



City of Grand Island

Tuesday, January 24, 2023

Council Session

Item I-2

#2023-30 - Consideration of Approving Letter of Support for Essential Air Service (EAS) to the Department of Transportation (DOT)

Staff Contact: Michael Olson

Council Agenda Memo

From: Mike Olson, AAE, Executive Director

Meeting: January 24, 2023

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. A 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 Steele, 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 January 18, 2023 the Hall County Airport Authority conducted a public meeting to discuss the bid for Essential Air Service to Grand Island, Nebraska. 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.



January 18, 2023

Roger Steele, Mayor
City of Grand Island
100 East First Street
Grand Island, NE 68801

Dear Mayor Steele:

Today, the Hall County Airport Authority adopted Resolution 23-02 recommending the American Airlines Proposal to provide continued Essential Air Service between Dallas/Fort Worth (DFW) and Central Nebraska Regional Airport (GRI), to the Department of Transportation.

Service would provide 12 weekly roundtrips using a 65-seat CRJ-700 Regional Jet.

This is a two-year award commencing July 1, 2023, with a subsidy of \$4,999,500.

The Hall County Airport Authority Board respectively requests concurrence from the City Council in our support for American Airlines to DFW, 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: RaNae Edwards – City Clerk

Hall County Airport Authority

January 18, 2023

Resolution 23-02

Recommend American Airlines Proposal for Essential Air Service (EAS) at (GRI) Grand Island, Nebraska.

AUTHORITY ACTION TAKEN: Resolution to recommend the American Airlines Proposal to provide continued Essential Air Service between Dallas/Fort Worth (DFW) and Central Nebraska Regional Airport (GRI), to the Department of Transportation.

Service would provide 12 weekly roundtrips using a 65-seat CRJ-700 Regional Jet.

This is a two-year award commencing July 1, 2023.



Brian Quandt, Board Chair

Michael J. Olson, Executive Director

ORIGINAL

**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 twelve weekly roundtrips.

The service would be operated by American Airlines' regional brand, American Eagle, using a 65 seat CRJ-700 regional jet, which is an increase in the number of seats from prior bid. With the retirement of the 50-seater, American Airlines does not deploy any 50 seater in DFW. This gauge change leads to the offering of 9 Domestic First class seats. We may also continue to substitute a larger airplane with more capacity or add additional frequencies as we have done in the past. Aircraft type will be decided based on market demand and aircraft availability.

We had made great progress in developing air-service Grand Island, and saw the influence of the current service to redefine the local catchment area. Our previous bids reflected our belief that the Essential Air Service subsidy is vital, and the market is on a trajectory to one day be self-sufficient.

As it has been for much of the United States and the World, this has been a very difficult three year period financially for American Airlines, Inc. ("American") and for the aviation industry in general. Following the COVID-19 crisis, we are experiencing a high inflation environment that results in a vast increase in operating cost. Additionally, the Regional Jet pilot shortage reduces drastically the number of aircraft we could schedule and therefore increases the opportunity cost. Our bid reflects these new components.

These are unprecedented times and unfortunately American needs to make changes to improve its financial performance and allow it to protect as many of the over 100,000 team members it employs around the United States and the World.

American Airlines regional feed is operated under the American Eagle brand. American Airlines customers have access to 345 cities, 56 countries, and more than 5,500 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 will offer between 750 and 900 departures to nearly 225 non-stop destinations. This direct access provides the community of Grand Island and its visitors unparalleled connecting opportunities across the world. Additionally, when traffic level would warrant it, American will actively look at adding service to another gateway, which in turn will increase the level of connectivity for the community.

We believe that our success in the past in these communities is demonstrative of the American Airlines network and marketing programs. American Airlines fully intend to communicate on the route on any platform that the Marketing team sees as adequate (Online, Traditional or Social Media) as part of its normal course of action.

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 5/7 Daily RT Frequency with a CRJ-700

Prepared December 2022

EAS Market

DFW-GRI

Stats

A/C Type	CRJ700
Seats Per Departure	65
Weekly Round Trips	12
Annual Departures (99% completion factor)	1,236
Stage Length (Miles)	561
Block Hours Per Departure	1.8
Annual Block Hours (Factors)	2,244
RPMs ('000s)	28,429
ASMs ('000s)	45,053
Estimated Load Factor	63%

Passenger Revenue

Year 1 and 2

Average Onboard Fare	\$125
Onboard Pax	<u>50,675</u>
	\$6,334,357

Revenue Forecast

Year 1 and 2

Passenger Revenue	\$6,334,357
<u>Other Revenue</u>	<u>\$570,092</u>
Total Revenue	\$6,904,449

Expense Forecast

Direct Expense	\$7,190,726
Indirect Expense	\$2,984,800
<u>Aircraft Ownership and Overhead</u>	<u>\$1,383,200</u>
Total Expense	\$11,558,726

Profit/(Loss)

(\$4,654,278)

Profit Element

\$345,222

Subsidy Requirement

\$4,999,500

Subsidy Requirement



Subsidy Per Trip	\$4,046
Subsidy Per Passenger	\$99

Essential Air Service



Michael J. Olson, AAE
Executive Director
Hall County Airport Authority

Current Air Service

-  Phoenix-Mesa, AZ & Las Vegas, NV
Twice-weekly service
-  Dallas Ft. Worth, TX & Beyond
Twice-daily service



Essential Air Service

Historical Perspective

- Started in 1980 as a result of the Airline Regulation Act of 1978.
- Assures small communities have air services albeit federally subsidized contract between DOT and Airline.



Essential Air Service

- January 18, 2023
- Hall County Airport Authority Board adopted Resolution 23-02
- Recommending to the US Department of Transportation
- American Airlines to provide continued Essential Air Service for Grand Island to DFW utilizing a 65-Seat CRJ-700 Regional Jet
- Award is for two-years starting July 1, 2023



Essential Air Service

Other Considerations:

- Connectivity
 - Timing of Connections
 - Connections Available – Our top 20 destinations
- Oversaturation of the market
 - Is proposed service the same as our neighboring airports?
- Brand Loyalty
- Air Fares
- Cost of Proposal





NEBRASKA STATE FLY-IN & AIR SHOW

GRAND ISLAND

JUNE 3, 2023



Sanctioned by:  NEBRASKA
AVIATION COUNCIL

EIGHT RENOWNED ACTS!



Lee Crouch



Vanguard Squadron



Doug Roth



Brian Correll



Brian Freeman



**Air Show
Starts at
1:00pm**



Susan Dacy



Eric Edgren



Bob Richards

- ✦ FOOD TRUCKS
- ✦ CHINOOK TOURS
- ✦ B-29 RIDES
- ✦ STATIC AIRCRAFT DISPLAY
- ✦ VENDOR BOOTHS

FUN FOR EVERYONE!

**GATES OPEN AT 9 AM
\$5 ADMISSION**

WWW.FLYGRANDISLAND.COM



RESOLUTION 2023-30

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 January 18, 2023, the Hall County Airport Authority Board approved Resolution #23-02 authorizing a recommendation to the Department of Transportation to allow American Airlines to provide 12 weekly round trips from Central Nebraska Regional Airport in Grand Island, Nebraska (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 12 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, January 24, 2023.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
January 20, 2023	☐ City Attorney