



City of Grand Island

Tuesday, March 28, 2017

Council Session

Item I-2

#2017-100 - Consideration of Approving Letter of Support for Essential Air Service (EAS) to the Department of Transportation (DOT)

Staff Contact: Mike Olson, Executive Director of CNRA

Council Agenda Memo

From: Marlan Ferguson, City Administrator

Meeting: March 28, 2017

Subject: Essential Air Service Recommendation

Presenter(s): Mike Olson, AAE, Executive Director
Hall County Airport Authority

Background

The Department of Transportation developed a program entitled Essential Air Service (EAS) several years ago to assure that smaller rural communities would be provided with passenger air service. The program provides subsidies to commercial air carriers to offset the cost of offering such service in areas where ridership cannot be to the level to achieve profitability. This program is intended to help small communities in economic development, community development and population stabilization. Hall County has benefited from this program over the last few years by assuring that the area continued flight service for citizens and businesses.

Every two years the Department of Transportation asks for proposals from air carriers for the various EAS communities for the continuation of air service. One proposal from American Airlines was submitted for the Central Nebraska Regional Airport. A summary of the proposal is attached for City Council review.

Discussion

The Airport Authority Board, in a letter to Mayor Jensen, is requesting concurrence from the City for the formal request to the Department of Transportation for the Essential Air Service. This is a requirement of the DOT on matters such as this.

On March 15, 2017 the Hall County Airport Authority conducted a public meeting to discuss the bids for Essential Air Service to Grand Island, NE. The Hall County Airport Authority is recommending American Airlines to the Department of Transportation (DOT) for air service for the Central Nebraska Regional Airport under the Essential Air Service Program.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council accept the recommendation of the Hall County Airport Authority Board submitted by American Airlines and authorize the Mayor to send a letter to the Department of Transportation expressing support of such proposal.

Sample Motion

Move to accept the recommendation of the Hall County Airport Authority Board submitted by American Airlines and authorize the Mayor to send a letter to the Department of Transportation expressing support of such proposal.



March 15, 2017

Mayor Jeremy Jensen
City of Grand Island
PO Box 1968
Grand Island, NE 68802

Dear Mayor Jensen:

Today, the Hall County Airport Authority adopted Resolution 17-17 to make the following recommendation to the Department of Transportation (DOT) for air service at the Central Nebraska Regional Airport under the EAS program (Docket No. DOT-OST-2002-13983):

Air service with American Airlines to provide two daily nonstop roundtrips from the Central Nebraska Regional Airport in Grand Island, NE (GRI) to Dallas/Fort Worth International Airport (DFW) in Dallas/Fort Worth, TX.

American Airlines is requesting the flexibility to substitute use of a 50-seat, 65-seat, or 76-seat regional jet aircraft, or equivalent aircraft onto the route when dictated by scheduling constraints.

The term is a two-year period from July 1, 2017 through June 30, 2019.

The Hall County Airport Authority Board respectfully requests concurrence from the City Council in our support for American Airlines to Dallas/Fort Worth Texas International Airport, and a letter of support from Mayor Jensen recommending the same to the Department of Transportation.

Sincerely submitted,

HALL COUNTY AIRPORT AUTHORITY

Michael J. Olson, AAE
Executive Director

Enclosure

cc: Marlan Ferguson – City Administrator
RaNae Edwards – City Clerk

Hall County Airport Authority

March 11, 2017

Resolution 17- 17

American Airlines Proposal to Provide Essential Air Service at Grand Island, Nebraska.

AUTHORITY ACTION TAKEN: Resolution being the Hall County Airport Authority Board makes the following recommendation to the Department of Transportation (DOT) for air service at the Central Nebraska Regional Airport under the EAS program:

Air service with American Airlines to provide daily nonstop service from the Central Nebraska Regional Airport in Grand Island, NE (GRI) to Dallas/Fort Worth International Airport (DFW) in Dallas/Fort Worth, TX.

American Airlines is requesting the flexibility to substitute use of a 50-seat, 65-seat, or 76-seat regional jet aircraft, or equivalent aircraft onto the route when dictated by scheduling constraints.

The term is a two-year period from July 1, 2017 through June 30, 2019.

For Aircraft E145 50-seat, the Annual Subsidy Requirement is \$907,348.00.

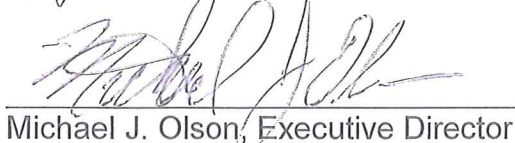
For Aircraft CRJ7 65-seat, the Annual Subsidy Requirement is \$1,256,439.00.

For Aircraft CRJ9 76-seat, the Annual Subsidy Requirement is \$1,396,213.00.

The Hall County Airport Authority agrees to waive the right to hold in American Airlines upon issuance of 120 days-notice to terminate service.



Lynne Werner, Board Chair



Michael J. Olson, Executive Director

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, DC**

Essential Air Service at
Grand Island, Nebraska

Under 49 U.S.C §41731 et seq.

DOT-OST-2002-13983

**AMERICAN AIRLINES' PROPOSAL TO PROVIDE ESSENTIAL AIR SERVICE AT
GRAND ISLAND, NEBRASKA**

American Airlines, a wholly owned subsidiary of American Airlines Group, Inc., respectfully submits its proposal to continue subsidized Essential Air Service to Grand Island, Nebraska. American Airlines seeks to continue service between American's largest hub, Dallas/Fort Worth International Airport ("DFW"), and the Grand Island Regional Airport ("GRI"), with two daily roundtrips. The service would be operated by American Airlines' regional brand, American Eagle, using either a 50 seat, 65 seat or 76 seat regional jet aircraft.

American Airlines regional feed is operated under the American Eagle brand. American Airlines customers have access to 345 cities, 56 countries, and more than 6,900 daily departures. Through our **oneworld** alliance, customers have access to more than 1,010 destinations and 159 countries.

The service proposed by American Airlines continues existing service to American's largest hub, Dallas/Fort Worth International Airport. At DFW, American and American Eagle offer more than 750 daily departures to over 206 destinations, making it one of the largest hubs in the world. This direct access to so many places has helped stimulate traffic to and from Grand Island with significantly easier connecting options than what had been offered to Grand Island travelers prior to our first award of the current Essential Air Service bid.

Grand Island has performed well under subsidized Essential Air Service since American's EAS subsidy award in July 2011, despite regional tendencies to favor OMA and its presence of low-cost carriers. Passenger numbers have increased steadily over the course of our nearly two years operating in the market. We have made great progress in developing air-service Grand Island, and see the influence of the current service geographically redefining the local catchment area. Our current bid reflects our belief that the Essential Air Service subsidy is vital, and the market is on a trajectory to one day be self-sustaining.

Historically, American has served Grand Island with 50-seat regional jet aircraft, however American is in the process of replacing many of these aircraft with larger 65 and 76-seat aircraft as the 50-seat aircraft approach the end of their service life and are retired from our active fleet. As such, American would like to request that the DOT and Grand Island allow us flexibility in

substituting 65-seat Bombardier CRJ700, 76-seat Bombardier CRJ900, or equivalent aircraft onto the route when dictated by scheduling constraints. This will provide operational flexibility to maintain reliable and attractive schedules to the community. American also requests that the DOT and Grand Island waive the right to hold-in American Airlines service upon issuance of 120 days-notice to terminate service. Although our intent is to remain in the GRI market for the long term, we cannot be operationally constrained and kept in a market indefinitely without the ability to adapt to changing circumstances.

We look forward to serving the Grand Island area for many years to come and appreciate the community's and the Department of Transportation's consideration of continued American Airlines service.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Britman", with a long horizontal flourish extending to the right.

Michael Britman
Managing Director
Domestic Schedule & Capacity Planning
American Airlines

EAS Bid Summary

DFW-GRI @ 1 6/7 Daily RT Frequency with a E145

Prepared February-2017

EAS Market

	<u>DFW-GRI</u>
A/C Type	E145
Seats Per Departure	50
Weekly Round Trips	13
Annual Departures (99% completion factor)	1,342
Stage Length (Miles)	561
Block Hours Per Departure	1.9
Annual Block Hours (Factors)	2,487
Estimated Load Factor	76.2%

Passenger Revenue

Average Onboard Fare	\$134.44
Annual Onboard Pax	<u>51,136</u>
	\$ 6,874,910
Annual RPMs ('000s)	37,648
Annual ASMs ('000s)	28,687

Revenue Forecast

	<u>Annualized</u>
Passenger Revenue	\$6,874,910
<u>Other Revenue</u>	<u>\$926,584</u>
Total Revenue	\$7,801,494

Expense Forecast

Direct Expense	\$ 6,318,322
Indirect Expense	\$ 771,962
<u>Aircraft Ownership and Overhead</u>	<u>\$ 965,395</u>
Total Expense	\$ 8,055,679

Profit/(Loss)	\$ (254,184)
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<u>Profit Element</u>	\$ 653,163
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Annual Subsidy Requirement	\$ 907,348
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Subsidy Requirement

Subsidy Per Trip	\$ 676
Subsidy Per Passenger	\$ 18

EAS Bid Summary

DFW-GRI @ 1 5/7 Daily RT Frequency with a CRJ7

Prepared February-2017

EAS Market

A/C Type	CRJ7
Seats Per Departure	65
Weekly Round Trips	12
Annual Departures (99% completion factor)	1,239
Stage Length (Miles)	561
Block Hours Per Departure	1.7
Annual Block Hours (Factors)	2,157
Estimated Load Factor	71.0%

Passenger Revenue

Average Onboard Fare	\$137.21
Annual Onboard Pax	<u>57,176</u>
	\$ 7,845,277
Annual RPMs ('000s)	45,177
Annual ASMs ('000s)	32,076

Revenue Forecast

Passenger Revenue	\$7,845,277
<u>Other Revenue</u>	<u>\$1,105,453</u>
Total Revenue	\$8,950,730

Expense Forecast

Direct Expense	\$ 5,807,050
Indirect Expense	\$ 2,437,314
<u>Aircraft Ownership and Overhead</u>	<u>\$ 1,197,268</u>
Total Expense	\$ 9,441,631

Profit/(Loss)	\$ (490,902)
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<u>Profit Element</u>	\$ 765,538
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Annual Subsidy Requirement	\$ 1,256,439
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Subsidy Requirement

Subsidy Per Trip	\$ 1,014
Subsidy Per Passenger	\$ 22

EAS Bid Summary

DFW-GRI @ 1 5/7 Daily RT Frequency with a CRJ9

Prepared February-2017

EAS Market

A/C Type	CRJ9
Seats Per Departure	76
Weekly Round Trips	12
Annual Departures (99% completion factor)	1,239
Stage Length (Miles)	561
Block Hours Per Departure	1.7
Annual Block Hours (Factors)	2,065
Estimated Load Factor	67.1%

Passenger Revenue

Average Onboard Fare	\$137.21
Annual Onboard Pax	<u>63,133</u>
	\$ 8,662,613
Annual RPMs ('000s)	52,822
Annual ASMs ('000s)	35,417

Revenue Forecast

Passenger Revenue	\$8,662,613
<u>Other Revenue</u>	<u>\$1,220,448</u>
Total Revenue	\$9,883,061

Expense Forecast

Direct Expense	\$ 6,780,864
Indirect Expense	\$ 1,561,015
<u>Aircraft Ownership and Overhead</u>	<u>\$ 2,091,449</u>
Total Expense	\$ 10,433,328

Profit/(Loss)	\$ (550,267)
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<u>Profit Element</u>	\$ 845,946
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Annual Subsidy Requirement	\$ 1,396,213
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Subsidy Requirement

Subsidy Per Trip	\$ 1,127
Subsidy Per Passenger	\$ 22

RESOLUTION 2017-100

WHEREAS, the Central Nebraska Regional Airport has been working diligently to improve the air service options available to central Nebraskans and to increase the number of enplanements from the Central Nebraska Regional Airport; and

WHEREAS, on March 15, 2017, the Hall County Airport Authority Board approved Resolution #17-17 authorizing a recommendation to the Department of Transportation to allow American Airlines to provide two daily nonstop roundtrips from Central Nebraska Regional Airport in Grand Island, NE (GRI) to Dallas/Fort Worth International Airport (DFW) in Dallas/Fort Worth, Texas; and

WHEREAS, the recommendation would serve more passengers in central Nebraska, and would be the best use of federal Essential Air Service subsidies, and

WHEREAS, the City of Grand Island supports the efforts to increase affordable, convenient options for air travel for central Nebraska; and

WHEREAS, increased air traffic to serve central Nebraska would be a valuable asset to the community.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor and City Council of the City of Grand Island hereby pledge their full support, endorsement, and cooperation with the efforts of the Hall County Airport Authority in submitting a recommendation to the Department of Transportation seeking Essential Air Service improvement funding to allow American Airlines to provide two daily round trip nonstop flights to Dallas/Fort Worth International Airport in Dallas/Fort Worth, Texas.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized to send a letter to the Department of Transportation expressing support of such proposal.

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Adopted by the City Council of the City of Grand Island, Nebraska, March 28, 2017.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
March 27, 2017	☐ City Attorney