

STATE, LOCAL INCENTIVES

CASH COULD EASE AIRLINE'S DEBUTOfficials offer \$57 million to help **Skybus** spread its wings from Port Columbus**Published:** Friday, September 22, 2006

NEWS 01A

BY MARLA MATZER ROSE AND PAUL WILSON*THE COLUMBUS DISPATCH*

Efforts to create a Columbus-based airline received a major boost yesterday when local and state officials offered plans to contribute \$57 million to help get the airline started.

Officials said the investment in **Skybus** might help create as many as 1,000 jobs within three years, while producing an annual economic impact of \$600 million.

Skybus officials said the airline is to be based at Port Columbus and plans to begin flying in the spring.

Central Ohio has been aggressively seeking additional air service for years, an effort that was turned up a notch when America West closed its Port Columbus hub in 2003.

Some studies have shown that more flights to more cities are needed to boost economic development in the region.

"This is a case of one business having an incredible impact on our region and our city," Columbus Mayor Michael B. Coleman said. "I compare it to Honda coming to Marysville."

Coleman said the city is prepared to offer the airline more than \$14 million in incentives, including tax credits, abatements and loan programs. Votes on the measures are expected next month, he said.

The Columbus Regional Airport Authority will offer the airline \$27 million in support, with most of the money targeted for airport improvements such as additional restrooms and expanded security checkpoints.

The state is dangling \$16 million in incentives, including tax credits for job creation and grants for job training and improvements.

Lt. Gov. Bruce Johnson, who also heads the Department of Development, said most of the incentives are performance-based or, in the case of loans, backed by adequate collateral.

"This is the most impressive economic development opportunity in the city in over a decade," he said.

Joseph Schwieterman, a transportation expert and professor at DePaul University in Chicago, said central Ohio is a good location for such a venture even though start-up airlines haven't always done well.

"Columbus would be a great hub for a start-up airline because of its central location and proximity to large urbanized populations," he said. "Dayton and Akron are examples of underserved cities that can generate" lots of passengers.

Many questions remain unanswered about the airline's plans, including its routes, fares and aircraft. **Skybus** CEO Bill Diffenderfer said the airline plans to launch with about 200 employees and "a couple" of 150-seat planes serving perhaps half a dozen routes.

He said the company plans to add airplanes at a rate of about one per month, becoming a billion-dollar company within five years. That would put the airline on a track similar to that of JetBlue, which had revenue of \$1.7 billion last year. A temporary Web site, www.skybus.com, is expected to be updated today, but Diffenderfer said the airline is prohibited from selling tickets or announcing pricing until it receives approval from the Federal Aviation Administration. That approval could come in January.

The company plans to sell tickets only online to keep costs low.

Airline representatives consistently have said that **Skybus** will offer lower fares than its competitors.

The company has raised more than \$100 million from investors, with the latest round of \$80 million coming from major Wall Street firms such as Morgan Stanley and Fidelity, Diffenderfer said. Local investors include Nationwide, Huntington Capital Investment Co., Battelle and Wolfe Enterprises Inc., a wholly owned subsidiary of The Dispatch Printing Company, publisher of The Dispatch.

An announcement of the incentive package is planned at City Hall this morning. Government and business representatives will be on hand to tout what they say is a major economic-development initiative for the region.

Skybus faces a formidable competitor in Southwest Airlines, now the biggest carrier at Port Columbus and one that has been adding service to destinations such as Orlando and Philadelphia. JetBlue also is coming to Columbus next month, with low-fare service to New York and Boston.

The airport authority has identified West Coast destinations such as San Diego, San Francisco and Seattle as targets for nonstop service. It also is interested in adding flights to Kansas City, San Antonio and Palm Beach, Fla.

Schwieterman said **Skybus** could create a niche by flying to western cities. Port Columbus offers only one direct flight to California, which was recently added by Delta Air Lines to Los Angeles. That's a "gaping hole" in air service from central Ohio, he said.

Doug Abbey, partner in the Washington-based consulting firm Velocity Group, cautioned that start-up airlines can be risky.

"Many cities have flushed millions of dollars for the pride of having a hometown airline," Abbey said. "It happened in Des Moines (Iowa) with Vanguard. In Colorado Springs (Colo.), it was Western Pacific.

More about **Skybus**

Dispatch business reporter Marla Matzer Rose talks about **Skybus** Airlines' launch in a video segment posted at www.dispatch.com

ONN, the Ohio News Network, will carry today's **Skybus** announcement live. The news conference is scheduled to begin at 11 a.m.

Mayor Michael B. Coleman will discuss the city's incentive package in a live interview during today's noon newscast on WBNS-TV (Channel 10).

"But it really all comes down to execution. If you can deliver a quality product to consumers, you have a chance."

Local officials think a big reward lies ahead if the airline can make its business model work.

"We consider this a significant announcement in our efforts to market Columbus to business executives as a place to locate or expand," said Ty Marsh, president of the Columbus Chamber. "I think it's significant that we were able to come together as a community and put forward a proposal that's withstanding the test of Wall Street."

mrose@dispatch.com

paul.wilson@dispatch.com

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