

TUPELO REGIONAL



AIRPORT

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May 5, 2020

Mr. Michael Martin
United States Department of Transportation
Essential Air Service and Small Community Air Service Development Program
1200 New Jersey Ave, SE
W86-473
Washington, DC 20590

Re: Community response to the Proposal to provide subsidized Essential Air Service under docket DOT-OST-2009-0305; as permitted by 49 U.S.C. § 41731 and DOT's Order 2020-1-6, dated January 6, 2020.

Dear Mr. Martin:

The Tupelo Airport Authority (TAA), owner and operator of the Tupelo Regional Airport (TUP), has reviewed the air carrier proposals received from the USDOT for Tupelo's Essential Air Service (EAS) beginning October 1, 2020. After careful consideration, TAA's Board voted on April 21, 2020 to reject all bids received and Tupelo's hereby requests remains in the Alternate EAS program for the reasons discussed below.

After reviewing the three proposals, two of the three proposals used single-engine aircraft. The third proposal, Cape Air, proposed a reciprocating, twin-engine, non-pressurized aircraft. All of the proposals listed service to Nashville International Airport (BNA) with varying frequency and seat capacity, see Figure 1. Upon review of the proposals compared to TAA's current Alternate EAS service, it is quite clear that none of the proposals offer equal or improved service. In fact, the opposite is true. In Order 20-1-6, the Request for Proposal (RFP), page 3, paragraph one, states, *"Proposal should provide sufficient capacity to accommodate historical levels of traffic, with service to a large-or medium-hub airport that provides numerous connection opportunities to the national air transportation system."*

When comparing another air service proposal Tupelo has received for the RFP period, Tupelo would have 44,720 less seats, 182 fewer number of destinations, while costing \$52,874 dollars more, if Cape Air's proposal was selected. Combined with the change in the level of service from a regional jet to a twin-reciprocating engine, non-pressurized, nine seat aircraft, the conclusions are obvious.

Current AEAS vs EAS Proposals						
Subsidy (Millions)	Airline	Aircraft	# of Seats	RTs/Wk	LF	\$/Pax
\$3.93	Contour	ERJ 135	55590	18	56%	\$ 127.32
\$3.89	Boutique	Pilatus PC-12	24960	30	81.8%	\$ 194.70
\$3.57	Southern Airways	Cessna 208 Caravan	33696	36	87.6%	\$123.00
\$3.52	Cape Air	Tecnam Traveller	27315	30	65.5%	\$198.31
Variances						
\$410,000			28275	14		

Figure 1 - EAS Proposal versus TAA Alternate EAS Contract

Specifically, when, comparing Cape Air's proposed service, the only twin-engine proposal, to Tupelo's existing level of traffic, see Figure 2; again, it is absolutely clear Cape Air's bid does not meet the requirements as established in the RFP. In Figure 2 below, the number of Contour passengers includes March 2020 enplanements which totaled less than half of the anticipated level, based on reservations, due to the COVID19 pandemic.

AIRLINE	AIR SERVICE	FLIGHTS	% Completed	SEATS	SA	# of Paxs	LF	\$/Pax
CONTOUR	18RT/Wk	1872		30	56160			
CONTOUR	Completed	1852	98.9%	30	55560	30882	55.6%	\$ 127.32
CAPE AIR	30RT/Wk	3120		9	28080			
CAPE AIR	Projected	3035	97.3%	9	27315	17775	65.1%	\$ 198.31
<i>Difference in SA and Passengers</i>					-28245	-13107		\$ 70.98
					-50.8%	-42.4%		55.8%

Figure 2 – Cape Air Proposal Versus Tupelo's Existing Level of Traffic

In addition, the proposals for EAS have subsidy per passenger levels that are just under the \$200/passenger Subsidy Cap, except for Southern Airways, which projects an 87.6 percent load

factor (LF) to achieve a subsidy of \$123 per passenger. If a LF of 87.6 could be obtained, when applied to Contour's numbers, their subsidy per passenger would be less than \$99 dollars.

Although the cost of service, the number of seats provided and the level of service afforded is reason enough, another critical aspect that dictates TAA's decision is the average number of passengers per flight. All three of the EAS proposals limits the number of passengers per flight to nine, and in Boutique's case eight. This restriction would cut TAA's Passenger per flight by half. From April 1, 2019 to March 31, 2020, Contour averaged 16.6 passenger per flight, including the reduction of passengers in March due to the COVID-19 pandemic.

Over the past twelve months, Contour's combined flights averaged of 16.6 passengers per flight; moreover, as seen in Figure 3, Contour's flights exceeded 23 passengers per flight 36.6 percent of the time. Even more, 5.3 percent of flights exceeded 28 passengers. To change back to a nine-seat aircraft would reverse the tremendous progress that has been accomplished in four short years. From 1,500 annual passengers to over 15,400 and does not meet Order 20-1-6's requirements.

18 Roundtrips/week - ERJ-135 with 30 Seats									
MONTH	# OF FLT's	FLT's >15		FLT's > 23		FLT's > 28		Total Paxs	Paxs/Flt
Apr-19	152	72	47.4%	26	17.1%	5	3.3%	2383	15.7
May	154	90	58.4%	25	16.2%	4	2.6%	2722	17.7
Jun	156	89	57.1%	20	12.8%	2	1.3%	2537	16.3
Jul	156	93	59.6%	32	20.5%	7	4.5%	2734	17.5
Aug	160	74	46.3%	12	7.5%	2	1.3%	2545	15.9
Sep	156	72	46.2%	16	10.3%	7	4.5%	2480	15.9
Oct	158	99	62.7%	43	27.2%	16	10.1%	3004	19.0
Nov	150	94	62.7%	44	29.3%	12	8.0%	2675	17.8
Dec	154	111	72.1%	62	40.3%	23	14.9%	3039	19.7
Jan-20	153	72	47.1%	27	17.6%	7	4.6%	2399	15.7
Feb	148	83	56.1%	32	21.6%	8	5.4%	2692	18.2
Mar "*"	160	56	35.0%	21	13.1%	6	3.8%	1672	10.5
	1857	1005		360		99		30882	16.6
Average	161.5	87.4	54.1%	31.3	19.4%	8.6	5.3%	2685	16.6

Figure 3 – Contour Flights

In conclusion, it is clear, the existing EAS proposals do not meet the current level of demand for air service in Tupelo. In addition, upon review, the one EAS proposal, Cape Air, which offers twin engine aircraft, costs \$52,874 more over a two-year contract and provides for 44,757 less seats annually (27,315 vs 72,072) when compared to 14 roundtrip per week with a CRJ200. Although not a prerequisite, Cape Air's proposal for flights to BNA, with all their interline agreements, even adding Southwest Airline's destination, which does not have any interline agreements, offers 73 domestic and international destinations. A proposal Tupelo has received for air service offers

flights to two large Hub airports with 256 combine one-stop destinations – again for \$52,874 dollars less than Cape Air's proposal. According to a recent marketing study prepared by Sixel LLC, April 2020, for Tupelo, the two large hub proposal has a combined PDEW of 65.5 with over 600,000 possible connecting passengers. In summary, two hubs versus one, 3.5 times more destinations with 44,757 additional seat per year, all for less federal funding.

In accordance with the EAS Order for EAS service to Tupelo to maintain the existing level of passenger traffic; and, to have the seat capacity to meet the 16.6 passenger per flights Tupelo has demonstrated for the past 12 months, the TAA's Board rejects all the existing EAS proposals received and requests that DOT EAS allows TAA to remain in the Alternate EAS program, as permitted by 49 U.S.C. § 41745 and USDOT's Order establishing alternate EAS dated July 27, 2004, beginning October 1, 2020.

If you have any comments, questions or need additional information, please contact Cliff Nash, Executive Director, at c.nash@flytuelo.com or by phone (662) 638-6713.

Sincerely,



Larry C. Decker
TAA Board Chairman

Cc: Kevin Schlemmer, USDOT
Dockets Operations and Media Management, USDOT