



Proposal of Hyannis Air Service, Inc., dba Cape Air to provide subsidized Essential Air Service for:

<u>City</u>	<u>DOT Docket</u>
Marion/Herrin, IL	DOT-OST-2000-7881
Quincy, IL	DOT-OST-2003-14492
Cape Girardeau, MO	DOT-OST-1996-1559

To/From Lambert - St. Louis International Airport

With codeshare of **American Airlines**



Hyannis Air Service, Inc., dba Cape Air
Attn: Andrew Bonney, 660 Barnstable Road, Hyannis, MA 02601
(508) 862-9719

June 4, 2015

Cape Air has grown from a single aircraft and route in 1989 to America's largest commuter airline today

Key facts

- First route was Boston – Provincetown, begun in October 1989 with one aircraft
- Today's fleet
 - 83 Cessna 402s in four regions
 - Four Britten-Norman Islanders
 - Two ATR-42s in Micronesia
- Operating up to 550 flights daily
- In 2014 flew 750,000 passengers
- Stable, mature and growing company

Cape Air: Leading the pack nine at a time



Photo courtesy Mark Garfinkel (August 7, 2000, Boston)

Cape Air began service in 1989 with three aircraft...

Cape Air Begins Service From P'Town

Cape Air has begun operation of its scheduled commuter airline service between the Provincetown Airport and Boston's Logan Airport.

Cape Air's fall/winter schedule offers three to four daily departures from Provincetown and three to four departures from Gate No. 28, lower level of American Airlines Terminal B in Boston.

Cape Air is a division of Hyannis Air Service, Inc., an air charter service and fixed base operator at the Barnstable Municipal Airport in Hyannis. For more information, call 1-800-352-0714 or 775-8171.



...And one route: Boston – Provincetown

Original Cape Air route map



November 1989 schedule

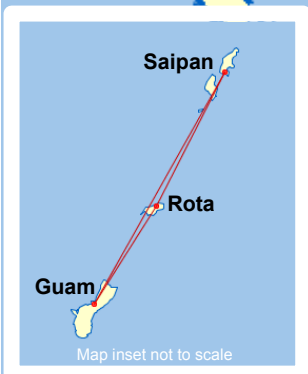
Proud to be America's
premier commuter
airline!

Cape Air Routes

2Q15

----- Denotes seasonal service

Micronesia



Havre
Glasgow
Wolf Point
Sidney
Glendive
Billings

Kirkville
Quincy
St. Louis
Ft. Leonard Wood
Marion
Cape Girardeau
Owensboro

Massena
Ogdensburg
Saranac Lake
Rutland
Albany
Providence
White Plains
Manhattan
Block Island
Augusta
Lebanon
Bar Harbor
Rockland
Boston
Provincetown
Hyannis
Nantucket
Martha's Vineyard
New Bedford

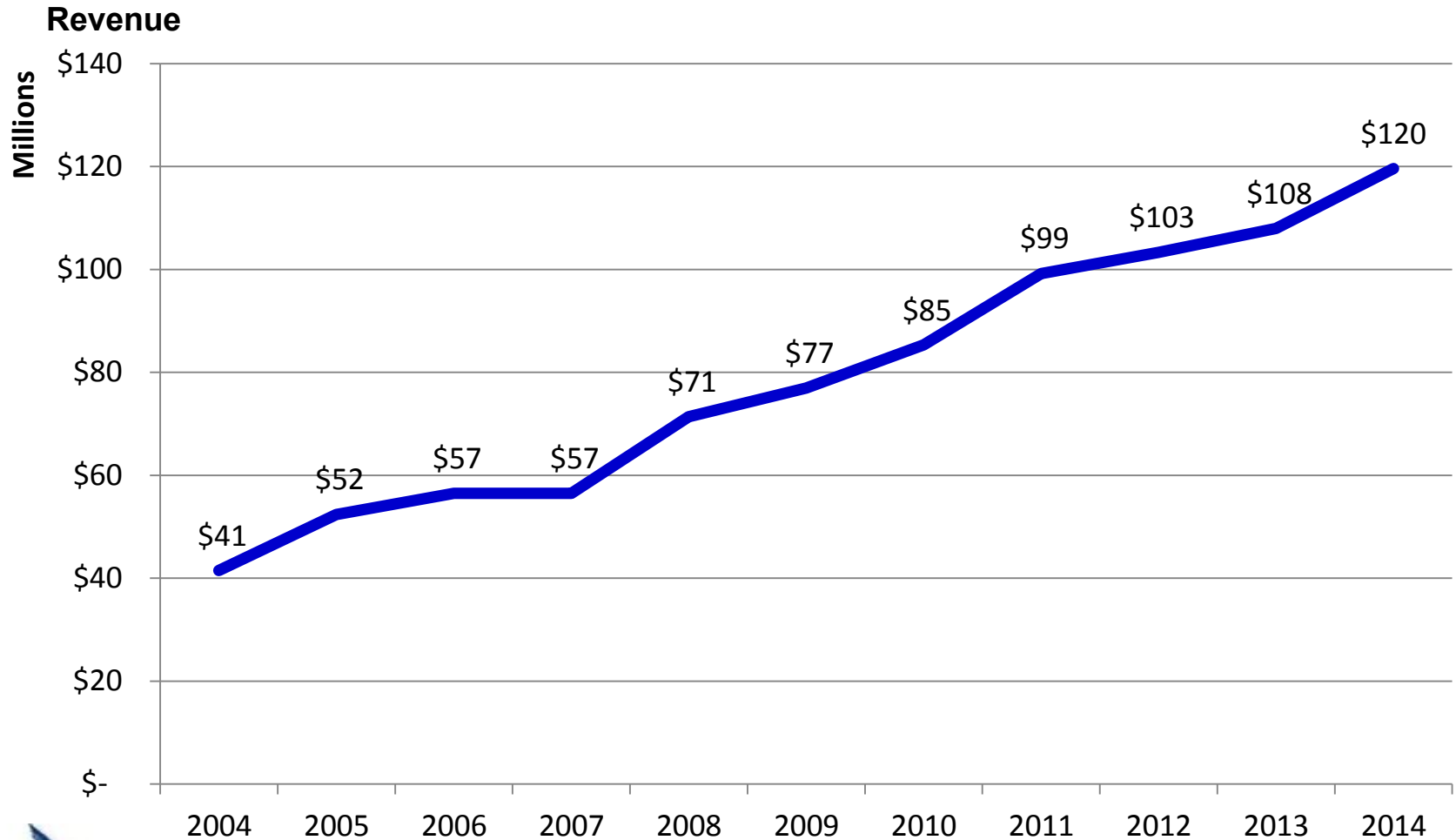
San Juan
Culebra
St. Thomas
Tortola
Virgin Gorda
Mayaguez
Vieques
St. Croix
Anguilla
Nevis



Cape Air 2015

- Annual revenue of \$120M
- 44 airports served, 20 in EAS
- **America's premier commuter airline!**

Cape Air has grown steadily for ten years



One of Cape Air's unique features is interline connections with all of the legacy airlines plus JetBlue






U-S AIRWAYS



Cape Air codeshares with American and United

Codeshare highlights

- Cape Air operates flights in Micronesia as **UNITED EXPRESS** 
- Flights in the Caribbean have **UNITED**  code
- Flights in the Midwest operate with the code of **American Airlines** 



Itineraries connecting between Cape Air and United are available on united.com

OUR LOWEST FARES

Buy Now — limited tickets at our lowest price

With Stops

from

\$319

Flexible Fare

from



\$506

First Cabin

from

\$576

Fares listed are for the entire trip per person and include [taxes and fees](#). [Additional bag charges may apply](#).
 The fare displayed is the lowest available for the dates requested; however some flights may not be in the cabin you requested.
 United flights include those operated by our Express partners.

Price	Departing	Arriving	Travel Time	Distance*	
Partner Flights with stops from \$319					
from \$319 4 tickets at this price Select 	Depart: 6:00 a.m. Fri., Dec. 18, 2015 Quincy, IL (UIN)	Arrive: 6:46 a.m. Fri., Dec. 18, 2015 St. Louis, MO (STL)	Flight Time: 46 mn	Distance: 94 m	Flight: 9K1140 Operated by Cape Air. Aircraft: Cessna 402 Fare Class: Economy (M) Meal: None See On-Time Performance
	Change Planes. Connect time in St. Louis, MO (STL) is 1 hour 44 minutes.				
	Depart: 8:30 a.m. Fri., Dec. 18, 2015 St. Louis, MO (STL)	Arrive: 11:48 a.m. Fri., Dec. 18, 2015 New York/Newark, NJ (EWR - Liberty)	Flight Time: 2 hr 18 mn Travel Time: 4 hr 48 mn	Distance: 872 m Total Distance: 966 m	Flight: UA4693 Operated by EXPRESSJET AIRLINES DBA UNITED EXPRESS. Aircraft: Embraer RJ145 Fare Class: United Economy (V) Meal: Snacks for Purchase No Special Meal Offered. See On-Time Performance View Seats
Note: Flight 1140 is serviced by a non-jet equipment type. Wheelchairs cannot be accommodated in the cargo hold on flight 1140 due to the equipment type being used.					
from \$319 4 tickets at this price Select 	Depart: 6:00 a.m. Fri., Dec. 18, 2015 Quincy, IL (UIN)	Arrive: 6:46 a.m. Fri., Dec. 18, 2015 St. Louis, MO (STL)	Flight Time: 46 mn	Distance: 94 m	Flight: 9K1140 Operated by Cape Air. Aircraft: Cessna 402 Fare Class: Economy (M) Meal: None See On-Time Performance
	Change Planes. Connect time in St. Louis, MO (STL) is 3 hours 14 minutes.				
	Depart: 10:00 a.m. Fri., Dec. 18, 2015 St. Louis, MO (STL)	Arrive: 1:38 p.m. Fri., Dec. 18, 2015 New York/Newark, NJ (EWR - Liberty)	Flight Time: 2 hr 38 mn Travel Time: 6 hr 38 mn	Distance: 872 m Total Distance: 966 m	Flight: UA4099 Operated by EXPRESSJET AIRLINES DBA UNITED EXPRESS. Aircraft: Embraer RJ145 Fare Class: United Economy (V) Meal: Snacks for Purchase No Special Meal Offered. See On-Time Performance View Seats



Over more than 25 years in business Cape Air has invested in the airline features smaller communities need

<u>Feature</u>	<u>Established</u>
Reliability	
Tickets sold through Expedia, Orbitz, Travelocity	
Interline e-ticketing with all legacy airlines	
Checked luggage transfer with all legacy airlines	
TSA security program	

The Cessna 402 is the backbone of Cape Air's fleet



In February 2014 Cape Air added four Britten-Norman Islanders to the fleet to serve niche markets with extremely short runways

Cape Air's Britten-Norman Islander



Cape Air operates two cabin-class ATR-42s in Micronesia for United Express configured with 46 passenger seats



Cape Air's total fleet is comprised of 90 aircraft

Cape Air fleet

Cessna 402s

On line	75
Purchased Nov. 2014	7
Project	1
Total Cessna 402s	83

Britten-Norman Islander

On line	4
Total Britten-Norman Islanders	4

Cessna 414A (company business only) 1

ATR-42s 2

Grand Total **90**



Cape Air takes environmental sustainability seriously by investing in fuel-saving aircraft technologies and powering its offices with solar panels



Cape Air has its own internal reservations center

Cape Air's Reservations Call Center



800-CAPE-AIR
Never a booking fee!

The key to Cape Air's success is our friendly people...

Daffodil "Daffy" Day at Cape Air Reservations



...And our mantra:

MOCHA HAGoTDI

Cape Air celebrates 25 Years!

September , 2014, Provincetown, Massachusetts

Make
Our
Customers
Happy,
And

Have
A
Good
Time
Doing
It!





Essential Air Service for:

QUINCY, MARION/HERRIN, CAPE GIRARDEAU



Cape Air has had the privilege of serving Quincy, Marion/Herrin and Cape Girardeau since November of 2009

Cape Air's first St. Louis arrival

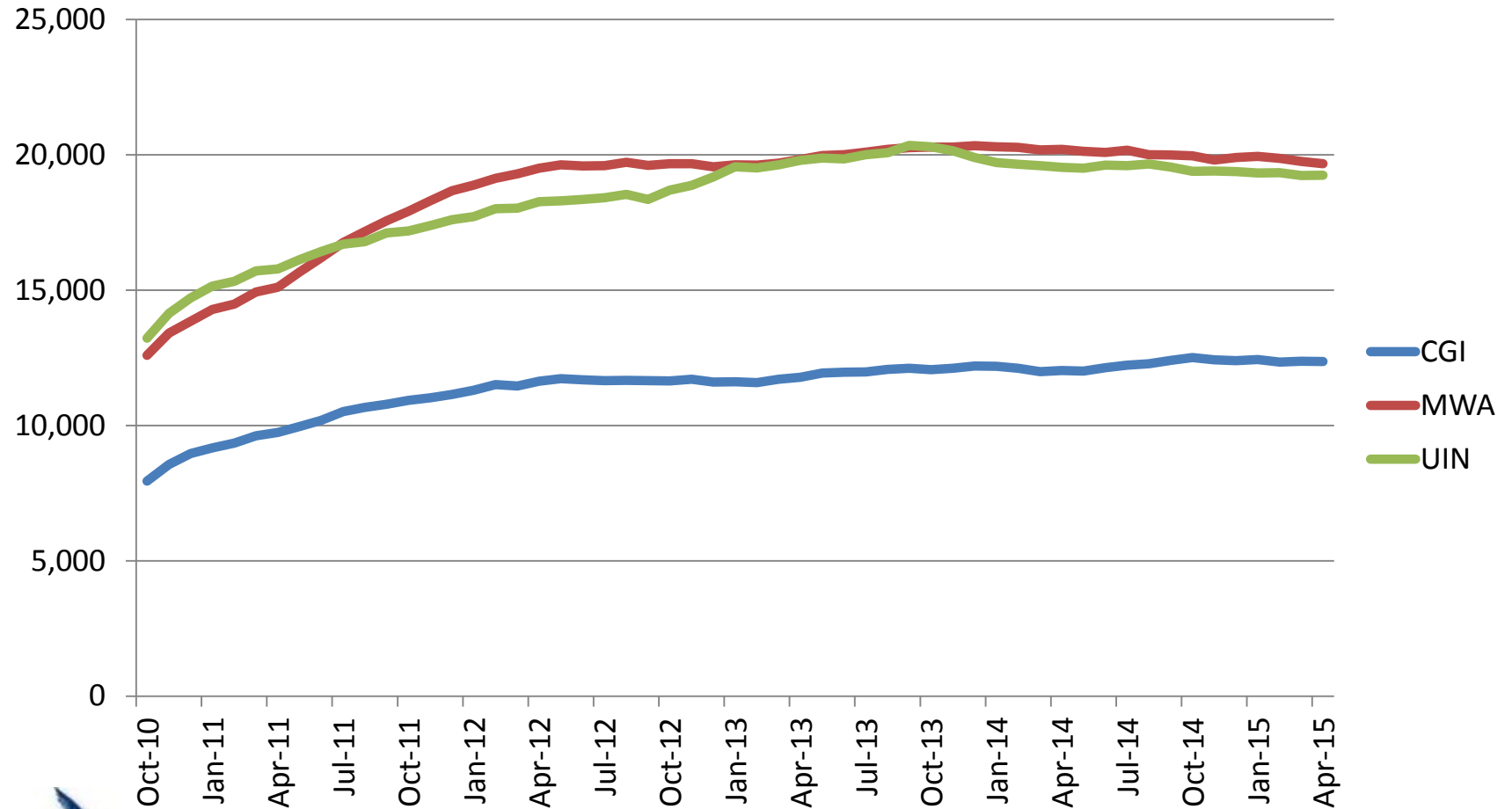
November 8, 2009



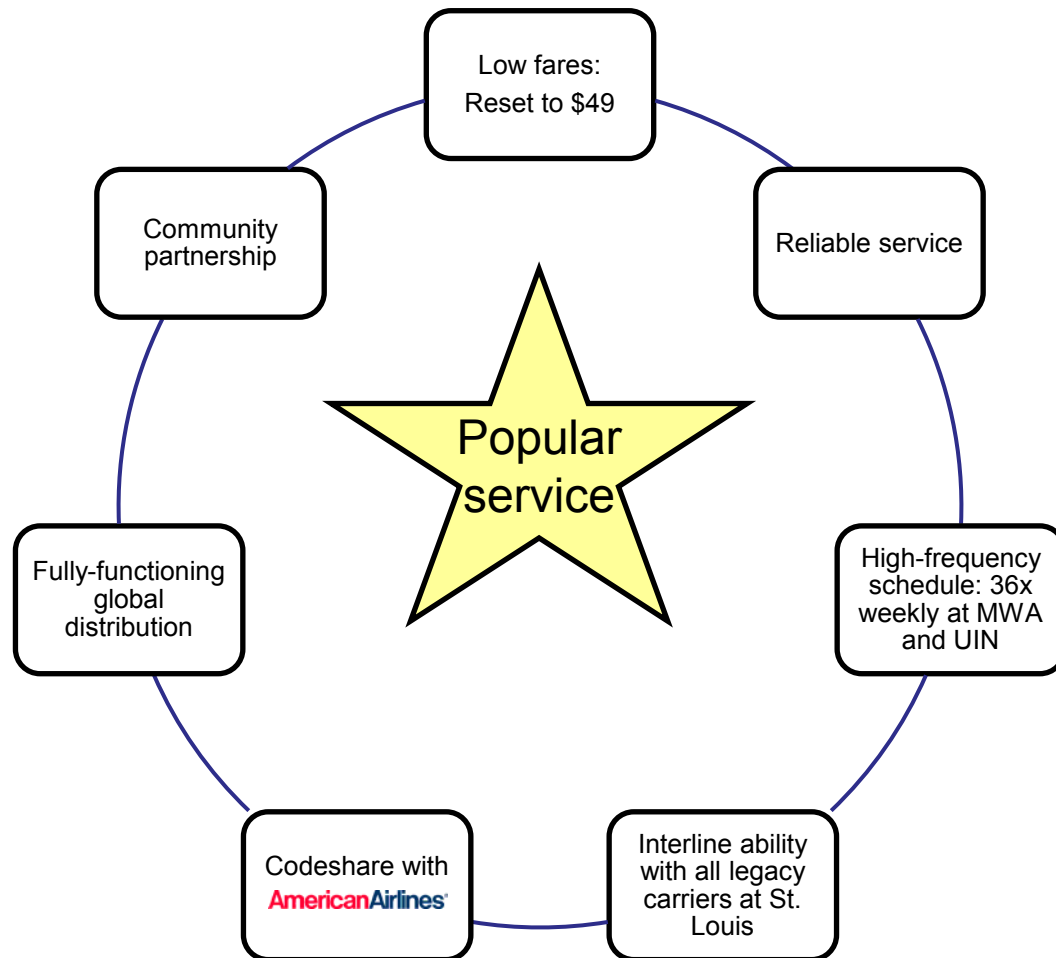
Ridership has returned to and plateaued at healthy levels

STL passengers

Twelve-months ending




The popularity of Cape Air's service is due to complex, inter-related contributions by Cape Air *and* our community partners





American Airlines continues to be extremely supportive of our codeshare relationship in St. Louis that makes each community an “AA” city







St. Louis connecting itineraries are sold on AA's website as American flights

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American Airlines  [Plan Travel](#) [Travel Information](#) [AAdvantage](#) 

[Find Flights](#) [Choose Flights](#) [Travelers](#) [Trip Options](#) [Select Seats](#) [Review & Pay](#) [Finish](#)

 **Dallas/ Fort Worth to Marion**
1 Adult
Tuesday September 15, 2015

Flight	Depart	Arrive
 1290 	Dallas/ Fort Worth (DFW) September 15, 2015 10:15 AM Travel Time : 1 h 43 m Cabin Class : Economy Seat : unassigned	St Louis (STL) September 15, 2015 11:58 AM Booking Code : M Plane Type : M80
 8362 Operated by Hyannis Air Service As Cape Air	St Louis (STL) September 15, 2015 01:05 PM Travel Time : 0 h 49 m Cabin Class : Economy Seat : unassigned	Marion (MWA) September 15, 2015 01:54 PM Booking Code : M Plane Type : CNA

Your Trip Price:
\$310.60 USD
[Baggage and Optional Charges](#)

Fare Amount

Adult
1 × \$271.63 USD \$271.63 USD

Taxes & Carrier-Imposed Fees

Taxes \$38.97 USD

Carrier-Imposed Fees \$0.00 USD

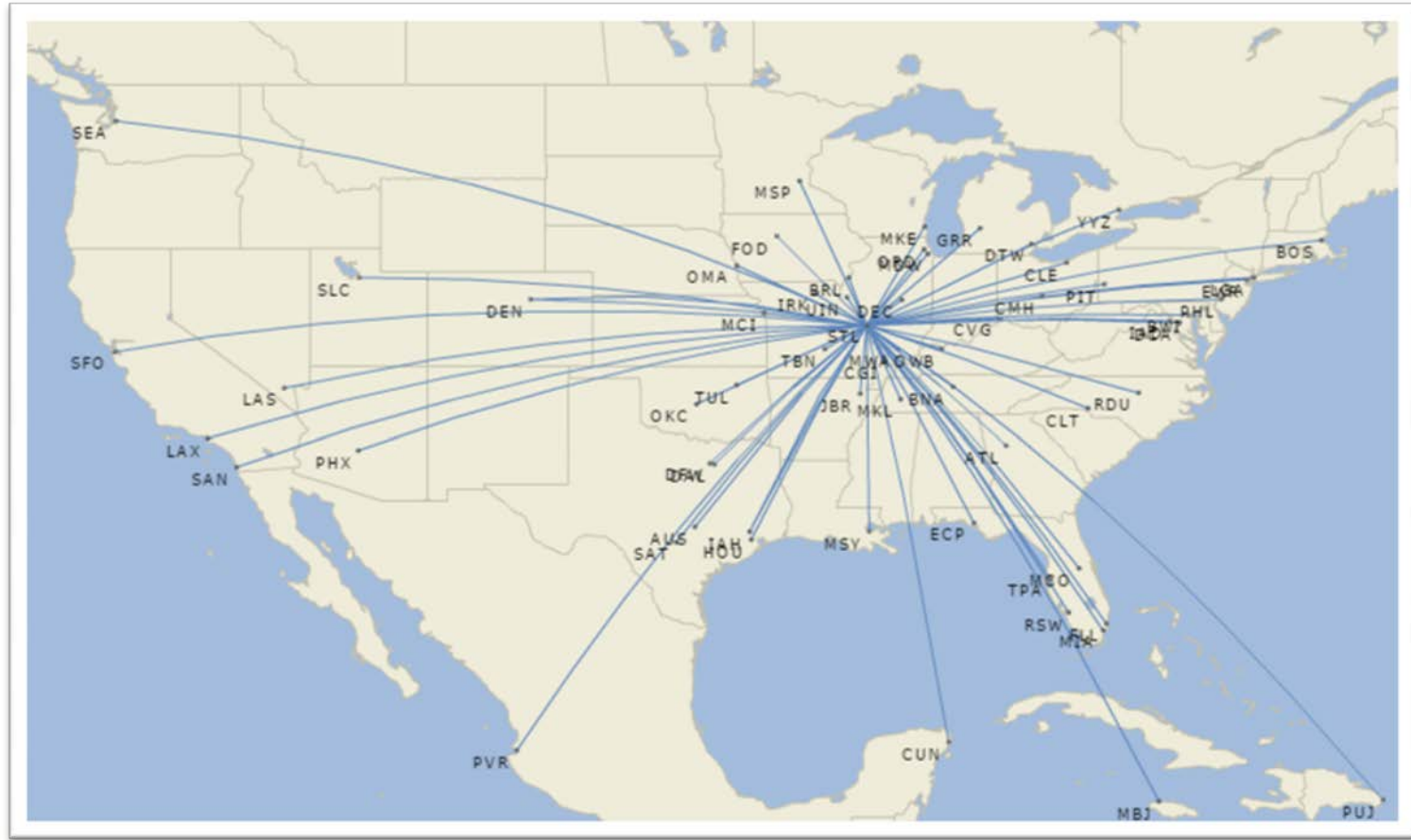
[Price and Tax Information](#)



While St. Louis is no longer the global gateway of 20 years ago, STL still has 1,623 weekly departures to 62 non-stop destinations—including all the major markets

Non-stop St. Louis service

June 2015



Source: OAG

Cape Air's proposal includes a downtown ticket office in each city to enhance airline and airport awareness

City ticket office highlights

- Increases the visibility of the airport and air service within the community
- Provides a welcoming place for people to learn about the air service from a friendly Cape Air agent
- Enables the redemption of targeted promotions, providing wide latitude in marketing the air service
- Enhances the central business district with a vibrant new retail space

Cape Air Ticket Office in Cape Girardeau



Cape Air's proposal includes a ramp-side inter-terminal shuttle, facilitating seamless connections between terminals at St. Louis, *without having to re-clear security*

Cape Air's St. Louis inter-terminal shuttle

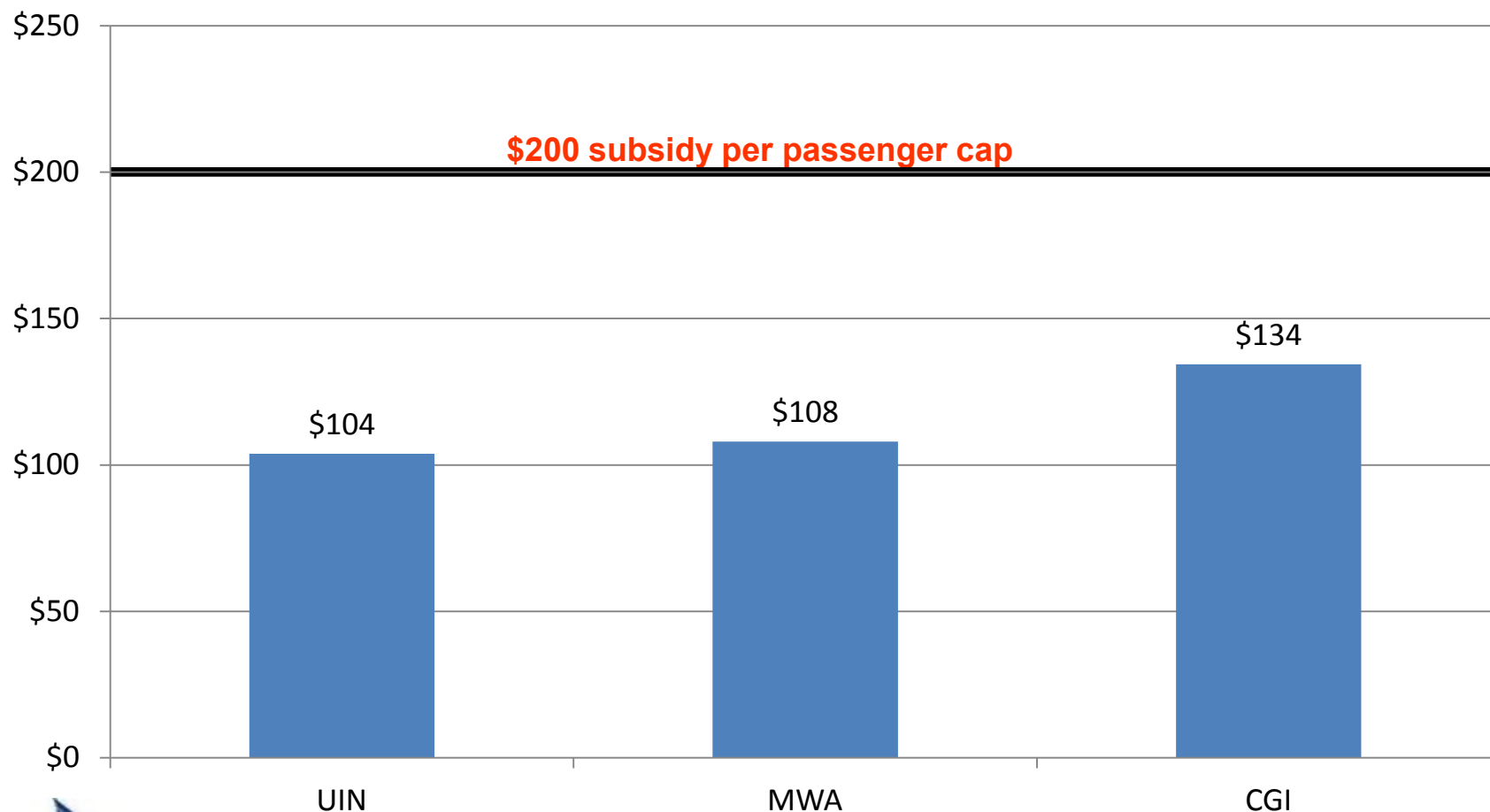


No TSA rescreening to connect between terminals!

Subsidy per passenger is well clear of the U.S. DOT's cap of \$200 per passenger

Cape Air EAS subsidy per passenger

Year ending March 2015



10,000 Enplanements!

Cape Air enplaned more than 10,000 passengers at Quincy and Marion/Herrin in each of the last three years

Quincy's 10,000th passenger of 2013

Michael Troyanovich December 11, 2013



Cape Air proposes a continuation of status quo service for Quincy, Marion/Herrin and Cape Girardeau, and prefers a 4-year reselection at a discount to DOT

Drivers

Drivers	<u>CGI</u>	<u>MWA</u>	<u>UIN</u>
Daily RTs	3.4	5.1	5.1
Pax/Dpt	4.8	5.1	5.1
LF	60%	64%	64%
Fare (net)	\$38.50	\$38.50	\$38.50
Pax Rev/Dpt	\$185	\$197	\$197
Annual Sched Dpts	2,428	3,642	3,642
Annual Pax	12,014	19,222	19,222

Inseparable package of three cities

4-year option preferred

Expenses

Two-year term; discount for 4-year term, preferred, is noted below

	<u>CGI</u>	<u>MWA</u>	<u>UIN</u>
Fuel	\$484,315	\$692,460	\$648,378
Maintenance	\$683,532	\$973,211	\$894,834
Pilots	\$282,085	\$332,064	\$332,064
Ownership	\$167,853	\$236,969	\$215,703
Rents	\$84,749	\$182,325	\$163,486
Staff	\$211,054	\$275,718	\$275,718
Landing Fees	\$175,149	\$162,661	\$160,046
Marketing	\$67,385	\$67,385	\$67,385
Customer Svc.	\$136,529	\$169,846	\$169,846
General & Admin./Other	\$93,829	\$147,214	\$160,209
Operating expense	\$2,386,480	\$3,239,851	\$3,087,669

Return of 5%	\$125,604	\$170,518	\$162,509
Economic Expense	\$2,512,084	\$3,410,370	\$3,250,178
Passenger Revenue	\$448,652	\$717,843	\$717,843
Profit	(\$2,063,432)	(\$2,692,527)	(\$2,532,335)

Year 1	Proposed Subsidy	\$2,063,432	\$2,692,527	\$2,532,335
	Per Departure	\$850	\$739	\$695

Year 1	Discount for 4-year term			
	Proposed Subsidy	\$2,012,928	\$2,626,625	\$2,470,354
	Per Departure	\$829	\$721	\$678



Note: See escalation factors next slide

To align revenue with costs over time
Cape Air proposes a 4% annual escalation factor

Annual subsidy including escalation

Two-year reselection	<u>CGI</u>	<u>MWA</u>	<u>UIN</u>
Year 1	\$2,063,432	\$2,692,527	\$2,532,335
Year 2	\$2,145,969	\$2,800,228	\$2,633,628
Four-year reselection			
Year 1	\$2,012,928	\$2,626,625	\$2,470,354
Year 2	\$2,093,445	\$2,731,690	\$2,569,168
Year 3	\$2,177,183	\$2,840,958	\$2,671,935
Year 4	\$2,264,270	\$2,954,596	\$2,778,812



CAPE GIRARDEAU 4x DAILY OPTION

Cape Air also proposes an option, requested by Cape Girardeau, for service at 4x daily

Drivers

	<u>CGI 4x Daily</u>
Daily RTs	4.0
Pax/Dpt	4.8
LF	60%
Fare (net)	\$38.50
Pax Rev/Dpt	\$185
Annual Sched Dpts	2,831
Annual Pax	13,951

Key points

- 24 weekly departures, the requested frequency, has historically been predicated on two round trips on weekend days, which are no longer off-peak times due to Cape Air's opening of EAS markets to leisure travelers due to the low fares.
- Consistent daily service has proven time and again to generate a disproportionate amount of ridership
- The incremental departures come at a discount, as fixed costs are covered

4-year option
preferred

Expenses: CGI 4x daily service

Two-year term; discount for 4-year term, preferred, is noted below

	<u>CGI 4x</u>
Fuel	\$564,813
Maintenance	\$797,142
Pilots	\$327,564
Ownership	\$167,853
Rents	\$84,749
Staff	\$211,054
Landing Fees	\$204,260
Marketing	\$67,385
Customer Svc.	\$136,529
General & Admin./Other	\$105,106
Operating expense	\$2,666,455

Return of 5%	\$140,340
Economic Expense	\$2,806,795
Passenger Revenue	\$523,223
Profit	(\$2,283,572)

Proposed Subsidy	\$2,283,572
Per Departure	\$807

Discount for 4-year term	
Proposed Subsidy	\$2,227,680
Per Departure	\$787

Year 1
Year 1



Note: See escalation factors next slide

Escalation factors for 4x daily Cape Girardeau service

Annual subsidy including escalation

Two-year reselection	<u>CGI 4x</u>
Year 1	\$2,283,572
Year 2	\$2,374,915

Four-year reselection	
Year 1	\$2,227,680
Year 2	\$2,316,788
Year 3	\$2,409,459
Year 4	\$2,505,837

Cape Air would be honored to be reselected to provide EAS at Quincy, Marion/Herrin and Cape Girardeau

Cape Air features:

- ✓ Full **interline connectivity**, allowing same-ticket connections with the world
- ✓ Codeshare with **American Airlines**
- ✓ Proven track record, making Cape Air a **low-risk option**
- ✓ Global **distribution**
- ✓ Robust **marketing** and local **ticket offices** in the downtown business districts
- ✓ Robust **infrastructure** of a mature commuter airline

**Cape Air: a great choice for EAS
at Quincy, Marion/Herrin and Cape Girardeau**

