

CASE STUDY

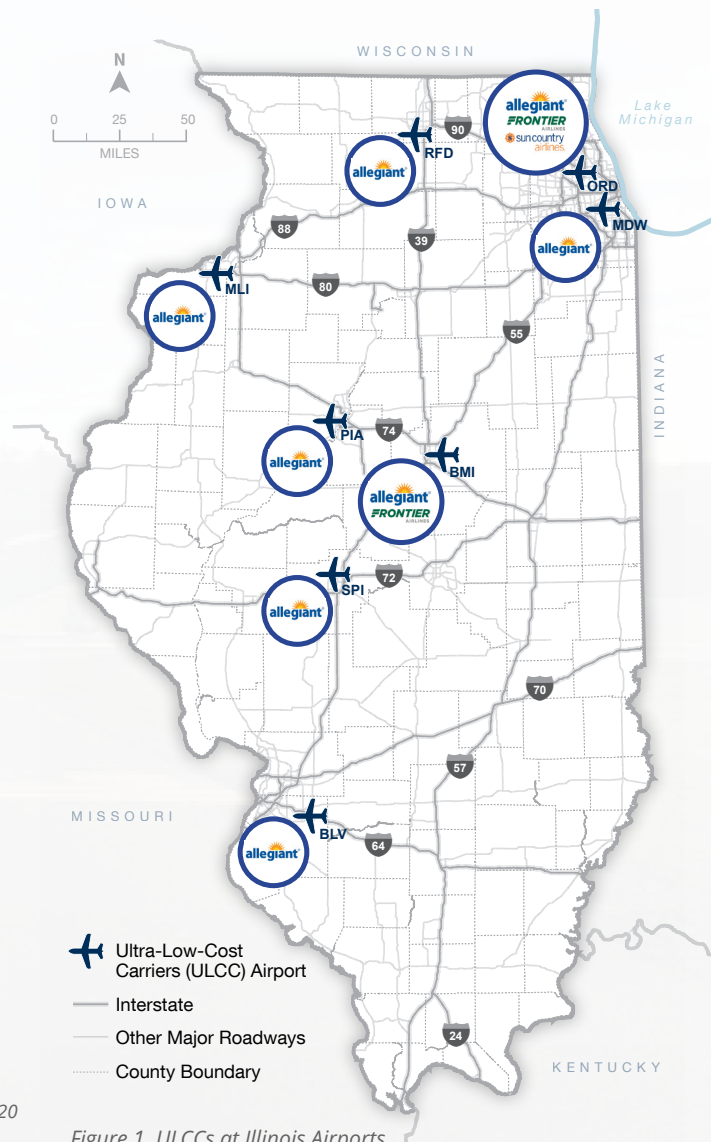
ULTRA-LOW-COST-CARRIERS IN ILLINOIS

Ultra-Low-Cost Carriers (ULCC) emerged as a result of the 1978 Airline Deregulation Act. The Act afforded airlines more control over their operations and pricing structures.¹ The ULCC business model focuses on affordable fares and with options for additional service, such as checking baggage and seat upgrades. Since its inception, the ULCC model has attracted price-sensitive customers who may not otherwise fly. The ULCC model has also created demand at non-traditional, lesser-known locations and smaller airports. In Illinois, ULCCs have been a catalyst for increasing air travel access across the state, particularly in the state's smaller communities. As the ULCC service model has increased in popularity, so too have the service offerings available to all Illinois residents at airports across the state. The following examples provide context on ULCC service at Illinois airports.

SERVING ILLINOIS CITIES OF ALL SIZES

Illinois' commercial aviation industry is heavily supported by ULCCs and they play an essential role in enhancing accessibility to and from small and mid-size cities in Illinois. ULCCs that currently provide service to and from smaller Illinois destinations include Allegiant, Spirit, Frontier, and Sun Country. As shown, these ULCC airlines operate at Central Illinois Regional Airport (BMI), Chicago Midway International Airport (MDW), Quad City Airport (MLI), General Wayne A. Downing Peoria International Airport (PIA), Chicago Rockford International Airport (RFD), MidAmerica St. Louis Airport (BLV), Abraham Lincoln Capital Airport (SPI), and Chicago O'Hare International Airport (ORD).

In Illinois, Allegiant Air provides non-stop connections to over 15 destinations from seven Illinois airports. Allegiant Air made up 100 percent of enplaned passengers at BLV and RFD and over 20 percent of enplaned passengers at BMI, PIA, and SPI between January and December 2020.



¹ Singh, Sumit, "How the Airline Deregulation Act Shook Up US Aviation," 2020

Figure 1. ULCCs at Illinois Airports

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ULCC'S SUPPORTING ILLINOIS ECONOMIC GROWTH

Of all 50 states in the United States, Illinois has the highest share of employment in the transportation industry. Illinois' transportation and logistics industry is one of Illinois' Department of Commerce and Economic Opportunity's key industries. Key industries are those identified to be positioned well for global economic talent and investment and have an existing large employment base. As of 2018, there were over 500,000 transportation and logistics industry jobs in Illinois and that number is expected to increase through 2026. Illinois' airports contribute a large portion of these jobs to the larger transportation and logistics industry. There are over 83,000 people employed at Illinois airports in various roles and capacities including those employed at ULCCs at Illinois airport. To highlight one ULCC, Allegiant has over 30 direct staff employed at three different Illinois airports!

SUPPORTING ILLINOIS TOURISM

Illinois' tourism industry experienced steady growth since 2010. By 2018, Illinois set a record for number of total visitors to the state of approximately 117 million visitors. Most of the tourism efforts, advertising and marketing strategies are geared towards domestic tourism. In 2018, domestic and international visitors to the state spent \$41.7 billion, resulting in \$3.3 billion in state and local tax revenue and contributing to the creation of 342,300 jobs.²

The Chicago tourism industry makes up the greatest portion of the total state tourism industry. The City's airports help to facilitate visitor travel to Chicago by providing connections to destinations across the country and globe. ULCCs operating out of MDW and ORD, such as Spirit, Frontier, and Sun Country, support the City's growing tourism industry by providing cost-effective flight options to and from cities around the country. In 2018, Spirit Airlines accounted for approximately five percent of enplaned passengers arriving and departing from ORD while Allegiant made up 99 percent of passenger enplanements at RFD.

² Illinois Department of Commerce and Economic Opportunity: Office of Tourism, 2019



SUMMARY

ULCCs play an important role in the state by expanding air travel to places not otherwise connected by aviation and to travelers who are looking for more affordable fares than what is typically offered through legacy carriers. These outcomes are also the reasons why ULCCs will continue to serve the U.S. airline market. Illinois' aviation industry has realized the benefits of ULCCs in its tourism industry and in communities that have emerged as destination places due to the access ULCCs have provided in those areas.