



# City of Grand Island

Tuesday, April 23, 2019

Council Session

## Item G-14

**#2019-147 - Approving Letter of Support for Essential Air Service (EAS) to the Department of Transportation (DOT)**

Staff Contact: Mayor Roger Steele

# **Council Agenda Memo**

**From:** Mayor Roger G. Steele

**Meeting:** April 23, 2019

**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 April 10, 2019 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.

April 10, 2019

Mayor Roger Steele  
City of Grand Island  
PO Box 1968  
Grand Island, NE 68802

Dear Mayor Steele:

Today, the Hall County Airport Authority adopted Resolution 19-29 being the Hall County Airport Authority Board will make the following recommendation to the Department of Transportation (DOT) for air service in Grand Island under the Essential Air Service program:

American Airlines will provide 13 weekly round trips from the Central Nebraska Regional Airport in Grand Island, NE (GRI) to Dallas/Fort Worth International Airport (DFW) in Dallas/Fort Worth, TX, utilizing a E140 44 seat jet.

The term is for a two-year period from July 1, 2019 through June 30, 2021, with an annual subsidy of \$389,392.00.

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 Steele recommending the same to the Department of Transportation.

Sincerely submitted,

HALL COUNTY AIRPORT AUTHORITY



Michael J. Olson, AAE  
Executive Director

MJO:dkp

Enclosures

cc: Brent Clark – City Administrator  
RaNae Edwards – City Clerk

**Hall County Airport Authority**

April 10, 2019

**Resolution 19-29**

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

**AUTHORITY ACTION TAKEN:** Resolution being the Hall County Airport Authority Board will make the following recommendation to the Department of Transportation (DOT) for air service in Grand Island under the Essential Air Service program:

American Airlines will provide 13 weekly round trips from the Central Nebraska Regional Airport in Grand Island, NE (GRI) to Dallas/Fort Worth International Airport (DFW) in Dallas/Fort Worth, TX, utilizing a E140 44 seat jet.

The term is for a two-year period from July 1, 2019 through June 30, 2021, with an annual subsidy of \$389,392.00

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

  
\_\_\_\_\_  
Brian Quandt, Board Chair

  
\_\_\_\_\_  
Michael J. Olson, Executive Director

**ORIGINAL COPY**

**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 a 44 seat ERJ-140 regional jet.

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 are growing with the addition of 15 gates. During the summer of 2019, American and American Eagle will offer approximately 900 departures to nearly 225 non-stop destinations from DFW. This direct access provides the community of Grand Island and its visitors unparalleled connecting opportunities across the world.

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. We have continually reduced our bid amount as our service to GRI matures. As part of our bid, we are reducing the annual subsidy requirement by 57% from our previous bid award.

As part of our bid to continue service to GRI, we are changing proposed equipment types to the ERJ-140. This airplane has 6 less seats than the ERJ-145 (which was the equipment awarded in our last bid). We are making this change as we have redistributed equipment types with our regional operators across our network. We may continue to substitute a larger airplane with more capacity or add additional frequencies as we have done recently.

American 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,



Jason Reisinger  
Managing Director  
Global Planning – Network Planning  
American Airlines

# EAS Bid Summary

## DFW-GRI @ 1 6/7 Daily RT Frequency with a E140

*Prepared March-2019*

<u>EAS Market</u>	<u>DFW-GRI</u>
A/C Type	E140
Seats Per Departure	44
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)	2,411
Estimated Load Factor	78%
<u>Passenger Revenue</u>	
Average Onboard Fare	\$ 136.13
Annual Onboard Pax	\$ 46,063
	\$ 6,270,313
Annual RPMs ('000s)	25,841
Annual ASMs ('000s)	33,129
<u>Revenue Forecast</u>	<u>Annualized</u>
Passenger Revenue	\$ 6,270,313
<u>Other Revenue</u>	\$ 890,340
<b>Total Revenue</b>	<b>\$ 7,160,653</b>
<u>Expense Forecast</u>	
Direct Expense	\$ 5,609,709
Indirect Expense	\$ 729,761
<u>Aircraft Ownership and Overhead</u>	\$ 833,073
<b>Total Expense</b>	<b>\$ 7,172,543</b>
<b>Profit/(Loss)</b>	<b>\$ (11,890)</b>
<u>Profit Element</u>	<b>\$ 377,502</b>
<b>Annual Subsidy Requirement</b>	<b>\$ 389,392</b>
<u>Subsidy Requirement</u>	
Subsidy Per Trip	\$ 290
Subsidy Per Passenger	\$ 8.45

RESOLUTION 2019-147

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 April 10, 2019, the Hall County Airport Authority Board approved Resolution #19-29 authorizing a recommendation to the Department of Transportation to allow American Airlines to provide 13 weekly round trips 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 13 weekly 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, April 23, 2019.

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Roger G. Steele, Mayor

Attest:

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RaNae Edwards, City Clerk

Approved as to Form	☐ _____
April 19, 2019	☐ City Attorney