



# 2015

## Marketing Strategy

Prepared by Sawyer International Airport  
and Telkite Enterprises LLC

**Sawyer**  
INTERNATIONAL AIRPORT

**TELKITE**  
TECHNOLOGY PARK

## Introduction ....

### **K.I. Sawyer Air Force Base closed in 1995**

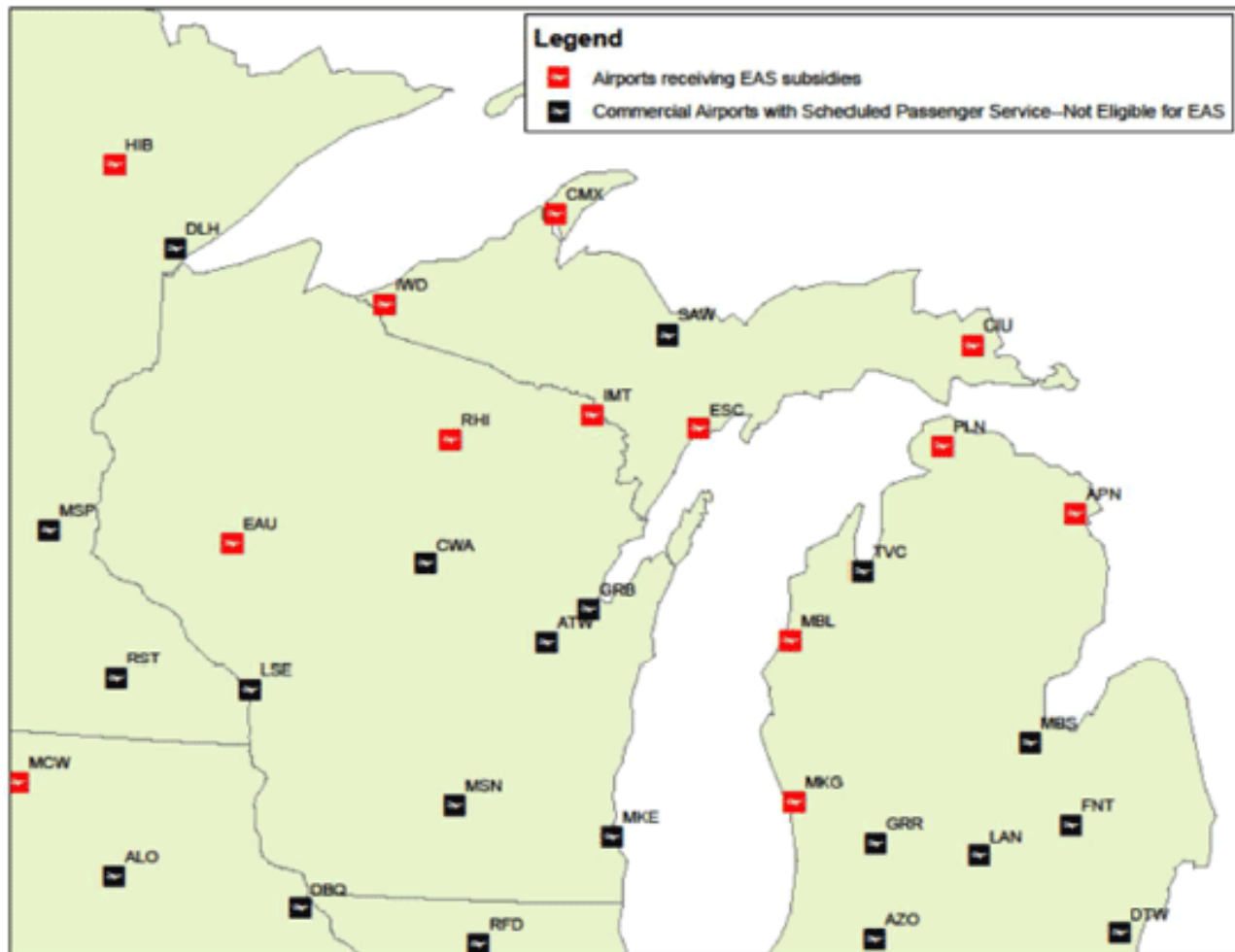
- Evacuation of 5,000 military personnel
- Eliminating 800 federal civilian jobs
- Causing a 7.4% drop in population
- Vacating over 2 million square feet of offices, hangars, dorms, warehouses and homes
- Resulting in annual economic loss of \$100 million

### **Marquette County Board of Commission Became Local Redevelopment Authority**

- Leveraged over \$50 million in federal funding and a \$20 million caretaker agreement
- Won several national awards for redevelopment and marketing efforts
- Currently 33 Businesses – Approximately 1,100 Employees
- Sawyer International Airport is largest in Upper Peninsula
- Variety of Housing Developers

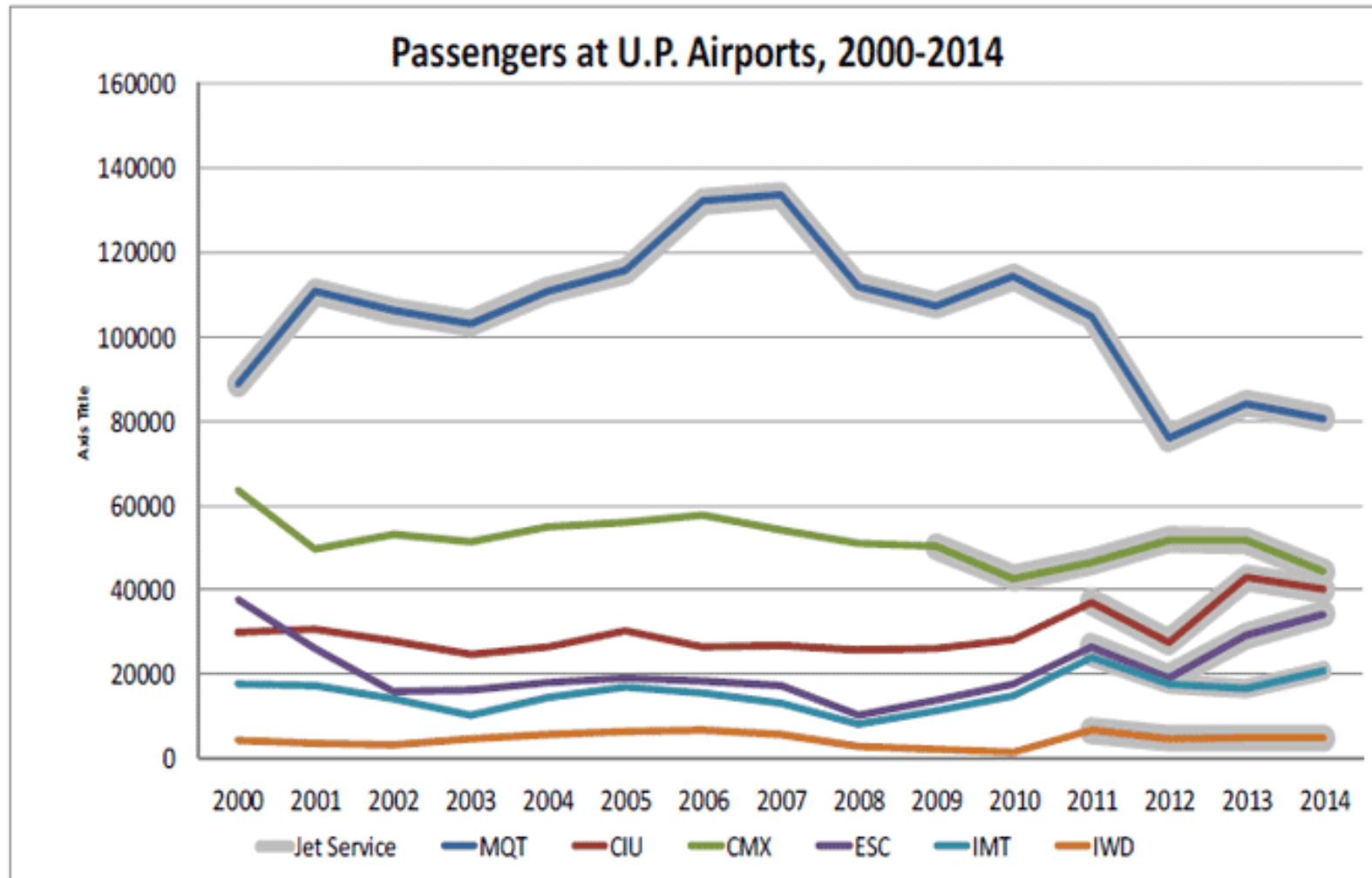
## Aviation Competition....

# Essential Air Service

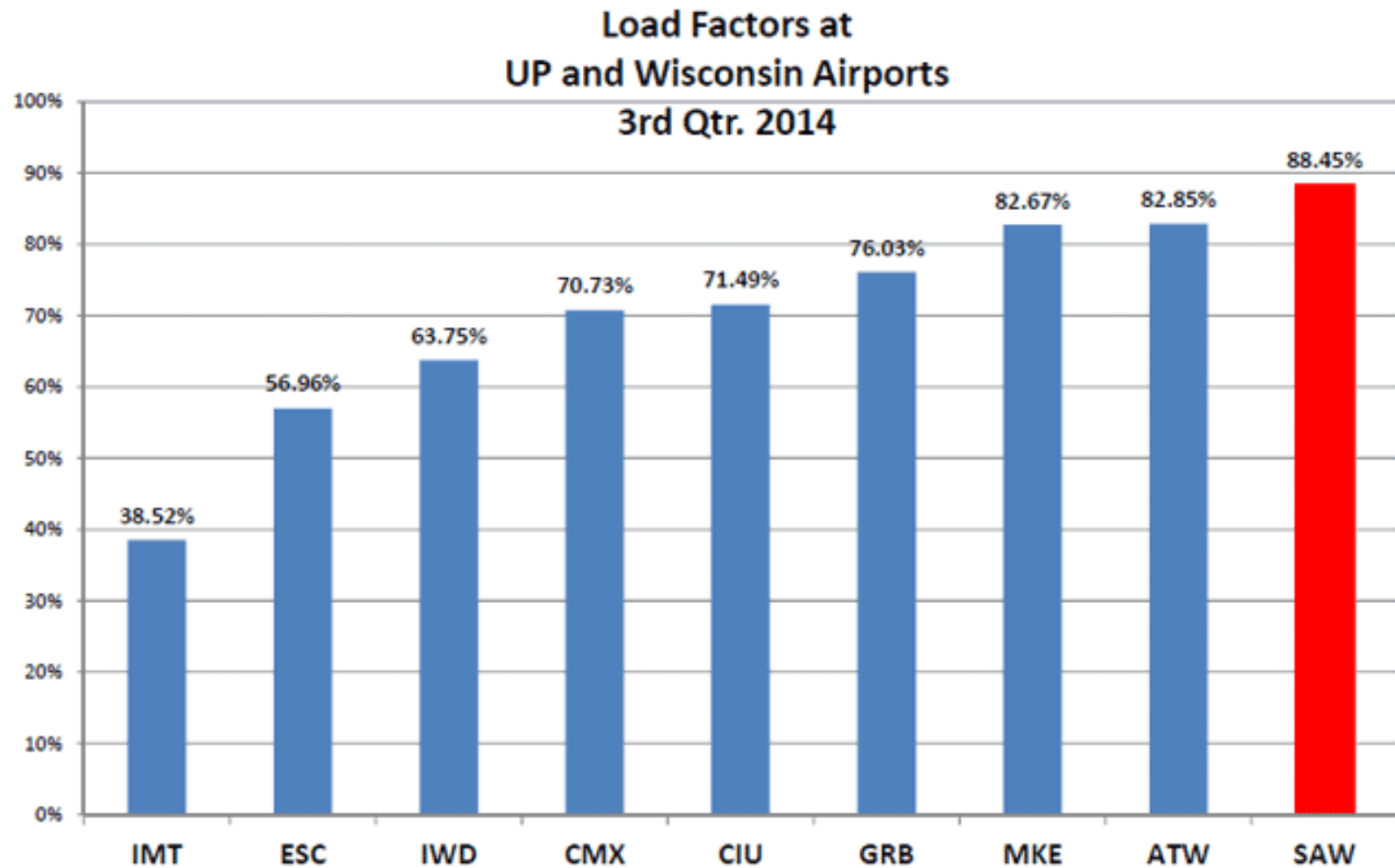


- Sawyer the Only Non-Essential Air Service Airport
- EAS subsidizes air carriers serving EAS airports in the U.P. approximately \$11 million annually

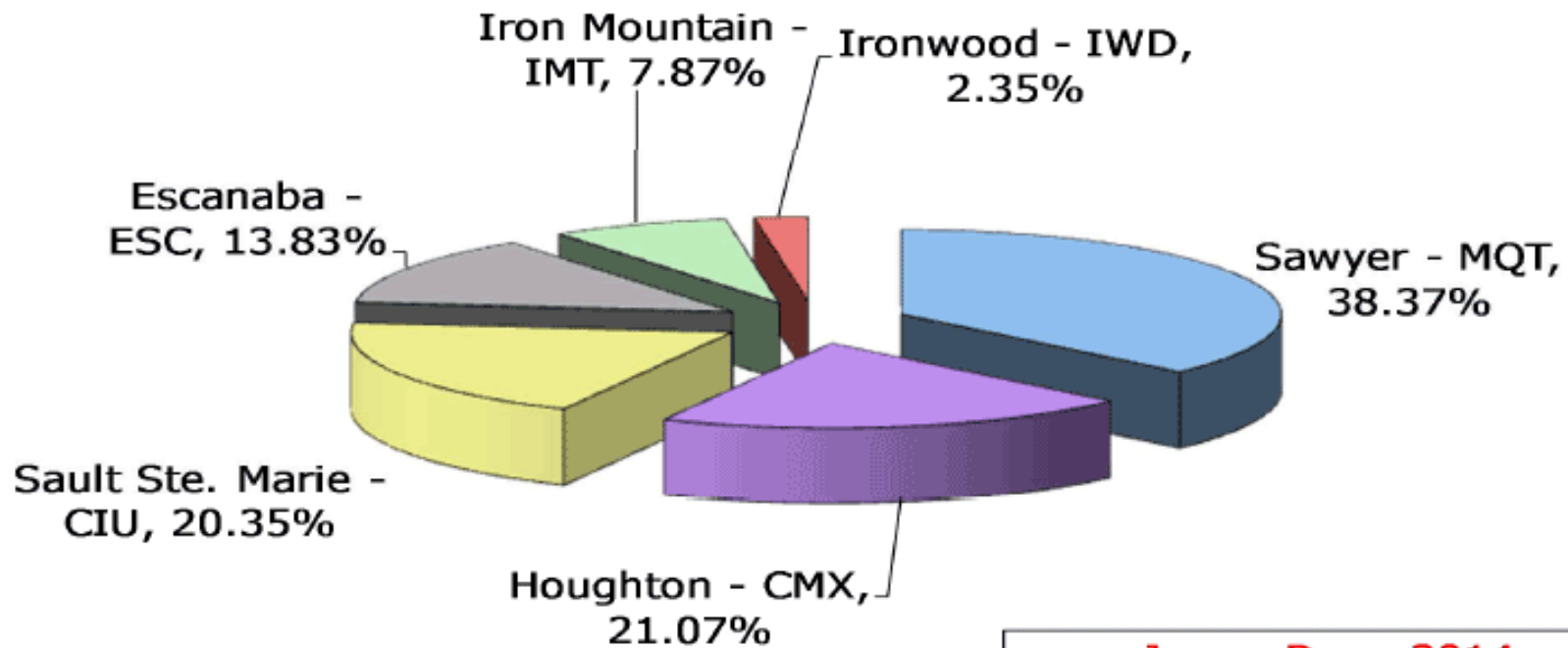
# Passenger Service



# Passenger Service



# Market Share



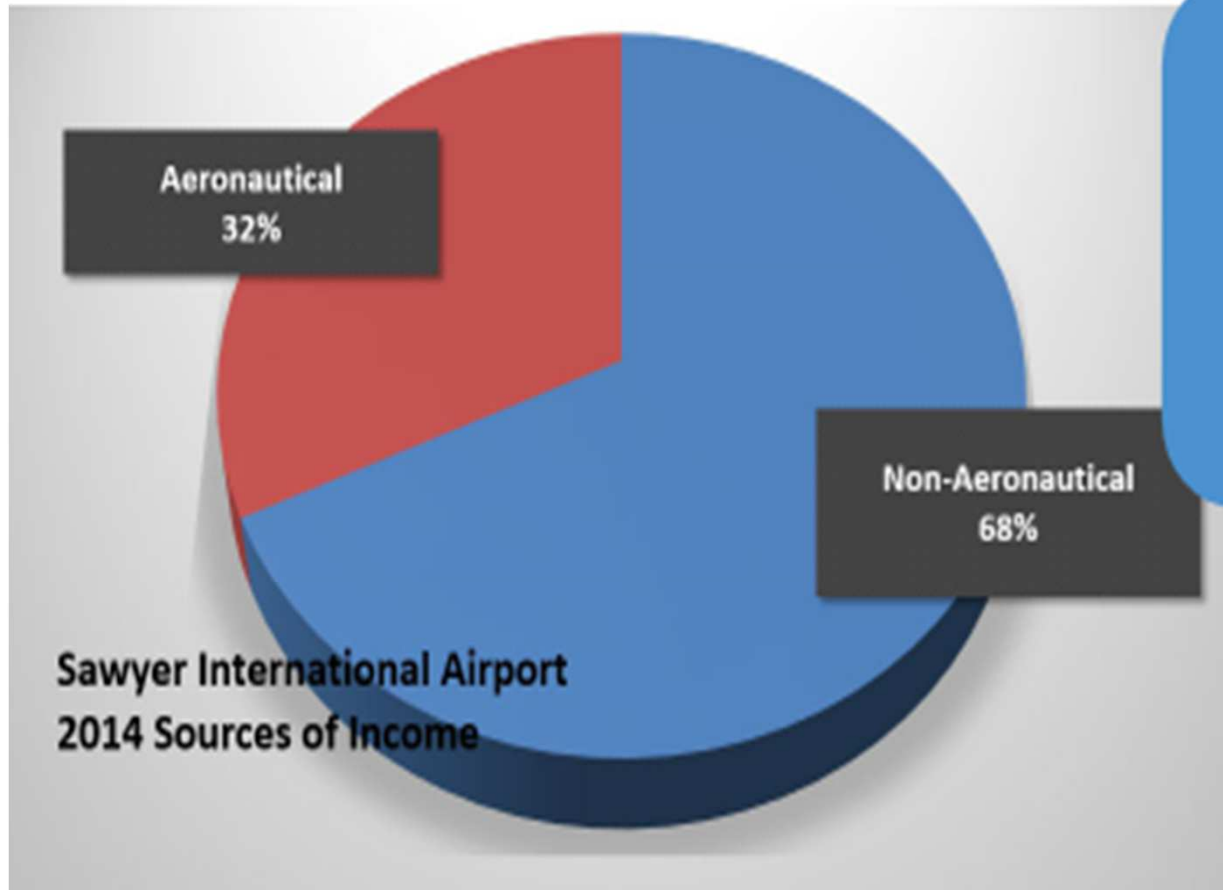
Jan. - Dec. 2014  
210,329 Total Pax  
Source: MDOT Airport Statistics

- Despite EAS, Sawyer Out Performs All U.P. Competition. Largely Due to Loyalty of Marquette, Alger and Baraga County Consumers.
- Nominal, if any, passenger growth is expected and we expect EAS will continue to subsidize carriers at competing airports.
- All competing airports are expected to remain operating.
- If there is no new demand or market change, it is unlikely that flight options and size of aircraft will improve.



So where do we grow, if not aviation?

## 2014 Airport Financial Viability



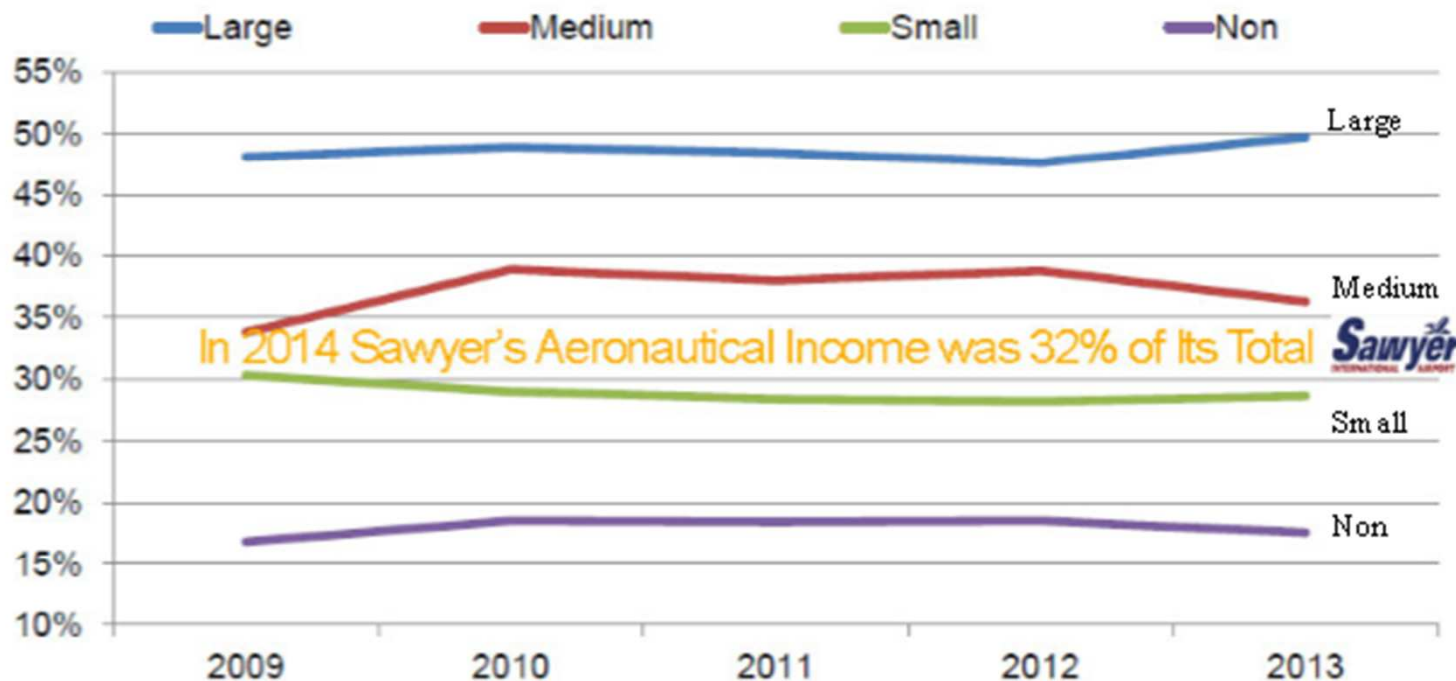
*"Non-aeronautical revenue critically determines the financial viability of an airport, as these revenue sources tend to generate higher profit margins in comparison with aeronautical activities, which are mostly cost-recovery."*

*- Airports Council International*



## Passenger Airlines Contribute Less Than Half of Total U.S. Airports' Operating Revenue For All Hub Sizes

Median Passenger Airline Revenue as a Percent of Total Airport Operating Revenue by Hub Size (%)



The contribution of passenger airlines to U.S. airports' operating revenue varies by hub size. Large and Medium hubs generate higher passenger-related revenue due to strong commercial air service representing 88% of total US enplanements. Conversely, Small and Non hubs with lower levels of commercial service, primarily source their revenue from rental car, ground transportation and parking facilities, as well as general aviation and military activities.

Notes: 2013 is the latest full fiscal year data available in FAA CATS database.

Figures used are median for each FAA hub category.

Source: FAA, CATS: Report 127

## 2014 Airport Income Breakdown

<b><i>Non-Aeronautical</i></b>	
<b><i>Concessions (Vending Machines)</i></b>	<b>\$ 1,475</b>
<b><i>Advertising</i></b>	<b>\$ 1,500</b>
<b><i>Rental Car Terminal Rent</i></b>	<b>\$ 36,495</b>
<b><i>Rental Car Operations (MAG)</i></b>	<b>\$161,757</b>
<b><i>Parking</i></b>	<b>\$218,688</b>
<b><i>Lease Rents</i></b>	<b>\$708,755</b>
<b><i>Aeronautical</i></b>	<b><i>\$529,037</i></b>
<b><i>(landing fees, fuel, terminal rent, t-hangars, reimbursement)</i></b>	

Note: Much of the Aeronautical Income is Reimbursement For Costs. Not a true income generator.

## Capitalize on Existing Strength – Strong Tenant Base/Business Community

### Committed Owners

- Superior Extrusion – expansion last year and constantly growing
- Argonics – international company diversifying into new markets
- Bahrman's – biomass development new gas station
- Potlatch Lumber – cutting edge technology to industry sector
- UP Propane – Major investment in newly constructed facility
- Telkite – investing in redevelopment and marketing activities
- Van Damme Trucking – invested in redevelopment of struggling fitness center
- Avery Color Studios, Gwinn Vet, Goodwill Baptist Church, Housing Developers investing in property and business growth

### Strong Tenant Base

- Biogenic Reagents – Estimated \$60 plus million investment at Sawyer
- Envoy – Has been a tenant in Marquette County for over 20 years at Sawyer
- Frontier Medical – Intellectual property
- Global Response – International call center just renewed for an additional 5 years



## Airport's 2015 Marketing Objective

- *SIA operates at an annual deficit of \$300,000 which is offset by the Airport's Stabilization Fund.*
- *Since 2013, the County Board contributed approximately \$165,000 from its General Fund to the Airport's Stabilization Fund. This fund was established with the proceeds from various activities that occurred as a result of the base closure, such as the sale of the utility system to the public sector; sale of property to private entities; public equipment auctions, etc.*
- ***The number one goal for SIA in 2015 is to reduce the Annual Deficit by 5 to 10% and congruently the general fund subsidy by the same amount, while increasing the overall economic impact on the community.***
- *There are basically only two ways to achieve this goal, **INCREASE INCOME** and **REDUCE EXPENSES**. SIA operates very efficiently so cutting costs will result in little to no significant impact in reaching this goal. Therefore, generating additional income will be our sole focus.*

## How Do We Increase Income?

### **Example of How New Tenants Would Benefit Airport (Goal: \$30,000)**

- One hangar lease \$23,000
- One industrial lease \$48,000
- One small building lease \$10,000
- Must keep in mind that we could lose tenants in 2015 as well making this a bigger task.

## Explore Potential Funding Sources

- Taxes (is this a viable option)
- Fees (are there new fees or can we increase existing fees)
- Additional Pass Throughs and Efficiencies
- Concessions (are there untapped markets)



## Action Steps

### **Developed a Marketing Plan**

#### **Air Service**

**Continue to work to improve air service options despite challenges. Try to find the opportunities.**

- Meeting with Delta
- Grass Roots efforts
- Will be seeking MDOT Marketing Grant

#### **Industrial Park**

**Continue working with existing prospect and tenants on expansion**

- Two potential expansion

**Continue attraction efforts with Telkite Enterprises LLC**

- Aviation Week's MRO Show
- Regional Carriers Show
- Logistics Show
- Existing Prospects

## Action Steps

### **Improve facilities to enhance marketability**

- Brownfield
- Partnerships

### **Public Perception**

**Economic Impact Study – We have reached out to LSCP and MEDC to assist us with this and this is already moving forward.**

***Direct Impact** which is associated with providers of services at the airport. The value of direct impact is the sum of all payroll, capital expenditures, operating and maintenance costs, taxes incurred.*

***Indirect Impact** is associated with the users of airport services. These include both corporate and public users, government agencies, aviation and non-aviation businesses. The value of this impact is the sum of the fees and charges paid, and expense related to food, lodging, ground transportation and similar outlays.*

***Induced Impact** is the additional local economic impact that is generated specifically because of the airport's presence. Including related employment, payroll and employer expenditures. Induced impact also includes the successive rounds of spending caused by the direct and indirect impacts. This "multiplier effect" measures the extent to which the indirect and induced impacts flow from the direct impact.*

Questions?