

Essential Air Service Proposal



Kirksville, Missouri

DOT-OST-1997-2515

March 11, 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

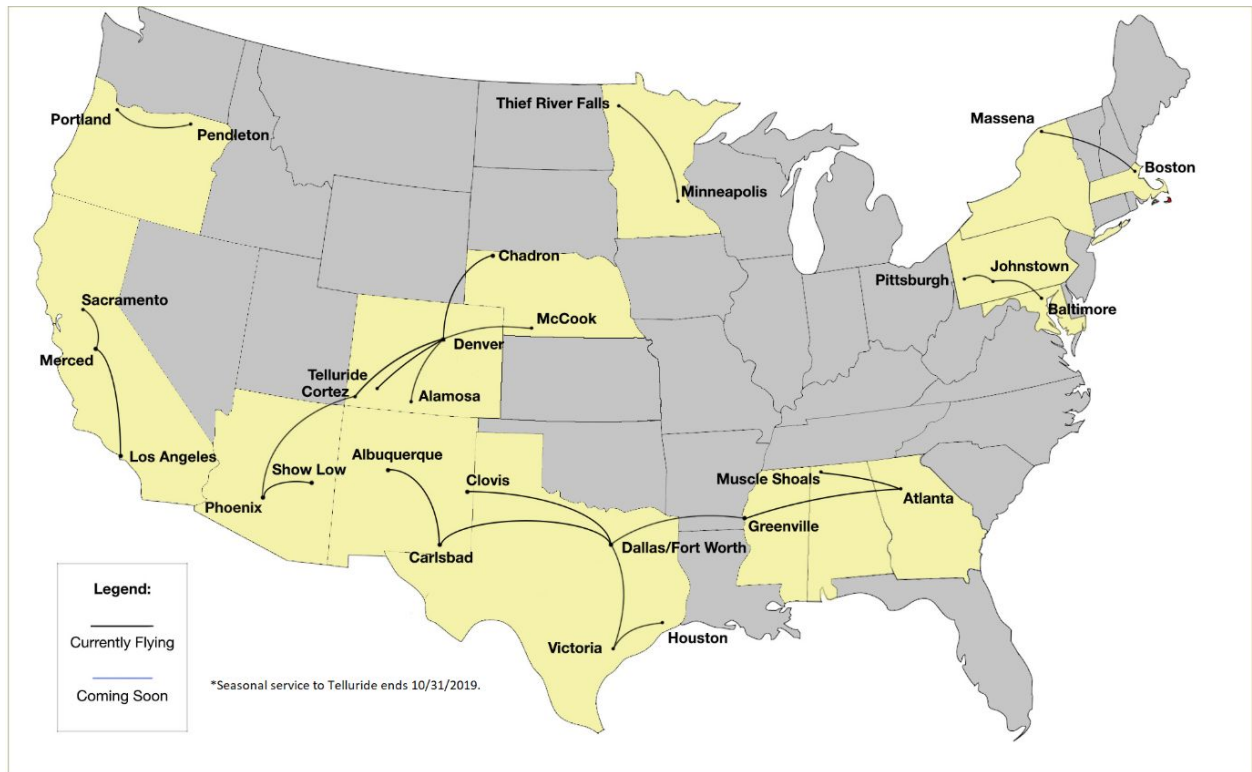
*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel in general.** A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

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

-Clovis News Journal

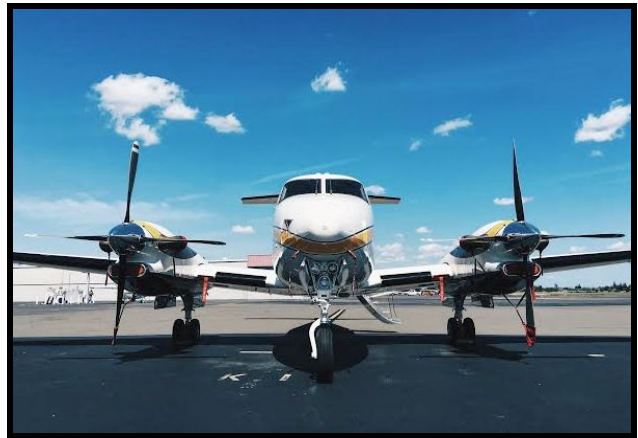
Route Map



Aircraft:

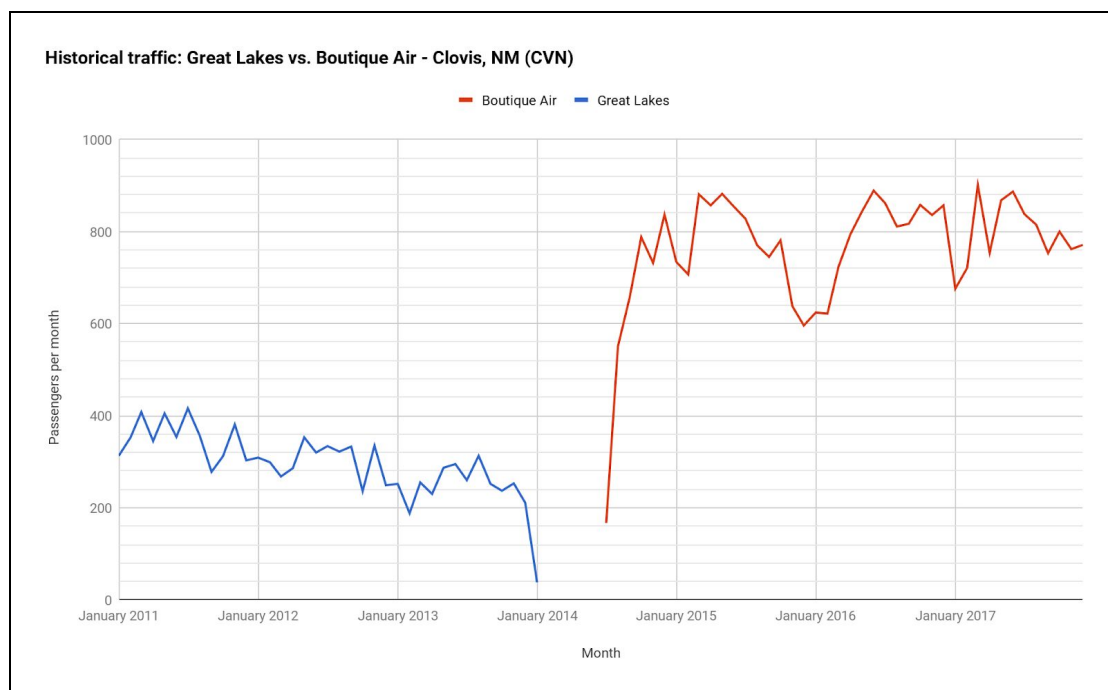
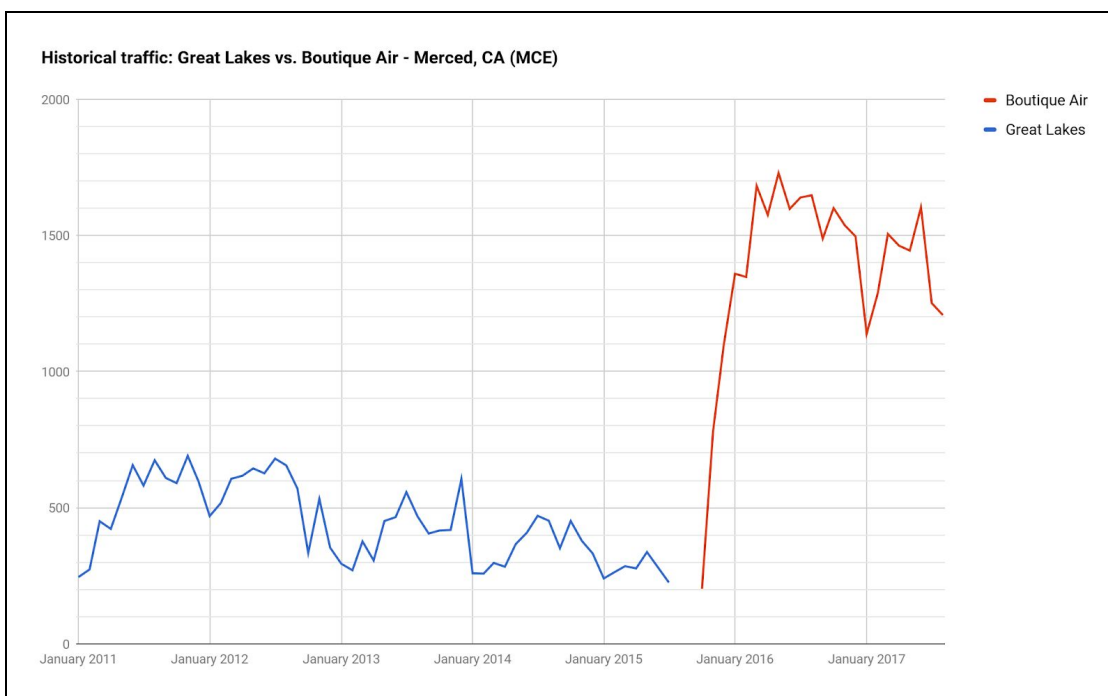
Boutique Air currently operates a modern fleet of Pilatus PC-12, Piaggio Avanti, and Beechcraft King Air 350 aircraft. All flights are flown by Captains with over 1,200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two pilot crew.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

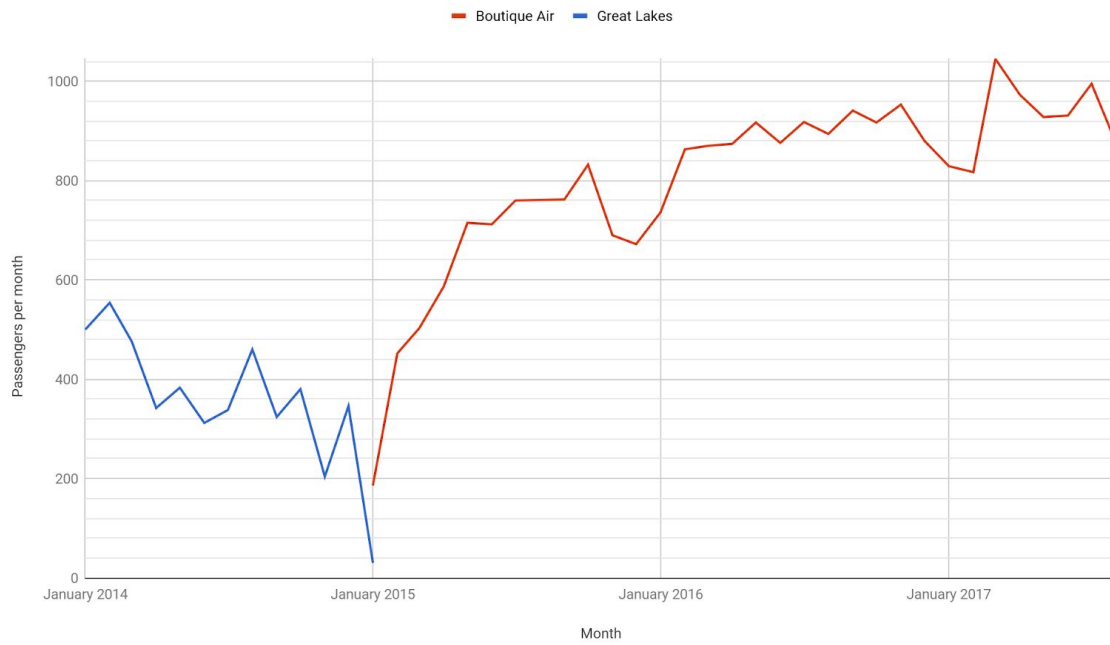


Historical Passenger Traffic Performance

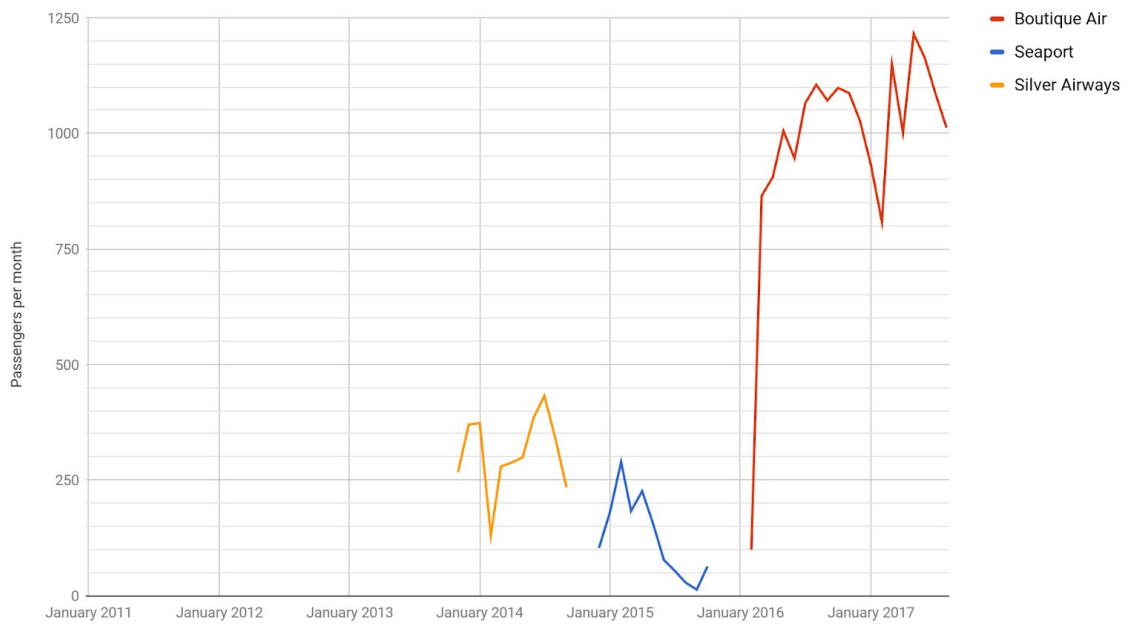
Boutique Air has established a proven track record in resuscitating air service in EAS communities which have been devastated by poor execution from prior carriers as illustrated by the passenger traffic graphs below.



Historical traffic: Great Lakes vs. Boutique Air - Silver City, NM (SVC)



Historical traffic: Silver and Seaport vs. Boutique Air - Muscle Shoals, AL (MSL)



Proposal

Overview

Our proposal would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 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 Kirksville's air service a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

We expect fares to start at \$49 per ticket. From time to time we will also conduct sales to increase both service awareness and passenger counts.

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.

UNITED

United States | English

From

Show Low, AZ, US (SOW)

To

New York/Newark, NJ, US (EWR - Liberty)

Departure date

Apr 14, 2018

Return date

Add return date

Search by:

☒ Price
 ☐ Award travel

Update

[Advanced search](#)

Departure: Select your flight

Show Low, AZ, US → New York/Newark, NJ, US

Thu 4/12

\$390

Fares are for the entire one-way trip, per person, and include taxes and fees.

Additional bag charges may apply.

Economy

Depart ▾

Arrive ▾

Stops ▾

Duration ▾

7:30 am

6:11 pm

1 stop

7h 41m

Details

Seats

\$411

Includes Travel Operated By Boutique Air

Select

1 ticket left at this price

Home

Log In

Help, ADAM

English

Search aa.com

American Airlines

Plan Travel

Travel Information

AAdvantage

Depart Thief River Falls, MN to Dallas/ Fort Worth, TX

Friday, November 22, 2019

American Airlines flights may be listed first.

Product comparison

Lowest Fare

Flexible

Fri, Nov 22

\$ 266

Sat, Nov 23

\$ 266

Sun, Nov 24

\$ 266

Mon, Nov 25

\$ 266

Tue, Nov 26

\$ 260

Sort by: Relevance

Main Cabin

First

TVF

10:10 AM

→

DFW

3:56 PM

5h 46m

1 stop

TVF - MSP

48 823

PL2-Pilatus PC-12

MSP - DFW

AA 2086

738-Boeing 737

Details

Seats

One way

\$ 266

3 seats left

One way

\$ 405

3 seats left

548 Market St, Suite 73298 | San Francisco, CA 94104 | t. 415.449.0505 | f. 415.738.7671

8

Departure: Cortez, CO, US → Tokyo, JP

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

| | | | | | | |
|-------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|
| Sat 3/14 \$648 | Sun 3/15 \$648 | Mon 3/16 \$648 | Tue 3/17 \$648 | Wed 3/18 \$778 | Thu 3/19 \$778 | Fri 3/20 \$778 |
|-------------------|-------------------|-------------------|---------------------------|-------------------|-------------------|-------------------|

☒ With stops **\$648** Choose connecting airports

Show fare type comparison

| Sort flights by: Custom ▾ | | | | | | | |
|---|-------------------------------|---------|----------|--|---|--|--|
| Depart | Arrive | Stops | Duration | Economy (lowest) | Economy (flexible) | Premium Economy (lowest) | Business (lowest) |
| Tue, Mar 17 6:45 am CEZ | Thu, Mar 19 5:00 am HND | 2 stops | 31h 15m | Details | Seats | | |
| Includes Travel Operated By Boutique Air , All Nippon Airways | | | | \$648 Select 4 tickets left at this price | \$649 Select 4 tickets left at this price | Mixed cabin \$1,887 Select 4 tickets left at this price | Mixed cabin \$6,913 Select 4 tickets left at this price |
| Tue, Mar 17 10:40 am CEZ | Thu, Mar 19 5:00 am HND | 2 stops | 27h 20m | Details | Seats | | |
| Includes Travel Operated By Boutique Air , All Nippon Airways | | | | \$648 Select 1 ticket left at this price | \$649 Select 1 ticket left at this price | Mixed cabin \$1,887 Select 1 ticket left at this price | Mixed cabin \$6,913 Select 1 ticket left at this price |

Depart Show Low, AZ to Shanghai, China

Tuesday, March 17, 2020

[Product comparison](#)

| | | | | | | | | |
|-------------|----------|---|-----------------------|-------------------------|-------------------------------|-----------------------|-------------------------|---|
| Lowest Fare | Flexible | < | Sun, Mar 15 \$ 731 | Mon, Mar 16 \$ 1,121 | Tue, Mar 17 \$ 713 | Wed, Mar 18 \$ 713 | Thu, Mar 19 \$ 5,933 | > |
|-------------|----------|---|-----------------------|-------------------------|-------------------------------|-----------------------|-------------------------|---|

| Sort by: Price (low to high) ▾ | | | Main Cabin | Premium Economy | Business | First |
|---|-----|---------|----------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| SOW | PVG | 44h 10m | One way \$ 713 1 seat left | One way \$ 1,345 1 seat left | One way \$ 10,134 1 seat left | One way \$ 10,135 1 seat left |
| 7:30 AM → 6:40 PM 3 stops | | | | | | |
| SOW - PHX ■ 4B 815 ■ PL2-Pilatus PC-12 | | | | | | |
| PHX - LAX ■ AA 1718 ■ 319-Airbus A319 | | | | | | |
| | | | | | | |
| LAX - HKG ■ CX 883 ■ 77W-Boeing 777 | | | | | | |
| | | | | | | |
| HKG - PVG ■ KA 896 ■ 333-Airbus A330 | | | | | | |
| .. | | | | | | |

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.

| | Round Trips | Pilatus PC-12 Year 1 Subsidy |
|-----------|-------------------------------------|---------------------------------|
| Option #1 | 21 STL (3xdaily) | \$1,914,906 |
| Option #2 | 14 STL (2xdaily) 7 ORD (1xdaily) | \$2,491,062 |
| Option #3 | 14 ORD (2xdaily) 7 STL (1xdaily) | \$2,504,712 |

Note on annual cost increase: a 2.5% subsidy escalation is required after every twelve months of service based on prior year

Kirksville, MO**Reference Pricing: Option 1 - 21 Nonstop RTs IRK-STL**

| | |
|---|--------------------|
| <u>Community: Kirksville, MO</u> | |
| <u>(KIRK)</u> | <u>STL</u> |
| Frequency (Daily Nonstop RT's) | 3 |
| Operations | |
| Scheduled Flights | 2,184 |
| Completed Flights (98%) | 2,140 |
| Scheduled Block Hours | 1,848 |
| Scheduled Seats | 17,472 |
| Scheduled ASMs | 2,603,328 |
| | |
| Revenue | |
| Passengers | 10,750 |
| Average Fare | \$65 |
| Fare Revenue | \$698,750 |
| Total Revenue | \$698,750 |
| | |
| Expenses | |
| Fuel | \$582,120 |
| Ownership | \$660,000 |
| Maintenance and Reserves | \$794,640 |
| Staff | \$262,430 |
| Marketing and Distribution | \$20,000 |
| Other Indirect Costs | \$203,280 |
| Total Costs | \$2,522,470 |
| | |
| Profit Element | \$91,186 |
| Margin | 5.00% |
| | |
| Total Subsidy Year 1 | \$1,914,906 |
| Total Subsidy Year 2 | \$1,953,204 |

Kirksville, MO

Reference Pricing: Option 2 21 RT Nonstop RTs IRK-STL/ORD (14 STL, 7 ORD)

| <u>Community: Kirksville, MO</u> | | <u>STL/ORD</u> |
|---|--------------------------------|-----------------------|
| | Frequency (Daily Nonstop RT's) | 3 |
| Operations | | |
| | Scheduled Flights | 2,184 |
| | Completed Flights (98%) | 2,141 |
| | Scheduled Block Hours | 2,280 |
| | Scheduled Seats | 17,472 |
| | Scheduled ASMs | 3,306,048 |
| Revenue | | |
| | Passengers | 10,500 |
| | Average Fare | \$65 |
| | Fare Revenue | \$682,500 |
| | Total Revenue | \$682,500 |
| Expenses | | |
| | Fuel | \$718,200 |
| | Ownership | \$660,000 |
| | Maintenance and Reserves | \$1,026,840 |
| | Staff | \$369,100 |
| | Marketing and Distribution | \$30,000 |
| | Other Indirect Costs | \$250,800 |
| | Total Costs | \$3,054,940 |
| Profit Element | | \$118,622 |
| | Margin | 5.00% |
| Total Subsidy Year 1 | | \$2,491,062 |
| Total Subsidy Year 2 | | \$2,540,883 |

Kirksville, MO

Reference Pricing: Option 3 21 RT Nonstop RTs IRK-STL/ORD (14 ORD, 7 STL)

| Community: Kirksville, MO (KIRK) | | <u>ORD/STL</u> |
|---|--|-----------------------|
| Frequency (Daily Nonstop RT's) | | 3 |
| Operations | | |
| Scheduled Flights | | 2,184 |
| Completed Flights (98%) | | 2,141 |
| Scheduled Block Hours | | 2,280 |
| Scheduled Seats | | 17,472 |
| Scheduled ASMs | | 3,306,048 |
| | | |
| Revenue | | |
| Passengers | | 10,300 |
| Average Fare | | \$130 |
| Fare Revenue | | \$669,500 |
| Total Revenue | | \$669,500 |
| | | |
| Expenses | | |
| Fuel | | \$718,200 |
| Ownership | | 660,000 |
| Maintenance and Reserves | | \$1,026,840 |
| Staff | | \$369,100 |
| Marketing and Distribution | | \$30,000 |
| Other Indirect Costs | | \$250,800 |
| Total Costs | | \$3,054,940 |
| | | |
| Profit Element | | \$119,272 |
| Margin | | 5.00% |
| | | |
| Total Subsidy Year 1 | | \$2,504,712 |
| Total Subsidy Year 2 | | \$2,554,806 |