

SPECIAL COMMITTEE ON AIRPORT ACTIVITIES

March 19, 2024 at 5:30 PM

Chairman E. Sapienza called the meeting to order.

The Clerk called the roll.

Present: Aldermen E. Sapienza, Terrio, Kantor, Vincent, Burkush

Messrs.: T. Kitchens

1. Update from Ted Kitchens, Airport Director, on the following:
 - Air Service
 - Finances

Ted Kitchens, Airport Director, stated welcome to those who are new to the committee. Generally, we report out and there will be time for questions and if you have any questions as we are going through it, I will be glad to take those. I always start my presentations with the Bottom Line Up Front or what I like to call the BLUF, a review of airport operations looking at our passenger activity for calendar year 2023 as well as our cargo activity, some air service wins, as well as a review of some of our strategic objectives that we have underway. We ended with a very strong financial performance, mostly driven by exceptional cost containment. We are about \$4.7 million in retained earnings for the first half, which is about \$3.2 million above what was included in our FY24 budget. We expect the expenses to continue to come in below budget due to the warm winter season. Quite honestly, we haven't had too much snow as we all know so we expect some savings on the environmental mitigation, as well as overtime. We do expect a stronger revenue environment, particularly in the 4th quarter of the fiscal year or the second year of this calendar year as we enter the summer travel season and we see a strong uptick in department seats available for purchase plus just a general uptick in passenger demand. So two huge air service wins for the airport I will introduce tonight - Breeze Airways and Sun Country Airlines. That, combined with the expansion of Avelo and some expansion of service by American Airlines I think are going to provide a very strong start to FY25 for us. It is my hope as always that the community steps up and supports this new capacity. Our job is to bring it. It is the community's job to support it. If we do, then we go get more. If we don't, we kind of see what happened with Spirit. You use it or you lose it. It is just that simple. This is our connectivity map. Most people think all we can do is get you to where the yellow lines are, which are non-stop flights but we actually provide connectivity to 237 global destinations, including the 12 direct flights. If you look at the table over on the right, 161 of those 237 destinations are domestic meaning about 70 of them are international including 29 European destinations, 20 Caribbean destinations, and destinations through Central and South America. It really is all one stop away; literally the globe is one stop away from you here out of Manchester. For many of these destinations, you actually have competing airlines that will take you...maybe half of those European destinations have both American and United flying to them one stop away from Manchester so you can shop around and get the price that works best for you. You have seen this graph in previous presentations but our third quarter average airfare continues the recent trend of being the cheapest out of all U.S. domestic airfares which is the blue line, as well as the average airfare out of Boston, which is the dashed gray line at the top. The 3rd Quarter

is on the far right. These are all one-way fares so to estimate roundtrip you double that fare and add 20% to the top for government taxes. In Q3, the average roundtrip airfare out of Manchester was \$422 and out of Boston it was \$473. Perception continues though that people can't find low fares out of Manchester. The reality is that you can. You can't argue the math. The trick is that you have to be out in front early. There more seats at a lower fare available out of Boston than out of Manchester so there is a perception that they have lower fares but the reality is that you can find them but you have to act early. I generally tell people to book 6-8 weeks out from your intended travel date. If you sitting on the couch on Monday and saying hey where do you want to go this weekend honey, you are not going to find that airfare out of Manchester. You probably won't even find it out of Boston. You have to be out in front of your travel.

Calendar year in review. We followed the cyclical pattern that we did in 2022 which is the dashed line on the graph. The thick red line is 2023. You can see the arrows pointing to these persistent, consistent drops in demand showing seasonality and that is going to prove to be very difficult to educate the consumer as we enter and exist these seasons. We have to do a better job as a market of filling early February, April, May, early June, September and early December. Those are when those dips occur quite significantly. The good news is if you remember last year we ended December and November very weak. You can see the dashed line drops off on the very right-hand side of the graph but the solid line ticks up. We did a good job this Christmas of filling the seats out of Manchester so we ended on a very strong note. So far the airlines have loaded everything up through October and that is why you see the big drop in November and December. Don't worry. We don't see Southwest numbers in the schedule quite yet. Right now, the airlines have essentially loaded the same number of seats year over year and that is saying something considering the pause that Spirit is about to enter into here on May 7. That means that a lot of the growth that we were seeing with Avelo and with Breeze and Sun Country is really offsetting the pause in service by Spirit. We expect, if everything holds the same, there will be about another 100,000 seats added in by Southwest when they do get around to loading November and December schedules. That would bring us to about 800,000 total seats for calendar year 2024, which is about 100,000 more than what we had for 2023. That is a really good story to tell and showing that the airlines are starting to bring back capacity and that the new entrants are adding capacity into the market.

Cargo. That is a completely different story. We finished with a record in 2023 and the winter of despair that we were talking about the last time we got together was not as strong as many feared. Consumer confidence seemed to increase in Q4. We are starting to see a little bit of that softening again. The consumer is very fickle right now. Consumer sentiment is up and down and that drives a lot of the cargo that is coming into the airport. We ended the year at 234.4 million pounds. Our previous high was 202 million pounds so we shattered the record. That is mostly driven by Amazon. You can see on the graph the blue line is 2023 driven by Amazon and the gray line is 2022's actual cargo by month. You can see how in November and December, as we talked about last time, we were going to see a lower amount of year over year growth just because the denominator changed in November and December when Amazon started flying. We are seeing that right now. January and February we are about even to where we were last January and February. Back to commercial service. Two new airlines are joining the MHT family. The first one is Breeze. This is an airline that was founded by a serial aviation executive, David Neeleman. He is the gentleman who founded JetBlue and ran JetBlue very successfully up until 2008. If you like the JetBlue product, you are going to

love the Breeze product. There are three types of seats onboard. They break them out into different cabins called Nice, Nicer and Nicest. The Nice seat has about a 30" seat pitch. By comparison, your typical Southwest Airline has about a 32" or 33" seat pitch. So it is a little bit tighter than what you would normally see in a Southwest aircraft in the Nice seats but in the Nicer seats, it is a 33" seat pitch and in the Nicest seats, it is a 39" seat pitch. That is a very healthy amount of space for people. A typical domestic first class is about 38" to 40". It is a really nice product that they have. The really nice thing though is throughout the cabin it is a two-two seating configuration so two seats on each side of the aisle in the Nicest seating but then it is a two-three configuration for the rest of the aircraft. So if you have a family of four, you don't have to play the Dad sits on one side of the aisle and the family sits in the other three seats. You don't have to play that game and worry about anybody sitting in between your family members. You can take two rows of two seats if you have four people and everybody is in their own section of the aircraft by themselves. It is a really nice seating configuration and I think people will really like it. Then the windows. These are the largest windows I have ever seen on an airplane. If you take an 11 x 17 sheet of paper, that is essentially the size of the window. If you are a claustrophobic and you have issues about being in a cabin, this is going to really help you out because you are going to have a serious view. This is where they are heading. Flights start on June 14 to Orlando and Charleston, SC. Right now, Charleston is season but Breeze is very happy with how the market is responding to Charleston. They are saying that we are exhibiting the booking pattern of a market in a second year right now so they are very encouraged by what they are seeing. September 5 they will have Tampa service through something called the Breeze Thru services. What that means is you actually fly from Manchester to Charleston and you sit there and don't have to get off the airplane and if you are going to Tampa it will just be a continuation flight. So it is a stop, but not a change of plane. It is very similar to what Southwest does. If anybody has been on a Southwest thru flight, you land at Baltimore and they say hey if you are on this flight heading to Nashville you can stay here. That is kind of what Breeze does. They just make fun of their name and use the brand Breeze and call it the Breeze Thru because you are just breezing through Charleston. It is an hour stop essentially in Charleston. The Charleston airport is a beautiful airport. It comes into Terminal A at Charleston and it is a seven gate terminal so even if you get off the airplane, you are not going to get lost. It isn't like you are in Charlotte or Dallas or any major large airport. On October 2, they will bring back Fort Meyers seasonal. Right now, they are thinking that is going to run from October through April. They are all on sale right now at Flybreeze.com and I encourage everybody to go and check them out. It is a really simple booking process but I will walk you through it. This is a picture of what the onboard cabin looks like. You have the nice seats with the yellow trim and the nicer seats with the red trim and the nicest seats with the blue trim. Each seat has in-seat power USB-C as well as 120-volt so you can bring all your electronic devices and you don't have to worry about running out of power. They also have a cool little thing that allows you to bring your own seat back entertainment. JetBlue does have the in-seat TV's which most airlines are getting away from because they are a) extremely heavy, and b) they are extremely costly and why would they do that when you can bring your own device. What they do is they have created this little ledge that comes down as you can see in the picture. It can hold your tablet there at eye level or your cellphone if that is what your desire is. What comes with the ticket may surprise you. Breeze is an ultra-low cost airline but they have what I like to say rebundled their unbundled fares. If you purchase just the nice ticket, which

you can, it is standard selection with no change or cancel fees and you have reusable credit and you get one personal item with that ticket price. If you get in the nicer cabin, you get a carry-on bag, a checked bag and free high speed internet. If you get the nicest seats, you get two checked bags as well as a carry-on per person. So if you have a family of four and you all buy the nicest seats, you have eight checked bags, four carry-on bags and four personal items. I don't know if you need 16 bags to go to Charleston. You don't have to buy that. You can do it ala carte as well so you can have one person that buys the nicest seats and everybody else can do things kind of on an ala carte basis and that could help lower the cost. The second new airline is Sun Country Airlines. They will begin operations in September. They are deeming this what they call their power pattern. What this is going to be is an inbound commercial flight from Minneapolis-St. Paul to Manchester. The aircraft will sleep at the airport overnight and the following day it is going to go out on NCAA charter trips. They usually carry football teams, lacrosse teams, soccer teams or whatever it may be. Then they will play their game wherever they are playing, come back on Saturday night, the aircraft will sleep again and then go back out as a commercial flight on Sunday taking back people from Minneapolis who may be coming over to NH or taking Manchester and bringing folks to Minneapolis. This is a very similar service that they initiated in Salt Lake City last year. Their planners are very confident that we can get this up to three or four times a week in the summer of 2025, of course, with the caveat that the community supports it. The interesting thing about Minneapolis and Sun Country is that a majority of their passengers come from Minnesota. They carry a lot of Minnesotans in, particularly in New England and the markets they serve in New England. About 65% of the people are Minnesotans who are coming in to visit either Portland, Burlington, Boston, Hartford or Providence or the surrounding areas so we expect a similar trend and that is good for our hotels and restaurants and main streets because people who are coming in from distance domestic markets like we call them generally stay longer, and are less likely to cancel because they already have something invested and bought the airline ticket. They also generally spend more and stay longer and travel in larger groups. These are the places you can get to on Sun Country out of Minneapolis. It is not a small airline. Our flights are not necessarily connecting to all of these cities. I think as they add more capacity in we will see the ability to maybe connect over Minneapolis to say Vegas or Los Angeles. The terminal you use in Minneapolis is a terminal that will remind people a lot of Manchester. It is not the big Delta hub. It is a secondary terminal that has 14 gates and is linear in design. It is a very intuitive terminal so people are going to find it very easy to connect into and out of Minneapolis. The aircraft they are flying? People say are these all small airplanes. No these are 737 800's just like what Southwest flies and Avelo is flying but 186 seats. You can see the leg room is not the same as Spirit for most of the aircraft. The exit rows have 32" leg room and their first class in the first five rows are 34" of leg room, which is a good amount. You will feel very comfortable. Our newest destination on Avelo is Greenville-Spartanburg starting May 10. Bookings have been pretty good so far. Raleigh has gone fantastic. They have also increased the service to Raleigh from two times a week to four times a week. They are starting Greenville at twice a week. We used cellphone based analytics to determine that there are about 500 passengers per week going between the Manchester and Boston region and Greenville-Spartanburg. There is no direct Boston to Greenville out unlike what Avelo saw in Raleigh. There was plenty of Boston to Raleigh competition on that route but they were able to carve out their own niche and I think it is going to be a lot easier for them to do the same thing in Greenville.

What is Greenville? That is Greenville. It could be Manchester in a lot of ways. I think a lot of people will find a lot of things that are interesting and similar. It is a great food destination. They have something going on downtown every single day. They have taken their equivalent to Elm Street and turned it into a pedestrian area where they have food trucks and live music stages that are there practically every night. Some airport strategic initiatives that we have going on. Just to bring a little bit of awareness to the committee, we are wrapping up a study about electrification of the airport. What that is is looking at all the various electric modes of transportation that are coming into airports. It is not just EV's. We are looking at the electrical vertical take-off and landing of aircraft as well as even some electric turbo prop aircraft that are in development. WE are working with Eversource to determine if we have enough capacity and kilowatts flowing to the airport to support all of this demand. We are wrapping up our Airport Carbon Level 1 Accreditation Plan. What this is is just a quantification of our carbon footprint and if we choose to we can do additional levels of accreditation that will map out ways that we can start offsetting our carbon footprint but right now we just want to get that Level 1 certification. Another one we are working on is the airport brand audit. We changed our agency of record and brought in a new agency. They are initiating a brand audit to see what our brand position is, brand recall, brand value and if there needs to be a redo of the airport branding. The last one is what I like to say is a new way for people to book in Manchester. You can go to our Fly Manchester website and we now have the ability for you to use our website as a booking engine. Before, the airport website was just a repository of information but on this one you can actually type in a destination. It is powered by Kayak. Search one and done. You will find the lowest fare and it will also give you ideas for the Deal of the Day. You can look at the top destinations and lowest fares. It gives you package deals. The good thing about this is once you find the fare you like, it takes you back to the airline website so you can purchase your ticket from the airline and not from an aggregator like Orbitz or Travelocity. So you are doing business with the airline and if you have to change your plans the airline will recognize you as a customer that did business with them whereas if you have to change your plans with Orbitz or Travelocity they are going to say you didn't buy from me, you bought from a travel agent. It is a really neat tool and a way to help build awareness and hopefully convert people from not even thinking about Manchester to finding these destinations and booking off our website. We don't any kickback or any revenue off of this. What we get is awareness and people choosing the airport which allows us to get more air service. The other thing we are doing is we started our customer relationship management database so for anybody who wants to sign up for a newsletter, airport savings, air service announcements, savings if we are running a parking special, you can scan the QR code and sign up for it. It is something called MHT Horizons. It will come from the Horizons email and that is just another way for us to identify our customers and have a conversation with them as we go forward. That is all I have.

Alderman Terrio asked so you are predicting that the Manchester airport will have more passengers this year than in previous years.

Mr. Kitchens answered it depends on how many seats Southwest puts into November and December but if it is about 100,000 seats like we think it should be, then yes we should have slightly more than last year.

Alderman Terrio asked I assume that you are looking at the national market also. How does that compare to us? Are our airline flights picking up or staying flat or decreasing?

Mr. Kitchens responded that is a great question. It is a little bit different based on different regions. The northeast region has been slow to get back to pre-pandemic. Even Boston is not back to pre-pandemic levels right now. Some are a little bit closer than where we are right now. I believe that the market is starting to change in our favor as you can see with the two new airlines that we announced in two weeks. There is a lot of interest and this is a result of a lot of hard work by the team to generate that interest and close on those deals. I believe the market is changing and both Avelo and Breeze are high growth potential airlines for us.

Alderman Terrio stated I just want to confirm that the airport is self-insured so if somebody is issued over there, you pay out of your own funds.

Mr. Kitchens replied I believe so.

Alderman Burkush stated on a different note, later on in the meeting we are going to consider a grant for a new radio system for the Fire Department due to an earmark that came through Congress. I am familiar that you use the Manchester radio system quite a bit and would assume that the airport would be supportive of that grant.

Mr. Kitchens replied sure. Anything that helps our inner operability and communications between departments and response to mass casualty events than yes I would be in support of that.

Alderman Burkush stated for the other aldermen, this is part of an extensive mutual aid response to the airport. All Manchester departments work very closely with the airport.

Mr. Kitchens stated I don't know the full specifics of all of the funding so I will stay out of that but if it helps us at minimal cost, then absolutely.

Chairman E. Sapienza stated you mentioned some of the destinations which are far reaching. Are those one way or what is the deal? Are those one-way like from South America?

Mr. Kitchens answered those are all roundtrip.

Chairman E. Sapienza asked is there a verification system for people who land in Manchester. Is there an identification verification?

Mr. Kitchens replied if you are on a commercial flight, you will go through Customs. Say you are coming back from South America to Manchester. You are probably connecting in Charlotte on American or Newark on United and you will go through federal customs at that location. They will do the verification that you are a U.S. citizen.

Chairman E. Sapienza asked we don't do that here in Manchester.

Mr. Kitchens answered no we don't.

*There being no further business, on motion of **Alderman Terrio**, duly seconded by **Alderman Vincent**, it was voted to adjourn.*

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Normand". The signature is fluid and cursive, with a long horizontal stroke at the end.

City Clerk