



City Commission Special Meeting Agenda
Tuesday, September 19, 2017, 5:30 P.M.
City Commission Chambers
325 N. Washington



1. EAS Air Service Carrier Recommendation 2017.

***ADJOURNMENT**



CITY OF LIBERAL
SPECIAL CITY COMMISSION MEETING
SEPTEMBER 19, 2017
AGENDA ITEM # 1

TO: Mayor Joe Denoyer
Vice Mayor Tony Martinez
Commissioner Dean Aragon
Commissioner Jack Carlile
Commissioner Dave Harrison

SUBJ: EAS Air Service Carrier Recommendation 2017

FROM: Debbie Giskie, Airport Manager

DATE: September 18, 2017

The City of Liberal has an opportunity to make a recommendation to the United States Department of Transportation (USDOT) for the Essential Air Service (EAS) air carrier provider for the next two (2) year period beginning late this year or early next year.

History: Peninsula Airways (PenAir) was selected by Liberal and Dodge City in 2016 to provide air service to Denver twice a day for a period beginning September 15, 2016 through October 31, 2018 with annual subsidy amounts of \$1,593,702 each. On August 7, 2017, PenAir filed notice of its intent to terminate service at Liberal and Dodge City, as well as Crescent City, CA and Kearney and North Platte, NE. Subsequently, on August 31, 2017, PenAir notified the City that they would cease service after September 10, 2017 following the resignation of 17 pilots, making it physically impossible to provide service to the five (5) communities listed above.

The USDOT requested proposals from interested air carriers in providing air service to Liberal by September 12, 2017. The City of Liberal received six (6) proposals, that are outlined on the attached Liberal Bid Proposal Comparison spreadsheet, as prepared by aviation consultant, Mike Mooney of Volaire Aviation, who assisted in contacting airlines to gain interest in our community. The comments and notes breakdown the issues with the proposals.

As you know, Garden City has a 50-passenger regional jet with 2 flights daily to Dallas/Fort Worth serviced by American Eagle that begin April, 2012, whereby their monthly enplanements increased from 800 to more than 2,000 passengers. Hays also has

a 50-passenger regional jet serviced by SkyWest to Denver. Attached is a spreadsheet showing the annual enplanements for the region for 2016 and 2017 to-date.

On Monday, September 18, the Airport Advisory Board met to review the spreadsheet, as well as attached bid form and proposed flight schedule submitted by SkyWest. Discussion ranged from concerns about the lack of community trust in Liberal's air service which has been declining from lack of pilots and aircraft experienced in the last few years and the continued need for reliable service. Marketing funds are included in SkyWest's bid proposal, which will be a necessary component in order to be successful.

There is possibly the need for an Environmental Assessment to determine what impact the increased jet noise will have on the community. The FAA will make this ruling based on our history of jet traffic utilizing our Airport. The cost could be upward to \$40,000 for this study, if it is found to be required. Once the carrier has been notified that are recommending their proposal, this process can begin.

The USDOT estimates it could be January or February before air service will continue as their Order will give the air carrier a 90-day period to begin. The sooner we make our recommendation, the sooner air service can begin.

During the ninety-day period, my office will pursue quotes/bids to replace the carpet, paint and update the interior of the Terminal Building with a larger television in the lobby, install a baby changing table in the women's restroom, update the water fountain and seating arrangements.

Staff Recommendation: For the City Commission to make a recommendation to the US Department of Transportation for the EAS air carrier provider for the next two (2) year period and to authorize the Mayor to sign the recommendation letter.

Enclosures

LIBERAL BID PROPOSAL COMPARISON SEPT 2017

CARRIER	PROPOSAL	HUB	EQUIP	ROUND TRIPS PER DAY	YEAR 1 SUBSIDY	FCST PASS	SUBSIDY PER PASS	NETWORK CODE	T&B	FAA	COMMENTS
SKYVALUE ADI	1	DEN	RJ	2 X	\$5,538,271	12,043	\$459.87	none	ALL	P121	OPTION 8 RON
BOUTIQUE	1	DEN	8-SEAT PC12	3 X	\$3,515,596	10,050	\$349.81	UA	UA	P135	RON SINGLE ENGINE
BOUTIQUE	2	DEN	8-SEAT PC12	4 X	\$4,209,579	13,400	\$314.15	UA	UA	P135	RON SINGLE ENGINE
GREAT LAKES	1	DEN	B1900D	2 X	\$2,321,500	9,750	\$238.10	UA	ALL	P121	RON
KEY LIME	1	DEN	19 seat Metro	2 X WITH DDC	\$1,789,083	3,724	\$480.42	none	none	P121	RON
KEY LIME	2	DEN	19 seat Metro	2 X WITH DDC	\$1,321,479	3,724	\$354.85	none	none	P135	PUBLIC CHARTER AEAS, RON
KEY LIME	3	DEN	30 seat RJ	2 X WITH DDC	\$2,430,444	3,724	\$652.64	none	none	P135	PUBLIC CHARTER AEAS, RON
SILVER	1	DEN	SF340	2 X Loop w LBL	\$2,705,217	5,726	\$472.44	UA	ALL	P121	All or nothing, all five cities, no RON
Kearney selected SkyWest 9/18/17											
SkyWest	1	DEN	RJ	2 X, one via PUB	\$3,747,998	15,000	\$249.87	UA	ALL	P121	RON

Notes

The community can reject all single engine proposals if they wish (Boutique)

The community is not obligated to accept any alternative EAS proposals (Key Lime)

The community can in its letter explain that Great Lakes is not an acceptable air service provider.

Key Lime proposal 1 does not have any codeshare or T&B associated with it and is an aircraft type the company does not currently operate in scheduled passenger service

RJ = 50 passenger aircraft RON = Aircraft on the ground overnight T & B = Ticket & Baggage PUB = Pueblo UA = United Airlines

PROPOSED FLIGHT SCHEDULE FOR
LIBERAL MID-AMERICA REGIONAL AIRPORT

PROPOSED SKYWEST AIRLINES

Effective January or February 2018

DAILY		
<u>DEPARTURES</u>	<u>STOPS</u>	<u>ARRIVALS</u>
6:00 AM LBL	1 STOP PUB	7:25 AM DEN
4:45 PM LBL	NON-STOP	4:55 PM DEN
8:10 PM DEN	1 STOP PUB	11:30 PM LIB



September 12, 2017

Michael Martin
United States Department of Transportation
Office of Aviation Analysis
1200 New Jersey Ave SE
Washington, DC 20590

SkyWest Airlines' Essential Air Service Proposal for Liberal, KS

Dear Mr. Martin:

Attached is SkyWest Airlines' proposal to provide direct air service from Liberal, KS to Denver International Airport.

SkyWest's combination of safe and reliable aircraft, well-timed schedules, and access to one of the world's largest airline networks provides passengers with quality air service and will help drive economic growth in the region. In addition SkyWest has a long history and strong reputation in many EAS communities in the United States.

United Airlines' Network

This service will be marketed as United Express and will feature seamless bookings, connections, and baggage transfers that will access United Airlines' global network. This includes over 5,400 daily flights to more than 370 airports. United is also the largest member of the Star Alliance network, which allows travelers to connect to more than 22,000 daily flights to nearly all parts of the globe. This connectivity makes it simple for passengers to plan their travel and is a key factor in the area's continued economic development.

Superior Aircraft

Service will be provided using the Canadair Regional Jet 200 (CRJ200) 50-seat aircraft. This aircraft has twin jet engines and as a result is both safer and more reliable than single engine aircraft. SkyWest has been named the most reliable CRJ200 operator in North America five times since 2007 and is one of the largest domestic operators of this reliable, comfortable aircraft type. SkyWest operates nearly 200 CRJ200 aircraft and plans to keep this modern, quiet jet aircraft in our fleet for many years to come.

All SkyWest CRJ200 aircraft are serviced by a highly-trained flight attendant and each plane features a restroom, further adding to the comfort and convenience of each passenger's flying experience. SkyWest 50 seat jets have replaced small prop service in a number of markets. These transitions have all stimulated a significant increase in passenger traffic. We expect to see increases in this community as well.

Frequency and Term

As directed by the RFP, we will offer 12 round-trip flights per week for a two year term. Liberal will have 6 nonstop and 6 one-stop round-trip flights each week to Denver. The flight schedule will feature both an AM departure and a PM departure to Denver. Should passenger traffic build to sufficient levels SkyWest reserves the right to convert all one-stop flights to nonstop flights without a change in subsidy. Flights will depart and arrive to facilitate seamless connections to United's large and diverse flight schedule in Denver which will make the service convenient for both business and leisure travelers. With more than 400 United or United Express departures per day, Denver International Airport makes it easy to get to destinations around the country and around the world. Because of these connectivity attributes, as well as the local demand to visit Denver, we expect to see a significant increase in passenger traffic in the community.

All flights are subject to gate availability in Denver. SkyWest also requests that DOT as well as the community to waive the right to hold-in SkyWest Airlines upon issuance of a 120 days' notice to terminate service. Although we do not foresee an issue, and plan on being in the community for many years to come, we cannot be operationally constrained and kept in a market indefinitely, without the ability to adapt to the marketplace.

Summary

SkyWest believes this proposal provides the best overall option for air service with excellent connectivity at Denver International Airport. We will also work with the community and airport partners by dedicating marketing resources to market the flight, ensuring successful increased passenger traffic in the community.

SkyWest is excited about the opportunity to provide jet service in Liberal, KS.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Atkin", written in a cursive style.

Greg Atkin
Managing Director – Market Development
SkyWest Airlines

SkyWest Airlines
Essential Air Service Bid
9/11/2017

	LBL	DEN
Number of round trips per week	12	
Aircraft type	CRJ	
Passenger Revenue		
Passengers	15,000	
Average fare	\$ 79.00	
Revenue	\$ 1,185,000	
Block Time		
Trip block time (minutes)	70	
Total scheduled block time	1,456	
Total completed block time	98% 1,427	
RPMS		
Passengers	15,000	
Stage length	280	
Total RPMs	4,200,000	
ASMs		
Scheduled departures	1,248	
Completed departures	98% 1,223	
Stage length	280	
Available Seats	50	
Total ASMs	17,472,000	
Marketing Costs	\$ 20,000	
Direct operating expenses	\$ 3,586,322	
RPM related	\$ 61,489	
Departure related	\$ 896,806	
ASM related	\$ 162,839	
Total expenses	\$ 4,727,456	
Operating income (loss)	\$ (3,542,456)	
5% profit margin	\$ 205,542	
Annual subsidy requirement	\$ 3,747,998	
SkyWest effective rates per unit		
Cost per trip	\$ 3,865	
Cost per passenger	\$ 274	
SkyWest cost per block hour	\$ 3,313	
Effective Subsidy rate per unit		
Subsidy per trip	\$ 3,064	
Subsidy per passenger	\$ 250	
Load factor	24%	

City council votes 5-0 for SkyWest Airlines as next Kearney carrier

- By AMANDA PUSH Hub Staff Writer
- Sep 18, 2017 Updated 2 hrs ago

KEARNEY — The Kearney City Council chose SkyWest Airlines to be Kearney's new Essential Air Service provider.

At a special Monday morning meeting, city council members voted 5-0 to recommend the airline to the U.S. Department of Transportation for a two-year service contract.

Seven carriers submitted 17 proposals to the DOT. Other airlines that submitted proposals were Air Choice One, Boutique Air, Great Lakes, Key Lime Air, Silver Airways and SkyValue Airways. The DOT is expected to award the EAS contract in late September or early October.

"We looked at some key things. ... One is co-chair with United Airlines. We feel that that's important that we have the ability to do that," Mayor Stan Clouse said. "We feel in the long run regional jet service should be our vision and has been for a long time.

City officials were forced to scramble and start the hunt for a new airline after Peninsula Airways, Kearney's current provider, declared bankruptcy in August — just 10 months after the city approved a two-year lease with the Anchorage, Alaska based carrier. The air service gave notice at the beginning of August that it intended to discontinue commercial air service in Kearney within 90 days. PenAir replaced longtime provider Great Lakes Aviation, which had struggled with inconsistent service and falling passenger numbers.



LIBERAL MID-AMERICA REGIONAL AIRPORT

GREAT LAKES AIRLINES Beech 1900D through 9/14/16 and PENNAIR effective 9/15/16 to DENVER, CO
Commercial Flights

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-16yid	w/charter
0	Landings	35	43	47	36	40	41	49	0	0	0	0	0	291	-28%	892
1	Enplaned	61	114	143	97	165	133	110	0	0	0	0	0	823	-30%	
7	Deplaned	72	101	131	109	168	150	134	0	0	0	0	0	865	-28%	

Avg monthly enplanements over last 12 months = 133

345 less yid prev yr

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-15yid	w/charter
0	Landings	67	60	65	61	57	36	59	51	55	51	46	49	657	7%	2,092
1	Enplaned	165	151	205	179	192	139	137	166	162	119	158	169	1942	-21%	
6	Deplaned	177	155	204	177	212	133	141	188	145	136	160	135	1963	-24%	

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-14yid	w/charter
0	Landings	44	56	65	62	61	45	42	42	51	49	51	44	612	1%	2,499
1	Enplaned	166	201	267	198	246	223	211	194	195	211	183	161	2456	-29%	
5	Deplaned	193	207	281	220	238	234	221	221	187	244	184	154	2584	-24%	

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-13yid	w/charter
0	Landings	50	45	27	49	57	40	51	46	73	76	45	47	606	-46%	3,627
1	Enplaned	350	323	306	309	369	239	277	210	330	304	200	256	3473	-43%	
4	Deplaned	328	338	280	318	318	242	273	239	307	306	203	227	3379	-49%	

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-12yid	w/charter
0	Landings	102	83	98	97	104	97	106	98	88	91	79	79	1122	7%	6,181
1	Enplaned	416	387	564	486	583	486	623	541	486	526	470	537	6105	12%	
3	Deplaned	484	369	590	478	587	570	653	656	551	568	513	555	6574	16%	

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-11yid	w/charter
0	Landings	82	73	81	73	78	74	100	104	92	101	100	93	1,051	12%	5,814
1	Enplaned	369	404	499	439	581	552	505	443	402	426	488	501	5,609	15%	
2	Deplaned	394	409	461	459	589	530	468	480	384	469	502	499	5,644	14%	

2	Number	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Y-T-D	+/-10	w/charter
0	Landings	78	71	78	77	78	82	77	84	81	80	82	74	942	-1%	5,099
1	Enplaned	309	279	412	340	438	446	439	463	422	409	429	484	4,870	13%	
1	Deplaned	318	317	419	363	433	415	457	475	444	416	454	445	4,956	11%	

Enplanements
Southwest Kansas Regional Airports
2017 Commercial Service Only

	<u>Dodge City</u>	<u>Garden City</u>	<u>Hays</u>	<u>Liberal</u>
January	118	2,099	628	61
February	87	2,134	642	114
March	150	2,388	829	143
April	102	2,075	766	97
May	111	2,493	1,097	165
June	139	2,243	787	133
July	136	2,306	759	110
August	134	2,101	708	122
September				
October				
November				
December				
TOTAL	977	17,839	6,216	945

Enplanements
Southwest Kansas Regional Airports
2016 Commercial Service Only

	<u>Dodge City</u>	<u>Garden City</u>	<u>Hays</u>	<u>Liberal</u>
January	136	2,048	510	165
February	109	1,866	494	151
March	178	2,291	528	205
April	154	2,006	562	179
May	159	2,422	777	192
June	114	2,159	632	139
July	150	2,348	680	137
August	162	2,148	617	166
September	156	2,298	662	162
October	153	2,308	773	119
November	171	2,378	900	158
December	165	2,492	961	169
TOTAL	1,807	26,764	8,096	1,942

September 20, 2017

DRAFT

Mr. Michael D. Gormas
United States Department of Transportation
Office of Aviation Analysis
1200 New Jersey Ave SE
Washington, DC 20590

Re: Essential Air Service (EAS) at Dodge City and Liberal, KS/Guymon, OK
DOT-OST-1998-3498

Dear Mr. Gormas:

The City of Liberal, Kansas is pleased to offer herein its comments and preference for selection of a new Essential Air Service (EAS) carrier for Liberal, Kansas.

First, we wish to thank all six carriers that submitted proposals. We are gratified that our small but dynamic and growing city has drawn so much airline interest. After careful review and analysis, we have the following comments on the various proposals:

Boutique Air proposed two options, each with 8-seat PC12 aircraft and each to Denver. Subsidy ranged from \$5.5 million to \$4.2 million. We are aware that Boutique does an excellent job providing EAS service in many cities. However, our elected officials would prefer to have service from twin engine aircraft and we have those options available to us this bid cycle. We therefore decline to endorse Boutique at this time.

Great Lakes Airlines has submitted a proposal for Denver service with a 19 seat B1900D under what appears to us to be Part 121 specifications for \$2.3 million. Great Lakes struggled for many years to provide reliable air service at our airport, as well as at dozens of airports around the country. While we appreciate the carrier's interest, we see nothing that suggests that the carrier can now, suddenly, be reliable as well as focused on marketing and pricing that will ensure ridership. So we respectfully decline to endorse the Great Lakes proposal.

Key Lime Air has submitted three proposals. Two are with 19-seat Metro aircraft and one is with a 30 seat regional jet. All three are tied to Dodge City. One of the 19-seat Metro proposals and the regional jet proposal require Liberal to opt for the Alternative EAS program. We decline to do that at this time. The third proposal calls for Part 121 air carrier operation of a 19-seat Metro. As best we can figure out Key Lime does not at this time have Part 121 air carrier authority with the Metro nor does the company operation that aircraft type under those rules at this time. Furthermore, Key Lime has no codeshare or ticket and bag agreements in place. We decline to endorse Key Lime at this time.

Silver Airways has made one proposal for \$2.7 million for Part 121 SF340 service paired with Dodge City. The proposal is an all or nothing proposal wherein Dodge City and three cities in Nebraska must also choose the same proposal. The proposal specifically states that Liberal and Dodge City will be looped with no RON aircraft, in other words the same timing pattern that we had with PenAir. That timing pattern did not attract traffic for PenAir and we see no reason why it would with Silver. Silver is a Florida company that has withdrawn from more than a dozen EAS cities in the southeast and northeast US in the past three years. In all cases the EAS communities involved were disappointed with the carrier's reliability and responsiveness to community concerns. We decline to endorse Silver Airways as our EAS provider.

SkyValue (ADI) has made one proposal for a regional jet service to Denver. The subsidy amount varied depending on if other cities chose SkyValue or not. The subsidy amount for the stand-alone service is \$5.6 million and the carrier does not have its own code share or ticket and bag agreement. We are aware that the carrier does a good job serving two EAS cities in South Dakota, however, we decline to endorse SkyValue as our EAS provider.

SkyWest Airlines has made one proposal for Denver service for \$3.75 million per year. Service would have a RON aircraft and one flight per day would be via Pueblo and the other would be nonstop. SkyWest makes this proposal under the brand and code of United Airlines, the primary hub carrier at Denver. SkyWest has an outstanding record of providing EAS service with regional jets nationwide.

After this careful review and analysis, we strongly endorse the proposal of SkyWest to provide our EAS. We look forward to a long and successful relationship with that carrier and the restoration of our air service market with reliable, network branded and coded regional jet service from a proven carrier.

Finally, we wish to thank the Department for its hard work administrating the EAS program. We urge the prompt award of the Liberal EAS contract to SkyWest so that service can begin in our market as soon as possible.

Best regards,

DRAFT

Joe Denoyer, Mayor
City of Liberal, Kansas