

ESSENTIAL AIR SERVICE AT  
*Tupelo, Mississippi*

UNDER 49 U.S.C. § 41731 ET SEQ.

**BY ORDER 2020-1-6 | DOT-OST -2009-0305**

**Proposal to Provide Subsidized  
Essential Air Service**

By Order 2020-1-6, the Department requested proposals from carriers interested in providing Essential Air Service to Tupelo, Mississippi. 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 become the air service provider at the Tupelo Regional Airport. The proposal is for a period of two years.

## ***The Southern Story***

Southern Airways was born out of necessity. When Delta Air Lines de-hubbed Memphis, a vacuum in air travel was created in the Mid-South. Most of the popular non-stop destinations that residents of the metro area had enjoyed for years were no longer offered. Southern took flight in 2013 and became the preferred method of travel for leisure travelers commuting to the Florida Gulf Coast and for some of the area's most affluent business travelers. Providing affordable, high-touch, first class, charter-style service to passengers who had given-up on short-haul air travel (and instead turned to the automobile) became the model upon which Southern built its reputation. In short, Southern Airways has a proven track record of putting people on airplanes.

Southern Airways acquired Sun Air Express in 2016 and quickly began to transform the two air service providers into one dynamic airline. Sun Air Express operated Essential Air Service routes in and around the

Commonwealth of Pennsylvania. Sun was outsourcing half of its flights to Mokulele Airlines and operated its East Coast hub at Washington-Dulles. Southern's first objectives were to move all flight operations in-house and to transition the East Coast flights to the more user-friendly Baltimore-Washington International Airport.

Now, almost four years, Southern Airways Corporation has acquired Mokulele Airlines. This acquisition doubled the size of the company. With Southern Airways Express operating in the contiguous 48 states and Mokulele Airlines operating in the Hawaiian Islands, Southern Airways Corporation has become one of the most dominant players in the commuter airline industry.

By capitalizing on scale in specific geographical areas, Southern has shown significant gains at the hometown airports and growth at hubs along the way. Southern is now the largest commuter carrier in the 50 states.

***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 becomes tremendously more attainable with 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, sustained growth in its two original 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. Southern's Gulf base in Memphis has spare planes, reserve pilots, and a full maintenance staff to provide support for this service.

## ABOUT THE SOUTHERN AIRCRAFT

Southern intends to continue its 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.** Only the Cessna Caravan has an acquisition cost and a cost of operation affordable enough to guarantee a "hot spare" based in Tupelo. Other turbine aircraft are just too costly to keep spares idle on a ramp. Basing a more costly spare aircraft at TUP would lead to an unnecessary increase in the amount of subsidy required for the route. With the Caravan, Tupelo receives the most reliable 9-seat aircraft in the history of aviation and a "ready-spare" to serve as a back-up plane when needed..

Despite the proven success of the Caravan, Southern still retains Piper Chieftains that can be used for any city requiring twin engines.

# 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.

Of more than 60,000 scheduled flights since November of 2017, Southern has cancelled less than 20 flights due to crew availability.

As other commuter airlines struggle to become fully staffed, or perhaps worse yet, wishfully and stubbornly believe that they are somehow immune to the pilot shortage, 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***

***500 Employees***

***200 Pilots***

***35 Aircraft***

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

### **IN THE GULF:**

Destin, Fla.

El Dorado, Ark.

Harrison, Ark,

Hot Springs, Ark.

Key West, Fla.

Nashville, Tenn.

Tampa, Fla.

### **IN CALIFORNIA:**

Imperial/El Centro, Calif.

### **IN HAWAII:**

Hana

Kapalua

Kalaupapa

Lānaʻi City

Molokai

Waimea-Kohala

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

Altoona, Penn.

Bradford, Penn.

DuBois, Penn.

Lancaster, Penn.

Morgantown, W.Va.

### **10 HUB/FOCUS CITIES:**

Baltimore

Los Angeles

Dallas

Memphis

Honolulu

Nantucket

Kahului

Palm Beach

Kona

Pittsburgh

### **IN NEW ENGLAND**

Hyannis, Mass.

Norwood, Mass.

Providence, R.I.

*Morgantown, W.Va.*



## 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

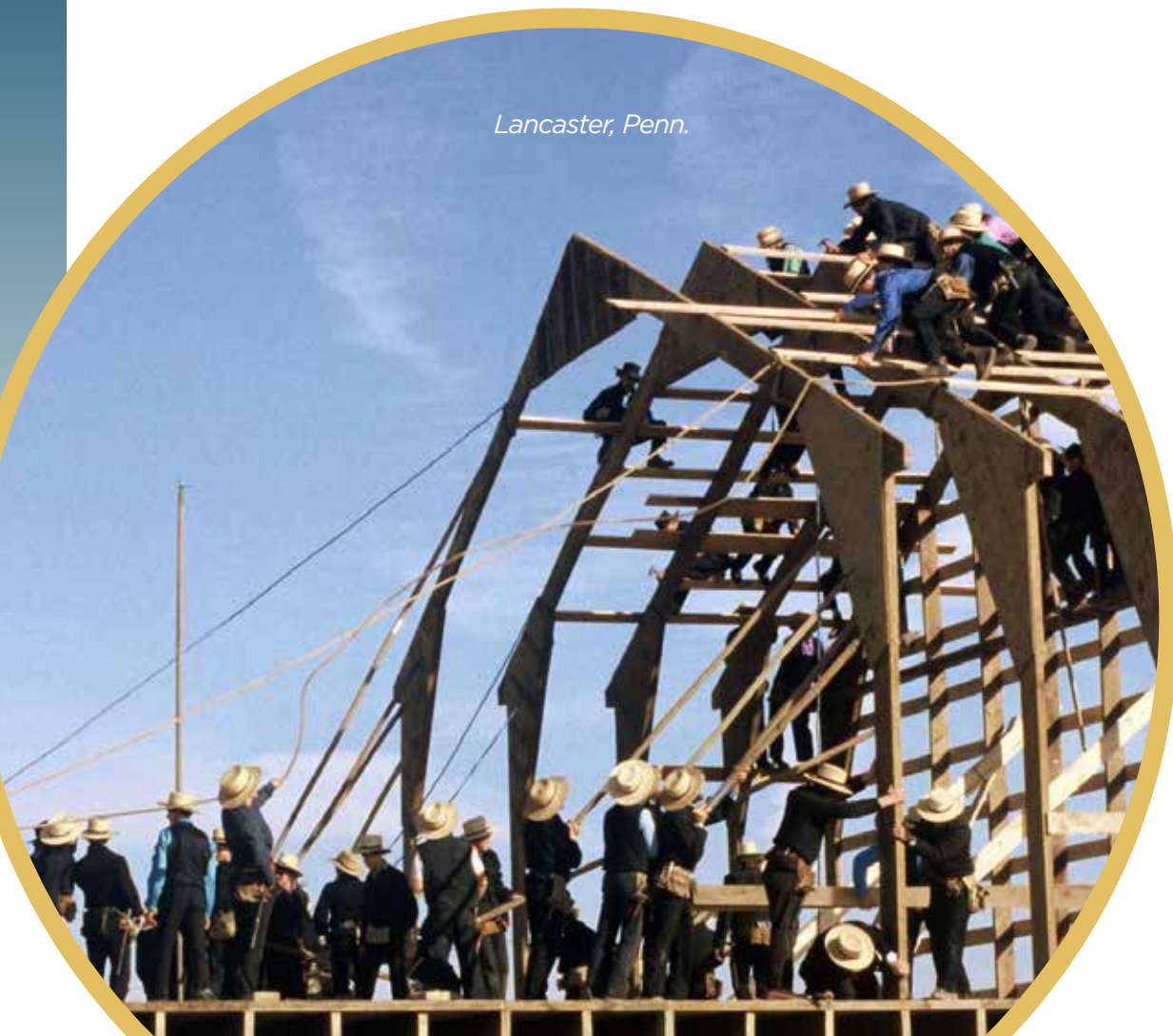
**ORBITZ**

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



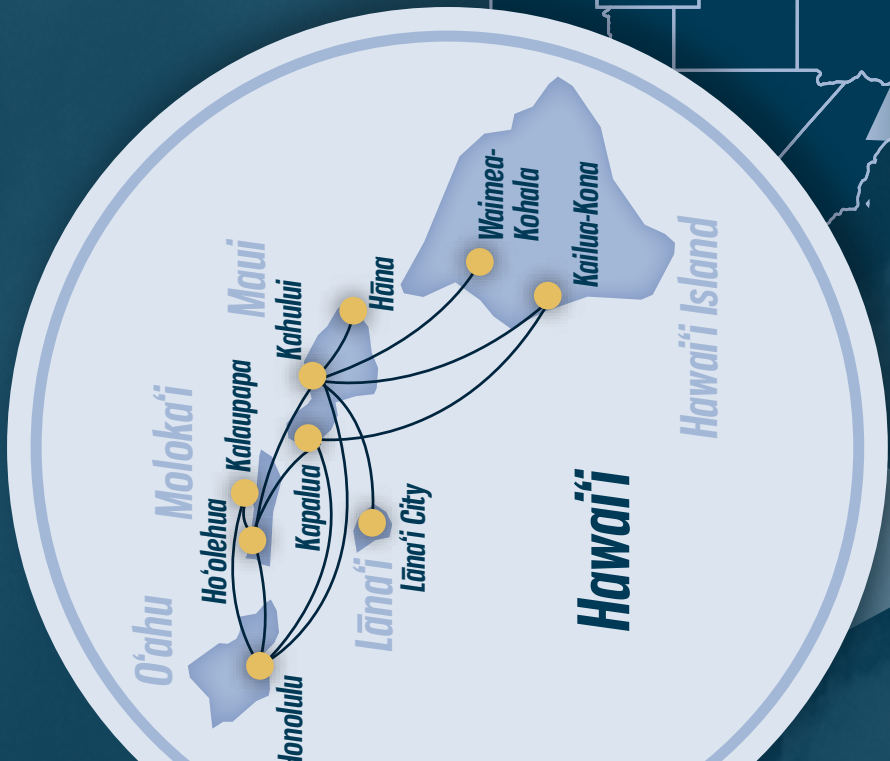
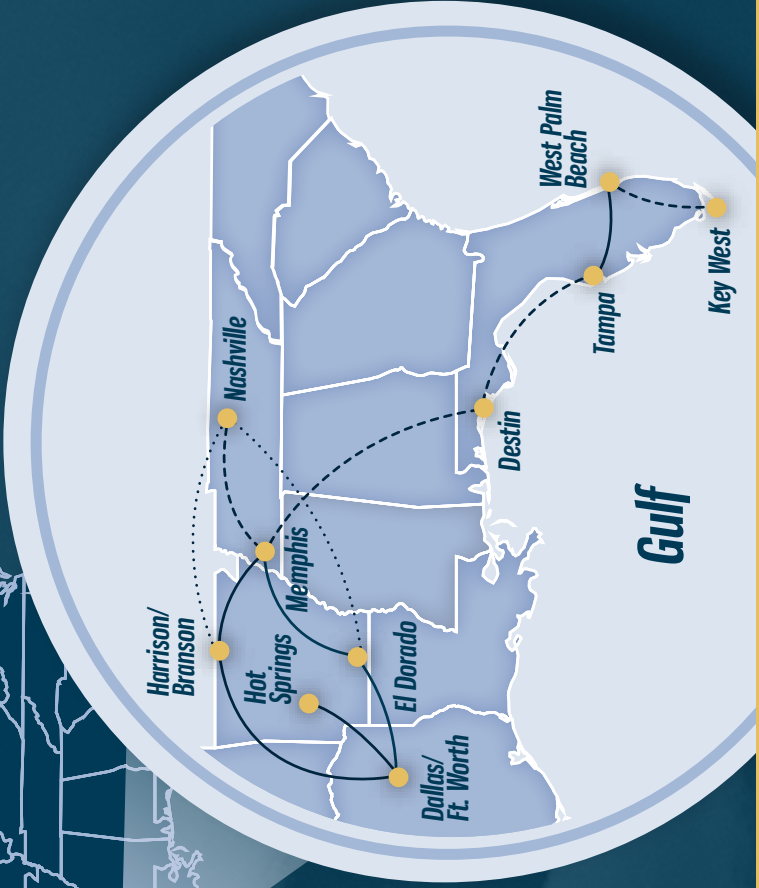
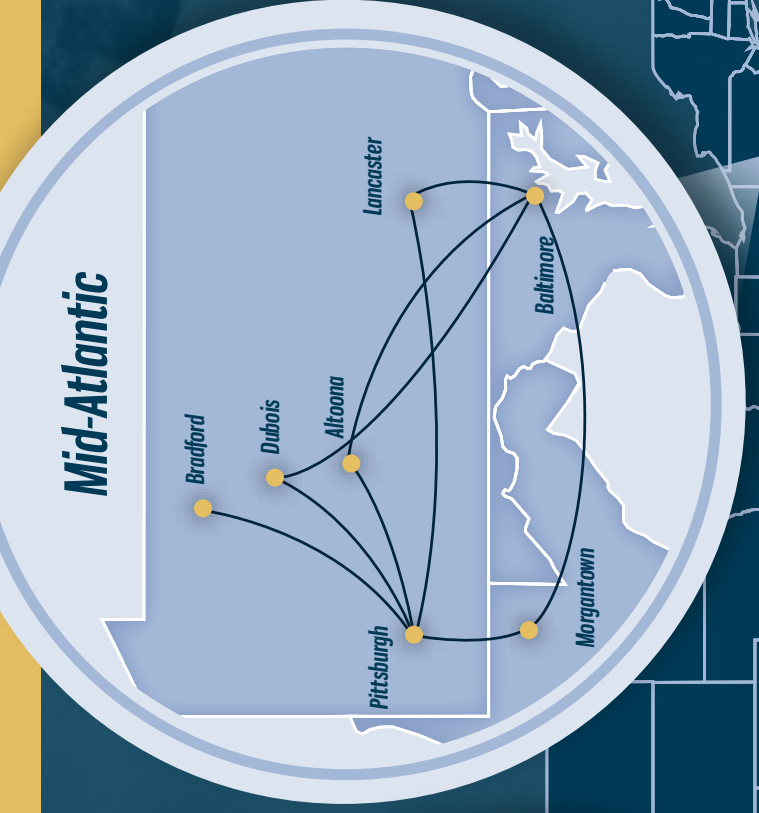
**Condor**



**AIR NEW ZEALAND**

COMING 2020





**Now serving 34 cities with over  
200 daily departures!**

**MAP KEY**

One Stop Service Available	-----
Weekend	-----

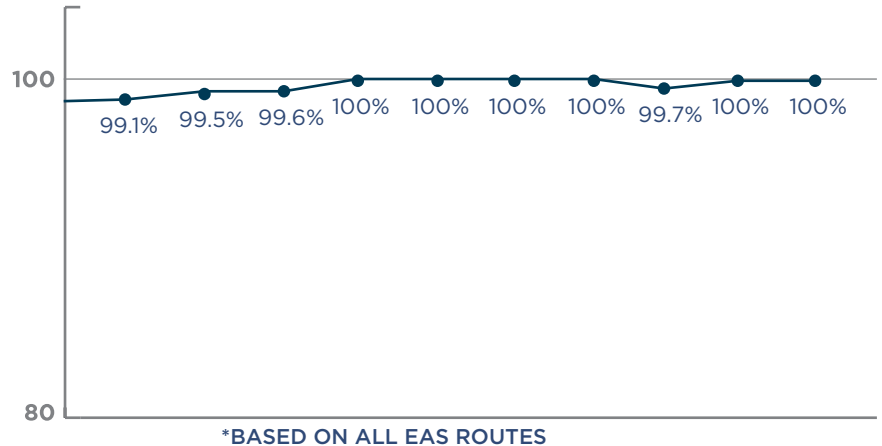
2020 Seasonal Service (Apr 17 - Oct 12)



# 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 it's 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 recent months.

## TEN MONTH TRAILING CONTROLLABLE COMPLETION JANUARY 2019 - OCTOBER 2019



### 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

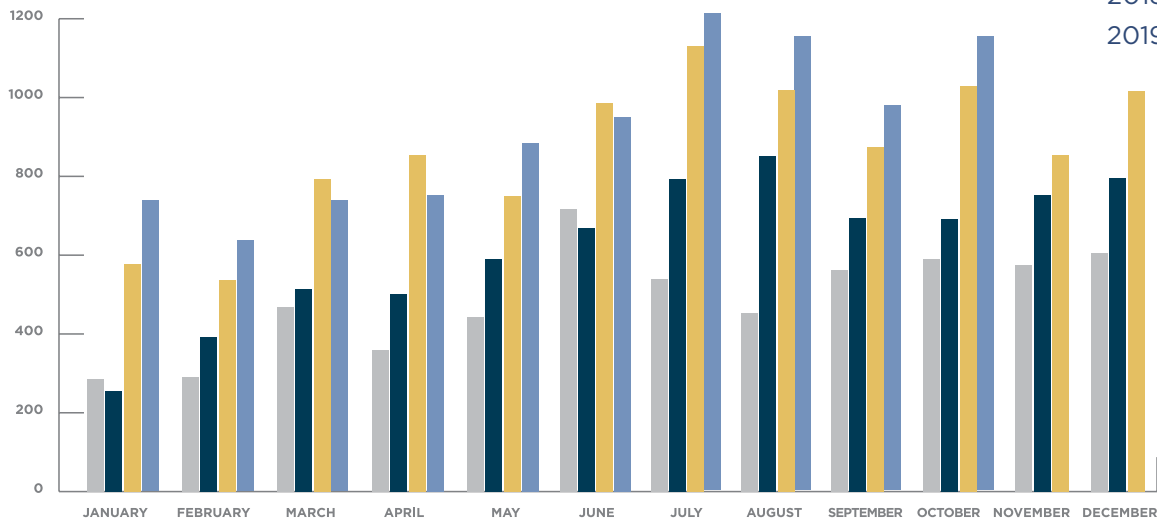
<b>Southern</b>	<b>99.9%</b>
<b>Hawaiian</b>	<b>99.7%</b>
<b>Delta</b>	<b>99.0%</b>
<b>Mokulele</b>	<b>98.9%</b>
<b>United</b>	<b>96.6%</b>
<b>American</b>	<b>95.9%</b>

<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 FOUR CONSECUTIVE RECORD-SETTING MONTHS IN DUBIOS JULY 2019 - OCTOBER 2019

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



**DUBOIS, PA** 2017 Passenger loads were 27% higher than Silver Airways in the previous year (even more impressive considering Silver operated nearly double the seats as Southern).

## ADDITIONAL ACCOMPLISHMENTS

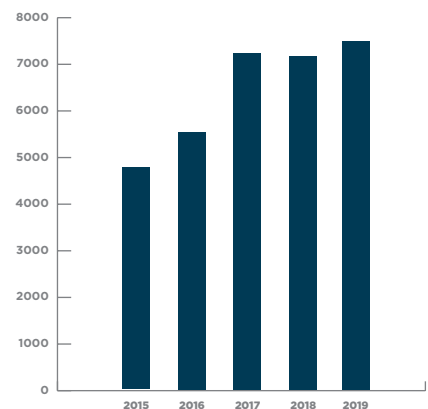
**BRADFORD, PA** 2016 & 2019; Respectively, the two best emplanement years in the last nine.

**MORGANTOWN, WV** Four consecutive months of record-setting passenger counts for Southern. (July 2019 - October 2019).

**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.

TSA Pre✓





- Southern transitioned all remaining third-party passenger handling vendors to in-house employees. This allowed for direct control over the level of customer service at the hometown airports.
- Southern increased its call center and customer service center to 24 hours per day.
- Southern and local airport directors have collaborated to create tailored media-buying campaigns designed to market the air service connectivity from the hometowns to the hubs.

#### NEXT STEPS

Now that Southern is operating with extra maintenance reserves, aircraft will begin an aggressive rotation through the contracted paint shop to receive the official livery. The entire conformity process is estimated to be completed in twelve months.

## Southern's New Livery



#### 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	Regional Billboard	Billboard	\$4,000
Proposed	Local Radio	Radio	\$5,000
Proposed	Local Cable/Broadcast TV	Cable	\$3,000
Proposed	Enhanced Digital	Digital	\$3,000
Proposed	Community Sponsorships	Chamber, CVB, Etc	\$3,000
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.)



# Tupelo Proposal

	OPTION A	OPTION B	OPTION C
<b>Weekly Round Trips</b>			
TUP-ATL	24	18	-
TUP-BNA	12	18	36
<i>Total</i>	<i>36</i>	<i>36</i>	<i>36</i>
<b>Operating Revenues</b>			
TUP-ATL	\$1,142,048	\$856,769	\$0
TUP-BNA	\$474,626	\$711,554	\$1,423,107
<i>Total Operating Revenues</i>	<i>\$1,616,675</i>	<i>\$1,568,322</i>	<i>\$1,423,107</i>
<b>Operating Expenses</b>			
Flying Operations	\$1,957,005	\$1,840,005	\$1,807,662
Fuel and Into Plane	\$1,242,999	\$1,179,740	\$989,756
Maintenance	\$1,210,897	\$1,152,055	\$975,339
Aircraft	\$604,442	\$604,442	\$604,442
Indirect	\$389,038	\$386,297	\$382,594
<i>Total Operating Expenses</i>	<i>\$5,404,381</i>	<i>\$5,162,539</i>	<i>\$4,759,792</i>
Operating Loss	\$3,787,706	\$3,594,217	\$3,336,685
Profit Element (5%)	\$270,219	\$258,127	\$237,990
<b>Compensation Required</b>	<b>\$4,057,925</b>	<b>\$3,852,344</b>	<b>\$3,574,675</b>
<b>Compensation per Pax</b>	\$140	\$133	\$123
<b>Compensation per Departure</b>	\$1,100	\$1,045	\$969
Annual Seats	33,192	33,192	33,192
Annual Passengers	29,043	29,043	29,043