



DATE SUBMITTED October 29, 2021
 SUBMITTED BY City Manager's Office
 DATE ACTION REQUIRED November 3, 2021

COUNCIL ACTION (X)
 PUBLIC HEARING REQUIRED ()
 RESOLUTION ()
 ORDINANCE 1ST READING ()
 ORDINANCE 2ND READING ()
 CITY CLERK'S INITIALS em

**IMPERIAL CITY COUNCIL
 AGENDA ITEM**

| | |
|--|--|
| SUBJECT: DISSCUSION/ACTION: Essential Air Service at Imperial County Airport Provide recommendation to Department of Transportation regarding Essential Air Service at Imperial County Airport | |
| DEPARTMENT INVOLVED: City Manager's Office | |
| BACKGROUND/SUMMARY: The Department of Transportation has requested our comment and recommendation regarding proposals received in response to its RFP for Essential Air Service at the Imperial County Airport. Three proposals were received by the DOT. Those proposals are attached. During its regular meeting of October 20, 2021, this council voted to recommend Boutique Air to the DOT. That action was taken without the benefit of input from Councilperson Dale. Staff believes it would be in the best interest of the city to revisit its prior action to include comment from Councilperson Dale and his background in the essential air service market. | |
| FISCAL IMPACT: No direct fiscal impact. | FINANCE INITIALS <u></u> |
| STAFF RECOMMENDATION: Consider proposals received to provide Essential Air Service to the Imperial County Airport and either take no action which would leave in place the prior action taken to recommend Boutique Air or take a new action with a different recommendation. | DEPT. INITIALS _____ |
| MANAGER'S RECOMMENDATION: Concur with staff recommendation. | CITY MANAGER'S INITIALS <u></u> |
| MOTION: | |
| SECONDED: | APPROVED () REJECTED () |
| AYES: | DISAPPROVED () DEFERRED () |
| NAYES: | REFERRED TO: |
| ABSENT: | REFERRED TO: |

DATE SUBMITTED 10/15/2021
 SUBMITTED BY ACM
 DATE ACTION REQUIRED 10/20/2021

COUNCIL ACTION (X)
 PUBLIC HEARING REQUIRED ()
 RESOLUTION ()
 ORDINANCE 1ST READING ()
 ORDINANCE 2ND READING ()
 CITY CLERK'S INITIALS ()

**IMPERIAL CITY COUNCIL
 AGENDA ITEM**

| | |
|---|------------------------------------|
| SUBJECT: DISCUSSION/ACTION: ESSENTIAL AIR SERVICE AT IMPERIAL COUNTY AIRPORT (IPL) | |
| 1. PROVIDE RECOMMENDATION TO DEPARTMENT OF TRANSPORTATION REGARDING ESSENTIAL AIR SERVICE AT IMPERIAL COUNTY AIRPORT | |
| DEPARTMENT INVOLVED: City Manager's Office | |
| BACKGROUND/SUMMARY: The City of Imperial is in receipt of a request from the Department of Transportation to review and provide comments and recommendation regarding proposals received in response the RFP for Essential Air Service at the Imperial County Airport. Three proposals were received by the DOT's deadline of Oct 5 th . Please see the attached proposals for more information. Recommendations are due to the DOT by November 10, 2021. | |
| FISCAL IMPACT: To be determined | ADMIN SERV INITIALS <u>JS</u> |
| STAFF RECOMMENDATION: It is staff's recommendation to review and select one of the three proposals as a recommendation to the Department of Transportation for EAS in Imperial County. | DEPT. INITIALS <u>AB</u> |
| MANAGER'S RECOMMENDATION: Agrees with Staff's recommendation. | CITY MANAGER'S INITIALS <u>DHM</u> |
| MOTION: | |
| SECONDED: | APPROVED () |
| AYES: | DISAPPROVED () |
| NAYES: | REJECTED () |
| ABSENT: | DEFERRED () |
| REFERRED TO: | |

Essential Air Service Proposal



El Centro, CA

DOT-OST-2008-0299

October 05, 2021



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 Beechcraft aircraft.

In July of 2012, Boutique Air applied for commuter operating authority from the Department of Transportation. Boutique Air began flying scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop effective marketing distribution channels with a reservation system that connects to all primary Global Distribution Systems (GDSs), allowing travel agents access to our flight inventory. 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, and Orbitz.

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.

Route Map

Aircraft:

Boutique Air currently operates a modern fleet of Pilatus PC-12 aircraft. All flights are flown by captains with over 1,200 hours of flight experience and at a minimum, commercial, and instrumental ratings. 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





Proposal

Overview

Our airline service will be operated with 8 or 9 modern Pilatus PC-12 aircraft. We have proposed two, three, or four year contract durations for the community to consider.

In order to increase brand recognition in the communities, Boutique Air will spend at least \$20,000 per year in each market if it is selected for advertising & marketing to help ensure that air service for the community is a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.





Pilot Career Pathway Program

In January 2020 Boutique Air was proud to be a partner in the United Airlines Aviate Program. The AVIATE Program provides a unique opportunity for aviators to accelerate their journey from Commercial Pilot at Boutique Air to a job in the cockpit of United Airlines.

United Airlines Interline and Codeshare Agreement

Boutique Air launched an 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.

American Airlines Interline Agreement

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.



United.com example: Carlsbad, NM to Denver, CO

Depart: Carlsbad, NM, US to Denver, CO, US

Fares are for the entire one-way trip, per person. Fare attributes may not apply for flights not operated by United or United Express.

EXCLUSIVE OFFER
\$250 statement credit
35,000 bonus miles
Learn more >

United flights may be listed first.

Sort and filter

| Tue 9/7 | Wed 9/8 | Thu 9/9 | Fri 9/10 | Sat 9/11 | Sun 9/12 | Mon 9/13 |
|--|---------|--------------------------------------|---|---|---------------------------------------|----------|
| \$187 | \$177 | \$178 | \$198 | \$187 | \$188 | \$187 |
| Flight Info Depart on Sep 10, 2021 | | Economy ✓ Choose your seat | Economy (fully refundable) ✓ Choose your seat | First (2-cabin) ✓ Extra-spacious seat | | |
| 3:10 PM CNM | | 1 STOP 7:59 PM DEN | \$198 4 tickets left at this price | \$248 4 tickets left at this price | \$288 4 tickets left at this price | |
| Includes Travel Operated By Boutique Air | | ABQ — 2H, 15M | | Mixed cabin | | |
| Details | | Seats | | | | |

AA.com example: Jackson, TN to Chicago, IL



Depart Jackson, TN to Chicago, IL
Tuesday, September 14, 2021

Product Comparison

| | Sun, Sep 12 | Mon, Sep 13 | Tue, Sep 14 | Wed, Sep 15 | Thu, Sep 16 |
|-------------|-------------|-------------|-------------|-------------|-------------|
| Lowest Fare | \$ 187 | \$ 145 | \$ 145 | \$ 149 | \$ 159 |

Sort by: Total travel time

Main Cabin | First

MKL 10:10 AM → ORD 2:30 PM 4h 20m 1 stop

MKL STL 43 TB P12 Pilatus PC12

One way \$ 145 (3 seats left)

One way \$ 381 (3 seats left)

Operated by Boutique Air
[FL] ORD AA 1186 CRJ Canadian CRJ-900

Operated by Skywest Airlines An American Eagle

The class of service you searched may not be available on one or more flights.
Economy only on 1 or more flights

Details Seats

Special Note: COVID-19 Pandemic

Like many businesses, Boutique Air was significantly affected by COVID-19 Pandemic; great fluctuations in travel demand and staffing were challenges in 2020 and 2021. We have made a variety of adjustments to our business so that we can be a great air service partner to El Centro in 2022.

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't 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



El Centro to Los Angeles

Option 1: 24 Nonstop RTs (24 LAX)

| | |
|------------------------------------|--------------------|
| Operations | <u>PC-12</u> |
| Scheduled Flights | 2,496 |
| Completed Flights (98%) | 2,446 |
| Scheduled Block Hours | 3,120 |
| Scheduled Seats | 19,968 |
| Scheduled ASMs | 3,594,240 |
| Revenue | |
| Passengers | 17,980 |
| Average Fare | \$49 |
| Fare Revenue | \$881,020 |
| Total Revenue | \$881,020 |
| Expenses | |
| Fuel | \$798,132 |
| Ownership | \$860,000 |
| Maintenance | \$1,500,770 |
| Crew | \$589,977 |
| Airport Rent | \$114,000 |
| Landing Fees | \$85,000 |
| Staff | \$164,950 |
| Insurance | \$20,000 |
| Marketing | \$20,000 |
| Other Indirect Costs | \$103,000 |
| Total Costs | \$4,255,829 |
| Profit Element | \$212,791 |
| Margin | 5.0% |
| Total Annual Subsidy Year 1 | \$3,587,600 |
| Total Annual Subsidy Year 2 | \$3,659,352 |
| Total Annual Subsidy Year 3 | \$3,732,539 |
| Total Annual Subsidy Year 4 | \$3,807,189 |



El Centro to Los Angeles and Phoenix

Option 2: 24 Nonstop RTs (12 LAX and 12 PHX)

| | <u>PC-12</u> |
|------------------------------------|--------------------|
| Operations | |
| Scheduled Flights | 2,496 |
| Completed Flights (98%) | 2,446 |
| Scheduled Block Hours | 3,162 |
| Scheduled Seats | 19,968 |
| Scheduled ASMs | 4,213,248 |
| Revenue | |
| Passengers | 17,980 |
| Average Fare | \$49 |
| Fare Revenue | \$881,020 |
| Total Revenue | \$881,020 |
| Expenses | |
| Fuel | \$757,714 |
| Ownership | \$860,000 |
| Maintenance | \$1,555,800 |
| Crew | \$529,308 |
| Airport Rent | \$120,000 |
| Landing Fees | \$66,200 |
| Staff | \$156,000 |
| Insurance | \$20,000 |
| Marketing | \$20,000 |
| Other Indirect Costs | \$155,000 |
| Total Costs | \$4,240,021 |
| Profit Element | \$212,001 |
| Margin | 5.0% |
| | |
| Total Annual Subsidy Year 1 | \$3,571,002 |
| Total Annual Subsidy Year 2 | \$3,642,422 |
| Total Annual Subsidy Year 3 | \$3,715,270 |
| Total Annual Subsidy Year 4 | \$3,789,575 |

ESSENTIAL
AIR SERVICE
PROPOSAL



Advanced Air, LLC
12101 Crenshaw/ Boulevard, Suite 100,
Hawthorne, California 90250
Ph: 310.644.3944 Fx: 310.644.9344
bookings@advancedairlines.com

ESSENTIAL AIR SERVICE PROPOSAL
DOT-OST-2008-0299

El Centro, California

October 5, 2021

ABOUT US

Advanced Air, LLC is an innovative, service-oriented aviation company headquartered in Hawthorne, California, approximately three miles from LAX. We were founded in 2005 by our President, Levi Stockton, as an FAA approved, Part 135, On-Demand Air Carrier focused on superlative aircraft management and on demand charter. Today, Advanced Air has over 100 employees and 22 aircraft operated in both scheduled and on-demand service. Our successful growth is driven by our adherence to our core values of: safety, security, teamwork and reliability. We are in this business for the long run and take a disciplined, thoughtful approach to growth opportunities. We value enduring customer relationships built on mutually beneficial outcomes.

Since receiving our Commuter Air Carrier Authority in 2017, we have worked diligently to invest in the infrastructure required and capitalize on existing distribution channels. We are connected to the major Global Distribution Systems (GDS) utilized by travel agents and industry professionals, including Amadeus and Sabre. Additionally, you will see us on Online Travel Agencies including Expedia, Travelocity, and Orbitz. Advanced Air, LLC is in talks with a major air carrier to provide inter-line services.

More than a decade of commitment, collaboration and capital from a dedicated team of entrepreneurs and professionals who share a passion for aviation has been the foundation of Advanced Air's success. Our relationships are built on trust and transparency and each passenger entrusted to the care of this team represents a valued asset.

OUR COMMERCIAL OPERATIONS

SILVER CITY OPERATIONS 2020

96%

ON TIME DEPARTURES

99.8%

COMPLETION FACTOR

14k+

TOTAL PASSENGERS

ADVANCED AIRLINES 2019 TOTAL

40k+

TOTAL PASSENGERS

24k+

TOTAL DEPARTURES

10k+

HOURS FLOWN

Advanced Air has a diversified portfolio of flying services in turboprop aircraft, business jets and regional passenger jets. Serving more than 12 communities in the southwestern United States Advanced Air has a deep commitment to operational excellence and metered, sustainable growth.

MARKETING MERCED, CA:

Advanced Air is pledging \$50,000 per year to market and grow the ridership at Merced airport. Our plan includes our ongoing interline agreement talks with large airlines and our community engagement strategy to bring awareness to the local airport and services. Tactics involve local corporate sponsorships, charitable donations and events, and content creation that will be used for targeted marketing on multiple channels including media. Additionally Advanced Air flights are available on the GDS. Advanced Air plans to continue the relationships we created within the community to address suggestions and concerns on how we engage and communicate to the local stakeholders.

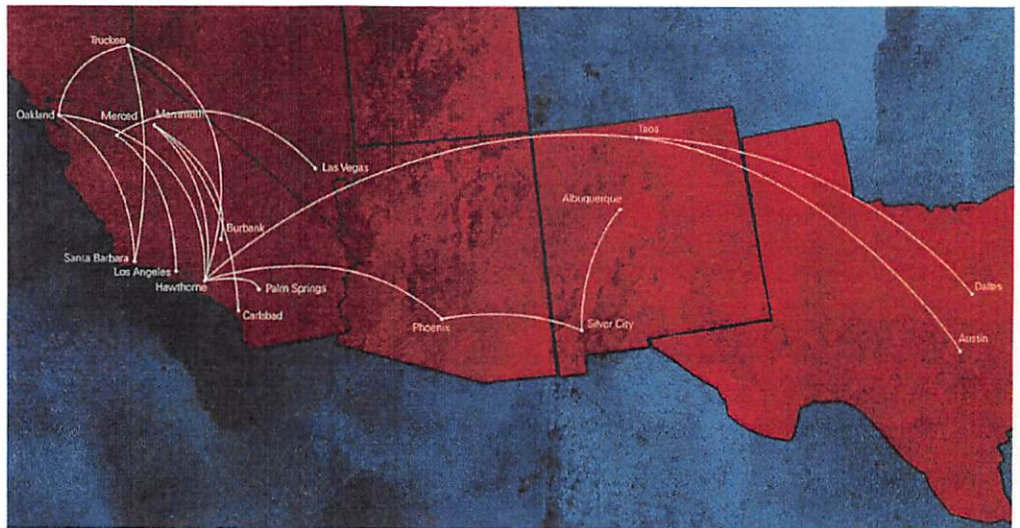
ADVANCED AIR PROPOSES A 4 YEAR CONTRACT:

Securing a four-year contract, will allow Advanced Air to further invest in the Merced Airport and surrounding communities, creating long-term business strategies and marketing initiatives for the benefit of all stakeholders. Our primary goals are to engage with the community and provide a superior level of customer service, reliability and safety.

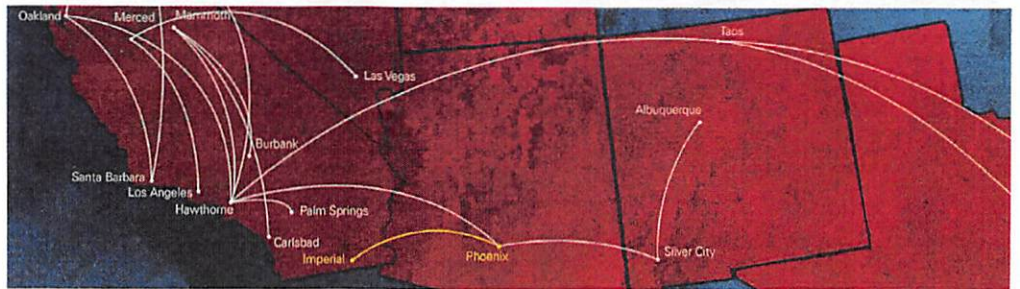
The COVID-19 Pandemic has resulted in significantly reduced passenger loads, so a longer term contract will allow time to re-establish passenger confidence and implement growth plans for continued connectivity to the U.S. air system. This would be followed by continued growth along with a commitment to sustain these high levels of community engagement, service and reliability throughout the term of the contract.

ROUTE MAP

Current Routes:



Proposed Routes:



PILATUS PC-12 TECHNICAL SPECIFICATIONS

SHORT AND ROUGH FIELD PERFORMANCE.

The world's greatest single engine. Crafted in Switzerland, nothing else compares. The Pilatus PC-12 has gained a reputation for outstanding versatility, performance, reliability and operational flexibility. The PC12 is one of the most popular turbine-powered business aircraft on the market today. Whether it's the large cabin, long range, short-field capability, or precision Swiss engineering and construction, passengers find the perfect balance of features to serve their needs in the PC-12.

Aircraft Amenities:

6-8 Passengers
Enclosed Lavatory
40 FT³ Baggage Capacity
Range 1,700 Miles
Enclosed Lavatory
Short field capabilities
Best in class cabin
Complimentary snacks
Electrical outlets



REPUTATION AND RECOMMENDATIONS

Silver City Passenger

"I wanted to say a Big Thank You to the Advanced Airlines Staff for helping me through a difficult flight home on March 15th. My first flight ended up being canceled and rescheduled which would have made me miss my Advanced Air flight from Phoenix to Silver City, NM in the afternoon. I called Advanced Air and with no difficulty they rescheduled me for the evening flight. When I checked into my flight in Phoenix, the two ladies greeted me by name and told me how sorry they were that my earlier flight with a different airline had been so difficult. The check in process was a breeze and the flight was smooth. Everyone I dealt with was so good to me. I wish I knew all of their names. I had been up since 4 a.m. and got home at 9:30 p.m. so it was a long day but the Advanced Air staff made my long day so much better."

Silver City Passenger

"I recently traveled From Silver City New Mexico to Maui. Trying to get out of a small town and all the way to Maui was difficult but using your company and American Airlines, I acted as my own travel agent. All was well until I realized I had booked your flight coming home a day early forgetting that I was going to be traveling overnight and arriving the next day. In a small panic I called Advanced Air and spoke with Eli Suazo who was able to re-accommodate me. What's more, he also said if I got in early enough he might be able to get me onto the earlier flight going down to Silver City, which he did!!! I am so pleased to have found a company with agents who care about their customers and I am forever grateful."

*Howie Morales, Lt.
Governor of New Mexico*

"Advanced Airlines has provided excellent service for Southwest New Mexico with daily flights to Albuquerque and Phoenix. It is so important to keep rural New Mexico connected to major air markets and I hope we are able to expand service to other New Mexico communities."

*Billy Billings, Grant
County Commissioner*

"Advanced Airlines has done an excellent job serving our community and we are very pleased that the US Department of Transportation has agreed and continued their support for two more years. We look forward to their continued first class service."

SAFETY AND OPERATIONS



KEEPING PASSENGERS SAFE FROM COVID-19

Advanced Air has taken proactive and voluntary steps to ensure our passengers have a safe and healthy flying experience. In addition to the air circulation features onboard, we are providing individual masks and hand sanitizer upon request. We have implemented extra sanitizing procedures between flights, focusing on high touch points like windows, armrests and handles. Our crewmembers are thoroughly trained in these safety precautions and have also been trained to recognize symptoms which may be exhibited by a potentially infected individual. We are exercising extreme caution and discretion throughout our system.



AIR CHARTER SAFETY FOUNDATION REGISTERED

The foundation leads and supports the advancement of the highest safety standards available to allow the business, charter and fractional ownership industry to offer the safest air transportation products in the world and to provide objective information about these standards and services to the public.



ARGUS PLATINUM RATING

The world's most prestigious third-party vetting system for charter operations. This Platinum rating is granted only to operators who, after completing a rigorous operations, maintenance, and safety audit by industry experts, demonstrate that their procedures meet what is considered to be the "best practices."



IS-BAO STAGE II CERTIFIED

IS-BAO Stage II Certified: A code deemed by the International Business Aviation Council to be the best practices designed for achieving high levels of safety and professionalism for business aircraft operations.



BARS FLIGHT SAFETY

Bars Safety Program is a risk-based model framed against the actual threats posed to aviation operations, particularly those that occur within challenging and remote environments. It directly links these threats to associated controls, recovery and mitigation measures as opposed to outdated and prescriptive formats previously used within a number of industry sectors.

PROPOSAL FINANCIAL DETAIL

OPTION 1: 24 weekly Roundtrips to Phoenix

Operations

| | |
|-----------------------|--------|
| Scheduled Flights | 2,496 |
| Completed Flights | 2,446 |
| Scheduled Block Hours | 2,621 |
| Scheduled Seats | 19,968 |

Revenue

| | |
|---------------------|--------------|
| Passengers | 16,773 |
| Average Net Fare | \$ 110 |
| Implied Seat Factor | 84% |
| Passenger Revenue | \$ 1,845,043 |
| Total Revenue | \$ 1,845,043 |

Expenses

| | |
|---------------------------|--------------|
| Fuel | \$ 884,588 |
| Ownership | \$ 979,000 |
| Maintenance and Reserves | \$ 1,113,925 |
| Crew | \$ 1,100,000 |
| Airport Rent & Operations | \$ 493,000 |
| Landing Fees | \$ 110,000 |
| Staff | \$ 110,000 |
| Insurance | \$ 60,000 |
| Marketing & Distribution | \$ 50,000 |
| Other Indirect Costs | \$ 65,000 |
| Total Costs | \$ 4,965,513 |

Profit Element

| | | |
|--------|------------|----|
| Margin | \$ 248,276 | 5% |
|--------|------------|----|

Total Subsidy

| | |
|--------|--------------|
| Year 1 | \$ 3,368,745 |
| Year 2 | \$ 3,469,807 |
| Year 3 | \$ 3,573,901 |
| Year 4 | \$ 3,681,119 |

NOTES:

Approximately 8110 to Phoenix (KPHX)

* Advanced Air will use a King Air 350 as a backup aircraft for the same subsidy rate as the PC-12

BULK TICKET OFFERS:

Phoenix 890 Plus Tax

You may purchase a bulk ticket booklet of ten (10) one way tickets at a discounted rate. Once purchased, you'll receive a login so that you may book your own tickets at the discounted rate. Bulk tickets are fully transferable to guests of your choosing.

Tickets expire 12 months from purchase date, are subject to refundable fare rules, and include all applicable taxes. Ticket booklets are non-refundable. Additional terms and conditions apply.

Proposed Schedule

MONDAYS - WEDNESDAYS, SATURDAYS

| ROUTE | DEPART | ARRIVE | NOTES |
|-----------|--------|--------|-------|
| PHX - IPL | 6:05A | 7:05A | 1 HR |
| IPL - PHX | 7:50A | 8:50A | 1 HR |
| PHX - IPL | 9:35A | 10:35A | 1 HR |
| IPL - PHX | 11:20A | 12:20P | 1 HR |
| PHX - IPL | 1:05P | 2:05P | 1 HR |
| IPL - PHX | 2:50P | 3:50P | 1 HR |

THURSDAYS, FRIDAYS, SUNDAYS

| ROUTE | DEPART | ARRIVE | NOTES |
|-----------|--------|--------|-------|
| PHX - IPL | 6:05A | 7:05A | 1 HR |
| IPL - PHX | 7:50A | 8:50A | 1 HR |
| PHX - IPL | 9:35A | 10:35A | 1 HR |
| IPL - PHX | 11:20A | 12:20P | 1 HR |
| PHX - IPL | 1:05P | 2:05P | 1 HR |
| IPL - PHX | 2:50P | 3:50P | 1 HR |
| PHX - IPL | 4:35P | 5:35P | 1 HR |
| IPL - PHX | 6:15P | 7:15P | 1 HR |

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

ESSENTIAL AIR SERVICE AT
El Centro/Imperial, California

UNDER 49 U.S.C. § 41731 ET SEQ.
BY ORDER 2021-9-7 | DOT-OST-2008-0299

**Proposal to Provide Subsidized
Essential Air Service**

By Order 2021-9-7, the Department requested proposals from carriers interested in providing Essential Air Service to El Centro/Imperial, California Pursuant to that Order, Southern Airways Express LLC ("Southern") cordially submits this proposal.

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

Stan Little
CHAIRMAN & CEO

2875 South Ocean Boulevard, Suite 256
Palm Beach, Florida 33480

(901) 672-7820
iFlySouthern.com

America's Most Reliable Commuter Airline

SOUTHERN



 **iFlySouthern.com**

Southern Airways Express hereby offers a proposal to continue as the air service provider at the Imperial County Airport. The proposal is for a period of two or four 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 over 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

Southern Airways subscribes to the business model that success in modern aviation comes from scale. A carrier cannot provide consistent and reliable service to one or two cities in a regional footprint. It needs multiple aircraft, dozens of pilots, and full support service to be able to handle the daily operational issues that come with 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. Before COVID, at Imperial, we 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 continue having at least one spare aircraft based at Imperial to maintain the airline's 99% systemwide completion rate. The availability of spare aircraft plus Southern's constant flow of pilots is a winning combination for El Centro / Imperial.

ABOUT THE SOUTHERN AIRCRAFT

Southern intends to continue its operation of 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. The cost benefit of operating this aircraft allows the airline to invest in the extra expense of multiple crew members spread throughout the day, which increases the time-of-day coverage.

Southern transitioned its scheduled service away from piston-powered aircraft in 2016 in favor of the more reliable and comfortable turbine powered Caravan—the only 9-passenger turbine aircraft in existence that can offer El Centro / Imperial a cost-sensitive air service solution tailored to today's consumers.



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.

Now that the COVID pandemic has subsided and travel has rebounded, a pilot hiring frenzy is taking place at all the major carriers and regional airlines. Southern's pilot recruiting and retention strategies have insulated our airline from the adverse effects of the recent pilot shortage trends. Since January, Southern has trained nearly 80 new pilots—keeping us properly staffed for the months and years to come. Southern is the only commuter airline that has a fully-developed pilot pipeline which has kept us 100% staffed since November 2017. Our June class of 20 new pilots had over 300 applicants— so we're able to select the best and brightest.



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

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

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

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

YouTube [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

222 Daily Departures

30,000 Monthly Passengers

510 Employees

225 Pilots

35 Aircraft

39
Amazing
Destinations

IN THE MID-ATLANTIC:

Bradford, Penn.
DuBois, Penn.
Lancaster, Penn.
Morgantown, W.Va.

IN NEW ENGLAND

Boston/Hanscom, Mass.
Boston/Harbor, Mass.
Boston/Norwood, Mass.
Bridgeport, Conn.
New Bedford, Mass.
Providence, R.I.

IN NEW YORK

East Hampton
Montauk
Shelter Island

IN THE GULF:

Destin, Fla. El Dorado, Ark.
Harrison, Ark. Hot Springs, Ark.
Palm Beach, Fla. Tampa, Fla.

IN CALIFORNIA:

Imperial/El Centro

IN THE ROCKIES:

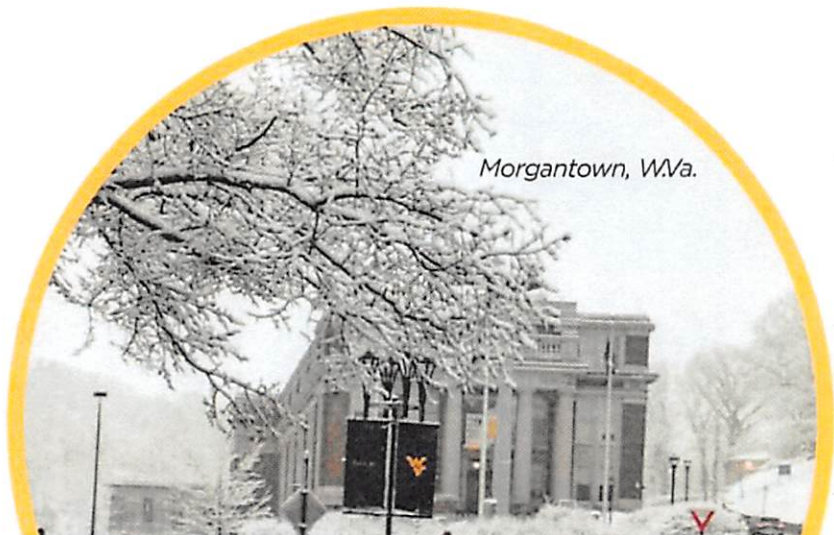
Chadron, Neb.

IN HAWAII:

Hana Hilo
Kapalua Kalaupapa
Kona Lāna'i City
Molokai Waimea-Kohala

10 HUB/FOCUS CITIES:

Dallas Memphis
Denver Nantucket
Honolulu New York City
Kahului Pittsburgh
Los Angeles Washington-Dulles



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.

MAJOR GLOBAL DISTRIBUTION SYSTEMS:

Sabre
Amadeus
Worldspan
Galileo
Travelport
Apollo

MAJOR ONLINE TRAVEL AGENCY WEBSITES:

Expedia
Travelocity
Orbitz
Kayak
Priceline
Cheaptickets

amadeus

Sabre

Travelport 

KAYAK

ORBITZ

priceline.com

 Expedia


travelocity

Lancaster, Penn.



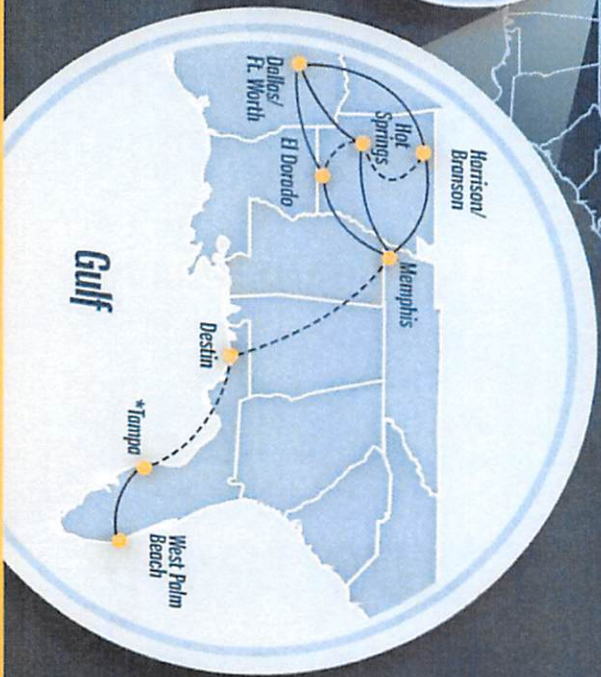
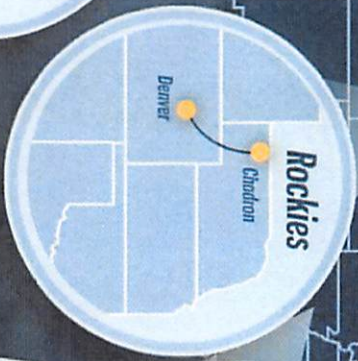
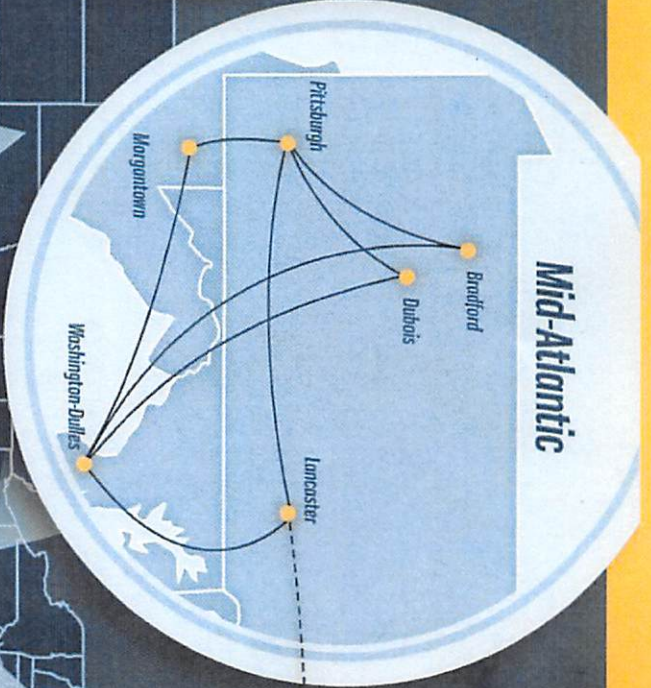
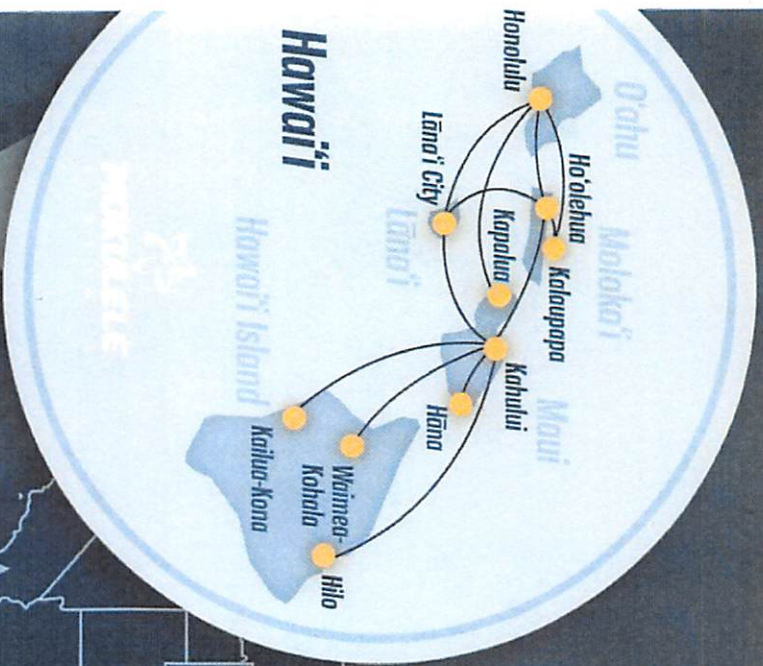
Southern's interline partners American, Alaska, and United.

Southern is interline partners with three major airlines. This means seamless ticketing and baggage connections to and from your final destination.

American Airlines 

UNITED 





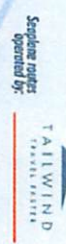
Route Map

Now serving 39 cities with over 222 daily departures!

MAP KEY

Weekend -----

* Service begins Spring 2022

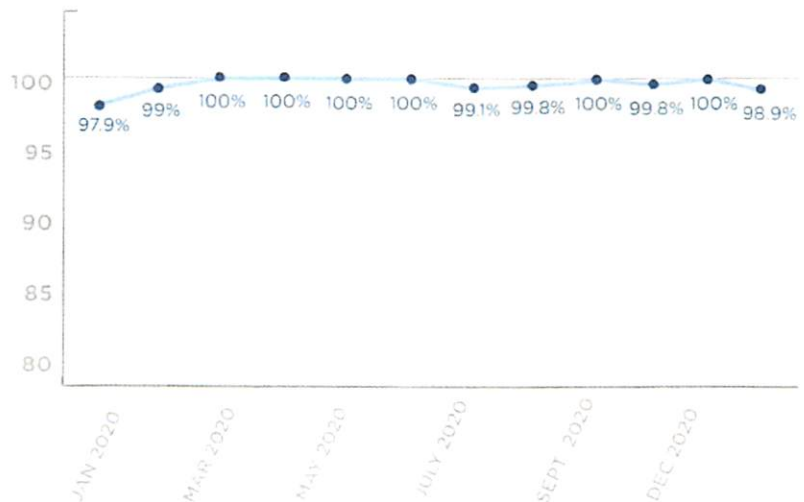


Schedule subject to change w/o notice

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 it's 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.

2020 EAS CONTROLLABLE COMPLETION



Hot off the Press!



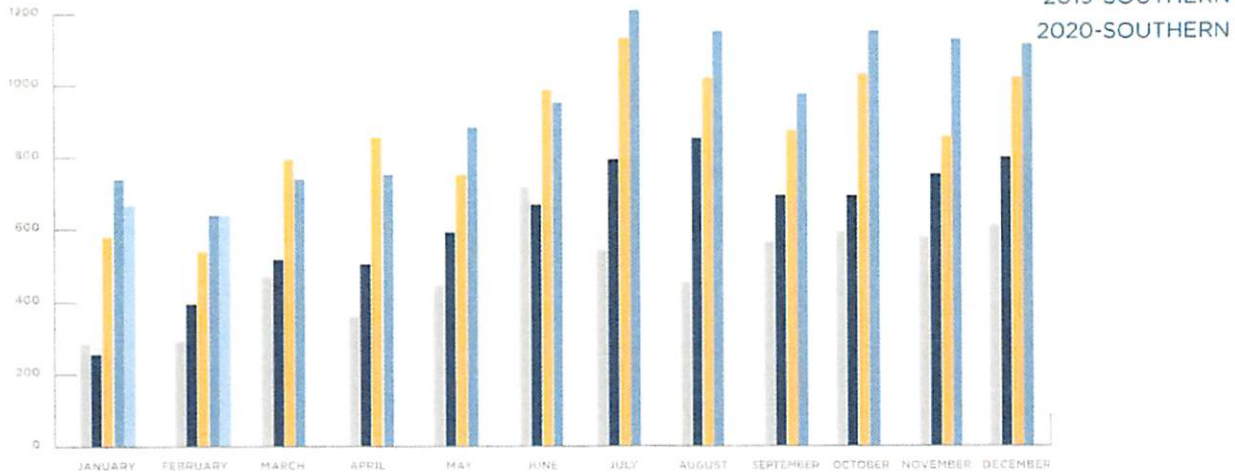
Southern was recently featured in the international magazine Airliner World!

Southern's new in-flight magazine, Cloud 9, hit the sky in November 2020!

Did you know?

Despite having multiple proposals for regional jet service, every Arkansas city selected to stay with Southern for another two years!

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



DUBOIS, PA 2019 Highest passenger counts in eight years

ADDITIONAL ACCOMPLISHMENTS

HARRISON, AR 2018, Over 10,000 passengers for only the third time in the last two decades.

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).

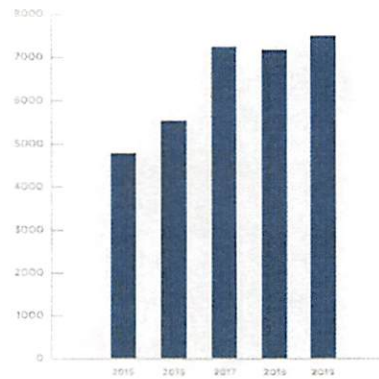
EL DORADO, AR 2019, The second-highest number of passengers per departure in the last 15 years.

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

EL CENTRO/IMPERIAL, CA Fiscal Year 2019, Under the \$200 Subsidy Cap.

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 has secured American, Alaska, and United Airlines.
- 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.
- Southern increased its call center and customer service center to 24 hours per day.

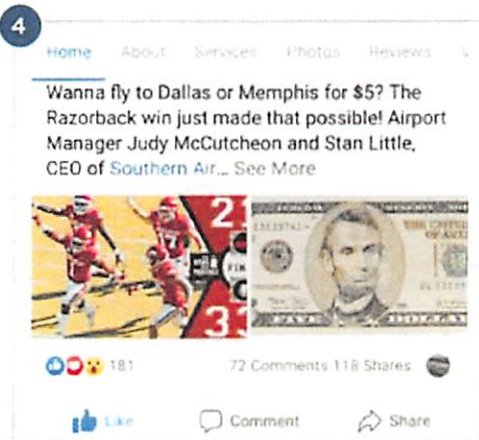
TSA Pre✓



SOUTHERN: The Airline for Your Community



1. Mississippi State fans ringing cowbells on the Southern Airways MD-80 charter to Miami for the Orange Bowl!
2. One of Southern's trademark customer appreciation ramp parties
3. Southern sponsors community events throughout the year
4. Southern engages the local airports, like when we bet the Harrison, Arkansas airport director on the outcome of the 2020 Ole Miss versus Arkansas football game...and lost! Southern paid up with \$5.00 tickets



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.

| STATUS | VENDOR | VENDOR | PROJECTED SPEND |
|---------------|-----------------------------|--------------------|------------------------|
| Proposed | Local Newspaper | Newspaper | \$3,000 |
| Proposed | Television | Cable/Broadcast | \$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 |

(Southern is committed to \$25,000 of annual advertising spend until enrollment goals are met.)

El Centro/Imperial Proposal

| | OPTION A C-208 | OPTION B C-208 |
|------------------------------|---------------------------|---------------------------|
| Weekly Round Trips | | |
| IPL-LAX | 18 | 24 |
| IPL-LAS | 6 | - |
| Total | 24 | 24 |
| Operating Revenues | | |
| IPL-LAX | \$703,250 | \$859,375 |
| IPL-LAS | \$264,234 | \$0 |
| Total Operating Revenues | \$967,484 | \$859,375 |
| Operating Expenses | | |
| Flying Operations | \$1,595,583 | \$1,359,934 |
| Fuel and Into Plane | \$660,090 | \$635,443 |
| Maintenance | \$680,588 | \$669,588 |
| Aircraft | \$523,500 | \$523,500 |
| Indirect | \$243,495 | \$242,457 |
| Total Operating Expenses | \$3,703,255 | \$3,430,921 |
| Operating Loss | \$2,735,771 | \$2,571,546 |
| Profit Element (5%) | \$185,163 | \$171,546 |
| COMPENSATION REQUIRED | \$2,920,934 | \$2,743,092 |
| Compensation per Pax | \$195 | \$199 |
| Compensation per Departure | \$1,188 | \$1,116 |
| Annual Seats | 22,122 | 22,122 |
| Annual Passengers | 15,000 | 13,750 |
| Load Factor | 68% | 62% |
| Departures | 2,458 | 2,458 |
| Average Fare | \$64 | \$63 |
| Completion Factor | 98.5% | 98.5% |
| Compensation Required Year 1 | \$2,920,934 | \$2,743,092 |
| Compensation Required Year 2 | \$2,993,957 | \$2,811,669 |
| Compensation Required Year 3 | \$3,068,806 | \$2,881,961 |
| Compensation Required Year 4 | \$3,145,526 | \$2,954,010 |