



July 25, 2008

To: Interested Citizens of Snohomish County

We would like to address inaccuracies about Allegiant Air reportedly^{(1) (2)} distributed in a recent Microsoft Word attachment (pdf copy appended) in an email by Mr. Ron Dotzauer⁽³⁾, a political consultant whose firm, Strategies 360⁽⁴⁾, reportedly recently signed a \$97,000 contract with the city of Mukiteo⁽⁵⁾.

The email in question claims that:

“Time and again, Allegiant Airlines [sic] deserts small communities after short notice and short stays.”

As support for the above proposition, the email offers eight quotes from newspapers around the country, which mention a total of ten small cities, saying:

“The following are just a sample of newspaper articles from around the United States regarding Allegiant Airline’s [sic] shabby treatment of communities they made promises to:”

The cities mentioned in the newspaper quotes include:

Columbia, SC
Champaign, IL
Abilene, TX
Greenville/Spartanburg, SC
Kinston, NC
Gulfport, MS (not mentioned by name, but referred to as “Mississippi Coast”)
Greensboro, NC (referred to as “Piedmont Triad Airport”)
Green Bay, WI
Ft Wayne, IN
Stockton, CA

Allegiant Air has a business plan focused on providing low-cost nonstop service to large leisure destinations from small cities that have never before had such nonstop service.

While this business plan has generally worked (Allegiant Air recently announced its 22nd consecutive quarter of profits in the second quarter of 2008, one of very few airlines to report profits) not every route that Allegiant starts is successful. This comes with pursuing an innovative and unique business model – not everything is guaranteed, especially in an environment with unprecedentedly high fuel prices. We do, however, only enter those markets we sincerely believe have a good chance of success – because entering markets is costly.

However, the email is wrong in material respects.

Of the ten communities referred to in the quotes, Allegiant has, in fact, only unilaterally withdrawn from four of them, as follows:

Columbia, SC
Champaign, IL
Abilene, TX
Kinston, NC

In the case of a fifth city, Green Bay, WI, Allegiant recently announced it is moving its service to a neighboring community, Appleton, after the Green Bay airport changed the cost structure it originally offered Allegiant Air.

Allegiant is still present in all of the other five cities above, though not all the routes from those communities have worked. So, for example, the route from Greenville/Spartanburg to Las Vegas was not successful, but Allegiant continues to successfully offer nonstop, low-cost air travel from Greenville/Spartanburg to three cities in Florida, service Greenville/Spartanburg would otherwise not have.

Other inaccurate material

Further, the newspaper quotes offered in the email are wrong or misleading in other respects. Allegiant is said to have left Kinston, NC after only four months of operation. That is incorrect. Allegiant flew from Kinston, NC to Orlando from November, 2006 thru March, 2008 (with a seasonal hiatus in September 2007, which is normal on many Allegiant Florida routes, as there is little leisure demand to Florida in/around September). We then moved our service to nearby Wilmington, NC, where it has proved more successful.

Another quote implies Allegiant left Piedmont Triad Airport in Greensboro, NC. Allegiant did announce it was leaving Greensboro, after Greensboro subsidized a competitor. After that competitor (Skybus) failed, we reversed our decision to leave Greensboro and we remain there today.

Allegiant is further reported to have received public subsidy at Abilene. In fact, unlike almost all other airlines, Allegiant does not request or accept so-called “revenue guarantees” from communities (in fact, Allegiant has numerous times declined the offer of substantial public subsidy to keep the airline on a failing route – we do not believe it is the taxpayer’s place to ensure our success).

All Allegiant asks is that airports charge us fees that reflect the costs we impose and the benefit we bring to the airport. Allegiant is content to take the revenue risk itself, we do not expect (or allow) a community to guarantee our revenues.

It is not unusual, however, for some airports to waive landing or other fees for a brief period and/or provide cooperative initial marketing funds. Allegiant’s decision to provide service at an airport does not depend on these things, but Allegiant will accept such assistance when offered.

We would also like to respond to the characterization of Allegiant’s treatment of airports it has left as “shabby”. We would be interested to know if the author of the email has discussed Allegiant with those airports. We deal with our airport partners in a fair and above-board way. Every commercial relationship has its disappointments, and no one is more disappointed than Allegiant that not all of its cities have worked. But we have at all times endeavored to treat our partner airports and communities with care and respect.

Careful, respectful and fact-based

Allegiant understands some Snohomish County residents do not support commercial air service, however limited, at Paine Field and although we are obviously on the other side of the issue, we respect such views as sincerely held.

However, we also believe this discussion is most productive when it is careful, respectful and fact-based. For this reason, Allegiant Air has largely avoided public comment on the issue of our proposed service at Paine Field outside of our original letter of intent to the airport, which we believe still captures most of what we wish to say on the matter (copy attached).

Unfortunately, the email to Snohomish residents, apparently from Mr. Ron Dotzauer of Strategies 360, presumably on behalf of the city of Mukiteo, is neither careful nor respectful and is wrong on a material number of facts.

Thank you for the opportunity to respond.

Best regards,

Robert Ashcroft
VP Planning
Allegiant Air
702 430 3275

- (1) <http://www.heraldnet.com/article/20080723/BLOG13/384572821#Paine.Field.fight.soars.with.new.e-mail>
- (2) <http://www.heraldnet.com/article/20080723/BLOG13/805378788/0/NEWS01>
- (3) <http://www.strategies360.com/ron.html>
- (4) <http://www.strategies360.com/>
- (5) <http://heraldnet.com/article/20080718/NEWS01/753763792/-1/news01>

Attachments:

Dotzauer/Strategies 360 material (from (2) above)
Allegiant Air letter to Paine Field of May 12

Who is trying to use Paine Field for commercial purposes? Is this someone we want Snohomish County to do business with?



Don't let Allegiant Airlines exploit Everett and South Snohomish County the way they do other communities!

Allegiant Airlines wants to use Paine Field for commercial airline purposes. Time and again, Allegiant Airlines deserts small communities after short notice and short stays.

The following are just a sample of newspaper articles from around the United States regarding Allegiant Airline's shabby treatment of communities they made promises to:

- **After only one month of operations** Allegiant dropped a Columbia, South Carolina to Tampa flight. *Business & Financial News* -- January 17, 2007
- "Allegiant cuts Champaign, Vegas flights." The airline blamed high fuel costs for stopping the twice weekly flights **that started just a few months ago**. *The Pantagraph* (Bloomington, Illinois) November 18, 2007
- **Allegiant Air dropped Las Vegas service from Abilene despite public subsidy and less than seven months of service** – blames high fuel costs - *Abilene Reporter News*, December 30, 2006.
- "**Allegiant to scrap GSP to Las Vegas flights**" Service halted after less than a year - *The Greenville News*, September 18, 2007
- "**Flying the coop**: Allegiant Air Flying out of Kinston." When Allegiant announced it was coming to Kinston it had another carrier – Delta - that soon departed because of competition. **Allegiant left after four months of operation**. *Leaving the airport with no carrier*. - *The Free Press*, February 15, 2008
- "Airline drops Vegas flight from Mississippi coast." **Flights ended after less than one year** – high fuel costs. – Associated Press, November 13, 2008
- Allegiant Air pulls out of Piedmont Triad Airport **after serving the area for one year**. Fuel costs given as the reason - *Winston Salem Journal*, March 29, 2008

- **After a short run** Allegiant announces suspension of service between Mesa, Arizona and Green Bay, Wisconsin and suspension of Mesa-bound flights from Fort Wayne, Indiana and Stockton, California -- blaming fuel costs. Reported June 17, 2008

Contact your elected leaders and tell them we don't want Allegiant Airlines – they are not a good neighbor and Allegiant is not right for our community.

Senator Maria Cantwell
425-303-0114
maria_cantwell@cantwell.senate.gov

Senator Patty Murray
425-259-6515
patty@murray.senate.gov

Congressman Jay Inslee
206-361-0233
Jay.inslee@mail.house.gov

Congressman Rick Larsen
425-252-3188
Rick.larsen@mail.house.gov

County Executive Aaron Reardon
425-388-3879
Nancy.peinecke@snoco.org

**No Commercial Airlines at Paine Field!
No to Allegiant Airlines!**

May 12, 2008

David Waggoner, Airport Director
Snohomish County Airport Paine Field
3220 100th St SW
Everett, WA 98204

Re: Allegiant Air Expresses Interest in Paine Field (PAE) Commercial Service

Dear Mr. Waggoner –

Allegiant Air considers Paine Field (PAE) in Snohomish County an excellent candidate for service. Our current analysis indicates the demographics of the PAE catchment area, in combination with ground transportation challenges in the Seattle area, mean that service from Paine Field holds significant promise. If Paine Field or another responsible party is authorized to negotiate for commercial service at PAE, Allegiant Air will engage in such negotiations.

Allegiant Air recently completed its 21st consecutive quarter of profitably offering low-frequency, scheduled, nonstop, full-size jet service from smaller U.S. cities to vacation destinations. Our major leisure destinations currently comprise Las Vegas, Orlando, St. Petersburg, Phoenix and Ft. Lauderdale. In December, 2006, we became a publicly-traded company after a successful initial public offering and our stock now trades on the NASDAQ under the symbol ALGT. We currently operate a fleet of 37 130/150-seat Boeing MD-80 series jet aircraft (with six more such aircraft purchased to be added to the fleet). We typically serve our routes with less than daily service, oftentimes as little as two frequencies per week. More information about us may be found at www.allegiantair.com.

Our analysis shows PAE-area demographics to be attractive, especially in light of transportation problems getting from the area north of Seattle to the existing airport at SeaTac. We view potential low-frequency Allegiant Air flights at PAE as consistent with our successful service to other little-served airports, including Ft. Collins/Loveland, CO and Plattsburgh, NY.

The main obstacle to Allegiant Air service from Paine Field is the lack of a useable passenger terminal, although our understanding is that with the recent move of the FBO from Paine Field's former passenger terminal, this facility may once again become available. Our experience at other airports, such as Ft. Collins/Loveland, CO, shows that perfectly serviceable passenger terminals can be quickly created or expanded through the use of inexpensive modular structures such as double-wide or triple-wide trailers. We believe that similar passenger terminal space could be quickly constructed/expanded at PAE for modest expense. Another example of where modular buildings have been used to quickly create needed passenger space includes the nearby airport at Bellingham, WA.

Allegiant Air would be initially interested in offering service from PAE to Las Vegas, NV, but would potentially be interested in serving other west coast destinations. For instance, Allegiant Air will serve six destinations from Bellingham this summer, including Las Vegas, Reno, NV, Palm Springs, CA, Phoenix, AZ, San Diego, CA and San Francisco, CA. However, we should note that in our view, the strategic situation for Allegiant at Bellingham is significantly different from that at PAE, so our service at Bellingham should not necessarily be viewed as a model for how we might develop service at PAE.

This letter does not constitute a commitment by Allegiant Air to serve PAE. Such service could only come after successful negotiation with Paine Field (or other responsible party) over terms and conditions under which a suitable terminal would be provided for Allegiant Air's use at Paine Field. Further, any potential service by Allegiant Air at PAE would depend on many factors outside the control of either Allegiant Air or PAE, such as the price of jet fuel (which is of deep concern in an environment where the price of oil is well above \$100 per barrel) and the state of the economy. Further, Allegiant Air would need to successfully complete negotiations with third parties for such services as re-fueling and, potentially, ground-handling at acceptable economic terms.

However, as matters stand, Allegiant Air is interested in entering into negotiations with any party duly authorized to negotiate for commercial air service at Paine Field.

Thank you for your attention.

Best regards,

Robert Ashcroft
Vice President, Planning
(702)430-3275