

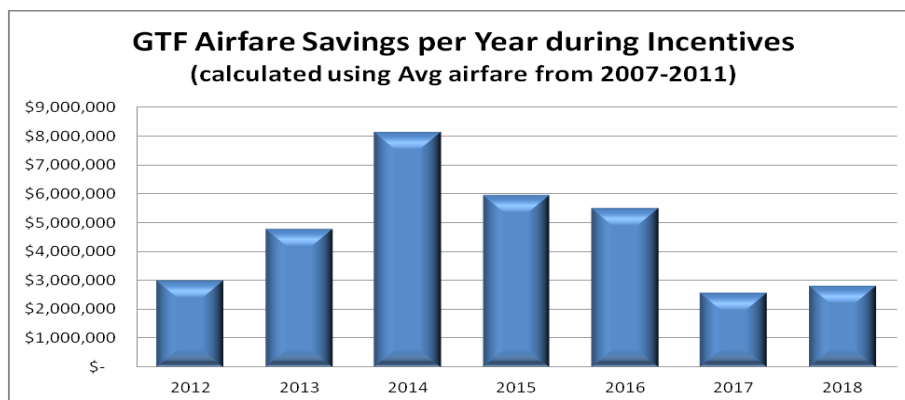


May 22, 2019

Dear Low Cost Airfare Initiative Investor:

It has been seven years since the Low Cost Airfare Initiative was launched and we would like to thank you for your contribution to this important community initiative. A great deal has been accomplished with your investment; here are just a few highlights:

- **Lower ticket prices saved Great Falls travelers over \$32 million.** The average one-way airfare at GTF dropped from \$230 (2007 to 2011) to \$201 (2012 to 2018). The decrease in airfare exceeds 11% during that period; meanwhile the national average increased more than 9%. With about 180,000 outbound tickets each year, the savings for travelers amounts to millions of dollars each year as shown in the chart below.

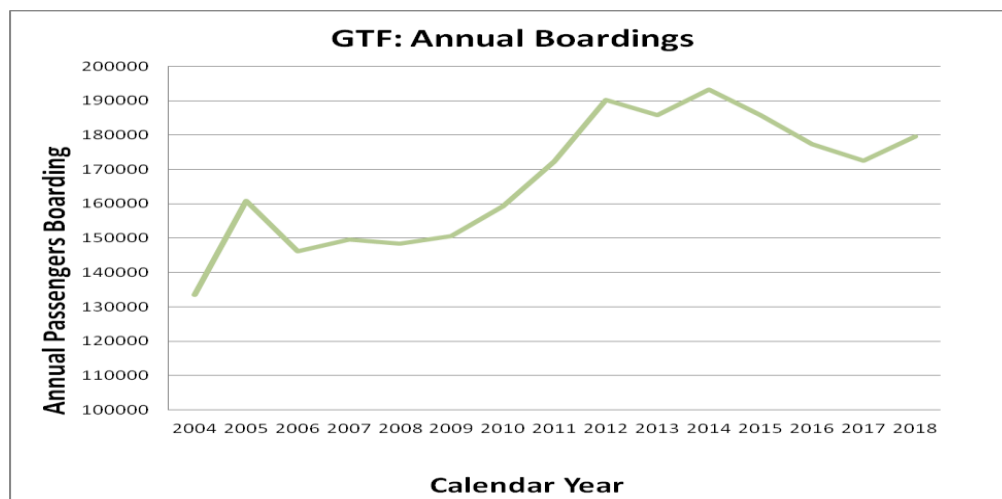


- **GTF becomes the low cost leader.** The cost of the average airfare purchased for GTF was the lowest of any Montana commercial airport from 2014 through 2017. Over the past ten years, fares at GTF have declined 15% while the national average is up 1%.
- **Frontier Airlines flies from GTF during 2012 to 2015.** Frontier spearheaded the decline of GTF ticket prices and led to the busiest four years in the Airport's history. The ultra-low fares and accompanying marketing also helped launch Great Falls as a tourism destination. The route was successful and never required any of the incentive dollars to be used. Ownership changes at Frontier led to deemphasizing of the Denver hub in 2015 and GTF lost service along with many other small communities. However, Frontier remains one of only two likely airline targets that could start new service at GTF.
- **GTF secures \$385,000 Small Community Air Service Development Grant ("SCASD Grant").** The US Department of Transportation has a small grant program for airline incentives. Grants are competitive and largely based on the match that a community is willing to offer. Federal law prohibits airports from providing incentive dollars. The SCASD Grant has funded roughly two-thirds of all incentives for new Chicago flights.

- United Airlines launches direct Chicago service.** Chicago at over 1,200 miles appears to be the longest scheduled route ever flown from GTF. The cost of operating this route just for the summer months exceeds \$2 million each year and United most likely would not have made this investment without our incentive guarantees. Chicago flights started as weekend only service in the summer of 2016. The route was expanded to daily in the summer of 2018 which resulted in over 250% growth in capacity from the original 2016 weekend only schedule. Along with the rapidly growing capacity in just three seasons, Chicago flights have also remained exceptionally full and the route hasn't cannibalized any of our other service. Growth has been from new travelers to the Great Falls area.
- United success extends to Denver.** Along with the success of Chicago, the expansion of their brand in Great Falls helped them build and grow their Denver traffic. As a result, United added Denver flights in the second half of 2018 and had record volume every month. The chart below shows the remarkable growth of United during 2018.

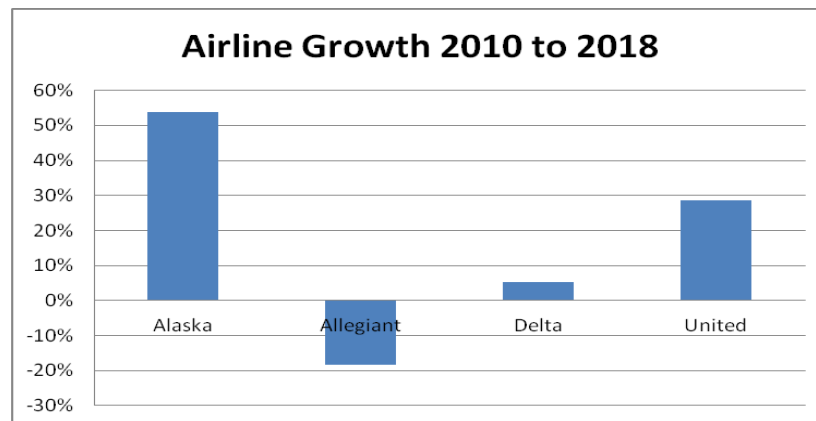


- Lower prices lead to record boardings.** Although not successively, all the years since incentives first began in 2012 have been GTF's busiest years. As the chart below demonstrates, lower ticket prices have made our area more attractive to incoming visitors and also made it easier for local families to travel. Each year, 20,000 to 30,000 more people boarded flights in Great Falls since incentives began. Think of the economic benefits to our region of each additional passenger.



- **Airline traffic growth was widespread.** With fewer U.S. airlines operating than any time in modern aviation history and fewer connecting hubs than there were 20 years ago; carriers in small markets often have near monopolies over passenger traffic to vast geographic regions. Adding a new airline or even a flight to a new hub on an existing airline can have a major impact on fares and that, in turn, generates traffic.

As the chart below demonstrates, except for Allegiant who was significantly impacted by the devaluation of the Canadian dollar since 2015, all of GTF's airlines experienced growth during the years that incentives were offered. In fact, the fastest growing carrier at GTF was Alaska (54%) in the past eight years and they haven't received any incentives. Delta hasn't added any new cities or really any additional capacity to existing cities; however, they still managed 5% growth during the incentive timeframe.



A great deal has been accomplished since the the Low Cost Airfare Initiative was established in 2011. However, our remaining SCASD Grant funds will expire this year and we anticipate that the funding pool will be effectively exhausted at the end of the extended United Chicago season in September. As you might have guessed, we are seeking to replenish the pool in order to continue the progress of this initiative.

The other Montana airports have also been busy in the past five years. Bozeman whose immense incentive program has exceeded \$8 million in the past ten years has become the fastest growing airport in the country. Their boardings have doubled in the past ten years. With new airlines and more destination cities, Bozeman is drawing leakage from airports throughout central Montana including GTF. Below are links to articles on recent Montana incentive programs:

- Billings: \$1.3 million for American service <https://flatheadbeacon.com/2017/01/10/billings-airport-begin-new-direct-flights-dallas/>
- Bozeman \$1.7 million for American service https://ravallirepublic.com/news/state-and-regional/article_92ffdeba-fcbd-58cc-a61c-3b5d43e2d088.amp.html
- Missoula over \$1 million for American service <https://newstalkkgvo.com/revenue-guarantees-save-travelers-2-8-million-in-three-months/>

Great Falls has been the smaller of these airports for over three decades. However, as the 50-seat jets are retired from all major US airlines over the next five to ten years, the very viability of daily air service in Great Falls will be challenged.

The partners in the Low Cost Airfare Initiative believe that developing a second round of airline incentives would have the following benefits to Great Falls:

- Millions of dollars in airfare savings that can be spent elsewhere in the community. The last program saved the Great Falls traveling community \$32 million in the past seven years. Our initial incentive contribution was a very small fraction of the savings amount.
- More travel options for Great Falls residents.
- As demonstrated during the last incentive program, thousands of additional visitors will be attracted to our community by new direct routes and lower ticket prices. The Montana Office of Tourism estimates that each visitor arriving by air supports \$631 in business spending during their visit.
- Preservation of our existing air service for the future. GTF flights are very full today; one more round of incentivized growth should bring larger airplanes and more flights on existing routes. Just like the last incentives ultimately resulted in extra Denver flights and summer mainline service to Minneapolis, the next incentive program will inspire similar growth on other routes.
- The ability to apply for future SCASD grants to help leverage our incentive dollars.

The Chamber and the Airport hope to compile incentives for 2020 service and beyond. There are several reasons that this timing is important. Most of the airlines that serve Montana will be visiting in September and this will be the perfect opportunity to see if American or United would support a new SCASD air service grant proposal for a new LAX flight (Delta is not building new LAX service). LAX is our third largest market at GTF and is the largest market with no direct service. GTF received the current \$350,000 SCASD grant in 2015 and 2020 will be the first year that we can apply again.


Further, Frontier Airlines is again adding service to their Denver hub and we think it will be critical to make a play for the ultra-low cost carrier before they expand into Kalispell or Helena. Their impact on our average fare and visitor traffic was substantial. We hope to present incentive offers to all of the aforementioned carriers this September.

We ask you to continue your support of this important initiative by considering a new pledge to the Low Cost Airfare Initiative. Feel free to contact either Shane or John today with any questions or to make a pledge.

Sincerely,



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