

ESSENTIAL AIR SERVICE AT  
***Altoona, Pennsylvania***

UNDER 49 U.S.C. § 41731 ET SEQ.  
**BY ORDER 2020-2-14 | DOT-OST-2002-11446**

**Proposal to Provide Subsidized  
Essential Air Service**

By Order 2020-2-14, the Department requested proposals from carriers interested in providing Essential Air Service to Altoona, Pennsylvania. Pursuant to that Order, Southern Airways Express LLC (“Southern”) cordially submits this proposal.

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

R. Stan Little  
**CHAIRMAN & CEO**

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Pompano Beach, Florida 33062

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***America’s Most Reliable Commuter Airline***

**SOUTHERN**



**Southern Airways Express** hereby offers a proposal to continue as the air service provider at the Altoona-Blair County Airport. The proposal is for a period of two or four years.

## ***The Southern Story***

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

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

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

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

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

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

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



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

— Trip Advisor, April 2019



#### **SOUTHERN'S PROVEN MODEL**

Southern Airways subscribes to the business model that success in modern aviation comes from scale. A carrier cannot provide consistent and reliable service to one or two cities in a regional footprint. It needs multiple aircraft, dozens of pilots, and full support service to be able to handle the daily operational issues that come with operating an airline.

Southern is committed to consistent, targeted, and sustained growth while focusing on its two primary regional footprints. Bringing more scale to each of these regions will ensure greater consistency and reliability. Despite the allure of some destinations which are hundreds or thousands of miles away from Southern's footprints, the airline realizes that reliable and quality service cannot be guaranteed without nearby and numerous planes and pilots. In just the mid-Atlantic region, Southern has 8 aircraft, 30 pilots, and 13 mechanics.

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

Southern intends to continue its operation of reliable, low-fare service using its fleet of 9-passenger turboprop Cessna Caravan aircraft. This model aircraft has been well received by the communities. With the Caravan, Southern has demonstrated the ability to offer record-setting passenger counts across many of its cities. The cost benefit of operating this aircraft allows the airline to invest in the extra expense of multiple crew members spread throughout the day, which increases the time-of-day coverage.

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

Despite the proven success of the Caravan, Southern will substitute a Chieftain on any route at the city's request.

# Southern Solves The National Pilot Shortage

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

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

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

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

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

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



FACEBOOK.COM/IFLYSOUTHERN



INSTAGRAM.COM/FLYSOUTHERN



PINTEREST.COM/IFLYSOUTHERN



TWITTER.COM/IFLYSOUTHERN



YOUTUBE.COM/USER/IFLYSOUTHERN

*Every Passenger.  
Every Flight.  
Every Day.*



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

*Sonny McFly*



# ***Southern Airways***

## By the Numbers

***218 Daily Departures***

***30,000 Monthly Passengers***

***490 Employees***

***200 Pilots***

***35 Aircraft***

***32***  
***Amazing Destinations***

### **IN THE MID-ATLANTIC:**

Altoona, Penn.

Bradford, Penn.

DuBois, Penn.

Lancaster, Penn.

Morgantown, W.Va.

### **IN NEW ENGLAND**

Boston/Norwood, Mass

Hyannis, Mass.

Providence, R.I.

### **IN THE GULF:**

Destin, Fla.

Harrison, Ark,

Key West, Fla.

Tampa, Fla.

El Dorado, Ark.

Hot Springs, Ark.

Nashville, Tenn.

### **IN CALIFORNIA:**

Imperial/El Centro

### **IN HAWAII:**

Hana

Kalaupapa

Molokai

Kona

Kapalua

Lāna'i City

Waimea-Kohala

### **9 HUB/FOCUS CITIES:**

Baltimore

Dallas

Honolulu

Kahului

Los Angeles

Memphis

Nantucket

Palm Beach

Pittsburgh



## ALL MAJOR DISTRIBUTION CHANNELS

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

### MAJOR GLOBAL DISTRIBUTION SYSTEMS:

Sabre  
Amadeus  
Worldspan  
Galileo  
Travelport  
Apollo

### MAJOR ONLINE TRAVEL AGENCY WEBSITES:

Expedia  
Travelocity  
Orbitz  
Kayak  
Priceline  
Cheaptickets

amadeus

**Sabre**

Travelport 

KAYAK

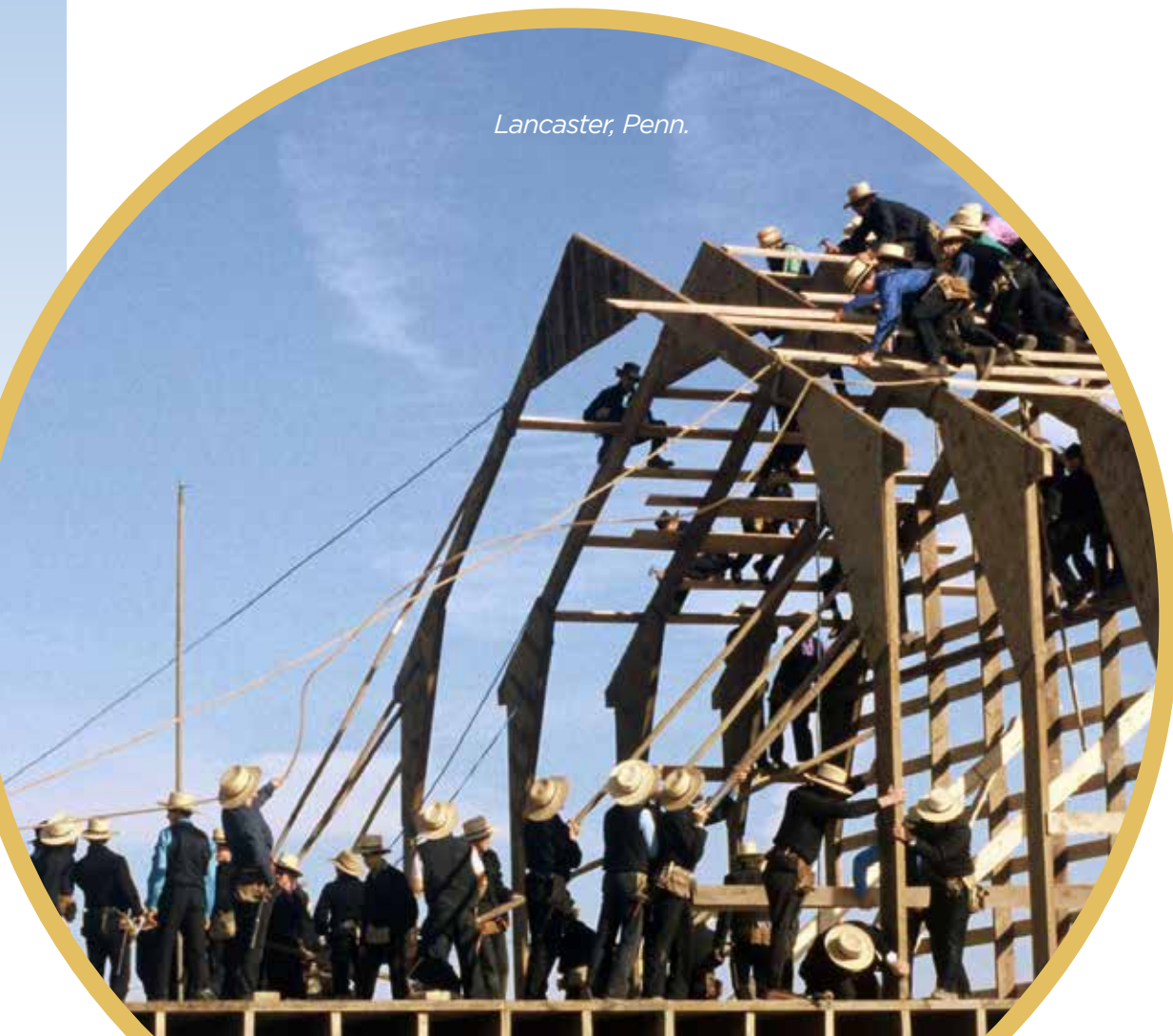
**ORBITZ**

priceline.com

 Expedia

  
travelocity

*Lancaster, Penn.*



# Southern's interline partner, American Airlines.

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

American Airlines



**SOUTHERN'S ADDITIONAL  
INTERLINE PARTNERS**

**Alaska**  
AIRLINES

LAUNCHED NOV. 7, 2019



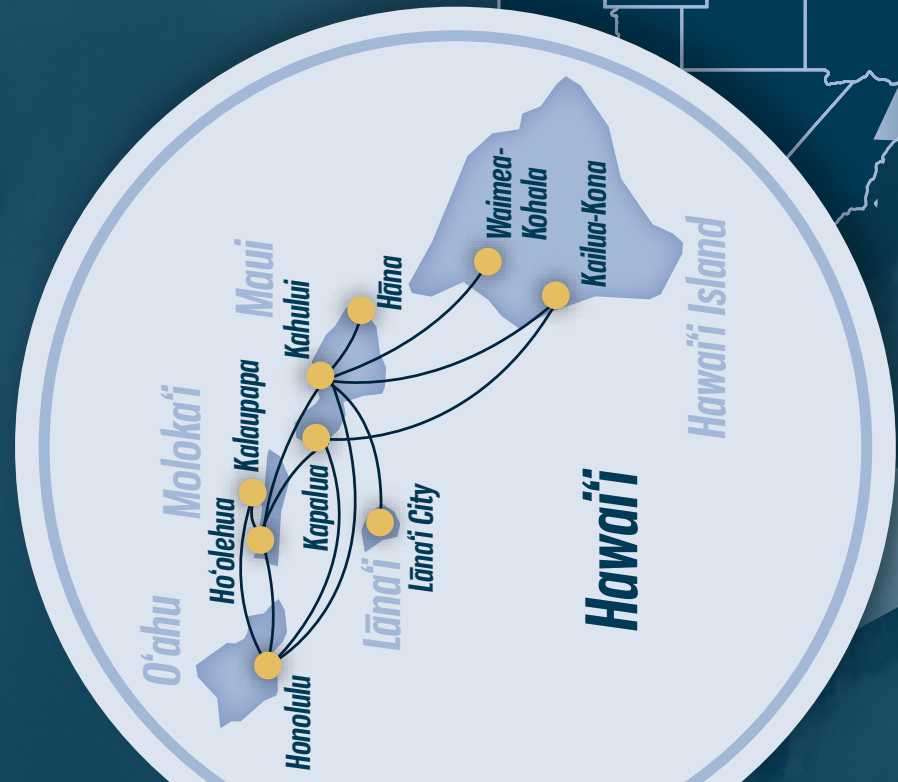
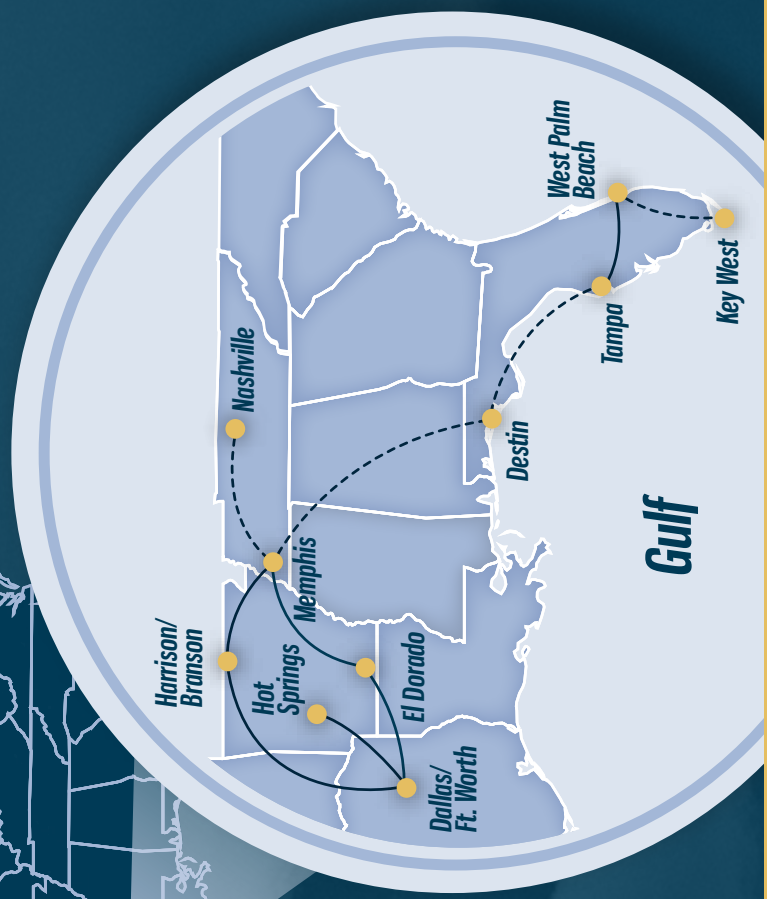
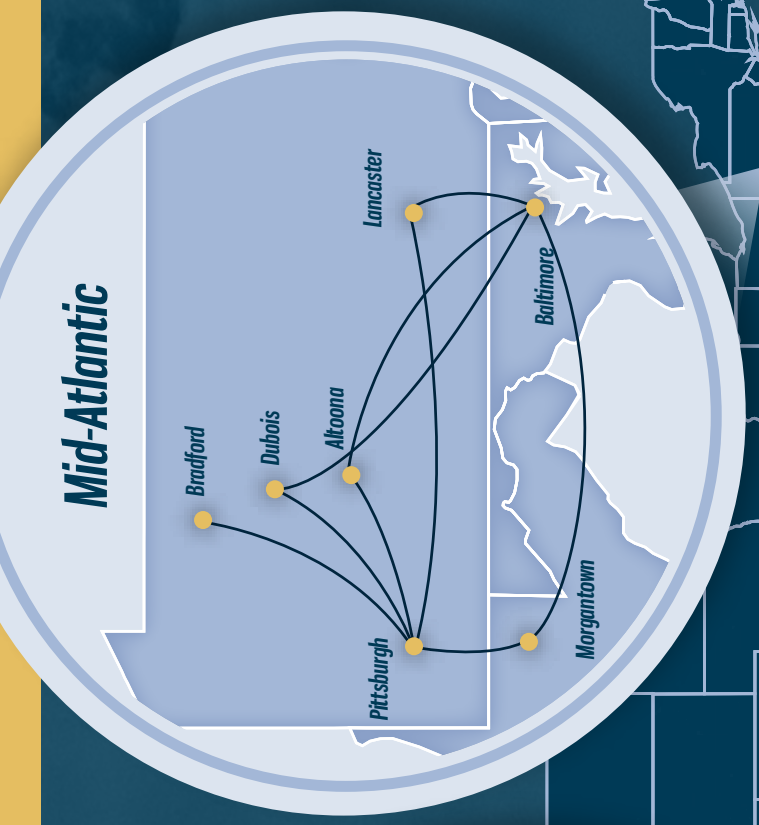
**Condor**



**AIR NEW ZEALAND**

COMING 2020





**Now serving 32 cities with over 200 daily departures!**

**MAP KEY**

—————

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Weekend

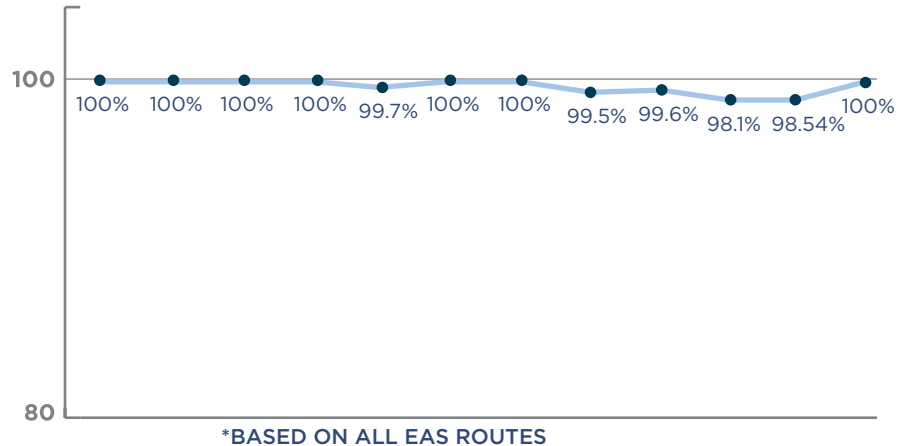
✪ 2020 Seasonal Service (May 22- Oct '22)



# Consistency in the Marketplace

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

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



### APRIL 2019

#### CONTROLLABLE COMPLETION

#### ON-TIME ARRIVALS

<b>Hawaiian</b>	<b>99.7%</b>
<b>Southern</b>	<b>99.6%</b>
<b>Mokulele</b>	<b>99.5%</b>
<b>Delta</b>	<b>99.3%</b>
<b>United</b>	<b>97.7%</b>
<b>American</b>	<b>97.2%</b>

<b>Mokulele</b>	<b>94.0%</b>
<b>Hawaiian</b>	<b>88.3%</b>
<b>Southern</b>	<b>82.1%</b>
<b>Delta</b>	<b>71.7%</b>
<b>United</b>	<b>69.6%</b>
<b>American</b>	<b>65.7%</b>

### MAY 2019

#### CONTROLLABLE COMPLETION

#### ON-TIME ARRIVALS

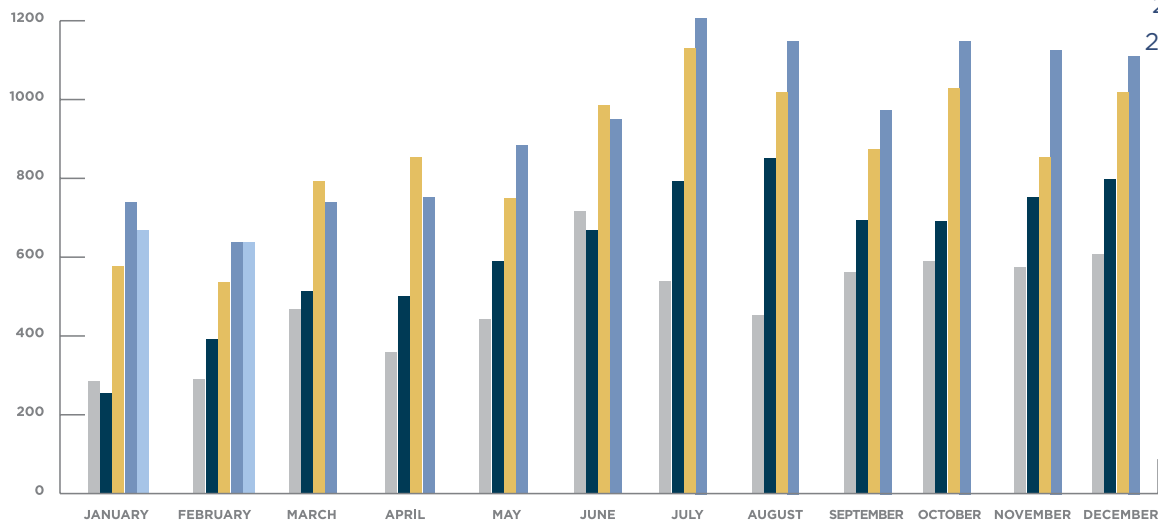
<b>Southern</b>	<b>99.9%</b>
<b>Hawaiian</b>	<b>99.7%</b>
<b>Delta</b>	<b>99.0%</b>
<b>Mokulele</b>	<b>98.9%</b>
<b>United</b>	<b>96.6%</b>
<b>American</b>	<b>95.9%</b>

<b>Mokulele</b>	<b>93.7%</b>
<b>Hawaiian</b>	<b>88.6%</b>
<b>Delta</b>	<b>86.4%</b>
<b>Southern</b>	<b>86.0%</b>
<b>United</b>	<b>77.8%</b>
<b>American</b>	<b>77.7%</b>



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

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



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

## ADDITIONAL ACCOMPLISHMENTS

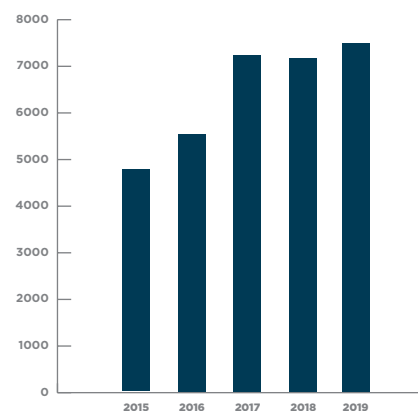
**BRADFORD, PA** 2016 & 2019; Respectively, the two best enplanement years in the last eleven.

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

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

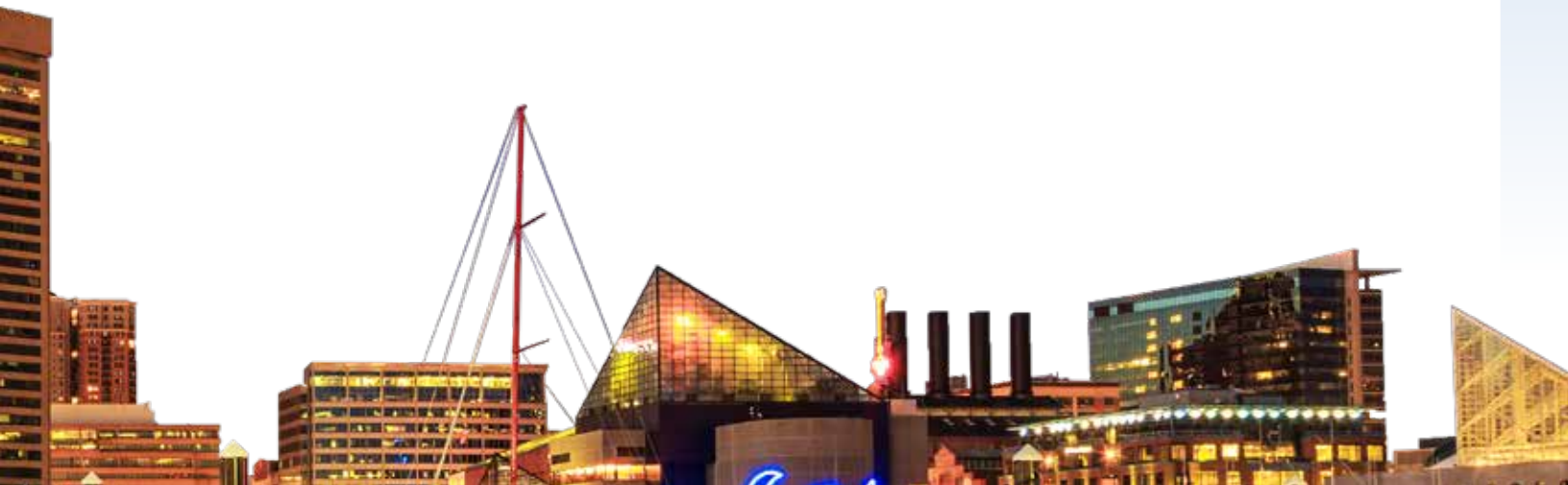
**HOT SPRINGS, AR** 2019; Highest passenger count on record.

## TOTAL ALTOONA PASSENGERS 2014-2019



### ALTOONA, PA

Highest passenger count since 2011.



# *Becoming the Best Small Airline in America*

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

- Southern secured interlined agreements with American Airlines and Condor Airlines. Interline tickets are available for purchase on iFlySouthern.com. Southern’s interline with Alaska Airlines went live on November 7, 2019.
- Southern innovated one of the most robust pilot recruiting programs in the country. As a result of two full years of pilot recruiting, training, and retention Southern is now poised to provide reliable service well into the next decade.
- Southern developed SIREN, a proprietary software program that automatically updates passengers of delays by text, email, and voice.
- Southern moved its crew-basing away from the hubs, an involved process that included the recruiting of new pilots wishing to live in smaller communities. Now completed, this move guarantees the originating flight to the hubs and the terminating flight into the EAS communities every day.
- Southern upgraded the Sun Air piston-driven fleet to an all-turbine fleet featuring the roomy and reliable Cessna Caravan.
- Southern implemented online check-in.
- Southern has upgraded all outdated arrival and departure boards at the hometown airports to digital monitors that are updated throughout the day with flight status information.
- In Fiscal Year 2019, Southern brought all of its EAS airports into subsidy compliance.
- Southern joined TSA PreCheck.
- Southern pioneered a passenger intercept data collection and reporting system to provide the local airports and their governing boards with passenger demographic data, including passengers’ home ZIP codes and final destinations.
- Southern increased its call center and customer service center to 24 hours per day.

TSA Pre✓





# Southern's Fleet Modernization Plan

Southern is in the final process of hiring airplane painters and upholsterers to occupy leased space inside an established paint shop to complete the 2020 fleet modernization plan. The mid-Atlantic fleet will be completed first, followed by aircraft in the Gulf, California, and Hawai'i.

## The Plan Include

- New Uniformed Livery
- New Leather Upholstery
- New Leather Headliners
- New USB charging ports at every seat

## Estimated Completion Date:

November 2020



## ENPLANEMENT INITIATIVES

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



# ***Fueling the Local Economy***



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

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

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

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

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

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

R. Stan Little Jr.

Chairman & Chief Executive Officer  
Southern Airways Express, LLC



**SCHEDULE:**

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

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

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



# Altoona Proposal

	OPTION A	OPTION B	OPTION C	OPTION D
<b>Weekly Round Trips</b>				
AOO-PIT	19	26	12	-
AOO-BWI	7	-	-	-
AOO-PHL	-	-	14	26
<i>Total</i>	<i>26</i>	<i>26</i>	<i>26</i>	<i>26</i>
<b>Operating Revenues</b>				
AOO-PIT	\$271,150	\$371,200	\$190,124	\$0
AOO-BWI	\$113,850	\$0	\$0	\$0
AOO-PHL	\$0	\$0	\$351,624	\$653,200
<i>Total Operating Revenues</i>	<i>\$385,000</i>	<i>\$371,200</i>	<i>\$541,748</i>	<i>\$653,200</i>
<b>Operating Expenses</b>				
Flying Operations	\$1,077,327	\$979,638	\$1,249,129	\$1,224,942
Fuel and Into Plane	\$373,796	\$350,713	\$443,978	\$517,325
Maintenance	\$506,150	\$479,046	\$621,564	\$734,724
Aircraft	\$455,236	\$455,236	\$455,236	\$455,236
Indirect	\$368,736	\$367,391	\$371,691	\$372,489
<i>Total Operating Expenses</i>	<i>\$2,781,245</i>	<i>\$2,632,024</i>	<i>\$3,141,598</i>	<i>\$3,304,716</i>
Operating Loss	\$2,396,245	\$2,260,824	\$2,599,850	\$2,651,516
Profit Element (5%)	\$139,062	\$131,601	\$157,080	\$165,236
<b>Compensation Required</b>	<b>\$2,535,307</b>	<b>\$2,392,425</b>	<b>\$2,756,930</b>	<b>\$2,816,751</b>
Compensation per Pax	\$198	\$187	\$194	\$198
Compensation per Departure	\$952	\$898	\$1,035	\$1,057
Annual Seats	23,976	23,976	23,976	23,976
Annual Passengers	12,800	12,800	14,200	14,200
Load Factor	53%	53%	59%	59%
Departures	2,664	2,664	2,664	2,664
Average Fare	\$30	\$29	\$38	\$46
Completion Factor	98.5%	98.5%	98.5%	98.5%
Compensation Required Year 1	\$2,535,307	\$2,392,425	\$2,756,930	\$2,816,751
Compensation Required Year 2	\$2,598,690	\$2,452,236	\$2,825,853	\$2,887,170
Compensation Required Year 3	\$2,663,657	\$2,513,542	\$2,896,499	\$2,959,349
Compensation Required Year 4	\$2,730,249	\$2,576,380	\$2,968,912	\$2,997,113

Southern has included in its indirect operating expense a direct marketing spend of \$25,000.