

Oregon's Aircraft Property Assessment Reduction An Important Line of Support for Regional Air Service in Oregon

BACKGROUND

Oregon's aircraft property assessment reduction

Commercial air service plays an important role in connecting communities throughout the state of Oregon. For small and medium-size communities, regional commercial air service supports important connections for business and leisure travel and oftentimes serves as a vital lifeline to critical services located elsewhere. **The state of Oregon supports regional air service by providing a 40% reduction in assessed property value for commercial aircraft with a gross taxi weight of 75,000 pounds or less, which provides a reduction in local property tax.** This assessment reduction provides an important line of support to regional commercial carriers, such as Pacific Northwest-based Horizon Air, who operate smaller aircraft and provide intra-and inter-state air service to and from regional markets in Oregon.

LEGISLATIVE REQUEST

Pass HB 3551 to extend the aircraft property assessment reduction to newer regional aircraft

Horizon Air has served Oregon communities since 1982 and maintains a crew base and maintenance hangar at Portland International Airport. Several of the markets served by Horizon may not garner sufficient demand to attract regular service from larger commercial aircraft but are perfectly suited to Horizon's smaller 76-seat aircraft, such as the recently retired Bombardier Q400 (Q400) or the newer jet-propelled Embraer 175 (E175).

Horizon Air completed the retirement of its Q400 fleet earlier this year, transitioning to a single fleet of E175 aircraft. This transition makes the E175 the primary regional commercial aircraft serving the Pacific Northwest. While these aircraft serve the same markets and the same number of passengers as the Q400s they replaced, the E175's extended range and added features place it over the maximum weight limit established in ORS 308.565(5), making it ineligible for the aircraft property assessment reduction that has long supported Horizon's service to regional communities in the state. The loss of the property assessment reduction will cost Horizon Air about \$900,000 per year in additional property tax and increase as new aircraft are added to the fleet.

The Oregon Legislature can continue to support regional air service and investments in customer experience improvements by passing HB 3551; legislation that would increase the maximum gross taxi weight in ORS 308.565(5) from 75,000 to 90,000 pounds, thereby qualifying the E175 for this important line of support.



Horizon Air Embraer 175: <https://news.alaskaair.com/multimedia/>

HB 3551 Proposes

The following simple change to ORS 308.565(5):

ORS 308.565(5) reads:

Assessments of the mobile property of air transportation companies shall be allocated and apportioned only to those counties in which the air transportation companies make service landings. For aircraft less than ~~75,000~~ 90,000 pounds gross taxi weight, the department shall allocate and apportion to the counties 60 percent of the value which would otherwise be allocated and apportioned.

HORIZON AIR FLEET TRANSITION

Moving from the Q400 turboprop to the comfortable and efficient E175 jet

In early 2023, Horizon Air completed the retirement of its remaining Q400 aircraft and transitioned to a single fleet of E175 aircraft. In addition to the benefits of operating and maintaining a single fleet, the performance and flexibility of



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the E175 add improved operational efficiencies to the airline, and the aircraft introduces an enhanced and consistent experience for Horizon's guests.

Like the Q400, the E175 is a 76-seat aircraft that is well-suited to support regional markets served by Horizon. It has an extended range of 1,800 nautical miles compared to the Q400's 1,114, and a higher cruise speed and cruising altitude than its predecessor, making it an ideal aircraft for short to mid-range routes. Since first entering Horizon's fleet in 2016, the E175 allowed the airline to enter or increase frequency in markets that were previously infeasible using a Q400 or a larger mainline jet served by Alaska Airlines. The E175 also introduces new features to Horizon's guests, including first- and premium-class cabins, larger overhead bin space, streaming-fast satellite Wi-Fi, and access to an expansive inflight entertainment network. The flexibility and improved customer experience offered on the E175 are crucial to Horizon's continued success in today's regional market.

In addition to increased performance and customer experience, the E175 plays an important role in supporting Horizon and its sister carrier Alaska Airlines in their efforts to reduce carbon emissions. By purchasing newer, efficient, and technologically advanced aircraft and focusing on increased operational efficiencies afforded by operating a single fleet, Horizon can continue to support this critical work and provide an improved experience for the guests and communities they serve.

REGIONAL AIR SERVICE OUTLOOK

High costs and labor shortages create uncertainty for regional airlines

The regional airline industry is facing extraordinary challenges as a result of the COVID-19 pandemic. Pent up demand for travel has forced major airlines to hire pilots at historically high levels to backfill from early retirement packages offered at the height of the pandemic. These new hires are largely drawn from regional airlines, where a pilot shortage already existed. Combined with other contributing factors, including an ongoing wave of pilot retirements, regional airlines are facing an historic pilot shortage that has driven many to make dramatic capacity cuts and, in some cases, exit markets altogether. These impacts are most often felt by smaller, rural communities.

Despite rising passenger demand, 75% of U.S. airports – including several in Oregon – have less air service today than before the pandemic. Since 2019, the airline industry has collectively lost over one-third of regional flying, with airlines exiting a total of 35 markets and eight U.S. cities losing air service altogether. Horizon Air has worked diligently to avoid exiting markets; however, the strain of the pilot shortage has forced the airline to substantially reduce the frequency of flights within its network. And while investments in training and recent significant pay increases in regional pilot contracts should help in the long-term, this industry trend is expected to continue for several years as regional airlines work to stabilize and recover.

Never-before-seen levels of workforce attrition and increased labor costs are putting significant pressure on regional airlines like Horizon Air, making it more important than ever for communities to support the vital connections they provide. Extending the Aircraft Property Tax Reduction in ORS 308.565(5) to include the E175 aircraft will support Horizon's ability to control costs and continue providing an important service to regional communities throughout the state of Oregon.

For more information, please contact Drew Hagedorn, 503.380.1075 or drew.hagedorn@tonkon.com.

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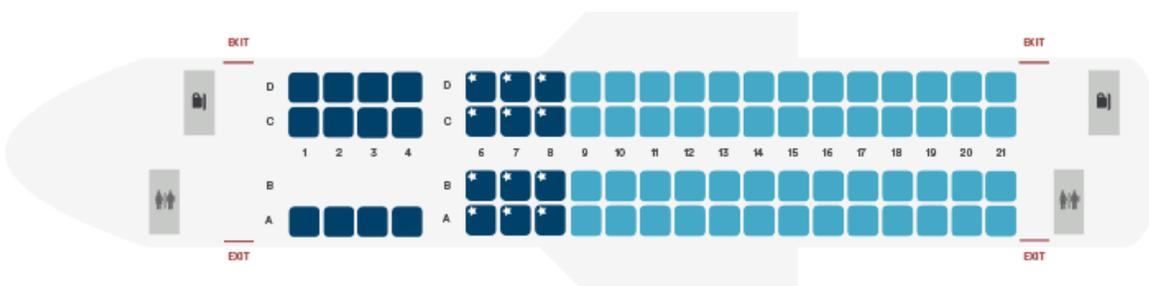
Horizon Embraer 175



Specifications

| | |
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| Crew: 2 Pilots, 2 Flight Attendants | First Class: 12 |
| Range: 1,800 miles nm | Premium Class: 12 |
| Length: 103 ft, 11 in (31.7 m) | Coach: 52 |
| Typical Cruise Speed: 495 mph (797 km/h) | Wingspan: (with wingtips) 94 ft, 2 in (28.7 m) |
| Max. Cruising Altitude: 41,000 ft (12,497 m) | Featured amenities: |

Interior seating layout of Horizon's E175



First Class
 Premium Class
 Main Cabin

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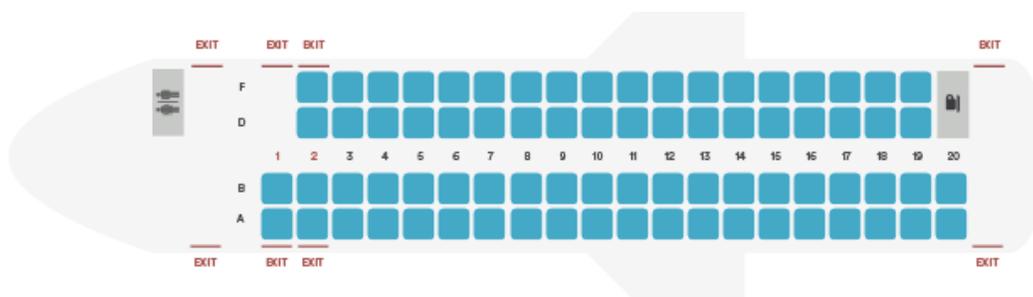
Horizon Bombardier Q400 (Retired 2023)



Specifications

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|---|--------------------------------|
| Crew: 2 Pilots, 2 Flight Attendants | |
| Range: 1,114 nm | |
| Length: 107 ft, 9 in (32.9 m) | Coach: 76 |
| Typical Cruise Speed: 400 mph (644 km/h) | Wingspan: 93 ft, 3 in (28.4 m) |
| Max. Cruising Altitude: 25,000 ft (7,620 m) | Featured amenities: |

Interior seating layout of Horizon's Bombardier Q400



Main Cabin