

Niche markets profitable for Allegiant airline

by **Art Thomason** - Aug. 26, 2008 12:00 AM

The Arizona Republic

From its perch at Phoenix-Mesa Gateway Airport, a small, no-frills carrier offers one portrait of how to make money in the troubled airline industry.

Facing the same headwind of record fuel costs, Allegiant Air is adding destinations to its service and planes to its fleet as major carriers limp in the opposite direction.

And the regional airline is pulling it off despite its 150-seat passenger jets that burn 25 percent more fuel than today's increasingly efficient models

There's no secret about elements of Allegiant's business model, according to company spokeswoman Tyri Squyres: buying instead of leasing its planes, leisure travelers instead of business journeyers, routes not served by legacy carriers and seasonal destinations that produce high passenger loads.

Flushed by a 95.2 percent load factor in July, the carrier by late October will fly from its Gateway hub to 15 markets - five of them new - where winters get very cold and Allegiant's Mesa-bound planes are full.

"It's part of our focus on those cold-winter places where Phoenix is very attractive," Squyres said.

Allegiant will begin service to Eugene, Medford and Redmond, Ore.; Great Falls, Mont.; and Springfield, Mo. It will be bring back seasonal flights to Peoria and Rockford, Ill.

"We're very pleased with Phoenix-Mesa Gateway, we have an especially good working relationship with the airport administration, and the new routes we've just announced reflect that," Robert Ashcroft, the carrier's vice president of planning, said of possible expansion. "We continue to work with Gateway management. And it's possible we'll have more to announce, but it would be premature to talk about that now."

The new routes bring the carrier more of its No. 1 client, a demographic that's also perfect for the southeast Valley's tourism industry, airport spokesman Brian Sexton said.

In March, Allegiant added seasonal flights to other cold-winter destinations, including Missoula, Mont., cities that aren't served by many major airports.

"While different industry events could affect where we grow, we believe our business model is so different that to some extent we'll be able to find opportunity, at least for the foreseeable future, within reason, no matter what happens," Ashcroft said.

Allegiant also is augmenting its Gateway fleet with a third McDonnell Douglas MD-80 commercial jet and for the time being, at least, sees the aircraft as the carrier's foreseeable workhorse.

In April, the low-cost carrier announced that it is purchasing six MD-80 aircraft and expected four of them to be in service next year. The planes beef up Allegiant's fleet of 36 MD-80s for flights to more than 50 destinations nationally.

"In terms of a different type of aircraft, it's something that we constantly evaluate, for years now," Ashcroft said of converting to more fuel-efficient planes.

"Up until now, more MD-80s has always come up as the right answer. But . . . the price of other types of aircraft have dropped a lot recently and the price of fuel has gone up," he said. "Clearly there's a tipping point where another aircraft type probably makes sense, but we're not convinced we're there yet."

To accommodate Allegiant's buildup, Gateway will expand its 24,000-square-foot terminal with portable modules, Sexton said. Scheduled passenger service, which began in October, placed the Charles L. Williams Terminal at capacity.

On Monday, it was announced that Allegiant is loaning the Phoenix-Mesa Gateway Airport's governing board \$3 million with a \$1 million interest amount to expand the facility at no charge to the airport authority or taxpayers.

The unsecured loan will be paid by a \$4.50 per passenger fee.

The hurry-up expansion calls for an additional 10,000 square feet of space required to increase the number of gates from two to four.

Squyres said, "Southwest (Airlines) is making money, and we're making money. Part of it for us is flying to places where the economies are still strong."

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