



THE FACTS ABOUT AIR SERVICE

QUESTIONS, ANSWERS, AND OTHER INFORMATION

We receive a number of questions and feedback related to all aspects of airline service. The airline/airport industry is an extraordinarily complex environment and is affected by so many continually changing variables. The following information is available to answer the most frequent questions such as what the Airport can and cannot control. The information gives insight on what the Airport staff and other community stakeholders are doing to navigate the challenges present in today's ever changing air service environment to ensure the community has the best possible commercial air service possible with what the Airport has to work with to encourage air service development.

Airfares – Who Has Control Over the Cost of Airline Tickets?

A common misconception is the local Airport has control over the price of airline tickets. The reality is the local **Airport has no control** over the amount charged for airline tickets. The airfares are set by the airlines themselves and in many cases are even established by computer-based algorithms considering a number of variables. Tickets on flights are priced in groups, and each group of seats is priced higher as the plane fills up. The following article helps explain how ticket prices are created by the airlines:

<https://www.msn.com/en-us/travel/news/how-airline-ticket-pricing-works/AA11KUdk?ocid=msedgdhp&pc=U531&cvid=ccdec24912a340fc9750d4e64eb3a111>

The following video also helps explain how airlines price tickets, which doesn't involve any control by the local "Airport":

<https://www.youtube.com/watch?v=72hI-E7KA0>

Is There Anything the Airport Can do to Encourage the Airlines to Lower the Cost of Tickets?

The Airport has no direct control over the cost of airline tickets as the airlines set the fare levels themselves. However, indirectly, an airport can help keep ticket prices less inflated as a result of airport use fees charged to the airlines. We can assure you in the Airport's case, the fees charged to the airlines are some of the lowest in Montana and the lowest in the nation when compared to other airports. How does the Airport accomplish that? We maintain very low costs for the airlines to use the Airport by continually finding other nontraditional ways to generate revenue such as non-aviation-based land leases and business opportunities.

Recent Article Showing Examples of Other Communities Struggling for Air Service

<https://www.msn.com/en-us/travel/news/airlines-are-terrible-small-cities-are-still-paying-them-millions-of-dollars-to-stick-around/AA16r1GU?ocid=msedgdhp&pc=U531&cvid=3c30ca6dc6ad4255b596128064e0574c>



AIR SERVICE FACTS

There is a Myth That Prices in Billings Are Affected by the Recent Terminal Expansion. Is This True?



The Terminal expansion that is ongoing at BIL has no direct impact on the fees charged to the airlines and the project costs do not affect ticket prices. The Airport funded the Terminal expansion with a variety of funding sources. The FAA Airport Improvement Program (AIP) funded a portion of the project. The AIP funds are generated nationwide through a Federally collected fee levied to airline tickets, aviation fuel sales, and air cargo transactions. These funds are not BIL specific, but are collected nationwide and distributed back to each airport for eligible projects. The Passenger Facility Charge program, another FAA program, funded a portion of the project. While this project is funded through a \$4.50 per passenger fee, this

had no impact on the rates the airlines charge. The remainder of the cost was covered by Airport revenue from funds generated by the various sources the Airport has developed – many of which are non-aviation related.

Does the Cost of Operating the Airport or Providing Air Service Affect Local Taxes?

The entire Airport operation is operated as an enterprise fund and **no Local, City, County, or State taxes** fund the daily operations of the Airport facility. Operating a commercial service airport facility is very expensive and the Airport does so by operating much like a business where user fees and other Airport revenue sources fund the ongoing operation.

When Will BIL See a Return of the Flights Previously Served by the Airlines?

The Airport continues every effort possible to convince airlines to re-instate flights; however, much of that is not within the control of the Airport itself, but rather a product of the pilot shortage and other challenges within the airline industry. Even so, the Airport is considering an FAA approved fee waiver incentive package that essentially waives two years of paying any Airport use fees if an airline reinstates a flight. While airlines have expressed their appreciation of such offers, they may still be unable to provide the resources to add flights back just yet. Here is an article that provides some information on the challenges airlines are facing:



https://aviationweek.com/air-transport/airlines-lessors/delta-air-lines-pace-restore-2019-capacity-2024?fbclid=IwAR3q4lgvdppKngaYCXab-rH2xykRn8NRNFxB1mKCWcvajd5O_ElfALMciU



NATIONWIDE AIR SERVICE TRENDS

What is Causing Less Flights Nationwide?

The airline industry is facing some extreme challenges. Those challenges include a pilot and labor shortage and has affected each airline's ability to operate the same number of aircraft compared to a few years ago.

Here is an article that outlines the cuts so far in 2022 from three of the major airlines:

https://www.msn.com/en-us/travel/news/american-delta-and-united-have-collectively-dropped-59-airports-since-the-pandemic-see-the-full-list/article_AA11FMMx?ocid=msedgdhp&pc=U531&cvid=f9771dc59cd74d9cbb5ec3e3a4e5f4d9

Even the low cost airlines are experiencing the same challenges:

https://bismarcktribune.com/news/local/frontier-airlines-ending-bismarck-service-to-denver/article_d1034d84-470f-11ed-9ebc-132a7c03c952.html

United Airlines cut 29 routes earlier this year, but most recently also cut 12 additional routes from large communities:

<https://thepointsguy.com/news/united-cuts-routes-drop-cities/>

Pilot issue video/article:

<https://www.nowsy.com/stories/why-hasn-t-u-s-solved-the-pilot-shortage/>

Article about American Airlines sign on bonus program to recruit additional pilots:

https://www.msn.com/en-us/travel/news/3-american-airlines-regional-providers-are-offering-100-000-bonuses-to-new-pilots/article_AA14aZ4Q?ocid=msedgdhp&pc=U531&cvid=68a776a394fa41fa80228086c734942b

Additionally, high fuel costs are also affecting smaller communities from getting additional service, especially those relying on 50-seat jets. A 50-seat jet is no longer cost effective under the current environment and many airlines are phasing them out of service and will continue to do so. American, Delta, and United all have parked over 100 of their 50-seat jets to date. Using 76-seat and larger aircraft better distributes overhead costs, while still utilizing the same number of crew.

Article about reduced 50-seat jet use affecting smaller communities:

<https://simpleflying.com/usa-1300-50-seat-regional-jet-flights-today/>

By clicking the link below you can watch an informational video presented by Mike Boyd of Boyd Group International, which discusses the shifting trends and economics of the 50-seat regional jet fleet to larger aircraft.

<https://rumble.com/v1haovd-rural-air-service-to-continue-to-shrink-with-small-airliner-retirements.html>



AIRPORT FACILITY INFORMATION

Why Did the Airport Expand the Terminal if Airlines Are Facing Challenges Growing Service in the United States?

It was necessary to expand the Terminal Building to accommodate the future airline fleet transition and to ensure that we continue to support the changing aircraft fleet mix, and also have capacity for BIL; as the community is growing and the State is gaining more residents and visitors each year, which we believe will lead to more flights eventually. Prior to the expansion, we had seating limitations in the gate areas.

The expansion now allows for seating to be expanded for passengers if needed. Additionally, the Terminal was limited to handling only five aircraft simultaneously off jet bridges and the rest had to be ground boarded. The expansion will provide us with eight jet bridges and more gates can easily be added on to both concourses as needed. The new jet bridges also have the flexibility to accommodate everything from a 50-seat CRJ to a 767 or A320.



The trend from the major airlines is to transition from 50-seat jets to 76-seat and larger aircraft as time goes on. Even in Billings, there are trends to ultimately consider larger aircraft due to the transition from smaller more frequent flights to larger aircraft. The Airport expansion also includes a ground boarding gate to accommodate any smaller commuter aircraft that is utilizing the gate now and may still exist in the fleet into the future, particularly serving essential air service (EAS) markets in State. Additionally, the previous Terminal area lacked space for the expansion of other amenities, such as food and beverage service and retail space.

