Application for Inclusion in the Alternate Essential Air Service Program

Docket DOT-OST-2008-0209

Submitted by:
Greenville Mid-Delta Airport
Samuel Washington, Airport Director
166 5th Avenue
Greenville Mississippi 38703

DUNS# 067723437
EIN # 64-6000394

June 1, 2021

Greenville Mid-Delta Airport
Greenville, Mississippi
Alternate Essential Air Service Program Grant Application

The Greenville Mid-Delta Airport in Greenville, Mississippi ("Airport" or "GLH") currently receives subsidized air service through the traditional Essential Air Service ("EAS") program and has done so for many years. Our present traditional EAS service with Boutique Air ("Boutique") expires on September 30, 2021. In response to DOT Order 2021-2-13, a total of four air carriers submitted offers to provide traditional EAS service for either two or four year periods commencing on October 1, 2021. After thoroughly reviewing each of the proposals, the Airport hereby applies to DOT for participation in the Alternate Essential Air Service ("AEAS") program for a four year period beginning on October 1, 2021 with service to be provided by Corporate Flight Management, Inc. d/b/a Contour Airlines ("Contour") with 12 weekly round trips either to Dallas/Fort Worth International Airport ("DFW") or to a combination of DFW and Nashville International Airport ("BNA"), using Contour's 30-seat Embraer ERJ-135 regional jets, operated as public charter flights under 14 CFR Part 380.

Understanding of the Application Requirements

This document constitutes the Airport's application for participation in the AEAS program. The Airport's application and participation in the AEAS program are contingent upon the ability of the Airport to enter into a grant with DOT and the appropriate contracts with Contour (under terms satisfactory to the Airport and to DOT). Further, this request to participate in the AEAS program is based upon our understanding of 49 USC Section 41745(f), that if the AEAS program no longer addresses the needs of GLH or the community, the Airport would be accepted back into the traditional Essential Air Service program.

Historical and Current Air Service

The Airport is a long time participant in the traditional EAS program. During the last decade, our traditional EAS was provided by the following carriers:

2009-2011 –Mesaba Airlines d/b/a Delta Connection ("Mesaba") with service to Memphis, Tennessee in Saab 340 aircraft configured with 34 passenger seats. Mesaba was acquired by Pinnacle Airlines during 2011.

2012 – Pinnacle Airlines d/b/a Delta Connection ("Pinnacle") with service to Memphis, Tennessee in Saab 340 aircraft configured with 34 passenger seats.

2013-2014 – Silver Airways ("Silver") providing service to Atlanta, Georgia with an intermediate stop at Tupelo, Mississippi in Saab 340 aircraft configured with 34 passenger seats.

2015 – SeaPort Airlines ("SeaPort") with service to Memphis, Tennessee in Cessna Grand Caravan aircraft configured with 9 passenger seats.

2016 – Present Boutique Air ("Boutique") in Pilatus PC-12 aircraft configured with 9 passenger seats. Boutique initially offered service only to BNA, later adding DFW, then changing service to

Atlanta, Georgia in collaboration with the Airport's local community. Service reverted to BNA in 2020.

As shown in Figure 1 below, during the period from 2009 to 2012, we averaged over 12,400 annual O&D passengers at the Airport. Our peak year was 2011 when we had nearly 14,000 O&D passengers. At that point in time, Mesaba/Pinnacle was providing service to Memphis International Airport ("MEM") on Saab 340 aircraft configured with 24 passenger seats. MEM was a Delta Airlines hub until 2013.

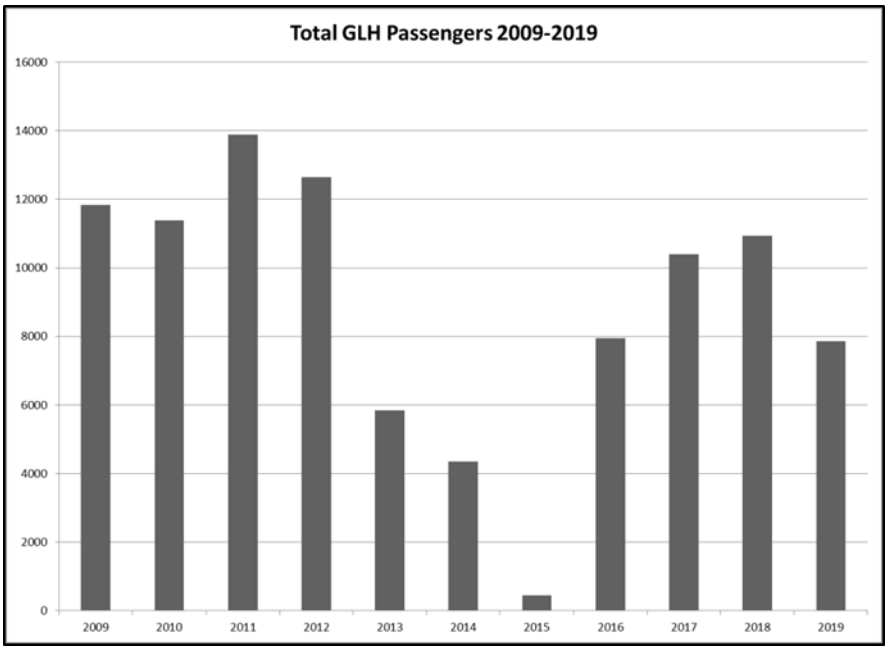

Figure 1 – GLH O&D Passengers

During the 2013-2015 timeframe, the Airport's passenger air service market was totally devastated by poor service, first from Silver, then by SeaPort. In the fiscal year ending on September 30 2015, SeaPort had only 441 total O&D passengers at GLH.

During their first two year service term that began in 2016, Boutique showed some promise in helping to rebuild the Airport's market, carrying 7,943 total O&D passengers in their first fiscal year of service and 10,406 total O&D passengers in their second full fiscal year. However, due to operational performance issues, Boutique's traffic declined substantially after the award of their current 4 year contract. In the fiscal year ending September 30, 2019, they carried only 7,863 total O&D passengers.

One other factor that has limited Boutique's ability to rebuild the market at GLH is their inconvenient connection process at DFW. Instead of servicing the main DFW passenger terminal, Boutique, for cost reasons, arrives and departs from the DFW Corporate Aviation facility. Passengers are taken by shuttle between the facilities. Passengers must then be re-screened at each location. This negates the value of Boutique's American Airlines and United Airlines interline agreements, since passengers cannot be "*transported by the larger carrier(s)* [at the hub airport] *through one reservation, ticket,* ***and baggage check in***" [emphasis added], which runs counter to one of the five air carrier evaluation

criteria expressly stated in 49 U.S.C. § 41733(c)(1). Additionally, the DFW Corporate Aviation facility is not intended to be a TSA "sterile" area, which presents security issues for flights originating at DFW. This process is time consuming, inconvenient, and deters passengers from using Boutique's service.

The Airport has worked with Boutique in an effort to help the carrier boost its passenger traffic, going so far as to assist the carrier in making multiple changes to the hub airport that it served from GLH, but believes that the core issues holding Boutique back from rebuilding the Airport's market are its reliability, the small gauge of service of its single engine aircraft, and the difficult connection process at DFW.

The 2021 Traditional EAS Bid Process

As noted above, four air carriers offered to provide traditional EAS at the Airport during the 2021 bid process:

- Boutique Air in single-engine pressurized Pilatus PC-12 aircraft configured with 8 or 9 passenger seats.
- Key Lime Air Corporation operating as Denver Air Connection in twin-engine pressurized Fairchild Metro 23 aircraft configured with 9 passenger seats.
- Multi-Aero, Inc. d/b/a Air Choice One in twin-engine pressurized Beechcraft 1900C aircraft configured with 9 passenger seats.
- Southern Airways Express in twin-engine pressurized Beechcraft King Air 200 aircraft configured with 9 passenger seats.

The Airport's objective for its new period of service is to return to the level of passenger traffic that GLH achieved in the 2009- 2012 timeframe and it has reviewed each proposal in the context of achieving that goal. The Airport believes that service to the main terminal at DFW and an interline agreement with the largest carrier at the hub are key elements that the air carrier must have in order to achieve GLH's goal.

Boutique Air proposed traditional EAS service with 8- or 9-seat, single engine turboprop PC-12 aircraft operating 18 round trips per week, split between DFW (12 round trips weekly) and BNA (6 round trips weekly) for a 4 year term. Boutique proposes the following subsidy in each year, which represents significant increases over their expiring subsidy:

Year 1 $3,306,813
Year 2 $3,372,949
Year 3 $3,440,407
Year 4 $3,509,215

Boutique essentially proposes the same program for the next 4 years that it has attempted to operate during most of its current service period, using the same gauge of aircraft, at a higher subsidy cost. The Airport understands that Boutique would continue to use the DFW Corporate Aviation facility, which would continue to inconvenience passengers and deter them from using the service. As noted above, using the DFW Corporate Aviation facility also presents security issues, negates the value of Boutique's American Airlines and United interline agreements, and does not fulfill one of the five

criteria in 49 U.S.C. § 41733(c)(1). *Based on Boutique's past performance and its continued use of the DFW Corporate Aviation facility, Boutique is unlikely to achieve the Airport's passenger traffic objective*. Therefore, GLH cannot support Boutique's bid.

Key Lime Air Corporation (operating as Denver Air Connection) proposed traditional EAS service using 9-seat Metro 23 twin turboprop aircraft operating 18 round trips per week for a 2 year base term with 2 optional years for a 4 year total term. Denver Air Connection offered service to a maximum of any two of the following hubs (presumably to be selected by the DOT or the Airport): BNA; DFW; Houston, TX (IAH); Louis Armstrong New Orleans International Airport, New Orleans, LA ("MSY"); or Hartsfield-Jackson Atlanta International Airport, Atlanta, GA ("ATL").

Denver Air Connection proposed the following subsidy for the full 4 year term, which appears to apply regardless of the hub(s) selected for service:

Year 1 $3,233,800
Year 2 $3,298,476
Year 3 $3,298,476
Year 4 $3,298,476

The community experimented with ATL as a hub in 2019, with no success, likely attributable to the lack of the incumbent carrier's interline agreement with Delta Air Lines, the largest carrier at ATL. The community prefers to maintain service to DFW as part of its service pattern. Denver Air Connection's sole interline agreement is with United Airlines, which does not have a significant presence at either hub.

While not specified in its bid, the Airport interprets that like all other 8/9-seat aircraft being proposed by other offerors, Denver Air Connection would operate from the Corporate Aviation facility at DFW and not the main terminal. This approach inconveniences passengers, presents security issues for flights originating at DFW, negates any value that might be derived from the carrier's interline with United, and fails to fulfill one of the five air carrier evaluation criteria in 49 U.S.C §41733(c)(1).

In all other respects, Denver Air Connection's offer is not materially different than the program operated by the incumbent carrier during most of the last five years, again *at a cost substantially higher than proposed in this AEAS application*,, and which (due to the low number of available seats) the Airport deems unlikely to achieve its O&D passenger objective. Therefore, the Airport cannot support the proposal of Key Lime Air operating as Denver Air Connection.

Multi-Aero, Inc. d/b/a Air Choice One proposed traditional EAS service using 9-seat Beechcraft 1900C twin turboprop aircraft operating 18 round trips per week for a term of either 2 or 4 years. Air Choice One offered three service options. Choice 1 consists of 10 round trips to DFW and 8 round trips to BNA weekly. Choice 2 consists of 12 round trips to BNA and 6 round trips to MSY weekly. Choice 3 consists of 12 round trips to DFW and 6 round trips to MSY weekly. The subsidy proposed by Air Choice One for each of their three options is as follows:

	Choice 1	Choice 2	Choice 3
Year 1	$3,129,906	$2,881,400	$2,947,356
Year 2	$3,223,803	$2,967,842	$3,055,777
Year 3	$3,320,517	$3,056,877	$3,126,850
Year 4	$3,420,133	$3,148,583	$3,220,656

Air Choice One does not have interline or codeshare agreements with any major airline.

Choice 1 is not materially different from the service provided by the incumbent carrier during most of the last five years, at a higher cost than the expiring subsidy rate. While not specified in its bid, the Airport interprets that like all other 8/9-seat aircraft being proposed by other offerors, Air Choice One would operate from the Corporate Aviation facility at DFW and not the main terminal. As detailed above, operations from the DFW Corporate Aviation facility inconvenience passengers and deter them from using the air service. Such operations also present security concerns for flights that originate at DFW. The Airport believes that Choice 1 is also unlikely to achieve its O&D passenger objective due to the low number of available seats. GLH doubts that the hub selections in Choice 2 or Choice 3 would contribute to any improvement on traffic levels, given Air Choice One's lack of interline or code share agreements. Therefore, the Airport cannot support the proposal of Multi-Aero d/b/a Air Choice One.

Southern Airways Express proposed traditional EAS using 9-seat, Beechcraft King Air 200 turboprop aircraft operating 18 round trips per week for a 4 year term. Southern proposed three options for service: Option A - 18 round trips per week to DFW; Option B – 12 round trips per week to DFW and 6 round trips per week to BNA; and Option C – 12 round trips per week to DWF and 6 round trips per week to ATL. The subsidy proposed by Southern for each of their three options is as follows:

	Option A	Option B	Option C
Year 1	$2,903,442	$3,070,954	$3,235,996
Year 2	$2,976,028	$3,147,727	$3,316,896
Year 3	$3,050,429	$3,226,421	$3,399,818
Year 4	$3,126,689	$3,307,081	$3,484,814

As noted above, the Airport's recent experiment with service to ATL did not have a substantial impact on passenger traffic, which removes Option C from consideration. The Airport interprets that Southern's Options A and B would operate to and from the Corporate Aviation facility at DFW. This approach would inconvenience passengers and deter them from using the service. As noted above, using the DFW Corporate Aviation facility also presents security issues, *negates the value of Southern's American Airlines interline agreement*, and does not fulfill one of the five criteria in 49 U.S.C. § 41733(c)(1). Therefore, the Airport cannot endorse the proposal of Southern Airways Express.

The AEAS Proposal of Corporate Flight Management, Inc., d/b/a Contour Airlines

As indicated in DOT's 2004 order establishing AEAS, Congress established the program to provide communities with an alternative to the traditional EAS-type service. Congress intended the AEAS to be a parallel option for communities to consider side-by-side with traditional EAS, not as a backstop or last resort to avoid total loss of service.

In its 2004 order, DOT extended an open invitation to eligible communities "to submit applications to use EAS funds in an alternative manner to address their transportation needs." DOT's written policy clearly states that it recognizes "*that each community's circumstances may be different, and they need latitude in identifying their own objectives and developing strategies for accomplishing them."*

With DOT's policies regarding AEAS as stated in the 2004 order firmly in mind, the Airport contacted Contour Airlines in January of this year to gauge the carrier's interest in providing service at GLH. Contour has a reputation for dramatically improving air service under AEAS where traditional EAS carriers have failed to achieve the community's objectives.

Contour and the Airport discussed the community's air service history and its goals for the next four years. In response, Contour proposed AEAS with 12 weekly round trips in 30-seat twin engine Embraer ERJ-135 regional jets for a 4 year term with service either to DFW, BNA, or a combination of the two, to be agreed upon by Contour and the Airport. Contour's proposed service would bring 37,440 seats onto the GLH market annually, more than double the seats of any of the traditional EAS offerors. All of Contour's flights would be operated as 14 CFR Part 380 public charters. Contour's proposed subsidy is as follows:

Year 1 $2,933,615
Year 2 $3,006,956
Year 3 $3,082,130
Year 4 $3,159,183

Contour's proposed subsidy is reasonable when compared with the subsidies proposed by the traditional EAS offerors, each of which provides far fewer seats in the GLH market than Contour. Those traditional EAS offerors proposing 9 seat aircraft bring 20,592 fewer seats each year and those proposing 8 seat aircraft bring 22,464 fewer seats annually than Contour's 30 seat jets. In fact, Contour's proposed first year subsidy is the same as Boutique's current year expiring subsidy, for more than double the seats in the market.

Contour's service is provided in twin engine jets with a guaranteed two-pilot, one flight attendant crew and a lavatory. Contour's jets are ADA accessible, more comfortable, and fly much faster than turboprops. Contour's ERJ aircraft have compiled impressive flight completion and on-time records.

Contour has an interline agreement for through check in and baggage with American Airlines, by far the largest carrier at DFW and the second largest carrier at BNA. All Contour flights arrive and depart from the main terminal at the hub airports, eliminating shuttle rides from general aviation terminals to the main terminal and also eliminating the need for the rescreening of passengers by TSA and the rechecking of baggage, making Contour the only offeror to meet all of the criteria of 49 U.S.C. § 41733(c)(1). This method of operations also ensures that all inbound passengers are

screened by TSA, the lack of which has posed security issues in GLH on arrival in the past, and results in the highest level of safety for both passengers and crew.

Contour has a service history that includes turning-around severely damaged EAS markets. For example, in the EAS community of Tupelo, Mississippi ("TUP") - a market that like Greenville suffered from the poor service of Silver followed by Seaport and had been without service for nearly 6 months following Seaport's collapse- Contour, through day-in and day-out reliability and consistency, has brought that market into compliance with the $200.00 per passenger subsidy cap by increasing traffic from 7,505 annual passengers (comparable to GLH) in Seaport's last full year of service to more than 30,000 annual passengers. In the EAS community of Macon, Georgia ("MCN"), a market that had been without service longer than TUP, Contour re-established service with very high load factors from its first day of operations. Figure 2 below summarizes Contour's success in revitalizing TUP and MCN.

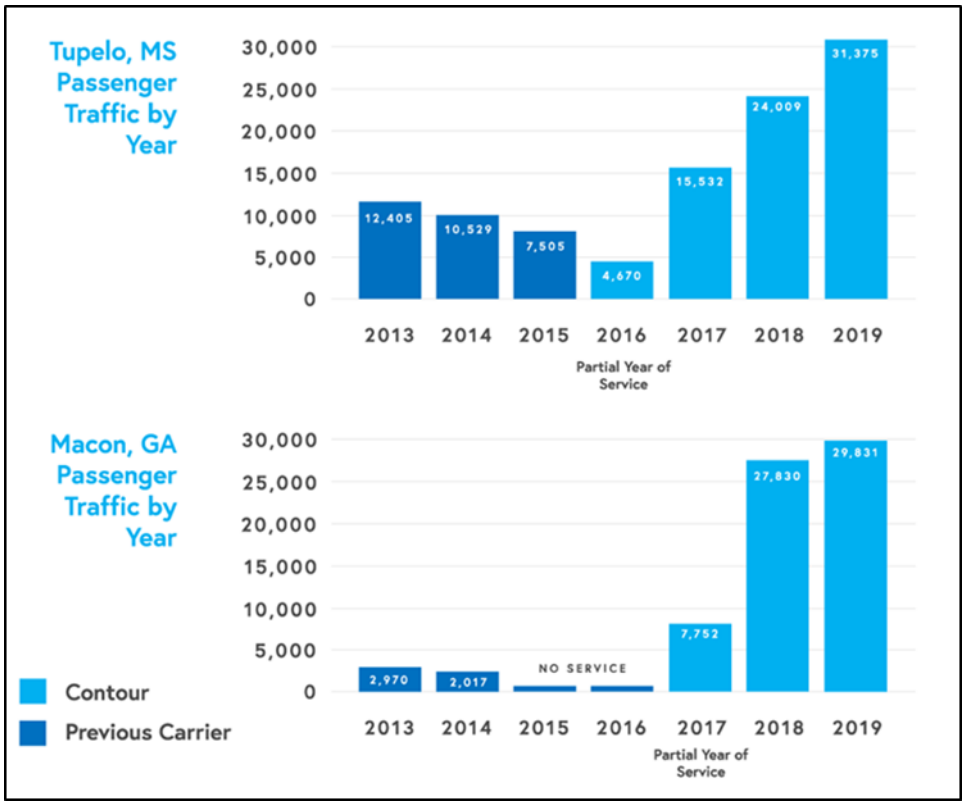

Figure 2 – Contour's Success in TUP and MCN

In addition to its highly reliable operations, Contour's established reputation in collaborating with the communities it serves is well known. Contour's track record strongly suggests that they have a high probability of achieving the Airport's goal of a significant increase in passenger traffic.

Contour is the only carrier that has put forth a plan that is likely to achieve the results needed by the Airport. Therefore, Contour is the only carrier that we endorse for service at GLH. Since Contour's bid is eligible only for subsidy under the AEAS Program, the Airport respectfully requests inclusion in the Alternate Essential Air Service Program to enable us to contract with Contour and implement service with them.

In summary, The Airport is submitting this AEAS application pursuant to DOT's 2004 order because we have the opportunity to secure jet service from Contour, highly a reliable carrier that provides easier connections, an American Airlines interline, and substantially more capacity, all at effectively the same or lower level of subsidy as the far inferior traditional EAS bids received by the Department.

Marketing Plan

Contour uses a variety of social media initiatives to market the service including their tremendously popular Super Saver Fares. The Super Saver program offers highly discounted fares as low as $18.99 each way for last minute travel and have gained a loyal following in the communities that they serve. Contour will also sponsor and participate in a variety of community events to increase awareness. It is possible to book Contour flights on their website, all major online travel agencies, and via their call center. Contour participates in all major GDS systems (Sabre, Amadeus, Worldspan, Galileo, and Apollo). GLH anticipates that Contour's standard one way fares would average $55.00 for the entire term. In addition, Contour has committed to a minimum marketing spend of $25,000 during the term to promote the air service.

Strategic Plan

The Airport's plan is to exceed the level of O&D passenger traffic that it averaged in the 2009-2012 timeframe. GLH is targeting 13,000 total passengers in Contour's first year of service.

Funding Analysis

The first year subsidy requested by Contour in its proposal to us is $2,933,615.00, with an escalation of 1.025% in each following year (years 2 through 4) of its proposed 4 year term. Contour's first year subsidy is the same as the incumbent carrier's current year rate of subsidy. Detail of Contour's proposed amount appears in Attachment A hereto. As noted above, this level of subsidy is reasonable when compared with the subsidies proposed by the traditional EAS offerors, most of which are significantly higher than the expiring subsidy and all of which: (i) would subsidize far fewer seats in our market each week than the number of seats that Contour will bring through AEAS, and (ii) none of which would provide service to the main passenger terminal at DFW. The community views Contour's service as an even better value when its track record of reliability and damaged EAS market turn-arounds is taken into account.

As noted above, the Airport is confident, with Contour's quality of service, reliability, and service to the main passenger terminal at each hub, that we can meet the proposed level of enplanements. This, combined with our planned extensive marketing campaign, leads us to conclude that Contour's proposed annual subsidy amount is appropriate for our air service needs.

Ensuring Grant Funds are Expended in the Manner Proposed

The Airport is operated by the City of Greenville ("City"). The City and the Airport have been the recipient of numerous Federal and state grants. The City and the Airport have processes and procedures in place to segregate grant funds, ensure that those funds are only used to pay for

expenditures permitted by each grant, and to pay only the amounts authorized by the grant. The processes and procedures that we have successfully employed in administrating and managing these other grants will continue to be employed for the AEAS grant requested in this application.
GLH will have a written contract with Contour describing services expected and will include but will not be limited to required monthly reporting (detailed flight information including a listing of each flight, passenger counts and arrival and departure times) and remedies if the contract requirements are not met. With the Airport's and the City's established grant management and reporting history, we are more than capable of handling the oversight of the proposed grant for the Contour AEAS program.

Meeting the Applicable EAS Eligibility Criteria

The Airport has maintained compliance with the $1,000.00 per passenger subsidy cap during the last five years and expects to continue to do so with Contour.

The Airport will monitor compliance with the cap 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, the Airport and Contour will consult regarding the underlying cause(s) and implement the appropriate action(s) to reverse the negative trend.

Grant Amount Requested

GLH is seeking an AEAS grant in the following yearly amounts:

Year 1 $2,933,615
Year 2 $3,006,956
Year 3 $3,082,130
Year 4 $3,159,183

These amounts are based on the proposal offered by Contour for the AEAS service described in the preceding section. The term of the grant sought is four (4) years commencing October 1, 2021 and ending September 30, 2025.

Contour-Alternate Essential Air Service for the Greenville Mid-Delta Airport

The Greenville Mid-Delta Airport and the City have concluded after careful examination that Contour's proposed four year service program at the subsidy rates listed below promises the best future air service for the Airport and our region.

To recap, the proposed subsidy for Contour is: $2,933,615 in Year 1; $3,006,956 in Year 2; $3,082,130 in Year 3; and $3,159,183 in Year 4.

We have reviewed the requirements of the AEAS program and are eager to move forward under it so as to allow Contour to begin air service to our Airport by October 1, 2021. The circumstances of Greenville's AEAS application are nearly identical to those of Tupelo, another Mississippi airport served by Contour, where AEAS was recently approved when all other traditional EAS bids proposed service by 8/9-seat aircraft. We urge the Department of Transportation to promptly designate the

Greenville Mid-Delta Airport for participation in the Alternate Essential Air Service Program and grant us the funds to begin working with Contour.

The 2004 order establishing the AEAS program states that "each applicant will be judged on the merits of its proposal" and that the Department of Transportation "*encourages proposals that have the greatest chance of increasing passenger usage*". There can be no doubt that the service proposed in this Application presents the greatest chance of doing just that relative to the traditional EAS offerings.

Should you have any questions with regards to our application for inclusion Alternate Essential Air Service Program or require any additional documentation please contact me at (662) 334-3121.

Thank you for your consideration.

Respectfully Submitted,

Samuel L. Washington, MBA, MCA
Airport Director
Greenville Mid-Delta Airport

Attachment A – Proposed Subsidy Detail

Greenville, Mississippi
Route: GLH-DFW or GLH-DFW/BNA
Service in EMB-135 Aircraft configured with 30 passenger seats
All flights conducted as 14 CFR Part 380 public charters
Year 1 Projection - 4 Year Term
Annual Escallation: 1.025% Year Over Year

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	56%		20,966
Average Fare		$	55.000
Total Revenue		$	1,153,152.00
Expenses			
Fuel		$	1,000,100.00
Maintenance and Reserves		$	950,000.00
Pilot Costs		$	920,000.00
Aircraft Fixed Costs		$	300,000.00
Marketing		$	25,000.00
Other Indirect Costs		$	697,059.05
Total Expenses		$	3,892,159.05
Profit Component (Percentage of Total Expenses)	5%	$	194,607.95
Proposed Subsidy - Year 1		$	2,933,615.00