

## SPECIAL MEETING MINUTES

Monday, April 27, 2020  
12:00 P.M.

Manistee County Blacker Airport  
Conference Room via ZOOM Teleconferencing

**Members Present:** Gerry Haw, Chair; Barry Peterson, Vice-Chair; Jeff Dontz; Phil Siuda; Karen Goodman; Andrew Gentile; Mark Bergstrom

**Members Absent:** None

**Others Present:** Barry Lind, Airport Director; Gayle Sonefeld, Orchard Beach Aviation; Jennifer Scarlata, TSA; Julie Schmeling, Airport Authority Recording Secretary

Gerry Haw, Chair, called the meeting to order at 12:07 P.M. Roll was taken by the Secretary. The purpose of the special meeting is to review EAS (Essential Air Service) bids, and make a recommendation to the US DOT.

There was no public comment.

Mr. Lind provided an evaluation form that summarizes the air service options for the board members to use to rate the different airlines. There were no suggested changes.

Mr. Storz and Mr. Wood made a presentation regarding the EAS bid from Air Choice One. (APPENDIX A)

Mr. Kondrad and other members of Boutique Air staff made a presentation regarding the EAS bid from Boutique Air. (APPENDIX B)

Mr. Bonney and other members of Cape Air staff made a presentation regarding the EAS bid from Cape Air. (APPENDIX C)

Mr. Little and other members of Southern Airways staff made a presentation regarding the EAS bid from Southern Airways. (APPENDIX D)

The Authority requested the Mr. Lind prepare a synopsis of the bids with their pros and cons.

A follow-up special meeting was scheduled for Monday, May 4, 2020 at 12:00 P.M. via Zoom.

There being no further business to come before the Authority, the meeting was adjourned at 5:01 P.M.

Respectfully Submitted,

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Jeffrey Dontz, Airport Authority Secretary

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MULTI - AERO, INC. D/B/A

APPENDIX A

AIR CHOICE ONE

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DEPARTMENT OF TRANSPORTATION

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# Proposal to Provide Essential Air Service at

**Manistee, Michigan**

**Docket DOT-OST-1996-1711**

Under 49 U.S.C. 41731 et seq.

**March 27th  
2020**

Direct Inquiries Regarding this Proposal to:

Shane Storz, CEO

[Air Choice One Airlines](#)

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# Route Map

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## Destinations:

Burlington, Iowa  
Jonesboro, Arkansas  
Ironwood, Michigan  
Mason City, Iowa  
Fort Dodge, Iowa  
Jackson, Tennessee

## Hubs:

Chicago O'Hare International Airport  
St. Louis Lambert International Airport  
Minneapolis - St. Paul International Airport  
Atlanta Hartsfield-Jackson International Airport



# Marketing

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We have an in-house, full-time marketing department to ensure that we are visible across social networks, news outlets and the communities we serve.



# CHOICE 1

(2) Year Term

A-4

Beechcraft 1900C

Manistee County Blacker Airport (MBL) to  
Chicago O'Hare International Airport (ORD)



## Operations Schedule\*:

(14) RT's Per Week for January - June Flights

(35) RT's Per Week for July - September 15th Flights

(15) RT's Per Week for September 16th - December Flights

\*Weekly frequency can be adjusted to meet community needs pending Community & DOT approval.

AIR CHOICE ONE

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# Choice 1 Flight Frequency Schedule

## Non-Peak Season

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Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
January - June	25.857 weeks	3x	3x	2x	1x	2x	2x	1x	14	724
Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
September 16th - December	15.286 weeks	3x	2x	2x	2x	2x	2x	2x	15	459

## Peak Season

Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
July - September 15th	11 weeks	3x	8x	7x	5x	5x	4x	3x	35	770

Total Flights = 1953

All Flights Between Manistee County Blacker Airport (MBL) & Chicago O'Hare International Airport (ORD)

Total flights calculated at 100% flight completion rate.

# CHOICE 1

(2) Year Term

A-6

Beechcraft 1900C

Manistee County Blacker Airport (MBL) to  
Chicago O'Hare International Airport (ORD)

<b>Operation Revenues</b>	
Revenues	\$1,118,000
Other Revenues	11,180
<b>Total Operating Revenues</b>	<b>\$1,129,180</b>

Number of Passengers	12,000
Average Fare	\$92.00
Departures (98% completion rate)	1,914
Block Hours	1,626
Revenue Passenger Miles	2,016,000
Available Seat Miles	2,894,849
Total Available Seats	17,226

<b>Direct Operating Expenses</b>	
Flying Operations	\$566,800
Fuel and Oil	994,600
Maintenance	894,571
Aircraft Leases	600,000
<b>Total Direct</b>	<b>3,055,971</b>

Marketing	27,416
Indirect	1,504,030
<b>Total Operating Expenses</b>	<b>\$4,587,417</b>

Operating Loss	\$3,458,237
Profit Element (5% Total Oper. Exp.)	229,371
<b>Compensation Required</b>	<b>\$3,687,608</b>

Compensation per PAX	\$307
Compensation per Departure	\$1,927

### Two Year Selection

Year 1	\$3,687,607	\$1,927
Year 2	\$3,798,236	\$1,985

Compensation per Departure

To align revenue with costs over time, Air Choice One proposes 3% annual escalation factor.

Air Choice One will work closely with the community to provide flight schedules that will be optimal for our hub connections.

AIR CHOICE ONE<sup>®</sup>

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# CHOICE 2

(2) Year Term

A-1

Beechcraft 1900C

Manistee County Blacker Airport (MBL) to  
Chicago O'Hare International Airport (ORD) &  
Gerald R. Ford International Airport (GRR)



## Operations Schedule\*

### MBL to ORD

(8) RT's Per Week January - June  
(25) RT's Per Week July - September 15th  
(12) RT's Per Week September 16th -  
December

### MBL to GRR

(7) RT's Per Week January - December

\*Weekly frequency can be adjusted to meet community needs pending Community & DOT approval.

# Choice 2 Flight Frequency Schedule

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## MBL to ORD Peak & Non Peak

Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
January - June	25.857 weeks	1x	1x	1x	1x	1x	2x	1x	8	414

Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
July - September 15th	11 weeks	3x	7x	5x	2x	3x	3x	2x	25	550

Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
September 16th - December	15.286 weeks	2x	2x	2x	1x	2x	2x	1x	12	367

## MBL to GRR

Operating Period	# of Weeks	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Weekly Flights	Total Flights
January - December	52.14 weeks	1x	1x	1x	1x	1x	1x	1x	7	730

Total Flights = 2061

Total flights calculated at 100% flight completion rate.

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# CHOICE 2

(2) Year Term

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Beechcraft 1900C

Manistee County Blacker Airport (MBL) to  
Chicago O'Hare International Airport (ORD) &  
Gerald R. Ford International Airport (GRR)

## Operation Revenues

Revenues	\$1,103,000
Other Revenues	11,030
<b>Total Operating Revenues</b>	<b>\$1,114,030</b>

Number of Passengers	12,000
Average Fare	\$92.00
Departures (98% completion rate)	2,019
Block Hours	1,542
Revenue Passenger Miles	1,785,000
Available Seat Miles	2,846,671
Total Available Seats	18,171

## Direct Operating Expenses

Flying Operations	\$478,400
Fuel and Oil	942,720
Maintenance	693,743
Aircraft Leases	600,000
<b>Total Direct</b>	<b>2,714,863</b>

Marketing	27,719
Indirect	1,909,978
<b>Total Operating Expenses</b>	<b>\$4,652,560</b>

Operating Loss	\$3,538,531
Profit Element (5% Total Oper. Exp.)	232,628
<b>Compensation Required</b>	<b>\$3,771,159</b>

Compensation per PAX	\$314
Compensation per Departure	\$1,868

### Two Year Selection

Year 1	\$3,771,159	\$1,868
Year 2	\$3,884,294	\$1,924

Compensation per Departure

To align revenue with costs over time, Air Choice One proposes 3% annual escalation factor.

Air Choice One will work closely with the community to provide flight schedules that will be optimal for our hub connections.

AIR CHOICE ONE

AIR CHOICE ONE



Thank you for your  
consideration!



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## Air Choice One Answers to Manistee's Questions

### Question 1)

In your proposal, there is an 'average' fare listed. The details behind this average fare can vary significantly between carriers under their business strategies. Fare pricing has been identified by the Airport Authority Board as an important factor in our evaluation of bids. We are looking for more specific information from you to describe how your average fare is arrived at and how it translates into the fares that passengers would pay. In the DOT proposal, the average fare is based on the number of passengers from past years. In MBL's case, it was for the years 2017, 2018, and 2019, reflected in the RFP sent out by the DOT. After this is established, we then calculate the total expenses by a projected number of passengers that we believe can be achieved. Then we project fare price levels, which gives us the average base fare. The average fare may reflect higher in the DOT proposal because the expenses are projected at a slightly higher margin do to the volatility in the fuel cost, wages, and maintenance cost. This projection, in turn, gives us the ability to offer lower fares to our customers moving forward. As service begins, we look at the actual cost to determine if a price increase or decrease can be established.

Describe the overall fare structure you have planned for the Manistee route. Please do this in the amounts a passenger would see and pay (i.e. don't use 'net' fares or other numbers that are less than what the customer would pay for a seat).

A purely fictional example of the type of information we are looking for might be something like:

- Standard Non-refundable fares - 9 seats

1 seat bucket @ \$59 each-way, 30 day advance purchase

2 seat bucket @ \$79 each-way, 7 day advance purchase

3 seat bucket @ \$99 each-way, no advanced purchase

3 seat bucket @ \$129 each-way, no advanced purchase

- Refundable fares are \$30 more each-way than non-refundable

- We typically would offer 4 fare sales per year at on average 25% off base fares and anticipate that 10% of total ticket sales would be during these fare sales.

- We anticipate raising fares by 20% during peak season (July and August) and based on projections 30% of total ticket sales would be at these peak season rates.



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We currently offer a 3 tier pricing option for our 9 seat aircraft configuration. During peak season, MBL will see slightly higher ticket prices to be able to offset the non-peak season. This pricing will range from 15% to 20% higher base fares across the 3 tier pricing structure. See below for examples:

Both routes (MBL-GRR & MBL-ORD) will start with an introductory fare:

- Introductory Fare (Includes 1 checked bag, 1 carry-on bag & 1 personal item)
  - Round Trip Purchase @  $\$39.00 + \text{FET}^* + \$5.60 + \$4.50 = \$49.10$  each way
    - No Advance Purchase
  - One Way Purchase @  $\$39.00 + \text{FET}^* + \$5.60 + \$4.50 = \$49.10$  no return flight
    - No Advance Purchase

Introductory Fare applies to the Everyday Fare & Rules. The Business Fare and Go Your Way Fare are available during the introductory period at regular fare prices

\*FET taxes are not currently being charged per the CARES ACT signed into effective April 1st, 2020. This ACT will be effective through December 31st, 2020, and FET taxes will resume January 1st, 2021.

#### MBL-ORD Off-Peak Season (Non-Introductory Fares)

- Go Your Way Fare (Includes 1 personal item)
  - Round Trip Purchase @  $\$39.00 + \text{FET}^* + \$5.60 + \$4.50 = \$49.10$  each way
    - No Advance Purchase
  - One Way Purchase @  $\$55.00 + \text{FET}^* + \$5.60 + \$4.50 = \$65.10$  no return flight
    - No Advance Purchase
- Everyday Fare (Includes 1 checked bag, 1 carry-on bag & 1 personal item)
  - Round Trip Purchase @  $\$59.00 + \text{FET}^* + \$5.60 + \$4.50 = \$69.10$  each way
    - No Advance Purchase



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- One Way Purchase @ \$75.00 + FET\* + \$5.60 + \$4.50 = \$85.10 no return flight
  - No Advance Purchase
- Business Fare (Includes 2 checked bags, 1 carry-on & 1 personal item)
  - Round Trip Purchase @ \$79.00 + FET\* + \$5.60 + \$4.50 = \$89.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$95.00 + FET\* + \$5.60 + \$4.50 = \$105.10 no return flight
    - No Advance Purchase

#### MBL-GRR Off-Peak Season (Non-Introductory Fares)

- Go Your Way Fare (Includes 1 personal item)
  - Round Trip Purchase @ \$29.00 + FET\* + \$5.60 + \$4.50 = \$39.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$45.00 + FET\* + \$5.60 + \$4.50 = \$55.10 no return flight
    - No Advance Purchase
- Everyday Fare (Includes 1 checked bag, 1 carry-on bag & 1 personal item)
  - Round Trip Purchase @ \$49.00 + FET\* + \$5.60 + \$4.50 = \$59.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$65.00 + FET\* + \$5.60 + \$4.50 = \$75.10 no return flight
    - No Advance Purchase
- Business Fare (Includes 2 checked bags, 1 carry-on & 1 personal item)
  - Round Trip Purchase @ \$69.00 + FET\* + \$5.60 + \$4.50 = \$79.10 each way
    - No Advance Purchase



- One Way Purchase @ \$85.00 + FET\* + \$5.60 + \$4.50 = \$95.10 no return flight
  - No Advance Purchase

ACO recognizes that demand will increase during the peak season and anticipate a fare increase of 15-20%. The peak season fares below are based on a 15% increase, but ACO will make adjustments to these fares based on demand and passenger counts. See below for examples:

### MBL-ORD Peak Season w/ 15% fare increase (Non-Introductory Fares)

- Go Your Way Fare (Includes 1 personal item)
  - Round Trip Purchase @ \$45.00 + FET\* + \$5.60 + \$4.50 = \$55.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$63.00 + FET\* + \$5.60 + \$4.50 = \$73.10 no return flight
    - No Advance Purchase
- Everyday Fare (Includes 1 checked bag, 1 carry-on bag & 1 personal item)
  - Round Trip Purchase @ \$68.00 + FET\* + \$5.60 + \$4.50 = \$78.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$86.00 + FET\* + \$5.60 + \$4.50 = \$96.10 no return flight
    - No Advance Purchase
- Business Fare (Includes 2 checked bags, 1 carry-on & 1 personal item)
  - Round Trip Purchase @ \$91.00 + FET\* + \$5.60 + \$4.50 = \$101.10 each way
    - No Advance Purchase
  - One Way Purchase @ \$109.00 + FET\* + \$5.60 + \$4.50 = \$119.10 no return flight
    - No Advance Purchase



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### MBL-GRR Peak Season w/ 15% fare increase (Non-Introductory Fares)

- Go Your Way Fare (Includes 1 personal item)
  - Round Trip Purchase @ \$33.00 + FET\* + \$5.60 + \$4.50 = **\$43.10** each way
    - No Advance Purchase
  - One Way Purchase @ \$52.00 + FET\* + \$5.60 + \$4.50 = **\$62.10** no return flight
    - No Advance Purchase
- Everyday Fare (Includes 1 checked bag, 1 carry-on bag & 1 personal item)
  - Round Trip Purchase @ \$56.00 + FET\* + \$5.60 + \$4.50 = **\$66.10** each way
    - No Advance Purchase
  - One Way Purchase @ \$75.00 + FET\* + \$5.60 + \$4.50 = **\$85.10** no return flight
    - No Advance Purchase
- Business Fare (Includes 2 checked bags, 1 carry-on & 1 personal item)
  - Round Trip Purchase @ \$79.00 + FET\* + \$5.60 + \$4.50 = **\$89.10** each way
    - No Advance Purchase
  - One Way Purchase @ \$98.00 + FET\* + \$5.60 + \$4.50 = **\$108.10** no return flight
    - No Advance Purchase

Air Choice One (ACO) does not have structured marketing plans for all the cities we service. In the past, the marketing and accounting team have worked hand in hand to create a balance of meeting revenue goals while focusing on ridership in the communities we serve. Some examples are 50% & 75% off sales in the months of January and February to increase passenger counts in and out of our EAS cities during specific travel dates. The marketing team also issues 50 FREE seats (taxes and fees are paid by the customer) to the airport directors every month to distribute as they see fit. So, while ACO is revenue conscious, the communities and passenger counts are our primary focus.



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## Question 2)

How is the pricing for 'interline' connections determined? 'Interline' here means any form of providing to the passenger a "single purchase experience" (i.e. not needing to buy separate tickets for each leg of a trip) for a connecting flight through the hub airport. Each of your proposals talk about how you address this with different types of agreements (i.e. interline, codeshare, third party booking site, travel agent, etc.).

We have seen significant differences in how connecting itineraries are priced when purchased via a "single purchase experience." While it might be assumed that the total ticket price for an itinerary will simply be the sum of the prices for the individual segments, that often isn't the case, depending on the nature of the 'interline' arrangement sometimes the cost of the connecting itinerary can be significantly more than the sum of the two segments (which significantly decreases the value of the 'interline').

Since "interlines" have been identified by the Airport Authority Board as an important factor in our evaluation of bids, we are looking for more specific information from you to describe how your "interline" agreements result in the end fare presented to a customer.

In researching this question across your websites and partners websites, I have seen examples of the following:

- Connecting itineraries on the Partner website (i.e. AA, UA) are less than the sum of the individual segments (it would be great if this was often the case)
- Connecting itineraries on the Partner website (i.e. AA, UA) are \$1000 more than the sum of the individual segments (this is cause for concern)
- Connecting itineraries for some claimed partners do not show up on their websites (I.e AA, UA)
- Connecting itineraries do not show up on various OTA and/or aggregator sites (i.e. Travelocity, Kayak etc.)

We are looking for an honest explanation of the "quality" of your "interline"



agreements. Where “quality” here means the ability to deliver a competitively priced connecting fare out of Manistee. Having an “interline” that results in connecting fares higher than other surrounding airports significantly decreases the value of an “interline.”

Air Choice One’s business model does not highlight the importance of interline or codeshare agreements, nor is it present in our current practices. We believe that Air Choice One’s business model is a good fit for Manistee, i.e., the absence of an interline or codeshare agreement because Manistee’s passenger traffic is more of what our data would suggest is “local” traffic. Our designation of Manistee equating to “local” traffic is because provisions were made only for Chicago Midway service for the last several years. A lot of passenger traffic originates from the Chicago Metro area, and Chicagoans go or will go to Manistee for leisure and business travel and vacation home getaways. We do not anticipate the local traffic initially needing the benefits that come with an Interline agreement. For those that do require those benefits, we have an agreeable alternative, which we will expound upon shortly. In addition to providing the best service to your local traffic, not having any interline agreement currently gives us the ability to adjust and market our fares the way we need too to grow passenger traffic substantially. All our current EAS communities do as well, if not better than some of our competitor’s cities that have interline and codeshare agreements. We believe that our success with not having any interline or codeshare agreements give us control over pricing during peak and non-peak times of the year while having the ability to grow passenger traffic. Our alternative method for the passengers that may want to connect beyond Chicago is with our partnership with Choice Travel Agency. Choice Travel Agency can provide a seamless itinerary for connecting flights or whole trip packages. We additionally have the “book connecting flight” button on our Air Choice One website for those that like to travel plan themselves. Also, what we have found out in today’s traveler is that they want to be able to find the best possible fares for their travel and are willing to purchase two tickets to get those low fares. The tools that we have in place for passengers that might want to check their baggage through to an AA, UA or DL are what we would call a gate check bags (our carry-on) and meets the 311 TSA rule. This process allows them to receive their baggage post-flight and carry it on to their connecting flight. As you can see, with our business model and research, it is to the advantage of the consumer and community to book with our methods.



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### Question 3)

Each carrier was given historic enplanement data for 2017 and 2018. While each carrier's proposal talks about ways they plan to accommodate the seasonality of our demand, generally, proposals do not talk about flexibility to handle the demand that falls outside general seasonality. (For example: Memorial Day weekend, "Manistee Forest Festival" (aka July 4th), day of week/weekend spikes in July/August, Thanksgiving Wednesday/Sunday, Christmas/New Years peak days).

Do you have an ability or strategy to handle these demand spikes? **Air Choice One has the ability and strategy set in place to handle any spikes or valleys in demand. We would work closely with Brandon Jensen with Right Side Design Studio and Barry Lind to make sure our flight schedules would match the passenger demand for those holidays. These schedule adjustments can be made 2 to 3 months out so that flights are available for purchase for those peak dates and times at pricing and frequency that matches community needs. Or is the proposed seasonal scheduling the only solution you are proposing to match the supply of seats to demand? Our primary focus would be to meet the passenger demand traffic needs for these dates and times provided by the community, and we have the flexibility within our network to make it happen and the reliability to execute on our agreed-upon terms.**

Some proposals discuss varying the schedule by day of the week, while other proposals simply list X flights per week, or X flights per day. If your proposal only mentions X per week or X per day, please provide examples of how you plan to fly those flights during a typical week.

Our assumption is that DOT will limit your subsidy on a weekly basis to the number of flights per week you have proposed in your bids (according to the seasonal variations you have also proposed). This means that it is our assumption that DOT has not provided you with the flexibility to adjust your seasonal start/end dates and/or peaks/valleys, if you find you have additional/less need for flights in different months that you have projected. If this assumption is incorrect, please advise. **This inflexibility by the DOT is our assumption as well, but we have found in practice that the DOT is willing to work with the community and the airline to make sure the selected carrier is reaching the goals of the communities. Since this is straight EAS and also considered seasonal, we believe the DOT would give the airline some relief on weekly frequency to adjust for demand. For example, if we are saying peak is 35**



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trips per week, and we find out we need to add two more trips per week in Non-Peak times, then DOT may allow for us to operate these and then reduce the two trips from the Peak time we have proposed. Since MBL is coming off AEAS and would be going to straight EAS, I anticipate that the DOT will give some flexibility in this, but they will want the adjustments to happen within the DOT fiscal year.

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#### Question 4)

Each carrier proposal has an amount listed for “marketing.” These numbers vary significantly across the proposals (from \$20,000 - \$50,000+). To ensure we are evaluating these amounts in the same way (i.e., an apples to apples comparison), please explain how typically the amount you allocate towards marketing is utilized. For example: \$30,000 budget is allocated as follows: \$20,000 on media buys (print, digital, billboards), \$5,000 is for partnerships and events, and \$5,000 for marketing staff. Air Choice One is progressive in its marketing. We allocate budgets depending on specific community desires and proven marketing methods. Based on the above, our proposed \$27,000.00, which is subject to increase based on need, would be broken into three major categories, Digital Marketing, Traditional Marketing, and Public Relations. We place special emphasis on Digital Marketing as today is a digital world, and digital methods provide the most ROI. For Digital Marketing, we would allocate \$13,500.00 of the proposed \$27,000.00 Traditional Marketing methods, although somewhat outdated, can be effective in communities like Manistee. As such, we would allocate \$8,100.00 out of the proposed \$27,000.00. Finally, our budget would not be complete without Public Relations. Air Choice One believes in cause marketing and public relations wholeheartedly. We want to leave a community in a better place than when we found it, so according to that, we would dedicate \$5,400.00 out of the proposed \$27,000.00. If you need additional breakdowns of our budget, please do not hesitate to contact us.



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Question 5)

Fees, fees, fees. Airlines love fees as they can provide significant revenue on top of fares. However, passengers generally dislike fees as they can significantly change the perceived value of the purchase and can reflect on the perception or trustworthiness of a carrier.

Please detail out your general fee structure.

- Baggage fees



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Baggage Type	Business	Everyday	Go Your Way
Personal Item	Free	Free	Free
Gate Check (Carry On) up to 30 lbs.	Free	Free	\$25
Gate Check (Carry On) 31 lbs. to 50 lbs.	\$50	\$50	\$50
1 <sup>st</sup> Checked Bag up to 50 lbs.	Free	Free	\$40
1 <sup>st</sup> Checked Bag 51 lbs. to 70 lbs.	+\$80	+\$80	+\$80
2 <sup>nd</sup> Checked Bag up to 50 lbs.	Free	\$40	\$40
2 <sup>nd</sup> Checked Bag 51 lbs. to 70 lbs.	+\$80	+\$80	+\$80
3 <sup>rd</sup> Checked Bag up to 50 lbs.	\$80	\$80	\$80
3 <sup>rd</sup> checked bag 51 to 70 lbs.	+\$80	+\$80	+\$80

\*For travel to/from all Air Choice One cities: Active Duty, Reserve, and National Guard, including dependents and retirees with a valid Military or Dependent ID.

- Change fees (for both refundable and non-refundable tickets) \$35 per change



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## - Cancellation fees (for both refundable and non-refundable tickets)

### Business

- 25% cancellation fee if passenger cancels more than 24 hours in advance of flight time
- 50% cancellation fee if passenger cancels less than 24 hours in advance of flight time
- Fare less the cancellation fee can be refunded to the original form of payment
- If a passenger decides to have instead a credit put on their account to use towards a future flight, they are eligible for 100% credit if they cancel at least five days before their original departure date

### Everyday

- 50% cancellation fee if passenger cancels more than 24 hours in advance of flight time
- 75% cancellation fee if passenger cancels less than 24 hours in advance of flight time
- Fare is not eligible for a refund to the original form of payment. Fare will only be refunded as a credit on account to use towards a future flight

### Go Your Way

- This fare is non-refundable

- For non-refundable tickets is there any residual value for a canceled segment (i.e., credit for future flight) See above details on Everyday & Go Your Way Fare

- Cancellation window (can a flight be canceled up to departure, 24 hours before, etc.) Air Choice One allows voluntary cancellation up to the time check-in closes for their flight.

For the following scenarios, please detail the fees/costs that would be incurred and how these customer service opportunities would be handled:

a) I missed my flight because I arrived to the airport 15 minutes after departure (traffic, flat tire, snow, etc.). How much will it cost me to get on the next available flight (for both refundable and non-refundable tickets)? The cost would be a new



12300 Old Tesson Rd. Suite 200-F  
St. Louis, MO 63128  
P: 314.843.8501 | F: 314.843.8527

### ticket per Air Choice One's No Show Policy

b) I missed my flight to Manistee in Chicago because my connecting flight was delayed/canceled? How much will it cost me to get on the next available flight to Manistee (for both refundable and non-refundable tickets)? **The cost would be a new ticket per Air Choice One's No Show Policy**

Considering the following sub-cases:

b1 – There is a later flight available the same day. **We look at this on a case by case basis. On average, we charge the \$35 modification fee.**

b2 – The next available flight is the next day (any consideration for meals/lodging) **We look at this at a case by case basis. We do not offer consideration for meals or lodging for delays or cancellations from other airlines.**

b3 – The original connection was ticketed as an 'interline' ticket **Not Applicable**

b4 – The original connection was ticketed as a separate ticket **We look at this at a case by case basis**

b5 – Is there any difference if the reason for the delay/cancellation of the connecting flight was controllable or uncontrollable? And how do you determine that as the flight was on a different carrier? **No, there is no difference, but Air Choice One will look at each situation on a case by case basis and make exceptions depending on the circumstance.**

c) I missed my outbound connecting flight in Chicago because my inbound flight from Manistee was delayed/canceled? How much will it cost me to get on the next available flight to my final destination? **If Air Choice One flight is delayed or canceled, we assume no responsibility for re-accommodation, meals, or lodging, but Air Choice One will look at each situation on a case by case basis and may make an exception depending on the circumstance.**

Considering the following sub-cases: **Please see above**

c1 – There is a later flight available the same day

c2 – The next available flight is the next day (any consideration for meals/lodging)

c3 – The original connection was ticketed as an 'interline' ticket

c4 – The original connection was ticketed as a separate ticket

c5 – Is there any difference if the reason was a controllable vs. uncontrollable delay/cancellation?



A-24

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d) My flight to/from Manistee is canceled or significantly delayed for a carrier controllable reason (mechanical, etc.), what are my options? 1. We can re-accommodate the passenger to a new available flight, 2. We can offer a full credit on their account, 3. We can offer a full refund to the form of their original payment.

d1 – Can I get a full refund because my trip is ruined (i.e. the next available flight does not work for my needs)? 1. We can re-accommodate the passenger to a new available flight, 2. We can offer a full credit on their account, 3. We can offer a full refund to the form of their original payment.

d2 – Can I be rerouted on a partner flight (i.e. AA / UA) into/out of a neighboring airport (TVC, GRR, and MKG)? **Not applicable.**

d3 – Will I be compensated for my inconvenience in any way (food and/or lodging if an overnight stay is required) If Air Choice One flight is delayed or canceled we assume no responsibility for re-accommodation, meals, or lodging, but Air Choice One will look at each situation on a case by case basis and may make an exception depending on the circumstance.

e) The same scenarios as d) but for a non-controllable cancellation (weather, etc.) 1. We can re-accommodate the passenger to a new available flight, 2. We can offer a full credit on their account, 3. We can offer a full refund to the form of their original payment.

**Essential Air Service Proposal**



**Manistee/Ludington, MI**

**DOT-OST-1996-1711**

**April 13, 2020**

## About Boutique Air

### Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services across the west coast with our fleet of Pilatus and Cessna aircraft. As a charter operator we have received certifications from both industry-leading safety organizations, ARG/US and Wyvern. Boutique Air employs pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2014. We began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Galileo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

### EAS Contracts

On April 22, 2014 Boutique Air received its first EAS contract when the DOT selected the airline to provide service between Clovis, New Mexico and Dallas/Ft. Worth, Texas. Since then, we have continued our track record of success and now serve 16 different EAS communities and operate out of 30 different airports. Continuing on this path of successful growth, Boutique Air's most recent community began service to Victoria, Texas in November 2018.

## What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option** for the traveling public.*

-Hon. Mayor David Lansford in Recommendation Letter  
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great**. Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and capable of providing reliable **Essential Air Service**...*

-Susan L. Kurland in Clovis EAS Award  
Asst. Sec. for Aviation and International Affairs  
US DOT

*Right now Boutique Air is a very cool secret.*

-Examiner.com

*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel in general**. A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

*Smooth flights and personable staff are part of the experience...*

-Clovis News Journal

# Route Map



## Aircraft:

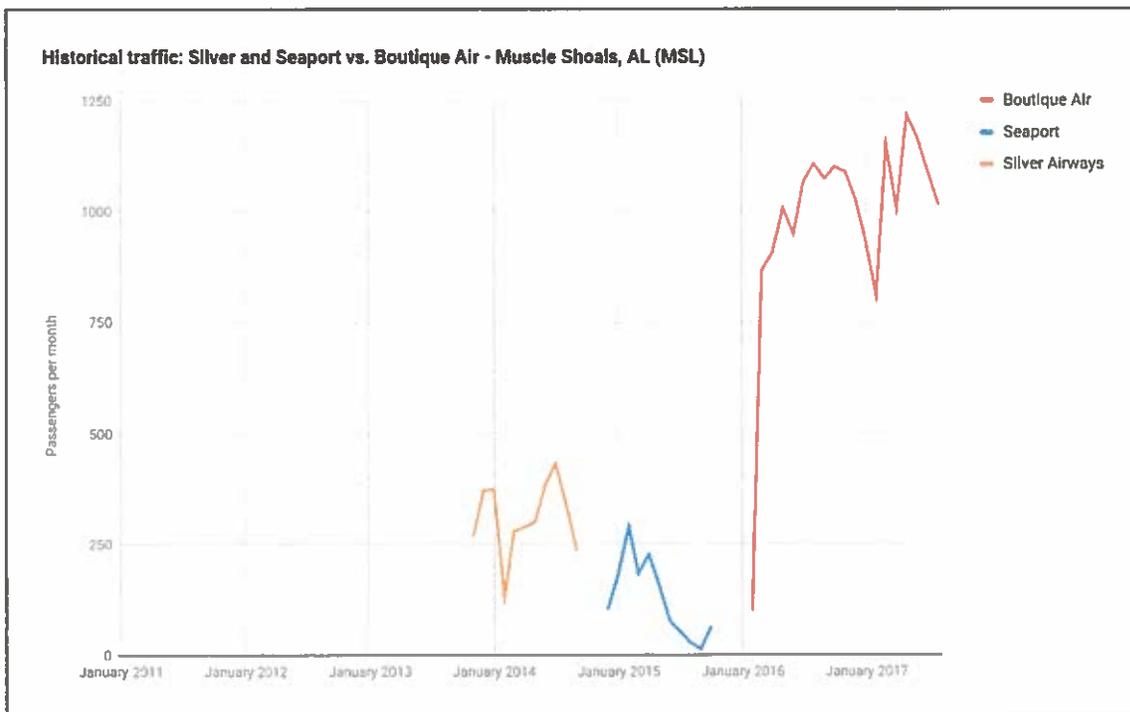
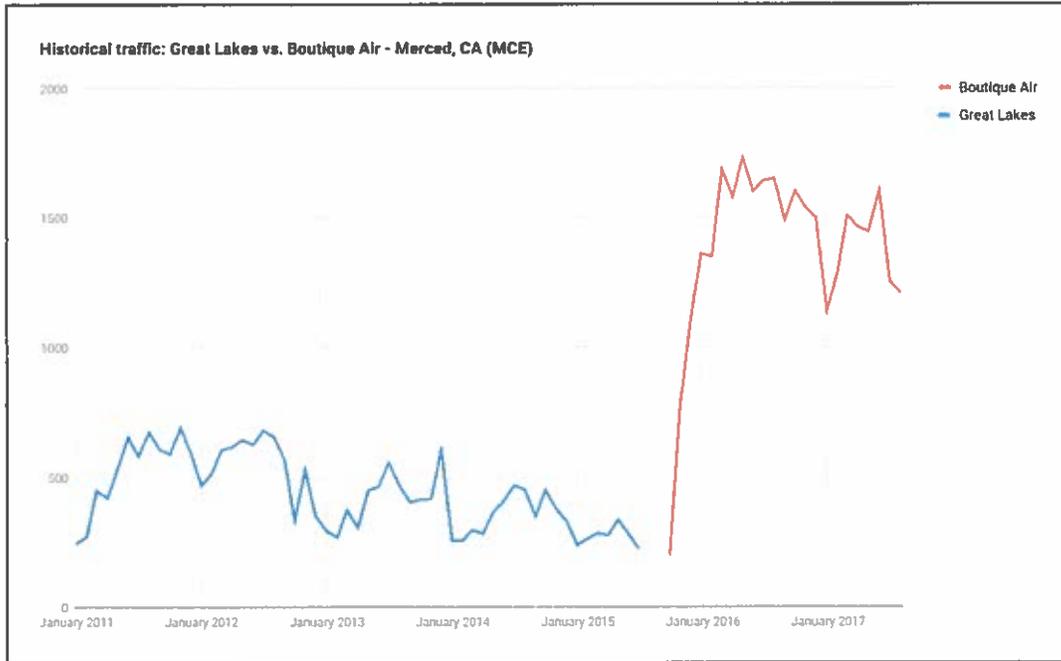
Boutique Air currently operates a modern fleet of Pilatus PC-12, Piaggio Avanti, and Beechcraft King Air 350 aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew. Boutique Air ensures pilots provide a level of customer service beyond that of normal commercial airlines.

- 8 or 9 Passenger Executive Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory

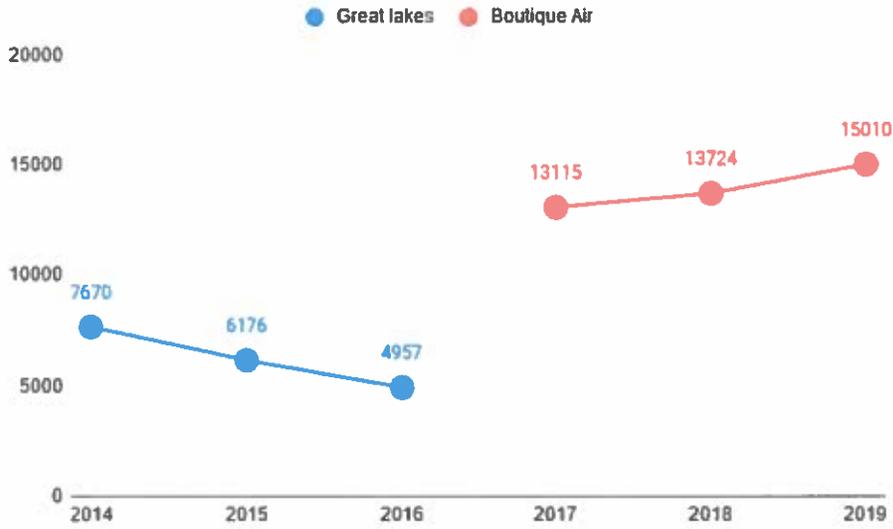


## Historical Passenger Traffic Performance

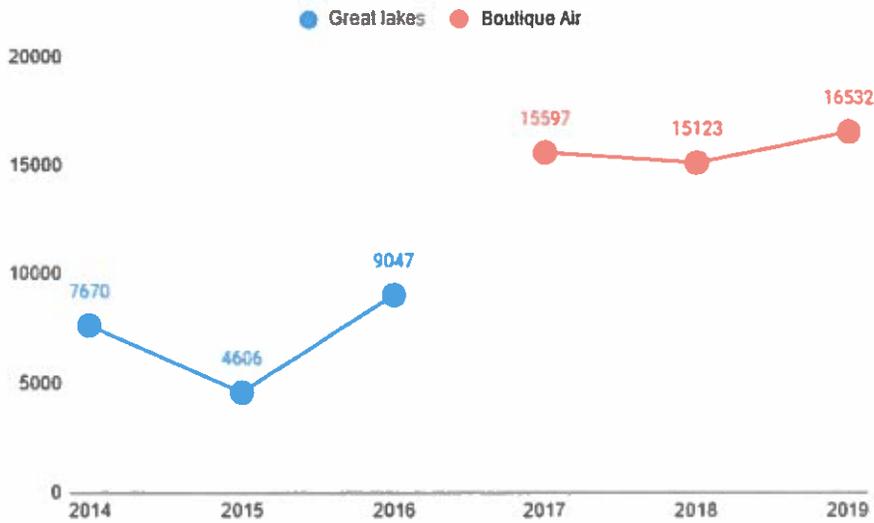
Boutique Air has established a proven track record in resuscitating air service in EAS communities which have been devastated by poor execution from prior carriers as illustrated by the passenger traffic graphs below.



Historical Traffic: Great Lakes vs. Boutique Air - Alamosa, CO (ALS)



Historical Traffic: Great Lakes vs. Boutique Air - Alamosa, CO (ALS)



# Proposal

## Overview

Our proposal would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 or King Air 350 aircraft. The term is two years.

In order to increase brand recognition in the community, Boutique Air will spend at least \$20,000 per year on advertising & marketing to make Manistee's air service a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

## Note on Service Start Date

Because Boutique Air already operates at all the destination airports we anticipate being able to start service approximately 2-6 weeks following an order selection.

## Note on Interline Agreements

Boutique Air launched its interline and codeshare agreement with United Airlines on May 1, 2017. Customers now have flow-through ticketing and baggage capabilities for those flights that connect with United Airlines. In addition Boutique Air has an interline agreement with American Airlines as of August 7, 2019. Passengers will be able to book through United.com and AA.com and connect with any of United or American flights. Below are screenshots of our current service as reflected on United and American Airlines websites both domestic and international.

(Image of fares currently available on United.com from Massena, NY)

From **Massena, NY, US (MSS)** To **Houston, TX, US (IAH)**

Departure date: **May 14, 2020** Return date: Add return date Search by:  Price  Award travel [Update](#) [Advanced search](#)

**Departure: Massena, NY, US → Houston, TX, US**

**Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.**

Mon 5/11	Tue 5/12	Wed 5/13	<b>Thu 5/14</b>	Fri 5/15	Sat 5/16	Sun 5/17
\$191	\$191	\$191	<b>\$191</b>	\$191	\$191	\$191

With stops **\$181** Choose connecting airports [Show fare type comparison](#)

Sort flights by: Best match

Depart	Arrive	Stops	Duration	Economy (lowest)	Economy (flexible)	First (2 cabin lowest)
6:20 am	1:13 pm	1 stop	7h 53m	\$191	\$678	<b>Mixed cabin \$475</b>

includes Travel Operated By Boutique Air [Select](#) [Select](#) [Select](#)

(Image of fares currently available on AA.com from Johnstown, PA)

Depart Johnstown, PA to Dallas/ Fort Worth, TX  
Tuesday, May 12, 2020

**American Airlines flights may be listed first.** [Product comparison](#)

Lowfare fare Flexible

Wed May 06	Thu May 07	Fri May 08	Sat May 09	Sun May 10
\$172	\$172	\$199	\$172	\$199

Sort by: Relevance

Main Cabin	First
<p>JST DFW</p> <p>12:35 PM → 5:34 PM 5h 59m 1 STOP</p> <p>JST - PIT = 48 874 = PL1 Pilatus PC 12</p> <p>PIT - DFW = AA 990 = 319 Airbus A319</p> <p>One way <b>\$172</b> 3 seats left</p>	<p>One way <b>\$339</b> 3 seats left</p>

## Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings with airport and/or city officials. This will allow us to answer any questions and provide additional information.

While we can not promise we will be able to implement everyone's suggestions, we welcome feedback from the community, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson  
CEO



## Service Summary

In an effort to provide Page the most flexibility in selecting an air service that best fits its needs, Boutique Air has provided several options in Pilatus PC-12 aircraft or King Air 350.

Additionally as per the DOT's RFP, we have also broken the year down into three seasons: High Season, Mid Season, and Low Season.

Boutique Air reserves the right to move up to 50% of the Round Trips to Grand Rapids, Michigan (GRR) in conjunction with community interest, seasonally or year-round.

	Low Season Round Trips 22 Weeks	Mid Season Round Trips 20 Weeks	High Season Round Trips 10 Weeks	Pilatus PC-12 Year 1 Subsidy	King Air 350 Year 1 Subsidy
Option #1	21 Roundtrips	24 Roundtrips	30 Roundtrips	\$3,682,360	\$4,080,237

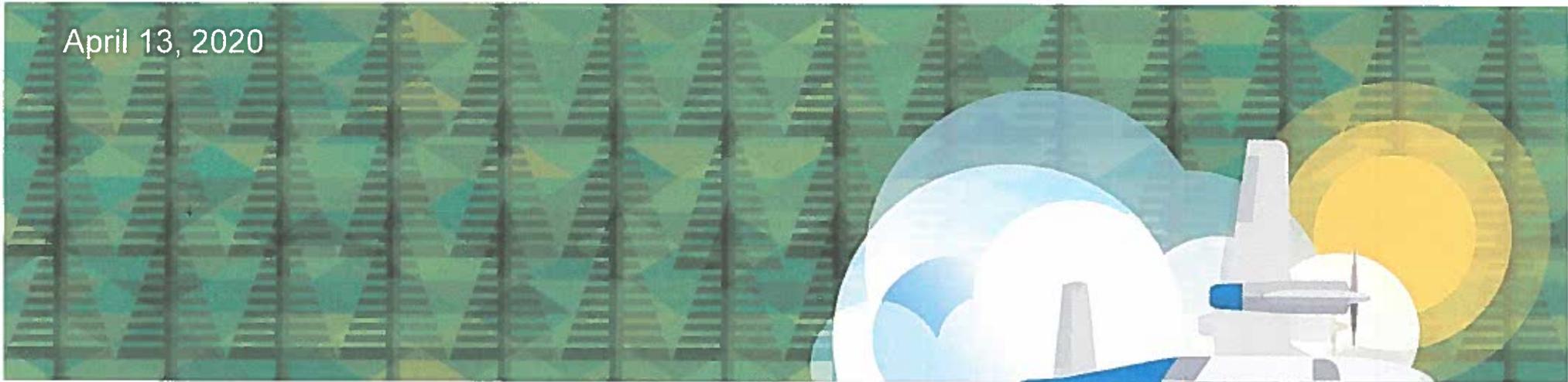
Note on annual cost increase: a 2% subsidy escalation is required after every twelve months of service based on prior year

**Manistee/Ludington, MI****Option 1: 21-30 Nonstop RTs to Chicago, IL (ORD) & Grand Rapids, MI (GRR)**

	<u>PC-12</u>	<u>King Air 350</u>
<b>Operations</b>		
Scheduled Flights	3,120	3,120
Completed Flights (98%)	3,058	3,058
Scheduled Block Hours	3,796	2,444
Scheduled Seats	24,960	28,080
Scheduled ASMs	4,517,760	3,453,840
		1,950
<b>Revenue</b>		
Passengers	14,976	17,690
Average Fare	\$59	\$79
Fare Revenue	\$883,584	\$1,397,542
<b>Total Revenue</b>	<b>\$883,584</b>	<b>\$1,397,542</b>
<b>Expenses</b>		
Fuel	\$1,042,002	\$1,242,000
Ownership	\$840,000	\$920,000
Maintenance	\$1,018,994	\$1,437,048
Crew	\$699,648	\$899,666
Airport Rent	\$166,532	\$166,532
Landing Fees	\$132,336	\$184,086
Staff	\$206,000	\$206,000
Insurance	\$20,000	\$20,000
Marketing	\$20,000	\$20,000
Other Indirect Costs	\$36,000	\$24,000
Corporate	\$167,024	\$97,600
<b>Total Costs</b>	<b>\$4,348,537</b>	<b>\$5,216,932</b>
<b>Profit Element</b>	<b>\$217,427</b>	<b>\$260,847</b>
Margin	5.0%	5.0%
<b>Total Annual Subsidy</b>	<b>\$3,682,380</b>	<b>\$4,080,237</b>
<b>Total Annual Subsidy Year 2</b>	<b>\$3,756,027</b>	<b>\$4,161,841</b>



April 13, 2020



EAS Proposal for:

# Manistee, MI – Chicago O’Hare

Docket DOT-OST-1996-1711

4x Daily (Summer)/2x Daily (Winter) with codeshare of **American Airlines**   
(With option for a daily stop in Grand Rapids, MI)

Hyannis Air Service, Inc., dba Cape Air  
Attn: Andrew Bonney, SVP Planning  
660 Barnstable Road, Hyannis, MA 02601  
(508) 862-9719



## Preface Regarding the COVID-19 Pandemic

### Key points

- Despite the inherent uncertainties in today's pandemic news, Cape Air is confident in the durability of high-frequency, reliable, 9-seat commuter service with connections to/from major airlines
- This proposal assumes a return of travel demand over the next 6-12 months
- Some facts and figures in the contextual information of this presentation may change, but Cape Air's proposal for Manistee's EAS is firm
- Cape Air has embraced CDC protocols for cleaning aircraft and passenger facilities, and employing personal protective equipment



## Cape Air Overview



Dan Wolf  
Founder & CEO

Linda Markham  
President

- Flying scheduled service since 1989
- 99 aircraft in the fleet
- 37 cities served
- 850 employees
- Flying 500,000+ passengers per year
- Employee-owned and empowered workforce



Featuring

# World class distribution



- ✓ Interline with all legacy airlines
- ✓ Hosted in Amadeus reservations system
- ✓ Selling through major online travel agencies



# Airline partners

Cape Air connects with:



C-7

# Cape Air's Manistee service will be codeshared with American Airlines



## American Airlines

Depart Marion, IL to Dallas/ Fort Worth, TX  
Tuesday, July 30, 2019

 American Airlines flights may be listed first

[Product comparison](#)

<a href="#">Lowest fare</a>	<a href="#">Flexible</a>	Sun Jul 28 \$ 249	Mon Jul 29 \$ 209	<b>Tue Jul 30 \$ 209</b>	Wed Jul 31 \$ 209	Thu Aug 01 \$ 209
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Sort by: [Relevance](#)

[Main Cabin](#)

[First](#)

MWA	DFW					
6:15 AM	→	9:41 AM	3h 26m	<a href="#">1 stop</a>	One way \$ 209	One way \$ 4,875 <small>flexible</small>
MWA - STL - AA 8343 - CNA-Cesna (Light) Operated by Myanna Air Service As Cape Air						
STL - DFW - AA 1470 - A180-RD-80 						
 Please note connection time						
<a href="#">Details</a>   <a href="#">Seats</a>						

Manistee will be featured on aa.com



C-8

# Cape Air's interline with United Airlines will allow Manistee itineraries to appear on united.com



UNITED United States | English Saved to profile Contact us MileagePlus: Sign In or Join

From Chicago, IL, US (ORD) To Kirksville, MO, US (IRK)

Departure date: Apr 21, 2020 Return date: Add return date Search by: Price Award travel Update

Departure: Chicago, IL, US — Kirksville, MO, US

Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.

Sat 4/18	Sun 4/19	Mon 4/20	Tue 4/21	Wed 4/22	Thu 4/23	Fri 4/24
\$154	\$184	\$124	\$124	\$144	\$126	\$144

With stops \$124 Choose connecting airports Show fare type comparison

Sort flights by: Best match

Depart	Arrive	Stops	Duration	Economy (lowest)	Economy (flexible)	Fare (2-cabin, lowest)
6:45 am	11:20 am	1 stop	4h 35m	\$255	\$332	Not available
Includes Travel Operated By Skywest Dba United Express, Cape Air						
9:05 am	2:55 pm	1 stop	5h 50m	\$255	\$332	Not available
Includes Travel Operated By Expressjet Airlines Dba United Express, Cape Air						
10:05 am	2:55 pm	1 stop	4h 50m	\$255	\$332	Mixed cabin \$324
Includes Travel Operated By Gojet Airlines Dba United Express, Cape Air						

6 tickets left at this price



C-9

# Reservations: 1-800-CAPE-AIR



## Cape Air Reservations Department



**No fee to speak  
with a reservations  
agent!**

*Cape Air*

# Cape Air participates in TSA's PreCheck program



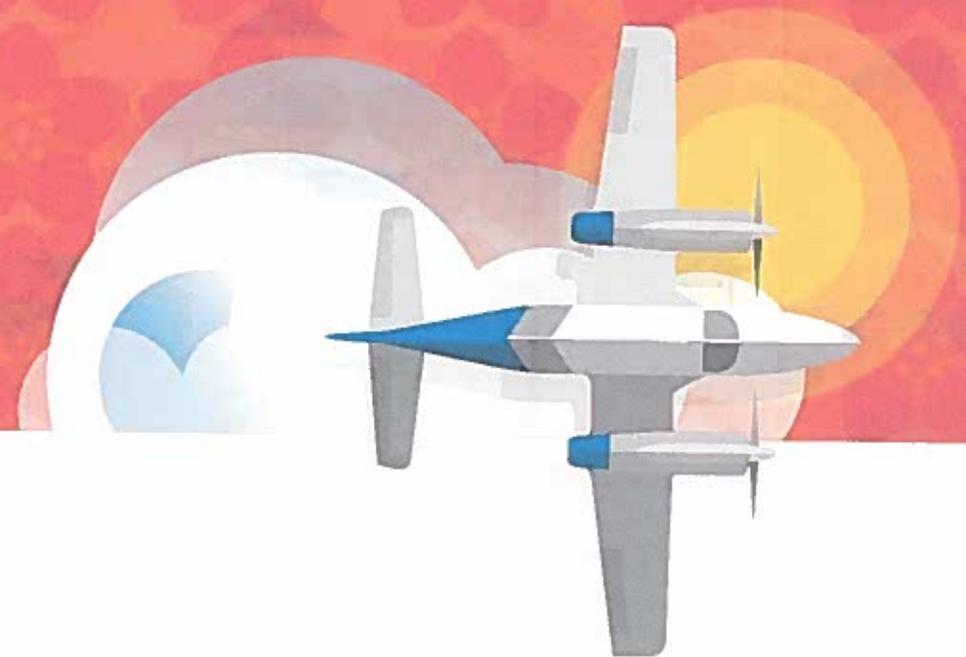
TSA Pre✓™



With TSA Pre✓ you **don't** need to remove:

 SHOES	 LAPTOPS	 3-1-1 LIQUIDS	 BELTS	 LIGHT JACKETS
--	--	--	--	--

# Commitment To Safety



# Safety first

Core of our culture



## Cape Air's #1 priority is the safety of our operation

- Multi-engine aircraft
- Safety audits annually by:
  - American Airlines
  - United Airlines
  - JetBlue Airways
- SMS program approved by FAA
- 30 years experience
  - 100,000+ flights per year
- FAA certified under Part 135 Commuter
- All captains have an Air Transport Pilot Certificate
  - 1,500 hours minimum
- Director of Safety
  - Department of 3 safety professionals
- WAAS-enabled GPS navigation

Safety mantra:  
"Make the tough call in the  
name of safety, and we will  
support you"

## Cape Air proposes service in our fleet of brand new twin-engine Tecnam Travellers



### Cape Air's Tecnam Traveller



### Features

- **Two engines, for safety**
- 9 passenger seats
- 2 pilot seats, and certificated for single pilot operations
- Italian leather seats
- Air conditioning
- LED lighting
- USB ports

*Cape Air.*

C-14

The “Traveller” was custom designed by Cape Air and Tecnam for commuter air service



### Highlights

- The first new purpose-designed commuter aircraft in 40 years
- Brand-new design
- Electronically controlled engines
- Luxurious cabin with 9 single seats

*Cape Air.*

C-15

The cockpit features the Garmin G1000NXi integrated flight deck



*Cape Air*

Featuring a  
**Chicago O'Hare hub**



- ✓ Connecting service to the world
- ✓ 264 non-stop destinations in 2020
- ✓ Major economic, entertainment and cultural destination



Cape Air is delighted to offer Manistee access to Chicago O'Hare



### Chicago, Illinois



### Chicago fast facts

- Population (2018): 2,705,994
- Hosted 58 million visitors in 2018
- Top Chicago attractions:
  - Millennium Park
  - Navy Pier
  - Shedd Aquarium
  - The Field Museum
  - Museum of Science and Industry
- Chicago O'Hare Airport: one of most connective airports in the world

*Cape Air*



# Chicago O'Hare route map



Source: 2020 OAG

Additionally, Cape Air offers an optional daily stop in Grand Rapids in route to/from Chicago



**Grand Rapids non-stop service**

2020

City	Code	Seats	City	Code	Seats
Chicago, IL	ORD	303,151	Punta Gorda, FL	PGD	33,453
Atlanta, GA	ATL	263,205	Phoenix, AZ	AZA	30,798
Detroit, MI	DTW	232,969	Houston, TX	IAH	25,284
Minneapolis, MN	MSP	190,619	Phoenix, AZ	PHX	23,500
Denver, CO	DEN	153,189	Fort Myers, FL	RSW	19,857
Chicago, IL	MDW	139,541	Tampa, FL	TPA	17,738
Dallas, TX	DFW	103,642	Sarasota, FL	SRQ	16,815
Charlotte, NC	CLT	89,228	Washington, DC	IAD	15,100
Sanford, FL	SFB	74,928	Nashville, TN	BNA	14,490
New York, NY	LGA	66,160	Savannah, GA	SAV	12,552
St. Petersburg, FL	PIE	62,508	Jacksonville, FL	JAX	11,682
Newark, NJ	EWR	61,216	Austin, TX	AUS	8,142
Philadelphia, PA	PHL	55,689	New Orleans, LA	MSY	7,788
Orlando, FL	MCO	50,061	Miami, FL	MIA	6,536
Baltimore, MD	BWI	43,932	Boston, MA	BOS	5,310
Washington, DC	DCA	34,105	Fort Lauderdale, FL	FLL	4,956
Las Vegas, NV	LAS	33,630	Los Angeles, CA	LAX	3,894

Source: OAG

**Grand Rapids stop**

- Competes for drive-traffic leakage to/from Manistee
- Grand Rapids features non-stop service to 34 cities
  - Covers many major markets
- Service by six airlines: Allegiant, American, Delta, Frontier, Southwest, United
- Convenient terminal, all behind security



# Marketing

And Community Engagement



## Cape Air's marketing for Manistee will collaborate with and complement the airport's ongoing program



The marketing plan for Manistee includes:

- ✓ Building on existing Manistee marketing practices
- ✓ Targeted SEM, SEO and digital display
- ✓ Traditional mediums: print/outdoor/radio/TV/streaming/social platforms
- ✓ Leveraging UGC
- ✓ Community sponsored events
- ✓ Partnerships with local businesses and universities
- ✓ Local contesting and trip giveaways

The world awaits.  
(You don't.)

Next time you travel, hop on one of our fast, daily flights to Billings Logan International for easy connections to wherever you're going. And enjoy the ride.

**\$29**  
from each way

Hayre Glasgow Wolf Point Sidney Glendive Billings

**Cape Air.**  
Enjoy the ride.

capeair.com 800-CAPE-AIR

\*Including all taxes and fees. Fares are subject to availability and other conditions. Fares may change without notice, and are not guaranteed until ticketed.

Where do you need to go?

Now Serving Decatur

- Easy connections
- Free parking in Decatur

St. Louis  
**\$29**  
from each way

Chicago  
**\$59**  
from each way

ST. LOUIS CHICAGO DENVER LAS VEGAS NASHVILLE ORLANDO

Book flights

**Cape Air.**

Cape Air has a Marketing Manager focused on the Midwest



# The Cape Air Difference

New multi-engine aircraft, connectivity, community



- Newest aircraft: **Tecnam P2012 Traveller**
- Right-sized seasonal frequency:
  - **4x daily during summer**
  - **2x daily during winter**
- Codeshare with **American Airlines**
- **Interlines** with American, Delta, JetBlue, Alaska, United and more
- Planes and pilots **based and overnighting in Manistee**
- **Independence**, retaining full control over:
  - Fares
  - Schedule
  - Marketing
- **No fees:**
  - **No** 1<sup>st</sup> checked bag fees
  - **No** change fees
  - **No** reservations fees
- Dedicated community partner
  - Robust **marketing program**

# EAS Proposal Economics



# Cape Air Option 1: Average of 3x daily to/from O'Hare



## Drivers

Daily Round Trips (Summer)	4
Daily Round Trips (Winter)	2
Daily Round Trips (Average)	3
Completion Rate	97%
Annual Actual Dpts	2,124
Pax/Dpt	4.5
Load Factor	50%
Avg. Net Fare	\$59

Summer: May – October  
 Winter: November – April

Note: See escalation factors subsequent slide

4-year option preferred

## Expenses

Two-year term; discount for 4-year term, preferred, is noted below

Fuel	\$767,437
Maintenance	\$763,664
Pilots	\$656,859
Ownership	\$779,783
Rents	\$347,255
Staff	\$491,838
Landing Fees	\$95,262
Marketing	\$52,013
General & Admin./Other	\$81,153
<b>Operating expense</b>	<b>\$4,035,262</b>
Return of 5%	\$212,382
Economic Expense	\$4,247,645
Passenger Revenue	\$564,002
Profit	(\$3,683,643)
<b>Annual Operating Subsidy Required</b>	<b>\$3,683,643</b>
<b>Subsidy Per Departure</b>	<b>\$1,734</b>
Discount for 4-year term	
<b>Proposed Subsidy</b>	<b>\$3,583,411</b>
<b>Per Departure</b>	<b>\$1,687</b>

Year 1

Year 1

To align revenue with costs, Cape Air proposes escalation factors



**Option 1: Annual subsidy including escalation**

Preferred

**Two-year selection**

Year 1	\$3,683,643
Year 2	\$3,794,152

**Four-year selection**

Year 1	\$3,583,411
Year 2	\$3,690,913
Year 3	\$3,801,641
Year 4	\$3,915,690

# Cape Air Option 2: Average of: 2x daily non-stops to/from O'Hare, plus 1x to/from O'Hare via Grand Rapids



## Drivers

Daily Round Trips (Summer)	4
Daily Round Trips (Winter)	2
Daily Round Trips (Average)	3
Completion Rate	97%
Annual Actual Dpts	2,124
Pax/Dpt	5.0
Load Factor	56%
Avg. Net Fare	\$56

Summer: May – October  
Winter: November – April

Note: See escalation factors subsequent slide



## Expenses

Two-year term; discount for 4-year term, preferred, is noted below

Fuel	\$944,972
Maintenance	\$935,232
Pilots	\$656,859
Ownership	\$954,973
Rents	\$530,953
Staff	\$597,126
Landing Fees	\$129,847
Marketing	\$52,013
General & Admin./Other	\$103,110
<b>Operating expense</b>	<b>\$4,905,085</b>
Return of 5%	\$258,162
Economic Expense	\$5,163,247
Passenger Revenue	\$602,947
Profit	(\$4,560,300)
<b>Annual Operating Subsidy Required</b>	<b>\$4,560,300</b>
<b>Subsidy Per Departure</b>	<b>\$2,147</b>
Discount for 4-year term	
<b>Proposed Subsidy</b>	<b>\$4,436,214</b>
<b>Per Departure</b>	<b>\$2,088</b>

Year 1

Year 1

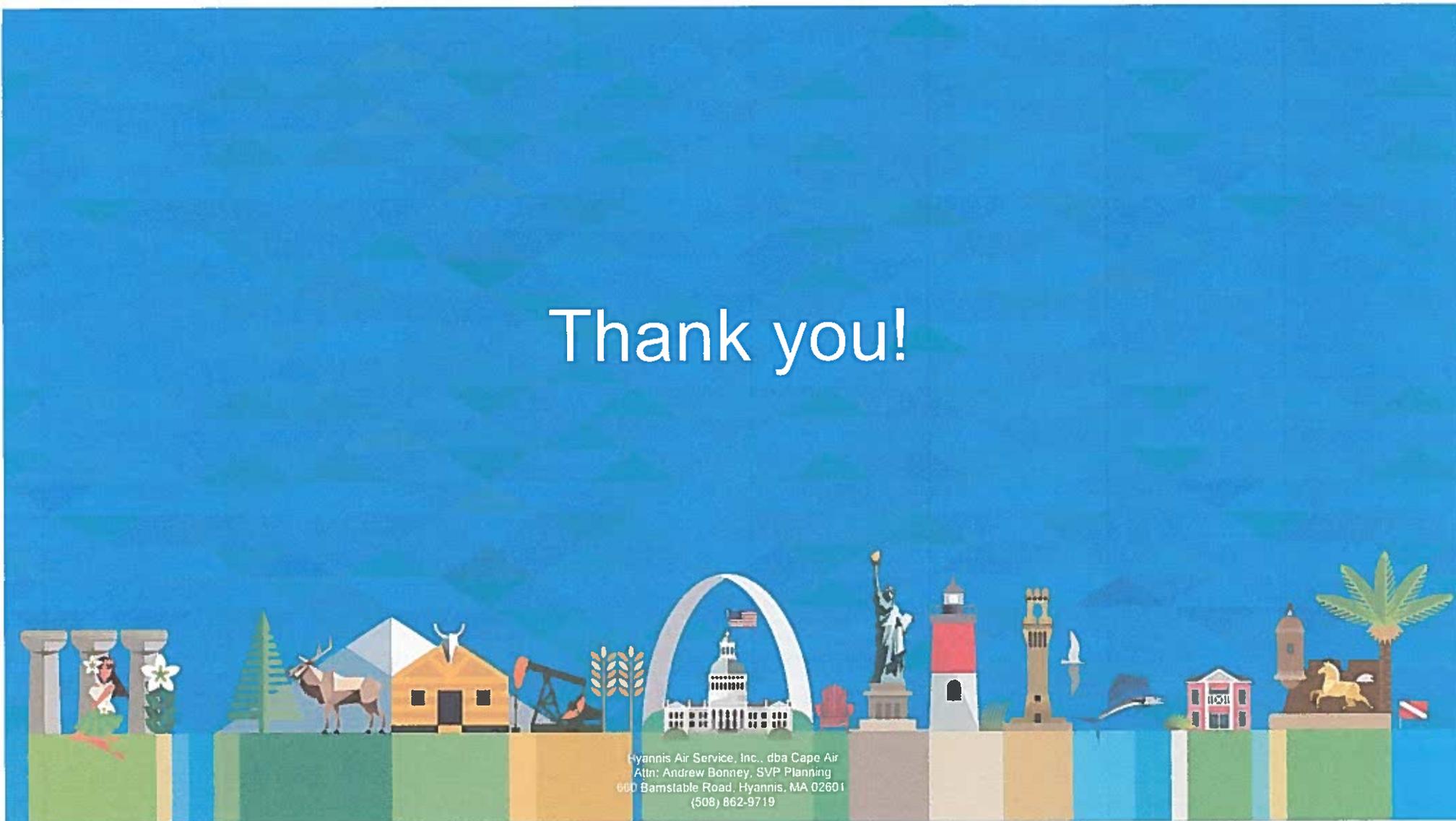
To align revenue with costs, Cape Air proposes escalation factors



**Option 2: Annual subsidy including escalation**

	<b>Two-year selection</b>	
	Year 1	\$4,883,339
	Year 2	\$5,029,839
	<b>Four-year selection</b>	
Preferred	Year 1	\$4,750,463
	Year 2	\$4,892,977
	Year 3	\$5,039,766
	Year 4	\$5,190,959

Thank you!



Hyannis Air Service, Inc., dba Cape Air  
Attn: Andrew Bonney, SVP Planning  
660 Barnstable Road, Hyannis, MA 02601  
(508) 862-9719

ROBERT A. WIRICK  
Managing Director  
International Government Affairs



April 27, 2020

Kevin Schlemmer  
Chief, Essential Air Service Program  
U.S. Department of Transportation  
1200 New Jersey Ave, SE  
Washington, D.C. 20590

**Re: Docket DOT-OST-1996-1711  
Essential Air Service at Manistee, Michigan**

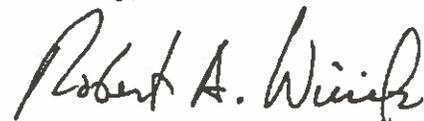
Dear Mr. Schlemmer,

American Airlines, Inc. enthusiastically supports the proposal of Hyannis Air Service, Inc. *dba Cape Air* to provide Essential Air Service for Manistee County Blacker Airport (MBL) serving Manistee, Michigan. If Cape Air is selected to serve Manistee, American Airlines would be delighted to amend our existing codeshare agreement with Cape Air, and provide to the Manistee community seamless booking and travel on American Airlines' worldwide network.

American Airlines offers customers 6,800 daily flights to more than 365 destinations in 61 countries from its hubs in Charlotte, Chicago, Dallas-Fort Worth, Los Angeles, Miami, New York, Philadelphia, Phoenix, and Washington, D.C. We would be honored to connect Manistee to our powerful global network. With a shared purpose of caring for people on life's journey, American's 130,000 global team members serve more than 200 million customers annually. American was recently named a Five Star Global Airline by the Airline Passenger Experience Association and Airline of the Year by *Air Transport World*. American is a founding member of oneworld®, whose members serve 1,100 destinations in 180 countries and territories.

Thank you for your kind consideration.

Sincerely,

A handwritten signature in black ink that reads "Robert A. Wirick".

BEFORE THE DEPARTMENT OF TRANSPORTATION | WASHINGTON, D.C.

## APPENDIX D

# ESSENTIAL AIR SERVICE AT *Manistee/Ludington, Michigan*

UNDER 49 U.S.C. § 41731 ET SEQ.  
BY ORDER 2020-2-5 | DOT-OST-1996-1711

### **Proposal to Provide Subsidized Essential Air Service**

By Order 2020-2-5, the Department requested proposals from carriers interested in providing Essential Air Service to Manistee/Ludington, Michigan. Pursuant to that Order, Southern Airways Express LLC ("Southern") cordially submits this proposal.

### **Correspondence with regard to this document should be addressed to:**

R. Stan Little  
CHAIRMAN & CEO

101 North Riverside Drive; Suite 211  
Pompano Beach, Florida 33062

(901) 672-7820  
s.little@iflysouthern.com

## *America's Most Reliable Commuter Airline*

# SOUTHERN



 [iFlySouthern.com](http://iFlySouthern.com)

D-2

Southern Airways Express hereby offers a proposal to become the air service provider at the Manistee County Blacker Airport. The proposal is for a period of two years.

## *The Southern Story*

In less than eight years, Southern Airways Express has become one of the largest commuter airlines in America and a leader in the field of Essential Air Service. Of the nearly 200 daily flights operated by Southern, almost half are contracted through the Essential Air Service program. Much of Southern's success can be attributed to targeted expansion to gain scale and stability, industry-leading initiatives to permanently solve the pilot shortage facing rural communities, and the operation of the most reliable model of 9-seat aircraft in existence. However, it is the close partnerships developed through years of community networking and engagement that have led not only to countless mutually-beneficial cooperatives but also to the Essential Air Service regulatory compliance in each community that Southern currently serves.

Southern's first flight departed from Memphis, Tennessee, in June of 2013. Launching with just two airplanes and three pilots, Southern would grow to have a respected regional presence in the Gulf South. Just a short time later, as the airline was looking for an expansion opportunity, a commuter airline with Essential Air Service contracts in the mid-Atlantic became available

for acquisition. On February 29, 2016, Southern acquired Sun Air Express. Throughout that year, Southern worked closely with those incumbent EAS communities to facilitate rebranding and to renew the contracts for another bid cycle. In the process, Southern gained additional EAS contracts in the region and also in the State of Arkansas.

With Southern's Essential Air Service markets receiving near-perfect completion rates and passenger counts growing to record levels, the opportunity to make an acquisition and solidify the brand in the commuter marketplace presented itself once again. Mokulele Airlines in Hawai'i was very similar to Southern. Each airline had roughly the same number of employees and flew the same number of daily flights, but what was most compatible with Southern was the synergy of the aircraft type. Both airlines operated the reliable, efficient, and proven Cessna Caravan. The combination of the two companies in 2019 was a perfect fit. With this acquisition, Southern has become one of the largest and most-respected commuter airlines in the country.

***Spring 2016: Southern doubles in size***

***Winter 2017: Southern doubles in size***

***Winter 2019: Southern doubles in size***



*“Voted as the best Specialty & Leisure Airline in the USA”*

— Trip Advisor, April 2019



#### **SOUTHERN'S PROVEN MODEL versus the REALITIES OF MANISTEE**

For many years, Southern Airways subscribed to the business model that success in Essential Air Service communities comes from scale. A carrier generally cannot provide consistent and reliable service to only one or two cities in a regional footprint. It needs multiple aircraft, dozens of pilots, and full support services to be able to handle the daily issues that come from operating an airline.

Through Southern's acquisition of Mokulele Airlines, Southern has learned how stand-alone operations, like our route in Imperial, California, can perform just as well as those in areas where large scale has been obtained. For the past year at Imperial, we have achieved a 99.6% reliability rate, with over 90% on-time performance—the best of any airline in California!

The key to operating near-perfect completion rates in stand-alone communities is the availability of spare aircraft and reserve pilots based in the community. Southern is committed to having at least one spare aircraft based at Manistee to maintain the airline's 99% systemwide completion rate.

#### **ABOUT THE SOUTHERN AIRCRAFT**

Southern intends to continue its reliable, low-fare service using its fleet of 9-passenger turboprop Cessna Caravan aircraft. This model aircraft has been well received by the communities. **With the Caravan, Southern has demonstrated the ability to offer record-setting passenger counts across many of its cities.** Only the Cessna Caravan has an acquisition cost and a cost of operation affordable enough to guarantee a “hot spare” based in Manistee. Other turbine aircraft are just too costly to keep spares idle on a ramp. Basing a more costly spare aircraft at MBL would lead to an unnecessary increase in the amount of subsidy required for the route. With the Caravan, Manistee receives the most reliable 9-seat aircraft in the history of aviation and a “ready-spare” to serve as a back-up plane when needed.

Despite the proven success of the Caravan, Southern still retains Piper Chieftains that can be used for any city requiring twin engines.

# Southern Solves The National Pilot Shortage

Entire aircraft fleets have been retired in the past decade, and many American carriers have ceased operations as a direct and proximate result of not being able to recruit and retain adequate numbers of crew members.

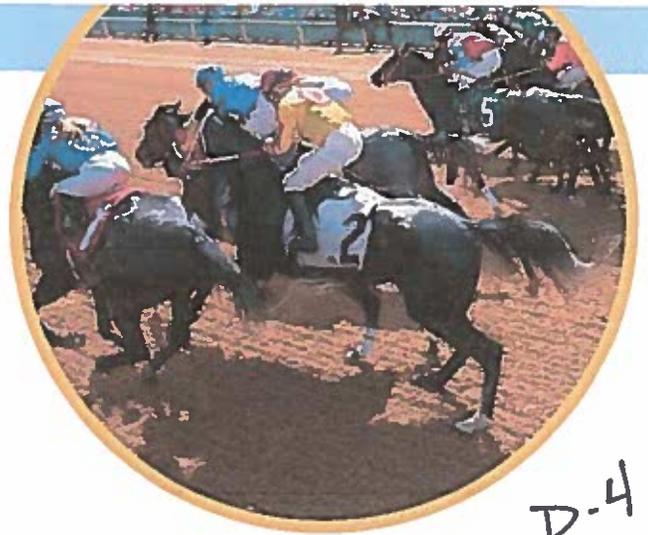
Southern recognized this issue early and began taking steps to position itself to stay ahead of the competition.

Southern's Chairman served as a member of the Department of Transportation Working Group to study ways to address these issues and to help alleviate the problems related to rural air service.

Since that time, Southern has implemented groundbreaking programs to recruit and retain quality pilots, including the *Southern Senior Pilot Leadership Program* and the *Southern Airways Pilot Cadet Program*. In addition, Southern has a full-time recruiting staff dedicated to bringing the "best and the brightest" to Southern Airways. The pilot corps numbers are among the best in the industry and promise a very positive 2020 and beyond.

As demonstrated by Southern's industry-leading controllable completion rates, since November of 2017, Southern has rarely cancelled a flight due to crew availability.

Though the Covid-19 crisis has likely put the pilot shortage on hold for several months, there's little doubt that it will return. Fortunately, Southern has already invested in a permanent solution.



D-4

 [FACEBOOK.COM/IFLYSOUTHERN](https://www.facebook.com/IFLYSOUTHERN)

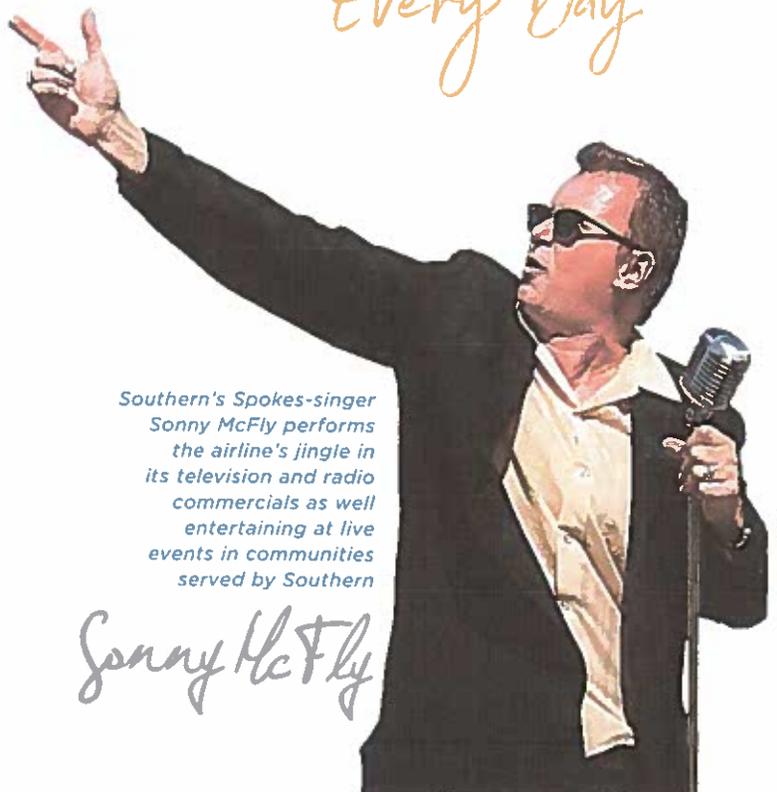
 [INSTAGRAM.COM/FLYSOUTHERN](https://www.instagram.com/FLYSOUTHERN)

 [PINTEREST.COM/IFLYSOUTHERN](https://www.pinterest.com/IFLYSOUTHERN)

 [TWITTER.COM/IFLYSOUTHERN](https://twitter.com/IFLYSOUTHERN)

 [YOUTUBE.COM/USER/IFLYSOUTHERN](https://www.youtube.com/user/IFLYSOUTHERN)

*Every Passenger.  
Every Flight.  
Every Day*



*Southern's Spokes-singer  
Sonny McFly performs  
the airline's jingle in  
its television and radio  
commercials as well  
entertaining at live  
events in communities  
served by Southern*

*Sonny McFly*

# Southern Airways

## By the Numbers

*218 Daily Departures*

*30,000 Monthly Passengers*

*490 Employees*

*200 Pilots*

*35 Aircraft*

*32*  
*Amazing Destinations*

### IN THE MID-ATLANTIC:

Aitona, Penn.

Bradford, Penn.

DuBois, Penn.

Lancaster, Penn.

Morgantown, W.Va.

### IN NEW ENGLAND

Hyannis, Mass.

Norwood, Mass.

Providence, R.I.

### IN THE GULF:

Destin, Fla.

Harrison, Ark,

Key West, Fla.

Tampa, Fla.

El Dorado, Ark.

Hot Springs, Ark.

Nashville, Tenn.

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### IN CALIFORNIA:

Imperial/El Centro

### IN HAWAII:

Hana

Kalaupapa

Molokai

Kona

Kapalua

Lānaʻi City

Waimea-Kohala

### 9 HUB/FOCUS CITIES:

Baltimore

Dallas

Honolulu

Kahului

Los Angeles

Memphis

Nantucket

Palm Beach

Pittsburgh



D-6

**ALL MAJOR DISTRIBUTION CHANNELS**

Southern invests a considerable portion of its marketing budget to promote its service to traditional travel agents and to internet shoppers who purchase tickets through online travel agencies.

**AMADEUS**

**Sabre**

**Travelport** 

**MAJOR GLOBAL DISTRIBUTION SYSTEMS:**

- Sabre
- Amadeus
- Worldspan
- Galileo
- Travelport
- Apollo

**MAJOR ONLINE TRAVEL AGENCY WEBSITES:**

- Expedia
- Travelocity
- Orbitz
- Kayak
- Priceline
- Cheaptickets

**KAYAK**

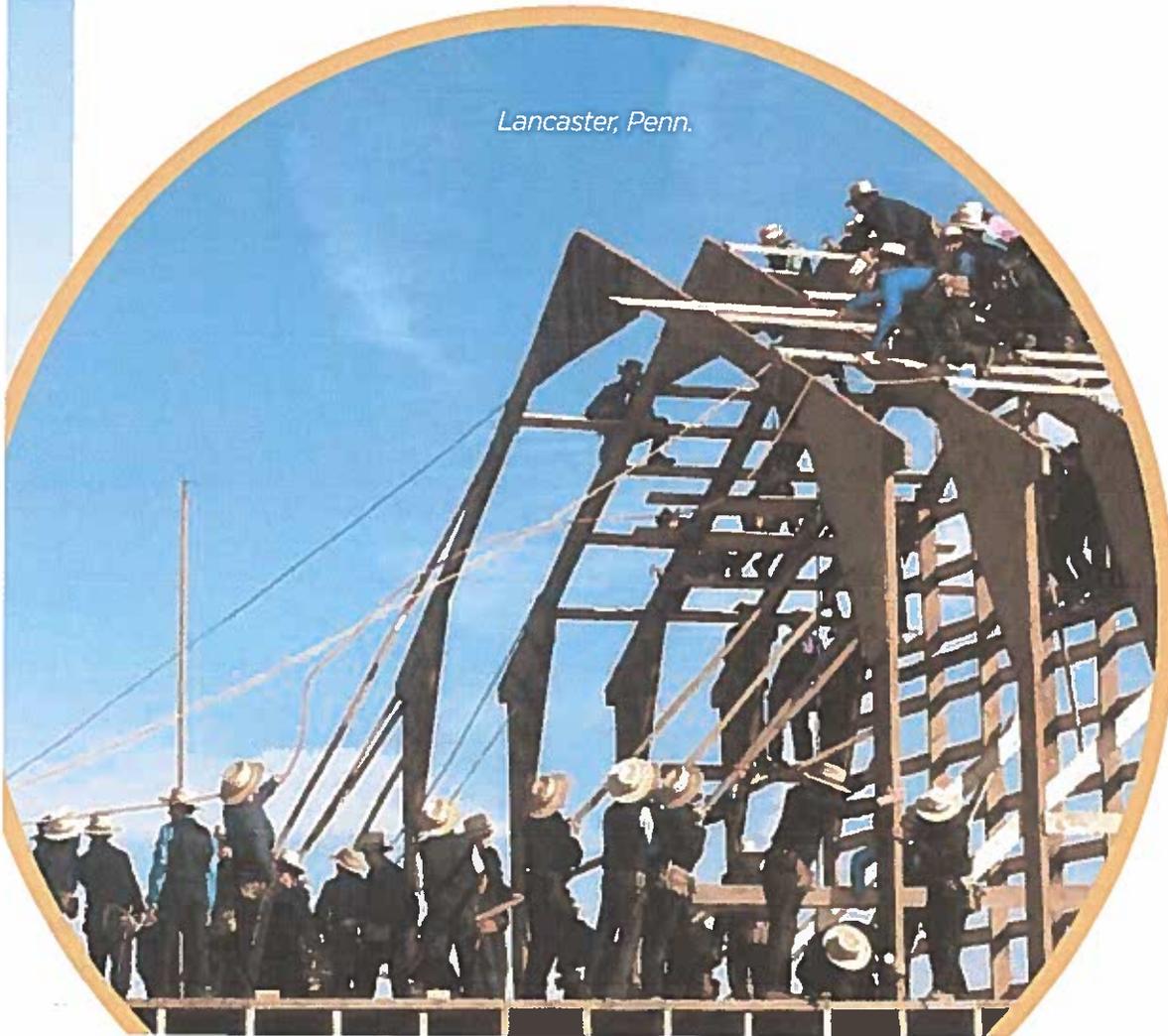
**ORBITZ**

**priceline.com**

 **Expedia**

  
**travelocity**

*Lancaster, Penn.*



# Southern's interline partner, American Airlines.

In spring 2018, Southern Airways became an interline partner of American Airlines. This means that traveling from the hometown airport to any American Airlines destination now tops any other air travel option.

American Airlines 



**SOUTHERN'S ADDITIONAL INTERLINE PARTNERS**

**Alaska**  
AIRLINES

LAUNCHED NOV. 7, 2019



**Condor**



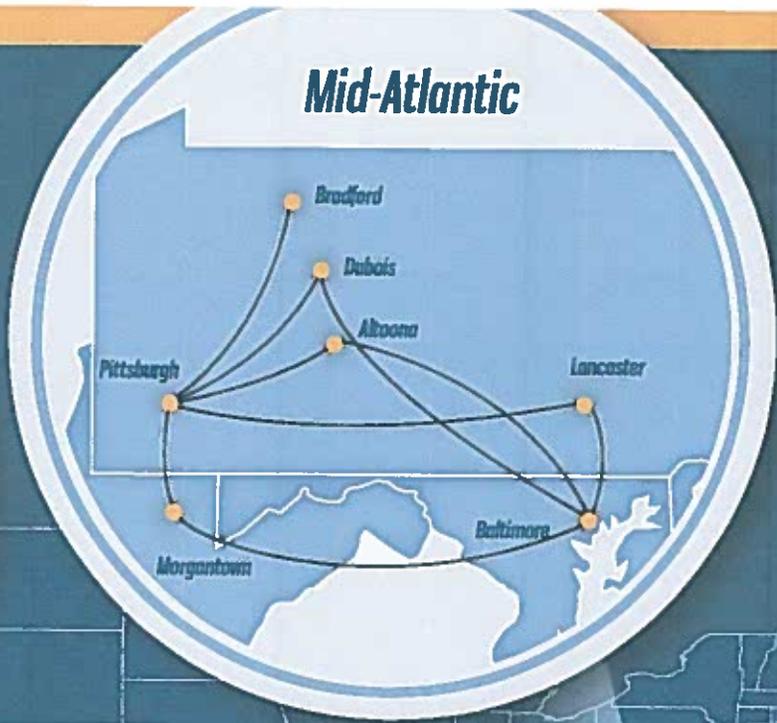
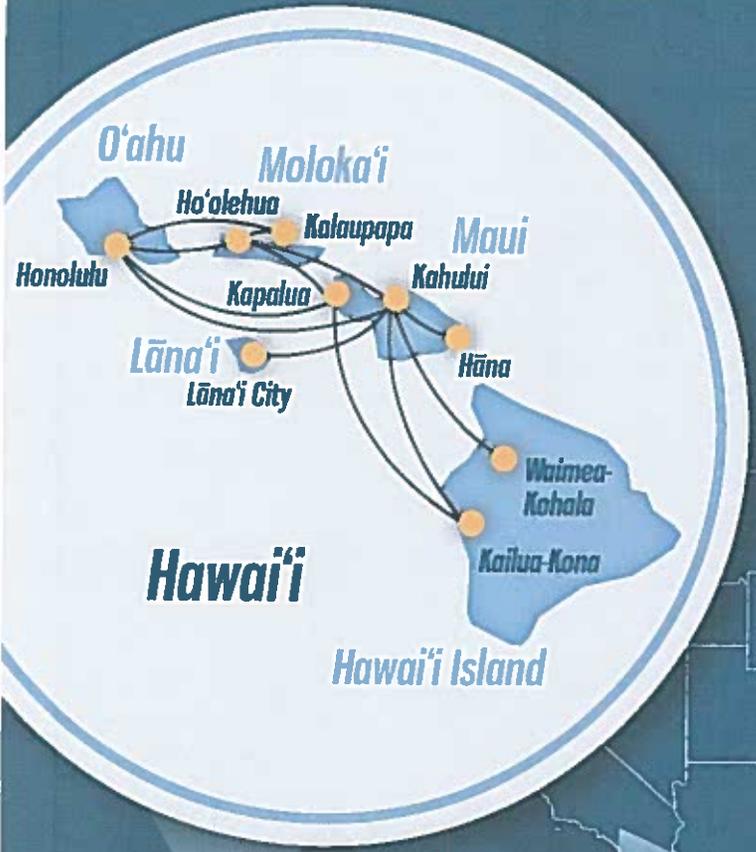
**AIR NEW ZEALAND**  
COMING 2020



D-8

SOUTHERN AIRWAYS EXPRESS

# Route Map



Now serving 32 cities with over 200 daily departures!

MAP KEY

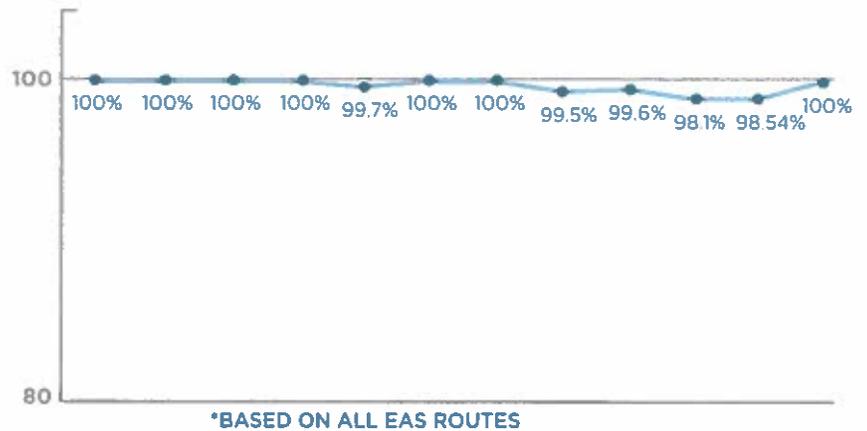
Weekend -----

2020 Seasonal Service (May 22 - Oct 12)

# Consistency in the Marketplace

Southern has been one of the top-performing EAS airlines in the country with controllable completion rates setting the industry standard. Further, Southern does not compare its on-time performance against other commuter airlines. Instead, Southern compares its operational statistics against the biggest and best in the industry. Both airlines operated by Southern Airways Corporation have been industry leaders in these categories.

**TWELVE MONTH TRAILING CONTROLLABLE COMPLETION**  
APRIL 2019 - MARCH 2020



**APRIL 2019**

CONTROLLABLE COMPLETION		ON-TIME ARRIVALS	
-------------------------	--	------------------	--

<b>Hawaiian</b>	<b>99.7%</b>	<b>Mokulele</b>	<b>94.0%</b>
<b>Southern</b>	<b>99.6%</b>	<b>Hawaiian</b>	<b>88.3%</b>
<b>Mokulele</b>	<b>99.5%</b>	<b>Southern</b>	<b>82.1%</b>
<b>Delta</b>	<b>99.3%</b>	<b>Delta</b>	<b>71.7%</b>
<b>United</b>	<b>97.7%</b>	<b>United</b>	<b>69.6%</b>
<b>American</b>	<b>97.2%</b>	<b>American</b>	<b>65.7%</b>

**MAY 2019**

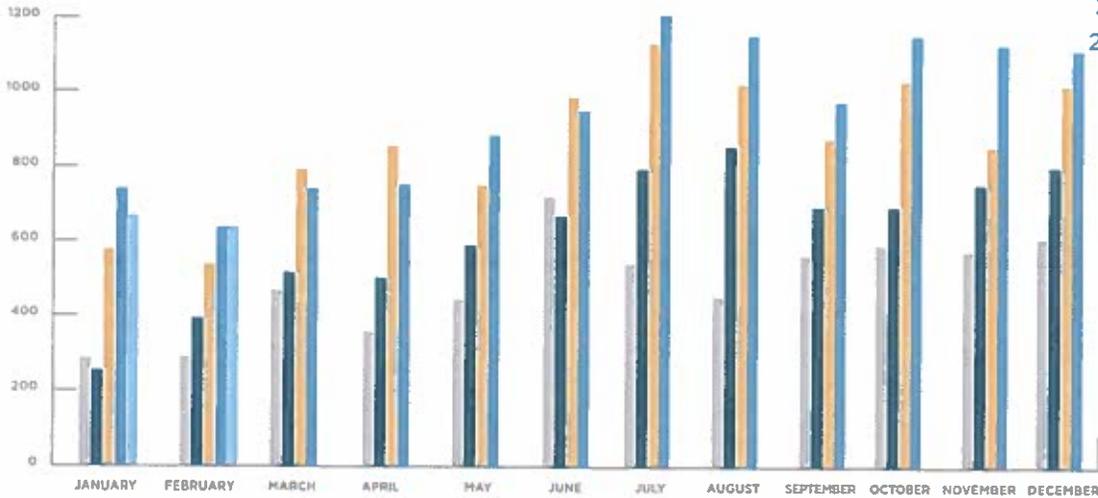
CONTROLLABLE COMPLETION		ON-TIME ARRIVALS	
-------------------------	--	------------------	--

<b>Southern</b>	<b>99.9%</b>	<b>Mokulele</b>	<b>93.7%</b>
<b>Hawaiian</b>	<b>99.7%</b>	<b>Hawaiian</b>	<b>88.6%</b>
<b>Delta</b>	<b>99.0%</b>	<b>Delta</b>	<b>86.4%</b>
<b>Mokulele</b>	<b>98.9%</b>	<b>Southern</b>	<b>86.0%</b>
<b>United</b>	<b>96.6%</b>	<b>United</b>	<b>77.8%</b>
<b>American</b>	<b>95.9%</b>	<b>American</b>	<b>77.7%</b>



**SOUTHERN SEES SIX CONSECUTIVE RECORD-SETTING MONTHS IN DUBOIS**  
**JULY 2019-DECEMBER 2019**

2016-SILVER AIRWAYS  
 2017-SOUTHERN  
 2018-SOUTHERN  
 2019-SOUTHERN  
 2020-SOUTHERN



**DUBOIS, PA** 2019 Highest passenger counts in eight years.

**ADDITIONAL ACCOMPLISHMENTS**

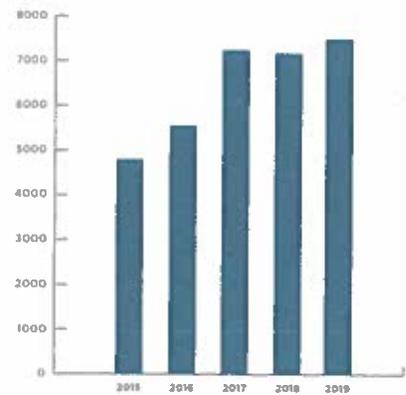
**BRADFORD, PA** 2016 & 2019; Respectively, the two best enplanement years in the last eleven.

**MORGANTOWN, WV** Eight consecutive months of record-setting passenger counts for Southern. (July 2019 - February 2020).

**LANCASTER, PA** Fiscal Year 2019. The lowest subsidy-per-passenger in five years.

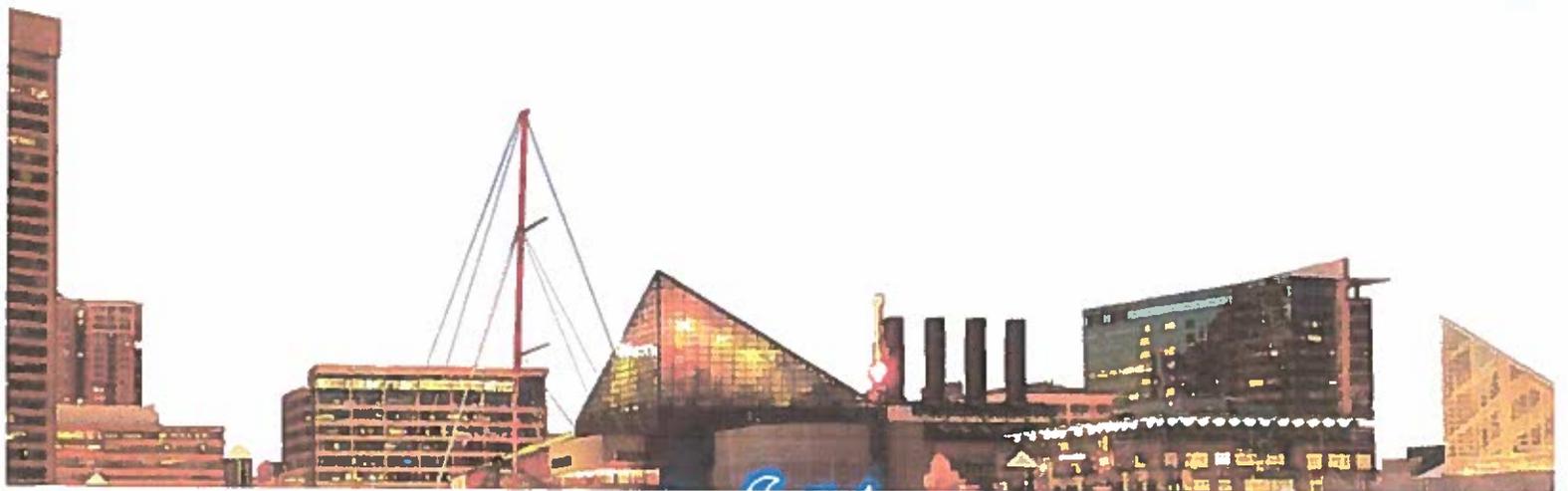
**HOT SPRINGS, AR** 2019; Highest passenger count on record.

**TOTAL ALTOONA PASSENGERS 2014-2019**



**ALTOONA, PA**

Highest passenger count since 2011.



# Becoming the Best Small Airline in America

Southern Airways is the fastest growing airline in America. This explosive rate-of-growth is attributed to many factors. Below are a few of the improvements that Southern has made over the past few years that has positioned the airline to become "The Best Small Airline In America."

- Southern secured interlined agreements with American Airlines and Condor Airlines. Interline tickets are available for purchase on iFlySouthern.com. Southern's interline with Alaska Airlines went live on November 7, 2019.
- Southern innovated one of the most robust pilot recruiting programs in the country. As a result of two full years of pilot recruiting, training, and retention Southern is now poised to provide reliable service well into the next decade.
- Southern developed SIREN, a proprietary software program that automatically updates passengers of delays by text, email, and voice.
- Southern moved its crew-basing away from the hubs, an involved process that included the recruiting of new pilots wishing to live in smaller communities. Now completed, this move guarantees the originating flight to the hubs and the terminating flight into the EAS communities every day.
- Southern upgraded the Sun Air piston-driven fleet to an all-turbine fleet featuring the roomy and reliable Cessna Caravan.
- Southern implemented online check-in.
- Southern has upgraded all outdated arrival and departure boards at the hometown airports to digital monitors that are updated throughout the day with flight status information.
- In Fiscal Year 2019, Southern brought all of its EAS airports into subsidy compliance.
- Southern joined TSA PreCheck.
- Southern pioneered a passenger intercept data collection and reporting system to provide the local airports and their governing boards with passenger demographic data, including passengers' home ZIP codes and final destinations.

TSA Pre✓

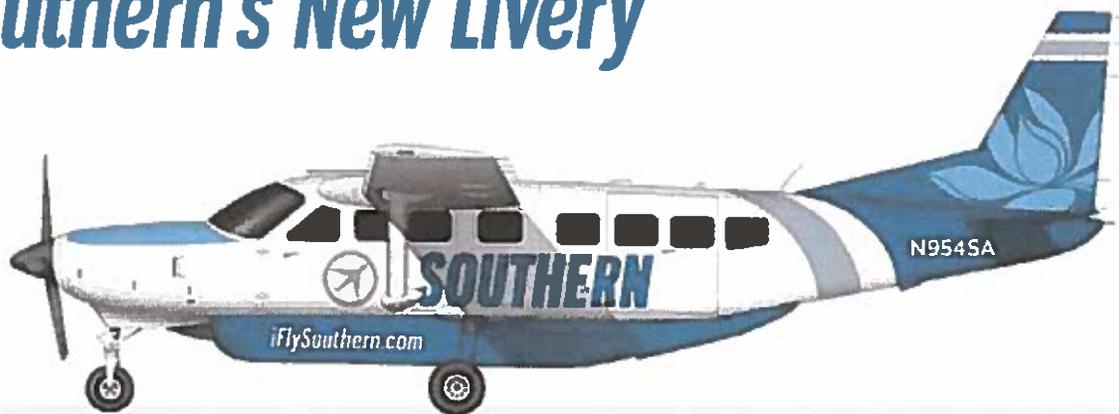


- Southern transitioned all remaining third-party passenger handling vendors to in-house employees. This allowed for direct control over the level of customer service at the hometown airports.
- Southern increased its call center and customer service center to 24 hours per day.
- Southern and local airport directors have collaborated to create tailored media-buying campaigns designed to market the air service connectivity from the hometowns to the hubs.

#### NEXT STEPS

Now that Southern is operating with extra maintenance reserves, aircraft will begin an aggressive rotation through the contracted paint shop to receive the official livery. The entire conformity process is estimated to be completed in twelve months.

## Southern's New Livery



#### ENPLANEMENT INITIATIVES

Southern Airways has developed a number of proprietary business development and enplanement initiatives that can be customized to each marketplace. Many of these programs have already been launched across the Southern system. Full implementation of the Initiative Suite will happen in early 2019 in all Southern Airways markets.



# Fueling the Local Economy

Southern is committed to being a good airport partner and an asset to not just the aviation community, but to the entire area as a whole. To this extent, Southern pledges to purchase as much competitively priced fuel in its hometown airports as weight and balance restrictions allow.

From a finance prospective, Southern's obligation as the EAS provider must be to operate as cost effectively as possible in an effort to manage the subsidy. If while doing so, Southern can also purchase fuel in the out-stations, then both the airline, and the local community benefit.



## AS THE FOLLOWING BIDS ARE BEING REVIEWED, PLEASE CONSIDER:

Southern's commitment to reliable service and long-term sustainability is evidenced by its commitments to the hometown airports. Through solving problems related to the National Pilot Shortage, creating interline partnerships, and providing consistent executive level "boots on the ground," Southern's developed a strong platform for growth in all of its communities.

Southern Airways Express believes that its proposal will provide an unsurpassed level of service, grow enplanements, seamlessly connect passengers to the world's transportation infrastructure, and provide the local community with a sustainable airline partner for both the local passengers and the visitors traveling to the community. Southern further believes that it is the right partner to deliver the above benefits while also maintaining compliance with all Department of Transportation requirements for continued participation in the Essential Air Service program.

We respectfully submit this bid, which is consistent to the service the community currently receives.

R. Stan Little Jr.

Chairman & Chief Executive Officer  
Southern Airways Express, LLC



**SCHEDULE:**

*Upon the community's selection of the preferred option, Southern will work with local officials to develop an optimized flight schedule.*

<b>STATUS</b>	<b>VENDOR</b>	<b>VENDOR</b>	<b>PROJECTED SPEND</b>
Proposed	Local Newspaper	Newspaper	\$3,000
Proposed	Regional Billboard	Billboard	\$4,000
Proposed	Local Radio	Radio	\$5,000
Proposed	Enhanced Digital	Digital	\$3,000
Proposed	Community Sponsorships	Chamber, CVB, Etc	\$6,000
Proposed	Customer Appreciation Party	Live Airport Event	\$4,000
Total			\$25,000

# Manistee/Ludington Proposal

	OPTION A	OPTION B	OPTION C
<b>Weekly Round Trips</b>			
MBL-(MDW or ORD)	18	24	12
MBL-GRR	-	-	12
<i>Total</i>	<i>18</i>	<i>24</i>	<i>24</i>
<b>Operating Revenues</b>			
MBL-(MDW or ORD)	\$687,500	\$742,500	\$371,250
MBL-GRR	\$0	\$0	\$270,000
<i>Total Operating Revenues</i>	<i>\$687,500</i>	<i>\$742,500</i>	<i>\$641,250</i>
<b>Operating Expenses</b>			
Flying Operations	\$1,588,857	\$1,724,320	\$1,653,954
Fuel and Into Plane	\$821,284	\$1,096,239	\$863,270
Maintenance	\$686,730	\$898,560	\$701,496
Aircraft	\$604,442	\$604,442	\$604,442
Indirect	\$382,945	\$391,036	\$410,655
<i>Total Operating Expenses</i>	<i>\$4,084,258</i>	<i>\$4,714,597</i>	<i>\$4,233,818</i>
Operating Loss	\$3,396,758	\$3,972,097	\$3,592,568
Profit Element (5%)	\$204,213	\$235,730	\$211,691
<b>Compensation Required</b>	<b>\$3,600,971</b>	<b>\$4,207,827</b>	<b>\$3,804,258</b>
Compensation per Pax	\$288	\$312	\$282
Compensation per Departure	\$1,963	\$1,719	\$1,554
Annual Seats	16,506	22,032	22,032
Annual Passengers	12,500	13,500	13,500
Load Factor	76%	61%	61%
Departures	1,834	2,448	2,448
Average Fare	\$55	\$55	\$48
Completion Factor	98.00%	98.00%	98.00%
Compensation Required Year 1	\$3,600,971	\$4,207,827	\$3,804,258
Compensation Required Year 2	\$3,709,000	\$4,334,062	\$3,918,386



### Question 1:

Southern Airways Express has an over-arching fare strategy in our Essential Air Service markets based on two core principles:

1.) Keeping fares as low as possible to maximize enplanements while allowing access by the widest possible audience (including leisure travelers, students, and visiting family and relative travelers ("VFR's").

2.) Keeping close-in and same-day seats available for business travelers and our loyal repeat customers. In order to maintain this balance, we utilize a full-time revenue management department to monitor sales trends and adjust fare capacity on a daily basis. There are few things we hate worse than an empty seat at take-off!

We also strive for simplicity in our fare structure. In line with that, we typically offer three fare levels, "Freedom," "Friendly," and "Frugal," designed to meet the needs of our diverse customer base. For MBL, our fare "buckets" would most likely be priced as follows (using one-way MBL-CHI as example:)

- Frugal Fare \$39. Requires 21-day advance purchase and is the most restrictive
- Friendly Fare \$55. Requires 7-day advance purchase and has some restrictions
- Freedom Fare \$79. No advance purchase required and has fewest restrictions

Our default allocation would be to offer 2 seats in the "Frugal" bucket, 4 seats in the "Friendly" bucket and the balance in the "Freedom" bucket. As the advance-purchase dates are passed, seats from the lower buckets would move into the remaining higher buckets (so called "fare nesting.")

Our low fares are "everyday" fares, which our customers tend to like. We do conduct regular fare sales, typically on the day immediately after major holidays (i.e. Labor Day,) as historical data suggests these dates are where the peak demand resides. In the case of MBL, we might offer a \$29 fare during these sale periods. We promote these sales through our customer database, traditional paid advertising, and via social and news media. We do not anticipate raising prices during peak travel season but may adjust fare availability to ensure close-in and same day availability, as previously outlined.

### Question 2:

The power of our interline partnerships is no doubt a key factor in the success of all of our EAS cities. Southern has worked hard to establish a major interline partnership with American Airlines (AA). We also have an interline agreement with Alaska Airlines (AS). We have seen the percentage of our customers connecting to American increase consistently month-by-month since first established in 2018. Southern experienced nearly a doubling of our interline AA interline bookings when our EAS cities became visible and bookable on aa.com. MBL would most-likely benefit greatly from this major distribution channel.

Unfortunately, there is NO one single answer to your core question. Southern provides our inventory to American at the same fares we charge on a local segment basis. How American combines them with their fares to reach a combined fare, varies by market, day of week, advance purchase and many other factors.

Most major airlines will not combine their lowest, "basic economy" level fares with interline partners, as those fares are designed to allow the legacy carriers to compete directly with Ultra Low Cost Carriers (ULCC) on specific, heavy leisure market routes. This is often the case even on American's own connecting flights from smaller markets and not unique to Southern Airways partnership with them.

Please bear in mind that the market conditions which existed prior to the onset of the COVID-19 situation have dramatically changed airline economics. This will no doubt lead to substantial changes in airline pricing practices which reflect current unprecedented market changes. Southern is actively and aggressively pursuing additional interline partnerships, including United Airlines and JetBlue Airways. Our hope is to secure one, or more, of these new interline agreements in 2020.

### Question 3:

Southern operates in many markets with uneven seasonal demand, including several markets with large universities (i.e. Morgantown, WV), or unique and highly seasonal tourism patterns (i.e. Nantucket and Palm Beach). Because of our one aircraft mode fleet (28 Cessna 208's), our national scale, and our flexible non-union work force, we have some ability to nimbly shift our resources to match seat supply with demand.

Prior to the launch of our service at MBL, we will work with airport management to review historical demand "peaks and valleys" and determine which operational and schedule adjustments could be implemented to maximize the usage of our service by both outbound and inbound flyers. This might include, but not be limited to, increasing service around peak inbound travel weekends (Memorial Day, Independence Day, Labor Day, Thanksgiving and other holidays) while pulling down our service on other days of the week. We would work with DOT to see how much flexibility and schedule adjustment would be permissible under EAS service guidelines, with a focus on providing the optimal service to your community and maximizing passenger enplanements. Southern has footprints in both South Florida and Hawaii where we can rotate aircraft during the winter—so three MBL-based aircraft in summer "high" season is certainly possible.

### Question 4:

Regarding the question about allocation of marketing dollars, our proposal presents a suggested breakdown of spending over traditional media (newspaper, broadcast and outdoor,) digital (paid search and social,) and events (partnerships with local Chambers and CVBs, along with our own popular and successful annual EAS hometown airport "Customer Appreciation Parties." While this breakdown is fairly representative of the manner in which we divide our budget resources, our marketing and business development programs are all unique to each market. Prior to the start of our service, we will work with airport management to get a better sense of the historical marketing efforts at MBL (successful and unsuccessful.) We will match that information with historical traffic data and also attributes that are unique to our new service offering (i.e. interline partnerships, hub connecting opportunities, and access to Low Cost Carriers' (LCC) connections to popular destinations.) We will then

present an annual marketing and business development program of work which Southern would execute in concert with airport management.

One of the aspects of MBL, which is unique, is your historical status as a popular summer destination for vacationers and second-home owners. Every dollar spent would be focused on maximizing that potential, as well as new interline connection capabilities for local flyers throughout the USA and around the world. We also generate significant traffic through our innovative "Campus Connector," and "Community Connector" programs, which are outlined on our website at [www.iFlySouthern.com](http://www.iFlySouthern.com).

**Question 5:**

Because different flyers prefer different feature and benefits, Southern has tailored our fee policies & practices in a manner that allows our customer to select the level of flexibility & pricing that meets their needs and preferences. Our level of customer service is a constant, regardless of fare. As mentioned in an earlier question, our fee structure value proposition is baked into our three purchase category brands, "Freedom," "Friendly," and "Frugal."

Since your questions and scenarios are specific in nature, we have responded on a line-by-line and case-by-case basis:

***For the following scenarios, please detail the fees/costs that would be incurred and how these customer service opportunities would be handled:***

a) I missed my flight because I arrived to the airport 15 minutes after departure (traffic, flat tire, snow, etc). How much will it cost me to get on the next available flight (for both refundable and non-refundable tickets)?

*In this scenario, the passenger would be moved for free to a seat on the next available flight.*

b) I missed my flight to Manistee in Chicago because my connecting flight was delayed/cancelled? How much will it cost me to get on the next available flight to Manistee (for both refundable and non-refundable tickets)?

Considering the following sub cases:

b1 – There is a later flight available the same day. *Interline passengers will be offered a seat on the next available flight for free. Non-interline passengers are granted the same courtesy, but prioritized behind the interline customers.*

b2 – The next available flight is the next day (any consideration for meals/lodging) *In this scenario, it would be up to the delayed air carrier.*

b3 – The original connection was ticketed as an 'interline' ticket *Interline passengers will be given a seat on the next available flight at no charge.*

b4 – The original connection was ticketed as a separate ticket *Non-interline passengers are moved for free to the next available flight as a courtesy.*

b5 – Is there any difference if the reason for the delay/cancellation of the connecting flight was controllable or uncontrollable? and how do you determine that as the flight was on a different carrier? *There is no difference.*

c) I missed my outbound connecting flight in Chicago because inbound flight from Manistee was delayed/cancelled? How much will it cost me to get on the next available flight to my final destination?

Considering the following sub cases:

c1 – There is a later flight available the same day. *In the event of a cancel on the Southern*

segment, we would move the passenger to the next available flight. In the event of a delay or cancel that affected an interline passenger, we would move the passenger to the next available flight for free. We (like all airlines) cannot guarantee connections to non-interline carriers, but our call center assists our passengers, even if they are non-interline.

c2 – The next available flight is the next day (any consideration for meals/lodging) For interline connections, passengers that misconnect due to controllable factors are provided with overnight accommodations at the closest hotel available that offers airport shuttle service. Depending on length of time until the next available flight, Southern will provide reimbursement of up to three meals at the rate of \$10 for breakfast, \$15 for lunch, and \$20 for dinner. Receipts must be submitted. Breakfast reimbursements will not be provided if hotel offers free breakfast.

c3 – The original connection was ticketed as an 'interline' ticket See above

c4 – The original connection was ticketed as a separate ticket Hotel and meal reimbursements are granted, as discussed above, if the delay or cancellation was Southern's fault.

c5 – Is there any difference if the reason was a controllable vs uncontrollable delay/cancellation? Yes, we only provide meals and accommodations for controllable delays and cancels.

d) My flight to/from Manistee is cancelled or significantly delayed for a carrier controllable reason (mechanical, etc), what are my options?

d1 – Can I get a full refund because my trip is ruined (i.e. the next available flight does not work for my needs)? If they are delayed more than one hour and their trip is ruined, they receive a full refund

d2 – Can I be rerouted on a partner flight (i.e. AA / UA) into/out of a neighboring airport (TVC, GRR, MKG)? Yes, if they are traveling on an interline ticket.

d3 – Will I be compensated for my inconvenience in any way (food and/or lodging if an overnight stay is required) Yes, food and lodging as described above.