April 8, 2020

Mr. Michael Gormas
Transportation Industry Analyst
U.S. Department of Transportation
Office of Aviation Analysis
1200 New Jersey Avenue S.E., Room W86-472
Washington, D.C. 20590

RE: Essential Air Service at Page, Arizona, Docket No. DOT-OST-1997-2694

Dear Mr. Gormas:

On behalf of the City of Page, Arizona and its City Council (the "City"), please accept this letter in response to your February 25, 2020, request for our comments on the Essential Air Service ("EAS") proposal submitted by Advanced Air.[1] As discussed below, the City does not support Advanced Air's proposal, and respectfully requests that the DOT instead consider the attached application for a four-year extension of our existing grant under the Alternate EAS Program.

On January 7, 2020, the City requested a telephone meeting with your office to discuss the continuation of service with Contour Airlines and, on January 13, 2020, the City submitted a draft application for the extension of this service under the Alternate EAS Program. As you know, and as detailed in the attached application, Contour's service has been extraordinarily successful and well-received by the community since it commenced in August 2018. Unfortunately, we were unable to find a mutually convenient time to discuss the extension of our Alternate EAS grant before the DOT issued Order 2020-1-7 on January 21, 2020, without prior notice, soliciting proposals from carriers that were interested in providing EAS at Page.

We understand that the DOT occasionally issues such orders on behalf of communities already participating in the Alternate EAS Pilot Program to establish a baseline for the subsidy that the DOT would pay under traditional EAS. However, in this case, the City does not believe that an order requesting proposals was appropriate or, even if it were, that the proposal submitted by Advanced Air – the only proposal that the DOT received – establishes an appropriate baseline.

As detailed in the attached application for an extension of the City's AEAS grant (Section IV.a), Advanced Air's proposal would not meet the minimum requirements under EAS, much less the City's needs. The aircraft proposed to be used by Advanced Air would not provide sufficient

[1] Thank you for your email dated March 20, 2020, granting an extension to file these comments until April 8, 2020.

capacity to accommodate existing demand, as basic EAS requires, and Advanced Air's lack of interline agreements with major carriers would substantially impair network connectivity for travelers to and from the City. Advanced Air also operates non-sterile, with passengers arriving and departing through an FBO rather than the passenger terminal, which may cause confusion and frustration for passengers traveling beyond the hub airports. In addition, the City is concerned that Advanced Air does not appear to have any marketing plan for its proposed service.

Because Contour's existing service provides the capacity, quality, and connectivity that the City and its residents need, the City respectfully requests a four-year extension of its grant under the Alternate EAS Program at the existing subsidy level. As set forth in the attached application, the City believes that the current subsidy appropriately reflects what the DOT would pay for successful service under the traditional EAS Program and is in line with the DOT's precedent and practice.

If you have any questions or require further information, please do not hesitate to contact me at (928) 645-4210 or dcoldwell@pageaz.gov.

Sincerely,

Darren Coldwell
City Manager

cc: Steven L. Osit, Esq., Kaplan Kirsch & Rockwell LLP (Counsel to Page, Arizona)
Docket No. DOT-OST-1997-2694

Enclosures

APPLICATION FOR CONTINUED INCLUSION IN THE ALTERNATE ESSENTIAL AIR SERVICE PILOT PROGRAM

Docket No. DOT-OST-1997-2694 (Page, AZ)
Docket No. DOT-OST-2004-18715 (AEAS)

Page Municipal Airport - Royce K. Knight Field
Service in 30-Seat ERJ-135 Aircraft Operated by Contour Airlines
For the Proposed Grant Period
October 1, 2020 – September 30, 2024

Applicant and Legal Sponsor:
City of Page
697 Vista Avenue
Page, Arizona 86040
Attention: Kyle Christiansen, Aviation Director – City of Page
Phone: (928) 614-0785
Email: kchristiansen@pageaz.gov

DUNS Number: 07-448-0781
EIN: 86-0295443

I. Summary

The City of Page, Arizona ("Page" or the "City") hereby submits this application for continued inclusion in the Alternate Essential Air Service ("AEAS") Pilot Program to continue the subsidy of an average of 12 weekly round trips from Page Regional Airport, Royce K. Knight Field ("PGA"), to Phoenix Sky Harbor International Airport ("PHX") and/or McCarran International Airport ("LAS"), both large-hub airports, for an additional forty-eight (48) months, beginning October 1, 2020, at the existing subsidy level (this "Application").

Pursuant to U.S. Department of Transportation (the "DOT") Order 2018-6-22 and the Grant Agreement between the City and the DOT executed thereunder, the City currently receives funding of up to $4,398,924 per year to subsidize AEAS provided by Corporate Flight Management, Inc. d/b/a Contour Airlines ("Contour") in Embraer ERJ-135 twin jet pressurized aircraft configured with 30 passenger seats. The Grant Agreement is scheduled to expire on September 30, 2020.

The AEAS provided by Contour at PGA during the past 20 months has been tremendously successful, as further detailed below. The City wishes to continue its participation in the AEAS Pilot Program with Contour as its carrier. Notwithstanding the rising cost of providing service, Contour is willing to continue providing service at the existing subsidy level of $4,398,924 for an additional four years. As described in this Application, the City believes an extension of AEAS would continue to satisfy the objectives of the Program and all eligibility criteria, and that the requested subsidy level continues to be at or below that which the DOT would pay a carrier to provide traditional Essential Air Service ("EAS") that satisfies minimum service requirements.

The Page City Council unanimously authorized the preparation and submission of this Application at a duly noticed special meeting held March 17, 2020. This Application satisfies the requirements of the Order Establishing Essential Alternate Essential Air Service served July 27, 2004.

II. Current Service

The City currently receives year-round commercial service from Contour in Embraer ERJ-135 twin jet pressurized aircraft configured with 30 passenger seats between PGA and both PHX and LAS. PHX is a hub for American Airlines ("AA"). Contour has recently executed an interline agreement with AA, which enables a high degree of connectivity and confidence among travelers to and from the City. Contour's flight frequencies average 12 roundtrips per week, with 16 roundtrips per week during the City's peak (summer) travel period, decreasing to 11 roundtrips per week in the lowest demand periods. Contour's published one-way fares range from $49.00 to $149.00, based on availability, advance purchase, and seasonality.

Since commencing service in August of 2018, Contour has delivered exceptional operational performance, while steadily increasing passenger traffic. Significantly, in the preceding calendar year (January 1, 2019 through December 31, 2019), **Contour completed 99% of its scheduled flights** (1,406 completed flight segments out of 1,424 segments scheduled). During that same period, Contour carried a total of 19,529 passengers. By way of comparison, during the last full year of traditional EAS at PGA (2017), during which service was provided by Great Lakes Airways in 19-seat turbo-propeller regional aircraft, only 10,446 passengers were transported. In other words, **Contour has effectively doubled the annual passenger counts at PGA.**

Figure 1 below compares the number of passengers transported by Great Lakes by month in the company's last two full years of service at PGA with the number of passengers transported by Contour by month in its first full year of service. Figure 2 compares Contour's scheduled and completed flights during each of its first 20 months of service at PGA.

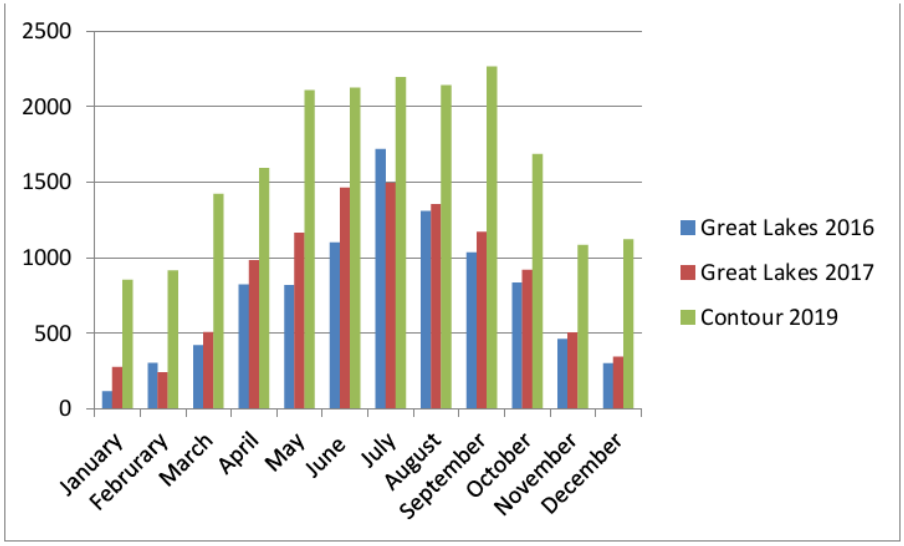

Figure 1 – Great Lakes Passengers by Month vs. Contour Passengers by Month

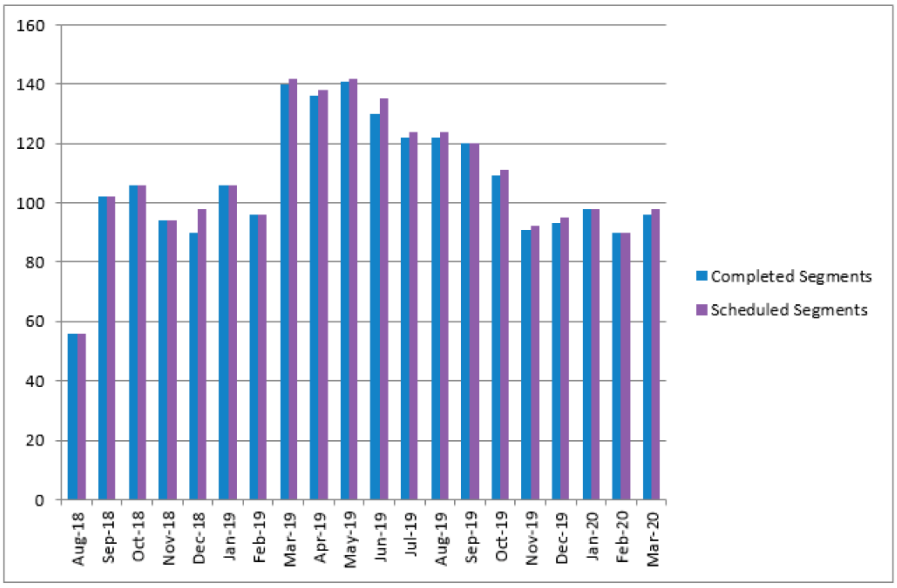

Figure 2 - Contour's Scheduled and Completed Flights August 2018 to March 2020

III. Service History

The City received traditional EAS from Great Lakes Airlines from March of 2001, when it was selected to replace the now-defunct Sunrise Airlines, Inc., until March 26, 2018, the date on which Great Lakes ceased flight operations.[2] During these 16 years, Great Lakes served the community exclusively with 19-seat twin turboprop pressurized Beech 1900D aircraft. During that time, Great Lakes provided various permutations of non-stop or one-stop service to PHX, DEN, LAX, and LAS. The flight frequencies offered by Great Lakes varied seasonally, with a low of 12 roundtrips per week in the winter and 24 roundtrips per week in the summer, averaging approximately 19 roundtrips per week during the course of a year.

Following Great Lakes' cessation of operations in March 2018, the DOT issued Order 2018-3-25, soliciting proposals for EAS at PGA on an emergency basis. After reviewing the proposals received by the DOT, the City determined that none of the carrier proposals would provide the level of service that the City required. Specifically, the City desired increased flexibility in flight scheduling to accommodate the surge in air service demand during the tourism season (April to October) and believed that the 8- to 9-seat aircraft proposed by carriers would be inadequate to accommodate existing and future demand. Accordingly, the City rejected the EAS proposals received by the DOT and submitted its initial application for inclusion into the AEAS Pilot Program, seeking to subsidize service from Contour (a Public Charter under 14 C.F.R. Part 380) in an amount not exceed $4,398,924 annually ($3,559.00 per flight segment).[3] The City noted its intention to seek an extension of the grant at the conclusion of the initial term.[4]

The DOT approved the City's application by Order 2018-6-22, specifically recognizing the "seasonal nature of the market and the need for scheduling flexibility throughout the year," and "Great Lakes' operational difficulties in providing service to Page, including the use of aircraft with lower seating capacity . . . ."[5] The DOT also noted that the requested subsidy level was below that of the least costly EAS proposal that would satisfy the requirements for basic EAS.[6] The City executed a grant agreement with the DOT pursuant to this Order on July 11, 2018, with a term that commenced July 1, 2018, and is set to expire on September 30, 2020.

Contour commenced service in August 2018.

IV. Proposed AEAS Extension

The City respectfully requests that the DOT extend the City's inclusion in the AEAS Pilot Program by an additional 48 months at the existing subsidy level, so that the City may continue to subsidize the highly successful service that has been provided by Contour since August 2018. In this section, the City addresses why (a) the proposal received in response to DOT Order 2020-1-7, soliciting proposals for providing EAS at Page, would not satisfy the City's objectives or basic EAS requirements; (b) the City has selected Contour to provide continued service under AEAS; and (c) the proposed continuation of the existing subsidy level is appropriate.

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[2] DOT Order 2018-3-27, Docket No. DOT-OST-1997-2694 (served Mar. 28, 2018).
[3] *Application for Inclusion into the Alternate Essential Air Service Program*, Docket No. DOT-OST-1997-2694 (Submitted May 17, 2018).
[4] *Id.* at 3.
[5] DOT Order 2018-6-22, Docket No. DOT-OST-1997-2694 (served June 29, 2018).
[6] *Id.* at 4; *see also* 49 U.S.C. § 41732 (establishing basic EAS criteria).

a. Advanced Air's EAS Proposal

On January 7, 2020, the City contacted the DOT to request a telephone conference to discuss the extension of its AEAS Pilot Program subsidy to continue service with Contour. On January 13, 2020, the City followed up on its request and submitted a draft application for the extension of its AEAS grant that would allow the City to continue service with Contour.

Before the City and the DOT had an opportunity to meet, the DOT *sua sponte* issued Order 2020-1-7 (served Jan. 21, 2020), requesting proposals from air carriers interested in providing EAS at Page beginning October 1, 2020. The DOT noted that all responsive proposals must, among other requirements, "provide sufficient capacity to accommodate historical levels of traffic," which, as reported by the DOT at the time, was 18,668 annual enplanements.[7]

The DOT received only one proposal in response to its solicitation, from Advanced Air. Advanced Air proposes to provide 21 roundtrips per week from Page to PHX, LAS, and/or LAX using 9-seat King Air 350 twin turboprop aircraft at the following subsidy levels:

Option 1	21 RT / week to PHX	Year 1: $3,300,234 Year 2: $3,399,241
Option 2	14 RT / week to PHX 7 RT / week to LAS	Year 1: $3,814,734 Year 2: $3,929176
Option 3	14 RT / week to PHX 7 RT / week to LAX	Year 1: $3,999,022 Year 2: $4,118,992

Each of these options would provide only 19,656 seats annually, to accommodate a historical demand of 19,529 enplanements (*i.e.*, those enplanements by Contour in 2019), *an implied load factor of nearly 100 percent*. The City believes that Advanced Air's proposal is therefore *insufficient* to accommodate historical levels of traffic. And, significantly, Advanced Air's proposal falls well short of the statutory requirement that basic EAS constitute "service accommodating the estimated passenger and property traffic at an average load factor, for each class of traffic considering seasonal demands for the service, of not more than *50 percent* . . . ."[8]

The capacity constraints of Advanced Air's proposal are even more pronounced considering the seasonal nature of demand at Page. The following chart demonstrates the number of available seats under Advanced Air's proposal, as contrasted to the Contour's monthly passenger counts:

Month	**Contour Px**	**Advanced – Avail. Seats**	**# Unaccommodated Px**
06-2019	2,284	1,620	664
07-2019	2,322	1,674	648
08-2019	2,349	1,674	675
09-2019	2,428	1,620	808

[7] DOT Order 2020-1-7, Docket No. DOT-OST-1997-2694, at 2 & app. B (Jan. 21, 2020).
[8] 49 U.S.C. § 41732(b)(4) (emphasis added); *see also* 14 C.F.R. § 398.6.

In addition to Advanced Air's fundamental lack of sufficient capacity, the City has other concerns with Advanced Air's proposal. Advanced Air does not appear to have an interline agreement with any of the major carriers serving PHX, LAS, or LAX. This would place travelers to and from the City at a substantial disadvantage relative to the City's existing service under AEAS in terms of network connectivity and ease of travel. Further exacerbating this concern, the City understands that Advanced Air would operate non-sterile, with passengers enplaning and deplaning at an FBO, rather than the passenger terminal, making connections difficult. Thus, the Advanced Air proposal aligns poorly with the DOT's mandate to consider whether carriers have interline agreements with carriers serving the hub airport(s)[9] and its request that proposals "that provides numerous connecting opportunities to the national air transportation system."[10]

Similarly, Advanced Air's proposal does not "include[] a plan in its proposal to market its services to the community."[11] Particularly in the absence of an interline agreement with a major carrier, the City believes that a robust marketing plan would be critical if service was ever transitioned from Contour to another carrier. Finally, aside from the inherent capacity constraints of Advanced Air's proposed aircraft, the City is concerned that changing from a 30-seat twin turbojet aircraft used by Contour to Advanced Air's 9-seat twin turboprop aircraft will be perceived as a significant downgrade by the traveling public and lead to a decline in enplanements similar to to the *increase* in enplanements experienced when Contour began its service.

For these reasons, the City does not support the EAS proposal submitted by Advanced Air, and does not believe that Advanced Air's proposal satisfies the statutory requirements for basic EAS, is responsive to the DOT's order requesting proposals that would provide sufficient capacity, or is well-aligned with the statutory selection criteria that DOT must consider.[12]

b. Selection of Contour under AEAS

In addition to receiving Contour's proposal to continue providing service under AEAS for an additional four years at the existing subsidy level, the City received AEAS proposals from two other carriers: Advanced Air, using 30-seat Dornier 328 Jet aircraft during the peak season and King Air 350 aircraft in the off-season (Attachment B); and Boutique Air, using King Air 350 or Pilatus PC-12 aircraft, in three different potential service pattern configurations (Attachment C).

[9] *Id.* at 2.
[10] *See* 49 U.S.C. § 41733(c)(1).
[11] *Id.* § 41733(c)(1)(E).
[12] The City is aware of at least one community – Clovis, NM – where the DOT has awarded an EAS contract over the community's objection and concurrently denied its application for a grant under the AEAS Pilot Program. *See* DOT Order 2020-2-2, Docket No. DOT-OST-1996-1902 (served Feb. 3, 2020). In that case, the DOT had before it an EAS proposal that not only appeared to have satisfied all statutory criteria and service requirements, but which also appeared to have been comparable in many respects to the service proposed as AEAS. In denying Clovis' application for AEAS, the DOT explained: "Typically, AEAS applications for public charter service are approved when there is a lack of other viable air service options that meet basic EAS requirements and/or the community's needs." *Id.* at 4. The City does not take a position on whether or not that was the case in Clovis. But, here, Advanced Air's proposal clearly does not meet basic EAS requirements or our community's needs for the reasons described herein.

AEAS Service Proposed	Equipment Type	Load[13]	Subsidy
Advanced Air 21-23 RTs – PHX/LAX	Dornier 328 Jet (Peak) King Air 350 (Off-Peak)	86%	Year 1: $4,252,475 Year 2: $4,380,049
Boutique Air 21-28 RTs - PHX	King Air 350 / Pilatus PC-12	83%	Year 1: $3,140,583 Year 2: Not Provided
Boutique Air 21-24 RTs – PHX/DEN/LAX	King Air 350 / Pilatus PC-12	92%	Year 1: $3,359,326 Year 2: Not Provided
Boutique Air 18-24 RTs – PHX/LAS	King Air 350 / Pilatus PC-12	96%	Year 1: $3,578,247 Year 2: Not Provided

The City does not consider the Advanced Air or Boutique Air AEAS proposals viable.

Advanced Air's AEAS proposal comes closer to the mark than its EAS proposal by using 30-seat Dornier 328 Jet aircraft during the peak period. However, Advanced Air will still not provide sufficient capacity in the off-season using King Air 350 aircraft. As discussed above, Advanced Air also lacks interline agreements with major carriers at PHX and LAX, and its non-sterile operations would substantially impair network connectivity. Moreover, despite these disadvantages relative to Contour's service, Advanced Air would require an annual increase in subsidy that renders it *more* expensive over the next four years than Contour.

Boutique Air proposed to use a combination of King Air 350 and Pilatus PC-12 aircraft, the latter of which is a single-engine turboprop. The City does not consider this proposal viable due to the equipment selection and associated load factors, as discussed above. Additionally, while Boutique has an interline agreement with United Airlines, United Airlines does not have the same degree of network connectivity from PHX, which is a vital connection for the City.

As detailed above, Contour's current service is achieving and, indeed, exceeding, the results anticipated by the City when it first requested inclusion in the AEAS program in 2018. In its first full year of service, Contour nearly doubled the amount of passenger traffic at PGA compared to Great Lake's total passengers in their last full year of service. In all of calendar year 2019, Contour successfully completed 99% of its total scheduled flights. And in October 2019, Contour executed an interline agreement with AA, that largest carrier at PHX.

In the City's view, Contour's first full-year results, on their own, would be enough to merit an extension of its AEAS service. And in addition to these results, a number of other factors lead the City to conclude that Contour is the air carrier best positioned to meet our needs going forward:

[13] Based on Calendar Year 2019 enplanements totaling 19,656.

- Contour's 30-seat Embraer ERJ-135 pressurized twin jet aircraft are the highest capacity aircraft capable of providing commercial passenger service to PGA. The City anticipated that this larger gauge of service in a regional jet would result in higher enplanements, and our experience over the past 20 months confirms this is the case.

- PGA is certified by the FAA under 14 C.F.R. Part 139 as a Class III airport. Due to this classification status, no air carrier may conduct operations at PGA using aircraft with 31 or more passenger seats. This restriction effectively makes all mainline and regional air carriers ineligible to provide commercial service at PGA, as all of their jet aircraft have seating capacities greater than 30 passengers. Contour's 30-seat ERJs may provide commercial service at PGA, consistent with 14 C.F.R. Part 139.

- PGA is situated at an elevation of 4,316 feet and the length of its longest runway is 5,950 feet. These factors, when combined with Page's average daily "hot season" (May 28 to September 13) high temperature above 86° Fahrenheit, severely limit the performance of many aircraft. Due to these negative performance impacts, many aircraft need to significantly limit the number of passengers and amount of baggage on board in order to take off from PGA. In many cases, these restrictions make it uneconomical to operate a flight. Contour's ERJs, are rarely, if ever, subject to such performance restrictions, ensuring that no passengers or baggage are left behind.

- The results of the current AEAS services demonstrate that regular service to PHX, supplemented by limited service to LAS, is the right pattern to build traffic at PGA. The City and surrounding communities have important government and business ties to Phoenix and maintaining this service is critical.

- Contour is the *only* operator of 30-seat regional jets with an interline agreement with AA, the largest carrier at PHX.

- Despite increasing jet fuel prices, Contour is willing to provide service at the current level of subsidy for the entire proposed four-year AEAS extension period.[14]

Strategically, the City's objective is to maintain the same consistent and reliable service throughout the proposed extended term, and to leverage Contour's recently concluded interline agreement with AA to further enhance use of the service. The City's believes that it will be able to raise the annual total passenger count at PGA by approximately 25 percent, to at least 25,000 per year.

Due to applicable FAA and DOT rules, Contour will continue to operate during the requested extended term as a Public Charter under 14 C.F.R. Part 380. The DOT has previously determined that Public Charters are not eligible for subsidy under traditional EAS but are eligible for subsidy under AEAS. Accordingly, the City proposes the following specific AEAS program:

- The City requests a 48-month extension of the City's AEAS grant, beginning on October 1, 2020 and ending on September 30, 2024.

[14] We have confirmed that Contour remains committed to its proposal, notwithstanding any impact as a result of the COVID-19 pandemic and associated impacts on the aviation industry.

- Contour will continue to conduct, on average, 12 scheduled round trips per week (624 round trips per year) for each full year of the grant, with service to PHX and LAS. As with the initial grant, the Department would not prescribe a service frequency or schedule but rather leave it to the City and Contour to develop a mutually acceptable service schedule.

- The City requests that the DOT continue the existing subsidy rate of $3,559 per flight, with an annual subsidy not to exceed $4,398,924 (assuming 99% completion of all scheduled flights). The total subsidy for the requested 48-month term shall not exceed $17,595,696. This level of subsidy is the same as under the current Grant, notwithstanding the rising cost to Contour of providing its service and, as discussed below, does not exceed the level of subsidy that the DOT would pay if it were to subsidize successful basic EAS service.

- Contour will continue to provide the service with Embraer ERJ-135 twin jet pressurized aircraft configured with 30 passenger seats;

- All flights will be operated under 14 C.F.R. Part 380 with Contour acting as both the indirect and direct air carrier, consistent with FAA and DOT regulations.

Details of Page's financial proposal appear in Attachment A hereto.

The City expects that Contour's one-way fare will continue to average $65.00, net of taxes, with lower seasonal, promotional, and advanced booking fares mixed with higher fares, based on demand and other market factors.

At the conclusion of the proposed extended term, the City anticipates requesting a follow-on grant under the AEAS Pilot Program with similar terms and conditions.

c. Requested Subsidy Level

The City is requesting that the DOT continue the existing subsidy rate of $3,559 per flight, with an annual subsidy not to exceed $4,398,924. The City wishes to separately address the propriety of this requested subsidy level, in light of preliminary discussions held with the DOT suggesting that the DOT would look to Advanced Air's application to establish a maximum subsidy. The City believes that there are three, *independent* bases for maintaining the existing subsidy level:

1. Establishing a new baseline by issuing an order requesting EAS proposals was unnecessary in this case and inconsistent with the DOT's past precedent and practice.

2. The DOT should not rely on an EAS proposal that does not satisfy the requirements for basic EAS to establish a baseline.

3. The AEAS proposals submitted to the City by Advanced Air demonstrate that the existing subsidy provided to Contour under AEAS remains at or below that amount which the DOT would be willing to pay for successful, basic EAS at Page.

We address each of these reasons to maintain the existing subsidy levels in turn.

1. *Establishing a new baseline by issuing an order requesting EAS proposals was unnecessary in this case and inconsistent with the DOT's past precedent and practice.*

In establishing the AEAS Pilot Program, the DOT explained that the "maximum grant amount available for a community will be no more than the annual subsidy that a carrier is being paid for traditional EAS at the time of a community's application."[15] Where communities have applied for extensions of their AEAS grants, the DOT has, in some instances, and as it has done here, issued a solicitation for *bona fide* EAS proposals in order "to determine a baseline of what level of subsidy [the DOT] would authorize under traditional EAS."[16] However, the DOT has not always issued a request for EAS proposals from carriers when, as here, the community early expresses its desire to continue its participation in the AEAS Pilot Program at the existing subsidy level.

For example, by Order 2017-1-1, the DOT approved up to $4,687,979 in financial assistance under the AEAS Pilot Program for the Middle Georgia Regional Airport (Macon), through July 31, 2019.[17] Macon's application noted its intention to evaluate carrier performance toward the end of this term and "decide if it is in their best interest to continue service with the carrier; and if not, elect to seek a new air service provider."[18] On February 5, 2019, approximately six months before its expiration, Macon submitted an application to the DOT to extend its AEAS grant for an additional four years at the existing subsidy level. DOT approved Macon's application *without* soliciting proposals from carriers interesting in providing EAS at Macon.[19]

The City urges the DOT to adopt the same approach here. Unlike Macon's proposal, the City expressed its specific intention to apply for an extension of its AEAS grant at the end of the initial term.[20] Then, on January 7, 2020, and again on January 13, 2020, nearly *nine* months before the expiration of its AEAS grant, the City Attorney expressed via email to Mr. Michael Gormas the City's intention to apply for an extension of its AEAS grant. Nevertheless, before the City and the DOT were able to find a mutually available time to discuss such an extension, the DOT issued its order soliciting EAS proposals, without providing the City with prior notice.

The City does not believe there is a legitimate basis for such disparate treatment. Indeed, the City appears to have given the DOT even more notice of its intent to apply for an extension of the AEAS at the existing subsidy level than did Macon. Accordingly, the City requests that this Application be treated identically to Macon's, and approved at the existing subsidy level.

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[15] *Notice, Establishment of Alternate Essential Air Service Pilot Program Pursuant to Vision 100 – 49 U.S.C. § 41745,* DOT-OST-2004-18715, at 3 (July 22, 2004).
[16] DOT Order 2014-2-1, Docket No. DOT-OST-1996-1711, at 3 (served Feb. 4, 2014).
[17] DOT Order 2017-1-1, Docket No. DOT-OST-2007-28671, at 6 (served Jan. 3, 2017).
[18] *Proposal for Funding under the Alternate Essential Air Service Program*, Docket No. DOT-OST-2007-28671, at 7 (served July 22, 2016).
[19] DOT Order 2019-4-9, Docket No. DOT-OST-2007-28671, at 2-3 (served Apr. 9, 2019). Notably, and as discussed further below, the DOT extended this grant at the existing subsidy level without requesting EAS proposals notwithstanding the fact that even the *initial* subsidy level was not set by reference to a qualifying EAS proposal.
[20] *Application for Inclusion into the Alternate Essential Air Service Program*, Docket No. DOT-OST-1997-2694, at 3 (submitted May 17, 2018).

2. *The DOT should not rely on an EAS proposal that does not satisfy the requirements for basic EAS to establish a baseline.*

Even if the DOT determines that it was proper to solicit proposals from carriers willing to provide EAS, Advanced Air's proposal should not establish a maximum subsidy level here.

The DOT has recognized that an EAS proposal may only be used to establish a maximum subsidy under the AEAS Pilot Program when it would meet the requirements for basic EAS. For example, the DOT has routinely disregarded proposals using single-engine aircraft[21] for the purposes of establishing a maximum subsidy level under the AEAS Pilot Program.[22]

Advanced Air's EAS proposal does not satisfy the statutory criteria for basic EAS. Therefore, it should be disregarded for the purposes of establishing a maximum subsidy level.

Basic EAS must include, among other things, service that is sufficient to accommodate estimated passenger traffic at an average load factor of not more than 50 percent (or 60 percent on aircraft with more than 14 seats).[23] However, as discussed above, each of the three options proposed by Advanced Air would provide only 19,656 seats annually, to accommodate a historical demand of 19,529 enplanements (*i.e.*, those enplanements by Contour in 2019): an average load factor of nearly 100 percent. During the City's peak season, the level of service proposed by Advanced Air would fall far short of historical demand, leaving some 600-800 passengers a month without a means of traveling to or from Page.[24] This level of service falls well short of what basic EAS requires.

In addition to this fatal legal flaw, the City has explained above its belief that the EAS service proposed by Advanced Air is not only unlikely to be successful, but would in fact prove detrimental to the success that the City has enjoyed with Contour as its partner. The DOT has a long history of administering the EAS program to maximize its potential for success at all of the communities it serves. It would be wholly inconsistent with the DOT's approach to dismantle demonstrably successful service and limit the City's options to EAS service that, by any objective measure, is doomed to fail and inconsistent with the DOT's stated requirements.

Thus, even if the DOT determines that it was proper to solicit proposals, the City urges the DOT to disregard the proposal submitted by Advanced Air for the purpose of establishing a subsidy baseline. The Advanced Air proposal does not qualify as basic EAS and will not succeed. And in the absence of a suitable EAS proposal, the DOT is free to extend the City's existing AEAS grant at the existing subsidy level.

[21] *See* 49 U.S.C. 41732(b)(5).
[22] *See, e.g.*, DOT Order 2018-6-22, Docket No. DOT-OST-1997-2694, at 4 (served June 29, 2018) (rejecting Grand Canyon and Mokulele EAS proposals for the purpose of establishing a maximum subsidy level).
[23] *Id.* § 41732(b)(4).
[24] *See infra* at 4.

3. *The AEAS proposals submitted to the City by Advanced Air demonstrate that the existing subsidy provided to Contour under AEAS remains at or below that amount which the DOT would be willing to pay for successful, basic EAS at Page.*

Finally, the City believes that DOT may look to the *AEAS* proposal submitted by Advanced Air to determine an appropriate maximum subsidy level available under AEAS, which is *greater* than what the City is requesting to continue service with Contour.

The DOT has recognized that "air service meeting all of the EAS minimum service requirements requires the same *or more* subsidy than air service that does not meet all of the minimum service requirements."[25] Thus, when setting the appropriate level of funding for an AEAS subsidy, the DOT has ignored funding proposals for service that is not likely to be successful or which fail to meet selection criteria. Instead, the DOT has looked to other sources for a "rational market-driven proxy level of funding needed to provide subsidized passenger air service"[26] at a community.

For example, DOT had conducted a carrier selection proceeding shortly before Macon submitted its initial application for inclusion in the AEAS Pilot Program. In considering the maximum subsidy level that would be available to Macon under AEAS, the DOT determined that three of the four carriers that submitted proposals were not eligible for selection, so it focused on three options submitted by Corporate Flight Management ("CFM"). Of the three options CFM proposed, only "Option A" was eligible for section: 18 weekly round-trips to Nashville International Airport, a medium-hub, using 9-seat Jetstream 31 aircraft at an annual subsidy level of $4,159,090. Options B and C proposed various service to Washington-Dulles International Airport using 30-seat Jetstream 41 aircraft which, under 14 C.F.R. Part 135, CFM could not lawfully operate at the required frequencies.

But the DOT did *not* limit Macon's AEAS grant to the proposed Option A subsidy. Noting that the proposed service to a medium-hub airport, without any interline agreements with major carriers, was not supported by the community and aligned poorly with the DOT's statutory selection factors, the DOT determined:

> [W]hen considering all of the proposals submitted for consideration under traditional EAS, the Department would have selected CFM's Option C, if this Option had qualified as EAS, because it aligns with many of the [] factors that must be considered when making a carrier selection decision for subsidized EAS.
>
> * * *
>
> While CFM's Option A [] satisfies the basic EAS minimum service requirements for this community, the Department finds that because CFM's Option C is more consistent with the selection criteria at 49 U.S.C. § 41733(c)(1), CFM's Option C establishes a rational market-driven proxy level of funding needed to provide subsidized passenger air service at Macon for a new two-year term.[27]

[25] DOT Order 2016-11-13, Docket No. DOT-OST-2005-20454, at 4 (served Nov. 15, 2016) (emphasis added).
[26] DOT Order 2017-1-1, Docket No. DOT-OST-2007-28671, at 6 (served Jan. 3, 2017).
[27] *Id.*

Accordingly, the DOT awarded Macon an AEAS grant at a subsidy level equivalent to what CFM had requested under Option C: $4,687,979 per year, or approximately $500,000 *above* CFM's otherwise eligible Option A EAS proposal (the only proposal properly before the DOT).

As discussed above, the EAS proposal received by the DOT from Advanced Air, like CFM's "Option A," is not likely to be successful at Page and aligns poorly with the statutory selection criteria that the DOT must consider. Indeed, Advanced Air's proposal is even more flawed than was CFM's Option A, because Advanced Air fails to satisfy the maximum load factors permitted under basic EAS criteria. But Advanced Air's *AEAS* proposal, like CFM's "Option C," establishes a "rational market-driven proxy" of the subsidy necessary for successful EAS at Page.

Advanced Air submitted a proposal to provide AEAS using 30-seat Dornier 328 Jet aircraft during peak periods and 9-seat King Air 350 aircraft during off-peak periods at an initial annual subsidy of $4,252,475, with a three percent annual increase. Even with this additional capacity, service from Advanced Air would far exceed the maximum load factor permitted under basic EAS and continue to suffer from all of the other defects noted above.

Assuming that Advanced Air would also require a 3 percent annual increase in its third and fourth years of operations, Advanced Air's total subsidy over four years would be $17,790,769. By contrast, Contour would require a maximum of $17,595,696 over that same period of time. And, unlike Advanced Air, Contour has *a proven track record of extraordinary success* at Page, contractual and marketing agreements with AA at PHX, and the strong support of the community.

Thus, while is still falls short of the mark based on the nature of its proposed service, Advanced Air's AEAS proposal provides a "market-driven proxy" for what the DOT "would have paid an air carrier to provide EAS at [Page] that could be successful,"[28] which gives the DOT confidence that Contour's proposal, and the City's requested subsidy level, is not excessive.

The DOT has a long history of selecting EAS and AEAS proposals that have the strongest likelihood for success, even where doing so will require it to pay a *higher* subsidy.[29] Here, as it has demonstrated over the past 20 months, that proposal is clearly Contour's.

For each of the three reasons discussed above, it is consistent with the DOT's precedent and practice, to extend the City's AEAS for an additional four years at the existing subsidy level.

V. Monitoring Results

The City's objectives for AEAS are simple and straight forward:

1. Increase total annual passenger traffic at PGA to 25,000 by leveraging the AA interline agreement and continuing to match capacity to demand on a seasonal basis.

2. Decrease the per passenger subsidy required for operations.

[28] DOT Order 2017-1-1, at 5.

[29] *See, e.g.*, DOT Order 2020-2-21, Docket No. DOT-OST-2001-10642, at 4 (served Feb. 27, 2020) (selecting Denver Air Connection to provide EAS to Thief River Falls, Minnesota, despite the fact that other proposals met basic EAS minimum service requirements at a lesser subsidy, because it would provide more capacity).

3. Maintain the current on-time performance and completion factor of the service

The City will monitor each of these factors through monthly reports submitted by Contour, along with its own airport operating data. In the event that actual enplanements and/or per passenger subsidy experience an unfavorable shift, Page and Contour will consult regarding the underlying cause(s) and implement the appropriate action(s) to reverse the negative trend.

VI. Grant Compliance

The City understands that it will need to execute a new grant agreement along with various grant assurances in order to continue its participation in the AEAS program. The City is familiar with the DOT's Order establishing Alternate Essential Air Service, the existing grant, and the grants awarded to other AEAS communities, and understands its obligations and requirements.

Upon the execution of the new AEAS grant agreement and assurances with the DOT, the City will enter into a new written agreement for air services with Contour that contains all appropriate terms, conditions, and assurances required under the new grant, as well as other provisions appropriate to the performance by each party in relation to the subsidized air service.

The City has been complied with the terms of the current AEAS grant agreement, along with many other federal and state grants. The City has in place policies, procedures, and safeguards to ensure that grant funds are not comingled with other funds, diverted for unapproved uses, or used to pay for services not rendered in accordance with the grant and the agreement for air services.

VII. Continued EAS Eligibility

The City understands that it must continue to comply with all applicable EAS eligibility requirements set forth in 49 U.S.C. § 41731(a)(1)(A)-(D) in order to receive funding under the AEAS Pilot Program. The City meets and will continue to meet all applicable requirements:

- The City satisfies 49 U.S.C. § 41731(a)(1)(A) because it was an eligible point under section 419 of the Federal Aviation Act of 1958 prior to October 1, 1988, received scheduled air transportation after January 1, 1990, and is not listed in Department of Transportation Orders 89–9–37 and 89–12–52 as a place ineligible for compensation.

- The City is not subject to the requirements of 49 U.S.C. § 41731(a)(1)(B) because it is more than 175 driving miles from the nearest large- or medium-hub airport.

- The City satisfies 49 U.S.C. § 41731(a)(1)(C) because the average subsidy per passenger is less than $1,000; Contour's average subsidy per passenger is approximately $224.

- The City satisfies 49 U.S.C. § 41731(a)(1)(D) because it received essential air service for which compensation was paid between September 30, 2010, and September 30, 2011.

In addition, the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69 (Oct. 9, 1999), prohibits the DOT from providing subsidy under the EAS or AEAS Programs for communities located within the 48 contiguous States when per passenger

subsidy amounts exceed $200, *unless* the communities are located more than 210 miles from the nearest large- or medium-hub airport. The City is more than 210 miles away from the nearest large- or medium hub airport. Therefore, this requirement does not apply.

Attachment A – Proposed Annual Subsidy Detail

Page, AZ
12 Weekly Round Trips PGA to PHX/LAS
ERJ-135 Aircraft with 30 seats

Annual Projection

Operations		
Scheduled Flight Segments		1,248
Completion Factor/Completed Flight Segments	99%	1,236
Scheduled Seats	30	37,440
Revenue		
Estimated Average Load Factor/Total Annual Passengers	60%	22,464
Average Fare		$ 65.00
Total Revenue		$ 1,460,160.00
Expenses		
Fuel		$ 1,238,287.00
Maintenance and Reserves		$ 1,155,735.00
Pilot Costs		$ 950,000.00
Aircraft Fixed Costs		$ 620,000.00
Marketing		$ 25,000.00
Other Indirect Costs		$ 1,591,058.00
Total Expenses		$ 5,580,080.00
Profit Component	5%	$ 279,004.00
Proposed Annual Subsidy		$ 4,398,924.00
Subsidy Per Projected Completed Flight Segment		*$ 3,559.00*

Attachment B

AEAS Proposal – Advanced Air

ADVANCED AIR

ALTERNATE

ESSENTIAL AIR SERVICE PROPOSAL

DOT-OST-1997-2694

Page, Arizona

February 24, 2020

Advanced Air, LLC 12101 Crenshaw Boulevard, Suite 100, Hawthorne, California 90250 Ph: 310. 644. 3344 Toll Free: 800. 393. 7035 bookings@advancedairlines.com

EXECUTIVE SUMMARY

Advanced Air, LLC is proposing an Alternate Essential Air Service option with flexible routing and aircraft opportunities. Options for the Page routes to be flown on a Dornier 328 Jet and King Air 350 turbo prop. Advanced Air has the capability to dedicate routes on both airframes and the ability to adjust with seasonal demands. In this Alternate Essential Air Service bid, Advanced Air is offering the community of Page a close working partnership in order to effectively utilize the Page airport for reliable and streamlined air service and continued growth into the future. By mixing the King Air 350 and a 30 passenger regional jet Advanced Air is proposing to optimize the departure times while increasing city pairings and frequency over the standard "jet" option.

WHAT IS ALTERNATE EAS?

Congress established this Pilot Program to provide communities with an alternative to the traditional EAS-type service. Typically, the EAS program pays subsidy to regional air carriers to provide two or three round trips a day to a major hub airport with 19-seat aircraft. The new Pilot Program is designed to allow communities to forego their EAS for a prescribed amount of time in exchange for receiving a grant to spend in a variety of ways that might better suit their individual needs. These options are spelled out in statute and include more frequent service with smaller aircraft, on-demand air taxi service, scheduled or on-demand surface transportation, regionalized air service, or purchasing an aircraft.

DEPARTMENT OF TRANSPORTATION PART 380

FAA does not permit any scheduled operations by turbojet aircraft, regardless of their particular seating capacity, without first obtaining Part 121 operations specifications. However, the FAA does not consider any operation authorized by DOT to be conducted as a public charter under that agency's regulations, 14 CFR Part 380, to be "scheduled."

Advanced Air would be utilizing our FAA Part 135 Air Carrier Certificate 19AA699L with "Commuter" authority to conduct Page airline service in a Dornier 328 Jet under the DOT Public Charter regulations, 14 CFR Part 380. Under the DOT part 380 regulations Advanced Air's Dornier 328 operations will be required to operate as an Alternate Essential Air Service program.

FOUNDED IN 2005

FAA Part 135 Certificate 19AA699L with DOT Commuter Authority

SAFETY RATING:

ARGUS Platinum
ISBAO Stage II
Air Charter Safety Foundation
Bars Flight Safety

FLEET SUMMARY:

King Air 350: 8
Pilatus PC12: 9
Lear Jet: 2
Dornier DO328 JET: 2

PILOT ROSTER:

50+ Pilots
10,000+ hours flown per year
40,000+ passegers flown per year

ADVANCED AIR

WHO WE ARE

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 21 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.

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

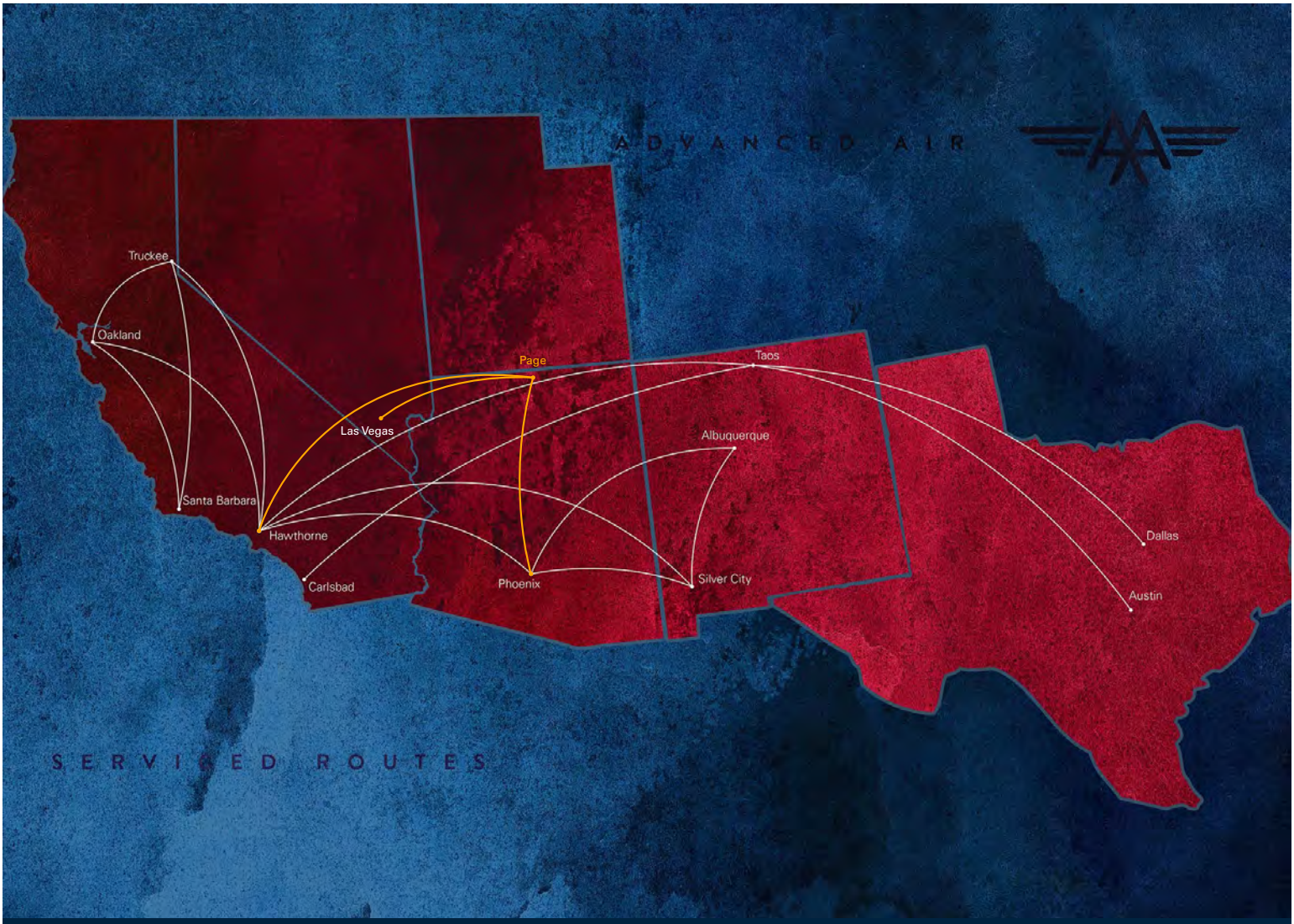
Current Scheduled Operations

In addition to Advanced Air's first EAS routes in New Mexico, Advanced Air supports scheduled flying for app based membership airlines, Fortune 500 Custom Corporate Shuttles and corporate fleet management. Currently servicing 13 cities with scheduled service, Advanced Air offers VIP flight service to the Southwest United States utilizing corporate aircraft and non-sterile terminals.

"Since beginning our Silver City Routes on January 6th 2019, we have a 100% completion factor and 98% on time departure rate"

800+	10,000+	40K+
MONTHLY DEPARTURES	HOURS FLOWN PER YEAR	TOTAL PASSENGERS PER YEAR

FLIGHTS



CURRENT ROUTES

PROPOSED

GLOBAL DISTRIBUTION SYSTEM:
KAYAK, TRAVELOCITY, ORBITS, EXPEDIA

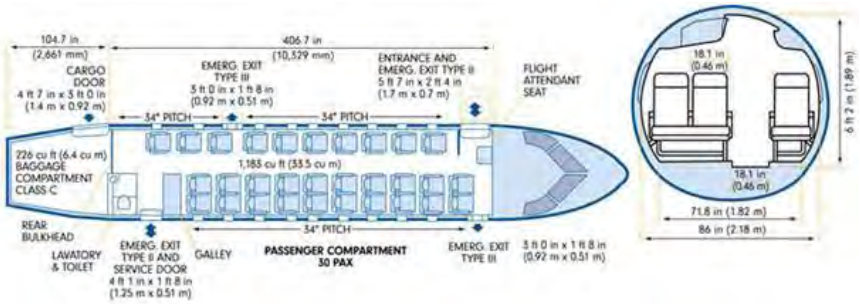
APP-BASED TRAVEL PARTNERS:
500,000+ USERS

DORNIER 328 JET TECHNICAL SPECIFICATIONS

Capable & Versatile:

The Dornier 328 Jet combines comfort and performance. This 30 passenger regional airliner has the capability to transport you up to 1000 nautical miles from your destination. A favorite of Fortune 500 companies and sports team, the Dornier 328 twin engine jet airliner has exceptional performance capabilities in mountainous airports and is clean, comfortable and sleek for any mission within the region. The Dornier 328 Jet offers a stand up cabin, flight attendant and 261 cubic feet of baggage space.

Aircraft Amenities: Large Lavatory, Stand up cabin, Flight attendant, Complimentary Snacks, Room for skis, guns and golf clubs

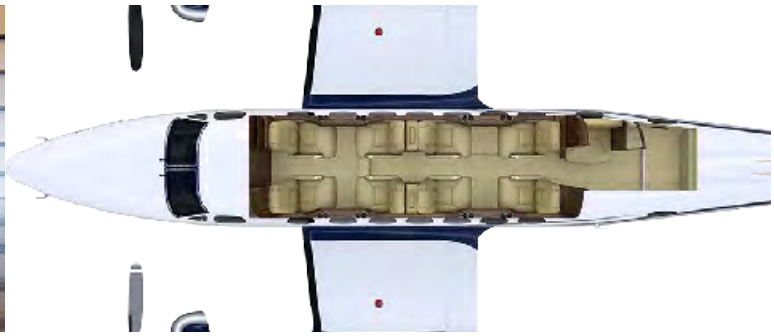


KING AIR 350 TECHNICAL SPECIFICATIONS

Adventure & Comfort:

The most comfortable solution for short-haul flights, the King Air 350 is the latest version of one of the most reliable airplanes ever built. We operate seven King Air 350s all with seating in a double-club configuration. Each aircraft is equipped with the advanced Garmin G1000 flight deck featuring "synthetic vision" and XM weather, providing the crew with optimum position awareness. In addition the aircraft features Raisbeck wing lockers, which increase the total cargo space to 71 cu. ft. The performance of the King Air 350 allows for year round operations out of all airports in this bid with maximum passenger loads and luggage.

Aircraft Amenities: 9 passengers, power outlets, enclosed lavatory, complimentary snacks, golf clubs & gun can fly, 50 lbs. of luggage per passenger guaranteed



SAFETY AND OPERATIONS

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.

OUR REPUTATION WITH CUSTOMERS

Advanced Air prides itself in providing excellent, reliable service and our customers agree:

"Will use your service to Silver City again in the future. I let my friends who live in Silver City know that the flight was very good, punctual and safe. Good to have your services."

Jessica Erke *Silver City Passenger*

"Our family with four kids flew to Los Angeles from Phoenix and your service beats the daylights out of the LAX terminal. Please never stop your Phoenix flights."

Phoenix Passenger

"I wanted to reach out to you to let you know how very very pleased we are with your service and to let you know what a professional, courteous employee you have in Eli located at your ABQ office. He always goes out of his way to help travelers and does so in such a respectful manner. Thank you."

Holly Hudgins *Silver City passenger*

"Hope you guys stay in Silver for a long time"

Jerry Gerleve *Silver City Passenger*

"We flew from Connecticut to Austin just so we could use your flights to Taos New Mexico. The shuttle was very civilized like first class. I'm looking forward to using the service again."

Toas Passenger

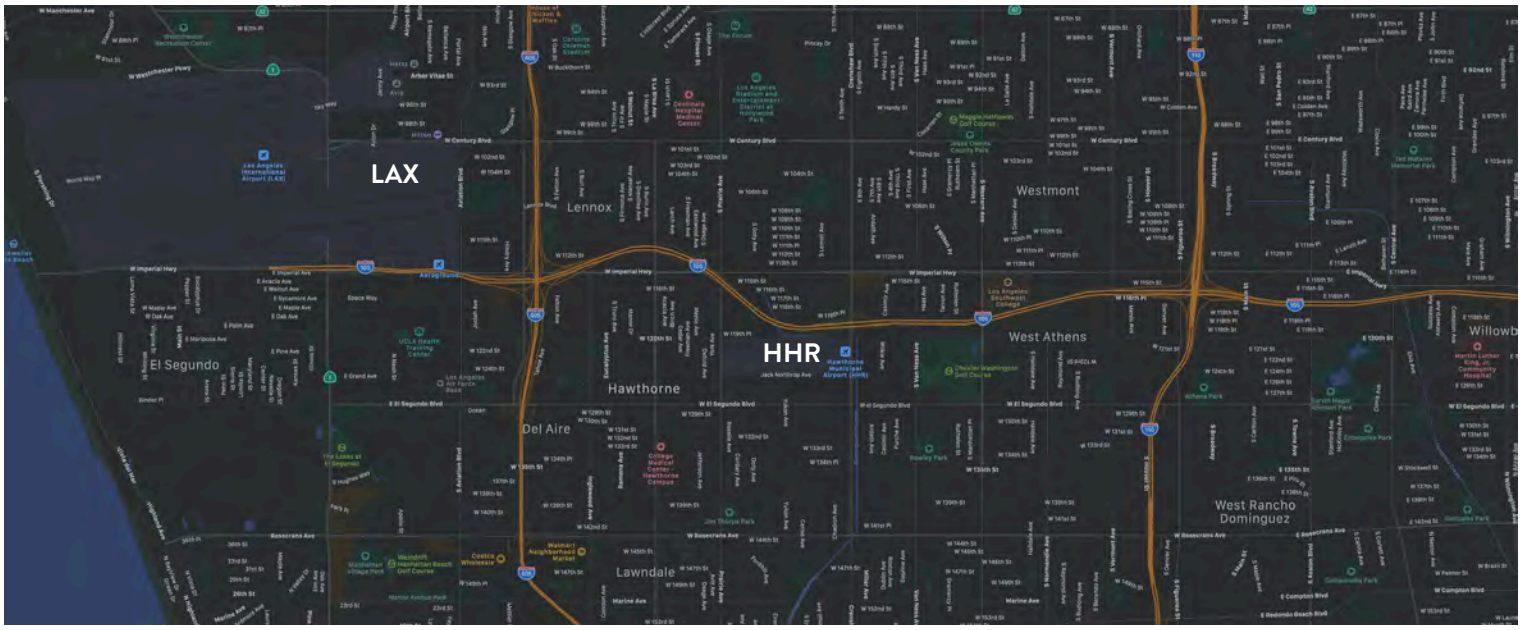
"I think you guys are doing a great job in your Silver City services. Reliability, professionalism, service all get 5 stars from me. I've been flying back and forth to ABQ for almost 48 years and this is the best yet. Thank you."

Charlie Alfaro *Albuquerque Passenger*

Our deep commitment to operational excellence and our focus on metered, sustainable growth make us an ideal candidate for long term partnership. We are not interested in spreading our operation across the United States at the cost of our focus on reliability. We would like to form a focused partnership with a select few communities and work diligently to provide a great product to local residents.

JET CENTER AT HAWTHORNE AIRPORT

Advanced Air's headquarters is based at Hawthorne Airport. Located 3 miles South East of LAX, Advanced Air is perfectly situated to connect passengers into the Los Angeles market.



Advanced Air and the Jet Center Los Angeles are managed and owned by the same team. Growing both business simultaneously, the airport and aircraft operations complement each other and diversify our portfolio of services. Hawthorne Airport is the headquarters for both businesses and located 3 miles south of LAX.

Jet Center Los Angeles is the closest business airport to Downtown Los Angeles, Santa Monica and the SoFi Stadium capable of handling large jets. Situated just 3 miles southeast of LAX Hawthorne is the best location to ensure your travel is quick and Simple.

Located inside the Jet Center lobby the award winning Eureka! Restaurant Group has placed a Tasting Kitchen where they are continually experiment with new menu offerings and rare whiskeys. You can enjoy the full aviation experience at the Eureka patio with sweeping views of the active runway, a great way to spend your time before and after a flight.

Being based in a prime location in Los Angeles, the Jet Center Los Angeles offers all the amenities you'd expect from a Full Service FBO and is able to accommodate large Jets up to a Gulfstream G650. The Jet Center Los Angeles has solutions for all types of operations including scheduled service with check in kiosks, app based membership airlines and VIP business jets.

Advanced Air now employs over 100 people and has plans to expand its current fleet, routes and services. With plans to grow smart, not fast, Advanced Air will expand within its current network inside the Southwest region. Advanced Air believes it's important to only grow when it makes sense. Growth for growths sake only hurts reliability and ultimately the brand, which is something Advanced Air is careful to avoid.

LEADERSHIP TEAM

Levi Stockton

Levi Stockton is the President and Founder of Advanced Air, LLC and Jet Center Los Angeles. Under Levi's leadership Advanced Air, LLC and Jet Center Los Angeles have grown to 100 employees, 200,000 square feet of Hangar Space, 21 aircraft and 10 diversified arms of revenue, including Advanced Airlines scheduled service. Levi is a current ATP-Rated company Line Captain and uses his knowledge of the aviation industry to set and implement the company's overall strategy, vision and direction. In addition, Levi has modeled a company culture based on safety, family values and service that make Advanced Air and Jet Center Los Angeles a great place to work and do business. Levi is on the board of the Air Charter Safety Foundation and active in the Los Angeles Young Presidents' Organization.

Donny Sandusky

As the Executive Vice President Donny Sandusky is directly responsible for maximizing the performance of both Advanced Air, LLC and Jet Center Los Angeles. As a current company line Captain and ATP-Rated pilot, Donny has successfully overseen company growth from 20 to 100 employees, doubled the hangar space at Hawthorne Airport to 200,000 square feet, increased fuel sales to over 1M gallons per year and expansion of the Advanced Air fleet to 22 aircraft. As a key member of the executive team Donny is integral to designing and implementing company business operations and establishing procedures that promote our company culture and overall vision. Donny holds a Bachelor's of Science Degree in Professional Aeronautics from Embry-Riddle Aeronautical University.

Barbara Hunt

Barbara Hunt joined the team in early 2017 as Vice President of Business Operations for Advanced Air, LLC. Growing up in Denver, Colorado and mentored by a father in the Airline industry, she cultivated a love for airports and aviation at a young age. Barbara holds a Bachelor of Science in Business Administration from the University of Colorado in Boulder. After an early career transition from hotel management to aviation management, she was part of an executive team who helped build a small local aircraft charter business into a nationally-recognized, full-service aviation company. Her extensive career in Aviation has included roles in Flight Operations, Charter Management, Human Resources, Sales & Marketing, Customer Service, Client Relations, Accounting and Finance.

Aaron Krieger

Aaron brings significant expertise as a Business Aviation Consultant. He started his career at Galvin Flying Services in Seattle and utilizes his deep understanding of the industry and market to generate opportunities for airline passengers, managed aircraft owners, and charter customers. After flight instructing, Aaron worked as a First Officer for Mesa Airline Group in Phoenix, Arizona. He is the go-to source at Advanced Air for Aircraft Management, Jet Charter Flights, and Aircraft Sales. As the Director of Sales & Marketing, Aaron is responsible for the company sales and marketing strategy with key oversight in the overall customer experience. He is directly responsible for implementation of strategic goals and alignment with overall company mission. Aaron is still a current flight instructor and aviation enthusiast.

LEADERSHIP TEAM

Michael Wootton

Michael Wootton is the Vice President of Flight Operations for Advanced Air, LLC. He joined Advanced Air, LLC in 2016 bringing a broad base of experience from different sectors of the Charter and Fractional world. Michael studied Criminology at the University of Texas of the Permian Basin before beginning flight training at Sierra Academy of Aeronautics, where he met Levi Stockton on his first day of training. Upon completion of his training Michael continued his tenure at Sierra Academy as a flight instructor and later joined Levi flying cargo, before transitioning to the charter and fractional aircraft business. He holds an Airline Transport Pilot Certificate with type ratings in the SA227, Hawker 800, Falcon 20, LR Jet series aircraft and Lear 45. Michael has served as a line Captain and Flight Instructor for most of these aircraft for which he holds type ratings and additionally has served as a Check Airman on the Lear 45.

Tony Pint

Tony Pint is the Director of Maintenance for Advanced Air, LLC. With a passion for aviation, he started his career as a UH60 Blackhawk mechanic while serving in the US Army. After leaving active duty, he continued on for several years in the California National Guard. Tony received his FAA Airframe and Power Plant Certificate after graduating from Northrop-Rice University of Aeronautics in 1996. His first Civilian aviation job was at Garrett Aviation LAX where he started in the engine shop building Honeywell TFE-731 and CFE-738 engines and ultimately became an Inspector. After seven years at Garrett, Tony joined a large, Southern California Charter operator where he again excelled becoming the Chief inspector for their FAR Part 145 repair station. At the same company, Tony became the Director of Maintenance where he was responsible for over 30 different business aircraft. In August of 2017, Tony joined Advanced Air, LLC as the new Director of Maintenance. Tony's aviation passion goes beyond maintenance. As a rated Private Pilot he is currently working on his IFR, Multi-Engine, and Commercial ratings.

Jay Thakor

Jay is an experienced Safety Professional with a demonstrated history in process creation, implementation and auditing. Skilled in customer service and strategic planning Jay plays a direct role creating the safety focused culture Advanced Air is known for. As the Director of Safety & Security, Jay is directly responsible for creating and enacting on the company's overall safety goals. Jay has a Master of Science Degree from Embry-Riddle Aeronautical University.

Doug Galbraith

Doug is the Chief Pilot and oversees 50 pilots for Advanced Air, LLC. Among his many duties Doug manages the overall operations of the aviation department. This includes managing flight coordinating crew and maintenance with the flight schedule. Doug oversees the adjustment and application of all risk management assessments within the flight department. Additionally, Doug has assisted in developing Advanced Air's Pilot Training Programs and General Operating Manuals. Doug is a Current Captain on the Challenger 604 and holds a Gold Seal Flight Instructor Rating. Doug holds a Bachelor's of Science Degree in Aviation Management and Associate of Science Degree in Commercial Aviation form the Southern Illinois University and has been working ad Advanced Air, LLC since 2014. He previously held the Assistant Chief Pilot role.

PROPOSAL FINANCIAL DETAIL

OPTION 2: *Alternate EAS Phoenix and Los Angeles with a mixature of 30 passenger rejional Jets in Peak travel season and King Air 350 in non peak. Two city options 7 days a week year round*

Operations		
Scheduled Flights		1884
Completed Flights		1846
Scheduled Block Hours		2438
Scheduled Seats		23382
Revenue		
Passengers		19,900
Average Net Fare	$	136
Implied Seat Factor		86%
Passenger Revenue	$	2,706,400
Total Revenue	$	2,706,400
Expenses		
Fuel	$	1,960,000
Ownership	$	1,200,000
Maintenance and Reserves	$	1,205,000
Crew	$	1,237,500
Airport Rent & Operations	$	360,000
Landing Fees	$	100,000
Staff	$	190,000
Insurance	$	125,000
Marketing & Distribution	$	50,000
Other Indirect Costs	$	200,000
Total Costs	$	6,627,500
Profit Element	$	331,375
Margin		5%
Total Subsidy	$	4,252,475
Year 2	$	4,380,049
Year 3	$	4,511,451
	$	4,646,794

Proposed Schedule DAILY: PAGE, PHOENIX AND LOS ANGELES

ROUTE	DEPART	ARRIVE	NOTES
January-April & October-December			
PAGE - PHOENIX	8:05	9:11	9 KING AIR 350
PHOENIX - PAGE	10:00	11:06	9 KING AIR 350
PAGE - LOS ANGELES	12:00	1:42	9 KING AIR 350
LOS ANGELES - PAGE	2:12	3:42	9 KING AIR 350
PAGE - PHOENIX	4:10	5:16	9 KING AIR 350
PHOENIX - PAGE	5:55	7:00	9 KING AIR 350
May-September Option 1			
PAGE - PHOENIX	8:05	9:11	30 DO328JET
LOS ANGELES - PAGE	10:00	11:42	9 KING AIR 350
PAGE - LOS ANGELES	3:00	4:30	9 KING AIR 350
PHOENIX - PAGE	5:00	6:06	30 DO328JET
May-September Option 2			
LOS ANGELES - PAGE	10:00	11:42	9 KING AIR 350
PAGE - LOS ANGELES	3:00	4:30	9 KING AIR 350
PAGE - PHOENIX	4:10	5:16	30 DO328JET
PHOENIX - PAGE	5:55	7:00	30 DO328JET

NOTES:

Approximately $130 to Phoenix (KPHX)
Approximately $130 to Las Vegas (KLAS)

Attachment C

AEAS Proposal – Boutique Air

Boutique Air

Page, Arizona

March 11, 2020

Boutique Air

- Started in 2009
- Daily Air Service to 30 U.S. cities
- Servicing 16 Essential Air Service Communities
- 450 Employees
- Car Rental Division
- Focus: Reliability, Customer Service & Technology

Boutique Air

Reliability Influences

- Where have we been and where are we going ?
- Director of Operations: Mathew Butcher
- Increased efforts on staffing (pilots and MX)
- Southwest/American/MX/737MAX/B300
- Great Lakes
- ADSB

Boutique Air

Aviate

Pilot Flow-Through Program

BOUTIQUE AIR

AVIATE

UNITED

Boutique Air

Pilatus PC-12

- Modern Avionics
- Well know for safety and reliability
- In production, with immediate availability

Boutique Air

Pilatus PC-12

- 8 - 9 passenger executive configuration
- Pressurized cabin
- Power outlets
- Enclosed lavatory

Boutique Air

King Air 350

Boutique Air

Reliability Influences:

D085 . Aircraft Listing

HQ Control: 02/06/1998
HQ Revision: 02a

a. The certificate holder is authorized to conduct operations under 14 CFR Part 135 using the aircraft identified on this operations specification.

Registration No.	Serial No.	Aircraft M/M/S
N165TG	FL-165	BE-300-B300C
N189KA	FL-189	BE-300-B300C
N253AS	FL-155	BE-300-B300C
N277BE	FL-277	BE-300-B300C
N74KS	FL-299	BE-300-B300C
N181SS	1200	P-180-180
N785JH	1063	P-180-180
N111WG	555	PC-12-45
N300XX	464	PC-12-45
N451SS	579	PC-12-45
N455BC	455	PC-12-45
N512NG	512	PC-12-45
N584JV	584	PC-12-45
N645PC	645	PC-12-45
N649P	649	PC-12-45
N670WH	670	PC-12-45
N776JT	563	PC-12-45
N7YR	532	PC-12-45
N928SB	552	PC-12-45
N220JP	787	PC-12-47
N471SS	739	PC-12-47
N472SS	843	PC-12-47
N474SS	827	PC-12-47
N475SS	866	PC-12-47
N476SS	696	PC-12-47
N477SS	813	PC-12-47
N478SS	847	PC-12-47
N479SS	760	PC-12-47
N719PC	719	PC-12-47
N723ST	723	PC-12-47
N743AE	743	PC-12-47
N814WA	814	PC-12-47
N842WF	842	PC-12-47
N95GE	781	PC-12-47

U.S. Department of Transportation
Federal Aviation Administration

Operations Specifications

1. Issued by the Federal Aviation Administration.
2. These Operations Specifications are approved by direction of the Administrator.

Digitally signed by Brian L Allen, Principal Maintenance Inspector (WP25)
[1] EFFECTIVE DATE: 11/25/2019, [2] AMENDMENT #: 35
DATE: 2019.11.25 13:26:23 -06:00

3. I hereby accept and receive the Operations Specifications in this paragraph.

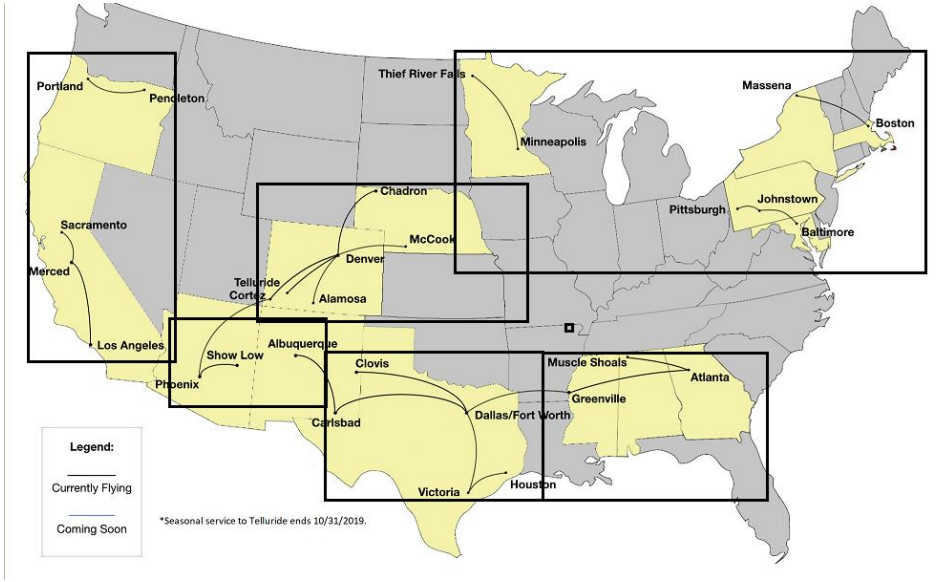
Digitally signed by Mathew W Butcher, Dir. of Operations, Part 135
DATE: 2019.11.22 16:08:13 -06:00

Boutique Air

Route Map

Boutique Air

Regional Operations



- Mechanics/MX Bases (DEN, DFW, VCT, MSL, CDR)
- Pilot Domiciles (MSP, PDX, LAX, ATL, BOS, PHX, DEN, DFW, and PIT)
- Strategically Placed reserve aircraft

Boutique Air

Regional Operations

Boutique Air Bid Summary

	Low Season Round Trips	High Season Round Trips	King Air 350/Pilatus PC-12 Year 1 Subsidy
Option #1 (21-28RT)	21 PHX (3xdaily)	28 PHX (4xdaily)	$3,140,583
Option #2 (21-24RT)	14 PHX (2xdaily) 7 DEN or LAX (1xdaily)	17 PHX (3xdaily) 7 DEN or LAX (1xdaily)	$3,359,326
Option #3 (18-24RT)	12 PHX (2xdaily) 4 LAS (1xdaily)	17 PHX (2xdaily) 7 LAS (1xdaily)	$3,578,247

Boutique Air

PGA-PHX Air Service

Flight Departure Time Comparison:

Current departure time PGA-PHX: 4:10PM

Proposed departure times: ~6:00AM and ~3:00PM

Boutique Air

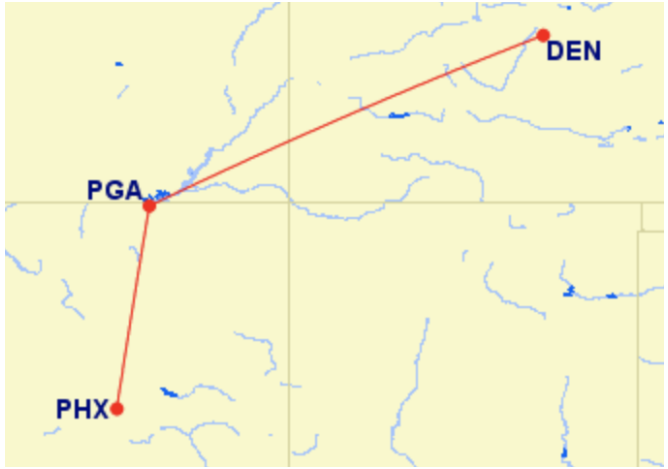
PGA-DEN Air Service

PGA-DEN

Proposed departure and arrival times:

PGA-DEN
Depart: ~10:00AM
Arrive: ~11:30AM

DEN-PGA
Depart: ~12:15PM
Arrive: ~02:00PM



Boutique Air

PGA-LAS Air Service

Flight Times Comparison:

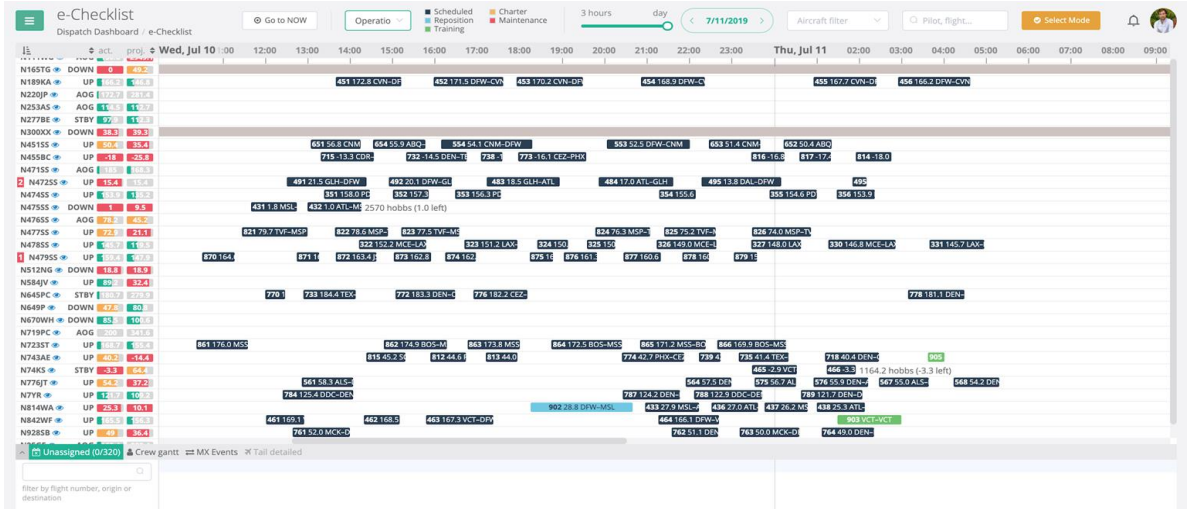
Proposed departure and arrival times:

PGA-LAS
Depart: ~10:00AM
Arrive: ~11:15AM

LAS-PGA
Depart: ~12:00PM
Arrive: ~01:15PM

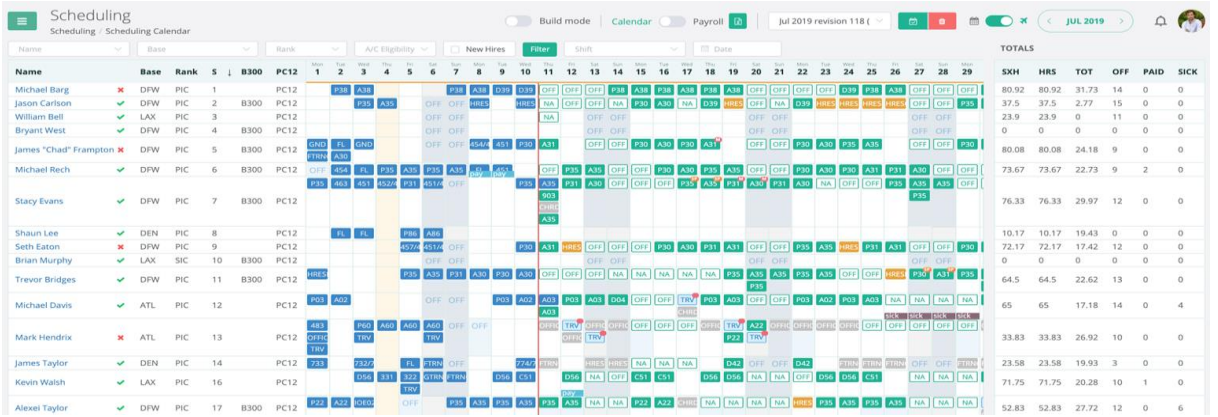
Boutique Air

Technology: Custom Operations software



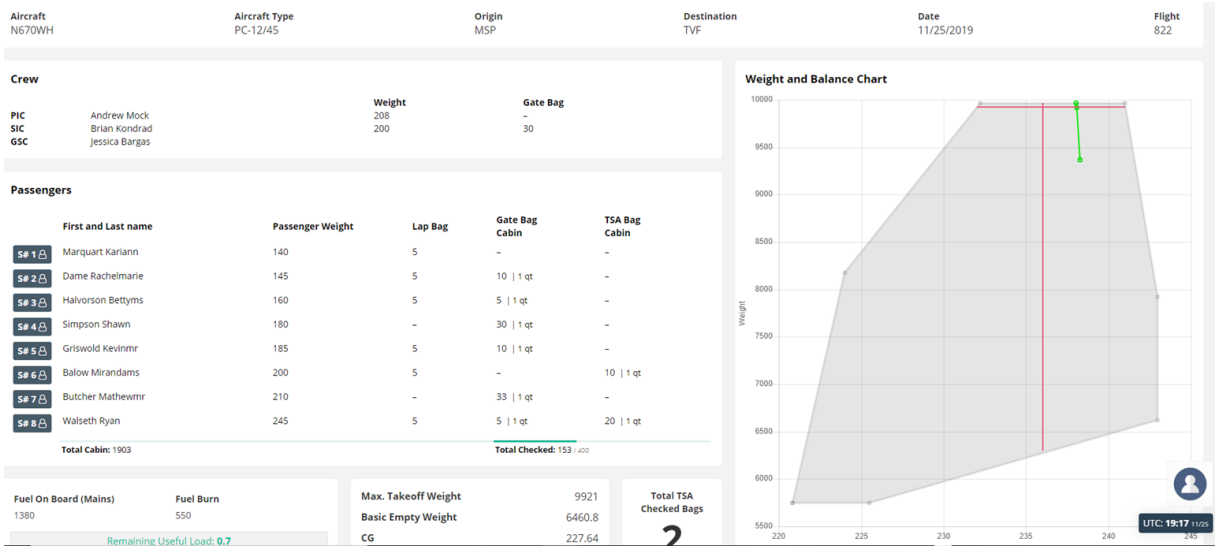
Boutique Air

Technology: Custom Operations software



Boutique Air

Technology: Custom Operations software



Aircraft	Aircraft Type	Origin	Destination	Date	Flight
N670WH	PC-12/45	MSP	TVF	11/25/2019	822

Crew

		Weight	Gate Bag
PIC	Andrew Mock	208	–
SIC	Brian Kondrad	200	30
GSC	Jessica Bargas		

Passengers

	First and Last name	Passenger Weight	Lap Bag	Gate Bag Cabin	TSA Bag Cabin
S# 1	Marquart Kariann	140	5	–	–
S# 2	Dame Rachelmarie	145	5	10 | 1 qt	–
S# 3	Halvorson Bettyms	160	5	5 | 1 qt	–
S# 4	Simpson Shawn	180	–	30 | 1 qt	–
S# 5	Griswold Kevinmr	185	5	10 | 1 qt	–
S# 6	Balow Mirandams	200	5	–	10 | 1 qt
S# 7	Butcher Mathewmr	210	–	33 | 1 qt	–
S# 8	Walseth Ryan	245	5	5 | 1 qt	20 | 1 qt

Total Cabin: 1903 **Total Checked:** 153 / 400

Fuel On Board (Mains)	Fuel Burn
1380	550

Remaining Useful Load: 0.7

Max. Takeoff Weight	9921
Basic Empty Weight	6460.8
CG	227.64

Total TSA Checked Bags: 2

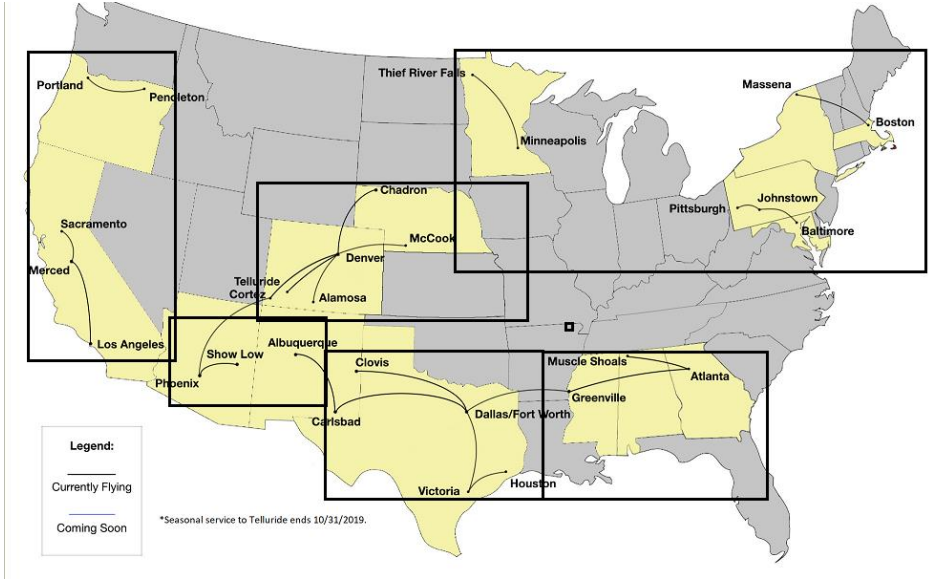
Weight and Balance Chart

Boutique Air

Technology: Custom Operations software

Boutique Air

Customer Service



- Regional Manager : Customer Service Structure
- Six Regions - Six Regional Managers
- Oversees : Customer experience, operations, and marketing
- On-Call type schedule as well for around the clock manager on duty

Boutique Air

Customer Service

Communication:

- 24 Hour Phone Line
- 24 Hour Email
- Local Phone Number
- NEW Live Customer Service Chat

Boutique Air

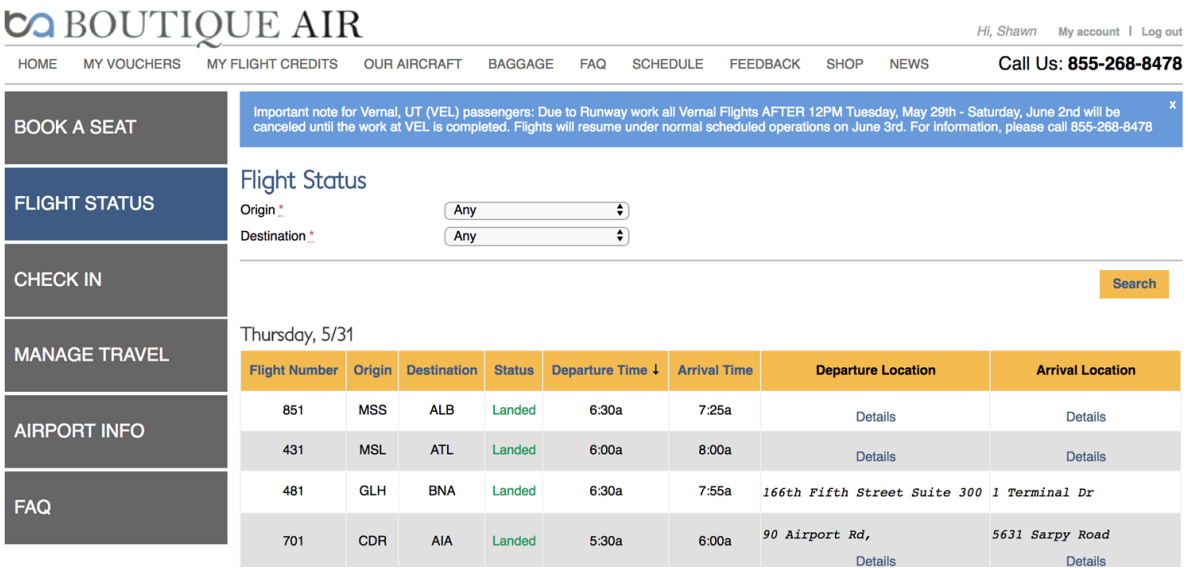
Customer Service

Customer Experience:

- Mobile Boarding Pass
- At home check in and print boarding pass
- TSA Pre Check
- Complimentary onboard beverages and snacks
- Wheelchair services

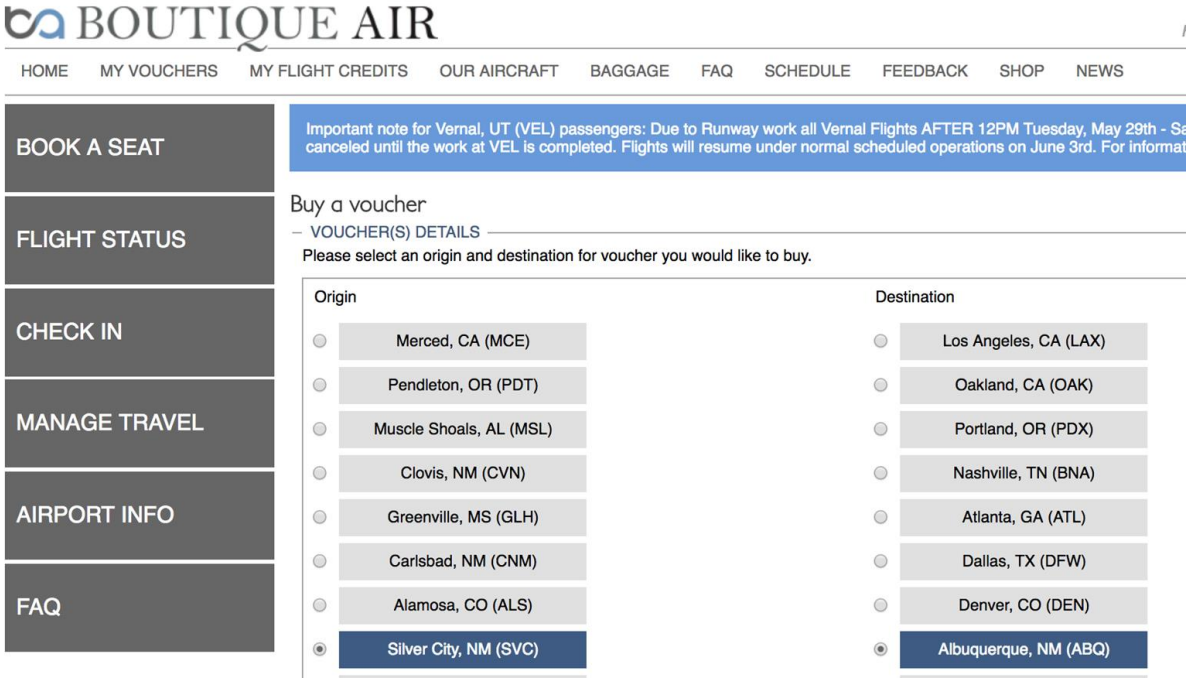
Boutique Air

Technology: Flight Status Notification



Boutique Air

Technology: Vouchers



Boutique Air

Distribution

We are availa e major GDSs:

Sabre AMADEUS Travelport ita Software by Google

As well as all c ine travel agencies:

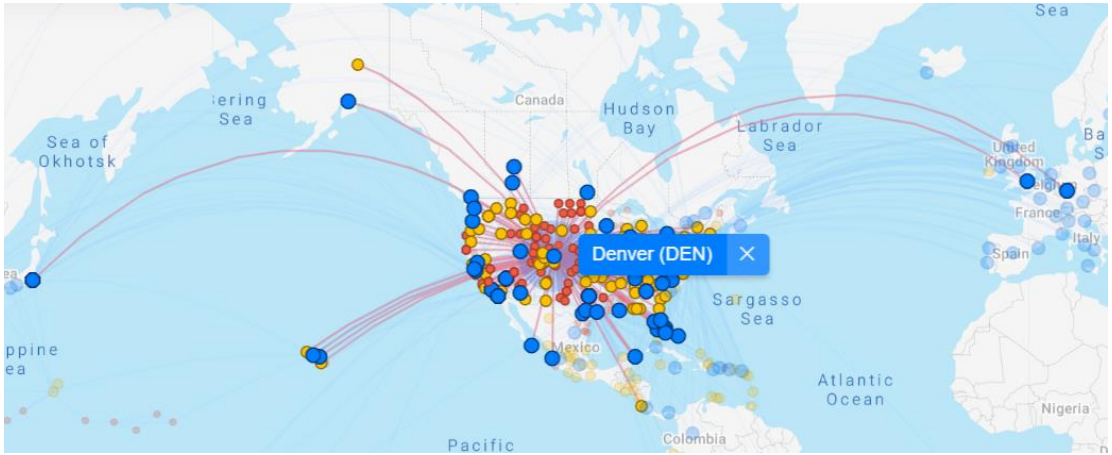
travelocity Expedia Hotwire cheapOair

Boutique Air

Boutique in the News: United Airlines Codeshare

UNITED

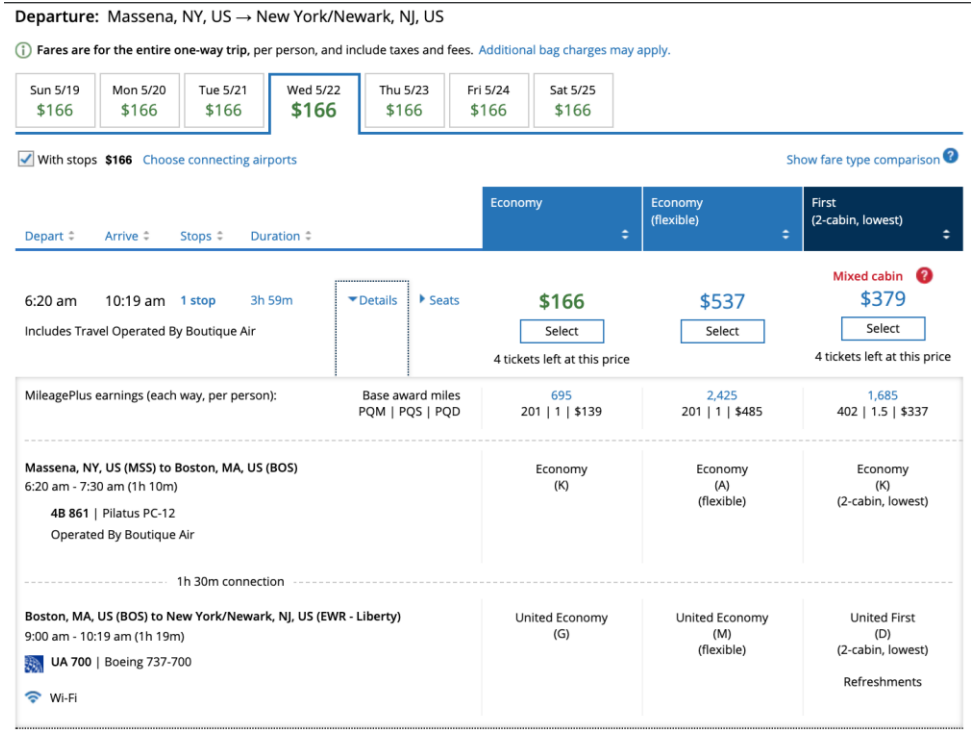
United Codeshare launched May 2018. Passengers have through-ticketing and baggage on flights connecting with UA, as well as the ability to accrue and redeem UA MileagePlus miles.



All possible connections with United Airlines in DEN.

Boutique Air

Boutique in the News: United Airlines Interline, Codeshare



Departure: Massena, NY, US → New York/Newark, NJ, US

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

Sun 5/19	Mon 5/20	Tue 5/21	Wed 5/22	Thu 5/23	Fri 5/24	Sat 5/25
$166	$166	$166	$166	$166	$166	$166

With stops **$166** Choose connecting airports — Show fare type comparison

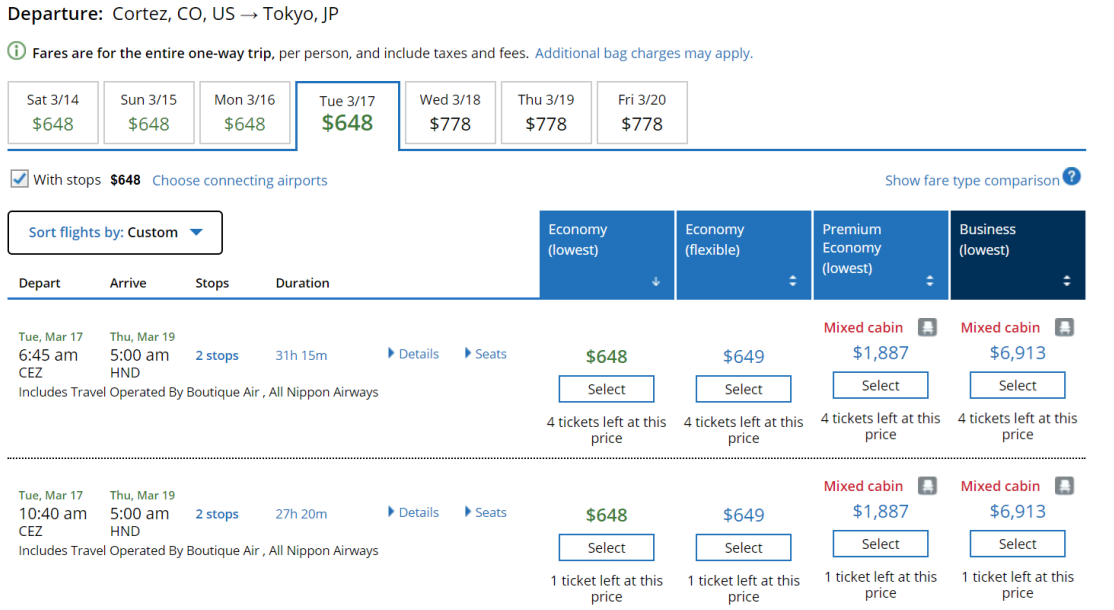
Depart	Arrive	Stops	Duration	Economy	Economy (flexible)	First (2-cabin, lowest)
6:20 am	10:19 am	1 stop	3h 59m	$166 Select	$537 Select	Mixed cabin $379 Select
Includes Travel Operated By Boutique Air			Details / Seats	4 tickets left at this price		4 tickets left at this price
MileagePlus earnings (each way, per person):			Base award miles PQM | PQS | PQD	695 201 | 1 | $139	2,425 201 | 1 | $485	1,685 402 | 1.5 | $337
Massena, NY, US (MSS) to Boston, MA, US (BOS) 6:20 am - 7:30 am (1h 10m) **4B 861** | Pilatus PC-12 Operated By Boutique Air				Economy (K)	Economy (A) (flexible)	Economy (K) (2-cabin, lowest)
1h 30m connection						
Boston, MA, US (BOS) to New York/Newark, NJ, US (EWR - Liberty) 9:00 am - 10:19 am (1h 19m) **UA 700** | Boeing 737-700 Wi-Fi				United Economy (G)	United Economy (M) (flexible)	United First (D) (2-cabin, lowest) Refreshments

UNITED

Boutique Air

Boutique in the News: United Airlines Interline, Codeshare

Cortez, Colorado flights to Asia.



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	Sun 3/15	Mon 3/16	Tue 3/17	Wed 3/18	Thu 3/19	Fri 3/20
$648	$648	$648	$648	$778	$778	$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	$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
Includes Travel Operated By Boutique Air , All Nippon Airways									
Tue, Mar 17 10:40 am CEZ	Thu, Mar 19 5:00 am HND	2 stops	27h 20m	Details	Seats	$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
Includes Travel Operated By Boutique Air , All Nippon Airways									

UNITED

Boutique Air

Boutique in the News: American Airlines Interline

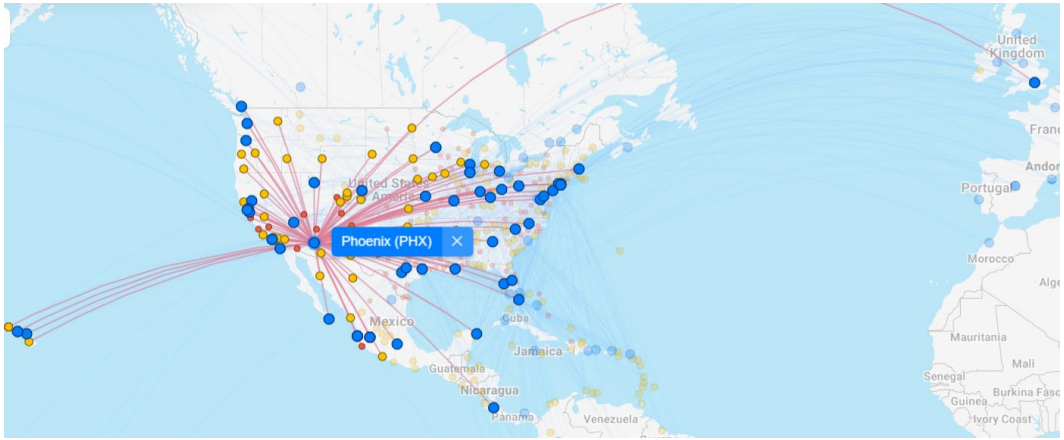
American Airlines™

Boutique Air is proud to announce it has partnered with American Airlines and launched an interline agreement in December 2018. This includes all domestic and international flights.

Boutique Air

Boutique in the News: American Airlines Interline

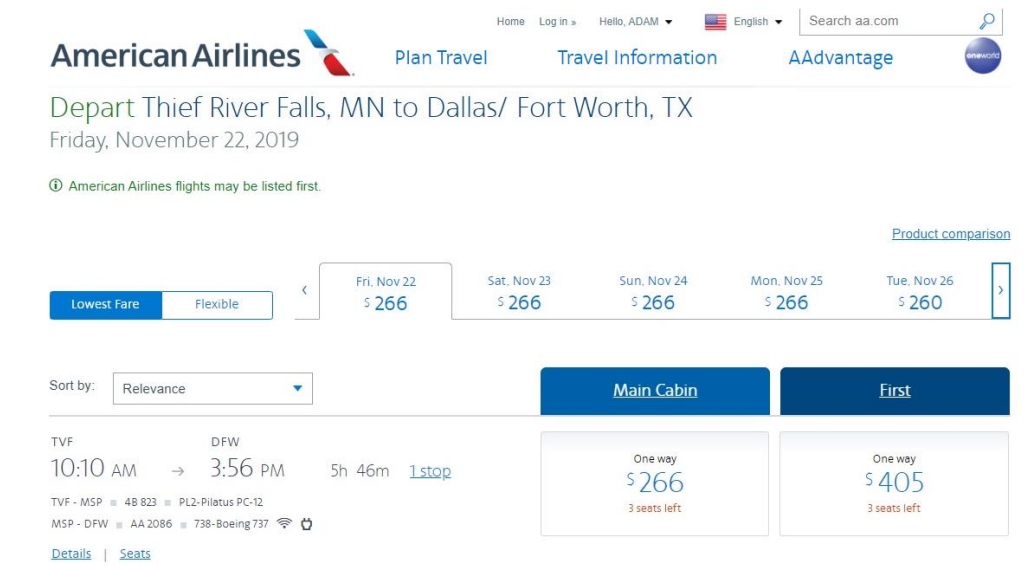
American Airlines

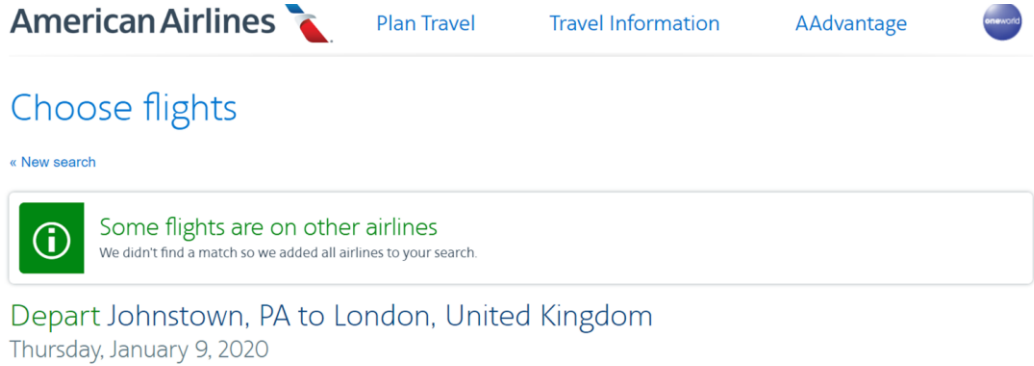


All possible connections with American Airlines in PHX.

Boutique Air

Boutique in the News: American Airlines Interline

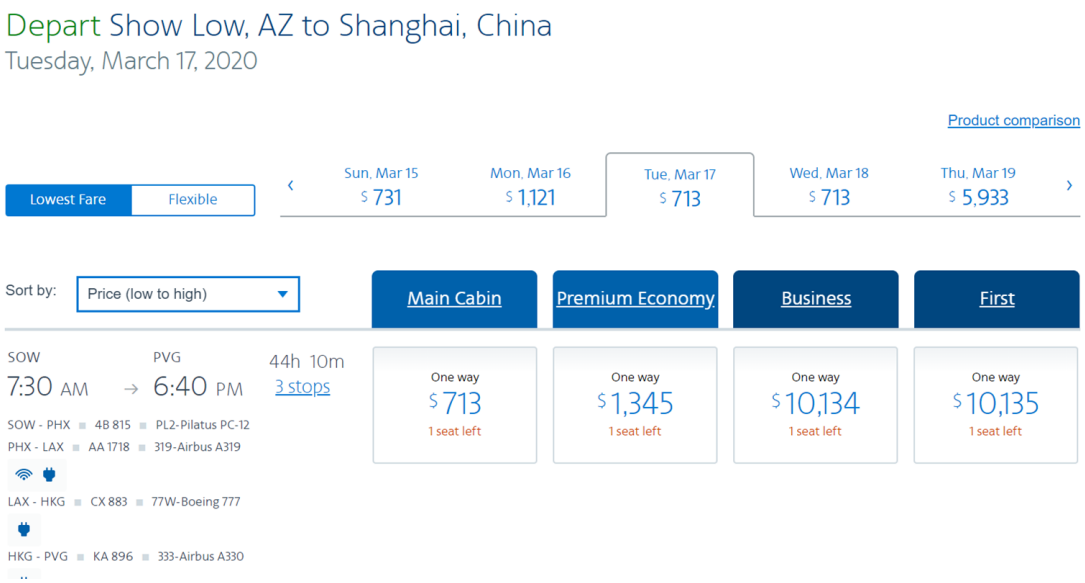




Boutique Air

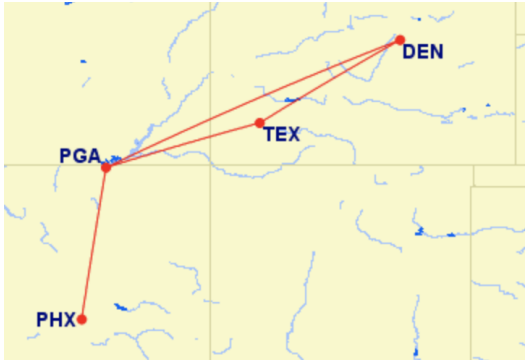
Boutique in the News: American Airlines Interline

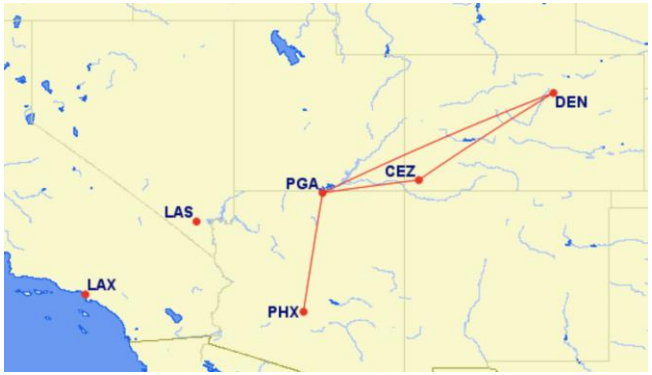
Show Low, Arizona flights to Asia.



Boutique Air

Boosting Emplacements





How do we get to 8,000 enplanements ($600,000) and then 10,000 enplanements ($1,000,000)

- *Frequencies*
- Pricing
- Destination/Extra Flights
- Multiple Aircraft
- Interline
- Technology
- Customer Service
- TEX & CEZ

Boutique Air

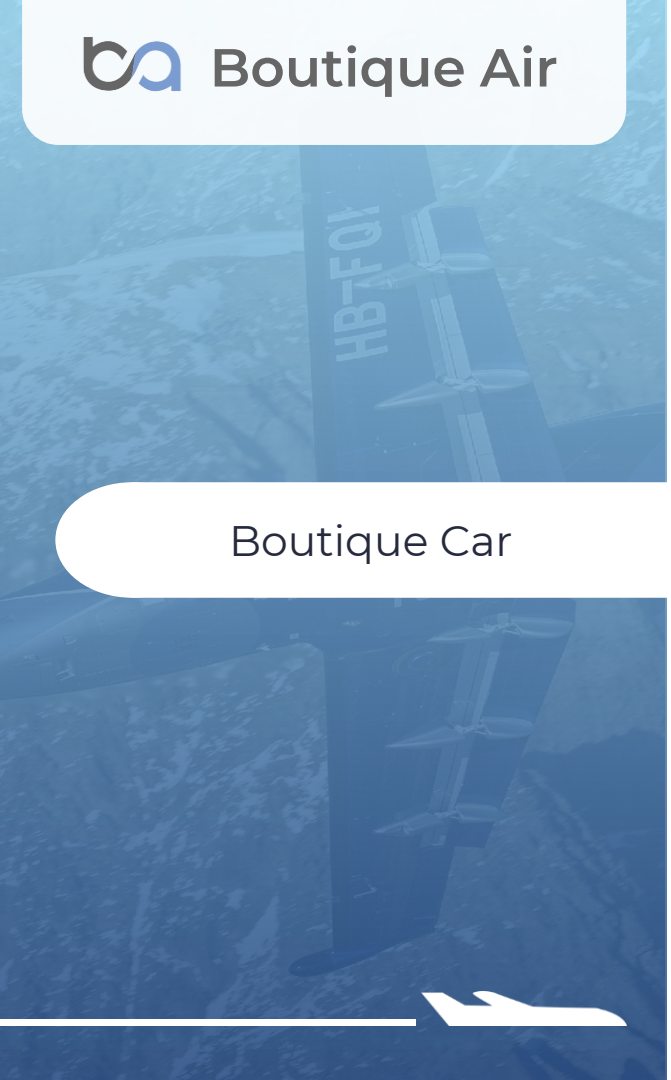
Marketing

- Package Deals
- Mobile Application - Chamber of Commerce
- Radio, TV, Web
- EDC, Chamber of Commerce, Local Businesses Discounts

Boutique Air

Boutique Car

Boutique Air



Boutique Car

Boutique Car Experience:

- 7 Days a week operation
- Hours to sync with flight arrivals and departures
- Start with 5 Cars in Fleet (multiple types)
- Cars will be on Expedia / Travelocity Soon (GDS)
- We hand you the keys when you get off the plane!

Boutique Air

Boutique Air