



Industry Updates for Clients & Friends of Boyd Group International

December 1, 2023

In This T&G:

- **End of 50-Seaters: Opportunity For Re-thinking ASD**
- **Florida Traffic Demand: Windsock For USA Economy**
- **Arrivals & Departure Trend Notes**



"Niching" air service planning could get terminals like this back in business.

Airline Fleet Shifts:

Small Community Airports Must Think New Strategies.

And There Are Opportunities.

Summary: Delta has eliminated 50-seaters from its branded fleet. Bottom capacity is now 76-seats. The challenge is how small airports can

compete with larger ones, given this new hurdle. They certainly can - if they stop trying to compete.

It's more than just a fleet change.

It's another rumble on the horizon indicating again that a lot of traditional air service planning strategies are becoming about as effective as trying to "lure" Wells Fargo to bring back stagecoach service.

Not only have communication channels changed, but the economics of the machinery involved in passenger air transportation have moved on. And up. Recognizing this can lead to optimizing new ASD thinking for all airports, but particularly at small communities.

With regrets for forecasting a downpour on a lot of ASD parades, it's not a lack of pilots driving the banishment of 50-seaters to the desert. It's the rocketing costs of providing air service, and there needs to be a lot more passengers outside of the cockpit door to avoid red ink. Fifty seats on 20+ year old airliners no longer is going to cut it.

Ignored: Total Travel Time Does Affect Local Service. This means a local community's airport must be able to support units of capacity of 76 seats or greater to attract connective air service access.

No amount of market mumbo-jumbo will change that. It's a fact with Delta now. It will be for American and United in the future.

Add this to the magnetic draw of increased regionalization of air access - driven in part by airline fleet decisions – and one need not consult the Ouija board to get a feel for the

future. Traditionally and in the future many small communities cannot unilaterally generate enough *frequency* to compete with *the total travel time advantage* of driving to a larger distant airport that supports far more service (Once again, I would point out the Toledo dynamic.)

No Reprieve. Communities Must Plan ASD Accordingly . It is an economic certainty that United and American are heading in the same direction with 50-seaters. Dead airplanes walking. The governor of economic reality is not going to come in with a last-minute reprieve. Delta killed off these leased-in aircraft from their fleet because of raw economics, and keep in mind that AA/UA operate in the same air transportation world as Delta.

This also illuminates another reality usually missed in most air service studies: *it is the aircraft that airlines operate – not just the number of potential passengers – that dictates whether a local community airport can support service.*

Determining the future fleet plans of a given airline target is universally ignored in most ASD programs. It is astounding how many small airports are being told that a major carrier can be recruited back to the local airport, leaving out any discussion of fleet capability.

Small Communities: Focus On What Can Be Done Instead of Taking On Larger Airports. The traditional consulting M.O. is that the local airport can certainly compete head-on with those nasty big airports that are stealing local passengers. It's so simple, right?

Just show that the local airport theoretically has a catchment area only slightly smaller than the Louisiana Purchase, and that the locals are “committed” to the airport, and (naturally) there's some incentive gelt on the table, and the network airlines will all come a'runnin' eager to start service.

Sorry. Not if they don't have airliners that fit. Sorry. Not if the service that might be “lured” is postured as a direct alternative to Nashville International's 200 flights a day.

That is, not if the local community's strategy is to compete directly head-on with this competition. Not if the local community is unfocused. Not unless they recognize the new realities of consumer air service demand.

Where From Here. “Niching” Local Air Service. The key to the future of small community local air service is not all bleak, even in light of the fact that larger aircraft will need to be supported and there will always be the draw of consumers to larger, better served airports.

The first step in addressing the future is for small airports to stop believing in the David-And-Goliath scam. Small community airports cannot directly compete on a level playing ground with an airport even 90 minutes away but with a couple hundred departures.

(Cultural note: he Good Book fails to mention the dozens of dimbulb schlemiels that the big guy turned into a tortilla before this David guy got in a lucky shot.)

The good news: there are consumers who *will* use the local flights, even with low frequency and higher local fares. It's a niche service that can appeal to a small specific part of the local travel demand base. Departure choices will be much fewer, and fares will be higher. But there are some travel decisions that are not affected by these factors.

The challenge is to quantify the advantages of the attainable local service and accept it as viable for a small percentage of travel. Trying to posture it as universally competitive with larger airport alternatives is not only nonsense but destroys the credibility of the airport.

So, the goal is to isolate the specific travel-demand niches that will find advantages in low-frequency network airline service. Then focus on shifting marketing to support that service. No, friends and neighbors, two departures to a connecting hub can't make a dent in convincing the general public that the local airport is always a better air travel option. But it can meet *some* of the needs of *some* of the local travel decisions.

There is a small sector that will determine that those two flights meet their needs, even if the fares are higher. It's a matter of identifying these dynamics and stopping the nonsense that the local airport is consumer-comparable to the competition. It is a niche service – so capitalize on it by identifying the advantages it represents to specific consumer niches.

Sounds counter intuitive. But as air travel continues to evolve in its role as a communication channel, community air service planning needs to understand and anticipate where opportunities reside.

Drop The Past Approaches. Join Us & Anticipate The Future . This approach is part of our **Runway To The Future** program, which is a set of new-generation aviation planning approaches based on futurist industry trend forecasting.

Join us in exploring and optimizing the new future. [Click here](#) and just note you want more information, and we'll be back ASAP.



Taking a break before we move on:

Planning for the new future demands having a clear grasp of the emerging trends in air transportation.

The future will be different, and access to the pulse of aviation is critical to plan for it. This is the reason we rely on Cirium to keep our clients ahead of the change curve.



Discretionary Spend: The Main Surface Indicator of Economic Health.

Florida Air Traffic Is Largely Discretionary. So, It's A Prime Indicator of The Future.

What Florida air traffic represents to the USA economy.

Summary: Florida has more than rebounded from the CCP Pandemic. Watching how this sector performs in the

future will be a sound indicator of where the national economy is headed. Right now, things appear positive. But there are some rumblings.

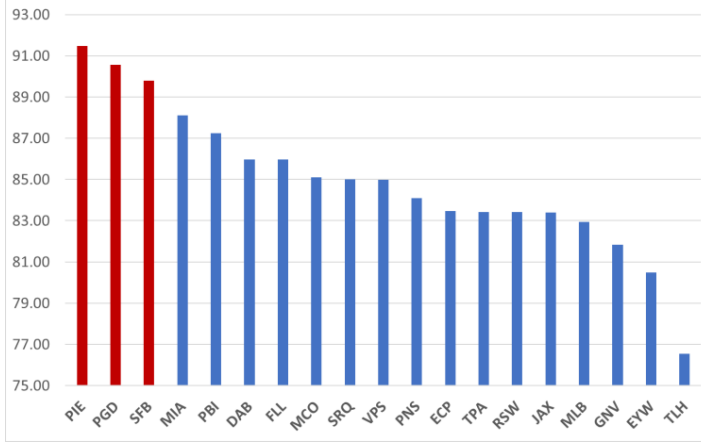
With all the increase in capacity at Florida airports, the question needs to be explored whether there is a limit to how much the Sunshine State can support.

Twenty Million More Arrivals? We'll start with this. Based on data from our friends at Cirium, every major commercially served airport in the state will see more capacity in the 1Q 2024 than in the same quarter in the record year of 2019.

That's even down to Daytona Beach, where the seat count will be up a hair, to SRQ which is close to 200%. That means something like 6.5 million more seats coming into Florida than in the first quarter of 2019.

For the year, factoring in seasonality, that's around 20 million more air visitors than before the gift that keeps on giving arrived from Wuhan.

**Florida Load Factors Represent Strong Traffic
But Are There Yield Pressures?**



Lots of economic impact.

But seat capacity is one thing. How many of these seats are occupied is the real metric.

(Well, one of the real metrics - fares - is the other.)

The latest load factor data reported is only for the first 8 months of 2023 – not a whole year, but enough to tell us something about how demand is filling the additional seats. The average load factor is around 86%, and only one

airport – Tallahassee – had less than an 80% level.

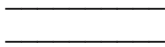
Traditionally, this would indicate capacity-driven demand spill at some airports, and that Florida can absorb additional capacity, but it all depends on the yields carriers can command over the next 12 months of the non-recession and high inflation.

That also will be affected by labor costs that will be coming into play due to the gains pilots and other classifications have won across the bargaining table. Higher operation costs put pressure on fares, and fares determine the level of impulse demand.

The red bars on the chart are airports dominated by Allegiant, which is a good indicator of future demand.

Florida air traffic will be the wind vane in regard to where the economy is headed.

Keep an eye on scheduling and capacity shifts in the weeks ahead.



**Observations From Not So Afar
In The Aviation Industry**

Yummy! Poodle As Business Class Option On China Eastern. Lots of press on the English translation of a business class menu, announcing “imported dog food with okra”

Given that man’s best friend is also man’s best entrée in some parts of China’s population, this raised some real questions. (The CCP denies this, but I’ve seen it.) In any event, it’s another indication of sloppy amateurism – words never are translated, concepts and ideas are moved from one language to another.

Reflects poorly on one of China's largest international airlines.



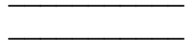
Advanced Air Mobility - A Closed Media Circuit. Not to continue to point out the obvious, but there have been a number of calls in congress and elsewhere to address the clear truth that supply of minerals for batteries intended for autos and airplanes is controlled by the Chinese Communist Party.

Plus there is growing focus on the near slave labor used to mine these minerals. That will need to change, spiking battery costs, In short, nobody is sure of the cost or production of the batteries that are intended to power all these AAM aircraft.

Take a look - every single media story about AAM tends to be a glowing endorsement of

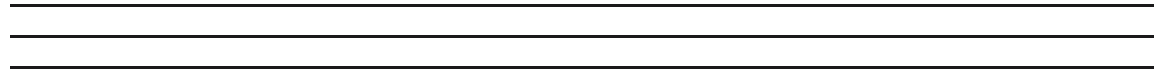
the concept, replete with promises of air taxi costs being close to Uber executive fares. On its face, this is pure nonsense. Or intentionally worse. Naturally, the media tells us none of this.

Combine this with zero-reporting of the failure of two prototype airliners - one being at NASA - and the media silence can no longer be assumed as not intentional.



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