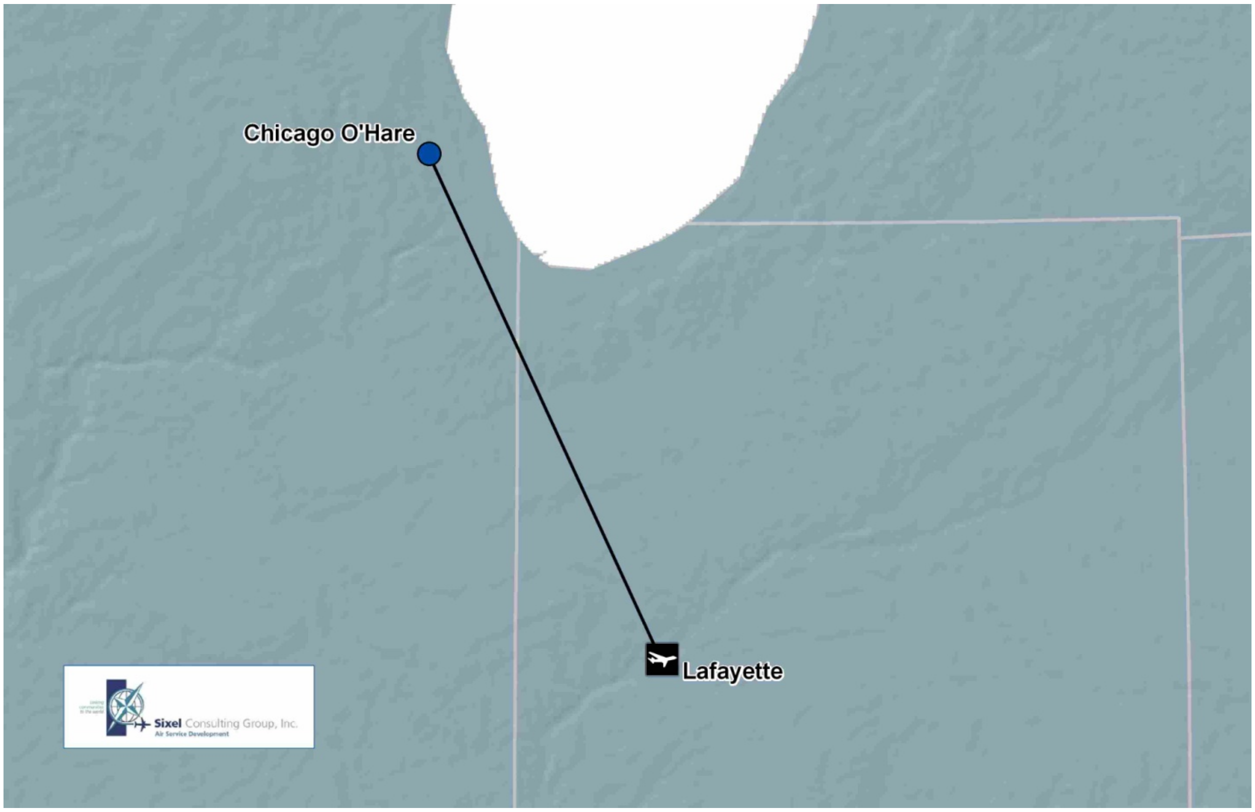

Docket: DOT-OST-2009-0149

Before the Office of the Secretary of Transportation
U.S. Department of Transportation

Purdue University Airport / Lafayette, Indiana

Proposal Under the **Small Community Air Service Development Program**

An Integrated Program of New Air Service Development via;

A Community Controlled Capacity Purchase Agreement on *ExpressJet/United Express* to/from *Chicago O'Hare*

Sponsor: *Purdue University Airport*
Betty Stansbury, Airport Director
West Lafayette, Indiana (IN04)
Dun & Bradstreet Number: 072051394

August 28, 2009

PURDUE
UNIVERSITY

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PURDUE
UNIVERSITY

AIRPORT OPERATIONS

August 27, 2009

The Honorable Ray LaHood
Secretary, U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: Docket OST – 2009 – 0149 Purdue University Airport Proposal Under the Small Community Air Service Development Program

Dear Mr. Secretary:

It is with great pleasure the Purdue University Airport in Lafayette, Indiana submits this innovative proposal and request to participate actively in the Small Community Air Service Development Program.

The Airport has been without commercial air service for the last five years. Airlines have failed to pursue service in Lafayette, despite the fact it is one of the fastest growing communities in the Midwest. Moreover, the market's previous service was marred by unreliability, difficulty in connecting beyond a sufficient hub, and airfares that were often 50% higher than those found at other airports in the region.

The Airport has conducted very productive meetings with ExpressJet, planning to operate as United Express, with service consisting of two regional jet flights per day to the hub at Chicago O'Hare. ExpressJet has provided a letter of support and commitment for our Grant application.

Our proposal consists of a community-backed investment and revenue guarantee to offset any losses experienced during the first year of operation in order to entice United to commence operations in Lafayette. The Purdue University Board of Trustees will serve as the legal sponsor and recipient of the Federal grant. A number of unofficial sponsors have been, and will continue to be involved in this regional effort.

We feel strongly this initiative meets the Small Community Air Service Development Program's core objectives to secure enhancements that are responsive to the region air transportation and airfare needs, develops a public/private partnership between the community, airline and private business and is a program that can be implemented immediately upon grant receipt.

On behalf of the Cities of Lafayette, West Lafayette, and Purdue University, we thank you for your consideration of our proposal to improve air transportation to and from our region.

Sincerely,

Betty Stansbury, AAE
Airport Director

Terminal Building, Room 201 ■ 1501 Aviation Drive ■ West Lafayette, IN 47907-2001 ■ (765) 743-3442 ■ Fax: (765) 496-1171

Summary Information

Small Community Air Service Development Program

Docket DOT-OST-2009-0149

A. Applicant Information

☒ **Not a Consortium** ☐ **Community now receives EAS subsidy**

☐ **Interstate Consortium** ☐ **Intrastate Consortium**

☐ **Community previously received a Small Community Grant**

If previous recipient, expiration date of grant: ________________

Community Name	Lafayette, Indiana
Address	1501 Aviation Drive
City, State, Zip-code	West Lafayette, Indiana 47907
Point of Contact:	Betty Stansbury, Airport Director
Phone:	(765) 743-3442
Fax:	(765) 496-1171
Email:	bmstansbury@purdue.edu
County:	Tippecanoe
Congressional Code:	IN04
Dun & Bradstreet #:	072051394

Designated Legal Sponsor:

Name	Betty Stansbury
Title	Airport Director
Organization	Purdue University Airport
Address	1501 Aviation Drive
City, State, Zip-code	West Lafayette, Indiana 47907
Phone:	(765) 743-3442
Fax:	(765) 496-1171
Email:	bmstansbury@purdue.edu

B. Public/Private Partnership

Public:

1. Purdue University Airport
2. City of Lafayette
3. City of West Lafayette
4. Tippecanoe County

Private:

1. Purdue University
2. Lafayette Chamber of Commerce
3. Greater Lafayette Progress
4. Lafayette – West Lafayette Convention and Visitors Bureau

C. Project Proposal

☐ Marketing	☐ Upgrade Aircraft	☒ New Route
☐ Personnel	☐ Increased Frequency	☐ Low Fare Service
☐ Travel Bank	☒ Service Restoration	☐ Subsidy
☐ Surface Transportation	☒ Regional Service	☒ Other (specify)
☒ Revenue Guarantee	☒ Launch New Carrier	Community-airline
☐ Start Up Cost Offset	☐ First Competitive Service	partnership for new
☐ Study	☐ Secure Additional Carrier	service

D. Existing Landing Aids at Airport

☒ Full ILS	☒ Outer/Middle Marker	☒ Published Instrument Approach
☐ Localizer	☐ Other	

E. Project Cost

Federal amount requested:	$ 500,000
Total local financial contribution:	$ 50,000
Airport funds:	$ 0
Non-Airport funds:	$ 0
State financial contribution:	$ 0
Existing funds:	$ 0
New funds:	$ 0
Airport In-kind contribution:	$ 50,000
Other In-Kind Contribution:	$ 0
Total cost of project:	$ 550,000

F. Enplanements at Airport

2001: 14,405

2001: 9,425

2002: 7,465

2003: 7,195

2004: 340

2005: 0

2006: 0

2007: 0

2008: 0

G. Is Application Subject to Review by State Under Executive Order 12372 Process?

☐ This application was made available to the State on ______.

☐ Program is subject to review, but has not been selected by the State.

☒ Program is not covered.

H. Is Applicant Delinquent on any Federal Debt?

☒ No

Introduction

The Purdue University Airport has been without scheduled air service for five years. Essential Air Service subsidies were lost when it was determined that the Airport was seven miles too close to Indianapolis, which is 63 miles away, to qualify for a subsidy. In 2004, the Airport had just 0.07 seats available per resident of its metro area – one of the lowest amounts of service of all airports in the nation. During 2003 the average fare at Lafayette was 25% above the regional average.

The Airport's own market research shows demand for more than 550,000 annual passenger trips in the Airport's catchment area, generating more than $80 million in annual airline revenue. These statistics assure Airport leadership that a local market exists for airline service in Lafayette.

While the Airport has worked diligently since that time to recruit air service, airlines have been reluctant to commit to serving Lafayette. Without recent passenger data, the market does not forecast in airline planning models. In some cases, even a minimum revenue guarantee is not enough for an airline to consider a market like Lafayette, forcing it to be more creative in developing local air service.

This specific proposal is unique – and will be the first of its kind under the Small Community Air Service Development Program. Under this proposal, the community will be entering into an agreement with ExpressJet, to purchase block hours of service on the Lafayette – Chicago O'Hare route, under the United code, with investments from both the Small Community Air Service Development Program and local businesses.

This proposal is unlike a revenue guarantee, in that the DOT's portion of the project is just part of the investment in a community controlled capacity purchase agreement. Local business investors will have a say in how the service operates, how frequently it's offered, and what the local fares would be.

This proposal represents a pilot project which could be duplicated in dozens of cities around the country, should it be found to be successful. The Department of Transportation has the opportunity to invest in something completely new by partnering with Lafayette in this proposal – in the original spirit and intent of the Small Community Air Service Development Program.

Primary Objectives of Proposal

Objectives for Program:

- Return commercial airline service to the market for the first time since 2004
- Provide local access to the national air transportation system
- Recruit new service to a hub that can connect to the largest centers of demand for local travelers
- Partner with ExpressJet Airlines, dba United Express, to serve the Lafayette – Chicago O'Hare route

Means to Achieve Objectives:

- Prove that the market can support air carrier service
- Develop community support for ExpressJet/United Express service
- Find partners willing to share in the financial burden of a community controlled capacity purchase agreement

Course of Action to Support Means:

- Pair federal Small Community Air Service Development Grant with local investment to purchase capacity on ExpressJet, operating as United Express, to the Chicago O'Hare hub
- Ensure flight schedules match community demand
- Ensure service has long-term funding in place, for at least 12 months

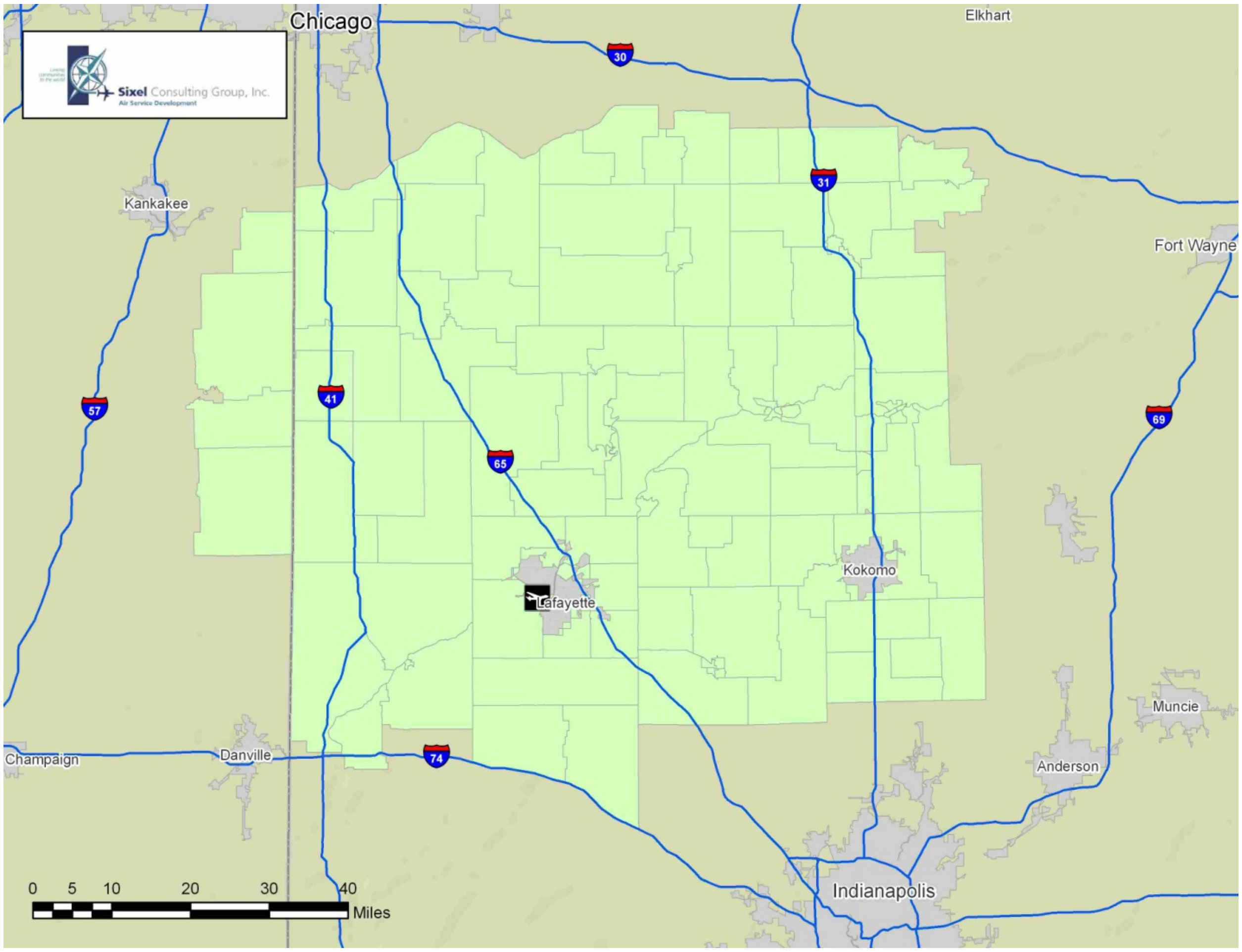
Executive Summary

The sphere of influence of Lafayette, Indiana spans not only Indiana, but the rest of the country thanks to the outstanding reputation and outreach of the world renowned Purdue University. Despite the University's high economic impact, and the thousands of airline trips it generates per year, Lafayette has not had commercial air service in the last five years. The Purdue University Airport lost is last commercial hub service in 2004. Previously, Lafayette was an Essential Air Service (EAS) market, but the market was taken off the Program as Congress enacted distance limits for a market to qualify for EAS. As Lafayette is just under 70 miles from Indianapolis, it could no longer qualify for subsidy. In 2004, Corporate Airlines ended its last service, under the American Connection brand to the St. Louis hub.

Since that time, the Cities of Lafayette and West Lafayette, Purdue University, and the regional economic development agencies, have all been working hard to bring commercial air service back to Purdue University Airport. While the Airport is confident there is a local market for commercial air service, it has little recent data to quantify that demand. Without recent data, the market does not forecast in airline planning models. In order for an airline to even consider micro-forecasting a market such as Lafayette, the community must bring a large incentive that includes risk mitigation to the table when it meets with the airline. In some cases, even a minimum revenue guarantee will not be enough for an airline to consider a market like Lafayette, forcing it to be more creative in developing local air service. This proposal will overcome that challenge through a community controlled capacity purchase agreement, under which the community will purchase the airline service directly from the airline.

The community believes competitive service at Purdue University Airport should be able to draw a significant portion of its travelers from an area stretching to a 45 minute drive in all directions, except to the south, where it would only draw passengers from a 20 minute drive due to the proximity of low fare service at Indianapolis (see Table 1). This catchment area, which does not include the Chicago, South Bend, or Ft. Wayne areas, but does include Kokomo – which is closer to Lafayette than Indianapolis – is home to 570,418 residents as of the latest US Census estimates. The area's population has grown by 2% since 2000, or 9,500 residents.

Table 1:

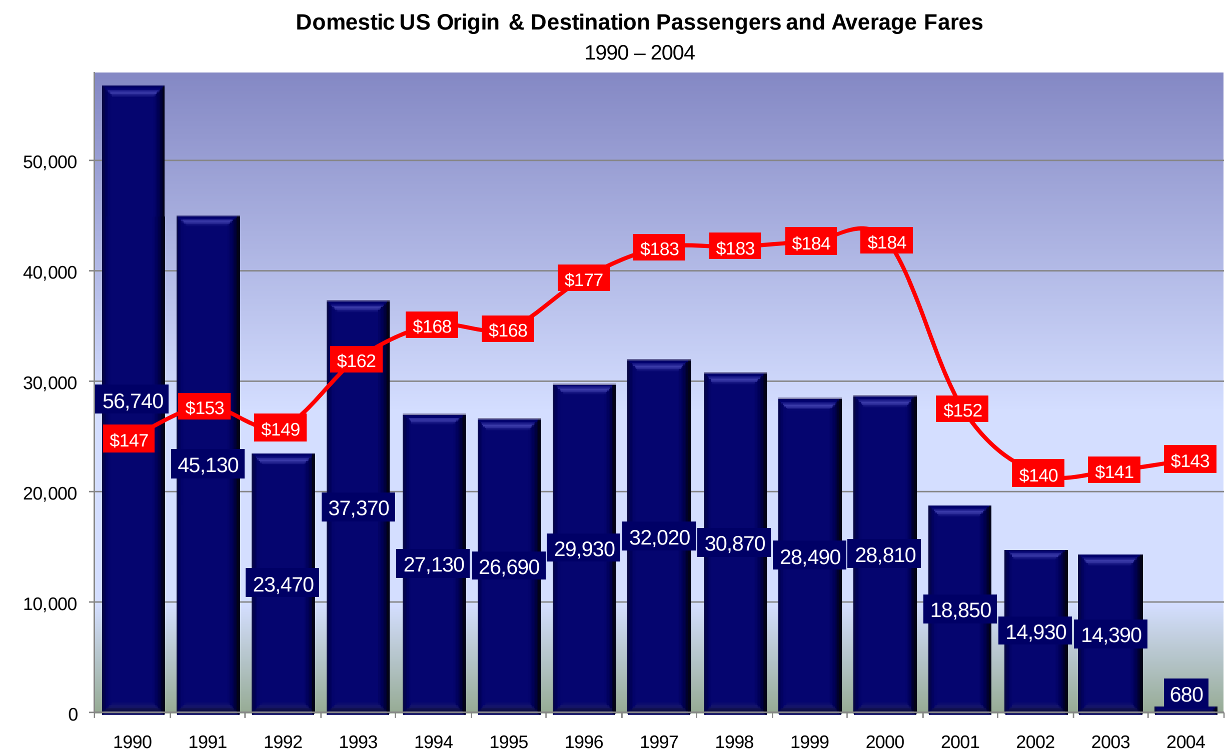


Purdue University Airport, Lafayette, Estimated Catchment Area

This catchment area should easily be able to support significant commercial air service. There are a number of similar sized catchment areas around the country, with more than a half-million people – such as Evansville, Indiana – which support significant flight operations. In the case of Evansville, that market supports non-stops to five hub airports on two major network carriers. While Lafayette won't support that kind of airline service, at least initially, it should be able to support some limited regional service with a catchment area of a half-million people.

As recently as 1990, the Purdue University Airport supported as many as 57,000 total passengers, or 78 passengers per day each way (see Table 2). The market was large enough to support two airlines for most of the 1990s, with flights provided by American Eagle to Chicago O'Hare, while, at the same time, Mesaba Airlines operated flights to Detroit under the Northwest Airlink marketing name. However, through the 1990s, passengers began to steadily drop as the airfare environment in Lafayette deteriorated.

Table 2:

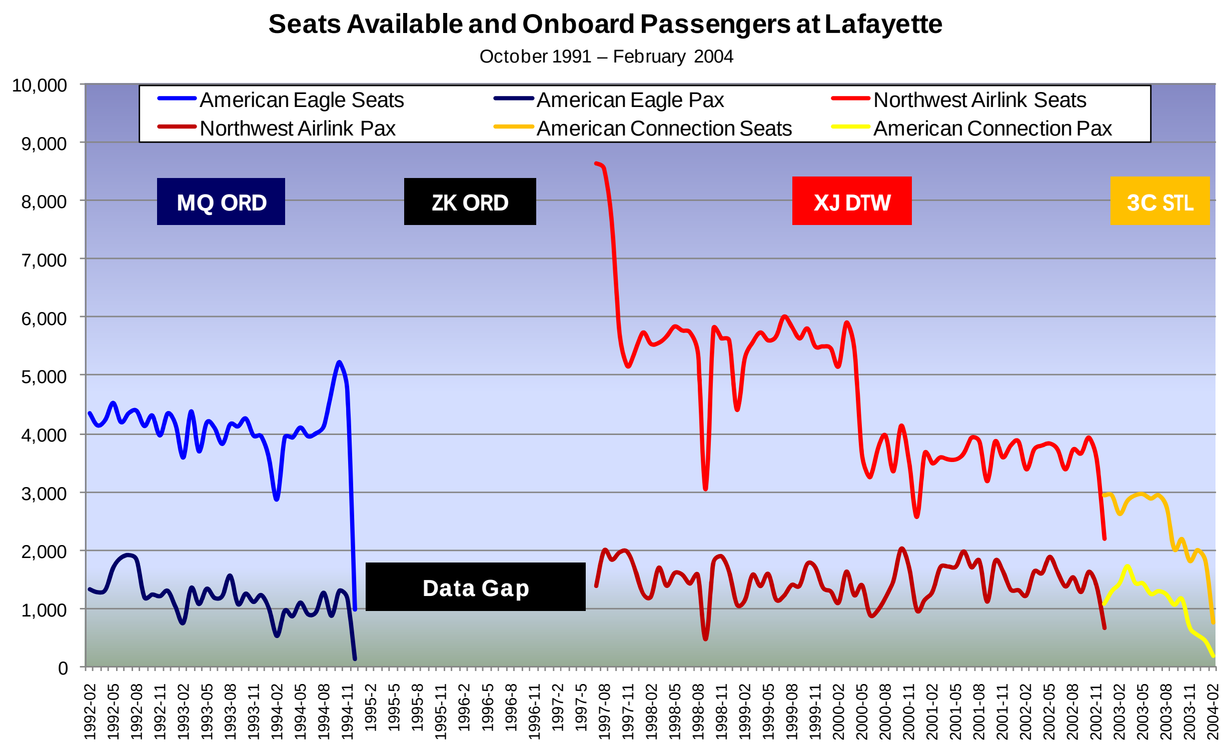


In the ten years from 1990 to 2000, total origin and destination passengers using the Purdue University Airport dropped by 49%, or by 38 passengers per day each way, to just 28,810 total passengers in 2000, or 39 passengers per day each way (see Table 2). This passenger decline was caused, in part, by average fares that rose from $147 each way to $184 each way – an increase of 25%. The market could not endure that kind of airfare hike with much lower fare service 65 miles away at Indianapolis.

After the year 2000, the Lafayette market continued to erode, even as local fares began to drop (see Table 2). The reason for this erosion in the market was likely the lack of reliability with local service. During this time, service was moved from the Northwest hub at Detroit, on 34 seat aircraft, to the American hub at St. Louis, on 19 seat aircraft. Moreover, American was dramatically reducing the size of the St. Louis hub during this period, resulting in a lack of connectivity. In 2004, service only operated for several weeks.

In its last 12 years of service, the Lafayette market was hurt by frequent changes in its airline, changes in the codeshares those airlines operated under, changes in the hub the service connected through, and changes in the number of flights per day. While American Eagle operated the service through much of the ‘80s and early ‘90s, Great Lakes Airlines started service in 1995, and maintained it though 1997 (see Table 3). Great Lakes operated service feeding United at Chicago O’Hare. While the hub stayed the same from American to United, connectivity changed completely. At the time, Great Lakes did not report statistics to the DOT, so there is no accurate record of how the flights performed.

Table 2:



In 1997, Mesaba began service to the Detroit hub and the Northwest network. Mesaba introduced more available seats to the market than any previous airline – averaging about 6,000 seats per month for most of 1997, 1998, and 1999 – but the change in airline and connectivity hurt the service, as it struggled to board more than 2,000 passengers in any one month (see Table 2). Mesaba cut Lafayette’s available seats by about 20% in 2000, to an average of 4,000 per month, but enplanements stayed strong, improving load factors to above 50% for the first time in a decade.

In 2002, Mesaba left the Lafayette market when Corporate Airlines, operating as American Connection, entered the market. Regions Air used smaller aircraft – 19 seat Jetstreams – and available seats in the market were cut considerably. Service was changed again, this time to the American hub at St. Louis, which, at the time, was being "right sized" by the Airline. This left Lafayette travelers with limited connectivity – especially when compared to the Northwest hub at Detroit. Regions Air's service was not well suited for a market that relied on connectivity to a wide range of destinations, like Lafayette, and it ended in February of 2004.

Markets like Lafayette must overcome the lack of recent data, and historical data that requires significant explanation, if they are to land scheduled air service. They must develop alternate plans in order to bring an airline into the market. The Purdue University Airport has found an airline partner, in ExpressJet Airlines, to help bring service back to the Lafayette community under a capacity purchase agreement – taking the risk out of the equation for the airline – and transferring ownership and decision-making for the service to local community.

Under this proposal for air service ExpressJet will operate under the United Airlines code. It is unlike a revenue guarantee, in that the DOT's portion of the project is just part of the investment in a *community controlled capacity purchase agreement*. The community will be entering into an agreement with ExpressJet, to purchase block hours of service on the Lafayette – Chicago O'Hare route, under the United code, with investments from both the Small Community Air Service Development Program and local organizations and businesses. Local investors will have a say in how the service operates, how frequently it's offered, and what the local fares would be. The investors will also have the opportunity to make a profit on their investment in new service should the service's revenue exceed the established costs. No other air service development program offers the community a chance to profit by using their locally provided service.

This proposal represents a pilot project which could be duplicated in dozens of cities around the country, should it be found to be successful. The Department of Transportation has the opportunity to invest in something completely new by partnering with Lafayette and the Purdue University Airport in this proposal – in the original spirit and intent of the Small Community Air Service Development Program. This project represents the best possible way for the Lafayette community to go about developing their first non-EAS commercial air service. The community just needs the financial support of the Department of Transportation to move forward.

Detailed Explanation of Proposal

Currently Purdue University Airport in Lafayette has no commercial air service, leaving a large part of Indiana and Illinois without access to the national air transportation system. The last time Lafayette was truly connected to the national air transportation system was 2004. In order for the Purdue University Airport to land new scheduled air service, it will take the extraordinary cooperation of a number of community partners, including City Councils, Chambers, the University's Board of Trustees and the Department of Transportation's Small Community Air Service Development Grant Program.

The Airport is not proposing a simple revenue guarantee. This proposal is for a wider scale project, whereby the community will be purchasing capacity from ExpressJet Airlines, operating as United Express, and then exercising some control over the pricing, flight scheduling, and operation of those community-backed flights. A number of airports, across the country, are coming together under this proposal to "take back" their community's air service. These cities realize that with airlines deciding where and when they fly, smaller communities are at a huge disadvantage. Communities with little or no current air service are overlooked by airline planners.

Among other airports planning to take part in this capacity purchase agreement with ExpressJet are current SCASD Grant holders Gary-Chicago International Airport, Muskegon County Airport, and the Youngstown-Warren Regional Airport. Also interested in taking part in this program, with Lafayette, are the St. Cloud Regional Airport, the Duluth International Airport, and the Rockford-Chicago International Airport. This group of airports can work with ExpressJet to bring down the cost of the operation, and more effectively use capacity-purchased aircraft.

One of the major reasons for a capacity purchase agreement in these communities as an alternative to a simple revenue guarantee is the fact that airline planning departments rely heavily on historical traffic data in their preliminary forecasts of a new market. These markets have little historical traffic to help them to forecast well. Thus, these communities must take a stronger stand to get the service they want, and the service they believe would be successful. This program allows the communities to do just that.

ExpressJet Airlines has agreed to partner with smaller communities like Lafayette, that can't otherwise recruit new service through a simple revenue guarantee or risk mitigation program, to provide service under the United Airlines code to the large hub at Chicago O'Hare. Essentially, ExpressJet will provide several 50-seat regional jet aircraft under this agreement, which will be flying under an agreement similar to a charter, on behalf of participant communities.

Under the capacity purchase agreement, ExpressJet will be paid a fee per departure in each community that participates in the program. The fee will cover all ExpressJet's costs, including "ACMI" – **a**ircraft, **c**rew, **m**aintenance, and **i**nsurance. This fee will also include a small profit for ExpressJet, currently projected at a 5% margin, although this margin is still subject to negotiation. The fee will be annualized, with the total amount being raised through various sources, including Grants, local airport funds, and local private business investors. An estimate of the Airline's fee for service in Lafayette can be found in the following section of this proposal.

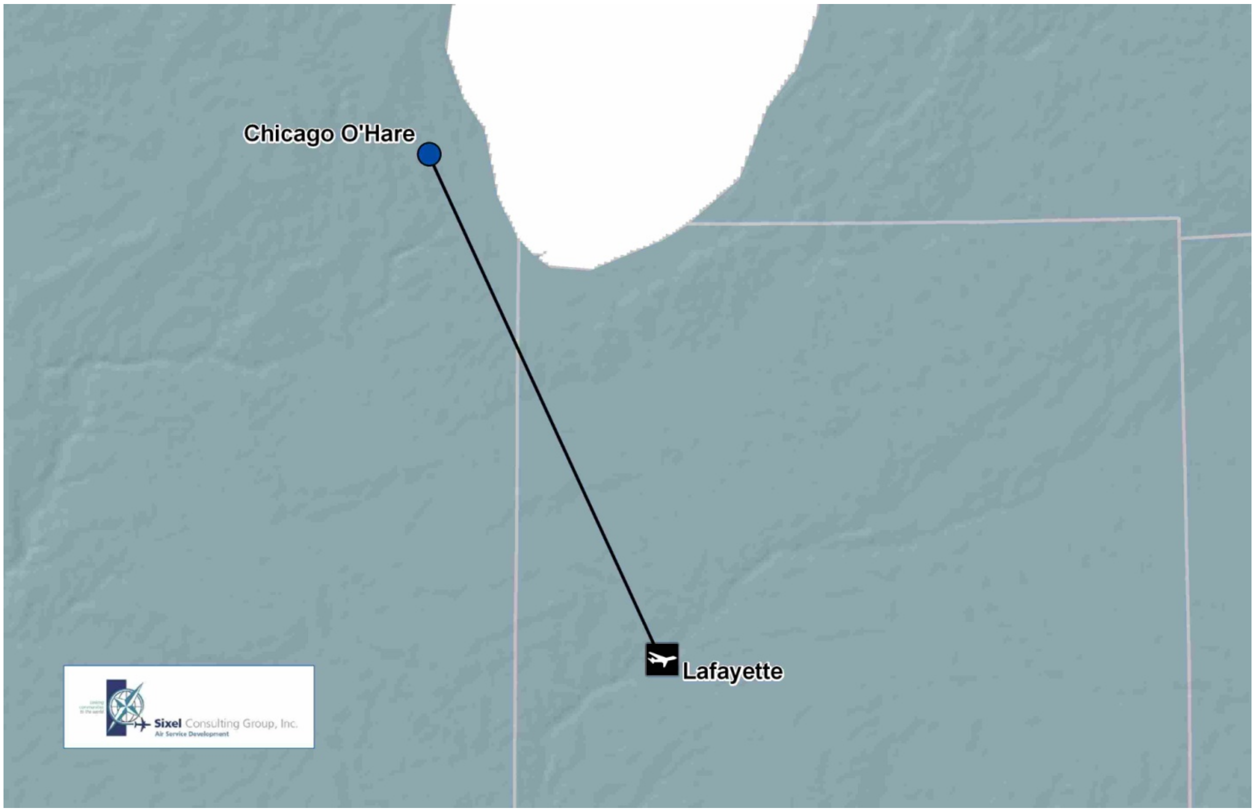
In exchange for this guaranteed revenue, ExpressJet will allow the communities to take control of the United-coded flying. In the case of Lafayette, the community, including the local investors in the project, will be able to decide the frequency of flights to O'Hare, the schedule for those flights, and have input into the fare charged. This kind of control has never been given to a community, which makes this an exciting pilot project for the Department of Transportation to support through a SCASD Grant.

Unlike other air service development programs, this is a true *investment* in service. If the service performs above ExpressJet's cost, the community investors are the ones who see the profit. Any revenue in excess of the established capacity purchase, provided by ExpressJet, will be distributed back to the investors in the community, based on their percentage of total investment in the project.

Lafayette has strategically chosen United Express service to Chicago O'Hare as the best possible hub/airline combination for new air service (see Table 3). Chicago service on United can connect Lafayette to 112 cities with a single stop. Due to the short stage length of the flights, the cost of Lafayette's capacity purchase agreement would be much smaller than if it chose a hub father away. Moreover, historical data shows Lafayette's best performing service in the last 20 years connected through O'Hare.

The route between Lafayette and Chicago O'Hare would cover 119 miles, and could be flown by an ExpressJet Embraer ERJ145 aircraft (ER4), seating 50 passengers in an all-economy configuration, with an average flying time of 25 minutes at an average groundspeed of 250 knots (see Table 3).

Table 3:



The Airport proposes two daily flights in each direction between Lafayette and O'Hare. The Airport proposes the flights be timed to meet the morning outbound bank on United Airlines at O'Hare, serving omni-directional destinations from the hub. The Airport also proposes a late evening return, connecting those same cities back into Lafayette during United's last bank (see Table 4).

Table 4:

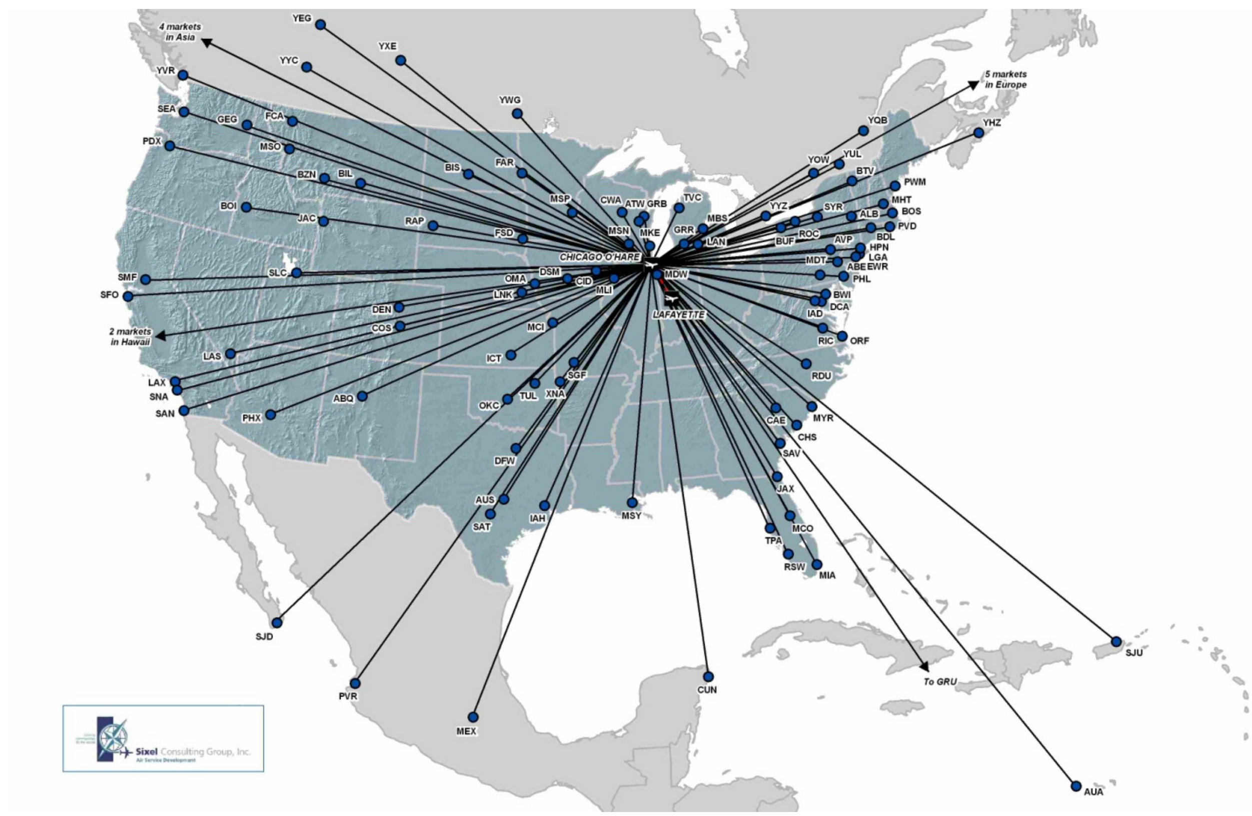
Proposed Schedule
Lafayette – Chicago O'Hare

Origin	Destination	Departs	Arrives	Block Time	Equipment
LAF	ORD	8:00am	7:45am	0:45	ER4
ORD	LAF	12:30pm	2:15pm	0:45	ER4
LAF	ORD	2:45pm	2:30pm	0:45	ER4
ORD	LAF	9:30pm	11:15pm	0:45	ER4

The proposed schedule assumes an average ground speed of 250 knots on the route, and does not take into account winds or weather conditions. That ground speed will result in an average flight time of 25 minutes on the Lafayette – O'Hare route (see Table 4). An additional ten minutes has been added on each end for taxi time, resulting in a total block time of 45 minutes.

ExpressJet service, under the United code, from Lafayette to Chicago O'Hare would open 111 one-stop destinations (see Table 5). Flights timed on the proposed schedule would connect to destinations worldwide, from Tokyo and Hong Kong to London and Frankfurt. O'Hare is the best possible hub for Lafayette travelers, accessing one-stop service to a number of markets that rank highly for the area's business travelers.

Table 5:



Connections Available Beyond the United Chicago O'Hare Hub, August 2009

Under this proposal, there is financial risk to a community. While ticket sale revenue goes to the community, which it then passes on as part of its payment to ExpressJet, if ticket sales do not cover the cost of the service in any given month, the community funding partners will be required to close the gap. This could result in the loss of money from the federal and/or local investment. However, the program has been modeled to put as little burden on individual community investors as possible.

Should revenues not cover the total cost of the capacity purchase, as agreed to with ExpressJet, the community and its investors must cover the shortfall. In order to best protect local business investors, investments have been divided into two "classes": Class B investors, which would include the DOT's Small Community Air Service Development Grant, and Class A investors, which would include local businesses. Any revenue shortfall is first covered by the Class B investors. In other words, the revenue loss first accrues to Class B investment, protecting the Class A investors. Should the Class B investment be fully allocated and exhausted by losses on the route, losses would begin to accrue to Class A.

Class B investment, in the form of a Small Community Air Service Development Grant, or any other source, is not eligible for profit sharing. Only Class A investors will receive profits should revenues exceed expenses. This gives Class A investors extra incentive to invest, and assurance that their investment is somewhat insulated from loss by Class B investors, which would include mostly government sources. It should also be noted, should service be profitable from the beginning, and no losses be incurred within the full time period of the service, not to exceed three years, Grant money would be returned, in full, to the Department of Transportation.

Revenues will be tracked on a monthly basis, including all ticket sales, cargo sales, and ancillary revenue. These revenues will be benchmarked against the established costs, agreed to by both the Purdue University Airport and ExpressJet, before service begins. In any month where revenues exceed stated costs, the extra revenue will be credited to the community's account, although no profit sharing will be paid. Profit sharing will only be disbursed at the end of a 12-month period. But any community credits will carry over from month to month, and losses will first be taken against these credits, before Class B or Class A investors are invoiced.

Should revenues not cover the agreed-to expenses in any given month, the difference will be taken from the Class B investment account, until Class B investment is exhausted, at which point the difference will come from the Class A investment.

It is essential, in the recruitment of Class A local investors, for the Airport to have a Class B investor to reduce some of the risk of launching service under this model. The best possible option for a large Class B investment, in this case covering $500,000 of the project cost, is a Small Community Air Service Development Grant. Once a Grant is in place, the Airport will begin working in the Lafayette community to secure the remainder of the Class A investment needed for service to operate.

The Purdue University Airport is working under an aggressive timeline to make this service happen. ExpressJet has committed to a launch date for new service of April 4th, 2010, under this proposal. In order to make that date possible, the Airport must first win its SCASD Grant. Then, it must find local investors and secure all remaining funding (which will be detailed in the next section of this proposal) no later than December 11th of this year. Routes will be announced on January 6th of 2010. ExpressJet is committed to beginning service between Lafayette and Chicago O'Hare on April 4th of next year.

If, for some unforeseen reason, service is not commenced in a timely manner by ExpressJet on the Lafayette – Chicago O'Hare route, the Airport proposes to use federal grant money awarded under the Small Community Air Service Development Program to fund another air service development project, using the Grant funding as a revenue guarantee. Among the alternate routes covered under this proposal would be American Eagle, with service to Chicago O'Hare; Continental, with service to Cleveland; US Airways with service to Charlotte or Philadelphia; AirTran, with service to Milwaukee or Atlanta; Midwest, with service to Milwaukee; and/or Frontier, with service to Denver. The Airport would also recruit other airlines, depending on their ability to compete with Delta and to lower local airfares.

Market Specifics: Lafayette – Chicago O'Hare

Under this proposal, the Purdue University Airport, and members of the community who become investors in the project, will be purchasing capacity from ExpressJet, operating service as United Express to Chicago O'Hare. The purchase agreement will include a full 12 month period. The fully allocated cost of this purchase, based on block hours (BH), would be almost $2.68 million (see Table 6, highlighted in red). Fuel is calculated to be $2.75 a gallon under this projection. Should the price of fuel increase, the cost to the community will go up. Similarly, should the price of fuel decrease, the cost to the community will go down.

Table 6:

Financial Projections Between Lafayette, IN and Chicago O'Hare

Sixel Consulting Group		Day	Segments	BH	Seats	ACMI	Fuel	Turn Costs	Total Cost
ACMI / BH	$1,217.42	MON	4.00	3.33	200	$ 4,056.44	$ 3,527.76	$ 1,000.00	$ 8,584.20
Turn Costs	$ 500.00	TUE	4.00	3.33	200	$ 4,056.44	$ 3,527.76	$ 1,000.00	$ 8,584.20
Fuel / BH	$ 1,058.75	WED	4.00	3.33	200	$ 4,056.44	$ 3,527.76	$ 1,000.00	$ 8,584.20
		THU	4.00	3.33	200	$ 4,056.44	$ 3,527.76	$ 1,000.00	$ 8,584.20
Fuel / Gallon	$ 2.75	FRI	4.00	3.33	200	$ 4,056.44	$ 3,527.76	$ 1,000.00	$ 8,584.20
Fuel / GPH	385	SAT	2.00	1.67	100	$ 2,028.22	$ 1,763.88	$ 500.00	$ 4,292.10
		SUN	2.00	1.67	100	$ 2,028.22	$ 1,763.88	$ 500.00	$ 4,292.10
Block Hours	0.83								
Seats / Flight	50	Weekly		19.99	1,200	$ 24,338.66	$ 21,166.53	$ 6,000.00	$ 51,505.19
Mileage	119	Annually		1,039.58	62,400	$ 1,265,610.35	$ 1,100,659.56	$ 312,000.00	$ 2,678,269.91
		Per Seat				$ 20.28	$ 17.64	$ 5.00	$ 42.92

The Lafayette – Chicago O'Hare financial cost projection takes into account ExpressJet's average ACMI cost of $1,217.42 per block hour, on an average of 0.83 block hours per flight on the route (see Table 6, highlighted in green). The projection includes two flights a day on weekdays, and one flight per day on weekends, allowing maintenance time for the aircraft on Saturday night and Sunday morning. The projection includes an average "turn cost" – the cost of loading and unloading the aircraft, and fueling it – of $500. This cost could be reduced if the Airport staffs its own crew to handle the flights.

The average cost per seat of this project is projected to be $42.92 for the Lafayette – Chicago O'Hare route (see Table 6, highlighted in blue). This includes an ACMI costs of $20.28 per seat, fuel costs of $17.64 per seat, and turn costs of $5.00 per seat.

Should service perform at a 70% load factor, filling an average of 35 seats per flight, of 70 passengers per day each way, the local fare would need to average $122.64 roundtrip to break even, or $61.32 each way. This load factor is achievable, based on historical data from the Chicago O'Hare route, which indicated American Eagle averaged 79 passengers per day each way at an average fare of $296 roundtrip, or $147 each way, in the early 1990s.

The total cost for a full 12 months, $2.68 million, is the total investment target for the Purdue University Airport under this capacity purchase project. Under this Grant proposal, the Class B investment would total $500,000 – all funding from the SCASDG Program. The Airport is charged with finding local investors to make up the difference in Class A investments – a total of $2.18 million in local business funding.

The Airport believes it will be able to secure the investment to make this project happen by April of 2010. It has already had meetings with interested parties, and with ExpressJet. A number of partners are already considering investments, under confidential discussions. The Airport would plan to have full investment by December 11th of this year, assuming it has the DOT's support as a Class B investor.

This proposal offers the DOT a chance to invest in a new project, unlike anything the Small Community Air Service Development Program has supported before. This is not a simple revenue guarantee. This project requires direct community financial support and involvement, greatly increasing the chance of its success. Previous air service development studies have shown the most successful projects are ones in which the community has a financial stake. This community controlled capacity purchase agreement ensures usage of the new service through local investment in that service. Moreover, it allows the community to profit from the service if community members support it by buying tickets. This is unlike any other agreement available for regional air service anywhere, and it represents a pilot project which could be duplicated in dozens of cities around the country, should it be found to be successful.

Letters of Support

PURDUE
UNIVERSITY

AIRPORT OPERATIONS

August 27, 2009

The Honorable Ray LaHood
Secretary, U.S. Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Re: Docket OST – 2009 – 0149 Purdue University Airport Proposal Under the Small Community Air Service Development Program

Dear Mr. Secretary:

It is with great pleasure the Purdue University Airport in Lafayette, Indiana submits this innovative proposal and request to participate actively in the Small Community Air Service Development Program.

The Airport has been without commercial air service for the last five years. Airlines have failed to pursue service in Lafayette, despite the fact it is one of the fastest growing communities in the Midwest. Moreover, the market's previous service was marred by unreliability, difficulty in connecting beyond a sufficient hub, and airfares that were often 50% higher than those found at other airports in the region.

The Airport has conducted very productive meetings with ExpressJet, planning to operate as United Express, with service consisting of two regional jet flights per day to the hub at Chicago O'Hare. ExpressJet has provided a letter of support and commitment for our Grant application.

Our proposal consists of a community-backed investment and revenue guarantee to offset any losses experienced during the first year of operation in order to entice United to commence operations in Lafayette. The Purdue University Board of Trustees will serve as the legal sponsor and recipient of the Federal grant. A number of unofficial sponsors have been, and will continue to be involved in this regional effort.

We feel strongly this initiative meets the Small Community Air Service Development Program's core objectives to secure enhancements that are responsive to the region air transportation and airfare needs, develops a public/private partnership between the community, airline and private business and is a program that can be implemented immediately upon grant receipt.

On behalf of the Cities of Lafayette, West Lafayette, and Purdue University, we thank you for your consideration of our proposal to improve air transportation to and from our region.

Sincerely,

Betty Stansbury, AAE
Airport Director

Terminal Building, Room 201 ▪ 1501 Aviation Drive ▪ West Lafayette, IN 47907-2001 ▪ (765) 743-3442 ▪ Fax: (765) 496-1171

State of Indiana Senate

Senator Ronnie J. Alting
200 W. Washington Street
Indianapolis, Indiana 46204-2785
Toll Free: (800) 382-9467
E-mail: s22@in.gov

Committees:
Commerce, Public Policy & Interstate Cooperation, Chair
Judiciary
Probate Code & Trusts Subcommittee
Agriculture & Small Business
Elections

August 17, 2009

Department of Transportation
Small Community Air Service Development Grant Program
1200 New Jersey Ave., SE
Washington, DC 20590

RE: Small Community Air Service Development Grant

To Whom It May Concern:

The Purdue University Airport in West Lafayette, Indiana is applying for a Small Community Air Service Development grant in effort to try to restore commercial airline service to our community. I am writing on their behalf in support of this request for the grant.

The Greater Lafayette Community has been without airline service since 2004. Airport and community leaders have been trying to regain service without success until now. Express Jet, a regional airline with service to Chicago O'Hare, has expressed a willingness to restore service to the Purdue University Airport. It will take the combined efforts of the community and the Department of Transportation to restore service to our community.

A $500,000 grant from the Small Community Air Service Development Grant Program will be the seed money we need to convince local government agencies, businesses and other investors to support the Express Jet service proposal. Reliable airline service is a key to our community's efforts at economic development and diversification.

I appreciate your consideration of this request. Please don't hesitate to contact me if I can be of any assistance in the future.

Sincerely,

Ron Alting

Ron Alting
State Senator
District 22

STATE OF INDIANA
HOUSE OF REPRESENTATIVES
THIRD FLOOR STATE HOUSE
INDIANAPOLIS, INDIANA 46204

Randolph P. Truitt
200 W. Washington St
Indianapolis, IN 46204
Statehouse 1-800-382-9841 ext. 4-3827
website: www.in.gov/H26
E-mail: h26@in.gov

COMMITTEES:
Courts and Criminal Code
Local Government
Statutory Committee on Interstate and International Cooperation

August 13, 2009

To Whom It May Concern:

I was pleased to learn of the Purdue University Airport's application for a $500,000 Small Community Air Service Development Grant. Please accept this letter as an expression of my sincere support for the Purdue Airport throughout this process.

As a 3rd generation graduate of Purdue, I know how important this airport is to Purdue and the wonderful educational opportunities it affords students at Purdue University. However, I firmly believe that it can become an even more valuable asset to the entire Lafayette and West Lafayette community by regaining commercial airline service. As an individual that used this airport for this purpose when commercial airline service was available, I feel strongly that we need to regain commercial airline service. This grant would help our airport achieve this goal, something that would be difficult without this type of outside help.

I thank you for considering the Purdue Airport for this valuable opportunity. Please feel free to contact me if I can be of any further assistance throughout this process.

Sincerely,

Randy Truitt
State Representative
House District 26

RT:em

CITY OF
LAFAYETTE
TONY ROSWARSKI, MAYOR

August 17, 2009

Department of Transportation
Small Community Air Service Development Grant Program
1200 New Jersey Ave., S.E.
Washington, D.C. 20590

RE: Commercial Airline Service Purdue Airport Lafayette-West Lafayette, IN

Dear Department of Transportation:

I am writing to demonstrate and support the need for commercial airline service at the Purdue Airport located in West Lafayette, Indiana. The Greater Lafayette area has been without service for more than 5 ½ years despite the fact that we had service for over 40 years until 2004 with as many as 90,000 passengers each year.

With the nearest airports with commercial service being Indianapolis (65 miles) and Chicago O'Hare (125 miles) in distance away, this has been a great inconvenience and burden on local business and residents as well as faulty, staff and students of Purdue University. Our community is home and host to students and residents from over 130 countries. We also have many businesses that have a multinational presence and many emerging and high tech companies that have strong ties to the global economy. Not having regular commercial service is a very real disadvantage and disincentive to economic development to attract and retain companies and their workforce talent.

Commercial air service is a top priority for our community and we are working in close partnership with the City West Lafayette, Tippecanoe County, Purdue University and our local business community to make service a reality. Award of a Small Community Air Service Development Grant is of critical importance to support our efforts.

Thank you for your consideration. If you have any questions or need additional information, please do not hesitate to contact me.

Sincerely,

Tony

Tony Roswarski
Mayor

cc: Betty Stansbury, Purdue Airport

City of Lafayette, Office of the Mayor, 20 North 6th Street, Lafayette, Indiana 47901-1411 765-807-1002 Fax 765-807-1024

CONVENTION & VISITORS BUREAU
LAFAYETTE
WEST LAFAYETTE
TWO GREAT CITIES, ONE GREAT UNIVERSITY

To: Department of Transportation,
Small Community Air Service Development Program,
Docket DOT-OST-2009-0149,
Washington DC

From: Jo Wilson Wade, FCDME Joann L. Wade
President,
Lafayette - West Lafayette Convention & Visitors Bureau

Re: Small Community Air Service Development Grant

Date: August 19, 2009

The Lafayette – West Lafayette Convention & Visitors Bureau (LWLCVB) is excited to support this Small Community Air Service Development Grant application for the Purdue Airport. The Lafayette and West Lafayette communities have been without airline service for over five years with the nearest commercial service area in Indianapolis (65 miles) and Chicago O'Hare (125 miles). This grant and project will help us develop our airport in a way that might help us to attract commercial service again. In the past commercial service has attracted up to 90,000 passengers per year. These passengers are not only Purdue students who we can service better, but also their parents and friends who help with economic development for our community and business travelers whose spending impacts our area economy.

The LWLCVB and all of the local travel industry truly values the economic benefits of convenient travel to our communities. The large number of parents, friends and business travelers visiting the area – over 2 million per year, demonstrates their interest.

However, we cannot rest on these laurels. We must continue to offer better customer service and the convenience of a local commercial airline service. This grant will help us with our economic development for the future.

This is an exciting chapter in Purdue University's Airport growth and we look forward to working with them on this project.

301 Frontage Road ★ Lafayette, Indiana ★ 47905-4564 ★ 765.447.9999 ★ 800.872.6648
fax: 765.447.5062 ★ e-mail: info@HomeOfPurdue.com ★ web site: www.HomeOfPurdue.com

Greater Lafayette Commerce

Federal Aviation Administration
800 Independence Avenue, S.W.
Washington, DC 20591

August 13, 2009

To whom it may concern:

On behalf of Greater Lafayette Commerce, the one-stop for all things business in Tippecanoe County, Indiana, I am writing in support of Purdue University's Small Community Air Service Development Grant.

As the local economic development organization, Chamber of Commerce, Main Street organization and community development organization, Greater Lafayette Commerce has the pulse of the local business community and it is in support of commercial air service to LAF.

The nearest commercial airport to Greater Lafayette is more than 60 miles away. Our community can support commercial air service in Tippecanoe County, and it has a track record of supporting it.

Purdue University boasts an impressive international student population with students from over 130 countries. Unfortunately, these students must travel 3.5 hours to O'Hare International Airport in Chicago for most international flights. This population would also support commercial air service to LAF.

The business community, the international student community and Greater Lafayette Commerce strongly support this initiative. Thank you for your consideration of Purdue University's Small Community Air Service Development Grant.

Sincerely,

Joseph H. Seaman
President and CEO

337 Columbia St., P.O. Box 348
Lafayette, IN 47902
Tel. (765) 742-4044 Fax (765) 742-6276
www.greaterlafayettecommerce.com

John Knochel
David Byers
Tom Murtaugh

TIPPECANOE COUNTY BOARD OF COMMISSIONERS

County Office Building
20 North 3rd Street
Lafayette, Indiana
47901-1214

phone 765.423.9215
fax 765.423.9196

August 21, 2009

To Whom It May Concern:

When considering the population, Lafayette, Indiana and surrounding area is the only area in the State of Indiana without an airline service. Lafayette is a growing area and could benefit from an airline service. Lafayette has a diverse business community. Many businesses compete and provide products/services country-wide and internationally. Many high-tech companies locate in West Lafayette because of Purdue University. In addition, students attending Purdue University come from 130 different countries.

To travel by air, businesses, citizens and students must drive to Indianapolis (65 miles) or Chicago (125 miles). The additional travel time is lost productivity for businesses. The travel to Chicago can be a challenge for all, but especially for drivers who are not used to driving in heavy congested and aggressive traffic.

The Board of Commissioners supports the return of airline service to Lafayette, Indiana.

Thanks,

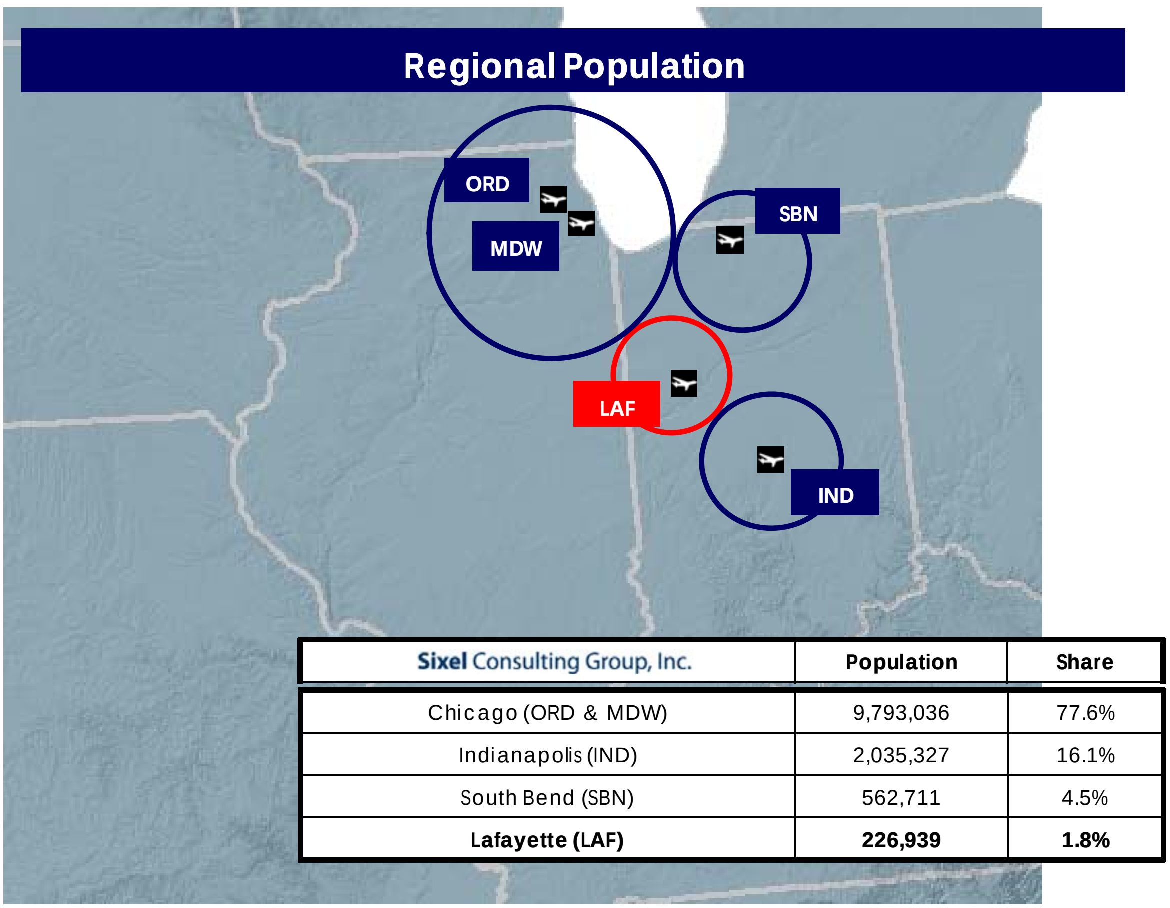
David Byers, Vice-President
Board of Commissioners of the
County of Tippecanoe

Potential for Air Service in Lafayette

In order to truly evaluate the validity of this proposal, the Department of Transportation must have some idea of the market size, and its ability to generally support local airline service, beyond outdated historical data. To gauge the general strength of the Lafayette metropolitan statistical area (MSA), and its ability to support commercial flights, the Airport produced an analysis of the market's position in the region, and an estimated determination of the number of local Lafayette MSA passengers using other airports in the region.

The Lafayette metropolitan statistical area (MSA) had a population of 226,939 as of the latest US Census estimates (see Table 7). The larger region comprised of the metro areas of Chicago, Indianapolis and South Bend has a current population of 12,618,013. Lafayette's share of that population is 1.8%.

Table 7:



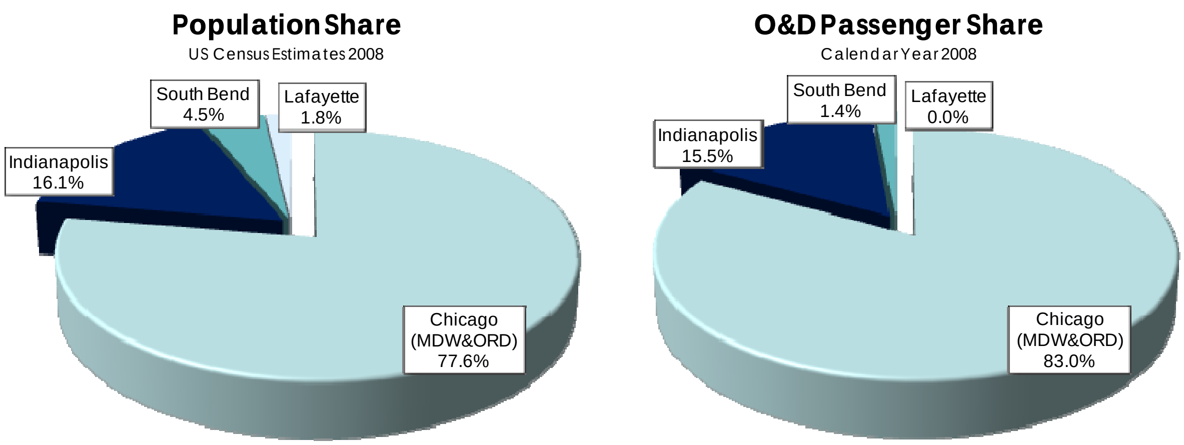
Sixel Consulting Group, Inc.	Population	Share
Chicago (ORD & MDW)	9,793,036	77.6%
Indianapolis (IND)	2,035,327	16.1%
South Bend (SBN)	562,711	4.5%
Lafayette (LAF)	**226,939**	**1.8%**

Source: US Census Share of Population of Combined ORD/MDW/IND/SBN/LAF Catchment

In many markets, an Airport draws a number of passengers proportional to its overall population in the region. If that were to be the case in the Lafayette market, one could reasonably expect the Airport to retain about 2% of the total passengers using all three airports in the larger region.

While the Lafayette metro area is home to almost 2% of the region's total residents, without current service, its Airport retains none of the region's passengers (see Table 8). If the Airport had been able to retain the number of regional passengers proportional to its share of population in the region, it would have been used by 827,414 origin and destination passengers in 2008.

Table 8:



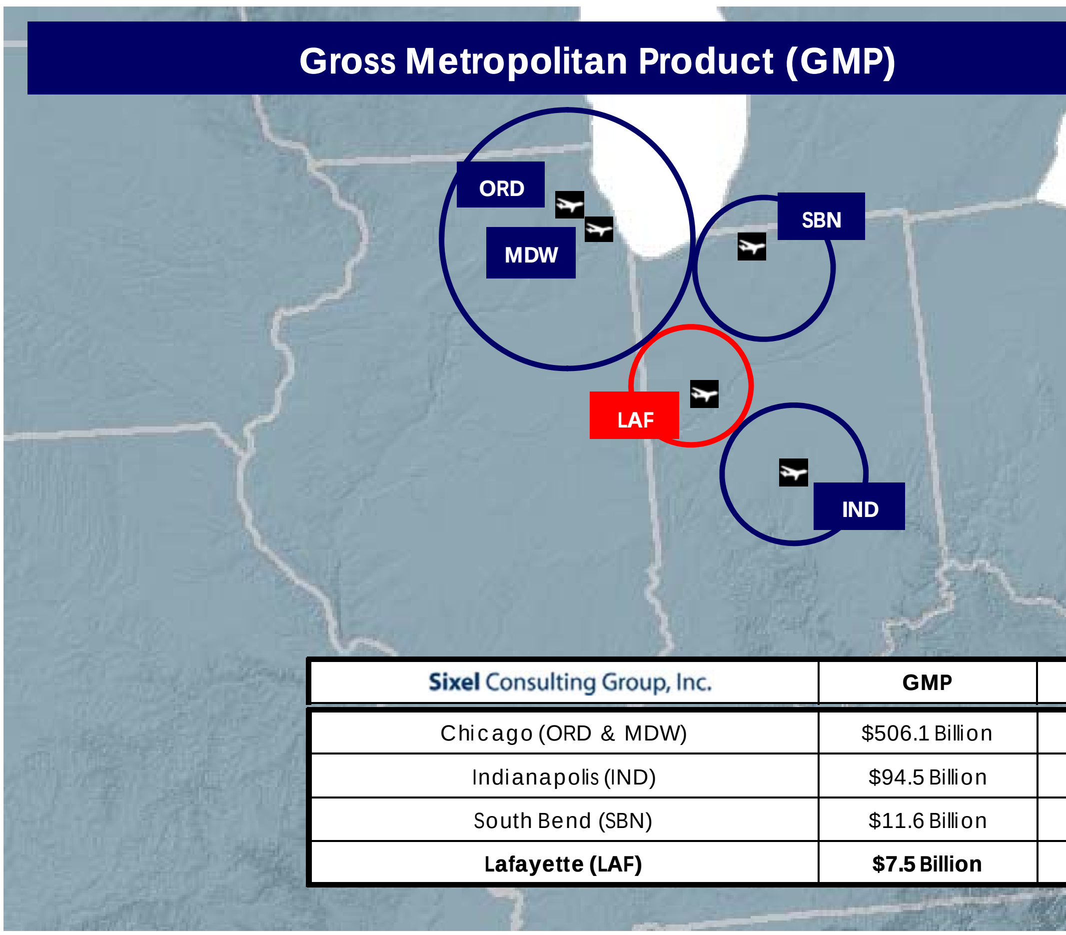
Source: US Census Share of Population of Combined ORD/MDW/IND/SBN/LAF Catchment

The largest beneficiary of Lafayette's passenger leakage are the airports in Chicago – which is two hours and 15 minutes away, on a drive of 126 highway miles by the most direct route. The Chicago airports had "reverse leakage" in 2008, when they drew 7% more passengers than their proportion of the regional population. While Chicago makes-up 77.6% of the region's population, it boards more than 83% of the region's total origin and destination passengers (see Table 8). If Chicago airports retained a number of origin and destination passengers proportional to their regional population share, they would be expected to generate 35.7 million passengers annually. In 2008, Chicago airports saw a total of 38.2 million O&D passengers – again, 7% above its regional share. Some of those "extra" passengers likely came from the Lafayette metro area.

Another way of determining passenger leakage from the Lafayette market to other airports in the region is by comparing the economy of Lafayette to the economies of the nearest cities with commercially-served airports. The easiest way to gauge each catchment area's contribution to the economy of the region is to compare the gross metropolitan products (GMP) of each. A GMP is much like a gross national product – an overall gauge of economic activity in an area in dollars earned.

The United States Council of Mayors reports the Lafayette metro area produced a GMP of $7.5 billion in 2008, which represented 1.2% of the total gross regional product (GRP) of the area including Chicago, Indianapolis, and South Bend (see Table 9).

Table 9:



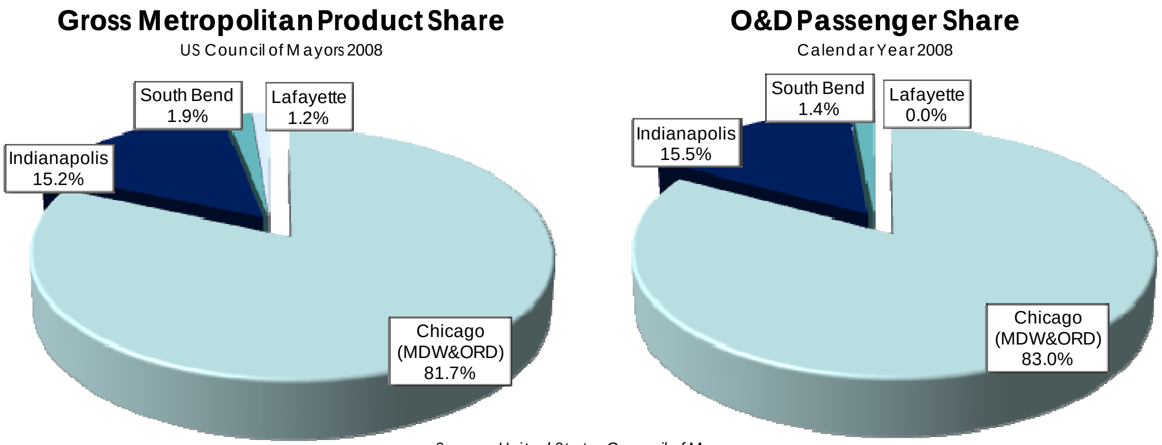
Sixel Consulting Group, Inc.	GMP	Share
Chicago (ORD & MDW)	$506.1 Billion	81.7%
Indianapolis (IND)	$94.5 Billion	15.2%
South Bend (SBN)	$11.6 Billion	1.9%
Lafayette (LAF)	**$7.5 Billion**	**1.2%**

Sources: United States Council of Mayors, June 2008

Chicago generated the largest portion of the GRP, with $506.1 billion, or 81.7%; while Indianapolis produced a GMP of $94.5 billion – good for 15.2% of the GRP; and South Bend produced a GMP of $11.6 billion – good for 1.9% of the GRP (see Table 9).

Despite producing 1.2% of the total gross regional product (GRP), the Lafayette area doesn't retain its share of passengers, due to the fact the Airport has no current airline service (see Table 10). If the Airport had been able to retain the number of regional passengers proportional to its share of the GRP, it would have been used by 556,781 passengers.

Table 10:



Source: United States Council of Mayors

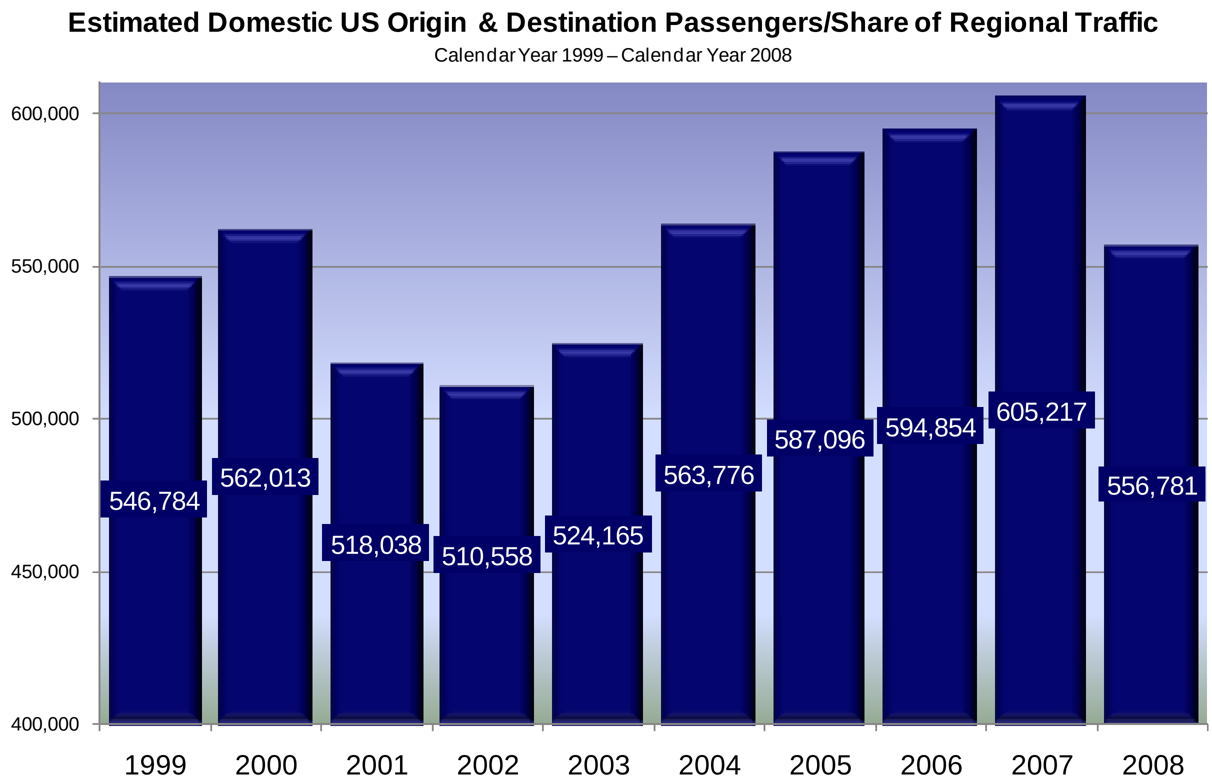
There appear to be two beneficiaries of Lafayette's passenger leakage: the airports in Chicago and Indianapolis. The Chicago Airports experienced "reverse leakage" in 2008, when they drew 1.7% more passengers than their proportion of the gross regional product (GRP). While Chicago generates 81.7% of the GRP, it boards more than 83% of the region's total origin and destination passengers (see Table 10). If the Chicago airports retained a number of origin and destination passengers proportional to their GRP share, they would be expected to generate 37.6 million passengers annually. In 2008, the Chicago airports saw a total of 38.2 million O&D passengers – almost 2% above their projected GRP share.

Similarly, the Indianapolis International Airport drew a larger proportion of O&D passengers than its proportion of the gross regional product (GRP). In 2008, Indianapolis drew 1.9% more passengers than its proportion of the GRP. While Indianapolis generates 15.2% of the GRP, it boards 15.5% of the region's total origin and destination passengers (see Table 10). If Indianapolis retained a number of origin and destination passengers proportional to its GRP share, it would be expected to generate 7.0 million passengers annually. In 2008, Indianapolis saw almost 7.2 million O&D passengers – almost 2% above its projected GRP share.

Using the most conservative of these projections – the projection based on the region's gross metropolitan product (GMP) – the Lafayette metropolitan statistical area (MSA) likely generated roughly 557,000 total origin and destination passengers in 2008 (see Table 11). This number is the Lafayette GMP share, 1.2%, of the total passenger traffic in 2008 in the region, which was more than 46 million total passengers (both inbound and outbound).

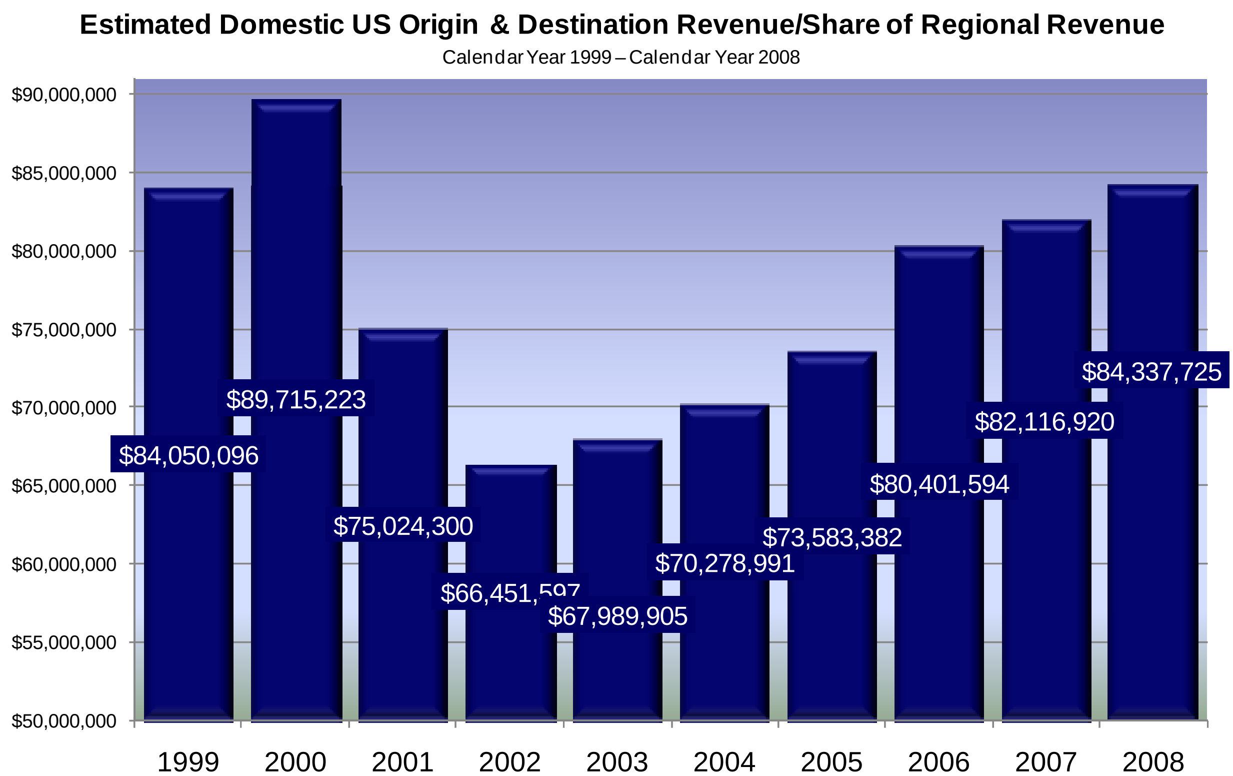
Applying this formula to the total passengers for the region over the last ten years, a trend of local Lafayette area passenger traffic can be developed. This trend shows the Lafayette market likely produced in excess of a half million total origin and destination passengers in each year since 1999 (see Table 11).

Table 11:



A similar trend can be seen looking at airline revenues in the region, and applying the same formula to determine the local, Lafayette share. In order to determine what kind of airline revenue the Lafayette MSA generates, the Airport multiplied total revenue from the region by the 1.2% share the Lafayette market would generate, should airline revenue resemble the market's GMP share (see Table 12). This projection is much more conservative than the population share projection would have been. Using this method, it is estimated that the Lafayette MSA generated in excess of $84 million in total airline revenue in 2008 – generated through the airports at Chicago and Indianapolis. Total revenues in the Lafayette MSA are estimated to have grown by more than 27% since 2002.

Table 12:



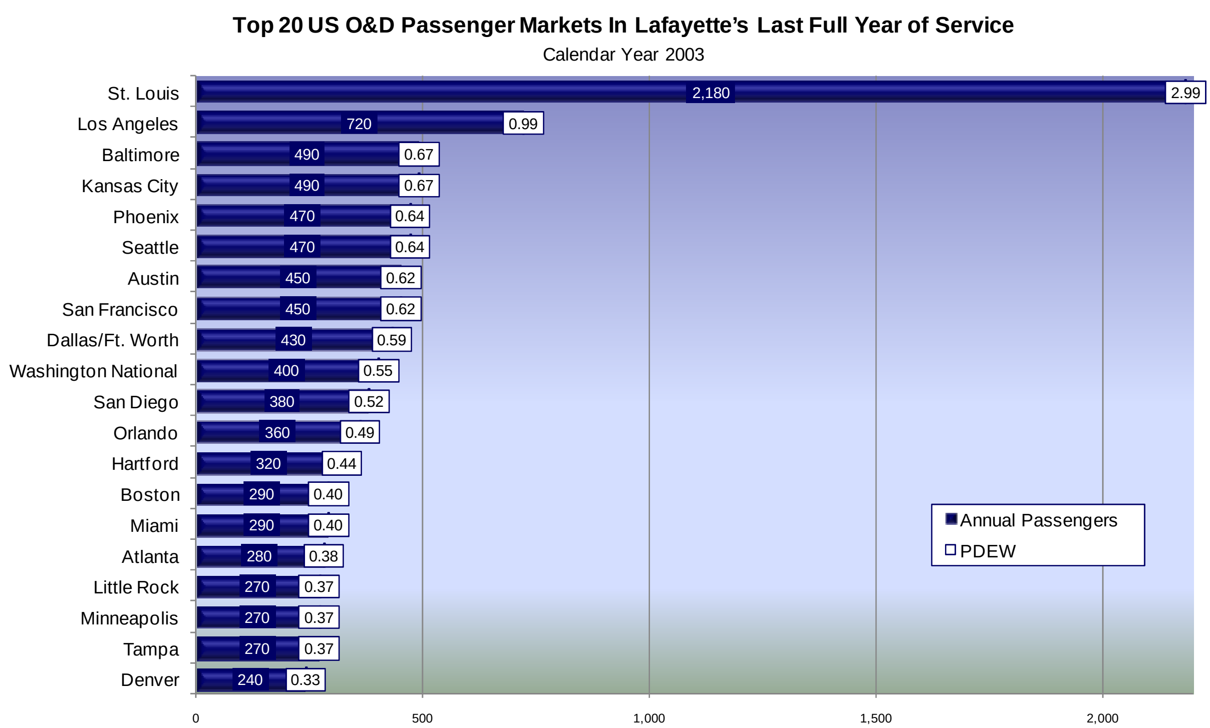
With more than $80 million in conservatively estimated airline revenue, and more than 550,000 annual airline origin and destination passengers, it is clear the Lafayette market is large enough to support local airline service. It should be noted, however, these numbers are very rough estimates of the Lafayette market size. They only take into account the share of Lafayette's MSA – and not its entire catchment area, which is twice the size, in terms of population.

Air Service Deficiencies in Lafayette

Even when Lafayette was connected to the national air transportation system – last in 2004 – the market still did not have adequate access to competitive air service. The fact that the connectivity of local air service beyond its hub at St. Louis was being continually reduced at the time made it very difficult for service to compete with that found in Chicago and Indianapolis.

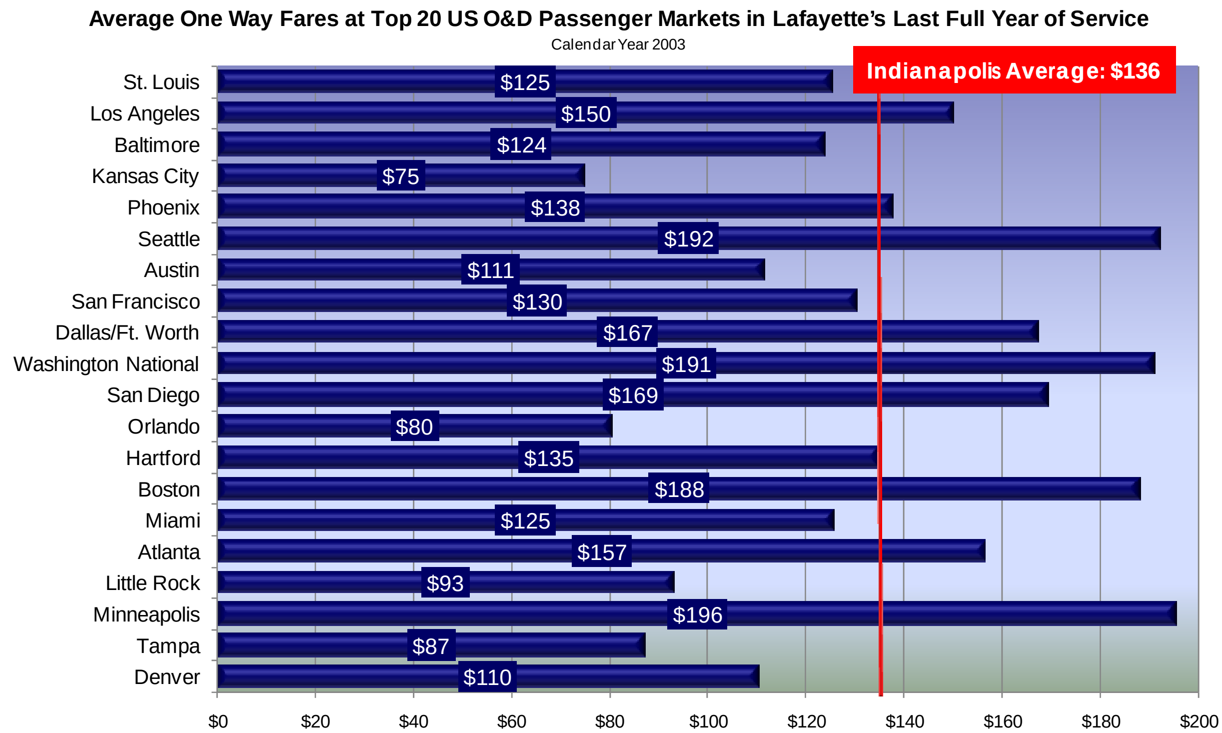
Lafayette lost its last scheduled air service in 2004. The service was performing poorly before it was eliminated, for any number of reasons. But, perhaps, the most important of those reasons was the fact that the service was prohibitively priced. High average fares that did not come close to competing with other airports in the region resulted in the Airport boarding less than one passenger per day to all destinations, with the exception of the non-stop destination of St. Louis, in its last full year of service (see Table 13).

Table 13:



When one analyzes the reasons why enplanements were so low, the major factor appears to be an oppressive fare environment, which didn't come close to competing with the average fares at Indianapolis and Chicago. Average fares in half of Lafayette's top 20 passengers markets in 2003 were above the average at Indianapolis – the closest alternate airport (see Table 14).

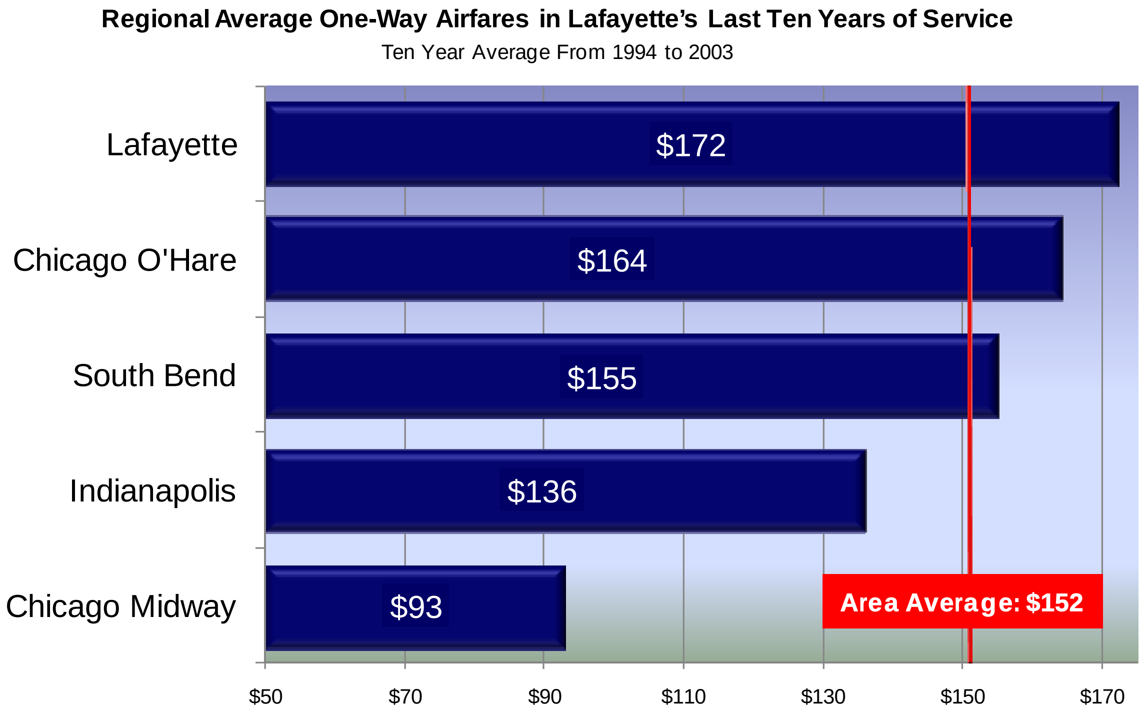
Table 14:



The overall one way average fare from the Lafayette market in the last full year of flights was $172, with four of the top 20 markets priced above that average (see Table 14). With Lafayette roundtrip fares topping $380 to Seattle and Washington Reagan National, $375 to Boston, and $390 to Minneapolis/St. Paul, there's little mystery as to why Lafayette area travelers chose to drive to Indianapolis instead of catching a connecting flight in St. Louis.

Moreover, the average Lafayette fare in 2003 was higher than the average fares found at any of the other airports within a three hour drive of the Purdue University Airport. The average one way fare in Lafayette during its last full year of flights was $172 (see Table 15). The Lafayette average fare in 2003 was $8, or 5%, higher than the average at Chicago O'Hare; $17, or 11%, higher than the average at South Bend; $36, or 26%, higher than the average at Indianapolis; and $79, or 85%, higher than the average at Chicago Midway.

Table 15:



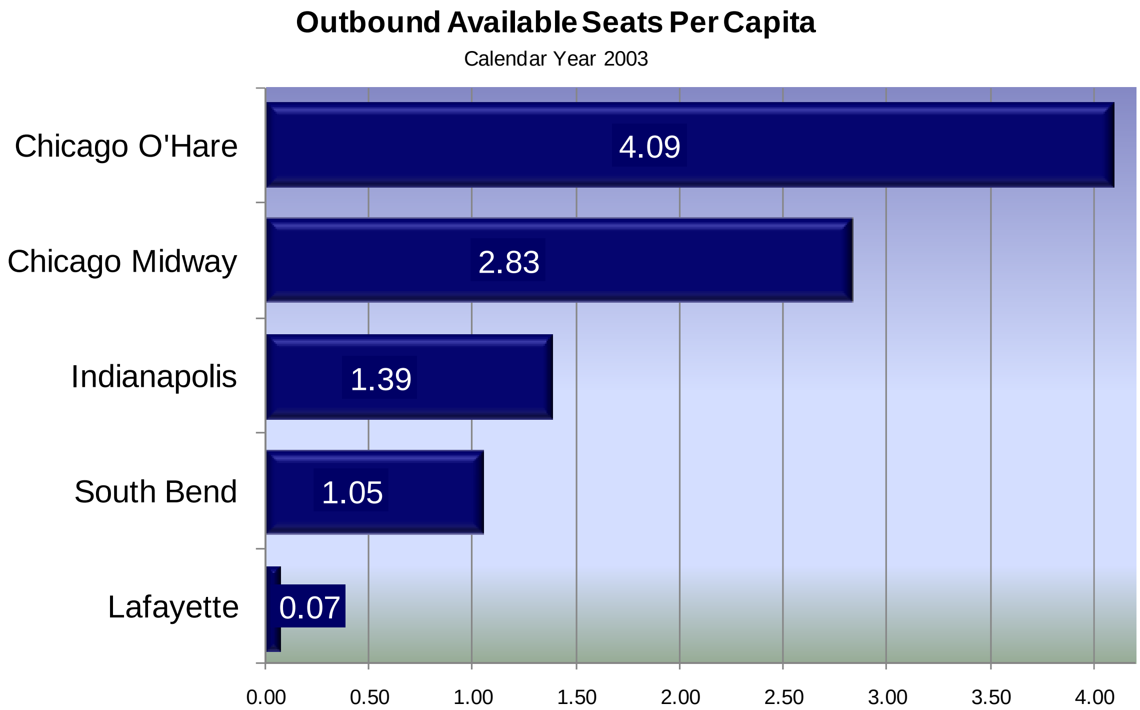
These unreasonable fare disparities led, in part, to the ultimate termination of service in Lafayette. Now the community realizes, in order to bring commercial service back to the Purdue University Airport, it will have to spend the time, effort, and money to find the best possible airline partner, with the best possible connections, to convince people local air service is viable again.

Extenuating Factors Affecting Air Service

The airfare disparity between the Purdue University Airport and other airports in the region in Lafayette's last full year of service is well documented. So is the fact that the Lafayette market had fewer available seats than other airports in the region. But there is another illustration of just how few seats were available in Lafayette in the Airport's final full year of scheduled service: the number of seats available per capita in 2003. This illustration shows the Purdue University Airport was woefully underserved.

In 2003, airlines serving the Purdue University Airport offered just 0.07 seats per resident of the Lafayette metro area (see Table 16). Chicago O'Hare had 58 times the available seats per capita that Lafayette had in 2003.

Table 16:



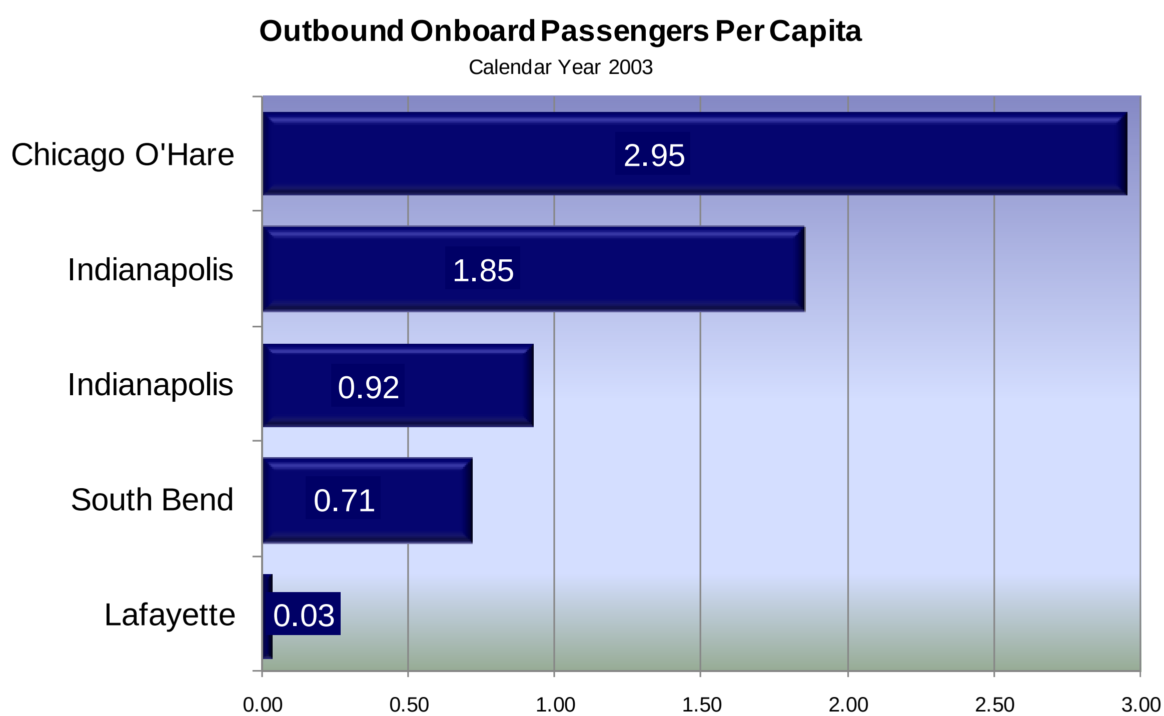
The number of seats per capita is an excellent data point for understanding how underserved non-hub and small-hub markets are. The data in this case illustrates how airlines neglected the Lafayette market, and forced residents of the Airport's metro area to seek out air service at

Chicago and Indianapolis, even though Indianapolis' airport is more than an hour drive away, not taking into account traffic or weather conditions.

The data shows if each resident of the Lafayette metro area wanted to take just one trip in 2003 by air, there would not have been enough seats available to accommodate them at their home airport. In fact, in 2003 there were only enough available seats offered in the Lafayette market for less than 10% of catchment area residents to take one trip per year, despite the fact the average resident of the United States takes 2.1 airline trips per year. This data shows there was not a sufficient base of available seats at the Purdue University Airport to accommodate average demand.

With so few available seats in the Lafayette market during its last full year of scheduled airline service, it is no surprise that the Airport's enplanements were well under the national average for origin and destination passengers per capita. In 2003, the Purdue University Airport generated just 0.03 passengers per resident of its metro area - 645% fewer than the national average of 2.1 passengers per capita (see Table 17).

Table 17:



Chicago O'Hare International Airport generated 90 times the passengers per capita that the Purdue University Airport generated in 2003 (see Table 17). Chicago O'Hare was the only airport in the region to generate more passengers per capita than the national average in 2003.

Although it may appear that the Lafayette market didn't produce as many O&D passengers as other markets in 2003 that is not necessarily the case. The likely reality is that there weren't enough seats to accommodate the demand for travel in the Lafayette market, so many of those who live in the Lafayette metro area were forced to drive to other airports to access the national air transportation system.

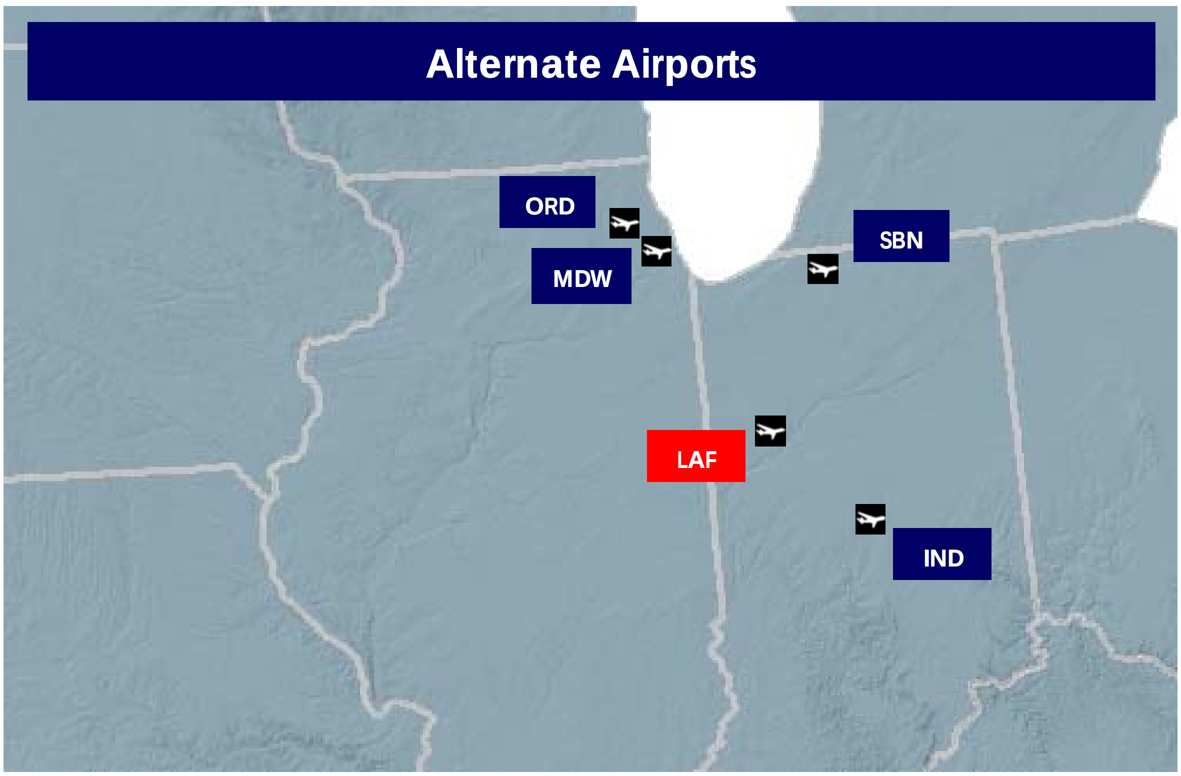
Airlines serving Lafayette simply didn't offer enough seats to satisfy local demand. And because, for so long, the Lafayette market had been underserved, Lafayette residents were conditioned to expect to have to drive to Indianapolis or Chicago to catch flights. Moreover, there was little incentive for Lafayette's incumbent airline to offer additional flights.

There is a remedy for the former air service situation in Lafayette. It involves the community entering into an agreement with ExpressJet, to purchase block hours of service on the Lafayette – Chicago O'Hare route, under the United code, with investments from both the Small Community Air Service Development Program and local businesses. Local business investors will have a say in how the service operates, how frequently it's offered, and what the local fares would be. The investors will also have the opportunity to make a profit on their investment in new service should the service's revenue exceed the established costs. No other air service development program offers the community a chance to profit by using their locally provided service.

Availability of Alternate Airports

The nearest airport with alternate service to the Purdue University Airport is located at Indianapolis (see Table 18). The Indianapolis International Airport is 63 miles away, along Interstate 65, a drive of an hour and ten minutes without traffic or bad weather. The other main alternate is Chicago's Midway Airport, which is 126 miles away, or a drive of two hours and 20 minutes without traffic.

Table 18:



Fewer Lafayette passengers drive to Chicago's O'Hare Airport and the airport in South Bend to access the national air transportation system.

Use of Local / Federal Funds

Federal Small Community Air Service Development Grant Funding

The entire investment in this project made by the DOT, in the form a Small Community Air Service Development Grant, will be used as a Class B investment in the community controlled capacity purchase agreement. The full amount of $500,000 will be available to cover any revenue shortfalls on the Lafayette – Chicago O'Hare route.

Local Match Funding

The local match to this Grant request, 10% of the total amount requested, or $50,000, will come in the form of fee waivers and terminal rent waivers for the airline launching new service at the Purdue University Airport. This will help to lower the overall cost of the operation, and to reduce the cost of the capacity purchase to the DOT and the community.

Additional Local Investment

The Airport will be charged with finding additional local business investors to support its plan for a community controlled capacity purchase agreement with ExpressJet. The partners will take part as Class A investors, receiving backing from the Class B investment of the SCASD Grant.

Additional Costs

As part of this program, the Airport understands that additional expenses will be incurred, such as monitoring the results of the program and reporting those results back to the US DOT. In addition, the Airport expects to incur some expenses in developing local investors and negotiating a final agreement with ExpressJet. These additional costs may be expensed to the SCASD Grant.

Public / Private Partnerships

A number of local partners will be working with the Purdue University Airport to promote and market the new service. Contacts will be made to all regional members of chambers of commerce and those with an interest in growing the economic base of the community through local business growth, attraction of new businesses, and the promotion of tourism and visitor traffic via the Airport.

Purdue University

Purdue University is the major partner in this Grant application. The University owns and operates the Airport. As a public land-grant institution, Purdue offers both undergraduate and graduate programs in over 200 major areas of study. The university has been influential in America's history of aviation, having established the first college credit offered in flight training, the first four-year bachelor's degree in aviation, and the first university airport. In the mid-20th century, Purdue's aviation program expanded to encompass advanced spaceflight technology giving rise to Purdue's nickname, *Cradle of Astronauts*.

Greater Lafayette Commerce

Greater Lafayette Commerce is the one-stop business assistance resource for any company already located in Greater Lafayette, Indiana or one considering a location in this area. The organization provides free, confidential help in the areas of:

- attracting new business to Greater Lafayette
- business issues in Greater Lafayette
- information on Greater Lafayette and its industries
- site location selection
- business incentives
- financial assistance
- employee recruitment and training
- permit assistance
- coordination of site development
- resources and services

Lafayette Chamber of Commerce

The Chamber is a volunteer based organization serving the interests of the business community and with an ongoing commitment to the City of Lafayette. The Chamber has grown to include more than 600 businesses and professionals in Lafayette and neighboring areas. It remains the principal advocate for the business community, working to promote businesses in town and encouraging new enterprises to locate here.

Lafayette – West Lafayette Convention and Visitors Bureau

The Lafayette – West Lafayette Convention and Visitors Bureau is responsible for marketing the region for its hundreds of participating members (hotels, restaurants, attractions, businesses, etc.). The Bureau is responsible for visitor growth, and promoting the region throughout the Midwest and around the country.

Air Service Advisory Groups

The Purdue University Airport in Lafayette is governed by members of the Purdue University Board of Trustees. The Airport also has oversight from a number of governmental agencies and community organizations that all share an interest in increased air service. Among the groups providing advisory services on this application are the City of Lafayette, the City of West Lafayette, the Lafayette Chamber of Commerce, Tippecanoe County, local economic development authorities, and area travel agencies.

Local Air Service Development Efforts

Since Lafayette lost its last scheduled service in 2004, the leaders of the Purdue University Airport have been working to bring a carrier to the region. This process has included a number of meetings with airlines and potential operators, however, none of these meetings have led to material change in the air service environment.

After meeting with ExpressJet in the summer of 2009, the Purdue University Airport has identified a possible carrier and small community air service model it believes can work in Lafayette. Its Small Community Air Service Development Grant application is an affirmation that it believes this program will result in the market's first commercial air service in five years.

In-kind Services from the Community

The following organizations will help promote the Purdue University Airport's air service development goals through their various membership groups. There is no estimated value to these services.

- Lafayette Chamber of Commerce
- City of Lafayette
- City of West Lafayette
- Purdue University
- Greater Lafayette Commerce
- Lafayette – West Lafayette Convention and Visitors Bureau

Performance Measures

The success of the program will be based on three variables. The first measure of success will be the recruitment and retention of an airline to the Lafayette market. When new service is initiated, the first measure of success will be met. The Airport will judge the second measure of success by the increased number of enplanements. Finally, the third measure of success will be based on how closely average airfares charged in the community are to airfares found at Indianapolis and Chicago Midway. The measurement of enplanements will include a monthly comparison, once the program begins, to past enplanements numbers. The measurement of airfares will be derived from US DOT OD1A reports.

Financial Controls

As the sponsor, the Purdue University Airport and its governing body, the Purdue University Board of Trustees, will be the responsible parties for all fiscal matters and DOT reporting requirements. The Board of Trustees is established as a public governing body. As a public entity the DOT can be assured that proper financial controls are in place to guarantee that the DOT's Grant will be used in accordance with any subsequent agreement. The Purdue University Airport understands that the Grant is a reimbursable grant, meaning the Airport is responsible for program expenditures and will submit invoices to the DOT for reimbursement, based on a percentage of the total grant request.

Return on Investment

The Airport has developed a cost effective and achievable strategy to add new service at the airport. The proposal uses a pilot method of adding new service: a community controlled capacity purchase agreement. This project will include, not only, DOT investment, but also local investment. Unlike other projects that don't feature commitments at the time of Grant application, this project has an airline partner ready to begin service in April of 2010.

DOT Exit Strategy

The Purdue University Airport has developed this proposal as a one-time grant. In the case of this project, the DOT funding will become a Class B investment in a community controlled capacity purchase agreement. This investment will be held in escrow for the duration of the project, through the expiration of the Grant award, if it is not otherwise expensed. At the end of the Grant period – envisioned to be three years – all remaining money will be returned to the DOT.

Alternate Plan

If, for some unforeseen reason, service is not commenced in a timely manner by ExpressJet on the Lafayette – Chicago O'Hare route, the Airport proposes to use federal grant money awarded under the Small Community Air Service Development Program to fund another air service development project, using the Grant funding as a revenue guarantee. Among the alternate routes covered under this proposal would be American Eagle, with service to Chicago O'Hare; Continental, with service to Cleveland; US Airways with service to Charlotte or Philadelphia; AirTran, with service to Milwaukee or Atlanta; Midwest, with service to Milwaukee; and/or Frontier, with service to Denver. The Airport would also recruit other airlines, depending on their ability to compete with Delta and to lower local airfares.

Purdue University Airport – Lafayette Background

Purdue University Airport is two miles southwest of the central business district of Lafayette, Indiana, and owned by Purdue University. Purdue University Airport was the first university owned airport in the United States. Amelia Earhart prepared her airplane for her around-the-world flight attempt in Hangar 1 at the airport. The original hangar, now referred to as the Niswonger Hall of Aviation Technology, still stands to this day and is used by Purdue University's department of Aviation Technology for offices, classrooms, and laboratories. The bay that held Amelia's plane still contains aircraft; they are used by the Aeronautical Engineering Technology program for maintenance and inspection training. A large addition to the building is currently under construction. A plaque on the side of the building near the current main entrance commemorates the airport's history. Today, the airport encompasses 527 acres divided into airside and landside facilities. The airside includes two runways, a system of parallel taxiways and an apron area. The landside consists of two passenger terminal buildings, "T" hangars, automobile parking and the connecting road network. The Airport is home to a helicopter air ambulance service. Also located at the airport are academic buildings serving the Aviation Technology Program.

Purdue University Airport - Lafayette Aerial Photo

Lafayette Community Information

Lafayette-West Lafayette is located along the Wabash River in Indiana. It has an interesting history, a creative present, and a bright future. It is the home of Purdue University, one of the twenty-five largest universities in the country, and a member of the Big Ten. Some of the leading manufacturers and the most advanced research facilities in the United States are located in the region. The area is 120 miles south of Chicago and 60 miles north of Indianapolis.

Lafayette-West Lafayette is home to museums, an array of performing arts, creative artists & musicians, as well as nationally recognized entertainment through Purdue Convocations. There are over 30 parks in the area with a variety of recreational opportunities that include hiking & biking, a water park, camping, canoeing, cross country skiing and ice skating. Prophetstown State Park and Historic Prophetstown provide a unique chance to see and appreciate how land has been developed and used over the centuries with a special focus on prairies, Native American Settlement, agriculture and family farms.

Lafayette-West Lafayette is known for its unique shops, wonderful accommodations, and great restaurants. During the summer and fall there is a wide variety of festivals and activities, ranging from river festivals to arts and culture events to a 3-on-3 basketball tournament, the Colt World Series, historical re-enactments, and a chance to howl with the wolves at one of the most respected grey wolf research facilities in the world.

Lafayette-West Lafayette is the economic and cultural center of all of north central Indiana. The Cities of Lafayette-West Lafayette have a population of roughly 86,000 people, according to statistics from the US Census Bureau. Lafayette-West Lafayette's Metropolitan Statistical Area (MSA), as defined by the Census Bureau, includes the counties of Tippecanoe (where Lafayette-West Lafayette are located), Benton and Carroll. Roughly, 180,000 people live within the Lafayette-West Lafayette MSA and a population of 489,000 in the twelve county region.

West Lafayette is home to one of the world's truly great universities, Purdue University. The school enrolls more than 40,000 full-time students, and employ more than 7,000 highly educated, and nationally regarded faculty and staff members.

What's New in Lafayette-West Lafayette

There is Growth and a hopeful outlook for the region. Greater Lafayette has been recognized for its superior quality of life and being "the place of choice" for businesses by some of America's premier publications.

- ***Forbes*** named Greater Lafayette the 8th Best Metro out of 179 for Cost of Doing Business, based on cost of labor, energy, taxes and office space; and 17th Best for projected job growth, April 2009.

- **Praxis Strategy Group** named Greater Lafayette its No. 1 Rising Star in its 2009 Best Cities for Jobs in the U.S., which evaluated 336 communities on government and university employment and capital investments in its community.

- **The American Legislative Exchange Council's** "Rich States, Poor States" report named Indiana the richest Midwestern state in the U.S. and 17th richest in the nation based on growth in gross state product, personal income, personal income per capita, population, net domestic in-migration as a percentage of population, nonfarm payroll employment and2007 unemployment rate. Key to Indiana's high ranking were population and personal income growth.

- Lafayette and West Lafayette were each named a **Tree City USA** in 2009—a multi-year repeat—by the Department of Natural Resources Division of Forestry in a program sponsored by National Arbor Day Foundation and National Association of State Foresters to recognize communities that care for their urban forest.

- ***Forbes*** named West Lafayette the 6th Most Educated Small Town (populations from 20,000 to 65,000) in the U.S., based on number of post-secondary degrees held by those over age 25, January 2009.

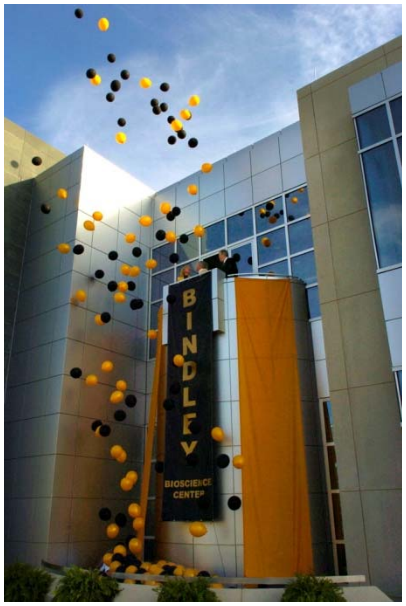
- ***Site Selection Magazine*** ranked Indiana 5th Best Climate for Business, March 2009.

- ***U.S. News & World Report*** named West Lafayette one of the Top 10 "Brainiest places to retire."

- ***Forbes,*** named Lafayette and West Lafayette 16th Best Small Places for Business and Careers, 2008

Lafayette Economic Overview

With nearly $160M in capital investments made or announced in the first six months of 2009 much of it in healthcare, public projects and education—Greater Lafayette continues to see growth. During this economic downturn, employment remains relatively strong, and that is being boosted by the arrival of 600-employee from Alorica Inc., new customer care center. Healthcare continues to be the community's rising star in new developments, and a number of commercial projects are on the drawing board awaiting positive signs from the economy. The Purdue Research Park in West Lafayette, one of the country's premiere research parks, opened two new facilities in 2009: Kurz Purdue Technology Center and Innovation Center. With over 364,000 square feet of incubation space, the Purdue Research Park in West Lafayette is the largest business incubation complex in Indiana. The Research Park also boasts over 3,700 employees with an average salary of more than $50,000/year. These high-tech and life science jobs are growing and drawing highly skilled workers to the region.



Top Employers in Lafayette-West Lafayette, 2009

Leading Industrial Employers

Subaru of Indiana Automotive	3,333
Wabash National	2,000
Caterpillar	1,320
Fairfield Manufacturing	800
Alcoa/Lafayette Operations	800
Lafayette Venetian Blind Inc.	750
Lilly Tippecanoe Laboratories	750
Tate & Lyle	450
TRW Commercial Steering	280
Rea Magnet Wire Corp.	224
Kirby Risk Service Center	200
Chemtura Corp.	155
Coleman Cable Inc.	115
Landis + Gyr	100
Oscar Winski Co. Inc.	100

High-tech/Life-science

MED Institute	191
Bioanalytical Systems (BASi)	165
Butler International Inc.	140
Cook Biotech Inc.	120
EDS Technical Resource Center	120
SSCI, an Aptuit Co.	100
Endocyte Inc.	60
gh LLC	50
ICx Analytical Instruments	42

Source: Greater Lafayette Commerce Chamber of Commerce

Select Company News

Subaru of Indiana Automotive, Inc.

Hot on the heels of the release of all-new 2010 versions of the Subaru Legacy and the iconic Subaru Outback, Subaru has just released its sales numbers for July and they boasted some seriously good sales numbers. Subaru announced that the company had its best sales month ever with a 34% increase in sales in July. Subaru sold 21,839 units in July 2009, way up from the 16,271 units sold in July 2008. Subaru posted a - 4% gain year-over-year, and Subaru sales for this past July showed a 17% increase over June 2009 Subaru sales.

TRW Commercial Steering Systems

With 280 employees in the region and producing steering and gear systems TRW Commercial Steering Systems announced in 2009 the opening of its second, 200,000sf, $7.5M plant in U.S. 52 Industrial Subdivision with three production lines; Investing in $29 million in new equipment at existing facility. The company plans to add 200 new jobs.

Endocyte, Inc.

Endocyte Inc. with 60 employees has a novel therapy for treating ovarian cancer. The investigational drug EC145 is beginning a large Phase II study, involving 122 subjects at more than 50 clinical centers in the U.S., Canada and Eastern Europe. It is one of several receptor-targeted therapeutics, Endocyte is developing using its Drug Guidance System. This system allows highly potent drugs to be targeted to specific sites. Founded in 1996, Endocyte has received $88 million in funding to support its research and development work.

Alorica Inc.

Alorica Inc. announced in May 2009 that it would invest $3 million and lease 49,000 square feet in an existing facility to open a contact center to serve a wireless industry client. Plans are to employ 600 professionals. Alorica Inc. is the premiere after-sales service provider. With a full range of solutions including call center services, service logistics, warranty and repair, returns management, field service and parts management, Alorica has the ability to support the entire customer service lifecycle.

Higher Education in the Lafayette-West Lafayette Area

Lafayette-West Lafayette is a center for higher education that is recognized around the world with Purdue University. The region is also home to the smaller, and well regarded Ivy Tech Community College. Together, these two schools employ more than 10,000 people, and enroll more than 48,000 full-time students. Moreover, Purdue draws hundreds of thousands of alumni and fans every year to their outstanding Division I athletic programs.

Purdue University

The West Lafayette campus enrollment: Fall 2008, was a record 40,090 with nearly 15,000 faculty and staff. Degrees offered in the schools and colleges of agriculture, consumer and family sciences, education, engineering, health sciences, nursing, liberal arts, management, pharmacy and pharmaceutical sciences, science, technology, and veterinary medicine. About 6,000 earn undergraduate degrees annually; 1,400, master's; and 550, doctorates. The Facilities include some 377 buildings on 2,307 acres. Research spending toped $333.4M in funding received in 2007/08; among hundreds of specialized centers are collaborative manufacturing, management of manufacturing enterprises, pharmaceutical processing research, computer integrated good manufacturing and software engineering research. University's economic impact in the state is nearly $3B annually. Since July 2002, more than $700M in new construction has been underway or completed.

New Facilities/Underway

- $99.5M addition, renovation of Mackey Basketball Arena began spring 2009, to be completed by November 2011; adding medicine and strength conditioning facilities, more concessions, premium seating; reducing seating by 823 to 13,300
- $60M in rehab, repair projects, 2009
- $52M First Street Towers residence hall, to open fall 2009, single rooms to house 365 students
- $34.5M, 52,000 sf addition to Mechanical Engineering Building, Roger B. Gatewood Wing, Purdue's first certified green building
- $32.9M Wayne T. and Mary T. Hockmeyer Hall of Structural Biology (fall 07 groundbreaking; to be completed summer 2009), 66,785sf
- $25M, 60,000-sf Discovery Learning Center in Discovery Park
- $16M, 25,000sf Pfendler Hall addition and renovation
- $3.6M Purdue Village Community Center, 12,477sf
- $3.6M Stewart Center 4th floor renovation

New Facilities/Renovations Planned

- $98M renovation, Recreational Sports Center
- $53M clean coal utility plant boiler
- $30M Animal Disease Diagnostic Laboratory, 42,752sf
- $30M roadwork project to make campus more pedestrian-friendly, with four new 1,000-space parking garages on the perimeter
- $28.5M renovation of Lilly Hall
- $18M Seng-Liang Wang Hall for electrical and computer engineering building
- $15M Northwest Athletics Complex, Phase 1: new soccer, baseball fields, Grand Prix track
- $12M Marriott Hall for Department of Hospitality and Tourism Management Building, targeted for groundbreaking in 2009 with completion in 2012, to include John Purdue Room, HTM Café and amphitheater-style restaurant demo classroom
- $11.5M Bill and Sally Hanley Hall, Child Development and Family Studies
- $11M Herrick Laboratories expansion
- $10.5M renovation and new façade, Young Hall
- $9M Wade Utility Plant renovation
- $8M Grissom Hall for Industrial Engineering renovation
- $6.6M, 18,020-sf Niswonger Aviation Technology Building renovation/addition, to open 2009

- $3.5M renovation, Krannert Building
- $3.2M renovation, Hillenbrand Hall Dining Court

Ivy Tech Community College

A record 8,191 students enrolled in Ivy Tech Community College in Lafayette in spring 2009, up6.1 percent from a year ago. The public, open-access college has six buildings on 51 acres. Itsfacilities include a joint-use college/public library. The college employs 450, offering courses inmore than 80 programs of study and awarding associate degrees and technical certificates. Studyareas include biotechnology, advanced manufacturing, agribusiness, alternative fuels technology,liberal arts, elementary education, computer information technology, surgical technology, criminaljustice and nursing. The college also offers specialized workforce training and continuingprofessional education

Conclusions

Purdue University Airport leadership is confident that a local market exists for airline service in Lafayette. The Airport's own market research shows demand for more than 550,000 annual passenger trips in the Airport's catchment area, generating more than $80 million in annual airline revenue.

The Airport has identified United Express as the best possible option for new service, with flights to and through the Chicago O'Hare hub. United coded service over O'Hare would connect to 111 one-stop destinations from Lafayette. The best option for bringing United service to the market is a community control capacity purchase agreement with ExpressJet – a partner that is already committed to the project.

A number of airports, across the country, are coming together under this proposal to "take back" their community's air service. These cities realize that with airlines deciding where and when they fly, smaller communities are at a huge disadvantage.

Unlike other air service development programs, this is a true *investment* in service. If the service performs above ExpressJet's cost, the community investors are the ones who see the profit. Any revenue in excess of the established capacity purchase, provided by ExpressJet, will be distributed back to the investors in the community.

This proposal offers the DOT a chance to invest in a new project, unlike anything the Small Community Air Service Development Program has supported before. This is not a simple revenue guarantee. This project requires direct community financial support and involvement, greatly increasing the chance of its success. Previous air service development studies have shown the most successful projects are ones in which the community has a financial stake. This community controlled capacity purchase agreement ensures usage of the new service through local investment in that service. Moreover, it represents a pilot project which could be duplicated in dozens of cities around the country, should it be found to be successful.

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