (000's)</th>
<th>Retail Sales (000's)</th>
<th>Personal Income (000's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Boise</td>
<td>586,470</td>
<td>377,765</td>
<td>$10,563,025</td>
<td>$2,212,783</td>
<td>$6,241,274</td>
</tr>
<tr>
<td>2</td>
<td>Idaho Falls</td>
<td>165,070</td>
<td>100,420</td>
<td>$2,427,015</td>
<td>$118,075</td>
<td>$1,563,297</td>
</tr>
<tr>
<td>3</td>
<td>Pocatello</td>
<td>158,017</td>
<td>82,905</td>
<td>$1,951,824</td>
<td>$329,397</td>
<td>$1,275,982</td>
</tr>
<tr>
<td>4</td>
<td>Twin Falls</td>
<td>143,276</td>
<td>85,034</td>
<td>$2,022,317</td>
<td>$248,806</td>
<td>$1,498,653</td>
</tr>
<tr>
<td>5</td>
<td>Lewiston</td>
<td>90,762</td>
<td>52,581</td>
<td>$1,241,604</td>
<td>$254,373</td>
<td>$886,516</td>
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<tr>
<td>6</td>
<td>Sun Valley</td>
<td>19,852</td>
<td>18,560</td>
<td>$472,403</td>
<td>$18,969</td>
<td>$305,647</td>
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<tr>
<td><strong>Total Idaho</strong></td>
<td></td>
<td>1,163,447</td>
<td>717,265</td>
<td>$18,678,188</td>
<td>$3,182,403</td>
<td>$11,771,369</td>
</tr>
</tbody>
</table>


**Area Businesses**

The Sun Valley/Wood River Valley area attracts a well-educated and highly skilled work force. With one of the fastest-growing populations in the state, the Sun Valley/Wood River Valley has 11,843 people in the work force within commuting distance, with most workers earning their living in service and retail industry. Many of the workers average less than 30 minutes commuting to work, a distinct advantage in the age of the traffic jam.
The major employers in the Sun Valley/Wood River Valley include: Sun Valley Resort, Power Engineers, Inc., St. Luke’s, Marketron, Inc., Smith Sport Optics, Inc., Wood River Medical Center, Blaine County School District, Blaine County, and the U.S. Forest Service. Tourism provides the base for most employment in the valley. Ski related tourist activities and lodging offer seasonal jobs in the winter. Summer, spring and fall employment is more diverse, including construction and landscaping, in addition to warm weather tourism-related activities including tennis, golf, fishing and river rafting. The majority of businesses in the community are small, sole proprietor retail and service establishments.
3. Existing Air Service

Carriers/frequency/non-stop destinations
As of May 2003, Friedman Memorial Airport had non-stop commercial air service to Los Angeles International Airport, Seattle/Tacoma International Airport and Salt Lake City International Airport, with one daily round-trip flight to Los Angeles and Seattle/Tacoma and nine round-trip flights daily to Salt Lake City. Horizon Air (Alaska Airlines) provides service to Los Angeles International Airport and Seattle/Tacoma International Airport with the de Havilland Dash 8 Q400 (70 seat aircraft). SkyWest Airlines (Delta Connection) provides service to Salt Lake City with the Embraer Brasilia 120 (30 seat aircraft). The following table provides the full flight schedule as of May 2003:

Table 2
Friedman Memorial Airport
May 2003 Flight Schedule

<table>
<thead>
<tr>
<th>Marketing Carrier</th>
<th>Operating Carrier</th>
<th>Flight #</th>
<th>Days</th>
<th>Destination</th>
<th>Depart</th>
<th>Aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3668</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>7:00 AM</td>
<td>Embraer Brasilia 120</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3615</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>8:25 AM</td>
<td>Embraer Brasilia 120</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3670</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>9:38 AM</td>
<td>Embraer Brasilia 120</td>
</tr>
<tr>
<td>Horizon Air</td>
<td>Horizon Air</td>
<td>2342</td>
<td>MTWTSS</td>
<td>LAX</td>
<td>11:35 AM</td>
<td>de Havilland Dash 8 Q400</td>
</tr>
<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3672</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>12:33 PM</td>
<td>Embraer Brasilia 120</td>
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<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3674</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>12:50 PM</td>
<td>Embraer Brasilia 120</td>
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<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
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<td>MTWTSS</td>
<td>SLC</td>
<td>2:54 PM</td>
<td>Embraer Brasilia 120</td>
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<tr>
<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3679</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>4:40 PM</td>
<td>Embraer Brasilia 120</td>
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<tr>
<td>Horizon Air</td>
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<td>2344</td>
<td>MTWTSS</td>
<td>SEA</td>
<td>6:10 PM</td>
<td>de Havilland Dash 8 Q400</td>
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<td>SkyWest Airlines</td>
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<td>MTWTSS</td>
<td>SLC</td>
<td>6:20 PM</td>
<td>Embraer Brasilia 120</td>
</tr>
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<td>Delta Air Lines</td>
<td>SkyWest Airlines</td>
<td>3681</td>
<td>MTWTSS</td>
<td>SLC</td>
<td>8:20 PM</td>
<td>Embraer Brasilia 120</td>
</tr>
</tbody>
</table>

Source: Official Airline Guide - May 2003

Connecting destinations
The non-stop service through Seattle/Tacoma on Horizon Air (Alaska Airlines) provides one-stop, online service to 19 destinations. Additionally, the non-stop service through Los Angeles on Horizon Air (Alaska Airlines) provides one-stop, online service to 15 destinations. SkyWest Airlines (Delta Connection) service through Salt Lake City offers 64 one-stop, online destinations.
### Table 3
Friedman Memorial Airport
Available Connections

<table>
<thead>
<tr>
<th>Airport Code</th>
<th>Hub Airport</th>
<th>Airline</th>
<th>Online Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAX</td>
<td>Los Angeles, CA</td>
<td>Horizon Air</td>
<td>15</td>
</tr>
<tr>
<td>SEA</td>
<td>Seattle, WA</td>
<td>Horizon Air</td>
<td>19</td>
</tr>
<tr>
<td>SLC</td>
<td>Salt Lake City, UT</td>
<td>Delta Air Lines</td>
<td>64</td>
</tr>
</tbody>
</table>

Source: Official Airline Guide – May 2003
Note: Connections shown do not account for timing of schedules or minimum connect times.

### Average airfares
Friedman Memorial Airport has experienced one-way, average airfares (excluding taxes/fees and Passenger Facility Charges) ranging from a low of $176.89 for calendar year 1995 to a high of $198.86 for calendar year 2001 for the eight-year period. For the most recent period available, calendar year 2002, the one-way average fare was $186.97, dropping from calendar year 2001 in the aftermath of September 11th. Over the eight-year period, average fares have increased at a compounded annual growth rate of 0.8 percent per year. This growth was offset by the decline in average fares over the last year due to September 11th. Prior to the year ended September 30, 2002, average fares were increasing at a compounded annual rate of 2.0 percent. Table 4 lists the average fares for the eight-year period for the top twenty origin and destination passenger markets. To the San Francisco Bay area, Friedman Memorial Airport has experienced compounded annual growth rates of 1.4 percent, 1.2 percent, and 7.7 percent to San Francisco, San Jose, and Oakland, respectively.
Table 4  
Friedman Memorial Airport  
Fared Average Fares

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Seattle/Tacoma, WA</td>
<td>$120.32</td>
<td>$128.29</td>
<td>$111.93</td>
<td>$106.07</td>
<td>$98.85</td>
<td>$136.85</td>
<td>$126.98</td>
<td>$111.08</td>
<td>1.1%</td>
</tr>
<tr>
<td>2</td>
<td>Los Angeles, CA</td>
<td>180.03</td>
<td>171.58</td>
<td>162.32</td>
<td>160.52</td>
<td>163.63</td>
<td>161.10</td>
<td>160.18</td>
<td>176.43</td>
<td>0.3%</td>
</tr>
<tr>
<td>3</td>
<td>Salt Lake City, UT</td>
<td>102.47</td>
<td>98.99</td>
<td>95.58</td>
<td>97.00</td>
<td>68.32</td>
<td>99.07</td>
<td>105.74</td>
<td>107.14</td>
<td>-0.6%</td>
</tr>
<tr>
<td>4</td>
<td>San Francisco, CA</td>
<td>184.66</td>
<td>196.11</td>
<td>187.76</td>
<td>161.69</td>
<td>147.48</td>
<td>161.90</td>
<td>169.81</td>
<td>167.30</td>
<td>1.4%</td>
</tr>
<tr>
<td>5</td>
<td>Orange County, CA</td>
<td>173.32</td>
<td>167.41</td>
<td>174.95</td>
<td>178.92</td>
<td>161.23</td>
<td>156.73</td>
<td>172.05</td>
<td>169.44</td>
<td>0.3%</td>
</tr>
<tr>
<td>6</td>
<td>New York JFK, NY</td>
<td>342.71</td>
<td>443.15</td>
<td>453.42</td>
<td>448.06</td>
<td>390.94</td>
<td>411.39</td>
<td>401.12</td>
<td>419.38</td>
<td>-2.8%</td>
</tr>
<tr>
<td>7</td>
<td>San Diego, CA</td>
<td>172.13</td>
<td>177.54</td>
<td>176.80</td>
<td>164.71</td>
<td>143.52</td>
<td>171.13</td>
<td>144.68</td>
<td>154.19</td>
<td>1.6%</td>
</tr>
<tr>
<td>8</td>
<td>San Jose, CA</td>
<td>154.06</td>
<td>157.71</td>
<td>152.57</td>
<td>170.85</td>
<td>136.89</td>
<td>128.58</td>
<td>130.45</td>
<td>141.60</td>
<td>1.2%</td>
</tr>
<tr>
<td>9</td>
<td>Twin Falls, ID</td>
<td>47.60</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>61.90</td>
<td>113.60</td>
<td>0.00</td>
<td>0.0%</td>
</tr>
<tr>
<td>10</td>
<td>Portland, OR</td>
<td>130.25</td>
<td>158.57</td>
<td>135.83</td>
<td>148.72</td>
<td>109.59</td>
<td>140.71</td>
<td>124.83</td>
<td>106.39</td>
<td>2.9%</td>
</tr>
<tr>
<td>11</td>
<td>Boston, MA</td>
<td>303.86</td>
<td>353.90</td>
<td>370.06</td>
<td>309.75</td>
<td>338.95</td>
<td>333.05</td>
<td>312.41</td>
<td>286.71</td>
<td>0.8%</td>
</tr>
<tr>
<td>12</td>
<td>Chicago O'Hare, IL</td>
<td>278.77</td>
<td>329.05</td>
<td>316.49</td>
<td>284.03</td>
<td>258.66</td>
<td>305.82</td>
<td>340.70</td>
<td>316.86</td>
<td>-1.8%</td>
</tr>
<tr>
<td>13</td>
<td>New York Newark, NJ</td>
<td>285.91</td>
<td>312.25</td>
<td>327.00</td>
<td>338.50</td>
<td>338.31</td>
<td>322.97</td>
<td>322.97</td>
<td>323.97</td>
<td>-1.8%</td>
</tr>
<tr>
<td>14</td>
<td>Las Vegas, NV</td>
<td>147.45</td>
<td>194.54</td>
<td>196.02</td>
<td>169.95</td>
<td>158.68</td>
<td>173.16</td>
<td>153.01</td>
<td>149.20</td>
<td>-0.2%</td>
</tr>
<tr>
<td>15</td>
<td>Washington Dulles, DC</td>
<td>331.05</td>
<td>352.01</td>
<td>388.10</td>
<td>412.27</td>
<td>391.70</td>
<td>344.32</td>
<td>350.17</td>
<td>356.65</td>
<td>-1.1%</td>
</tr>
<tr>
<td>16</td>
<td>Atlanta, GA</td>
<td>261.42</td>
<td>354.30</td>
<td>354.04</td>
<td>358.01</td>
<td>301.63</td>
<td>295.75</td>
<td>313.19</td>
<td>309.29</td>
<td>-2.4%</td>
</tr>
<tr>
<td>17</td>
<td>Denver, CO</td>
<td>283.00</td>
<td>267.87</td>
<td>265.21</td>
<td>245.04</td>
<td>230.83</td>
<td>243.88</td>
<td>233.70</td>
<td>232.58</td>
<td>2.8%</td>
</tr>
<tr>
<td>18</td>
<td>Dallas/Ft Worth, TX</td>
<td>312.12</td>
<td>330.12</td>
<td>367.75</td>
<td>293.95</td>
<td>285.63</td>
<td>270.38</td>
<td>305.87</td>
<td>313.14</td>
<td>0.0%</td>
</tr>
<tr>
<td>19</td>
<td>Sacramento, CA</td>
<td>153.52</td>
<td>178.38</td>
<td>139.83</td>
<td>139.22</td>
<td>142.36</td>
<td>131.58</td>
<td>157.96</td>
<td>144.47</td>
<td>0.9%</td>
</tr>
<tr>
<td>20</td>
<td>Philadelphia, PA</td>
<td>273.06</td>
<td>282.31</td>
<td>277.76</td>
<td>321.81</td>
<td>347.38</td>
<td>301.99</td>
<td>308.54</td>
<td>311.54</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Total All Markets</td>
<td>186.97</td>
<td>198.86</td>
<td>192.80</td>
<td>190.85</td>
<td>187.17</td>
<td>186.96</td>
<td>182.32</td>
<td>176.89</td>
<td>0.8%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Base Products, Inc.  
Note: CAGR = Compounded Annual Growth Rate

Equipment type

Friedman Memorial Airport is currently being served with two primary aircraft types: the de Havilland Dash 8 Q400 and the Embraer Brasilia 120. Delta Air Lines serves the airport with the Embraer Brasilia 120. Horizon Air serves the airport with the de Havilland Dash 8 Q400. All daily departures are served with turboprops. Table 5 breaks down the number of departures by airline and aircraft type.

Table 5  
Friedman Memorial Airport  
Weekly Departures by Aircraft Type

<table>
<thead>
<tr>
<th>Aircraft Type</th>
<th>Horizon Delta</th>
<th>Horizon Total</th>
<th>Turbo-Jet Prop</th>
</tr>
</thead>
<tbody>
<tr>
<td>de Havilland Dash 8</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Embraer Brasilia 120</td>
<td>63</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Total</td>
<td>63</td>
<td>14</td>
<td>77</td>
</tr>
</tbody>
</table>

81.8% 18.2% 100.0% 0.0% 100.0%

Source: Official Airline Guide – May 2003

Section 3 / Existing Air Service
4. Historical Air Service

**Destinations/Carriers**
Since 1991, SkyWest Airlines (Delta Connection) and Horizon Air (Alaska Airlines) have provided service from Friedman Memorial Airport. Until December 1997, Horizon Air provided non-stop service from Friedman Memorial Airport to Seattle/Tacoma International Airport and Boise Airport. Horizon Air dropped Boise service from their schedule in December 1997. However, through a revenue-guarantee agreement with the Sun Valley/Wood River Valley business community, Horizon Air provided Boise service between December 1999 and April 2000 and again from December 2000 through April 2001. Both of these initiatives were successful and the service operated without subsidy. SkyWest Airlines, operating at Friedman Memorial Airport as the Delta Connection, has served a single market, Salt Lake City, from Friedman Memorial Airport the entire time that they have been in the Sun Valley/Wood River Valley market. In December 2002, Horizon Air added one daily, non-stop flight to Los Angeles.

**Traffic Levels**
Total origin and destination passenger traffic has remained stable over the past eight years with a surge in origin and destination traffic in calendar year 2000. Origin and destination passenger traffic has fluctuated from a low for calendar year 2001 of 112,760 to a high for calendar year 2000 of 134,680. Calendar year 2002 increased 12.1 percent over calendar year 2001, however passenger traffic in 2002 is still 6.2 percent below calendar year 2000.

Based on U.S. Department of Transportation airline report data, San Francisco was the 4th ranked origin and destination market, San Jose was the 8th ranked origin and destination market, and Oakland was the 31st ranked origin and destination market for calendar year 2002. Over the eight-year period 1995 to 2002, the San Francisco and San Jose markets have experienced strong growth at compounded average growth rates of 6.7 percent and 14.3 percent, respectively. Oakland, however, has experienced a compounded annual decline in passenger traffic of 26.1 percent per year. This decline in passenger traffic to/from Oakland can largely be attributed to the significant decrease in capacity offered on Delta Air Lines from Salt Lake City to Oakland. In years where Delta Air Lines’ service from Salt Lake City to Oakland was strong, the passenger traffic from Sun Valley to Oakland was correspondingly strong.
Table 6
Friedman Memorial Airport
Top 20 Origin & Destination Passenger Markets

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Seattle/Tacoma, WA</td>
<td>26,910</td>
<td>24,400</td>
<td>33,760</td>
<td>30,050</td>
<td>23,430</td>
<td>17,050</td>
<td>20,720</td>
<td>21,890</td>
<td>3.0%</td>
</tr>
<tr>
<td>2</td>
<td>Los Angeles, CA</td>
<td>11,722</td>
<td>11,530</td>
<td>15,220</td>
<td>13,300</td>
<td>15,060</td>
<td>13,600</td>
<td>13,600</td>
<td>10,910</td>
<td>10,530</td>
</tr>
<tr>
<td>3</td>
<td>Salt Lake City, UT</td>
<td>6,600</td>
<td>8,570</td>
<td>4,330</td>
<td>6,170</td>
<td>1,300</td>
<td>17,540</td>
<td>10,910</td>
<td>9,770</td>
<td>-5.4%</td>
</tr>
<tr>
<td>4</td>
<td>San Francisco, CA</td>
<td>6,370</td>
<td>6,220</td>
<td>7,510</td>
<td>8,410</td>
<td>9,600</td>
<td>5,150</td>
<td>4,090</td>
<td>4,050</td>
<td>6.7%</td>
</tr>
<tr>
<td>5</td>
<td>Orange County, CA</td>
<td>6,040</td>
<td>6,330</td>
<td>6,810</td>
<td>5,350</td>
<td>6,500</td>
<td>4,840</td>
<td>3,620</td>
<td>3,500</td>
<td>8.1%</td>
</tr>
<tr>
<td>6</td>
<td>New York JFK, NY</td>
<td>6,020</td>
<td>4,440</td>
<td>5,110</td>
<td>4,910</td>
<td>5,060</td>
<td>4,830</td>
<td>4,360</td>
<td>4,110</td>
<td>5.6%</td>
</tr>
<tr>
<td>7</td>
<td>San Diego, CA</td>
<td>4,160</td>
<td>3,540</td>
<td>4,380</td>
<td>4,190</td>
<td>4,200</td>
<td>3,190</td>
<td>3,460</td>
<td>3,010</td>
<td>4.7%</td>
</tr>
<tr>
<td>8</td>
<td>San Jose, CA</td>
<td>3,330</td>
<td>2,340</td>
<td>3,650</td>
<td>2,110</td>
<td>2,490</td>
<td>2,490</td>
<td>2,180</td>
<td>1,310</td>
<td>14.3%</td>
</tr>
<tr>
<td>9</td>
<td>Twin Falls, ID</td>
<td>3,060</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>10</td>
<td>Portland, OR</td>
<td>2,990</td>
<td>2,450</td>
<td>3,270</td>
<td>3,140</td>
<td>4,310</td>
<td>4,260</td>
<td>5,180</td>
<td>6,100</td>
<td>-9.7%</td>
</tr>
<tr>
<td>11</td>
<td>Boston, MA</td>
<td>2,970</td>
<td>2,330</td>
<td>2,090</td>
<td>2,200</td>
<td>2,860</td>
<td>1,790</td>
<td>1,950</td>
<td>2,300</td>
<td>3.7%</td>
</tr>
<tr>
<td>12</td>
<td>Chicago O'Hare, IL</td>
<td>2,790</td>
<td>1,370</td>
<td>2,040</td>
<td>2,330</td>
<td>2,860</td>
<td>2,440</td>
<td>2,040</td>
<td>2,150</td>
<td>3.8%</td>
</tr>
<tr>
<td>13</td>
<td>New York Newark, NJ</td>
<td>2,670</td>
<td>2,690</td>
<td>2,490</td>
<td>2,050</td>
<td>1,520</td>
<td>820</td>
<td>820</td>
<td>760</td>
<td>19.7%</td>
</tr>
<tr>
<td>14</td>
<td>Las Vegas, NV</td>
<td>2,500</td>
<td>1,740</td>
<td>1,690</td>
<td>1,800</td>
<td>1,860</td>
<td>1,450</td>
<td>1,280</td>
<td>1,010</td>
<td>13.8%</td>
</tr>
<tr>
<td>15</td>
<td>Washington Dulles, DC</td>
<td>2,250</td>
<td>1,580</td>
<td>1,580</td>
<td>1,300</td>
<td>1,440</td>
<td>1,570</td>
<td>1,050</td>
<td>1,410</td>
<td>6.9%</td>
</tr>
<tr>
<td>16</td>
<td>Atlanta, GA</td>
<td>2,020</td>
<td>1,640</td>
<td>1,600</td>
<td>1,680</td>
<td>1,660</td>
<td>1,610</td>
<td>1,320</td>
<td>1,270</td>
<td>6.9%</td>
</tr>
<tr>
<td>17</td>
<td>Denver, CO</td>
<td>1,810</td>
<td>2,050</td>
<td>1,630</td>
<td>1,850</td>
<td>2,350</td>
<td>2,390</td>
<td>2,430</td>
<td>2,100</td>
<td>-2.1%</td>
</tr>
<tr>
<td>18</td>
<td>Dallas/Ft Worth, TX</td>
<td>1,730</td>
<td>1,390</td>
<td>1,190</td>
<td>1,490</td>
<td>1,240</td>
<td>1,380</td>
<td>1,430</td>
<td>1,390</td>
<td>3.2%</td>
</tr>
<tr>
<td>19</td>
<td>Sacramento, CA</td>
<td>1,700</td>
<td>1,400</td>
<td>1,570</td>
<td>1,350</td>
<td>1,510</td>
<td>1,400</td>
<td>1,240</td>
<td>1,080</td>
<td>6.7%</td>
</tr>
<tr>
<td>20</td>
<td>Philadelphia, PA</td>
<td>1,640</td>
<td>920</td>
<td>1,270</td>
<td>1,140</td>
<td>1,080</td>
<td>820</td>
<td>820</td>
<td>1,290</td>
<td>3.5%</td>
</tr>
<tr>
<td>Total Top 20 Markets</td>
<td>101,282</td>
<td>88,931</td>
<td>103,190</td>
<td>96,799</td>
<td>92,328</td>
<td>90,627</td>
<td>81,816</td>
<td>81,025</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Total All Markets</td>
<td>126,330</td>
<td>112,760</td>
<td>134,680</td>
<td>127,800</td>
<td>127,770</td>
<td>127,680</td>
<td>121,050</td>
<td>122,770</td>
<td>0.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data Base Products, Inc.
Note: CAGR = Compounded Annual Growth Rate

Factors That Have Affected Air Service

Friedman Memorial Airport is an operationally challenging airport. The airport's field elevation is 5,300 ft. and it has a single 6,600 ft. runway. The airfield is located in a valley with mountainous terrain on both sides of the runway. Additionally, the terrain requires that larger aircraft land to the north and depart to the south. Instrument approaches at Friedman Memorial Airport are problematic due to the high Minimum Descent Altitude (MDA). During winter months, many flights must divert to another airport due to low visibility conditions. Summer operations are weight-restricted due to the higher density altitude caused by warmer temperatures.

In short, Friedman Memorial Airport is a high altitude airport with a relatively short runway that is located in a mountainous area. These conditions severely limit the commercial aircraft that can operate in the Sun Valley/Wood River Valley market. In this regard, it is important to understand that there are only a handful of commercial aircraft that, from an operational and profitability standpoint, can operate in this restricted environment. The difficult operating...
environment for aircraft is the most significant factor hampering development of air service to this rural Idaho community.

Because the local economy is closely tied to commercial air service and the Friedman Memorial Airport, the Friedman Memorial Airport Authority and the BCATAG have aggressively worked to secure facility improvements and changes to aircraft operating procedures that will reduce operating restrictions at the airport. For the past two years the community has endeavored to secure improved landing aids so as to minimize the number of weather diverted flights during the winter months. The airport secured FAA support for installation of a Transponder Landing System (TLS) in calendar year 2002 and 2003. This new landing system will lower landing minimums at Friedman Memorial Airport. It is scheduled for commissioning in late calendar year 2003 in time for the winter recreation season.

While operational constraints and limitations are the dominant factor affecting air service, the nature and composition of the market have also played a major role in defining air service to the community. The Sun Valley market consists of two major segments. As a major resort destination, it has a large leisure travel segment encompassing all of the United States who travel to the area to enjoy skiing and other winter activities as well as golf, tennis, hiking and associated summer outdoor activities. A second air travel segment involves travel to/from second homes on a scale greater than would be the case with most resort destinations. In addition, there is a relatively small core of business travel associated with supporting the tourist activity. Characteristically, this type of market composition has seasonal variances, which affect air service.
5. Air Service Needs/Deficiencies

Air Service Issue
Sun Valley/Wood River Valley is geographically remote destination resort community. Because of this, accessibility is critical to local businesses and the community in general. Non-stop air service connecting Sun Valley/Wood River Valley with key markets and/or air service connecting Sun Valley/Wood River Valley with additional hub airports will improve access and the marketability of the area’s recreation industry. Likewise, specific air service improvements would facilitate the movement of Sun Valley/Wood River Valley residents that have business interests outside the community and second homeowners whose primary residence is located on the West Coast.

The air service development task at Sun Valley/Wood River Valley is made more difficult by aircraft operating limitations (airfield altitude, length of the airport’s runway, mountainous terrain, inclement weather) associated with the local airport. In short, there are only a few commercial aircraft that can operate from Friedman Memorial Airport without significant operational restrictions. The long stage length between Sun Valley/Wood River Valley and key West Coast destinations further reduces the number of aircraft and airline options. In the end, air service improvements at Sun Valley/Wood River Valley depend on the strength of the various market options and the interest of an airline with compatible aircraft, route system and strategy.

The economic well being of the Sun Valley community is dependent on the ease and convenience of air access. The San Francisco Bay area has a large community of interest with Sun Valley, which translates into air travelers ranking behind only Seattle and the Los Angeles metro area. Currently, San Francisco Bay area air service is limited to Salt Lake City connecting service utilizing 30-passenger turboprop aircraft for the Salt Lake City-Sun Valley portion of the trip. As Sun Valley’s third largest market, this clearly does not provide the convenience and quality of service the market deserves and requires to reach its growth potential. Without air service alternatives, reported San Francisco Bay area airfares are nearly fifty percent higher than the comparable, though somewhat shorter, Seattle market fares where non-stop serve is available. The availability of non-stop service between Sun Valley and the San Francisco Bay area would increase competition in the market place by providing an improved quality of service and convenience while concurrently providing lower more competitive airfares.
Airfares

Table 7 compares the fared average fares (source: Data Base Products, Inc.) for each of the Idaho airports to/from the San Francisco Bay area airports (Oakland, San Francisco, and San Jose) for the past eight calendar years. For calendar year 2002, the fared average fare to/from Oakland of $194.05 at Friedman Memorial Airport is the second highest of all commercial service airports in Idaho, second only to Pocatello. In the San Francisco market, similar to Oakland, Friedman Memorial Airport had the second highest fared average fare compared to other Idaho airports in calendar year 2002. In the San Jose market, Friedman Memorial Airport fared better ranking 3rd highest of the six Idaho airports. Over the previous eight calendar years, Friedman Memorial Airport has historically experienced fared average fares higher than the average of the six Idaho airports.

### Table 7
Friedman Memorial Airport
Fared Average Airfares Between Idaho Airports and Bay Area Airports

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BOI</td>
<td>OAK</td>
<td>$86.12</td>
<td>$84.15</td>
<td>$92.39</td>
<td>$93.83</td>
<td>$100.23</td>
<td>$107.14</td>
<td>$104.95</td>
<td>$112.00</td>
</tr>
<tr>
<td>IDA</td>
<td>OAK</td>
<td>$135.78</td>
<td>$131.16</td>
<td>$141.38</td>
<td>$163.02</td>
<td>$160.59</td>
<td>$157.88</td>
<td>$160.82</td>
<td>$174.94</td>
</tr>
<tr>
<td>LWS</td>
<td>OAK</td>
<td>$109.70</td>
<td>$106.37</td>
<td>$122.43</td>
<td>$123.01</td>
<td>$126.94</td>
<td>$137.19</td>
<td>$132.33</td>
<td>$132.77</td>
</tr>
<tr>
<td>PIH</td>
<td>OAK</td>
<td>$147.77</td>
<td>$140.03</td>
<td>$167.77</td>
<td>$161.78</td>
<td>$186.25</td>
<td>$197.20</td>
<td>$194.09</td>
<td>$253.54</td>
</tr>
<tr>
<td>SUN</td>
<td>OAK</td>
<td>$115.33</td>
<td>$127.34</td>
<td>$118.62</td>
<td>$115.05</td>
<td>$147.96</td>
<td>$164.93</td>
<td>$190.48</td>
<td>$194.05</td>
</tr>
<tr>
<td>TWF</td>
<td>OAK</td>
<td>$120.41</td>
<td>$120.08</td>
<td>$128.60</td>
<td>$170.70</td>
<td>$0.00</td>
<td>$101.80</td>
<td>$198.00</td>
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<tr>
<td>BOI</td>
<td>SFO</td>
<td>$145.94</td>
<td>$126.69</td>
<td>$108.60</td>
<td>$110.23</td>
<td>$117.34</td>
<td>$125.82</td>
<td>$127.89</td>
<td>$112.52</td>
</tr>
<tr>
<td>IDA</td>
<td>SFO</td>
<td>$163.58</td>
<td>$146.16</td>
<td>$141.83</td>
<td>$162.25</td>
<td>$172.04</td>
<td>$185.00</td>
<td>$173.90</td>
<td>$164.43</td>
</tr>
<tr>
<td>LWS</td>
<td>SFO</td>
<td>$164.60</td>
<td>$145.47</td>
<td>$116.34</td>
<td>$114.28</td>
<td>$119.39</td>
<td>$134.96</td>
<td>$139.66</td>
<td>$142.53</td>
</tr>
<tr>
<td>PIH</td>
<td>SFO</td>
<td>$198.92</td>
<td>$174.43</td>
<td>$163.75</td>
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<td>$160.84</td>
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<td>$202.30</td>
<td>$181.31</td>
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<tr>
<td>SUN</td>
<td>SFO</td>
<td>$167.30</td>
<td>$169.81</td>
<td>$161.90</td>
<td>$147.48</td>
<td>$161.69</td>
<td>$187.76</td>
<td>$196.11</td>
<td>$184.66</td>
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<tr>
<td>TWF</td>
<td>SFO</td>
<td>$164.12</td>
<td>$139.34</td>
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<td>$137.59</td>
<td>$160.40</td>
<td>$163.52</td>
<td>$168.66</td>
</tr>
<tr>
<td>BOI</td>
<td>SJC</td>
<td>$110.74</td>
<td>$98.63</td>
<td>$106.93</td>
<td>$108.72</td>
<td>$128.21</td>
<td>$138.99</td>
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<td>$121.68</td>
</tr>
<tr>
<td>IDA</td>
<td>SJC</td>
<td>$154.35</td>
<td>$129.76</td>
<td>$134.21</td>
<td>$135.54</td>
<td>$149.99</td>
<td>$158.47</td>
<td>$147.45</td>
<td>$171.81</td>
</tr>
<tr>
<td>LWS</td>
<td>SJC</td>
<td>$116.48</td>
<td>$95.05</td>
<td>$104.69</td>
<td>$109.98</td>
<td>$117.37</td>
<td>$120.15</td>
<td>$116.05</td>
<td>$127.91</td>
</tr>
<tr>
<td>PIH</td>
<td>SJC</td>
<td>$189.44</td>
<td>$162.53</td>
<td>$175.14</td>
<td>$179.84</td>
<td>$182.49</td>
<td>$184.59</td>
<td>$170.71</td>
<td>$161.90</td>
</tr>
<tr>
<td>SUN</td>
<td>SJC</td>
<td>$141.60</td>
<td>$130.45</td>
<td>$128.58</td>
<td>$136.89</td>
<td>$170.85</td>
<td>$152.57</td>
<td>$157.71</td>
<td>$154.06</td>
</tr>
<tr>
<td>TWF</td>
<td>SJC</td>
<td>$140.50</td>
<td>$115.60</td>
<td>$113.44</td>
<td>$155.70</td>
<td>$160.58</td>
<td>$171.12</td>
<td>$159.93</td>
<td>$129.45</td>
</tr>
</tbody>
</table>

Source: Data Base Products, Inc.
6. Strategic Plan

Project Goals
The proposed non-stop service between the San Francisco Bay area and Sun Valley/Wood River Valley will have a significant positive impact on the Sun Valley/Wood River Valley communities, as well as the adjacent communities in the region. The primary goals of this project are as follows:

- Secure seasonal (December 15 – March 31) air service between Friedman Memorial Airport and the San Francisco Bay area.
- Lower airfares in the Sun Valley-San Francisco Bay area market.
- Improve the air service options available at Friedman Memorial Airport, an airport that is restricted by a high airfield elevation and the surrounding mountainous terrain.
- Reduce the number of air travelers that drive 138 miles, often in difficult winter conditions, to Boise Air Terminal to access non-stop service to the San Francisco Bay area.

The San Francisco Bay area is the third largest market for the recreation based Sun Valley economy. This plan builds on the success of the Sun Valley-Los Angeles service that was initiated December 15, 2002 as part of the 2002 Small Community Air Service Development Pilot Program. With regard to the Sun Valley-Los Angeles service and the proposed Sun Valley-San Francisco Bay area service, the overall goal in both of these efforts is to improve the economic vitality of the region by providing access to important population centers located on the west coast. The proposed seasonal Sun Valley-San Francisco Bay area service is the first step in securing twelve-month service to the San Francisco Bay area. The plan is to implement twelve-month service the following year if seasonal Sun Valley-San Francisco Bay area service is successful.

Public-Private Partnership
The City of Hailey, Idaho and Blaine County, Idaho are the owners/sponsors of the Friedman Memorial Airport. These two organizations are represented by the Friedman Memorial Airport Authority, consisting of two (2) city, two (2) county and one (1) independent representative. The BCATAG is a private organization created for the purpose of supporting air service initiatives and related facility improvement efforts at Friedman Memorial Airport. The following are members of the BCATAG:
Table 8
Friedman Memorial Airport
Members of the BCATAG

<table>
<thead>
<tr>
<th>Member</th>
<th>Company Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abrams, Heather</td>
<td>Hailey Chamber &amp; Visitors Bureau</td>
</tr>
<tr>
<td>Baird, Rick</td>
<td>Friedman Memorial Airport</td>
</tr>
<tr>
<td>Bell, Jim</td>
<td>City of Hailey</td>
</tr>
<tr>
<td>Blanchard, Tom</td>
<td>At Large, Bellevue</td>
</tr>
<tr>
<td>Charlat, Maurice</td>
<td>Ketchum City Council</td>
</tr>
<tr>
<td>Davis, Rick</td>
<td>Hailey City Council</td>
</tr>
<tr>
<td>Fenton, Dick</td>
<td>Sun Valley/Ketchum Chamber &amp; Visitors Bureau</td>
</tr>
<tr>
<td>Hinson, David</td>
<td>At Large, Former FAA Administrator</td>
</tr>
<tr>
<td>Huffman, Wally</td>
<td>Sun Valley Company</td>
</tr>
<tr>
<td>Lindley, Al</td>
<td>At Large, Hailey</td>
</tr>
<tr>
<td>Parke, Dan</td>
<td>Carey City Council</td>
</tr>
<tr>
<td>Peterson, Ann</td>
<td>Power Engineers</td>
</tr>
<tr>
<td>Renick, Lud</td>
<td>Sun Valley City Council</td>
</tr>
<tr>
<td>Waller, Carol</td>
<td>Sun Valley/Ketchum Chamber &amp; Visitors Bureau</td>
</tr>
</tbody>
</table>

For the purpose of this application, the City of Hailey, Idaho, Blaine County, Idaho, the Friedman Memorial Airport Authority and the BCATAG have formed a public-private partnership. This partnership is committed to completing the Strategic Plan outlined herein. As one of the grant sponsors, the City of Hailey, Idaho will execute all federal grant offers and process all associated reimbursement requests. Mayor Susan McBryant and Rick Baird, Friedman Memorial Airport Manager, are the local contacts for this application.

Components of the Plan
The goal of this Strategic Plan is to address issues associated with the proposed Sun Valley-San Francisco Bay area service that are critical to the long-term success of that service. In this regard, this Strategic Plan addresses two areas:

1. Name and service awareness
2. Airline Start-up Support: Airline financial risk associated with the service start-up period

1. Name and service awareness

Marketing - Target Audience
The target market for the proposed air service falls into two categories: (1) people living in the San Francisco area and/or another community that has air service to San Francisco
International Airport that connects to the proposed air service that may be interested in visiting Sun Valley for recreation or business purposes and (2) local Sun Valley residents that for business or personal reasons travel to/from San Francisco or other destinations that can be reached by connecting at San Francisco.

Sun Valley is a year-round destination resort community that depends on tourists/business travelers to help the local economy, i.e., restaurants, shops, recreation providers, etc. Sun Valley is host to numerous conventions whose organizations are based in the San Francisco Bay area. In fact, marketing to the San Francisco Bay area convention planners is done routinely by the Sun Valley business community. Non-stop air service between San Francisco and Sun Valley will provide the opportunity to increase marketing efforts in the Northern California area. The Northern California target audience includes frequent individual travelers, business/conventions, and destination travelers.

In addition to the Northern California market, approximately 10 percent of the marketing dollars identified in the Strategic Plan budget will be used to market to the local residents. It is estimated that 60 percent of the marketing dollars will be spent prior to the launch of the new service to market to these target audiences and the service will continue to be marketed throughout the year with the remaining 40 percent.

Marketing Mix
The marketing plan’s budget is $120,790. The $120,790 budget includes $47,500 of in-kind contributions.

1. Direct Sales: $5,000
   - Sun Valley/Ketchum Chamber and Visitors Bureau and community will promote air service with Horizon Air/Alaska Airlines’ agents in the San Francisco market. Sun Valley/Ketchum Chamber and Visitors Bureau staff and area lodging representatives will participate in sales calls in the San Francisco area visiting key travel agents, tour operators, group leisure and meeting and incentive group planners.
   - San Jose Ski Show: November 21-23, 2003. Estimated attendance is 10,000.

2. Direct Mail: $50,000 ($20,000 in-kind)
   - Mail postcards to Horizon Air/Alaska Airlines’ lists, Sun Valley Resort, Sun Valley/Ketchum Chamber and Visitors Bureau, and part-time resident lists in the Oakland area. Postcards will also be sent to primary residences in California with
second homes in the Sun Valley area, as well as all post office boxes in Sun Valley, Ketchum, Hailey, and Bellevue. Cost: $30,000

- Full Color 1 page insert in Alaska Airlines Mileage Plan Newsletter (Total impressions: 900,000. Cost: $18,000 Alaska/Horizon in-kind)
- Inserts to Alaska Airlines/Horizon Air frequent flyer mailings (Total impressions: 50,000. Cost: $2,000 Alaska/Horizon in-kind)

3. Print Advertising: $19,400
   - Horizon Air and Alaska Airlines in-flight magazine (Two full-page 4-color ads; Total impressions: 1 million. Cost: $15,400)
   - California CEO magazine (Cost: $4,000)

4. Internet Marketing: $4,000 ($2,000 in-kind)
   - Promote on Sun Valley Resort, Sun Valley/Ketchum Chamber and Visitors Bureau and other local web sites and Horizon Air/Alaska Airlines Site (Cost: $750 in-kind Sun Valley Co., Sun Valley/Ketchum Chamber and Visitors Bureau, and Horizon Air/Alaska Airlines)
   - AMI/onthesnow.com Geo Targeted Banner (Web banner on popular ski tourism site. Total impressions: 150,000. Cost: $2,000)
   - Promote in Horizon Air/Alaska Airlines e-newsletter (Total impressions: 8,000. Cost: $250 in-kind Horizon Air/Alaska Airlines)
   - Promote in Sun Valley Resort direct email newsletter (Total impressions: 15,000. Cost: $250 Sun Valley Co. in-kind)
   - Promote in Sun Valley/Ketchum Chamber and Visitors Bureau e-newsletter (Total impressions: 2,400. Cost: $750 Sun Valley/Ketchum Chamber and Visitors Bureau in-kind)

5. Local Promotion: $3,570
   - Banner for Horizon Air in airports (Sun Valley and San Francisco Bay area airport) and street banners for Hailey and Ketchum. (Cost: $3,020)
   - Postcard Rack Display Holders (Plastic display holders with postcards advertising air service. Placed in over 100 local businesses. Cost: $550)
6. Local Advertising: $5,590 ($250 in-kind)
   - Ads in local papers (to inform local residents & business travelers) Cost: $3,000
   - Radio Ads (5 ads per day during drive time/2 weeks. Total impressions: 50,000. Cost: $500)
   - The Sun Valley Guide (Total impressions: 9,500. Cost: $840)
   - Real Estate Magazine (Total impressions: 26,500. Cost: $1,000)
   - Chamber Newsletter insert (Cost: $250/ in-kind Sun Valley/Ketchum Chamber and Visitors Bureau)

7. Public Relations: $380
   - Special Event Coordination – 1st flight celebration (Cost: $380)

8. Special Promotions: $25,250 (in-kind)
   - Promotional Tickets (Horizon Air will provide 50 round-trip Sun Valley-San Francisco Bay area tickets (value of $545 each) to Sun Valley Resort and Sun Valley/Ketchum Chamber and Visitors Bureau to use in local and national special promotions. Cost: $25,250)

9. Horizon Air/Alaska Airlines Other Partner Promotions:
   - Representation from Alaska Airlines' Northern California sales people to the same level that they would sell any other Alaska Airlines or Horizon Air destination.
   - Sun Valley non-stop service specifically called out in Alaska Airlines' Northern California print advertising. These are usually special fare ads.
   - Logistical support through Alaska Airlines' sales for finding the travel agencies most likely to sell the service.
   - Extension of competitive wholesaler net rates.
   - Awareness building support through Horizon Air and Alaska Airlines magazines, websites, and through communication on the Mileage Plan database. Consideration to offer "mileage burn-off" specials in the off or shoulder seasons (i.e. roundtrip ticket for 15,000 miles instead of 20,000 miles).

2. Airline Start-up Support
   At this time, a decision regarding which San Francisco Bay area airport (Oakland versus San Jose) that would best serve the Sun Valley/Wood River Valley market is pending the outcome of a San Francisco Bay area zip code based market analysis. The output from this effort and further discussions with Horizon Air will determine whether San Jose International
Airport or Oakland International Airport is the best opportunity for service to/from Sun Valley.

Accordingly, pro forma projections have been calculated for service to either airport, San Jose International Airport or Oakland International Airport. The revenue shortfall for the seasonal service (December 15 to March 31) is estimated to be $224,556. The passenger projections were based on historical traffic. As is the case in most recreation markets, if potential visitors do not have access to reasonably convenient air service, the bulk of these potential customers choose another recreation destination option that is more convenient and likely less expensive. In the past, air service between the San Francisco Bay area and Sun Valley was marginal. Accordingly, it is likely that the historical based passenger projections associated with the market analysis exercise completed for this application understates passenger traffic. It is the consensus of the airline and consultant analysts that worked on this project that the passenger projections are understated and that the success of the service will depend on associated marketing efforts.

Revenue Guarantee
The public-private partnership proposes to provide Horizon Air with a revenue guarantee for the first year of seasonal service (December 15, 2003 to March 31, 2004) to either San Jose International Airport or Oakland International Airport. The air service agreement between Horizon Air and the Sun Valley Company will cap the revenue guarantee at $225,000. The contract will stipulate a one-time revenue guarantee payment due at the end of the seasonal service (March 31, 2004) contract period. In terms of mechanics, Horizon Air will invoice the Sun Valley Company for any short-fall (not to exceed $225,000) and Sun Valley Company will in turn invoice the sponsor for reimbursement.

Diverted Flight Shuttle Service
To support the proposed service, the Sun Valley Company will provide shuttle bus service for passengers on flights that are diverted to Magic Valley Regional Airport (Twin Falls, Idaho) for weather diverted flights at Friedman Memorial Airport. Typically, 10 percent of scheduled flights into Friedman Memorial Airport are diverted for weather related reasons. However, actual experience with the proposed service may be significantly improved due to the installation of the new Transponder Landing System (TLS). The Strategic Plan budget includes an estimate of $36,000 for shuttle bus services.
Schedule
The proposed service is proposed to begin December 15, 2003. The marketing effort will begin immediately upon execution of the grant offer.

Revenue/Cost Projections
The proposed air service includes daily non-stop service to either San Jose International Airport or Oakland International Airport using Horizon Air's seventy-seat de Havilland Dash 8 Q400. The Sun Valley/Ketchum Chamber & Visitors Bureau and the Sun Valley Company, through the BCATAG, jointly funded the preparation of the pro forma analysis for the Horizon Air service shown below. The pro forma analysis included the following operating and market assumptions:

- Horizon Air will capture passengers from the entire San Francisco Bay area including passengers historically originating from San Francisco International Airport, San Jose International Airport, and Oakland International Airport;
- Those passengers currently using Boise Air Terminal to travel to/from the San Francisco Bay area will use Friedman Memorial Airport;
- Either San Jose International Airport or Oakland International Airport will capture 66.7 percent of the San Francisco Bay area traffic;
- The San Francisco Bay area market will be stimulated 100 percent by the non-stop service;
- The origin and destination passengers used in this analysis represent calendar year 2002 traffic. Passenger traffic is projected to increase 3.0 percent per year;
- Horizon Air's market share will be slightly less than its market share to Seattle/Tacoma, 85.0 percent versus 95.0 percent;
- The average airfare will be 11.5 percent less than the historical average in the San Francisco Bay area market;
- The reduction in average airfares will stimulate the passenger traffic by 13.0 percent;
- Horizon Air's fully allocated round trip cost per is $10,500.

Based on the above, it is estimated that Horizon Air will capture 5,737 passengers during the seasonal service December 15 to March 31, with a load factor of 38.7 percent. The following is a summary of the pro forma analysis:
Table 9
Friedman Memorial Airport
Pro Forma Analysis – Sun Valley/San Francisco Bay Area

<table>
<thead>
<tr>
<th>Description</th>
<th>1/</th>
<th>2/</th>
<th>4/</th>
<th>5/</th>
</tr>
</thead>
<tbody>
<tr>
<td>O&amp;D Passengers - Calendar Year 2002 (SUN/OAK/SJC)</td>
<td>10,300</td>
<td>70.1%</td>
<td>66.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Retention</td>
<td>70.1%</td>
<td>14,702</td>
<td>9,802</td>
<td>20,797</td>
</tr>
<tr>
<td>True market passengers</td>
<td>14,702</td>
<td>19,603</td>
<td>23,500</td>
<td></td>
</tr>
<tr>
<td>Airport Share</td>
<td>66.7%</td>
<td>9,802</td>
<td>85.0%</td>
<td></td>
</tr>
<tr>
<td>Bay Area Airport Passengers</td>
<td>9,802</td>
<td>19,975</td>
<td>5,737</td>
<td></td>
</tr>
<tr>
<td>Non-stop stimulation of Bay Area passengers</td>
<td>100%</td>
<td>9,802</td>
<td>28.7%</td>
<td></td>
</tr>
<tr>
<td>Stimulated passengers</td>
<td>9,802</td>
<td>19,975</td>
<td>5,737</td>
<td></td>
</tr>
<tr>
<td>Total passengers</td>
<td>19,603</td>
<td>23,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth rate per year (2 years)</td>
<td>3.0%</td>
<td>20,797</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted passengers</td>
<td>20,797</td>
<td>23,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fare stimulation - passenger volume</td>
<td>13.0%</td>
<td>2,702</td>
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<tr>
<td>Fare stimulated passengers</td>
<td>2,702</td>
<td>23,500</td>
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</tr>
<tr>
<td>Total passengers</td>
<td>23,500</td>
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<td></td>
</tr>
<tr>
<td>Horizon share</td>
<td>85.0%</td>
<td>19,975</td>
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<td></td>
</tr>
<tr>
<td>Horizon passengers</td>
<td>19,975</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seasonality - December 15 through March 31</td>
<td>28.7%</td>
<td>5,737</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted Passengers</td>
<td>5,737</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available seats (70 seats per flight - 121 days)</td>
<td>14,840</td>
<td>38.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected load factor</td>
<td>38.7%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average San Francisco Bay area fare - CY 2002 (SUN/OAK/SJC)</td>
<td>$174.99</td>
<td>$154.87</td>
<td>$888,444</td>
<td></td>
</tr>
<tr>
<td>Reduction in historical San Francisco Bay area fare</td>
<td>11.5%</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Adjusted fare</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected revenue</td>
<td>$888,444</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost per round trip</td>
<td>$10,500</td>
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<tr>
<td>Total cost</td>
<td>$1,113,000</td>
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<tr>
<td>Breakeven passengers</td>
<td>7,187</td>
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<tr>
<td>Breakeven load factor</td>
<td>48.4%</td>
<td></td>
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<tr>
<td>Projected loss</td>
<td>$(224,556)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Analysis prepared by Mead & Hunt, Inc.
Source: 1/ Data Base Products, Inc.
2/ Friedman Memorial Airport Ticket Lift Survey – August 2001
3/ Horizon Air
4/ SUN airport records
7. Budget/Monitoring Program

Budget
The following table provides the Strategic Plan budget broken down by Sponsor, grant, and funding by others (airline, community, etc):

Table 10
Friedman Memorial Airport
Strategic Plan Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>Sponsor</th>
<th>U.S. DOT</th>
<th>Community</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising/Promotion</td>
<td></td>
<td>$120,790</td>
<td>$120,790</td>
<td></td>
</tr>
<tr>
<td>Advertising/Promotion (In-Kind Services)</td>
<td></td>
<td>$47,500</td>
<td>$47,500</td>
<td></td>
</tr>
<tr>
<td>Airline Start-up Support:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec-March Revenue Guarantee Maximum</td>
<td></td>
<td>$225,000</td>
<td>$225,000</td>
<td></td>
</tr>
<tr>
<td>Flight Diversion Bussing Costs (Estimate)</td>
<td></td>
<td>$36,000</td>
<td>$36,000</td>
<td></td>
</tr>
<tr>
<td>Strategic Plan Staffing:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport Staff</td>
<td></td>
<td>$6,000</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>Sun Valley/Ketchum Chamber of Commerce</td>
<td></td>
<td>$8,300</td>
<td>$8,300</td>
<td></td>
</tr>
<tr>
<td>Sun Valley Company</td>
<td></td>
<td>$12,600</td>
<td>$12,600</td>
<td></td>
</tr>
<tr>
<td>Program Administration</td>
<td></td>
<td>$8,400</td>
<td>$8,400</td>
<td></td>
</tr>
<tr>
<td>Grant Application:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting Services</td>
<td></td>
<td>$8,500</td>
<td>$8,500</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$6,000</td>
<td>$225,000</td>
<td>$242,090</td>
</tr>
<tr>
<td>Percent of Project</td>
<td>1.3%</td>
<td>47.6%</td>
<td>51.2%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Note: Non-cash contributions in italics.

Monitoring Program
The following program is proposed to monitor marketing and air service performance as proposed in the Strategic Plan in this grant application:

Marketing
The marketing program outlined herein focuses on the local Sun Valley market and the San Francisco market. Since virtually the entire local population subscribes to the local newspaper, promotion in the local market will concentrate on newspaper and radio advertisements. Based on past experience, the Sun Valley/Ketchum Chamber and Visitors Bureau feels that advertising in the local newspaper will achieve the desired results and it is not necessary to test market penetration. The Sun Valley/Ketchum Chamber and Visitors
Bureau also surveyed travelers on the Los Angeles to Sun Valley flight over the winter of 2003 and found that this was an effective tool for reaching the local market.

In the San Francisco market, the Sun Valley/Ketchum Chamber and Visitors Bureau and the Sun Valley Company will use the following to track responses to marketing efforts:

**Referral Sources:** Each advertising medium will be placed in the inquiry database to track referrals from specific marketing efforts.

**Central Reservations:** Each actual reservation will be tied to the original referral source.

**Website:** Web Trends software identifies the number of unique and repeat visitors to the site, traffic patterns, most frequented areas to the site, and other statistics.

**Visitor Survey:** Surveys will be administered on the planes from all travelers utilizing the San Francisco Bay area to Sun Valley non-stop service. Surveys will identify the number of people in the travel party, where travel originated, how airline tickets were purchased, how the traveler heard about the non-stop service between the San Francisco Bay area and Sun Valley, are they traveling for business or leisure, and whether or not the non-stop flight influenced their decision to travel to the Sun Valley area, plus more.

**Air Service Performance**

The performance of the proposed air service will be tracked on a monthly basis. The purpose of tracking is twofold: (1) measure the number of passengers utilizing the new service and, (2) monitor airline revenue and related subsidy requirements.

**Monthly:** Horizon Air will provide flight segments flown, on-board passengers, average airfare, and diverted flight information. This data will be compared with pro forma projections to measure the performance of the program (passengers and revenue). Horizon Air has agreed to provide the proposed service from December 15, 2003 to March 31, 2004 and has capped the maximum revenue guarantee obligation at $225,000. If there is a revenue shortfall that requires payment, payment will come at the end of the seasonal service, March 31, 2004.
The following table provides the proposed monitoring plan schedule:

**Table 11**
Friedman Memorial Airport
Strategic Plan Schedule and Performance Measures

<table>
<thead>
<tr>
<th>Description</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing:</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Advertising &amp; Promotion</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Track Referral Sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monitor Central Reservations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Track Website Statistics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Horizon Air Flight Operations</td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Service Performance:</td>
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<tr>
<td>Pax, Rev., Flt. Seg., Av. Fare</td>
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<td></td>
<td></td>
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<tr>
<td>Subsidy Payment</td>
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<td></td>
</tr>
</tbody>
</table>

Section 7 / Budget/Monitoring Program
8. Assurances

The City of Hailey and Blaine County, co-sponsors of the Friedman Memorial Airport, provide the U.S. Department of Transportation with the following assurances:

1. It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project.

2. It has legal authority to apply for the grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant’s governing body authorizing the filing of the application, including all understanding and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.

3. It has sufficient funds available for that portion of the project costs, which are not to be paid by the United States. It has sufficient funds available to assure operating and maintenance of items funded under the grant agreement, which it will own or control.

4. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of the grant, the total cost of the project in connection with which the grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.

5. It shall make available for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to the grant.

6. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.

7. It will furnish such periodic reports as required pertaining to the project and activities.
Appendix A
Community Support

Members of the Sun Valley/Wood River Valley community submitted letters of support for Friedman Memorial Airport's application to the U.S. Department of Transportation. The letters of support are included on the following pages of this Appendix A.
BLAINE COUNTY RESOLUTION 2003 - 29
AUTHORIZATION OF USDOT GRANT APPLICATION

WHEREAS, the Blaine County Commissioners seek to promote the economic visability of the community and its citizens in balance with preservation and protection of the local environment and quality of life; and

WHEREAS, the Blaine County Commissioners recognize that commercial air service is important to maintaining the economic health and vitality of tourism and other economic activities within the Wood River Valley; and

WHEREAS, participation in governing of the Friedman Memorial Airport is one of the Blaine County Commissioners' fiduciary responsibilities; and

WHEREAS, the Federal Transportation Department has made available grant funds to improve air service to small airports, and

WHEREAS, an Application for a United States Department of Transportation Grant for support of a new commercial air service to Friedman Memorial Airport has been prepared for procurement of said grant funds;

NOW, THEREFORE BE IT RESOLVED, that the Blaine County Board of Commissioners hereby approve the Application for a United States Department of Transportation Grant for support of a new commercial air service to Friedman Memorial Airport, and authorize the Chairman of the Blaine County Board of Commissioners to execute said Application and other materials related to the Application.

THIS RESOLUTION is in full effect upon its adoption this 23rd day of June, 2003.

Dennis Wright, Chairman

Sarah Michael, Member

Mary Ann Mix, Member

ATTEST: Marsha Riemann, Clerk
Dear Sir:

The Blaine County Air Transportation Advisory Group is a private-public partnership committee organized by the Sun Valley/Ketchum Chamber & Visitors Bureau to work on air service issues in our community.

For the past several years, BCATAG has worked with contracted air transportation consultant Mike Boggs of Mead & Hunt, to identify and develop opportunities for new commercial service from key markets. As a result, BCATAG, through the Sun Valley/Ketchum Chamber & Visitors Bureau, is using Boggs to structure and prepare an application from the City of Hailey/Friedman Airport Authority to the US Department of Transportation for Air-21 grant funds to support possible new Horizon Air daily non-stop service between Oakland and Los Angeles for the winter 2003/04 season.

There is broad community and state support for the efforts of this committee, and I am proud of the results we have achieved to date. Thank you for your consideration of this grant application.

Sincerely,

Rick Davis, Chairman

BCATAG MEMBERS

Rick Davis, Chairman
Hailey City Council

Rick Baird
Friedman Memorial Airport

Maurice Charlat
Ketchum City Council

Tom Blanchard
At Large, Bellevue

Dick Fenton
Sun Valley/Ketchum CVB

David Hinson, At-Large
Former FAA Administrator

Wally Huffman
Sun Valley Company

Dan Parke
Carey City Council

Lud Renick
Sun Valley City Council

Al Lindley
At-Large, Hailey

Carol Waller
Sun Valley/Ketchum CVB

Jim Bell
City of Hailey

Ann Peterson
Power Engineers

Heather Abrams
Hailey CVB

Mike Reynolds
Acting Assistant Secretary for Aviation and International Affairs
U.S. Department of Transportation
400 7th St.
SW Washington DC 20590

Sun Valley/Ketchum Chamber & Visitors Bureau PO Box 2420
Sun Valley, ID 83353 Phone: 208-726-3423 Fax: 208-726-4533
www.visitsunvalley.com
June 20, 2003

ATTN: Carol Waller  
Ketchum-Sun Valley Chamber of Commerce  
P.O. Box 2420  
Sun Valley, ID 83353

RE: Support of USDOT Grant application

Dear Ms. Waller,

The City of Carey recognizes that commercial air service is critically important to maintaining the economic health and vitality of its city and other cities within the Big and Little Wood River Valley of Idaho. It has a goal of insuring that Blaine County continues to strengthen commercial air service from key geographic markets.

The City of Carey therefore supports the application for the 2003 United States Department of Transportation's Small Community Air Service Pilots Program Grant.

Best regards,

Robert L. Simpson  
Council President
June 17, 2003

Mike Reynolds
Acting Assistant Secretary for Aviation and Internal Affairs
U.S. Department of Transportation
400 7th Street
SW Washington, DC 20590

Dear Sir:

The City of Ketchum is fully supportive of the City of Hailey’s grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for new commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Sun Valley/Wood River Valley area. The City of Ketchum recognizes the importance this new air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions and residents.

Several years ago the Sun Valley/Ketchum Chamber & Visitors Bureau created the private-public sector partnership group known as Blaine County Air Transportation Advisory Group. The purpose of BCATAG is to address important air service concerns in a collective, cooperative fashion with all communities throughout the Wood River Valley. The City of Ketchum, along with all other cities in the valley, has an elected official appointed to serve as a member of this group.

We appreciate your consideration of this grant application by the City of Hailey and we look forward to the opportunity to help support an enhanced air service program for our community.

Sincerely,

Edward Simon,
Mayor
June 16, 2003

Michael Reynolds
Acting Secretary for Aviation and Internal Affairs
US Department of Transportation

Dear Sir:

The Hailey Chamber of Commerce and Visitor Center is fully supportive of the City of Hailey’s grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for additional commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Hailey/Ketchum/Wood River Valley area. The Hailey Chamber & Visitor Center recognizes the importance this additional air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions, and residents.

We recognize the great efforts that have taken place to ensure communication and cooperation throughout the Wood River Valley, such as the Blaine County Air Transportation Advisory Board. We feel confidant in this board, and are very pleased with the information they have been able to provide the community as a result of its existence.

We are pleased to have the opportunity to support this grant application, and we will make every effort to support its purpose.

Sincerely,

Natalie Turner
Executive Director
Hailey Chamber of Commerce
June 18, 2003

Michael Reynolds
Acting Assistant Secretary for Aviation
and International Affairs
U.S. Department of Transportation

Dear Mr. Reynolds:

I would appreciate any consideration you might give to the City of Hailey’s application for a U.S. Department of Transportation (small community air service development pilot program) grant for new commercial air service to the Friedman Airport. I recognize the importance of new air service to Blaine County and the Wood River Valley, which is home to the world-renowned Sun Valley Resort and a flourishing tourism and economic region in the State of Idaho.

I have charged the Idaho Department of Commerce with increasing air service in our state, and this new service would be an important step in providing improved air transportation to a rural area of Idaho that is a growing economic region.

Again, thank you for your consideration and support of the City of Hailey’s grant application.

Sincerely,

DIRK KEMPTHORNE
Governor

DK:mmr
June 16, 2003

Mike Reynolds
Acting Assistant Secretary for Aviation and International Affairs
US Department of Transportation
400 7th St.
SW Washington, DC 20590

Dear Sir:

The Sun Valley/Ketchum Chamber & Visitors Bureau is fully supportive of the City of Hailey’s grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for new commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Sun Valley/Wood River Valley area. The Sun Valley/Ketchum Chamber & Visitors Bureau recognizes the importance this new air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions and residents.

Several years ago the Sun Valley/Ketchum Chamber & Visitors Bureau created the private-public sector partnership group known as Blaine County Air Transportation Advisory Group. The purpose of BCATAG is to address important air service concerns in a collective, cooperative fashion with all communities throughout the Wood River Valley.

We are pleased to have the opportunity to support this grant application, and we will make sure we work diligently to insure the long-term success of this proposed new air service to our community.

Sincerely,

Carol Waller
Executive Director
June 18, 2003

Dear Sir/Madam:

In conjunction with the City of Hailey (Idaho), Blaine County (Idaho) and BCATAG, the Sun Valley Resort is fully committed in their support of a round trip flight between Sun Valley and Oakland/San Jose.

Sun Valley Resort will enter into a contract with Horizon Air to provide said service.

Also, Sun Valley will be involved daily in the marketing of this service.

Sun Valley Resort looks forward to working with the Department of Transportation, the City of Hailey (Idaho), Blaine County (Idaho) and BCATAG on this important air service initiative.

Sincerely,

Wallace Huffman
General Manager
Sun Valley Resort

WH/jq

America’s First and Finest All Seasons Resort
Web Site - www.sunvalley.com
Sun Valley Company P.O. Box 10 Sun Valley, Idaho 83353-0010 Phone 208-622-4111 Fax 208-622-3700
June 24, 2003

Mike Reynolds
Acting Assistant Secretary for Aviation
and International Affairs
U.S. Department of Transportation
400 5W 7th Street
Washington, DC 20590

Dear Sir:

The Idaho Department of Commerce is pleased to submit this letter of support for the City of Hailey's application for a U.S Department of Transportation (small community air service development pilot program) grant for new commercial air service to the Friedman Airport. The State of Idaho recognizes the importance of new air service to Blaine County and the communities within the Wood River Valley of Idaho. The area is not only the home of the famous Sun Valley Resort and other premiere tourism destinations, but is also an important and growing economic region.

The department has been working with Governor Kempthorne and the Idaho Department of Transportation to increase air service to the state. This new service, consistent with this effort, is especially important in helping provide needed service to an important and growing rural area of the state.

We look forward to building on our partnership with the community and business leaders in the Valley to insure a successful project.

Sincerely,

[Signature]

LaMoynie Hyde
Director

(L-USDOT-Spt Hailey)
June 23, 2003

Mike Reynolds
Acting Assistant Secretary for Aviation and Internal Affairs
U.S. Department of Transportation
400 7th Street
SW Washington, DC 20590

Dear Sir:

The City of Sun Valley is fully supportive of the City of Hailey's grant application for a U.S. Department of Transportation (small community air service development program pilot program) grant for new commercial air service to the Friedman Airport in Hailey, Idaho, which serves the greater Sun Valley/Wood River Valley area. The City of Sun Valley recognizes the importance this new air service could have in enhancing our economy through increased access for destination visitors and our local area businesses, organizations and institutions and residents.

Several years ago the Sun Valley/Ketchum Chamber & Visitors Bureau created the private-public sector partnership group known as Blaine County Air Transportation Advisory Group. The purpose of BCATAG is to address important air service concerns in a collective, cooperative fashion with all communities throughout the Wood River Valley. The City of Sun Valley, along with all other cities in the valley, has an elected official appointed to serve as a member of this group.

We appreciate your consideration of this grant application by the City of Hailey and we look forward to the opportunity to help support an enhanced air service program for our community.

Sincerely,

[Signature]
Dave Wilson, Mayor