

APPLICATION UNDER
SMALL COMMUNITY AIR SERVICE DEVELOPMENT PROGRAM
DOCKET DOT-OST-2022-0003
SUMMARY INFORMATION¹

All applicants **must** submit this Summary Information schedule, as the application coversheet, a completed standard form SF424 and the full application proposal on www.grants.gov.

For your preparation convenience, this Summary Information schedule is located at <https://www.transportation.gov/policy/aviation-policy/small-community-rural-air-service/SCASDP>

A. PROVIDE THE LEGAL SPONSOR AND ITS DUN AND BRADSTREET (D&B) DATA UNIVERSAL NUMBERING SYSTEM (DUNS) NUMBER, INCLUDING +4.

Legal Sponsor Name: Town of Islip, NY

Name of Signatory Party for Legal

Sponsor: Shelley LaRose-Arken

DUNS Number: 143519200

B. LIST THE NAME OF THE COMMUNITY OR CONSORTIUM OF COMMUNITIES APPLYING:

1. Town of Islip, NY
2. _____
3. _____
4. _____

C. PROVIDE THE FULL AIRPORT NAME AND 3-LETTER IATA AIRPORT CODE FOR THE APPLICANT(S) AIRPORT(S) (ONLY PROVIDE CODES FOR THE AIRPORT(S) THAT ARE ACTUALLY SEEKING SERVICE).

1. Long Island MacArthur Airport, ISP
 2. _____
-

¹ Note that the Summary Information does not count against the 20-page limit of the SCASDP application.

3.

4.

IS THE AIRPORT SEEKING SERVICE NOT LARGER THAN A SMALL HUB AIRPORT UNDER FAA HUB CLASSIFICATIONS EFFECTIVE ON THE NOFO'S SET APPLICATION DUE DATE?

YES NO

Does the airport seeking service hold an airport operating certificate issued by the Federal Aviation Administration under 14 CFR Part 139? (If "No", Please explain whether the airport intends to apply for a certificate or whether an application under Part 139 is pending.)

YES NO

D. SHOW THE DRIVING DISTANCE FROM THE APPLICANT COMMUNITY TO THE NEAREST:

- 1. **Large hub airport:** John F Kennedy International Airport (43 miles)
- 2. **Medium hub airport:** Bradley International Airport (161 miles)
- 3. **Small hub airport:** Westchester County Airport (67 miles)
- 4. **Airport with jet service:** John F Kennedy International Airport (43 miles)

Note: Provide the airport name and distance, in miles, for each category.

E. LIST THE 2-DIGIT CONGRESSIONAL DISTRICT CODE APPLICABLE TO THE SPONSORING ORGANIZATION, AND IF A CONSORTIUM, TO EACH PARTICIPATING COMMUNITY.

- 1. NY-02
- 2.
- 3.
- 4.

F. APPLICANT INFORMATION: (CHECK ALL THAT APPLY)

- Not a Consortium Interstate Consortium Intrastate Consortium
- Community (or Consortium member) previously received a Small Community Air Service Development Program Grant

NOTE: A community that currently receives subsidized Essential Air Service funding, receives assistance under the Alternate Essential Air Service Pilot Program, or is a participant in, and has received a grant under, the Community Flexibility Pilot Program, is not eligible for SCASDP grant funds. See Section C.1. ("Essential Air Service Communities")

If previous recipient: Provide year of grant(s): N/A ; and, the text of the grant agreement section(s) setting forth the scope of the grant project:

G. PUBLIC/PRIVATE PARTNERSHIPS: (LIST ORGANIZATION NAMES)

PUBLIC	PRIVATE
1. Town of Islip, NY	1.
2.	2.
3.	3.
4.	4.
5.	5.

H. PROJECT PROPOSAL:

1a. GRANT GOALS: (CHECK ALL THAT APPLY)

- Launch New Carrier Secure Additional Service Upgrade Aircraft
- First Service New Route Service Restoration
- Regional Service Surface Transportation Professional Services²

² "Professional Services" involve a community contracting with a firm to produce a product such as a marketing plan, study, air carrier proposal, etc.

Other (explain below)

1b. GRANT GOALS: (SYNOPSIS)

CONCISELY DESCRIBE THE SCOPE OF THE PROPOSED GRANT PROJECT USING THE FORMAT/STRUCTURE USED IN THESE EXAMPLES: "REVENUE GUARANTEE TO RECRUIT, INITIATE, AND SUPPORT NEW DAILY SERVICE BETWEEN _____ AND _____;" OR "MARKETING PROGRAM TO SUPPORT EXISTING (OR NEW) SERVICE BETWEEN _____ AND _____ BY _____ AIRLINES.")

Revenue Guarantee and added Marketing Support, supplementing airport fee waivers and incentive marketing funds, to support new daily service as further described on pages 10 and 23-26 hereof

1c. GRANT HISTORY:

DOES THIS APPLICATION SEEK TO REPEAT A PAST GRANT PROJECT OF THE COMMUNITY OR CONSORTIUM (FOR EXAMPLE, A SPECIFIC DESTINATION AIRPORT)?

Yes No

IF THE ANSWER TO THE ABOVE QUESTION IS 'YES':

A: WHAT YEAR WAS THE FORMER GRANT AGREEMENT SIGNED? _____

B: HAVE 10 YEARS PASSED SINCE THE PREVIOUS GRANT AGREEMENT WAS SIGNED?

YES NO

IF THE ANSWER TO 'B' ABOVE IS 'NO,' THE APPLICANT SHOULD APPLY FOR A FORMAL WAIVER OF THE TEN-YEAR SAME PROJECT LIMITATION (SEE SECTION C.1. "SAME PROJECT LIMITATION"). THE REQUEST FOR WAIVER SHOULD INCLUDE A) A STATEMENT THAT THE COMMUNITY OR CONSORTIUM IS REQUESTING A WAIVER OF THE LIMITATION IN ACCORDANCE WITH THE PROVISIONS OF 49 U.S.C. § 41743(C)(4)(C); AND B) INFORMATION AND EVIDENCE TO SUPPORT A FINDING THAT THE APPLICANT SPENT LITTLE OR NO MONEY ON ITS PREVIOUS PROJECT OR ENCOUNTERED INDUSTRY OR ENVIRONMENTAL CHALLENGES, DUE TO CIRCUMSTANCES THAT WERE REASONABLY BEYOND THE CONTROL OF THE COMMUNITY OR

CONSORTIUM. IF YOU HAVE ANY QUESTIONS ABOUT YOUR COMMUNITY'S PAST GRANTS,
PLEASE CONTACT THE DEPARTMENT.

2. FINANCIAL TOOLS TO BE USED: (CHECK ALL THAT APPLY)

- Marketing (including Advertising):** promotion of the air service to the public
 - Start-up Cost Offset:** offsetting expenses to assist an air service provider in setting up a new station and starting new service (for example, ticket counter reconfiguration)
 - Revenue Guarantee:** an agreement with an air service provider setting forth a minimum guaranteed profit margin, a portion of which is eligible for reimbursement by the community
 - Recruitment of U.S. Air Carrier:** air service development activities to recruit new air service, including expenses for airport marketers to meet with air service providers to make the case for new air service
 - Fee Waivers:** waiver of airport fees, such as landing fees, to encourage new air service; counted as in-kind contributions only
 - Ground Handling Fee:** reimbursement of expenses for passenger, cabin, and ramp (below wing) services provided by third party ground handlers
 - Travel Bank:** travel pledges, or deposited monetary funds, from participating parties for the purchase of air travel on a U.S. air carrier, with defined procedures for the subsequent use of the pledges or the deposited funds; counted as in-kind contributions only
 - Other** (explain below)
-
-

I. EXISTING LANDING AIDS AT LOCAL AIRPORT:

- Full ILS Outer/Middle Marker Published Instrument Approach
- Localizer Other (specify)

J. PROJECT COST: DO NOT ENTER TEXT IN SHADED AREA

REMINER: LOCAL CASH CONTRIBUTIONS MAY NOT BE PROVIDED BY AN AIR CARRIER (SEE "TYPES OF CONTRIBUTIONS" FOR REFERENCE).

LINE	DESCRIPTION	SUB TOTAL	TOTAL AMOUNT
1	Federal amount requested		\$1,200,000
2	State <u>cash</u> financial contribution		\$0
	<i>Local cash financial contribution</i>		
3a	Airport <u>cash</u> funds	\$100,000	
3b	Non-airport <u>cash</u> funds	\$0	
3	Total local <u>cash</u> funds (3a + 3b)		\$100,000
4	TOTAL CASH FUNDING (1+2+3)		\$1,300,000
	<i>In-Kind contribution</i>		
5a	Airport <u>In-Kind</u> contribution**	\$372,394	
5b	Other <u>In-Kind</u> contribution**		
5	TOTAL IN-KIND CONTRIBUTION (5a + 5b)		\$372,394
6	TOTAL PROJECT COST (4+5)		\$1,672,394

K. IN-KIND CONTRIBUTIONS**

For funds in lines 5a (Airport In-Kind contribution) and 5b (Other In-Kind contribution), please describe the source(s) of fund(s) and the value (\$) of each.
Source - Airport surplus funds
Value - \$372,394 to provide a 2-year waiver of rates and charges for qualifying service

L. Is This Application Subject To Review By an Affected State Under Executive Order 12372 Process?

- a. This application was made available to the State under the Executive Order 12372 Process for review on (date) _____.
- b. Program is subject to E.O. 12372, but has not been selected by the State for review.
- c. Program is not covered by E.O. 12372.

M. Is The Lead Applicant or Any Co-Applicants Delinquent On Any Federal Debt? (If "Yes", Provide Explanation)

- No Yes (explain)

APPENDIX C

Long Island MacArthur Airport, Town of Islip, NY

APPLICATION CHECKLIST

INCLUDED?	ITEM
<i><u>For Immediate Action</u></i>	
Y	Determine Eligibility
Y	New Grants.gov users must register with www.grants.gov . Existing Grants.gov users <i>must verify existing www.grants.gov account has not expired and the Authorized Organization Representative (AOR) is current.</i>
<i><u>For Submission by 4:00 PM EDT on March 15, 2022</u></i>	
N/A	Communities with active SCASDP grants: notify DOT/X50 of intent to terminate existing grant in order to be eligible for selection.
Y	Complete Application for Federal Domestic Assistance (SF424) via www.grants.gov
Y	Summary Information schedule complete and used as cover sheet (<i>see Appendix B</i>)
	Application of up to 20 one-sided pages (excluding any letters from the community or an air carrier showing support for the application), to include:
Y	<ul style="list-style-type: none"> • A description of the community’s air service needs or deficiencies.
Y	<ul style="list-style-type: none"> • The driving distance, in miles, to the nearest large, medium, and small hub airports, and airport with jet service.
Y	<ul style="list-style-type: none"> • A strategic plan for meeting those needs under the Small Community Program, including a concise synopsis of the scope of the proposed grant project.
Y	<ul style="list-style-type: none"> • For service to or from a specific city or market, such as New York, Chicago, Los Angeles, or Washington, D.C., for example), a list of the airports that the applicant considers part of the market.
Y	<ul style="list-style-type: none"> • A detailed description of the funding necessary for implementation of the community's project.
N/A	<ul style="list-style-type: none"> • An explanation of how the proposed project differs from any previous projects for which the community received SCASDP funds (if applicable).
Y	<ul style="list-style-type: none"> • Designation of a legal sponsor responsible for administering the program.
N/A	<ul style="list-style-type: none"> • A request for waiver of the Ten Year Same Project Limitation (if applicable) – <i>see Appendix B above.</i>
Y	<ul style="list-style-type: none"> • A motion for confidential treatment (if applicable) – <i>see Appendix D below.</i>

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Letter of Support from Airline A

Redacted – Attached to Town’s Rule 12 Motion

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Executive Summary

- The Long Island MacArthur Airport's ("ISP") catchment population is similarly sized to Ontario, California's ("ONT"), and similarly situated to LGA and JFK as ONT is to LAX, yet ISP has 25% of ONT's traffic and departures, and 50% of ONT's non-stop markets.
- Despite recent improvements in service after the 2016 adoption of a new, *NextGen ASDSM* strategy, ISP service and enplanements remain significantly below historical levels.
- In 2021, ISP recovered 71% of its pre-COVID capacity, versus an average 76% for US airports (domestic capacity only).
- To drive ISP recovery in the near- to mid-term, ISP has adapted its air service development strategy to focus on identifying demand for and attracting service to additional leisure destinations, because of the relative strength post-COVID in leisure demand recovery versus business travel demand recovery so far.
- Using innovative *Applied Location IntelligenceSM* capabilities, ISP has identified a market that has greater demand from the ISP catchment than available industry data indicate, to the point of making it potentially profitable for an airline to serve.
- ISP has identified, and received a Letter of Support from, an airline willing to serve this market pursuant to a successful Small Community Grant application.
- ISP's application meets four Priority Selection Criteria and eight Secondary Selection Criteria as enumerated in Department of Transportation Order 2022-1-8.
- ISP's program has an appropriate mix of revenue guarantees, marketing support, and fee waivers to maximize the chances of the success of the new service.
- The combination of ISP's *Next Gen ASDSM* approach, use of *Applied Location IntelligenceSM*, and airline support gives DOT reasonable confidence that an award pursuant to this application can be an example of a successful program.

NextGen ASDSM and *Applied Location IntelligenceSM* © Sky Synergy LLC, 2015-2022. Reproduced with permission

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Eligibility Overview

Small Community Program Eligibility Criteria Met by ISP's Application	
Primary	
Substantially higher airfares to the proposed market from ISP than from JFK and LGA (p. 24)	✓
Provide material benefits - Obviate need to drive long distances (p. 2);	✓
Provide material benefits - Lower fares (pp. 25-26)	✓
Assistance will be used in a timely manner (p. 10)	✓
Secondary	
Extent to which proposed solution is innovative (pp.15-22)	✓
Can the project serve as a working model for other communities (pp.15-22)	✓
Project clearly addresses stated problems (pp. 20-21; 25-26)	✓
ISP's existing level of air service remains well below historical levels (p. 19)	✓
Applicant has a plan to provide continued financial support after grant award expires (pp. 14-18)	✓
Letter of Support from Airline (p. 10)	✓
Market Analysis (p. 23-26)	✓
Complementary Marketing Commitment (pp.17, 29)	✓

Long Island MacArthur Airport Catchment and Market Overview

The Long Island MacArthur Airport ("ISP") catchment is comprised of Suffolk County, New York and that portion of Nassau County, New York that lies east of the Wantagh Parkway. This is the portion of Long Island from which ISP has historically been able to attract passengers. It is therefore a reasonable (not aggressive) definition of where ISP's passengers come from.

Population and Current Service Compared to Most-similarly-situated Market

Location	2019 Population Per US Census Bureau ¹	Airport	CY 2019 Enplanements per FAA ¹	Weekly Non-stop Markets ²	Monday Scheduled Departures ³
Long Island, NY ⁴	2.8 million	ISP	774,374	13	20
Inland Empire, CA ⁵	3.4 million	ONT	2,723,002	26	78

1 – 2019 used to provide a pre-COVID baseline for this analysis

2 – Markets scheduled at least 1x weekly and for sale as of 03.11.2022 per OAG

3 – Operating as of 06.06.2022 (summer schedule) per OAG

4 – Nassau and Suffolk Counties, New York

5 – San Bernardino County, plus portions of Riverside County closer to ONT than to PSP

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For this analysis, we excluded similarly-sized populations such as those of San Diego, Tampa, Denver, Baltimore, Charlotte, Orlando, San Antonio, Portland (OR), and Sacramento because they are significantly dissimilar in one of two ways. Either:

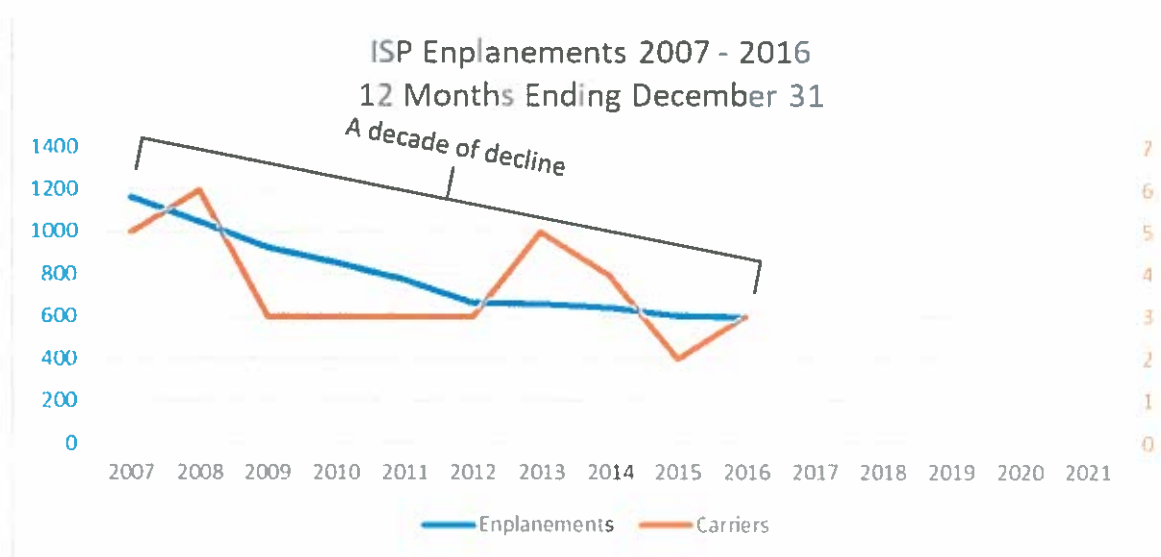
1. Their airports are connecting hubs of major airlines (Denver; Charlotte; Baltimore; Portland);
2. They are major destination markets that support substantially more service than their population bases would otherwise indicate (San Diego, Tampa, Orlando and San Antonio for tourism; Sacramento for business with the State of California).

Even though ISP has a population base slightly smaller than ONT's, ISP's service profile is substantially smaller in terms of non-stop destinations and departures. While proximity to JFK and LGA airports is a factor for ISP, ONT has similar proximities to multiple competing airports – LAX, SNA, BUR, LGB, PSP.

ISP Air Service Developments 2007 - 2016

The Great Recession

As the 2008 financial crisis and subsequent Recession unfolded, ISP underwent a significant and sustained change in, and loss of, air service that lasted nearly a decade.



Source: Bureau of Travel Statistics

The financial shock of the Recession caused airlines largely to abandon market share as an objective. They redesigned their networks around markets where they believed they could improve profitability. This produced more service to large originating markets, fortress hubs, and major destination markets. Airports that met none of these criteria tended to lose more capacity and take longer to recover it.

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By 2019 airports generally had recovered the vast majority of their pre-Recession enplanements. ISP had not. Why was that?

The Root Causes

Other than de-hubbed airports, the exception to capacity recovery tended to be airports like ISP in two significant respects:

1. Smaller than medium-hub
2. At which low cost airlines had held a majority market share pre-Recession

Along with ISP, traditional low cost carrier markets such as AMA, CRP, HRL, and LBB also remained more than 10% below pre-Recession enplanement levels by late 2019. The low cost and other airlines post-Recession did nothing wrong or nefarious. They simply made business decisions they deemed necessary to thrive in an industry reshaped by the Recession. One might have expected the post-Recession reduction of low cost carrier investment in these airports to provide opportunity for other airlines to capture profitable market share by backfilling the reduced supply. Why did that not happen?

Because low cost carriers had been such a large player pre-Recession, airports like ISP had low stage-length-adjusted revenues. Because of this, other airlines' planners repeatedly have said that, in their minds, ISP was a low yield airport primarily suitable for non-stop service to short- to medium-haul leisure destinations (e.g., Florida) and connecting service over a couple of hubs for longer haul travel. As those markets continued to be served post-Recession at ISP, even with less capacity than before, airlines generally did not assess that the risk of investing additional service in ISP was worth the potential reward.

Like most airports, ISP initially attempted to combat the loss of service by persuading airlines to add service with route analyses and adopting incentive programs to mitigate startup risk. As the root cause of ISP's challenge was lack of airline belief that profitable demand (passengers) would come to ISP in response to added capacity, this strategy had little chance to succeed.

ISP's Pivot to *Next Gen ASDSM*

Starting in 2016, after nearly a decade of capacity and passenger declines, ISP adopted a new, *NextGen ASDSM* strategy intended to address the root cause of air service deficiencies: perceived insufficient passenger demand relative to airlines' risk of adding capacity. This strategy, still in effect today, consists of four pillars, three of which are:

- Increase airline target passenger demand for ISP service – primarily through a focus on developing and messaging benefits that airline target passengers will prefer enough to use ISP rather than JFK or LGA. ISP cannot compete on things it does not control - price (air fare) or frequency. It has to focus its efforts on things it can control or influence.

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- Grow airline willingness to invest in ISP service – primarily through communicating our passenger-centric strategy to them, keeping them apprised of our results, and being the easiest airport in the Northeast for airlines to work with.
- Own the business; drive the plan – understand that ISP leadership must focus on what it can control or influence to be successful, and not become distracted by the temptation to spend time and resources on matters or opportunities outside its circle of influence.

This *NextGen ASDSM* Strategy was built on initial research in 2016 and has been studied by five years' implementation to date.

Based on ISP's 2016 leakage study, ISP's Primary Catchment Area ("Trade Zone") is Suffolk County plus the far eastern section of Nassau County. ISP's aspirational Swing Zone, from which ISP aims to compete with LGA and JFK for passengers, incorporates substantially all of Nassau County.

ISP's 2016 consumer research indicated that customers in the ISP catchment (defined as the Trade Zone plus the Swing Zone) prefer ISP over LGA and JFK (EWR, HPN, and SWF are non-factors for Long Island passenger traffic), but are held back from greater ISP use by, among other things, moderate to low awareness of ISP's non-stop destinations. However, among people in the ISP Trade Zone aware of ISP's non-stop service, ISP captures 87% of their business. This implies three things:

1. ISP is preferred over JFK and LGA.
2. Customers will increase their use of ISP versus JFK and LGA if ISP can attain sufficient awareness of its service offering.
3. For new service to succeed, because airlines today make quick decisions about maintaining new service (or not), heavy investment in initial awareness and conversions to bookings is essential.

NextGen ASDSM Strategy Thesis

ISP airline capacity is likely to increase when airlines experience or expect an increase in ISP demand and average fare (yield). To grow ISP air service faster than organically, ISP has embarked upon a multi-year strategy to increase passenger demand and airline revenues. Two key segments on which to focus are In-Market Target Passengers, defined as:

- Primary (general) – In the ISP Trade and Swing Zones, households above \$75,000 household income
- Secondary (business travel focus) – In the ISP Swing Zone; households at or above \$150,000 annual household income (airline business travel target profile)

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Objective

Among other initiatives, ISP allocates airport funds on an annual marketing campaign to increase In-Market Target Passengers' awareness of and preference for ISP based on a combination of

- Superior airport experience/lower stress versus JFK and LGA
 - Ease of access (time/proximity; plentiful parking; quick curb to gate time)
 - Higher operational reliability (better on time performance; lower cancellation rates)
- Promoting awareness of ISP's
 - Non-stop cities
 - Breadth and ease of connections over BWI, PHL, and BNA
- Appealing to Long Island pride/affinity

Goal

Among Target Passengers and zip codes, improve awareness of and preference for ISP air service (to be measured in annual consumer insights tracking survey) based on:

- Non-stop or reasonable one stop service
- Superior airport experience versus JFK and LGA
- Better overall value proposition (fares plus parking/transit costs)
- Natural affinity of Long Islanders for Long Island versus NYC

Audience

- Primary and secondary geographies per Strategy Thesis above.
- Airline target traveler demographics per the following table:

U.S. Population 18+		TARGET AUDIENCE					
		1+ Trips/YR		3+ Trips/YR		8+ Trips/YR	
		%	Index	%	Index	%	Index
		23.3	100	6.4	100	1.4	100
Gender							
Male	48.4	45.4	94	51.8	107	66.4	137
Female	51.6	54.6	106	48.2	93	33.6	65
Age							
25-34	17.9	18.9	106	20.3	114	17.5	98
35-44	18.2	19.7	108	20.2	111	24.5	135
45-54	19.5	21.6	111	24.2	124	29.2	150
Sub Total	55.6	60.2	108	64.7	116	71.2	128
Household Income							
>\$150M	10.6	21.9	208	31.6	299	42.3	401
\$75-\$150M	28.4	42.3	149	42.3	149	44.0	155
Sub Total	39.0	64.2	165	73.9	189	86.3	221
Education							
College graduates	27.1	50.4	186	62.7	231	70.6	261
Occupation							
Professional/Mgmt/Sales	37.0	56.8	154	66.8	181	79.3	214

US Census Via Nielsen

Leisure Demographic

Business Demographic

Media Strategy

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Content Sources	Description
Paid	Optimize the budget to increase ISP exposure against the Target Passenger segments. Allocate a percentage of the budget to hyper-efficient 1-to-1 marketing strategies based on ISP’s access to GDPR- and CCPA-compliant mobile data
Social/Owned	Extend messaging through ISP and vendor accounts as available, including flymacarthur.com
Promotional	Leverage paid media with promotional efforts when available and meaningful to increase Target Passenger awareness of specific destinations or ISP products. Promotional efforts should follow the “fewer/bigger/better” mantra to avoid dissipation through many, smaller, less visible events
Earned	Extend and elaborate on message and objectives through traditional and online media outlets as appropriate and obtainable

Messaging Strategy – Focusing on ISP’s:

- New non-stop destinations if any are announced for sale
- Existing non-stop and appealing one-stop connecting destinations
- Superior airport experience versus JFK and LGA, including
 - Proximity
 - Availability of close-in and inexpensive parking
 - Ease of curb-to-gate transition
 - Smaller crowds
 - New concessions
 - Leading-edge health measures

Annual Advertising Budget – \$193,120 annually in 2017-2020; \$303,520 in 2021; \$454,000 in 2022. ISP is substantially increasing its advertising budget to capitalize on its position versus competing airports and its preferred experience

Measurement

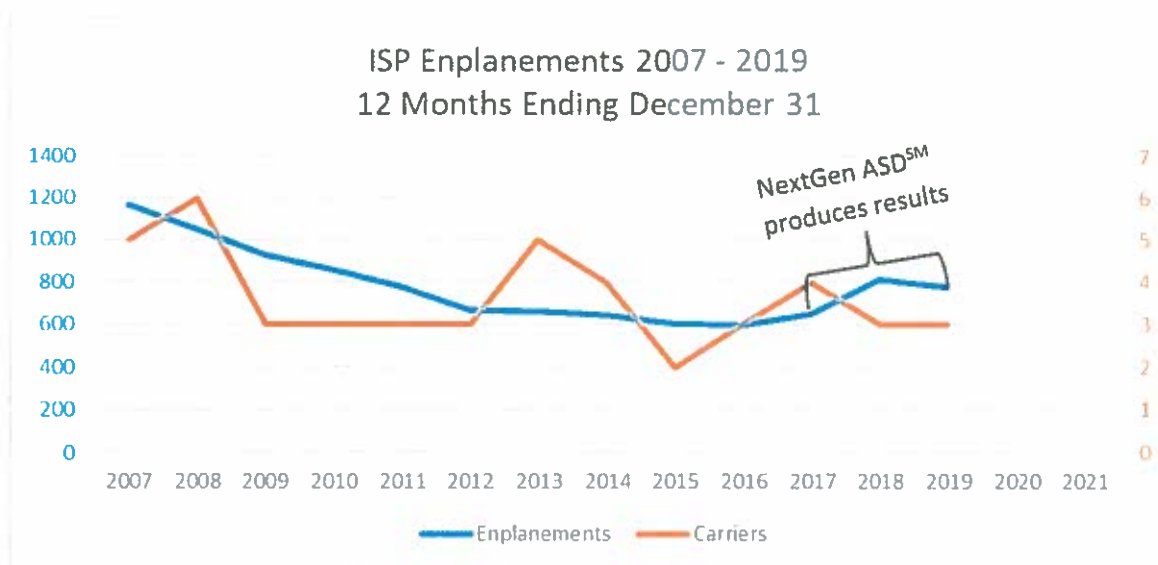
- Improve unit cost (cost per thousand, or CPM) and effectiveness (click through rate, or CTR) versus industry standard and versus previous ISP campaigns.
- Social media engagement (likes, follows, etc.) growing at a faster rate than comparison and competitive airports.
- Improved awareness, preference, and intent as measured by annual tracking surveys.

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- Conversion of specific devices – further leverage innovative mobile data (pp. 21-22) to create demand either from
 - New customers not seen at ISP previously; or
 - Increased market share from existing customers.

Results - ISP Air Service Development 2017 – 2019

ISP’s adoption and execution of a *NextGen ASDSM* strategy has been largely successful. After nearly a decade of consistent service and enplanement declines from 2008 to 2016, ISP began to attract new service with the entry of Frontier Airlines to Orlando in August 2017.



Source: Bureau of Travel Statistics

Frontier’s MCO inaugural was quickly followed by the addition of several new Frontier Airlines markets, while American and Southwest upgauged aircraft on their routes. Today, Frontier flies more non-stop markets from ISP than any other airline, and Frontier’s management specifically has credited ISP’s strategy in its public comments about choosing to expand at ISP.

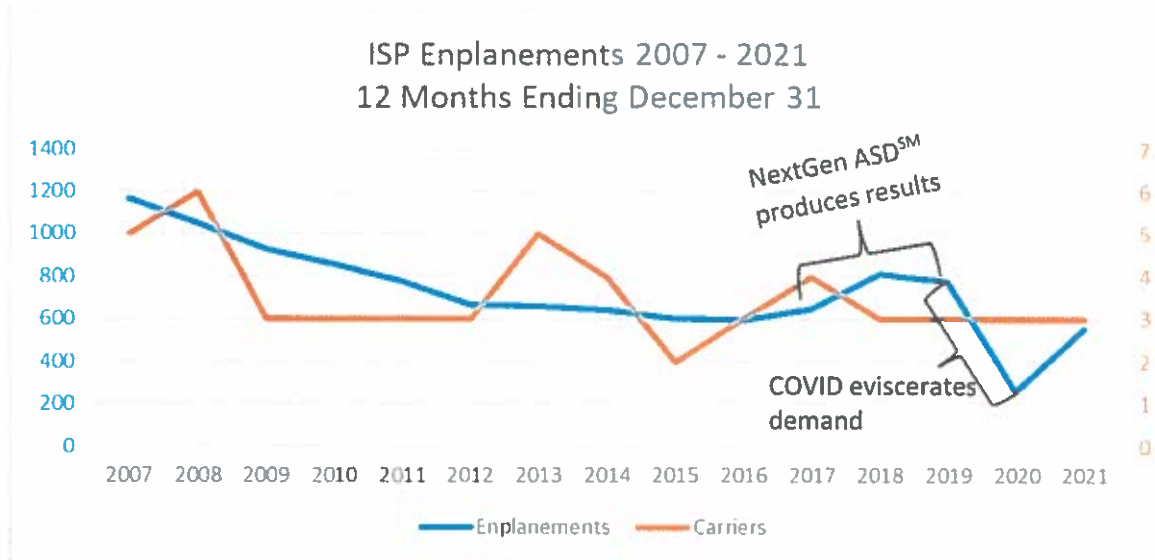
Furthermore, tracking consumer insights research in 2018 indicated that ISP had increased preference for ISP in its Swing Zone versus the 2018 baseline surveys. Customers farther west of ISP began considering and preferring ISP than before the adoption and execution of ISP’s *NextGen ASDSM* approach.

Finally, in 2018, of all US airports small hub or larger, ISP was the fastest growing domestic service airport as measured by seat growth. Despite a slight seat and passenger reduction in 2019, ISP was poised to resume growth in 2020 based on airline network plans then in the works.

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Results - ISP Air Service Development 2020 – Present

In 2020, ISP lost significant capacity and enplanements versus 2019.



Source: Bureau of Travel Statistics

As the effects of the COVID-19 pandemic on aviation began to come into focus in March and April, 2020, ISP made a strategic choice to remain in the market with marketing spend and messaging. History tells us that brands that remain active in the market during these kinds of downturns, especially when their competitors reduce or eliminate spend, tend to emerge with stronger brand preference and market share. ISP made the choice to try to accomplish exactly that.

While staying in the market, ISP nonetheless reduced its marketing spend to focus mainly on monitoring demand as indicated by the Click Through Rate (“CTR”) and Conversion Rate (“CVR”) of its pay per click (“PPC”) marketing campaign tactic, while keeping some unallocated but budgeted marketing funds available for unforeseen opportunities. By keeping marketing spend lower than budget (to conserve cash) but constant, increases in CTR and CVR would indicate an increase in target passenger consideration of returning to air travel. If this increased demand continued or increased further, ISP would increase its marketing spend and breadth of tactics to drive awareness of and bookings for its airlines’ service.

In calendar year 2021, ISP recovered 71% of its pre-COVID seats. This is better than other secondary airports in the New York City MSA, indicating that ISP’s *Next Gen ASDSM* strategy is paying off with airlines and passengers; but only to a point, as ISP’s recovery lags:

- Its best comparison airport, ONT, which has recovered substantially all of its pre-COVID seats
- US domestic airport industry, which in 2021 recovered 76% of its 2019 capacity.

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As ISP is not a strategic market to any airline, airlines allocate capacity to ISP according to expectations of demand adjusted for risk. So, success for ISP means demonstrating demand to airlines that may not be evident yet in the industry data, mitigating startup risk, and engaging in effective marketing of new service to drive awareness, trial, and retention.

ISP believes that its combination of *NextGen ASDSM* and superior airport experience positions it to be preferred by airline target customers post-COVID-19. The key variables are, first, convincing an airline to risk new service at ISP and, second, to fund certain revenue guarantees and marketing necessary to reduce airline risk of - and drive awareness, trial, and preference for - that service. ISP appears to have accomplished the first, and as further described on pages 20-29 is seeking a Small Community Grant to ensure the second.

ISP Current Air Service Needs and Deficiencies

As previously indicated on page 12, ISP has substantially fewer non-stop markets and daily departures than its most-similarly-situated comparison market; ONT. Chiefly, ISP has non-stop service for sale to two kinds of markets:

1. Connecting hubs of the major airlines serving ISP
 - BWI
 - PHL

2. Leisure destination markets
 - BNA
 - CHS
 - FLL
 - MCO
 - MYR
 - ORF
 - PBI
 - RSW
 - TPA

ISP currently has less-than-daily Frontier service for sale to two markets – ATL and RDU – that fit neither of these descriptions.

Strategic Plan for Meeting Air Service Needs under the Small Community Program

***ISP's NextGen ASDSM* Strategy Provides a Firm Foundation for Small Community Program Success.**

As described in pages 14-19 hereof, it has:

- Increased local awareness of and target customer preference for ISP service.
- Attracted increased investment, pre-COVID-19, from airlines, leading to significant seat growth.
- Proven flexible enough to adapt to and succeed in a variety of circumstances, including those unfathomable pre-COVID.

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ISP's Post-COVID Strategy Shift

Before COVID, ISP's air service development strategy was focused on attracting a greater share of business customers, thereby increasing airline profitability at ISP and making it easier for them to risk additional capacity. While this remains a long-term objective for ISP, in the immediate aftermath of COVID the recovery in aviation is being led by leisure service. Therefore, ISP has for the time being pivoted its approach to identify and attract service to unserved leisure markets to increase passenger demand and airline profitability. By increasing its market share of leisure passengers from new service to markets not otherwise served from ISP, passengers increase their use and affinity for ISP, setting the stage for longer term increase in business demand and service whenever business travel demand strengthens sufficiently for airlines again to consider adding business travel routes from ISP.

The Small Community Program Can Catalyze Qualifying New Service Success at ISP

- The Revenue Guarantee component remediates a significant portion of the risk of starting up service to a currently unserved market.
- The marketing component will be in addition to ISP's 2022 marketing budget and is calibrated to increase awareness and trial of the new service in the first 90 days after route announcement, the most critical time to determine the long-term success of a route.
- During any program funded by a Small Community Grant, ISP will continue to expend its budgeted funding and effort on marketing ISP services (including new service) and superior experience.
- Upon either exhausting any Small Community Grant funds awarded or the expiration of the grant term, ISP anticipates continuing to spend at a rate at least equal to that before the Small Community program.

2021 – 2022 Innovation: Near North America mobile data via ISP's consultant Sky Synergy's *Applied Location Intelligence*SM product for real-time-approximate market analysis, hyper efficient marketing, and real-time-approximate marketing adaptability

- First of its kind in US airports.
- Near North America is compliant with the most stringent standards of consumer data privacy: the EU's General Data Protection Regulation ("GDPR"), and the California Consumer Privacy Act ("CCPA").
- The strategy provides decision support information more timely than standard industry data sources:
 - Standard sources (ARC, DOT DB1B) are typically months lagged to reality.
 - Mobile data can be as little as several business days lagged to reality.
 - Standard data used to determine leakage (ARC) also lack visibility to airline direct reservations, requiring considerable consulting hours and cost to compensate just to provide a view to reality, with an unknowable margin of error or confidence interval.
 - Mobile data are proven valid across all income levels, ethnicities, and income levels.

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- All these factors combine to allow market share reporting and leakage studies, accurate (depending on market and sample size) to a 1% margin of error at a 99% confidence interval, within days of real time and with very little investment of consulting hours and cost, freeing up resources otherwise needed to determine reality, instead to make action plans to improve reality.
- Increases likelihood of success by:
 - Providing better and more current information prior to campaign launch.
 - Allowing hyper-focus and efficiency through targeting specific devices that meet desired attributes (demographics, airport choice preferences, past travel history, etc.) and is accurate to three meters. Other mobile data providers typically can only target via third-party ad platforms and are only accurate to the zip code level.
 - Provides a close-to-real-time view to campaign performance and more effective campaign optimization
 - Whether devices targeted took the desired action (flew the new service from ISP).
 - Updated ISP market share and leakage analysis months before data are available via traditional sources.
- The combination of *NextGen ASDSM* and *Applied Location IntelligenceSM* can be a working model for other communities.

Airline intent – Pursuant to discussions with airlines, ISP has received a Letter of Support (p. 10) from a senior leader at the airline with input to and influence over the airline’s route planning decisions. This letter makes it reasonable to believe an ISP Small Community Grant will:

- Be used in a timely manner.
- Meet the Town’s strategic objective of producing successful service that will increase the viability of ISP in the minds of airline network planners.

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Market Analysis of the Proposed Non-stop Route

Redacted – Attached to Town’s Rule 12 Motion

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Synopsis of the Scope of the Proposed Grant Project

As has been highlighted in previous sections, ISP performs well with airline target travelers when there is sufficient awareness of ISP's service. Airlines today expect new service in markets like ISP to succeed quickly if it is to remain on the route map. Therefore, having helped to attract airline interest the identified market, the key to successful new service for ISP is:

1. To mitigate the startup risk through
 - a. Revenue Guarantee provided by Small Community Grant; and
 - b. Fee waivers provided by the airport
2. To ensure early and continued awareness and trial of the service, especially from the Swing Zone in Nassau County via aggressive marketing
 - a. Phase 1 - In the first 90 days after service announcement, allocating 50% of the marketing component
 - b. Phase 2 - Providing continuing marketing support in the next 180 days, allocating the remainder of the marketing component

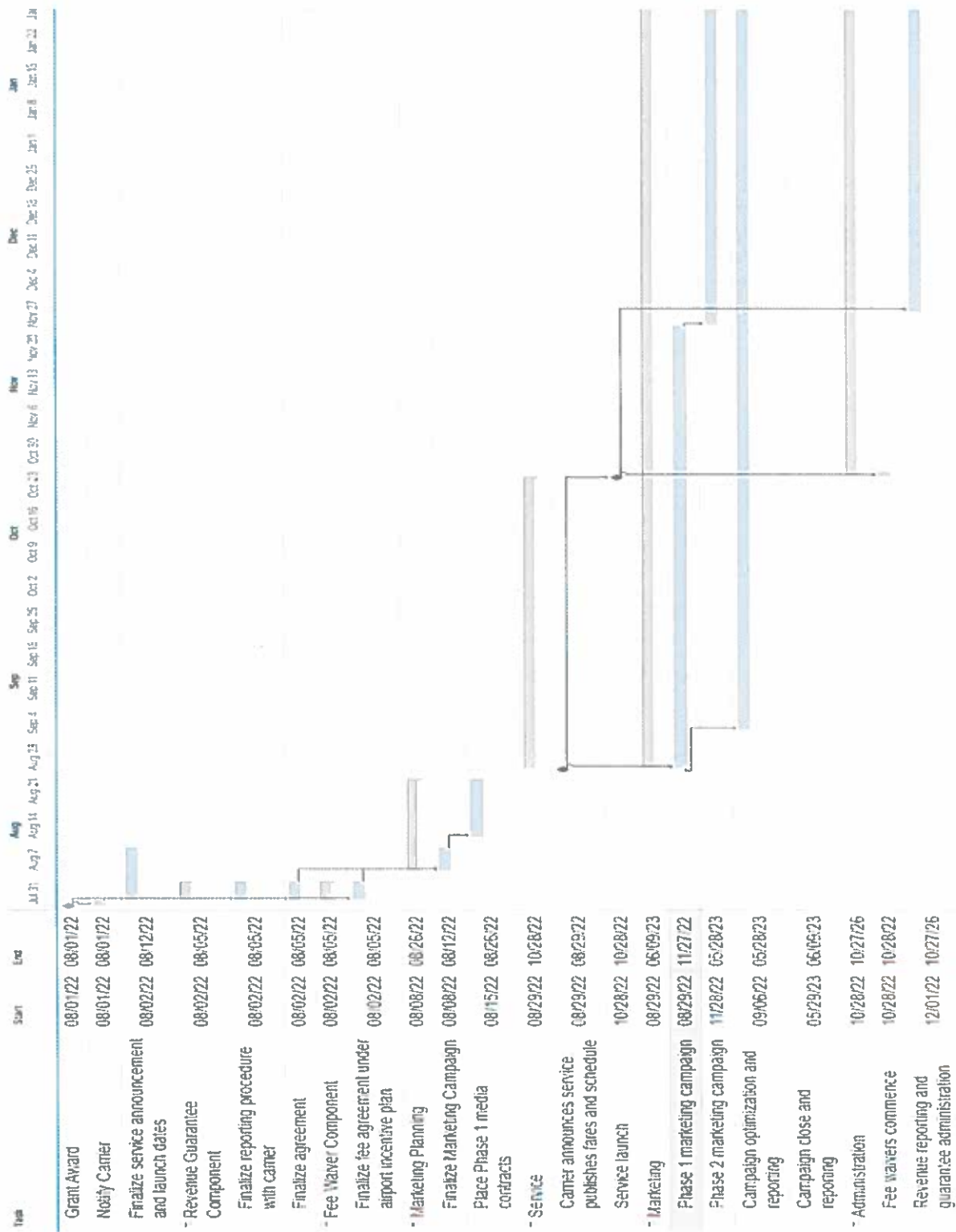
After hypothetical grant award August 1, 2022 by the Department, the project scope is broken down as depicted in the Gantt Chart on the following page.

1. A-Day minus 14: ISP and Airline finalize marketing strategy. Begin to place media contracts.
2. A-Day:
 - a. Airline announces, and publishes fares and schedules for, new non-stop service approximately 60 days pre-launch
 - b. Phase 1 marketing campaign, focusing on awareness and trial from announcement to launch, launches as Airline steps onto podium
3. ISP and Airline monitor campaign results with standard campaign metrics, advance booking information, plus mobile data insights, and adjust/optimize the campaign accordingly
4. A-Day plus 60:
 - a. Airline launches service
 - b. Incentives/waivers commence
5. A-Day plus 90:
 - a. ISP marketing campaign enters phase 2; post-launch awareness, trial, and conversion
 - b. Monthly assessment of revenue performance
6. A-Day plus 270: Campaign close and reporting

A sample, illustrative timeline and order of work is depicted in the following Gantt chart:

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Illustrative Project Timeline (first six months)



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Detailed Description of the Funding Necessary for Implementation of ISP's Project

ISP SCASDP Funding

Component	DOT (% of Project)	ISP (% of Project)	Total (% of Project)
Fee Waivers	\$0 (0%)	\$372,394 (22%)	\$372,394 (22%)
Revenue Guarantee	\$1,000,000 (60%)	\$0 (0%)	\$1,000,000 (60%)
Marketing	\$200,000 (12%)	\$100,000 (6%)	\$300,000 (18%)
Total Project	\$1,200,000 (72%)	\$472,394 (28%)	\$1,672,394 (100%)

The specifics of the marketing spend would tend to resemble this:

Component	Amount
Net Media Investment	\$ 255,000
Mobile data and campaign strategy	\$ 10,000
Campaign planning, creative, implementation, reporting	\$ 35,000
Gross Investment	\$ 300,000

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Conclusion

- The Town and ISP leadership have proven that they know how to be good stewards of their resources. After nearly a decade of declining air service from 2008 to 2016, the Town and ISP adopted a bold new integrated ASD and marketing strategy designed to address the root causes of its air service shortages by focusing on increasing target customer demand. Through 2019, that strategy succeeded and produced an ISP that, in 2018, was the fastest growing US Airport, small hub or larger, based on year over year seat growth.
- COVID-19 has challenged all US airports, and ISP is no exception. Despite prudent marketing and product development, ISP in 2021 recovered less of its 2019 capacity than the industry (domestic) average or its most similarly-situated airport. However, this performance was the best among non-large hub New York airports, indicating the extent to which ISP's *NextGen ASDSM* strategy is working even in the midst of the pandemic.
- ISP has employed an innovative *Applied Location IntelligenceSM* strategy to use mobile data to provide better, more current market intelligence and ongoing marketing assessment to improve campaign performance and success. This strategy not only will help ISP succeed, but also can serve as a working model for other communities.
- ISP has identified a market that can support non-stop service but is unserved non-stop from ISP.
- ISP's application meets four Priority Selection Criteria and eight Secondary Selection Criteria as enumerated in Department of Transportation Orders 2022-1-8, including a Letter of Support from an airline indicating the necessity of the Small Community Grant to mitigate startup and marketing risk to provide the new service.
- The Town and ISP look forward to your review and decision and are ready and eager to answer any questions you may have.