La Crosse Regional AIRPORT

Low Stress Experience

AVIATION BOARD BACKGROUND LETTER

Aviation Board Meeting Date: March 17, 2025

To: Chair Dickinson and Aviation Board Members

Cc: Mitch Reynolds, Mayor

From: Jeff Tripp, Airport Director

Subject: Airport Minimum Revenue Guarantee Update

Summary:

Minimum Revenue Guarantees (MRGs) are a common tool used by airports to attract airlines, especially when trying to initiate new routes or increase service frequency. MRGs essentially provide a financial safety net for airlines by guaranteeing a certain level of revenue, regardless of the actual performance of the route. Here are some ways airports use MRGs to attract airlines:

1. **Route Development Incentives:** Airports may offer MRGs as part of broader route development incentives to encourage airlines to start new routes or expand existing ones. By guaranteeing a minimum level of revenue, airports can mitigate some of the financial risks associated with launching new routes, especially those that are untested or in markets with uncertain demand.

2. **Revenue Guarantees for New Markets:** When an airport identifies a new market or destination that it wants to serve, it may offer an MRG to an airline to incentivize them to be the first to launch service on that route. This can help stimulate demand and establish the viability of the new route.

3. **Service Frequency Increases:** Airports seeking to increase service frequency on existing routes may offer MRGs to airlines as an incentive to add more flights. This can be particularly beneficial for airports looking to attract additional business and leisure travelers by offering more convenient flight options.

4. **Seasonal Service:** In markets where demand fluctuates seasonally, airports may use MRGs to encourage airlines to operate seasonal routes during periods of lower demand. By guaranteeing a minimum level of revenue, airports can help offset some of the risks associated with operating flights in seasonal markets.

Overall, MRGs can be a valuable tool for airports seeking to attract airlines and stimulate air service development by providing financial incentives and mitigating some of the risks associated with launching new routes or increasing service frequency.

2850 Airport Road, La Crosse, WI 54603 • **Phone:** 608-789-7464 • **Fax:** 608-789-7469 • lseairport.com

The LSE Air Service Working Group has established a target goal of $1,500,000 to support air service development. The money for the $1.5 million MRG comes from three sources:

- Applying for a Small Community Air Service Development (SCASD) Grant through the US Department of Transportation of $750,000, if awarded.
- Public Sector contributions. La Crosse County has authorized up to $250,000; the Airport is presenting a request to La Crosse Common Council for up to $250,000 on March 13, 2024.
- Private Sector contributions. The Airport will be working to secure up to $250,000 in public & private sector funding.

After every month of operations, if ticket revenue does not meet or exceed the pre-negotiated level, the MRG fund would compensate for the shortfall amount. This only happens during the two-year start-up period. Only a portion of the local funds is used during the initial drawdown of the MRG funds.

A ratio that includes primarily grant money and only a part of the local fund is used first, protecting most of the local fund. The risk of using the MRG funds exists, but we anticipate, and hope participants will get most, if not all, of their MRG contributions back after two years of service.

In addition, with participant approval, the Airport could use those funds to try and secure another airline – likely a seasonal route.

Requested Aviation Board Action:

None – Informational Update Only

Respectfully Submitted,

Jeffrey S. Tripp

Jeffrey S. Tripp, A.A.E.
Airport Director