

A wing and a prayer

Yunich, Rob

SYRACUSE-Imagine Syracuse Hancock International Airport as a hub of plentiful direct and affordable flights to top leisure and business destinations. Imagine a place packed with travelers with numerous choices of flights, all of which are direct and on jets. (Currently, there is a prevalence of propeller service, mostly by US Airways.)

Reaching that scenario, however, has been the subject of much debate. The Metropolitan Development Association of Syracuse and Central New York, Inc. (MDA) has been at the forefront of the quest, and others-such as Greater Syracuse Chamber of Commerce President David P. Cordeau, Commissioner of Aviation Anthony Mancuso, and Syracuse Mayor Matthew Driscoll- have been integral.

The wild card in the whole puzzle is Northern Airlines, an operation that plans to begin flying this summer but has yet to lease an airplane, secure all of its funding, or hire the majority of its employees. Even though Northern is in its infancy, the MDA has placed its support behind the operation.

"The number one recommendation would be that if Northern Airlines could get off the ground, to make a pun, then that would be best for us because it would be a new low-cost carrier offering us jet service to our top business and leisure markets," says Irwin L. Davis, the MDA's executive vice president. "The first recommendation that [the MDA] made, that was adopted by our board and has since been adopted by [Manufactures Association of Central New York (MACNY)] and the Chamber of Commerce, was to support Northern Airlines."

According to Kevin Schwab, an airline consultant who is assisting the MDA and the city, the most popular business destinations are New York, Chicago, Washington, D.C, Atlanta, Orlando, Boston, Los Angeles, Philadelphia, Hartford, and San Francisco. The most popular leisure destinations are Orlando, New York, Los Angeles, Miami, Washington, D.C., Las Vegas, Tampa, Dallas/Fort Worth, Denver, and Phoenix. Mancuso adds that Fort Lauderdale and Fort Myers, Fla., also are top destinations.

Those cities provide the basis for any negotiations made by the city and the MDA. They also have helped Northern develop its initial strategy.

The airline currently resides in a 400-square-foot office next to the Delta ticket counter at Hancock Airport. The company plans to use Syracuse as its headquarters and only hub in a traditional hub-and-spoke system. Every Northern flight will go through Syracuse and the airline plans for all flights to and from Syracuse to be direct. Northern's airplane-of-choice will be the Boeing 737 jet.

"Another big home run would be, with [Northern] being hubbed here, they would be creating hundreds of jobs," Davis says. "That's all the more reason why, if Northern gets started, it's a double-win for us.

Short-term solutions

Between now and Northern's proposed summer launch, the MDA has been negotiating with US Airways and other airlines to try to lower fares and bring people back to the airport. The airport employs more than 2,000 people and has a combined direct and indirect impact of nearly \$500 million on the local economy.

For the fiscal year 2002, which ended in June, the airport spent \$876,000 on indirect costs-such as tenants, landing fees, and rent by the airlines-according to Ken Mokrzycki, director of administration for the city of Syracuse. That cost usually does not vary from year to year, Mokrzycki said. Additionally, a direct cost of \$2.4 million was paid by the airport, which covered police protection and other security matters. Mokrzycki said that number was unusually high.

According to Federal Aviation Administration (FAA) rules, airports cannot provide any subsidy or profit to the city, and can only use the money to cover indirect and direct operational costs. The city of Syracuse owns Hancock airport, and the cost structure has been in place for the last 10-15 years, Mokrzycki said.

The MDA found that Syracuse is one of the 10 most expensive major/mid-sized cities in the nation with regard to travel and has keyed all of its efforts around that fact.

"About seven to eight months ago, the MDA board appointed a committee of business leaders to assess the problem... We considered this aviation problem a crisis," Davis says. "It's a crisis because we're losing travelers from our airport, well over 100,000 a year. We've had companies tell us that they've taken sales forces out of here, because it's too costly to travel to and from Syracuse. And we have to recognize that airline service is one of the two or three most important economic-development tools for economic growth in the community."

The Airline Service Committee includes William E. Davis, chair of National Grid USA, vice president of the MDA, and the committee's chair; Peter Soderberg, president and CEO of Welch Allyn, Inc.; Terry Brown, chairman and president of O'Brien and Gere, Ltd.; and Ann C. Michel, president of Knowledge Systems and Research, Inc.

One of the committee's first actions was to create an Airline Service Development Fund, which is trying to raise \$1 million through the contributions of local businesses.

"This airline fund would be used, number one, to promote people flying from our airport based on the negotiations that we would have with existing carriers," Davis says. "Number two, we would use some of this money for co-op advertising for any new carriers that would come in, or in the case with Northern, any start-upcarriers."

Davis says the MDA, Driscoll, and Rep. James T. Walsh (R-N.Y.) are asking US Airways for four things - the most important of which is to lower fares for the business community and eliminate propeller planes.

"If, in the case of US Air, they would commit to getting rid of the props [propeller planes], if they would commit to a special fare for the leisure traveler, and if they became more active in our community... then we would use these funds... to [encourage] people to fly from Hancock Airport," Davis says.

The community involvement that Davis is referring to includes sponsorships of local events, charity work, and advertising - all of which US Airways previously provided to the Syracuse community. The airline also was active in the MDA.

Cordeau hopes that all of these developments will help Hancock grow and expand.

"What I tend to think will happen will be that the demand goes up and causes true competition, which will attract lowcost carriers," he says. "We've created a spiral that we haven't gotten out of. People fly out of Albany and Buffalo so the traffic out of Hancock lessened. Airlines then say our traffic is lessening and we can't introduce lower fares. We can't convince low-cost carriers. We need to recover."

The fund was inspired by a similar project in south-central Pennsylvania.

"This is patterned after a very successful program in Harrisburg, Pa., where Harrisburg was losing tremendous traffic to Baltimore because of Southwest and other things," Davis says. "Harrisburg was able to negotiate an agreement with US Air and then [use] a very aggressive marketing campaign, a very exciting marketing campaign, that utilized air-development funds to [encourage people to] fly again from Harrisburg."

The Harrisburg International Airport started their marketing campaign in March 2002 after losing many passengers to Baltimore Washington International (BWI) Airport, a major destination for Southwest Airlines.

"When they started the campaign in mid-March, and every month since, they had seen enplanements go up at a time when the rest of the country had seen enplanements go down. And of course, in the postSept. 11 world, [that] is a testament to the dramatic impact of what they've done," Schwab says. "We believe that what we're looking at here will have a similar impact and we believe that we've managed to enhance what [Harrisburg accomplished]. We think [the marketing campaign] could have even more of an impact here [than it did in Harrisburg]."

Drive to survive

Because of the high fares, people have been migrating to Albany, Rochester, and Buffalo to fly mostly on Southwest and AirTran. According to the MDA, Syracuse loses one of every eight local business travelers and one of every five local leisure travelers to other

upstate airports.

"There is a tolerance that people have for driving," Schwab says. "People don't want to drive two and a half hours to get on a plane and... when they get back from somewhere and they're exhausted, they certainly don't want to drive two and a half hours after they get off a plane to get home. For leisure travelers, research... shows that if they could save about \$100 a ticket [at another airport], you will start seeing a significant number of people drive."

Schwab paints a picture to illustrate his point.

"If you had to go to Los Angeles tomorrow on business, you call up US Air right now [and] the fare from here to LA, changing planes in Pittsburgh, is \$2,100. You go tomorrow and come back the next day," Schwab says. "Also on US Air, if you fly from Albany to LA, changing planes in Pittsburgh-by the way, in Pittsburgh, the Albany traveler and the Syracuse traveler would get onto the same plane-[it would be] \$625.

"People will drive to save \$1,500 per ticket," he continues. "We believe that if we can significantly narrow that gap, we] I see enplanements go up. And we believe the airlines would be receptive to it because ultimately it will mean more revenue for them."

In the same scenario, airfare from Syracuse to Los Angeles is \$1,412 if the tickets are purchased on usairways.com, and cost \$630.50 from Albany to Los Angeles. Conversely, a flight from Albany to Los Angeles purchased on southwest.com would cost \$635.

"I think what we have come up with and what our committee recommended and what we have now adopted is the best approach to address this situation that this region could ask for," Davis says. He adds that the project will be successful if two things occur. First, the majority of local businesses need to contribute to the Airline Service Development Fund.

"And number two, our ability, of course-especially with the existing carriers to bring them to the table to negotiate with us," he notes. "An important point to make is, obviously, if we cannot get the airlines to negotiate with us, then we're not going to be using the money. But we have already had preliminary discussions with most of the carriers, and they are anxious to sit down with us because they have seen the seriousness of our effort by aggressively starting a fund of \$1 million magnitude."

Capital improvements

JetBlue began service to and from Hancock on May 7, 2001. The airline worked with Sen. Charles E. Schumer (D-N.Y.) to bring service to Buffalo, Rochester, and Syracuse.

"Upstate is traditionally one of the most expensive destinations for New Yorkers," says Fiona Morrison, jetBlue's director of corporate communications. "[Syracuse] is an underserved market that didn't have low fares. We offer low fares and high quality [service] to 18 cities around the country."

JetBlue has two flights per day to New York's John F. Kennedy International Airport, and Syracuse residents can fly to all of the airline's destinations through JFK-except Washington Dulles International Airport. The airline has 37 planes, all of which are Airbus A320s and can seat 162 people. They plan to add 13 more this year, and might increase its list of destinations by one or two.

"We're working on building frequency in markets we serve and connecting the dots," Morrison says. "We're responding to demand. There's good demand [in Syracuse], and it's best serviced with two flights a day [to JFK]."

Even though jetBlue has given the Syracuse traveler more options at a lower cost, many people are still migrating to other airports.

"JetBlue is part of the equation [but] not the total answer," Davis says.

That exodus can be attributed to Southwest Airlines' service to and from Buffalo and Albany, which reshaped their airports by bringing in Southwest.

Albany International Airport CEO John Egan, who previously served as the commissioner for the New York State Department of Transportation, led the airport's resurgence, with the help of Schumer and others, including the Albany International Airport Authority.

"First, you build a terminal that you can be proud of and be representative of the community," Egan says. "When we finished that, [we promised to] provide lower fares."

The airport subsequently recruited new airlines.

"We met our commitments in construction and operations. We brought in Delta Express and MetroJet and went after Southwest," Egan says. "We thought it was the right fit for the Capital Region. We spent a lot of time providing data-at the time 170 other cities wanted Southwest. They saw vitality, energy, and honesty. They took a chance and believed what they saw."

The airport is owned by Albany County and is occupied by the authority under a lease Agreement with the County. The 40-year lease commenced on May 16, 1996 and expires in 2036.

A similar arrangement exists at Buffalo Niagara International Airport, which is run by the Niagara Frontier Transportation Authority. The Greater Rochester International Airport is owned by Monroe County. Hancock Airport is owned by the city of Syracuse. In October 2002, Walsh-through the U.S. Department of Housing and Urban Development's economic-development program-secured an appropriation of 100,000 to the city for "planning related to the Hancock International Airport." The money is apparently going to be used to examine, among other things, the possibility of a regional airport authority that would run Hancock. The appropriation is expected to be approved in the next few weeks. Nothing official has been announced since Walsh secured the funds.

Southwest helped Albany lower its fares to the fifth lowest in the country. Before Southwest's arrival, the airport ranked approximately 65th, according to Egan.

"When we realized Southwest was interested, we went to the business community, elected officials, and the public and coalesced support behind us and told Southwest we had the support," he adds. "We then expanded the terminal and told Southwest that their space was ready. They believed us, took a risk, and the rest is history."

Albany now boasts direct flights via Southwest to Baltimore (seven per day), Orlando (two) and Las Vegas (one). In addition, Albany customers can connect through several cities, mostly BWI, to all of Southwest's destinations.

Egan estimates that "a significant" number of people make the approximately 140-mile drive from Syracuse to fly out of Albany.

"We get quite a bit of traffic from Utica," he says. "We capitalize on [short flights within upstate New York]. They bring in passengers [for us]."

Schwab says that getting Southwest to Syracuse might be difficult.

"Part of the element that you have to realize here is that the low-fare carriers right now are very selective where they go," he says. "When we have declining passenger loads... at Hancock Airport, it's very hard to make the case to new airlines to come into this market. We believe that this will solve a number of problems by having this air service development initiative and using this fund."

"We will be able to negotiate with existing carriers for more and better service and we will be able to extract from that lower fares for top business and leisure destinations. If we're able to do those things, more people will get on airplanes... and that will in turn make Lis more attractive in the months and years to come to any carrier that might be interested in entering this market," Schwab concludes. "So this will have an immediate impact, it may very well have a long-term impact, on the growth of Hancock Airport, the development of business in this community, and hopefully the growth of the community."

Christine Turneabe-Connelly, regional manager for Southwest Airlines public relations, estimates that 150 cities every year vie for Southwest's services.

"When Southwest goes into a market, it drops the fares 50 percent and the traffic more than doubles," says Timothy F. Sieber, Northern's vice president of marketing and customer service. "They've proven that price-stimulation model over and over and over again wherever they go."

That model, formally called the "Southwest Effect" by the United States Department of Transportation, states that Southwest causes "the dramatic increase in the number of people traveling to a given destination and the dramatic decrease in fares after Southwest begins serving a market."

Southwest effect

Additionally, cities that do not have Southwest, and who are near cities that do, experience high fares and lowered traffic-much like what Syracuse is currently facing.

"The onus is on those cities that [don't have] Southwest., They have to be more creative and aggressive [in attracting customers]," says Peter Pappas, chairman and CEO of Indigo Airlines. "The city founders probably have talked to Southwest. [I'm sure Syracuse] is on Southwest's list [of expansion]. The question is whether they're number three or number 56."

Pappas spent 20 years with American Airlines, where he helped them select cities to serve. Indigo targets business passengers, operating charter jets for individuals and companies. Further, Indigo has created its own facilities at Chicago's Midway Airport, Teterboro (N.J.) Airport, and White Plains (N.Y.) Airport, ensuring that passengers avoid the large terminals at big airports. Finally, the airline provides free parking and arranges for ground transportation for its passengers.

"Southwest will eventually service every major community in the United States," Pappas predicts. "They have a lot of airplanes on order."

According to Connelly, Southwest has ordered 17 planes this year and another 396 over the next eight. Last year, Southwest added 23 to bring its fleet to 370.

"The difference between where Southwest is, and isn't, is quite dramatic," Pappas says.

According to Southwest the primary criteria for a new city is "a community in which the market place is overpriced and underserved, creating a tremendous opportunity for the airline to bring low fares to travelers." Southwest also avoids slot-controlled airports, where the occupants of each gate are regulated and it can be difficult for a new airline to start new service there. (Hancock is not slot-controlled. According to Sieber, the only four federally slot-controlled airports are Ronald Reagan-Washington National, Chicago O'Hare, LaGuardia, and JFK.)

"Southwest carefully reviews how a city would fit into the existing route structure," says an information sheet distributed by the airline. "Since the airline is primarily a high frequency, short-haul carrier, this factor is critical."

Moving forward

The MDA hopes many changes will take place in the near future at Hancock. On Dec. 11, 2002, they announced that Delta Air Lines would add two regional jet flights to Atlanta, giving the airline four daily non-stops to its main hub. Additionally, the city has developed incentives, such as free hotel rooms for flight crews and reduced deicing rates for airlines, to complement the fund's efforts.

"We have a problem today. We have had a problem that has just gotten worse over the last two years," Davis says. "Now what we're really simply saying to the business community of the region, and I say region-Utica, North Country, Auburn, Cortland. We have come up with what we think is the most viable solution, and now we need the support. It's as simple as that, because we do not believe that we can just sit and do nothing. If we sit and do nothing, it will get worse."

Mancuso knows a solution is near.

"The mayor is very concerned and wants to attract new airlines," Mancuso says. "The industry on the whole is down, but it's a cyclical market and it will come around. And when it does, we want to attract a low-cost carrier and make Syracuse competitive."

"There are three to four carriers that will be bidding for the public's fares," he adds. "The ideal situation would be the conversion to one or two low-cost carriers."

Although the path to a revitalized Hancock Airport may be long, and may contain many forks, everyone agrees that the quest is an important-and immediate-journey that needs to be taken.