

Cape Girardeau EAS Bid Summary



MAY 2022

Cape Girardeau EAS Bid Results Overview

- Three air carrier proposals were received.
- Boutique Air; single engine, 8-passengers, four flights/day to Nashville.
- Southern Air; single engine, 9-passenger, four flights/day to Nashville or St. Louis or four flights Nashville or St. Louis plus one flight per day Chicago O'Hare.
- Contour Air; 30-seat regional jet twice a day to Nashville.
- Subject to DOT approval, option to retain SkyWest service by agreeing to July reduction in service, for an indefinite period, to be replaced (2023?) by two nonstop flight/day to Chicago with 30-seat regional jets.
- SkyWest is retained only if Cape Girardeau agrees in writing to the SkyWest service reduction and DOT approves SkyWest rescinding the service termination notice, thus negating the proposals of the other airlines that bid.

Cape Girardeau EAS Bid Results Key Considerations

- Which proposals offer the best chance to continue having 10,000 or more annual enplanements for preservation of AIP funding of \$1,000,000 a year?
- If a single engine proposal is accepted, the community must sign a twin engine service waiver, waiving community automatic rights to twin engine in the future.
- Remaining with SkyWest; If SkyWest's waiver is signed and SkyWest's rescind of the termination notice is accepted by the DOT, existing SkyWest service be reduced, for an indefinite period (estimated to be 2023 Q1) and then replaced by a two flight a day service with 30-seat aircraft.
- If retention of SkyWest is considered, it must be in context. United Express service as we have it now, is leaving. The 30-seat service will be similar, not the same.

Boutique Service Proposal

- Carrier is in decline, significant operational reliability issues.
- Carrier was invited to leave, mid-contract, two EAS cities. (Ironwood and Jackson)
- Carrier had 14 EAS cities two years ago, will have four in June.
- Serious flaws in the service proposal;
 - Proposal has no forecast of annual segments
 - Forecast calls for 116% load factor
 - Best case annual traffic 12,000 total passengers

EAS PROPOSAL ANALYSIS	
Boutique	Cape Girardeau
Aircraft	PC-12 Single Engine
Hub	BNA
Frequency	4 flts/day
Completion %	96%
Op Stats	
Annual Flights	2,796
Seats	22,368
Traffic	
Fcst Passengers	25,800
Fcst Load Factor	115.3%
Year 1 Subsidy	\$5,136,776
Subsidy / Passenger	\$199.10

Contour Service Proposal

- Service Alternative EAS, same business model as what SkyWest proposes.
- Carrier operates ten AEAS cities as of July 2022.
- American Airlines ticket/bag agreement in place.
- Highly recommended by each current service city.
- CLT is the best hub if Cape Girardeau is single hub service.

EAS PROPOSAL ANALYSIS	
Contour	Cape Girardeau
Aircraft	ERJ
Hub	BNA
Frequency	2 flts/day
Completion %	99%
Op Stats	
Annual Flights	1,236
Seats	37,440
Traffic	
Fcst Passengers	28,080
Fcst Load Factor	75.0%
Year 1 Subsidy	\$5,485,833
Subsidy/Passenger	\$195.36

SkyWest Proposal to Community

- July 12 service reduction, no timeline offered on return to nonstop two round trip service. Service paired with Paducah.
- 50-seat RJ would eventually become two 30-seat RJ flights per day by shift into the Alternative EAS program (AEAS), Public Charter as FAA Part 135, DOT Part 380.
- There is no timeline for when service would shift to AEAS;
 - Carrier must gain a FAA Part 135 operating certificate, by process or by purchasing an existing one
 - The FAA Part 135 certificate must have or gain DOT 30-seat scheduled service authority
 - SkyWest is suggesting the AEAS service would be branded United Express with integrated pricing
 - There are significant regulatory and logistical challenges to that suggested outcome
 - More likely outcome would be carrier must create airline brand (SkyWest) and all associated functions
 - This includes sum-of-two-locals pricing
- Current service (two flights a day 50 seats) generates 100 outbound seats a day.
- AEAS service would be two daily 30-seat flights to Chicago ORD.

SkyWest Proposal Considerations

- Carrier's assumptions about a timeline for gaining the necessary FAA and DOT authority and then implementing two flight per day AEAS service are optimistic.
- Under the likely outcome of SkyWest brand and sum-of-two-locals pricing traffic will be below previous levels; less seats, higher pricing, independent branding.
- SkyWest existing service has averaged 21,000 passengers and 60,000 seats annually.
- 30-seat service would average 36,300 annual seats offered.

Southern Service Proposals

- Three proposals, all single engine aircraft.
- Flight time to STL one hour, to BNA 1.4 hours.
- Flight time to ORD estimated at 1.6 hours.
- SkyWest pilot flow thru, SkyWest minority owner.
- Carrier has 12 EAS markets, adding two in June.
- Ticket and bag agreements; American and United.
- Concerns about the service proposals;
 - Market acceptance of single engine service
 - All proposals call for mid to high 70% load factors
 - 2021Q4 domestic system load 51%
 - In 2021Q4 one of nine domestic cities had a 70% load factor (Harrison, Arkansas)

EAS PROPOSAL ANALYSIS	
Southern	Cape Girardeau
Aircraft	Caravan Single Engine
Hub	BNA or STL
Frequency	4 flt/day
Completion %	98.5%
Annual Flights	2,458
Seats	22,122
Fcst Passengers	16,000
Fcst Load Factor	72.3%
Year 1 Subsidy	\$2,954,416
Sub/Passenger	\$184.65

EAS PROPOSAL ANALYSIS	
Southern	Cape Girardeau
Aircraft	Caravan Single Engine
Hub	BNA or STL plus ORD
Frequency	5 flt/day
Completion %	98.5%
Annual Flights	2,994
Seats	26,946
Fcst Passengers	21,000
Fcst Load Factor	77.9%
Year 1 Subsidy	\$4,163,203
Sub/Passenger	\$198.25

Summary



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- Single engine proposals require Cape Girardeau to waive its future rights to twin engine service.
- Single engine proposals will not make 10,000 enplanements, most likely not 8,000 enplanements, for AIP funding consideration.
- SkyWest proposal preserves network carrier hub service, but at reduced levels.
- Initial downgrade to paired routing with Paducah, then to two flights but with 30-seats and on a public charter model, likely different than current United Express branding.
- Contour proposal pivots Cape Girardeau to a Nashville hub. Nashville is a larger hub than STL but smaller than United at Chicago ORD. Nashville has somewhat intense air fare competition so airfares beyond Nashville for connecting passengers should be competitive.