Resort economies rely mightily on regional airports, but funding for air service proves elusive

Resort community airline guarantee programs supported with donations or taxes

A jet comes in for a landing at the nearby Aspen/Pitkin County Airport as it flies over the Red Bull Double Pipe during practice at Buttermilk ski area Friday morning, March 21, 2014.

By JASON BLEVINS | jblevins@dcnvrpost.com
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Colorado’s resort communities rely heavily on area airports to support their tourism-based economies, but funding flights that bring tourists to town remains a challenge.
Durango voters this month overwhelmingly rejected a plan to raise property taxes to fund a new $40 million terminal at the overcapacity local airport, revealing the difficulty of funding consistent air service into Colorado’s rural regions.

“The vote lost because it was a property tax increase and people didn’t want that for anything related to transportation,” said Roger Zalneraitis of the La Plata County Economic Development Alliance, which campaigned for the tax increase on a study showing the Durango-La Plata County Airport supports 2,400 jobs and spurs $161 million in annual economic impact. “If there had been a way for only tourists to pay — say a lodge’s tax — this would have passed very easily.”

Sales taxes in the municipalities around Telluride, Crested Butte and Steamboat Springs support air service into Montrose, Gunnison and Hayden airports, guaranteeing minimum revenue for flights from key markets. But that money is only one component of programs that keep a steady flow of big-spending visitors rolling into Colorado’s resort communities.

It used to be the resorts — with their sophisticated marketing and deep pockets — that led the fundraising on flight-service guarantees that bring skiers from afar directly to the mountains. Now, it takes a village, and airline programs are luring visitors to Colorado’s resort regions year round.

“Funding strategies really depend on the culture and needs of the community,” said Kent Myers, whose AirPlanners consulting firm has worked with Colorado resort communities on airline programs for decades. “Each of these communities have their own challenges.”

The model forged decades ago in Colorado’s resort communities is spilling beyond tourist-dependent economies, Myers said. Even some cities where airline consolidation has dehubbed airports now have funding mechanisms to support air service, Myers said.

“It’s become a model used in numerous other communities beyond the ski business,” he said.

In recent years, Telluride has emerged as one of the most air-accessible resorts in Colorado, thanks to from local lodging and restaurant taxes that fund an airline guarantee program.
Telluride’s tourism promoters used to solicit local businesses to help fund airline guarantees. The airlines didn’t like that reliance on donations, said Matt Skinner, CEO of Colorado Flights Alliance, a public-private partnership of local governments and businesses that since 2004 has sent more than 1 million air seats into airports in Montrose and Telluride, delivering an economic impact estimated at $850 million.

“Sustained funding is a big card when dealing with major air service,” Skinner said. “It gives our partners — the airlines — certainty and infinitely improves your position at the table.”

The guarantees typically cover about 25 percent of an airline’s operating cost. Newer flights cost resort communities more, but those costs decline as the flight becomes more established. Skinner’s team has increased the number of seats arriving into Montrose and Telluride by 36 percent since 2012, establishing consistent flights from Dallas, Houston, Phoenix, Chicago, New York, Los Angeles and San Francisco. Airlines, seeing that demand, are increasing the number of flights into Montrose and are using larger jets. All that traffic ends up reducing the Telluride community’s guarantee payments, which frees up cash to go out and land new flights, like United’s flight from Denver to Telluride and the ultra-low-cost carrier Allegiant’s flight from Denver to Montrose.

“All these flights allow us to smooth out the bumps and continue to grow, and now we are in position to really hit the gas,” said Skinner, noting that Telluride and Mountain Village’s growing sales tax revenues are delivering more money for airline traffic.

And everyone — from businesses in the obviously tourist-reliant Telluride to those in less touristy Montrose — acknowledging the value of those air travelers, Skinner said.

Still, Montrose leaders recently asked Skinner to start including Montrose in tourism marketing, hoping to grow the number of Telluride visitors who might stay in the city’s hotels. An upcoming study will measure the economic impact of the airport, not just from visitors but Telluride residents whose income comes depend on those airborne tourists.
“The discussion now really revolves around how to spread the share and increase everyone’s benefit from the tourism traffic,” Skinner said. “These economies are massively more interconnected than what people have historically realized.”

Businesses and governments in Aspen and Snowmass Village do not have to pay for a guarantee. With high demand and high fares into Aspen-Pitkin County Airport, airlines don’t need incentives to push planes to the Roaring Fork Valley.

The three airlines offering nonstop flights from nine major U.S. cities are increasing service this year, making Aspen the model for other resort regions, where the goal of flight programs is to eliminate the need for incentives and guarantees.

“We’ve had four consecutive years of growth with new service and new cities,” said Bill Tomcich, the president of the Stay Aspen Snowmass central reservation system that books vacations in the valley. “Even though we have a lot of capacity from three major airlines, it still only satisfies half of the demand. Half our winter visitors fly into other airports.”

Crested Butte Mountain Resort pioneer Ralph Outlaw Walton in the mid-1980s forged the ski industry’s first airline guarantee program, promising cash for empty seats that landed at Gunnison/Crested Butte Regional Airport.

A regional transportation authority in the Gunnison Valley now uses a valleywide 1 percent sales tax to support transportation, generating about $3.5 million a year for flight subsidies. As it has since the first iteration of the valley’s airline sales tax in the early 2000s, the ski area does the heavy lifting, managing contracts with Alaska, United and American airlines bringing tourists from Chicago, Dallas, Houston and Los Angeles. A few years ago, Crested Butte joined with Telluride to lure guests through the airport in Montrose. That partnership — once championed as a regional approach to the airline funding challenge — faded as Crested Butte saw less than 1 percent of its airborne ski vacationers arrive through Montrose, a two-hour drive away. Closer to half arrive through Gunnison.

“Gunnison is our sole focus,” Crested Butte Mountain Resort spokeswoman Erica Mueller said. “Financially, it doesn’t make much sense to be focusing on Montrose.”
After enduring a 45 percent decline in air passengers between 2008 and 2013, the Gunnison County tourism community — led by the resort — campaigned for a sales-tax increase to bolster the valley’s airline program. Voters approved the tax increase last fall.

“The importance of the airport is definitely more community known,” Mueller said. “There’s an understanding that we are very reliant on this little airport and the few flights we have coming in are very important to everyone here.”

Steamboat Springs voters in 2011 approved a sales tax to support commercial airline service into the nearby Yampa Valley Regional Airport. That funding ends at the end of this year, but the flight program has $7 million in reserves because robust traffic has decreased payments to the airlines. The program’s 2016-17 budget includes a promise to pay airlines almost $6 million if flights are empty. The previous season’s budget backed flights into the valley with an almost $5 million guarantee but the local community — including municipalities and the local marketing district — only had to pay $2 million, with the Steamboat ski area kicking in $1 million. The roughly $1 million the ski area spends on the airline program doesn’t include its intensive marketing in places like San Diego, where two direct flights into Steamboat begin this season.

“Because of the success of the program — not paying out our maximum exposure for the last several years — we all felt collectively we could continue without the sales tax collection piece,” said Rob Pfromm, the president of the Steamboat ski area, which this year supports the most direct flights — 12 — into the valley in the history of the 30-year-old airline subsidy program. “Now, if we need to go back for additional funding, the community will recognize we will only be knocking when we need it.”

The EGE Air Alliance that supports flights into the Eagle County Regional Airport is made up of about 80 businesses that pool close to $500,000 a year to guarantee tourists who want to fly into the Eagle Valley — home to the Vail and Beaver Creek ski areas — can find a flight. That alliance has spent years searching for a way to support a permanent tax mechanism for flights that deliver close to a $275 million annual boost to the valley’s tourism-anchored economy.

“The guests who fly into that airport stay longer and spend more and have a higher likelihood of being repeat visitors,” said Chris Romer, the head of the Vail Valley Partnership that shepherds the air program.
Enplanements at the Eagle County airport in Gypsum are down 28 percent in the last decade. That's mostly due to airlines using smaller aircraft with fewer seats. The valley has been able to maintain and grow the number of cities that are directly connected to the airport in the last 10 years.

Going door-to-door every year with hat in hand is difficult, especially when business owners are facing increasing healthcare and housing costs for workers.

“It’s a really hard sell sometimes,” Romer said, noting that the congestion on Interstate 70 through the mountains adds urgency to the need for direct flights. “We can’t wait for state to solve the I-70 problem. We need to make it easier for people to get here directly.”

**Enplanements** at six Colorado regional airports that serve ski areas from 2006 to 2015 and percent change in that decade.

**Eagle County Regional Airport:** 217,039 / 156,937 / down 28 percent

**Aspen-Pitkin County Airport:** 201,642 / 233,512 / up 16 percent

**Montrose Regional Airport:** 82,316 / 102,756 / up 28 percent

**Gunnison / Crested Butte Regional Airport:** 48,073 / 34,412 / down 28 percent

**Yampa Valley Regional Airport:** 131,448 / 93,896 / down 29 percent

**Durango - La Plata County Airport:** 113,516 / 186,800 / up 65 percent

*Source: U.S. Department of Transportation.*

* Enplanements refers to paying passengers boarding