

# CITY OF MERCED

*"Gateway to Yosemite"*



## **WELCOME TO YOUR REGIONAL AIRPORT AUTHORITY MEETING OF THE CITY OF MERCED**

### **AUTHORITY MEMBERS**

Larry Morelock-Chair, Alvin Osborn-Vice-Chair, John Sundgren,  
Rodrigo Flores, Ryan Smith, and Michael Bodine.

### **AGENDA**

**7:00 PM  
COUNCIL CHAMBERS  
678 WEST 18<sup>th</sup> STREET  
MERCED, CALIFORNIA**

**TUESDAY  
April 21, 2015**

**([www.cityofmerced.org](http://www.cityofmerced.org))**

STAFF REPORTS OR OTHER WRITTEN DOCUMENTATION RELATING TO EACH ITEM OF BUSINESS REFERRED TO ON THE AGENDA ARE ON FILE IN THE AIRPORT ADMINISTRATION OFFICE OF THE AIRPORT MANAGER. ANY PERSON WHO HAS QUESTIONS CONCERNING ANY AGENDA ITEM MAY CALL THE AIRPORT MANAGER AT (209) 385-6873 TO MAKE INQUIRY REGARDING THE NATURE OF THE ITEM DESCRIBED ON THE AGENDA. PRIOR TO EACH REGULAR REGIONAL AIRPORT AUTHORITY MEETING, A COMPLETE AGENDA PACKET IS AVAILABLE FOR REVIEW IN THE FOYER OUTSIDE THE COUNCIL CHAMBERS AND ON THE CITY'S WEBSITE AT [WWW.CITYOFMERCED.ORG](http://WWW.CITYOFMERCED.ORG). ANY DOCUMENTS PROVIDED TO A MAJORITY OF THE COMMITTEE MEMBERS AFTER THIS AGENDA IS POSTED WILL BE AVAILABLE FOR PUBLIC INSPECTION IN THE CITY CLERK'S OFFICE DURING NORMAL BUSINESS HOURS.

FOR CITIZEN PARTICIPATION INSTRUCTIONS, PLEASE REFER TO THE CITY'S WEBSITE AT [WWW.CITYOFMERCED.ORG](http://WWW.CITYOFMERCED.ORG). A HANDOUT IS ALSO AVAILABLE AT THE MEETING ADJACENT TO THE AGENDA. INDIVIDUAL AGENDA ITEMS MAY BE HEARD IN AN ORDER THAT IS DIFFERENT THAN THEY APPEAR ON THE AGENDA TO ACCOMMODATE MEETING PARTICIPANTS.

**INFORMATION FOR INDIVIDUALS WITH DISABILITIES:**

Accommodation for individuals with disabilities may be arranged by contacting the City Clerk's Office at 209-388-7100.

Assisted Hearing Devices Available for Hearing Impaired  
Teletypewriter (TTY) 209-385-6816

THE PUBLIC HAS THE OPPORTUNITY TO ASK QUESTIONS OR COMMENT AT THE TIME SPECIFIC AGENDA ITEMS ARE CONSIDERED. NORMALLY, EACH AGENDA ITEM WILL HAVE A STAFF PRESENTATION, FOLLOWED BY COMMENTS OR QUESTIONS BY THE AIRPORT AUTHORITY MEMBERS. IF REQUESTED BY AN AUDIENCE MEMBER, THE CHAIRPERSON WILL THEN ALLOW THE PUBLIC TO MAKE COMMENTS OR ASK QUESTIONS. AFTER ANY PUBLIC INPUT, THE AUTHORITY MAY HAVE FURTHER DISCUSSION BEFORE TAKING ACTION TO THE NEXT AGENDA ITEM.

- A. CALL TO ORDER**
- B. ROLL CALL**
- C. WRITTEN PETITIONS AND COMMUNICATIONS**
- D. ORAL COMMUNICATIONS**

AT THIS TIME, ANY MEMBER OF THE AUDIENCE MAY COMMENT ON ANY MATTER NOT LISTED ON THE AGENDA. PLEASE STAND AND STATE YOUR NAME AND ADDRESS FOR THE RECORD. THE AUTHORITY WILL NOT TAKE ACTION ON THE ITEM THAT IS BROUGHT TO THEIR ATTENTION THIS EVENING. IF IT REQUIRES ACTION, IT WILL BE REFERRED TO STAFF AND/OR LISTED ON THE NEXT AUTHORITY AGENDA.

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PLEASE BE BRIEF AND TO THE POINT. AVOID REPEATING WHAT PREVIOUS SPEAKERS HAVE SAID. IF TWO OR MORE INDIVIDUALS ARE HERE AS A GROUP AND WISH TO SPEAK ON ONE SIDE OF AN ISSUE, PLEASE SELECT A SINGLE SPOKESPERSON TO PRESENT YOUR VIEWS.

- E. CONSENT CALENDAR**
  - 1. AIRPORT AUTHORITY MINUTES FOR MARCH 17, 2015.**

*Recommendation: Adopt a motion to approve and file.*
  - 2. AIRPORT AUTHORITY MINUTES FOR JANUARY 13, 2015.**

*Recommendation: Adopt a motion to approve and file.*
  - 3. AIRPORT AUTHORITY MINUTES FOR JULY 15, 2014.**

*Recommendation: Adopt a motion to approve and file.*

**F. REPORTS**

**1. ESSENTIAL AIR SERVICE (EAS)**

*Recommendation: For information only.*

**2. EXTENSION OF RS&H AGREEMENT**

*Recommendation: Adopt a motion to approve.*

**3. AIRPORT MANAGER'S REPORT**

*Recommendation: Discussion as desired by Authority members.*

**G. AUTHORITY BUSINESS**

**1. POSSIBLE INCOMPATIBLE LAND USE ACTIVITY**

*Recommendation: Discussion as desired by Authority members.*

**2. OTHER BUSINESS FROM AUTHORITY MEMBERS**

*Recommendation: Discussion as desired by Authority members.*

**H. ADJOURNMENT:**

TO THE NEXT AIRPORT AUTHORITY MEETING, TUESDAY, MAY 19, 2015, AT 7:00 PM IN THE CITY COUNCIL CHAMBERS, 678 WEST 18<sup>TH</sup> STREET, MERCED, CA 95340.

**MERCED REGIONAL AIRPORT AUTHORITY MEETING**

**MINUTES**

**MERCED CITY COUNCIL CHAMBERS  
678 WEST 18<sup>TH</sup> STREET**

**TUESDAY  
MARCH 17, 2015**

The meeting was adjourned due to lack of a quorum. All agenda items were continued to the regular Regional Airport Authority meeting of April 21, 2015 at 7:00 p.m. in the Merced City Council Chambers.

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Larry Morelock, Chairperson  
Regional Airport Authority

**CITY OF MERCED  
REGIONAL AIRPORT AUTHORITY MINUTES**

**COUNCIL CHAMBERS  
MERCED CIVIC CENTER  
678 WEST 18<sup>TH</sup> STREET  
MERCED, CA**

**TUESDAY  
January 13, 2015**

**A. CALL TO ORDER**

Chair Larry Morelock called the meeting to order at 7:00 p.m.

**B. ROLL CALL**

Members present: Larry Morelock, Alvin Osborn, John Sundgren, and  
Rodrigo Flores

Members absent: Michael Bodine, Russ Cowperthwaite, and Ryan Smith

Staff Present: Janet E. Young, Mike Wegley, and Nancy Lee

**C. WRITTEN PETITIONS AND COMMUNICATION**

None.

**D. ORAL COMMUNICATIONS**

None.

**E. CONSENT CALENDAR**

M/S/C – Flores/Sundgren motioned to approve and file the minutes of December 16,  
as submitted.

**F. REPORTS**

**1. ESSENTIAL AIR SERVICE (EAS)**

The DOT is expecting further conversation with the City of Merced in the near future regarding a contract award. On October 16, 2014, the DOT filed an Order extending Great Lakes Service for Merced and Visalia until a date no later than February 28, 2015, for transition purposes. Conversations continue with Great Lakes Airlines for service by larger aircraft.

## **2. PROPOSED FAA AIRPORT CAPITAL IMPROVEMENT PLAN (ACIP)**

Interim Manager Young described the attached five-year proposed Airport Capital Improvement Plan to be submitted to the FAA. The Airport Authority voted to approve submission of the proposal following discussion.

M/S/C – Sundgren/Osborn

## **3. AIRPORT MANAGER'S REPORT**

Interim Manager Young gave a verbal review of the December 2014 Manager's Report.

## **G. AUTHORITY BUSINESS**

### **1. POSSIBLE INCOMPATIBLE LAND USE ACTIVITY**

None.

### **2. OTHER BUSINESS FROM AUTHORITY MEMBERS**

None.

## **H. ADJOURNMENT**

Chair Morelock adjourned the meeting at 7:20 p.m. until the next Regional Airport Authority meeting on Tuesday, February 10, 2015, at 7:00 p.m. in the Council Chambers at 678 W 18<sup>th</sup> Street, in the Civic Center.

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Larry Morelock, Chair  
Regional Airport Authority

**MERCED REGIONAL AIRPORT AUTHORITY MEETING**

**MINUTES**

**MERCED CITY COUNCIL CHAMBERS  
678 WEST 18<sup>TH</sup> STREET**

**TUESDAY  
JULY 15, 2014**

Chairperson Morelock called for roll to be called at 7:00 p.m.

The meeting was cancelled due to lack of a quorum. All agenda items were continued to (and the meeting was adjourned to) the regular Regional Airport Authority meeting of August 19, 2014, at 7:00 p.m. in the Merced City Council Chambers.

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Larry Morelock, Chairperson  
Regional Airport Authority

To: Regional Airport Authority  
From: Janet E. Young, Interim Airport Manager  
Date: April 21, 2015  
Re: **Essential Air Service (EAS)**

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### **Background**

In early April, the Department of Transportation (DOT) received amended proposals from three of the original group of five airlines bidding to provide EAS service for the Merced Regional Airport. The three airlines are Boutique Air, Great Lakes Airlines, and Seaport Airlines, Inc. The ad hoc subcommittee that interviewed officials from the five airlines last summer re-convened on April 21, 2015, to talk with representatives from the three airlines which submitted amended proposals. The subcommittee will discuss the interviews during the Airport Authority meeting. The views of the Airport Authority will be conveyed to the City Manager, as the City's administrative head of the Merced Regional Airport. The DOT has requested input from the City no later than May 8, 2015. In addition, the DOT filed an Order last week extending Great Lakes service for Merced through September 30, 2015.

Lee, Nancy

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**From:** [Scott.Faulk@dot.gov](mailto:Scott.Faulk@dot.gov) [mailto:[Scott.Faulk@dot.gov](mailto:Scott.Faulk@dot.gov)]  
**Sent:** Wednesday, April 08, 2015 10:34 AM  
**To:** Young, Janet; Wegley, Michael; Bramble, John  
**Cc:** [Kevin.Schlemmer@dot.gov](mailto:Kevin.Schlemmer@dot.gov)  
**Subject:** Requesting Community Comments re: EAS at Merced, CA

Greetings All:

I would like to update you on the Essential Air Service (EAS) situation at Merced, as well as give you an opportunity to offer any comments for the formal record before we submit a recommendation to the Assistant Secretary for Aviation and International Affairs. On March 27, 2015, one of the air carriers that submitted a proposal to serve Merced for a new term requested a modification to its proposal. The Department found it to be in the public's interest to grant the modification request, and in order to continue to provide a fair carrier selection process, the Department offered all carriers that originally proposed service at Merced, in response to Order 2014-5-9, an opportunity to amend their proposal. Amended proposals were due by April 6, 2015. Boutique Air, Great Lakes Aviation, and SeaPort amended their proposals; Makani Kai and Mokulele did not amend their proposals. All five proposals for consideration are attached to this email and I expect them to be uploaded on [www.regulations.gov](http://www.regulations.gov) sometime this afternoon. I request that you review the proposals and submit any comments you may have as soon as possible, but no later than May 8, 2015. Please send your comments directly to me via e-mail at [scott.faulk@dot.gov](mailto:scott.faulk@dot.gov). Also, please forward this to all relevant parties that I have not included on the distribution list.

If you have any questions, feel free to contact me.

Regards,  
Scott Faulk  
U.S. Department of Transportation  
EAS & Domestic Analysis Division  
1200 New Jersey Ave., SE  
Washington, DC 20590  
202-366-9967



**UNITED STATES OF AMERICA  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 7<sup>th</sup> day of April, 2015

Essential Air Service at

**MERCED, CALIFORNIA**

Under 49 U.S.C. § 41731 *et seq.*

**DOT-OST-1998-3521**

**ORDER TEMPORARILY EXTENDING CURRENT CONTRACT**

**Summary**

By this Order, the Department is extending the current contract for Great Lakes Aviation, Ltd. (“Great Lakes”) to provide Essential Air Service (“EAS”) at Merced, California, from March 1, 2015, through September 30, 2015, as described in Order 2012-9-9. By further Order, the Department may terminate this rate term before, or extend it beyond, September 30, 2015, as explained in this Order and pursuant to 49 U.S.C. §§ 41734 and 41737(d). Great Lakes will continue to provide Merced with 12 weekly nonstop round trips to Los Angeles International Airport (LAX), at an annual subsidy rate of \$2,779,116.<sup>1</sup>

**Background**

By Order 2012-9-9, issued on September 10, 2012, the Department re-selected Great Lakes to provide subsidized EAS at Merced using Beechcraft 1900 aircraft, for the two-year period from October 1, 2012, through September 30, 2014. By Order 2014-10-15, issued on October 16, 2014, the Department extended that contract, and amended the subsidy rate, from October 1, 2014, through February 28, 2015. Under that contract, Great Lakes has provided Merced with 12 weekly nonstop round trips to LAX, at an annual subsidy rate of \$2,779,116.

As the end of that rate term approached, the Department issued Order 2014-5-9, on May 21, 2014, requesting proposals from air carriers interested in providing EAS at Merced for a new term, with proposals due no later than June 27, 2014.

On June 26, 2014, Mokulele Airlines requested an extension to that deadline, until July 11, 2014. In that request, Mr. Ron Hansen, Chief Operating Officer of Mokulele Airlines, explained that the air carrier needed additional time to evaluate the market. By Notice dated June 26, 2014, the Department granted the extension request and set the due date for proposals at July 11, 2014. On that date, five air carriers submitted proposals to serve Merced: Great Lakes, Boutique Air, Makani Kai Air, SeaPort Airlines, Inc., and Mokulele Airlines.

<sup>1</sup> Subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

Those proposals, as well as the complete public file for EAS at Merced, may be accessed online through the Federal Docket Management System at <http://www.regulations.gov>, by entering “DOT-OST-1998-3521” in the “SEARCH for: Rules, Comments, Adjudications or Supporting Documents:” field.

### **Community Comments**

On July 14, 2014, the Department requested community comments regarding this air carrier selection case. On August 14, 2014, the community of Merced requested an extension of the deadline to submit formal comments. On August 15, 2014, the Department granted the extension requests and set the due date for formal comments at September 29, 2014.

By letter dated September 29, 2014, the Department was notified by Mr. John Bramble, Merced City Manager, and Mr. Larry Morelock, Chair of the Merced Regional Airport Authority, that the community had considered the various merits of each air carrier’s proposal; however, the city had not yet reached a conclusion as to which air carrier it intends to recommend for this carrier-selection case.

On February 20, 2015, the Department participated in a telephone conference with Ms. Janet Young, Interim Manager at Merced Regional Airport, to determine which of the five proposals the community supports. Ms. Young explained that the community is in discussions with the applicants regarding the service proposals submitted for consideration. During that conversation, Ms. Young requested additional time to submit formal comments. Given that the Department has not finalized this carrier selection case by the end of the rate term established by Order 2012-9-9, and in accordance with 49 U.S.C. § 41734(c), the Department must extend Great Lakes’ EAS contract until this carrier selection case has concluded.

### **Subsequent Developments**

On March 27, 2015, one of the air carriers that submitted a proposal to serve Merced for a new term requested a modification to its proposal. The Department found it to be in the public’s interest to grant the modification request, and in order to continue to provide a fair carrier selection process, the Department offered all carriers that originally proposed service at Merced, in response to Order 2014-5-9, an opportunity to amend their proposal, if they so choose. Any amended proposals are due by April 6, 2015. The Department will request formal comments from the community on expedited bases and conclude the carrier selection case soon thereafter.

### **Legislative Changes That May Affect Future EAS Eligibility at Merced**

The Federal Aviation Administration (FAA) Modernization and Reform Act of 2012 (Public Law No: 112-95) amended 49 U.S.C. § 41731(a)(1)(B) to change the definition of “eligible place” for the purpose of receiving EAS. The amendment states that to be eligible, a community must maintain an average of 10 enplanements or more per service day, as determined by the Secretary, during the most recent fiscal year beginning after September 30, 2012. The legislation exempts locations in Alaska and Hawaii and communities that are more than 175 driving miles from the nearest large- or medium-hub airport. As Merced is within 175 miles of Mineta San Jose International Airport (SJC), a medium-hub airport, it must meet the 10-enplanement-a-day threshold for EAS to continue after FY2013 or otherwise face termination of its eligibility to receive EAS, barring a waiver from the Secretary.

Additionally, the Department is prohibited from subsidizing air service at a community where the subsidy per passenger exceeds \$200, unless the community is more than 210 highway miles from the nearest large- or medium-hub airport. This applies to Merced due to the fact that it is located less than 210 miles from SJC, a medium-hub airport.<sup>2</sup>

By Order 2014-4-26, issued on April 24, 2014, the Department issued a show-cause Order directing interested parties to submit objections to the Department's tentative findings that Merced enplaned fewer than 10 passengers per day. In response to that Order, the Department received objections from the community, but none of those objections disputed our findings that Merced enplaned fewer than 10 passengers per day during FY 2013.

Therefore, by Order 2014-6-6, issued on June 24, 2014, the Department made final its tentative decision in Order 2014-4-26, thereby terminating the EAS eligibility of Merced. On June 3, 2014, the Merced Regional Airport submitted an application for a waiver on behalf of the community of Merced.

By Order 2014-9-21, issued on September 26, 2014, the Department granted the waiver petition submitted by Merced Regional Airport. That Order states that Merced's compliance with 49 U.S.C. § 41731(a)(1)(B) will be re-assessed based on Fiscal Year 2015 data (October 1, 2014, through September 30, 2015). The Department will continue to process the carrier-selection case at hand; however, to ensure that Merced does not suffer from a service hiatus, the Department must extend Great Lakes' current contract from March 1, 2015, through September 30, 2015. However, as discussed above, by further Order, the Department may terminate this rate term before, or extend it beyond, September 30, 2015, as explained in this Order and pursuant to 49 U.S.C. §§ 41734 and 41737(d).

### **Decision**

Great Lakes must continue to provide EAS to the community as described in Order 2012-9-9, until the carrier selection proceeding is complete.<sup>3</sup> The Department will extend Great Lakes' current subsidy rate of \$2,779,116, through September 30, 2015, as described in Great Lakes' most recent proposal dated July 11, 2014 (further detailed in Appendix B of this Order). If the carrier selection proceeding is completed before the end of the rate term established by this Order, the Department will issue a new Order either selecting a replacement carrier and terminating Great Lakes' continued obligation to provide EAS at Merced or re-selecting Great Lakes at a new subsidy rate and term. If the carrier selection proceeding is not completed by September 30, 2015, the Department will issue another Order further extending Great Lakes' contract established in this Order.

This Order is issued under authority delegated in 49 CFR Part 1.25a(b).

### **ACCORDINGLY,**

1. The Department extends the Essential Air Service contract of Great Lakes Aviation, Ltd., to continue to provide Essential Air Service at Merced, California, under the terms and conditions

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<sup>2</sup> Congress first established the \$200 ceiling under P.L. 101-164 for fiscal year 1990, and re-established it in fiscal years 1994-1999. The ceiling was made permanent by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act of 2000.

<sup>3</sup> 49 U.S.C. § 41734.

established by Order 2014-10-15, through September 30, 2015. By further Order, the Department may terminate this rate term before, or extend it beyond, September 30, 2015, as explained in this Order and pursuant to 49 U.S.C. §§ 41734 and 41737(d);

2. The Department sets the rate of compensation for Great Lakes Aviation, Ltd., for the provision of Essential Air Service at Merced, California, as described in Appendix B;
3. The Department directs Great Lakes Aviation, Ltd. to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years from the issuance date of this Order or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The air carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
4. Docket DOT-OST-1998-3521 will remain open until further order of the Department; and
5. The Department will serve copies of this Order on the civic officials of Merced, California, the Managers of Merced Regional Airport, Great Lakes Aviation, Ltd., Boutique Air, Makani Kai Air, SeaPort Airlines, Inc., and Mokulele Airlines and the service list for this docket.

By:

**BRANDON M. BELFORD**  
Deputy Assistant Secretary for  
Aviation and International Affairs

(SEAL)

*An electronic version of this document is available online at*  
[www.regulations.gov](http://www.regulations.gov)

# Great Lakes Aviation, Ltd.

Annual Compensation Requirements for Essential Air Service at  
Merced, California to Los Angeles (LAX)  
Two Round Trips - B1900 - 9 seat - (at 98 percent completion)

Departures:	1,227
Block Hours:	1,534
Revenue Passenger Miles:	1,820,000
Available Seat Miles:	2,871,180

Operating Revenues:					
Passenger:	MCE-LAX	7,000	psgrs at	\$92.27	\$645,890
Other:	(at 0.62% of passenger revenue)				\$4,005

Total Operating Revenues:  
\$649,895

Operating Expenses:

Direct:	Aircraft and Hull Insurance	\$365,710
	Fuel and Oil	\$911,917
	Flying Operations	\$302,565
	Maintenance	\$483,092

Total Direct Expenses: \$2,063,284

Total Indirect Expenses: \$1,202,440

Total Operating Expenses: \$3,265,724

Operating Loss (\$2,615,829)

Profit Element (5.0% of Total Operating Expenses) \$163,286

**Annual Compensation Requirement: \$2,779,116**

**All Merced – Los Angeles – Merced service is Non-Stop**

**This Proposal is submitted with no upline scheduling restrictions.**

**Great Lakes Aviation, Ltd.**  
**Essential Air Service to be Provided at Merced, CA**

Effective Period: March 1, 2015, until September 30, 2015

Scheduled Service: 12 weekly nonstop round trips to Los Angeles (LAX)

Aircraft: 9-Seat Beechcraft 1900

Rate per Eligible Flight<sup>1</sup>: \$2,272

Weekly Ceiling<sup>2</sup>: \$54,528

The air carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The air carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the air carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the air carrier contemplates any such changes beyond the scope of the Order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement air carrier to provide service on these routes. The air carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated amounts or at the stipulated service levels, the air carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and air carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond September 30, 2015. The Government's obligation for performance under this Order beyond September 30, 2015, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond September 30, 2015, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2015, the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31<sup>st</sup>; August claims must be submitted by November 30<sup>th</sup>, and so on.

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<sup>1</sup> Annual compensation of \$2,779,116, divided by 1,223 annual departures (4 flights x 6 days x 52 weeks x 98 percent completion).

<sup>2</sup> 24 flights per week multiplied by \$2,272 per flight.



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BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## About Boutique Air

### Our Story

Headquartered in San Francisco, California, Boutique Air has been in operation since 2007. We began by flying fire surveillance missions for the U.S. Forestry Service and Bureau of Land Management. We evolved to provide air charter services from the Burbank, Hawthorne, Las Vegas and Redding airports with our Pilatus and Cessna fleet of aircraft. As a charter operator we have received certifications from both industry leading safety organizations, ARG/US and Wyvern. Boutique Air has pilots that are highly experienced and hold the most advanced FAA ratings - a key reason for our continued perfect safety record.

In July of 2012 Boutique Air applied for commuter operating authority from the Department of Transportation. We quickly passed tests on financial fitness and management competency, receiving authority for scheduled service in January of 2013.

We began scheduled service between Los Angeles and Las Vegas in January of 2014.

We have worked to develop our distribution channels. We have connections in place with all of the major Global Distribution Systems (GDSs), which travel agents use to access the market. You will find us on Worldspan and Apollo (Travelport), Sabre, and Amadeus. In addition, we are on the major Online Travel Agencies (OTAs), including Expedia, Travelocity, Priceline, Orbitz, CheapTickets, and CheapOAir.

### EAS Contracts

On April 22, 2014 the DOT selected Boutique Air to provide EAS between Clovis and DFW. We began service in July of 2014, and have since received very positive feedback from the business community, town council, and airport board. We have also experienced a steady increase in passenger counts since we first began providing service.

On December 4th, 2014 the DOT awarded Boutique Air a second EAS route of 4 round trips per day between Silver City and ABQ. We began service January 5th, 2015 and have experienced increasing passenger counts and positive customer feedback.

In the first quarter of 2015, Boutique Air was recommended to provide EAS scheduled service by 4 communities to the DOT. We expect these routes to begin around May or June 2015.



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BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## **Special Note on Boutique Air's TSA Security Program**

For the past few months, Boutique Air has been working with the TSA and DHS on obtaining a full security program. This security program will allow Boutique Air to operate from sterile airport locations allowing our passengers a seamless and more efficient travel experience by only having to go through Airport/TSA security once. We plan to begin sterile security operations from EAS communities in Nebraska and Arizona to and from Denver International Airport and Phoenix Sky Harbor International Airport. The TSA has confirmed we are on track to complete our full AOSSP Security Program by May 2015.

## **Special Note on Boutique Air's Advertising**

In order to increase brand recognition in the community, Boutique Air will spend at least \$30,000 per year on advertising & marketing to make Merced's air service a success. We will utilize a combination of radio, print, billboard, TV, and internet advertising.

## **Special Note on Service Start Date**

Boutique Air will begin service 60-90 days after the DOT issues the order selecting Boutique Air as the EAS Carrier.

## **The Central Valley**

We anticipate that once we begin to market ourselves in the area, we will see a dramatic increase in total enplanements. With the recent departure of SkyWest from Modesto, and the high demand for flights to the LA area, we expect that the market in Modest will contribute to an increase in traffic to Merced because Modesto has been fighting for flights to LA since 2008. Although Modesto had experienced dwindling passenger counts in recent years, they still had 10,895 enplanements in 2013 and even reached over 20,000 enplanements in year's prior. By offering service that is in higher demand, we believe we can capture and grow the Modesto market.

Additionally, there are unique connectivity needs between UC Merced and the headquarters of the UC System located in Oakland that we expect will utilize the OAK-MCE route.



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BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## What People Are Saying About Boutique Air

*Boutique Air PC-12, one of the **best turboprop aircraft** on the market!... Give them a try!!*

-Tarek A. via Yelp.com

*We also feel that the PC-12 aircraft bid by Boutique Air presents the **safest and most comfortable option for the traveling public.***

-Hon. Mayor David Lansford in Recommendation Letter  
City of Clovis, NM

*Flew with Boutique from LA to Vegas and back and must say I was extremely surprised. From the ease of check-in, To the flight itself, **the whole process was great.** Price was competitive with any other airline out there. I plan on flying boutique for all my Vegas outings, and may even look into renting the whole plane for a group trip. Thanks Boutique!*

-Kevin J. via Yelp.com

*We find that Boutique Air is fit, willing and able to operate as a commuter air carrier, and **capable of providing reliable Essential Air Service...***

-Susan L. Kurland in Clovis EAS Award  
Asst. Sec. for Aviation and International Affairs  
US DOT

*Right now Boutique Air is **a very cool secret.***

-Examiner.com

*Flew with Boutique Air from LA to Las Vegas round trip and it was a great experience. **Good service, on time departures, and a hassle free and nice way to travel** in general. A really nice pilot and copilot as well.*

-Patrick S. via Yelp.com

***Smooth flights and personable staff** are part of the experience...*

-Clovis News Journal

BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## Aircraft

Boutique Air currently flies a fleet of 4 Pilatus PC-12 aircraft. We operate a modern fleet of aircraft ranging from 2004-2007. All flights are flown by Captains with over 1200 hours of flight experience and an instrument rating. While we are certified to fly single pilot we opt to fly with a two member crew.

- 8 Passenger Executive Configuration OR 9 Passenger Commuter Configuration
- Pressurized Cabin
- Power Outlets
- Enclosed Lavatory

## Photos of Boutique Air Aircraft





BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## Photos of Boutique Air Aircraft



Reliability & Performance

**Clovis, NM (CVN)**



BOUTIQUE AIR  
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San Francisco, CA  
415.449.0505

<b>CVN</b>	<b>Date range</b>	<b>Scheduled</b>	<b>Flown</b>	<b>Cancelled Weather</b>	<b>Cancelled other</b>	<b>Completion Rate</b>	<b>Non-Weather Completion Rate</b>
July 2014	7/15 to 7/31	90	84	2	4	93%	96%
August 2014	8/1 to 8/31	156	154	0	2	99%	99%
September 2014	9/1 to 9/30	156	156	0	0	100%	100%
October 2014	10/1 to 10/31	162	162	0	0	100%	100%
November 2014	11/1 to 11/30	150	148	2	0	99%	100%
December 2014	12/1 to 12/31	158	158	0	0	100%	100%
January 2015	1/1 to 1/31	162	152	10	0	94%	100%
February 2015	2/1 to 2/28	144	140	4	0	97%	100%
March 2015	3/1 to 3/31	160	158	2	0	99%	100%
<b>Totals</b>		<b>1034</b>	<b>1014</b>	<b>14</b>	<b>6</b>	<b>98%</b>	<b>99%</b>

### Silver City, NM (SVC)

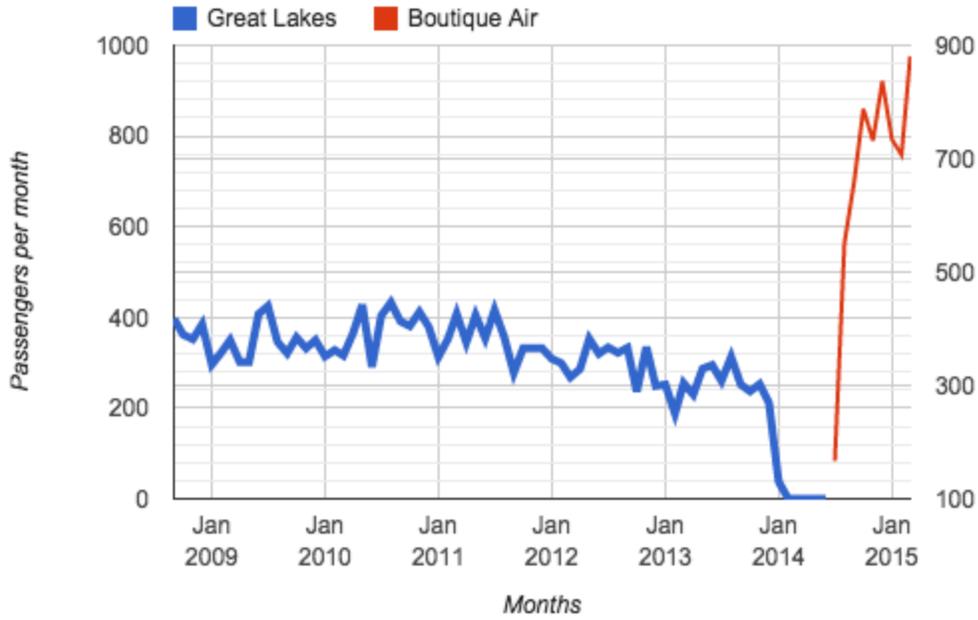
<b>SVC</b>	<b>Date range</b>	<b>Scheduled</b>	<b>Flown</b>	<b>Cancelled Weather</b>	<b>Cancelled Other</b>	<b>Completion Rate</b>	<b>Non-Weather Completion Rate</b>
January 2015	1/5 to 1/31	187	187	0	0	100%	100%
February 2015	2/1 to 2/28	192	190	2	0	99%	100%
March 2015	3/1 to 3/31	213	213	0	0	100%	100%
<b>Totals</b>		<b>592</b>	<b>590</b>	<b>2</b>	<b>0</b>	<b>99.7%</b>	<b>100%</b>

### Historic Passenger Traffic

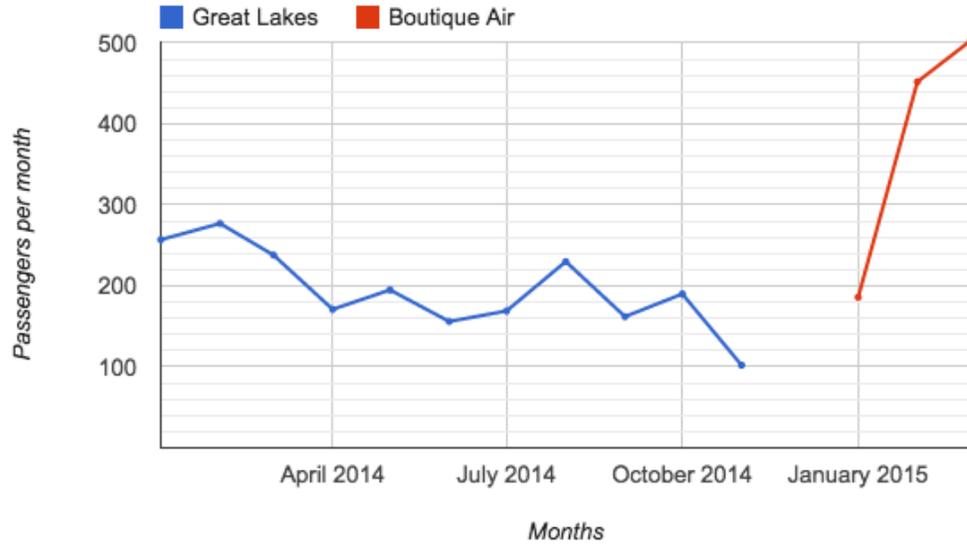


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### Historical Passenger Traffic: Great Lakes vs. Boutique Air - Clovis, NM (CVN)



### Historical Passenger Traffic: Great Lakes vs. Boutique Air - Silver City, NM (SVC)





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BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## Proposal

### Overview

Our proposal would be flown in eight or nine-seat, modern, pressurized Pilatus PC-12 aircraft. The term is two years.

We are projecting fares starting at \$39 for Oakland, \$69 for Los Angeles/Burbank, and \$79 for Las Vegas. From time to time we will also have sales to increase both awareness and passenger counts.

## Community Input

Shortly after the bids are complete, Boutique Air will schedule meetings to meet with airport and/or city officials. This will allow us to answer any questions and provide additional information.

While we can't promise we will be able to implement everyone's suggestions, we welcome feedback from the citizens of these communities, as well as anyone who may have an interest in the proposed flights. What we can promise is that we will listen to your feedback, and give it the attention and consideration it deserves.

With respect and appreciation,

Shawn Simpson  
CEO



BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505

## Merced, CA

12 Nonstop RT Weekly MCE-LAX or BUR\* (2 Daily RT)

12 Nonstop RT Weekly MCE-OAK (2 Daily RT)

7 Nonstop RT Weekly MCE-LAS (1 Daily RT)

\*Boutique Air will provide service to LAX or BUR depending on the preferences and needs of the community. If Burbank is preferred, a subsidy reduction of \$85,000 will be applied.

### Community:

### Merced, CA

#### Operations

Scheduled Flights	<b>3,756</b>
Completed Flights (98%)	3,681
Scheduled Block Hours	<b>3,360</b>
Scheduled Seats	31,320
Scheduled ASMs	7,366,464

#### Revenue

Passengers	15000
Average Fare	87
Fare Revenue	1305000
Total Revenue	<b>1305000</b>

#### Expenses

Fuel	\$1,058,400
Ownership	900000
Maintenance and Reserves	\$850,560
Staff	\$476,140
Marketing and Distribution	\$104,340
Other Indirect Costs	\$757,406
Total Costs	<b>\$4,146,846</b>

#### Profit Element

	<b>149,700</b>
Margin	5.00%

**Total Subsidy**                      **\$2,991,546**



BOUTIQUE AIR  
548 Market St  
San Francisco, CA  
415.449.0505



**Schlemmer, Kevin (OST)**

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**From:** Chuck Howell <chowell@flygreatlakes.com>  
**Sent:** Thursday, March 26, 2015 1:01 PM  
**To:** Schlemmer, Kevin (OST); Faulk, Scott (OST)  
**Cc:** youngj@cityofmerced.org; dvoss@flygreatlakes.com; 'Mike Matthews'  
**Subject:** Merced revised service proposal

Good Morning Kevin / Scott ,

As you know we have been in constant contact with Janet Young, Airport Director in MCE, since the RFP's were submitted.

It is their belief and ours that the right aircraft for the market with service into LAX is the EMB-120- 30 passenger aircraft.

Even though the EMB-120 Brasilia is more expensive and has the added crew member (flight attendant) we along with the City of Merced would like to amend our proposal to provide two round-trips a day in the EMB-120 Brasilia Into LAX and are offering it for the same compensation requirement as we proposed for the two round-trip Beechcraft nine seat 1900.

Annual Compensation Requirement : \$2,779,116.

Please advise how we best move forward.

Regards,  
Chuck Howell

Before the United States Department of Transportation  
April 6, 2015

Proposal to Provide Essential Air Service at

**MERCED, CALIFORNIA**

Under 49 U.S.C. 41731 et seq.

Docket OST-1998-3521

**Amended Proposal of SeaPort Airlines, Inc.  
to Provide EAS at Merced, California**

By Order 2014-5-9 dated May 21, 2014, the U.S. Department of Transportation (“the Department”) requested proposals from carriers interested in providing Essential Air Service (“EAS”) at Merced and Visalia, California.

By Order 2104-12, the Department selected SeaPort Airlines to provide EAS at Visalia for a two-year term. SeaPort Airlines launched service to Visalia from Burbank and Sacramento on February 9, 2015. The Visalia market has responded very strongly to SeaPort Airlines’ service, producing the highest load factor among the 12 EAS communities on our route map.

On March 27, 2015, the Department sent an email stating one carrier had proposed modifications to its earlier EAS proposal at Merced and, in the interest of a fair carrier selection process, the other carriers that submitted proposals were being given the opportunity to make their own amendments no later than April 6, 2015.

This document serves as the timely amendment of SeaPort Airlines to its proposal to provide EAS at Merced, California. Based on the high passenger counts being generated at Visalia, our EAS proposal at Merced is being amended to include a service pattern which mirrors that at Visalia: 12 weekly roundtrips between Merced and Sacramento plus 12 weekly roundtrips between Merced and Burbank that originate or terminate at San Diego. The new service pattern will require subsidy of \$2,074,148 per year.

The amended service pattern proposal for Merced is nearly identical to that which SeaPort provides at Visalia. While Merced and Visalia each have unique characteristics, we believe it is reasonable to assume that the response to SeaPort’s service in Visalia provides a reasonable indication of how the Merced market would likely respond. In this context, we believe our proposal represents the best opportunity for Merced to maintain eligibility for subsidized EAS.

SeaPort Airlines appreciates the opportunity to submit this amended proposal and the Department’s effort to maintain a fair carrier selection process. Questions regarding this proposal should be directed to:

Timothy Sieber,  
Executive Vice President  
SeaPort Airlines, Inc.  
(971) 340-1716  
[tsieber@seaportair.com](mailto:tsieber@seaportair.com)

## Specific Amendments to EAS Proposal

This document details specific components of the July 11, 2014 proposal of SeaPort Airlines to provide EAS at Merced, California that we wish to amend, consistent with the email notification from the Department on March 27, 2015 that amendments to carrier proposals may be filed no later than April 6, 2015.

The primary amendment involves replacing of one of the two hubs in our original proposal with a superior alternative. This results in need for secondary amendments to other elements of the proposal such as schedules and frequencies, fares, and requested level of subsidy.

In addition, we have included data that illustrates the very positive market response by Visalia to SeaPort Airlines during the first two months of service. While these two months represent a small portion of the 24 month contract period, it is reasonable to assume the market response of Visalia provides an indication of how the Merced market would respond to SeaPort's service.

### **New Service Pattern: Sacramento and Burbank (continuing to San Diego)**

SeaPort's **ORIGINAL** EAS proposal at Merced included a service pattern of 18 weekly roundtrips to Oakland International Airport ("OAK") and 6 weekly roundtrips to Burbank/Bob Hope ("BUR") Airport that originated or terminated at San Diego ("SAN"). SeaPort's **AMENDED** proposal to provide EAS at Merced is as follows:

- 12 weekly roundtrips to Sacramento International Airport ("SMF")  
*and*
- 12 weekly roundtrips to Burbank/Bob Hope Airport, originating or terminating as "1-stop" service to San Diego.

The substitution of Oakland with Sacramento is the result of an agreement between SeaPort and Sacramento International Airport that modifies the airport's rates and charges schedule to allow economic operation of our 9-seat aircraft, while at the same complying with FAA grant assurances.

Access to SMF at a reasonable cost is something that SeaPort has worked on for nearly three years, but was unable to achieve ahead of the July 11, 2014 deadline for EAS proposals at Visalia and Merced. Once the agreement was reached, however, SeaPort immediately sought consent of the Visalia City Council to replace the planned Oakland service with Sacramento service. This was following by a formal request to the Department for approval to a change in service pattern. The request was subsequently granted and service from Visalia to both Burbank and Sacramento was launched on February 9, 2015.<sup>1</sup>

Since the first flight, demand from Visalia to Sacramento has been strong and we believe similar results in Merced are very probable based on the following factors:

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<sup>1</sup> The service pattern change requested by SeaPort in this instance did not include a change in overall weekly frequencies, number of seats, or level of subsidy. In fact, SeaPort has absorbed the expense of the longer Visalia - Sacramento flight relative to Visalia - Oakland.

- While OAK offered a greater number of nonstop destinations and daily departures, service at SMF provides a balance of choices that include the “Big 3” U.S. airlines and resultant access to the global alliances, as well as service from Southwest, Alaska, Hawaiian, Aeromexico, JetBlue, and Volaris.<sup>2</sup> This variety of carriers at Sacramento ensures a healthy competitive environment that benefits customers in the form of lower ticket prices.
- The advantage of Oakland regarding frequencies and nonstop destinations is partly attributable a few low-fare carriers offering service to leisure destinations such as Disneyworld, Mexico, Hawaii, and desert golf in the winter. Customers traveling to these destinations, particularly those with more than one small child, are typically inclined to drive to a distant airport to board a nonstop flight rather than use take advantage of connecting at their local airport. In this context, the needs of business travelers become a major focus of the service at Merced and their needs are better met by the connecting opportunities available at Sacramento.
- In addition to enhanced connecting opportunities, Sacramento’s role as the seat of government for the world’s 8<sup>th</sup> largest economy creates significant local traffic demand. This includes government employees traveling on business, as well as private sector employees needing to communicate with the government. Additional traffic is generated by business unrelated to government, including strong medical and tech sectors, with the latter represented by companies such as Intel, Hewlett-Packard, EDS, and Apple Computer.

Finally, we note that during interviews conducted by the air service subcommittee of Merced Regional Airport Authority following our July 11, 2014 proposal submission, SeaPort was asked whether Sacramento had been considered as an alternative to Oakland. In response, we explained the challenges that the rates and charges in place at Sacramento at that time, and that SeaPort was committed to accessing SMF on economically viable terms but that timeline to achieve this goal was unknown.<sup>3</sup> With costs at Sacramento International Airport now structured to allow economical operation of 9-seat aircraft, SeaPort welcomed the opportunity to amend our proposal in a manner that was directly responsive to the subcommittee’s specific request during our interview.

### **Amended Service Pattern Results in Improved Schedule Proposal**

As outlined above, SeaPort’s amended proposal to provide EAS at Merced includes 12 weekly roundtrips to Sacramento and 12 weekly roundtrips to Burbank, all either originating or terminating at San Diego providing single-plane service between Merced and San Diego. SeaPort’s proposed schedule for this amended service pattern is provided on the next page.

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<sup>2</sup> The “Big 3” U.S. airlines, in order, are American (American + US Airways), United (United + Continental), and Delta (Delta + Northwest)

<sup>3</sup> To illustrate the challenge of Sacramento’s “one size fits all” rates and charges, \$875 was the standard charge to use a passenger hold room and adjacent aircraft parking position at SMF without provision for adjustment based on aircraft capacity. On a 265-seat Airbus A330, the \$875 would translate in a cost of \$3.30 per seat. The same fee on a 140-seat Boeing 737 results in cost of \$6.25 per departing seat, higher but economically tenable. That same \$875 fee assessed on a 9-seat Cessna Caravan would result in a cost per departing seat of approximating \$97 and eliminate any chance for economically viable service at Sacramento, with or without subsidy.

## Merced Flight Schedule Amended EAS Proposal of SeaPort Airlines

Flight	Leave	Arrive	Freq	Stops	Flight	Leave	Arrive	Freq	Stops
<b>Merced → Burbank</b>					<b>Burbank → Merced</b>				
5450	9:10am	10:50am	ExSun	0	5451	12:30pm	2:10pm	ExSat	0
5452	4:55pm	6:35pm	ExSat	0	5453	6:50pm	8:30pm	ExSat	0
<b>Merced → Sacramento</b>					<b>Sacramento → Merced</b>				
5400	6:30am	7:20am	ExSun	0	5401	8:00am	8:50am	ExSun	0
5404	2:25pm	3:15pm	ExSat	0	5405	3:40pm	4:30pm	ExSat	0
<b>Merced → San Diego</b>					<b>San Diego → Merced</b>				
5450	9:10am	12:15pm	ExSun	1	5451	11:00am	2:10pm	ExSun	1
5452	4:55pm	8:00pm	ExSat	1	5453	5:25pm	8:30pm	ExSat	1

Key points with respect to the schedule provided above:

- Note that all flights between Merced and Burbank either originate or terminate at San Diego. This results in the Merced - San Diego market provided with two 1-stop flights in each direction on each weekday, as well as single roundtrip in each direction on both Saturdays and Sundays.
- SeaPort’s amended EAS proposal at Merced includes 12 weekly roundtrips to Burbank, double the number in our original proposal. Similar to the discussion of Sacramento instead of Oakland, a desire for increased frequency to Burbank was expressed by the subcommittee while discussing our original proposal. Our schedule above is intended to be responsive to that request.
- The flight schedule from Merced to Sacramento includes an early morning departure that allows a nearly full day of business to be completed with a return the same day. Similarly, schedules to Burbank and San Diego allow for same-day trips that include productive time at the destination that approximates half of a workday.
- The schedule proposed by SeaPort will allow passengers a choice of four departure times every weekday, and two departure times on both Saturday and Sunday, as well as a choice of two hub airports. This represents a doubling of choices over the present schedule provided by Great Lakes and should result in our service capturing a greater share of the traffic generated in the primary service area of Merced Regional Airport.

Finally, SeaPort acknowledges concerns over access to international connections that Merced would lose if LAX service were replaced with service to Burbank. We are addressing these concerns by providing access to ground transportation services for transfers between LAX and BUR. This effort was initiated in partnership with rideshare service Uber, providing SeaPort Airlines customers \$25 off their first Uber trip from airports throughout our system, including Burbank, San Diego, and Sacramento. Later this year, SeaPort will add to our website functionality that allow customers to reserve in advance ground transfer services ranging from shared vans to private executive town car. This service should lower anxiety over unknown costs and uncertainty over getting a safe, reliable service in a time frame that allows for any connection.

More importantly, the cost of the transfer service plus SeaPort's low fares will be less expensive than the current fare charged by Great Lakes' between Merced and Los Angeles.<sup>4</sup> That lower cost will actually provide a less-hassled travel experience for Merced passengers. To illustrate, today passengers in Merced can fly nonstop (but are frequently delayed) to Los Angeles International Airport where connections with international flights require boarding an inter-terminal transfer bus crowded with other passengers **and** their baggage. In contrast, SeaPort's proposal would see a passenger boarding in Merced and arriving at Burbank (an airport with very few air traffic delays) and is met in baggage claim by the Uber driver. Telephone calls and other work can be accomplished from the car while driver navigates to LAX where, upon arrival, the passenger is dropped curbside near the outside check-in area of the airline for their international flight.

### Interline Connectivity & GDS Display

As noted in our original proposal, in March 2014 SeaPort Airlines became the first U.S. carrier to be fully-hosted on the Amadeus Altea reservation. We were followed by Cape Air in November 2014 with Southwest Airlines scheduled to be fully-migrated to Altea by the end of 2016.

This system provides SeaPort unsurpassed capability to interline ticketing, the convenience of customer friendly optional services (i.e., ground transfers, travel insurance, discounts on destination attractions, hotels, rental cars, etc.), through baggage check-in, connecting boarding passes on participating connecting interline partners, notification by SMS text and/or email of schedule changes and flight irregularities, ability for customers to make changes to reservations online, and online check-in that includes discounts for pre-payment of specific services and fees.

The capabilities of Altea enabled SeaPort to implement its first bilateral interline e-ticketing and baggage agreement in March 2014 with Alaska Airlines.<sup>5</sup> A second agreement with Hawaiian Airlines followed in December 2014. SeaPort has an understanding with a "Big 3" U.S. airline to tentatively begin the implementation of another interline agreement in September 2015. We continue to pursue agreements with other airlines that will provide customers with improved connectivity to destinations across the country and around the world. For customers in Merced, in addition to the "Big 3" airlines, the most beneficial interline agreement would be with jetBlue, which provides services from Sacramento, Burbank, and San Diego.

It is important to note that outreach to potential interline partners, along with our significant investment in reservation technology that can complete interline e-ticketing, does not assure additional agreements. The evaluation of SeaPort as an interline partner includes consideration by the larger airline of how much incremental traffic and revenue can flow from our aircraft to their aircraft. The larger carrier will often use these estimates to compare SeaPort with other new interline partner opportunities, ensuring that resources are allocated to agreements that provide the highest volumes or greatest strategic value. This means that every market added to SeaPort's route map increases our value as a potential interline partner. We are hopeful that the amended proposal herein results in our being able to include Merced in discussions with other airlines about the connecting traffic and revenue that an interlining with SeaPort will provide.

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<sup>4</sup> Fare of \$193.60 each-way quoted by Great Lakes website on April 3 for travel on April 7, 2015

<sup>5</sup> Bilateral agreements allow both participating carriers to make reservations and issue tickets on each other's flights. A unilateral agreement only allows one carrier to sell and issue tickets.

## Fares & Pricing

Effective June 1, 2015, SeaPort will simplify our fare structure by reducing the number of fare types from four to three, as well replace “branded” fare names with short, and easier to understand, descriptions. On the same date, SeaPort will begin offering customers the convenience of online check-in that also provides an opportunity to save time and money by pre-paying certain fees at home.

As a result, we are amending the fares and pricing of our proposal to provide EAS at Merced to include 1) the simplified fare structure that will be offered if SeaPort Airlines is selected to provide EAS at Merced, and 2) changes to the market specific fares, including replacement of Oakland fares with Sacramento fares. These changes are summarized on the graphic below.

### Revised SeaPort Airlines Fare Structure & Price Points Revised Proposal of SeaPort Airlines to Provide EAS at Merced

	Fully Flexible & Refundable	Non-Refundable, Changes With Service Charge	No Changes & Refunds
<b>ILLUSTRATIVE FARES BETWEEN MERCED AND:</b>			
Burbank	\$109	\$69-\$89	\$59-\$49
Sacramento	\$79	\$69-\$49	\$39
San Diego	\$129	\$69-\$109	\$59-\$49
<b>BOOKING</b>			
Fare Class	Y	B	Q
Typical advance purchase requirements	0	3-14 days	7-21 days
<b>AMENITIES</b>			
Express security lane	X	No	No
Second checked baggage at no charge	X	No	No
SeaPort Perks Bonus %	25%	0%	0%
<b>TICKET FEES</b>			
Refunds	Permitted	Not Permitted	Not Permitted
Itinerary change after ticketing (plus any fare difference)	\$0	\$25	Not Permitted
Telephone/Airport ticketing fee	\$0	\$0	\$25
Standby for earlier flight on same day	\$0	\$25	\$25
<b>OTHER SERVICE CHARGES</b>			
Second Checked Bag/Overweight Bag <i>Pay at Airport/Pre-Pay at Home</i>	No Charge	\$50 / \$35	\$50 / \$35
Third Check Bag <i>Pay at Airport/Pre-Pay at Home</i>	\$50 / \$35	\$65 / \$50	\$65 / \$50
Golf Clubs <i>Pay at Airport/Pre-Pay at Home</i>	\$50 / \$35	\$50 / \$35	\$50 / \$35
Unaccompanied Minor Fee <i>Pay at Airport/Pre-Pay at Home</i>	\$50 / \$35	\$50 / \$35	\$50 / \$35

To supplement advertising and create awareness, SeaPort Airlines will offer an introductory fare of \$39 (including all taxes and fees) on every seat and every flight departing Merced for the first 30 days of service. The objective of this introductory pricing is to draw customers back to Merced Regional Airport and get them “talking up” the new service by demonstrating a strong contrast between the service provided by SeaPort Airlines to that of Great Lakes Aviation.

## Maintaining EAS Eligibility for Merced

As discussed in our proposal submitted on July 11, 2014, Merced was one of 13 communities that the Department notified of its intent to terminate eligibility for EAS subsidized service based enplanements below an average of 10 per day during the year ending September 30, 2013. Merced, along with all but one of the other communities, filed a request, and was subsequently granted a waiver from this requirement. This waiver provided the community and the EAS carrier with an opportunity to increase enplanements to the minimum requirement of 10 per day during the measurement period that ends September 30, 2015.

The Department issued a Final Notice of Enforcement on October 24, 2014 that described its intention to enforce the subsidy limit of \$200 per passenger for communities located no more than 210 from a medium or large hub airport in order maintain eligibility for subsidized EAS. The Department will enforce of this policy based on enplanements for the period ending September 30, 2015.

Merced's continued eligibility for subsidized EAS is contingent on the market enplaning an average of no less than 10 enplanements on service that requires subsidy which equates to less than \$200 per passenger. Additionally, while waivers from the 10 enplanement requirement were granted to all communities that applied in the first year the Department enforced this policy, it is reasonable that future enforcement will be more stringent. As our chart in the discussion following illustrates, Great Lakes did not achieve the 10 enplanements per day requirement in any single month during calendar year 2014.

### **Continuation of Current Service Risks Merced's Continued Eligibility for Subsidized EAS**

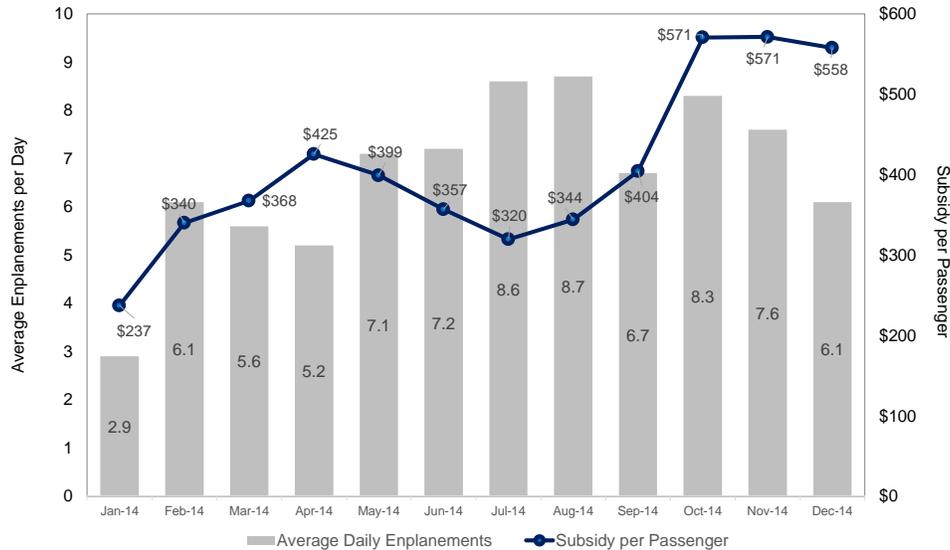
SeaPort Airlines reviewed T-100 filings by Great Lakes Aviation to see if progress was being made to achieving the benchmarks necessary to maintain Merced's eligibility for subsidized EAS.

The period analyzed was for the 12-months ending December 2104, the last month that data is presently available to the public. With this data, we are able to estimate for the time period both the average enplanements per operational day and the amount of subsidy per passenger at Merced.<sup>6</sup> As the following graph illustrates, Great Lakes has made no progress toward continuing Merced's EAS eligibility.

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<sup>6</sup> Subsidy per passenger was calculated by multiplying the awarded amount of subsidy per number in effect each month by the actual number of departures reported by Great Lakes in T-100 filings, then divided the number of enplanements reported on T-100 filings for the same period. Subsidy per departure was calculated using rates established by the Department in Orders 2012-9-9 and 204-10-15.

## Average Daily Enplanements & Subsidy Per Passenger Essential Air Service At Merced, California Year Ending December 31, 2014



SOURCE: T-100 data via Diio.net

### Continued Eligibility for EAS at Merced Requires a “Fresh Start”

SeaPort Airlines believes the best hope for Merced to maintain eligibility for subsidized EAS is best described as a “fresh start” for air service offered at Merced Regional Airport. This means a change to service dramatically different from that which the community has experienced over the past five years and which any promises to improve would likely be met with skepticism.

SeaPort believes our proposal represents such change, and provides Merced the best chance to maintain EAS eligibility. Our belief is based on the following factors, some of which have previously been discussed in the amendments to our proposals:

- A shift in service from Los Angeles International Airport, which is often subject to delays on the ground and in the air, to less congested airports at Burbank and Sacramento.
- A schedule and service pattern that doubles the average daily departures and number of hubs served, resulting in a greater number of choices for passengers to use air service from Merced Regional Airport.
- Connecting opportunities at Burbank and Sacramento with a mix of airlines that includes legacy carriers (i.e., the “Big3”), low-fare airlines (i.e, Southwest, jetBlue, Volaris), and large niche carriers that have significant regional dominance (i.e., Alaska, Hawaiian, etc.).
- The leading market position of Southwest Airlines at Sacramento and Burbank, supported by the presence of jetBlue, which ensures fares at both airports remain reasonable and, when added to a SeaPort ticket between the hub and Merced, provides passengers with a reasonable total trip cost.

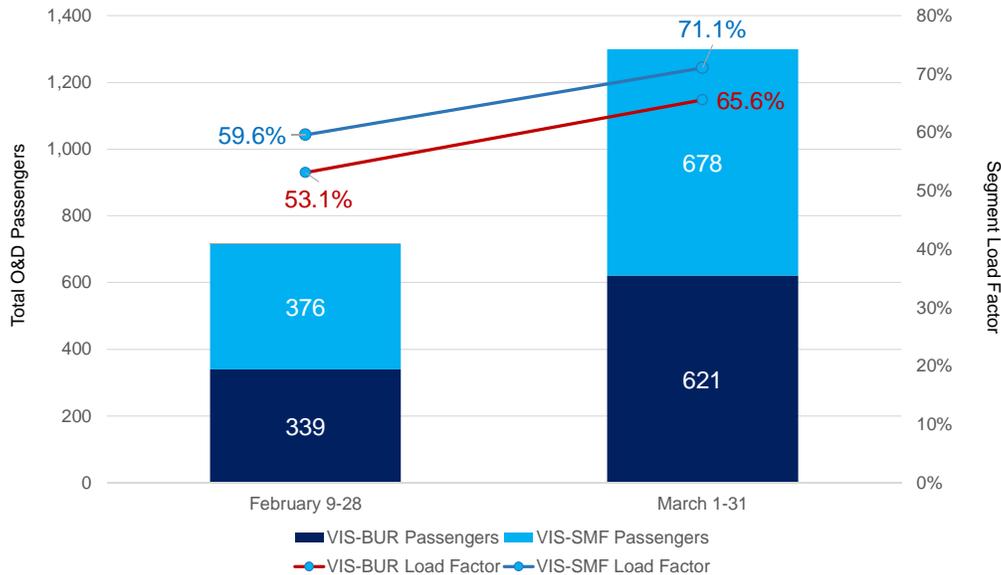
- Nonstop flights to Sacramento will serve latent demand for access to the state capitol by both the private and public sector, and who must now drive that distance.
- A schedule that will allow same-day trips to the capitol in Sacramento, as well as same-day trips to both Burbank and San Diego that include adequate time at the destination equal to approximately half of a workday.
- Providing convenient access to ground transfer services, as well a promotional activities with ride-share service, Uber, to help lower customer anxiety about switching at the beginning and end of long international journeys utilizing LAX.
- Allowing accommodation for the unique characteristics of the Merced market, SeaPort would employ marketing tactics that have proven success in other EAS markets. This includes paid media placements (print, radio, outdoor, etc.) stretched with trade agreements, as well as customer engagement on social media sites such as Facebook, Twitter, and LinkedIn.
- Outreach to business groups and community organizations by our full-time Manager of Community Affairs to provide details on SeaPort, the service we will provide, and how we plan to restore confidence in the service provided at Merced Regional Airport.
- A pricing strategy intended to stimulate demand at Merced Regional Airport, with fares starting as low of \$39 (Sacramento with advance purchase) with our highest price point of \$129 (fully-refundable and no advance purchase to San Diego) that still provides customers with a good value, and all of which are significantly lower than current Great Lakes' fares.
- Sales calls to major employers in and around Merced offering the incentive of discounts off published fares in exchange for commitments that a reasonable percentage of the company's business travel will use the service available at Merced Regional Airport.
- Offering other products such as 1) Commuter Books which provide savings on bulk ticket purchases which results in a customer commitment to the local airport and 2) Student Standby Fares that provide a low-cost travel option and generate enplanements that can be counted toward EAS eligibility determination.
- The declining presence of service by Great Lakes Aviation in California indicate little likelihood of an investment in marketing activities aimed at growing Merced traffic. In contrast, SeaPort Airlines has a long-term interest in Merced as part of larger strategy to develop intra-California service that connects small and mid-size communities with large metropolitan areas and connections with other airlines at hub airports.

### **Early Success in Visalia is an Indicator of SeaPort's Likely Success in Merced**

As noted earlier in this document, SeaPort Airlines began service at Visalia Municipal Airport on February 9, 2015. The service pattern we offer in Visalia is identical to that which we propose at Merced with slight difference in specific departure times to each city. The early market response to our service at Visalia has exceeded all expectations and is believed to be at least indicative of the how the Merced market would respond to SeaPort Airlines' service.

The graph below shows total O&D passengers and load factor on nonstop segments to Burbank and Sacramento.

### Passenger Counts & Load Factors First Two Months of Service at Visalia by SeaPort Airlines



Seaport’s amended proposal to provide EAS at Merced includes a service pattern that is virtually identical to that we are providing at Visalia and illustrated above. Of equal importance, however, is that the fact that service we replaced at Visalia was nearly identical to the service we would replace at Merced, if selected provide EAS. Here again, similarities between the Merced and Visalia communities provide SeaPort with confidence that the strong market of Visalia provides, at the very least, an indication that Merced would have a similar market response.

During the first two months of service (including a shortened February), SeaPort has enplaned and deplaned over 2,000 passengers at Visalia Municipal Airport. Continued generation of traffic at that rate would result in 10,000 enplanements by the end of this year, resulting in Visalia Municipal Airport being reclassified as a “primary airport” thus regaining automatic apportionment of at least \$650,000 in Airport Improvement Program (AIP) funding from the FAA each year.

Finally, if 10,000 enplanements are reached and then sustained, it would virtually secure Visalia’s place on the list of communities eligible to receive subsidized EAS. To illustrate this point, SeaPort’s service at Visalia generated an average of 17.9 daily enplanements in February 2015, increasing to an average of 24.1 enplanements in March 2015.

## Recap of Amended Proposal & Revised Subsidy Request

In this filing, SeaPort Airlines hereby amends its July 11, 2014 proposal to provide EAS at Merced, California. In summary, the amended proposal includes:

- 12 weekly roundtrips to Sacramento International Airport **and**
- 12 weekly roundtrips to Burbank/Bob Hope Airport, continuing to San Diego.
- All flights would be flown with Cessna Caravans, a reliable and comfortable turboprop that seats 9-passengers and two crewmembers.
- The required amount of subsidy to provide the service pattern proposed is \$2,074,148 per year with assumption of a two-year award.

If awarded the EAS contract at Merced, SeaPort Airlines would provide service nearly identical to that we provide in Visalia. While each market has unique characteristics, the strong support for SeaPort's service at Visalia provides confidence that we would produce similar results at Merced. This provides further support to SeaPort's belief that our amended proposal represents the best opportunity for Merced to reach the two benchmarks used to determine eligibility to continued receiving subsidized EAS: 1) Average of 10+ enplanements each day, and 2) Subsidy less than \$200 per passenger.

SeaPort Airlines will be happy to provide the appropriate personnel to the Merced Regional Airport Authority, City of Merced, and/or the Department to discuss our original proposal dated July 11, 2014, as well as the amendments contained in this document.

Respectfully submitted,

Timothy Sieber  
Executive Vice President  
SeaPort Airlines, Inc.

April 6, 2015

OST-1998-3521  
 Cessna Caravan, Two-Pilots  
 12 Weekly RTs: Merced - Sacramento  
 12 Weekly RTs: Merced - Burbank

	<b>Proforma Data</b>
<b>Operating Projections</b>	
Average Sector Length (sm)	197
Scheduled Departures	1,976
Scheduled Block Hours	2,686.7
Projected Completion Factor	99.0%
Projected Completed Departures	1,956
Projected Completed Block Hours	2,659.8
<b>Passenger Projections</b>	
Projected Passengers	11,008
Passengers per Departure	5.6
Projected Average Fare	\$56.23
Revenue Passenger Miles (RPMs)	2,165,679
Available Seat Miles (ASMs)	3,463,780
Projected Load Factor	62.5%
<b>Financial Projections</b>	
Revenues	
Passenger Ticket Revenues	\$618,978
Ancillary Revenues	\$15,474
Total	\$634,452
Expenses	
Flight Operations	\$292,578
Aircraft Ownership/Lease	\$324,000
Fuel & Oil	\$610,424
Sales & Marketing	\$25,000
Traffic Servicing	\$421,374
Insurance	\$47,876
Maintenance	\$521,895
Sub-Total - Direct	\$2,243,148
Indirect	\$336,472
Total Expenses	\$2,579,620
Projected Operating Profit/(Loss)	(\$1,945,167)
<b>Subsidy Calculations</b>	
Operating Loss	\$1,945,167
Economic Return @ 5%	\$128,981
<b>Required Subsidy</b>	<b>\$2,074,148</b>
Subsidy per Departure	\$1,060.27
Subsidy per Passenger	\$188.42
Avg. Enplanements per Operational Day	17.6



130 Iolana Place, Honolulu, Hawaii 96819

July 11, 2014

Dear Sir/Madam:

Please find enclosed our proposal to provide Essential Air Services to the community of Merced, California, under Order 2014-5-9. Schuman Aviation Co. Ltd. Dba Wine Country Express proposes serving the community of Visalia with twenty six weekly flights between Merced and Los Angeles utilizing a nine passenger Cessna Grand Caravan aircraft. We offering a second option which offers 9 passenger aircraft for years one and two and 19 passenger aircraft for years three and four. With daily departures to and from Los Angeles, the residents of Merced can connect to other flights in Los Angeles or arrive and depart at convenient times if Los Angeles is their end destination. We are proposing a four year service plan, thus providing the community with much needed continuity and reliability.

Schuman Aircraft Ltd. Dba Wine Country Express will provide the same dedication to serving the Visalia community as we have provided to our essential air service routes in Hawaii. The residents of Molokai are extremely pleased with the service and reliability that they receive from Schuman Aviation Ltd. Wine Country Express is based in California and is responsive to the needs of California residents.

Sincerely,

*Richard Schuman*

Richard Schuman  
President  
808-834-5813  
richard@makaniikai.com



SCHUMAN AVIATION LTD. DBA WINE COUNTRY EXPRESS  
PROPOSAL TO PROVIDE ESSENTIAL AIR SERVICES  
MERCED, CALIFORNIA  
Dated: July 11, 2014

**Order: 2014-5-9**

**Served: May 21, 2014**

**Docket: DOT-OST-1998-3521**





## **Schuman Aviation Co, Ltd. DBA Wine Country Express Proposal to Provide Essential Air Services to Merced, California**

### **Summary:**

This proposal for essential air services to the community of Merced, California is submitted by Schuman Aviation, LTD. DBA Wine Country Express. The proposal is submitted under the United States of America, Department of Transportation, Office of the Secretary, Washington, DC request for proposal, under order 2014-5-9, dated May 21, 2014.

### **Background:**

Schuman Aviation Ltd., based in Honolulu, Hawaii, was founded in 1996 by Richard Schuman. The Schuman family is well known in Honolulu with roots that are traced back to 1893 when Gustav Schuman founded one of the first automobile dealerships in Hawaii. The company's mission is to provide impeccable customer service at an affordable fare. Schuman is also the founder of Makani Kai Helicopters, which, since 1988, provided more than 14,000 aerial tours without incident. Makani Kai has received many awards and accolades, including:

- .FAA's Diamond Award for maintenance excellence.
- .First aircraft operator in the US to receive the coveted IS-BAO safety certification.
- .Awarded annual contract to provide helicopters and pilots for "Hawaii Five 0."

Schuman Aviation is an FAA certified Part 135 scheduled commuter operation awarded by the Department of Transportation in 2010. Another Schuman holding, Hawaii Aviation Services is an FAA Part 141 repair station.

Wine Country Express is a newly founded commuter airline based in California. The principals of Wine Country Express number more than 60 collective years in the aviation sector. The principals of the company have extensive experience in distribution, airline specific accounting, aircraft maintenance and flight operations. The company was founded to provide scheduled services to the small communities in California who require service that the major airlines are no longer providing.





**Previous EAS experience:**

Schuman Aviation Ltd, was recently awarded the Essential Air Service subsidy for Molokai, Hawaii. This is the second EAS award made to Schuman. The renewed contract is widely acclaimed by the citizens of Molokai. Please refer to the testimonials included in this document.

**Equipment:**

Schuman Aviation Ltd. Dba Wine Country Express proposes to serve the community of Merced with the Cessna 208B Grand Caravan. The Grand Caravan is an extremely reliable nine passenger aircraft which is in wide use throughout the world. The Caravan is currently in production and is one of the largest and safest aircraft of its size and range. Cessna is internationally recognized as one of the best known and reliable aircraft manufacturer's in the world.

The Grand Caravan is configured with nine, very comfortable seats. The cabin is air conditioned and heated assuring passenger comfort. Each aircraft is equipped with auto-pilot and sophisticated weather radar. Pratt Whitney is the supplier of the engine fitted on the Grand Caravan. A large cargo pod accommodates onboard luggage storage.

Option one provides four years of service to and from Merced utilizing an Cessna Grand Caravan aircraft operating 26 flights weekly. Option two provides two years of service to the community utilizing the Cessna Grand Caravan for a two year period followed by two years of operation aboard a nineteen passenger Beech 1900 aircraft. The assumption is that the demand for larger aircraft is inherent in the community but that the cancellations and erratic schedule of the last few years results in a lower demand.

The Beech 1900 is a pressurized aircraft equipped with PT6A-65 turbo prop engines. It is manufactured by Raytheon and is considered one of the most efficient and reliable aircraft in operation.

Both aircraft are operated with a two man crew.

**Flight Schedule:**

Our proposed flight schedule is based on feedback from Merced residents and city officials. The goal is to provide service that offers good connections with other airline carriers, accommodating the onward travel needs of the passenger.

We are proposing a schedule that includes 26 flights weekly between Merced and Los Angeles. Please refer to the following proposed schedule. The proposed schedule is also intended to serve the needs of





the business traveler assuring a full day for meetings with a convenient return flight at the end of the day.

**Proposed Schedule for Merced**

This proposed schedule is informational in nature, actual flight times may vary depending on the operational requirements of the airline and convenience of the people of Merced.

Merced to Los Angeles Option 1 four years

Depart	Arrive	Frequency
6:30 a.m.	7:30 a.m.	Ex Sunday
12:15 p.m.	1:15 p.m.	Daily

Los Angeles to Merced

Depart	Arrive	Frequency
9:30 a.m.	10:30 a.m.	Ex Sunday
4:00 p.m.	5:00 p.m.	Daily

Merced to Los Angeles Option 2 two years with 9 pax aircraft/two years with 9 pax aircraft, two years with 19 pax aircraft

Depart	Arrive	Frequency
7:00 a.m.	7:38 a.m.	Daily

Los Angeles to Merced

Depart	Arrive	Frequency
5:00 p.m.	5:38 p.m.	Daily

**Counter Services:**

Service at the Merced counter will be staffed by professional, well trained customer service agents who will assist the passenger with boarding and stowing their luggage. This staff is also available at clearly marked hours to assist with future reservations, if needed. The counters will be marked with company logos and maintained in good order.





**Reservations:**

Schuman Aviation LTD dba Wine Country Express, utilizes a modern easy to use computerized reservations system that provides access to hotels, cruises and car rentals. Wine Country Express flights are listed on most online travel agencies like Orbitz, Priceline, Expedia, etc.

Wine Country Express also provides a sophisticated, easy to use booking engine on it’s website. Alternatively, reservations can be made by telephone with our knowledgeable customer service agents.

**Interline Agreements:**

Wine Country Express offers interline capabilities through our association with a well-known major airline. These arrangements facilitate the easy transfer of passengers and their bags to interline partners.

**Passenger Fares:**

Wine Country is dedicated to providing efficient, on time flights to the residents of Merced. Our fares reflect this goal. Please refer to the enclosed proposed fare table.

**Proposed Fares for Merced**

Fares are based on one way purchase. The fares may not include all applicable taxes.

Fare Type	Merced to Los Angeles	Los Angeles to Merced
Unrestricted fare-fully refundable	175.00	181.00
Low fare – 7 day advance	155.00	161.00
Low fare – 14 day advance purchase	140.00	146.00

**Benefit to the community of Merced:**

Residents of Merced are looking for a reliable airline that will provide the much needed service for both business and pleasure travel. Based on our conversations with members of the community, the statistics for air travel in the community do not reflect their true need for air travel. Due to changes in pilot requirements, many of the flights originally scheduled for this community were cancelled. Wine Country Express is planning a 99% reliability factor for this community. The corporate office for Wine Country Express is based in California.





If awarded the EAS contract for Merced, the airlines is planning an aggressive marketing campaign which includes using social media, television and radio ads, and participation in civic and community events promoting the air service and participating in the community we serve.

**Subsidy Requirements:**

Schuman Aviation Ltd. Is offering two possible options to Merced residents. Both options are based on a four year subsidy plan which guarantees continuity to the community. The first option includes more frequencies on a 9 passenger aircraft for a four year period. The second option includes a 19 passenger, pressurized aircraft in year three and four.

Option 1 - Four years with 26 departures weekly utilizing a 9 passenger aircraft

<b>OPTION ONE -</b>	<b>Year 1 - \$1,221,278</b>
<b>OPTION ONE</b>	Year 2 - \$1,284,686
<b>OPTION ONE</b>	Year 3 - \$1,403,968
<b>OPTION ONE</b>	Year 4 - \$1,474,647

Option 2 – Two years with a 26 departures weekly utilizing a 9 passenger aircraft, Two years with 14 departures weekly utilizing a 19 passenger aircraft

<b>OPTION TWO</b>	<b>Year 1 - \$1,299,597</b>
<b>OPTION TWO</b>	Year 2 - \$1,367,248
<b>OPTION TWO</b>	Year 3 - \$1,058,760
<b>OPTION TWO</b>	Year 4 - \$1,134,637

**Customer Testimonials:**

**From:** Matthew Brittain [<mailto:hiloprosocial@hotmail.com>]  
**Sent:** Saturday, November 16, 2013 4:10 PM  
**To:** [scott.faulk@dot.gov](mailto:scott.faulk@dot.gov)  
**Subject:** Makani kai airlines-Molokai





Dear Mr. Faulk:

I am writing to you to as a frequent traveler to Kalaupapa on Makanikai airlines. I go there a lot to visit with my wife, Lesly Mae Brittain, who is a RN at the settlement in Kalaupapa. Also, of course, my wife travels on Makani Kai a lot, too. As such, I am also speaking for her as well.

We are very happy with Makani Kai airline. They are friendly, accommodating, and know and recognize the special needs of the Kalaupapa community. They are almost like part of the family. We especially like that they are flexible in terms of scheduling, and allow us to bring extra luggage in, since there are no major stores there. We must bring in most of our consumer goods that we can't bring in on the once-yearly barge, so their lenience on the luggage is a huge benefit for us.

I hope that Makani Kai retains the contract to service Kalaupapa, it is really nice to have them.

Sincerely,

Matthew Brittain, LCSW

**From:** Rita [<mailto:cnrward@aol.com>]

**Sent:** Sunday, November 24, 2013 8:52 AM

**To:** [eas@dot.gov](mailto:eas@dot.gov); [damientours@aol.com](mailto:damientours@aol.com); [richard@makanikai.com](mailto:richard@makanikai.com); [muleman@sandwichisles.net](mailto:muleman@sandwichisles.net); [boland@lava.net](mailto:boland@lava.net)

**Subject:** KalaupapaAloha,

First of all, my name is Rita Lutu Ward a daughter of a Kalaupapa Patient here on Kalaupapa. I was told this email to let my mana'o regarding Makani Kai.

But first, allow me this time to explain abit more of what it took to finally get Makani Kai into Kalaupapa. With all the other past airline, they have done the job as far as taking





care of the Kalaupapa Patients traveling needs, and so forth. Aloha Air, Alii, Brandt airlines and to mention abit more.

We have been under Pacific Wings for over 5 years I think. It was the worst time for Kalaupapa. If you'd talk to the patients & workers in Kalaupapa there was a mode of depression while Pacific

Wings was here. Their ridiculous prices was charged over \$500.00 for round trips and same from Kalaupapa just to Moloka'i (topside). Many of us could not afford this price and felt as if we were all held at gun point or as hostages.

Long story short - Senator Daniel Inouye, fought for Kalaupa and heard our cries for help on this situation. Then alas, Pacific Wings left and then others tried to get into kalaupapa and with so many promises but no commitment on their ends. It was only Makani Kai who stepped up and offered their services to Kalaupapa. We are so very happy with this decision, and could not ask for anything more. Richard Shuman(Makani Kai) have gone & beyond his duties to help Kalaupapa. He and his staff are wonderful to us, like "Ohana" (family). And I thank them every trip to Honolulu or back to Kalaupapa.

Just find the time to talk to either workers (state & federal) and "Our Kalaupapa Patients" they all agree to want Makani Kai to stay. I stand with Makani Kai and do not want another airline coming in to Kalaupapa. This is my sincere "Mana'o" (Thoughts). If you have any questions please don't hesitate to let me know.

Rita Lutu Ward

Daughter of Richard & Gloria Marks (Patients Of Kalaupapa)

From: "Tylor Tanaka" <[tatanaka08@gmail.com](mailto:tatanaka08@gmail.com)>

Date: Apr 23, 2014 6:07 AM

Subject: Wrong Wings For Lup

To: "Jennifer Lyons" <[jblyons808@gmail.com](mailto:jblyons808@gmail.com)>

Cc:





ALOHA EVERYONE!

Kalaupapa's EAS is expiring May 31, 2014. Meaning a NEW airline may bid for the award from the Federal Government. Currently Makani Kai Air has the award. They have great a service like no other airline. It's local (eh brittany you get room on this flight) if there is room we may jump on and pay cash with no fees! FREE BAGS. PETS ARE FREE(even your chicken)FREE CHANGE FEES.AND EVERY SEAT IS \$50. They will even pick us up in the middle of the night during tsunami with just one call! Thats how personalized they are

Now Mokulele Airlines is also bidding for the EAS award. Their Marketing director came to our community meeting and had a presentation for us and this is what 99% of the community and I gather from it!

"Your city is a great opportunity for us to expand"-WE ARE NOT A CITY

"daily direct flights from OGG and HNL"-never once they said nor was it on their power point, until asked if they will provide service to topside

"our price will be competitive, which our marketing team will put that together"-their

"competitive" pricing that their MARKETING team puts together is sale 2 seats at the "sale" price and the rest at a much higher price! So from this information gathered from mokulele's presentation, 99% of us residents of Kalaupapa believe, Mokulele Airlines is the wrong wings for us!

Now some topside residents (some is family) have been writing letters in support of Mokulele and stating "on behalf of the Molokai residents and Kalaupapa residents"! PLEASE PLEASE DO NOT WRITE ON OUR BEHALF IF YOU DON'T KNOW HOW WE FEEL!! US Kalaupapa Residents will be punished financially and conveniently if mokulele receives this EAS!!

So please consider how the residents will be affected before writing an support letter for Mokulele! Also if you wanna write a letter on behalf of YOURSELF and where YOU LIVE! M




**Merced**

			Merced to Los Angeles Year 1	Merced to Los Angeles Year 2	Merced to Los Angeles Year 3	Merced to Los Angeles Year 4	
Option One							
Weekly Frequencies			26	26	26	26	
Completion Factor			99%	99%	99%	99%	
Annual Departures			1326	1326	1326	1326	
Block Time (in minutes)			0.55	0.55	0.55	0.55	
Annual Block Hours			1248	1248	1248	1248	
Stage length (statute miles)			208	208	208	208	
Available Seat Miles (9 seats)			2482272	2482272	2482272	2482272	
Load Factor			35%	38%	41%	44%	
Passengers			4200	4500	4900	5200	
Revenue Passenger Miles			873600	936000	1019200	1081600	
Average Fare			\$75.00	\$75.00	\$75.00	\$75.00	
			\$75.00	\$75.00	\$75.00	\$75.00	
Revenue:							
	Passenger		\$315,000.00	\$337,500.00	\$367,500.00	\$390,000.00	
	Ancillaries	\$3.00 per passenger	\$12,600.00	\$13,500.00	\$14,700.00	\$15,600.00	
			<b>\$327,600.00</b>	<b>\$351,000.00</b>	<b>\$382,200.00</b>	<b>\$405,600.00</b>	
Assumptions							
	Fuel Cost P/Gal	\$4.26					
	Fuel Burn Gallons P/Hr	55.00					
Direct Expenses:							
	Ownership	\$187.00	Per Blk Hr	\$233,376.00	\$233,376.00	\$233,376.00	\$233,376.00
	Flight Crew	\$143.00	Per Blk Hr	\$178,464.00	\$187,387.20	\$235,000.00	\$246,750.00
	Aircraft Lease			\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00
	Fuel & Into Plane Fees	\$234.30	Per Blk Hr	\$292,406.40	\$336,267.36	\$369,894.10	\$406,883.51
	Insurance	\$67.00	Per Blk Hr	\$83,616.00	\$83,616.00	\$91,977.60	\$96,576.48
	Maintenance	\$160.00	Per Blk Hr	\$199,680.00	\$209,664.00	\$230,630.40	\$242,161.92
	Miscellaneous/Reaccom	\$22.00	Per Blk Hr	\$27,456.00	\$27,456.00	\$30,201.60	\$31,711.68
Total Direct Expenses			\$1,194,998.40	\$1,257,766.56	\$1,371,079.70	\$1,437,459.59	
Indirect Expenses:							
	Landing Fees	\$18.00	per dept	\$23,868.00	\$23,868.00	\$26,254.80	\$26,254.80
	Passenger Services	\$60.00	Per pax	\$96,627.50	\$101,458.88	\$111,604.76	\$122,765.24
	Marketing	\$15.45	per Pax	\$64,890.00	\$69,525.00	\$76,477.50	\$76,477.50
	General & Admin/Other	9.1%	of Direct	\$108,744.85	\$120,179.59	\$132,197.55	\$145,417.31
Total Indirect Expenses			\$294,130.35	\$315,031.47	\$346,534.62	\$370,914.85	
			<b>\$1,489,128.75</b>	<b>\$1,572,798.03</b>	<b>\$1,717,614.31</b>	<b>\$1,808,374.43</b>	
Income (loss)			<b>(\$1,161,528.75)</b>	<b>(\$1,221,798.03)</b>	<b>(\$1,335,414.31)</b>	<b>(\$1,402,774.43)</b>	
Profit element			\$59,749.92	\$62,888.33	\$68,553.98	\$71,872.98	
Subsidy requirement			<b>\$1,221,278.67</b>	<b>\$1,284,686.36</b>	<b>\$1,403,968.30</b>	<b>\$1,474,647.41</b>	
Subsidy per passenger			<b>\$290.78</b>	<b>\$285.49</b>	<b>\$286.52</b>	<b>\$283.59</b>	
Subsidy per departure			<b>\$921.02</b>	<b>\$968.84</b>	<b>\$1,058.80</b>	<b>\$1,112.10</b>	



**Merced**

			Merced Los Angeles Year 1	Merced Los Angeles Year 2	Merced Los Angeles Year 3	Merced Los Angeles Year 4	
Option Two							
Weekly Frequencies			26	26	14	14	
Completion Factor			99%	99%	99%	99%	
Annual Departures			1326	1326	728	728	
Block Time (in minutes)			0.55	0.55	0.38	0.38	
Annual Block Hours			1248	1248	532	532	
Stage length (statute miles)			208	208	208	208	
Available Seat Miles (9 seats)			2482272	2482272	1362816	1362816	**19 seats
Load Factor			35%	38%	60%	62%	
Passengers			4200	4500	8299	8576	
Revenue Passenger Miles			873600	936000	1726192	1783808	
Average Fare			\$75.00	\$75.00	\$75.00	\$75.00	
Revenue:			\$75.00	\$75.00	\$75.00	\$75.00	
	Passenger		\$315,000.00	\$337,500.00	\$622,425.00	\$643,200.00	
	Ancillaries	\$3.00 per passenger	\$12,600.00	\$13,500.00	\$24,897.00	\$25,728.00	
		<b>Total Revenue</b>	<b>\$327,600.00</b>	<b>\$351,000.00</b>	<b>\$647,322.00</b>	<b>\$668,928.00</b>	
Assumptions							
	Fuel Cost P/Gal	\$4.26					
	Fuel Burn Gallons P/Hr	55.00					
Direct Expenses:							
	Ownership	\$187.00 Per Blk Hr	\$233,376.00	\$233,376.00	\$99,484.00	\$99,484.00	
	Flight Crew	\$198.00 Per Blk Hr	\$247,104.00	\$259,459.20	\$285,405.12	\$299,675.38	
	Aircraft Lease		\$180,000.00	\$180,000.00	\$180,000.00	\$180,000.00	
	Fuel & Into Plane Fees	\$234.30 Per Blk Hr	\$292,406.40	\$336,267.36	\$369,894.10	\$406,883.51	
	Insurance	\$67.00 Per Blk Hr	\$83,616.00	\$83,616.00	\$91,977.60	\$96,576.48	
	Maintenance	\$160.00 Per Blk Hr	\$199,680.00	\$209,664.00	\$230,630.40	\$242,161.92	
	Miscellaneous/Reaccom	\$22.00 Per Blk Hr	\$27,456.00	\$27,456.00	\$30,201.60	\$31,711.68	
Total Direct Expenses			\$1,263,638.40	\$1,329,838.56	\$1,287,592.82	\$1,356,492.96	
Indirect Expenses:							
	Landing Fees	\$18.00 per dept	\$23,868.00	\$23,868.00	\$26,254.80	\$26,254.80	
	Passenger Services	\$60.00 Per pax	\$96,627.50	\$101,458.88	\$111,604.76	\$122,765.24	
	Marketing	\$15.45 per Pax	\$64,890.00	\$69,525.00	\$76,477.50	\$76,477.50	
	General & Admin/Other	9.1% of Direct	\$114,991.09	\$127,066.07	\$139,772.68	\$153,749.95	
Total Indirect Expenses			\$300,376.59	\$321,917.95	\$354,109.74	\$379,247.49	
		<b>Total Operating Expenses</b>	<b>\$1,564,014.99</b>	<b>\$1,651,756.51</b>	<b>\$1,641,702.56</b>	<b>\$1,735,740.45</b>	
Income (loss)			<b>(\$1,236,414.99)</b>	<b>(\$1,300,756.51)</b>	<b>(\$994,380.56)</b>	<b>(\$1,066,812.45)</b>	
Profit element			\$63,181.92	\$66,491.93	\$64,379.64	\$67,824.65	
Subsidy requirement			<b>\$1,299,596.91</b>	<b>\$1,367,248.44</b>	<b>\$1,058,760.20</b>	<b>\$1,134,637.10</b>	
Subsidy per passenger			<b>\$309.43</b>	<b>\$303.83</b>	<b>\$127.58</b>	<b>\$132.30</b>	
Subsidy per departure			<b>\$980.09</b>	<b>\$1,031.11</b>	<b>\$1,454.34</b>	<b>\$1,558.57</b>	

**BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, D.C.**

---

Essential Air Service at	)	
	)	
	)	
<b>MERCED, CALIFORNIA</b>	)	<b>Docket OST-1998-3521</b>
<b>VISALIA, CALIFORNIA</b>	)	<b>Docket OST-2004-19916</b>
	)	
Under 49 U.S.C. §41731 <i>et seq.</i>	)	

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**MOKULELE FLIGHT SERVICE INC., dba MOKULELE AIRLINES PROPOSAL TO PROVIDE  
ESSENTIAL AIR SERVICE TO THE COMMUNITIES OF MERCED AND VISALIA, CALIFORNIA**

Correspondence with regard to this document should be addressed to:

Ron Hansen  
CEO  
Mokulele Airlines  
73-350 U'u Street  
Kailua-Kona, HI 96740  
Telephone: 808-840-9002  
Fax: 808-326-1266  
Email: ron.hansen@mokulelehawaii.com

Mokulele Flight Service Inc., dba Mokulele Airlines (hereafter Mokulele) hereby proposes the following response to DOT Order 2014-5-9 to provide Essential Air Service to the communities of Merced and Visalia, California. Mokulele is pleased to offer three options for service.

**Service Proposal**

Mokulele proposes to operate three roundtrips each weekday between Visalia and either Los Angeles International Airport or Long Beach Airport. Additionally, Mokulele proposes to operate three roundtrips each weekday between Merced and Oakland International Airport. Should Mokulele be chosen to provide service to both communities, it would establish a maintenance and operations base at Visalia, CA. All Mokulele crewmembers would be based in Visalia, CA as well, in a two city scenario. This schedule would be supported by a dedicated aircraft for each city pair. A dedicated spare aircraft would be included were Mokulele to be chosen to provide service to both communities. Consequently, in the two city scenario, Visalia would receive a fourth weekday frequency northbound to Oakland International Airport via Merced. Two roundtrips would be offered in each primary city pair on Saturday and Sunday. These proposed flights would be operated on the dependable, 9 seat, Cessna Grand Caravan Aircraft. The attributes of which is detailed in the text below.

While Mokulele desires to operate its flight non-stop to Los Angeles International Airport, it should be noted that space/gate availability and cost may result in these flights being operated to Long Beach Airport instead.

**Draft Flight Schedule**

OASIS/MARKSUM  
SCHEDULE MWCALI6 (LOCAL)

MOKULELE AIRLINES  
MARKET SUMMARY  
10/01/14 - 99/99/99

FROM	TO	DEP	ARR	FLT#	EQP	FREQ	STP
LOS ANGELES	VISALIA	0900	1030	106	CNA	X67	0
LOS ANGELES	VISALIA	1315	1445	109	CNA	Daily	0
LOS ANGELES	VISALIA	1730	1900	108	CNA	Daily	0
VISALIA	LOS ANGELES	0615	0745	105	CNA	X67	0
VISALIA	LOS ANGELES	1100	1230	111	CNA	Daily	0
VISALIA	LOS ANGELES	1515	1645	112	CNA	Daily	0
MERCED	OAKLAND	0705	0800	101	CNA	X67	0
MERCED	OAKLAND	1105	1200	103	CNA	Daily	0
MERCED	OAKLAND	1505	1600	104	CNA	Daily	0
OAKLAND	MERCED	0900	0955	102	CNA	X67	0
OAKLAND	MERCED	1300	1355	107	CNA	Daily	0
OAKLAND	MERCED	1700	1755	110	CNA	Daily	0
OAKLAND	VISALIA	1700	1900	110	CNA	Daily	1 (Two City Scenario ONLY)
VISALIA	OAKLAND	0600	0800	101	CNA	X67	1 (Two City Scenario ONLY)
VISALIA	OAKLAND	1000	1200	103	CNA	67	1 (Two City Scenario ONLY)

(Note: This is a Draft Schedule ONLY. The final selling schedule may vary. Also note that Los Angeles service may be operated to Long Beach Airport instead pending final agreements)



Visalia & Merced, CA				Merced to Oakland	Visalia to Los Angeles	Two City Scenario Visalia to Oakland (Visalia to Merced seg)	Two City Scenario Visalia Service Subttl	Two City Scenario Mokulele Airlines California System Totals
						1 Stop: VIS-OAK via MCE		
Weekly Frequencies			38	38	14	52		90
Completion Factor			98%	98%	98%	98%		98%
Annual Departures			1,938	1,938	714	2,652		4,590
Block Time (in minutes)			0.9	1.3	0.8			1.08
Annual Block Hours			1,777	2,584	595	3,179		4,956
Stage length (statute miles)			98	174	91	152		129
Available Seat Miles (9 seats)			1,709,316	3,034,908	584,766	3,619,674		5,328,990
Enplaned Load Factor			36%	44%	26%	41%		43%
Enplaned Passengers			6,260	7,720	1,680	9,401		15,661
Onboard Load Factor (Only Applicable in Two City Scenario)			46%	44%				
Onboard Passengers (Only Applicable in Two City Scenario)			7,940	7,720	1,680	9,401		17,341
Revenue Passenger Miles			778,138	1,343,360	152,897	1,496,256		2,274,394
Average Fare			\$67.44	\$90.70	\$137.21	\$99.01		\$ 86.39
			\$75 fare	\$100 fare	\$150 fare			
Revenue:								
	Passenger		\$422,186.05	\$700,227.59	\$230,536.87	\$930,764.46		\$ 1,352,951
	Thru Pax Revenue		\$0.00	\$0.00	\$0.00	\$0.00		\$ -
	Ancillaries	\$3.50 per passenger	\$21,910.00	\$27,021.60	\$5,880.64	\$32,902.25		\$ 54,812
<b>Total Revenue</b>			\$444,096.05	\$727,249.19	\$236,417.52	\$963,666.71		\$ 1,407,763
Assumptions								
	Fuel Cost P/Gal	\$4.00						
	Fuel Burn Gallons P/Hr	48.00						
Direct Expenses:								
	Ownership	\$134.40	Per Blk Hr	\$238,754.72	\$347,279.59	\$79,965.69	\$427,245.28	\$ 666,000
	Flight Crew	\$105.00	Per Blk Hr	\$186,532.50	\$271,320.00	\$62,475.00	\$333,795.00	\$ 520,328
	Fuel & Into Plane Fees	\$192.00	Per Blk Hr	\$341,088.00	\$496,128.00	\$114,240.00	\$610,368.00	\$ 951,456
	Insurance	\$15.00	Per Blk Hr	\$26,647.50	\$38,760.00	\$8,925.00	\$47,685.00	\$ 74,333
	Maintenance	\$168.00	Per Blk Hr	\$298,452.00	\$434,112.00	\$99,960.00	\$534,072.00	\$ 832,524
	Miscellaneous/Reacom	\$15.00	Per Blk Hr	\$26,648.00	\$38,760.00	\$8,925.00	\$47,685.00	\$ 74,333
<b>Total Direct Expenses</b>				\$1,118,122.72	\$1,626,359.59	\$374,490.69	\$2,000,850.28	\$ 3,118,973
Indirect Expenses:								
	Station Costs	\$187.23	per dept	\$362,857.96	\$362,857.96	\$133,684.51	\$496,542.46	\$ 859,400
	Landing Fees	\$0.00	per dept	\$0.00	\$0.00	\$0.00	\$0.00	\$ -
	Agent Bookings & Sales	\$9.10	per Pax	\$28,483.00	\$35,128.08	\$7,644.84	\$42,772.92	\$ 71,256
	Web bookings & sales	\$4.15	per Pax	\$12,989.50	\$16,019.95	\$3,486.38	\$19,506.33	\$ 32,496
	Marketing	\$3.35	per Pax	\$20,971.00	\$25,863.53	\$5,628.62	\$31,492.15	\$ 52,463
	Set up costs / training			\$10,000.00	\$10,000.00		\$10,000.00	\$ 20,000
	General & Admin/Other	4.8%	of Direct	\$53,669.89	\$78,065.26	\$17,975.55	\$96,040.81	\$ 149,711
<b>Total Indirect Expenses</b>				\$488,971.35	\$527,934.78	\$168,419.90	\$696,354.68	\$ 1,185,326
<b>Total Operating Expenses</b>				\$1,607,094.06	\$2,154,294.37	\$542,910.59	\$2,697,204.97	\$ 4,304,299
<b>Income (loss)</b>				(\$1,162,998.02)	(\$1,427,045.18)	(\$306,493.07)	(\$1,733,538.26)	(\$2,896,536.27)
<b>cost per hour</b>				\$904.64	\$833.71	\$912.45	\$848.44	\$ 868.59
<b>Profit Element (5% Return on Costs)</b>				\$80,354.70	\$107,714.72	\$27,145.53	\$134,860.25	\$215,214.95
<b>Subsidy Required</b>				(\$1,243,352.72)	(\$1,534,759.90)	(\$333,638.60)	(\$1,868,398.51)	(\$3,111,751.23)
<b>Subsidy per Enplaned Passenger</b>				(\$198.62)	(\$198.79)	(\$198.57)	(\$198.75)	(\$198.70)

## Company Background and Information



**B**ased in Kona, Hawaii, Mokulele was founded in 1998 as an inter-island airline offering service to seven destinations on five islands. The management team of Mokulele is highly experienced in the airline industry and has seized on the opportunity for expansion by providing greater efficiencies and operational controls. Mokulele is a “scheduled” FAA Part 135 Air Carrier with an excellent service record. Mokulele operates more than 120 daily flights and carries 20,000 plus passengers monthly with its fleet of nine NEW Cessna Grand Caravan 208EX aircraft.

**About Us -**

*Mokulele Airlines* **10 YEARS IN THE MAKING**

 A horizontal timeline with a red line and black dots. Above the line are three aircraft: a small blue and white plane (1998), a white plane with a red tail (2005), and a larger white plane with a red tail and 'Mokulele Airlines' branding (2007). Below the line are five key events with their corresponding years.
 

Year	Event
1998	Founded as Mokulele Flight Service Inc.
2005	Acquired by Bill Boyer
2006	Began scheduled U.S. Airline operator
2007	Agreement with Mesa Air Group and go!
2008	Began Mokulele Air Cargo master service

**U.S. Air Carrier & Tour Operator**

## Current Operations

Mokulele currently employs 110 full-time and 70 part-time employees, most performing collateral duties at the nine airports it currently serves. The employee group is primarily comprised of young, local residents eager to see the company prosper and grow in the island market along with many who have been with Mokulele for 5 years or more.

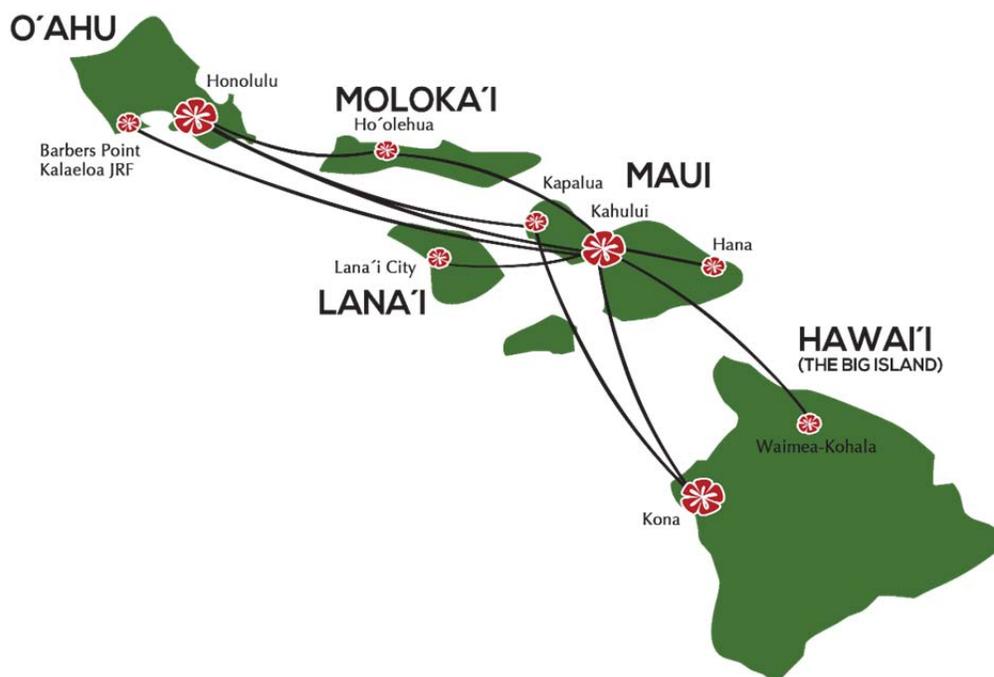
Presently, Mokulele owns nine new and five standard model Cessna Grand Caravans, each configured with nine passenger seats. The aircraft maintenance departments are located at Kona and Kahului where it employs 12 licensed A&P mechanics.

The airline flies to one EAS (government subsidy) route, awarded in July and started on time and one private-subsidized route from Maui; all other routes are flown at-risk. We've been so successful in our EAS route that we will soon be adding an additional subsidy-free flight. (Exhibit B)

## Operating Certificate and Authority

Mokulele conducts business as a certified FAA Part 135, Scheduled Air Carrier. Refer to [Exhibit A](#) for copies of Mokulele's FAA Air Carrier Certificate.

## Routes and Airports Served



## Market Opportunity

The following, in descending order of importance, are ten elements that will lead to the continued success of Mokulele Airlines:

- Employing an experienced, professional management team that combines visualization, realism and solid knowledge of the Federal Aviation Regulations relating to flight and legal responsibilities involved for companies engaged in scheduled passenger flights.
- The management team's strengths include familiarity with the latest aviation, electronic and informational technologies; familiarity with the region and markets to be served; realization of the crucial importance of an organization's personnel and their relationship to the company's success and a total commitment to the overall mission and goals of the airline.
- Implementing an intelligent, progressive and aggressive marketing strategy that identifies Mokulele Airlines as a unique air carrier flying unique routes with a unique passenger clientele. It is a marketing philosophy that identifies Mokulele and its employees as sharper, smarter and with a higher level of professionalism and operation standard than is the norm in the market, combined with highly competitive fare pricing.
- Presenting a friendly, cooperative, enjoyable yet highly professional safety-conscious flight crew to the traveling public.

- Maintaining aircraft with a highly trained and knowledgeable staff equipped with spare parts and tooling, yields aircraft that comply with all FAA aircraft maintenance standards and high dispatch reliability.
- Establishing a high level of operational oversight and quality control that will ensure that Mokulele always lives up to its commitment to a high level of flight safety, customer satisfaction and convenience at a reasonable, highly competitive fare.
- Growing the company based on need rather than growth for growth's sake. This requires being aware of solid niche-enlargement opportunities that will allow incremental, but always profitable expansion. Examples of this strategy include the expansion of service to Kapalua and Hana, Maui in 2012.
- Development and implementation of code share and interline agreements with well-established major airlines thus offering cost advantages to our clients.
- Identifying and developing cost-effective opportunities for new markets, new market concepts and expanded sales potential. This objective can be accomplished by maintaining an awareness of combining the core aviation business with ancillary marketing concepts and activities and ground-based operations that support, supplement, and complement the aviation elements of the business. These elements include such activities as aviation services, and other logical business pursuits both within and outside the immediate aviation business.
- Utilization of the latest electronic and informational technologies in sales and marketing, reservations, scheduling, resource planning and operational oversight. Technologies such as Internet marketing, reservations, operational oversight and flight tracking all contribute to reduced staffing requirements for Mokulele.

### **Competitive Advantages**

The current competitive environment for Mokulele Airlines is bright with very little competition. Mokulele Airlines is uniquely positioned to continue growing. Our customers love the personal attention given to them by our staff, shorter check-in requirements, and customer initiatives such as free parking at most of our airports and shuttles to the other terminals at the larger airports. By providing frequent service at affordable fares, Mokulele is quickly growing to be Hawai'i's premier inter-island carrier.

### **Codesharing and Interline Agreements**

Codeshare and interline agreements provide our travelers with the additional protections of IATA agreements and single ticketing to many destinations covered by our codeshare and interline partners. Customers can purchase one ticket from Ho'olehua to Boise, Idaho, for example. Our systems are capable of both inbound and outbound codesharing and reciprocal frequent flyer benefits (including accrual and redemption).



### Modern Distribution

Customers are able to book a ticket on Mokulele using their favorite online booking tool, via most corporate travel portals, through traditional travel agents, and also through 3 airlines. Mokulele uses Radixx and SkyVantage to power our reservation system and industry-standard Type A messaging and electronic ticketing with all the major GDS's.

The Mokulele website also allows for online changes & cancellations – reducing the need to contact our reservations office or make a trip to the airport. Cancellations are mostly refunded to a voucher, which can also be redeemed online.

The private booking portal allows for tour operators, travel agents, and businesses to better manage their travel by providing real time reports, access to credit limits, reservation details, and cancel/change abilities.



### Creative Marketing

Mokulele believes in reaching out to our customers using creative ads that help set the tone for their vacation. Mokulele uses a variety of direct-contact methods – ranging from social media, co-op partnerships with our destinations, tourism board outreach programs, and emails. Mokulele also spends money on television, radio, and print advertising.



# Fall Fly Away SALE!

**Mokulele Airlines**  
HAWAII'S #1 ISLAND HOPPER

**\$39**  
ONE WAY  
Includes taxes & fees

**BETWEEN:**

- Lana'i City and Kahului

**\$49**  
ONE WAY  
Includes taxes & fees

**BETWEEN:**

- Honolulu and Ho'olehua
- Kahului and Ho'olehua
- Hana and Kahului
- Hana and Kapalua

**\$59**  
ONE WAY  
Includes taxes & fees

**BETWEEN:**

- Waimea-Kohala and Kahului
- Kona and Kapalua
- Kona and Kahului
- Honolulu and Kapalua

Buy and Fly of these prices now through December 19, 2013. Hurry! Seats are limited and available only online at [www.mokuleleairlines.com](http://www.mokuleleairlines.com)

**CONNECTING YOU TO HAWAII & THE WORLD**

**Mokulele Airlines**

VISIT [MOKULELEAIRLINES.COM](http://MOKULELEAIRLINES.COM) TO JOIN OUR FREE CORPORATE TRAVEL PROGRAM TO RECEIVE GREAT RATES AND BENEFITS

BOOK ONLINE

**MOKULELEAIRLINES.COM**  
Available 24 hours, 7 days a week & as EASY as a click of a button!  
OR CALL: 866-260-7070 FOR RESERVATIONS  
Available daily from 7AM to 7PM

**MOKULELEAIRLINES.COM**

- Everyday Low fares do not require roundtrip purchase.
- Our LOWEST fares typically require a 7 day advance purchase.
- Please review Fare Contract and Restrictions located in Contract of Carriage.
- For problems with Domestic and International Credit Cards, please call us at (866) 260-7070
- All fares & flights are subject to change without notice. Fare is not guaranteed until purchased.
- Reservations of children 5-12 years traveling alone must be booked through our Reservations Center.
- Applicable to MW operated flights only (MW1000-1999).

Chance to win 2 free Tickets! Text Mokulele to HNN808

### Smarter selling solutions

As many costs rise, Mokulele is able to respond rapidly to the changing environment. By offering ONLY 9 seats per flight, we have the ability to make a profit on a flight with only 4 or 5 passengers on board – and during peak times, we can add additional planes, ‘extra sections’, and fly 18 or 27 customers at the same time!

The airline is also focused on its corporate sales program, which gives frequent users a private booking portal that has lower fares, relaxed fare rules, and free baggage allowances. The booking portal also allows for online changes & cancellations – alleviating the need to call into the reservations office.

### The Aircraft

The proposed flights are offered aboard a Cessna Grand Caravan operated with both a captain and a first officer onboard. The Cessna Caravan is a modern aircraft, still in production. Manufactured by one of the most recognized aviation companies in history, the Caravan is one of the largest and safest aircraft of its size and range. The aircraft comfortably seats nine passengers with a large cargo pod for baggage. The aircraft is equipped with modern avionics, fully integrated auto pilot, and onboard weather radar. The aircraft are air conditioned and heated for passenger comfort.

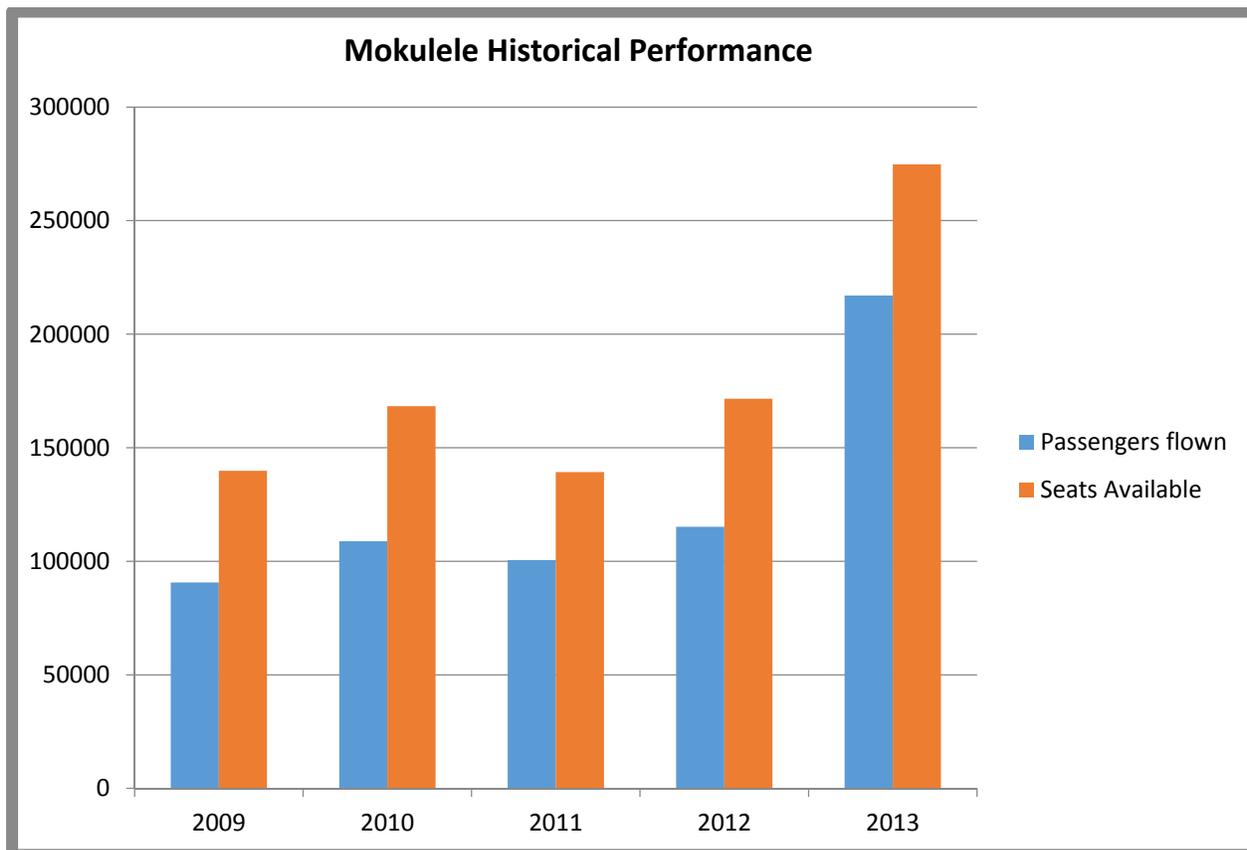
### Comfortable Interior

Mokulele has outfitted all Caravans with a single seat – per side configuration. This provides every guest on board with a window and aisle seat. Each airplane is air conditioned and most seats have a reading light and personal air vent. Each aircraft also has a secure bulkhead separating the cockpit from the cabin – giving our pilots an extra level of security, or may leave the doors open to provide our passengers with amazing views from the front of the aircraft.



**Track Record**

Under the current leadership team, the company has been able to grow to its highest levels in the entire history of the airline. Since the purchase by Transpac Holdings, the airline has nearly doubled in size while passenger traffic has grown 115%. The company saw a massive spike in traffic during 2013 when Mokulele upgraded its fleet, seeing an 88% increase in passenger traffic on only 60% growth.



**Special Discussion of Merced, CA EAS Eligibility and Impact on Service Proposal**

By DOT Order 2014-6-6 issued June 24, 2014, Merced, CA’s eligibility under the Essential Air Service program was terminated. That same order establishes a means by which a community may petition for restore its eligibility in a joint filing with an air carrier. We believe this proposal represents a means by which Merced may accomplish that goal. Over the past few years Merced has suffered from infrequent and unreliable service. Mokulele contends that this alternate service pattern featuring three weekday roundtrips to Oakland will enable to the community to reach its 10 passenger per day enplanement goal. Moreover the inclusion of a third aircraft, acting as a dedicated spare, in the two city proposal will restore the reliability this service has sorely lacked for so long. The proposal related to Merced is based upon a selling average fare of only \$75 one way. This lower fare structure will further stimulate ridership as the community realizes its true traffic potential.

This proposal offers the communities and the DOT the following possible scenarios:

**Service Option 1:**

**Service to Visalia, CA ONLY (no Mokulele service to Merced, CA)**

With this proposal, Mokulele offers a single dedicated CN-208B aircraft dedicated to operating three weekday roundtrips in either the Visalia, CA to Los Angeles International market or the Visalia, CA to Long Beach Airport market, pending final facility negotiations. Weekend Service would consist of two roundtrips each weekend day. As subsidy compensation for ONLY that service, Mokulele would require **\$1,534,759.90**, or roughly \$791.93 per segment. This is offered for a two or four year term. This option is not available if Service Option 2 is selected.

**Service Option 2:**

**Service to Merced, CA ONLY (no Mokulele service to Visalia, CA)**

With this proposal, Mokulele offers a single dedicated CN-208B aircraft dedicated to operating three weekday roundtrips in the Merced, CA to Oakland International Airport market, pending restoration of the communities Essential Air Service eligibility. Weekend Service would consist of two roundtrips each weekend day. As subsidy compensation for ONLY that service, Mokulele would require **\$1,243,352.72** or roughly \$641.56 per segment. This is offered for a two or four year term. This option is not available if Service Option 1 is selected.

**Service Option 3:**

**Service to both Merced, CA AND Visalia, CA**

With this proposal, Mokulele offers three CN-208B aircraft. With a dedicated spare, the two line aircraft would be deployed operating three weekday roundtrips in the Merced to Oakland International market (pending restoration of the communities Essential Air Service eligibility) as well as three roundtrips in the Visalia, CA to Los Angeles International market, or the Visalia, CA to Long Beach Airport market. Weekend Service would consist of two roundtrips each weekend day on the primary service routes. Additionally, Visalia would receive a daily, one-stop flight to Oakland International Airport via Merced in this proposal. As subsidy compensation for that level of service to each community, Mokulele would require **\$1,243,352.72**, or roughly \$641.56 per departure for Merced and **\$1,868,398.51**, or roughly \$704.52 per departure for Visalia. Total required subsidy compensation for Mokulele service to BOTH communities would be **\$3,111,751.23**. This is offered for a two or four year term.

**Conclusion**

Mokulele is an established, Part 135 air carrier with a solid track record of frequent and reliable service. With these three options, Mokulele offers both Merced and Visalia service options that will build ridership. Mokulele is an established Essential Air Service provider, recently announcing additional, subsidy free service over and above its EAS requirement in the Waimea-Kohala market, due to increasing ridership. (Exhibit B) Mokulele looks forward to bringing the same commitment to quality air service that has established it as a primary player in the tough Hawaiian inter-Island market to the mainland.

Exhibit A

Federal Aviation  
Administration

# Air Carrier Certificate

This certifies that

MOKULELE FLIGHT SERVICE, INC.  
73-350 U'U DRIVE  
KAILUA-KONA, HAWAII 96740

has met the requirements of the Federal Aviation Act of 1958, as amended, and the rules, regulations, and standards prescribed thereunder for the issuance of this certificate and is hereby authorized to operate as an air carrier and conduct common carriage operations in accordance with said Act and the rules, regulations, and standards prescribed thereunder and the terms, conditions, and limitations contained in the approved operations specifications.

This certificate is not transferable and, unless sooner surrendered, suspended, or revoked, shall continue in effect indefinitely.

By Direction of the Administrator

Certificate number: MK9A203N

Effective Date: January 30, 2013

Issued at: WP-13-Honolulu, HI

  
Nicholas Reyes  
(Signature)  
Regional Flight Standards  
Division Mgr.  
(Title)  
Western Pacific Region  
(Region/Office)

Exhibit B

**MOKULELE AIRLINES EXPANDS SERVICE BETWEEN  
KAMUELA AND MAUI WITH THE ADDITION OF  
A THIRD DAILY ROUNDTRIP FLIGHT**

*New flight being added to meet the demand for service from Kamuela  
which has exceeded EAS expectations.*

**Kailua-Kona, HI** — June 26, 2014 ... Mokulele Airlines has announced that it is expanding its service between Kamuela-Waimea on the Big Island and Kahului, Maui by adding a third daily roundtrip flight to meet growing demand. Mokulele began offering service from Kamuela in September 2013 after being awarded the Essential Air Service (EAS) contract from the Hawaii Department of Transportation. EAS is a government program designed to help ensure that smaller communities have access to commercial air service.

“Since winning the award, we’ve focused on delivering low fare, high-quality flights to the community by working directly with those who would use our service, and our boardings have reflected that,” explains Mokulele’s President and CEO Ron Hansen. Since Mokulele initiated the service, air traffic has grown more in Kamuela than in any other EAS market in the past two years. Mokulele expects to fly over 12,000 passengers in its first year of operation from Kamuela, compared to approximately 50 flown by the previous operator over a similar time period.

Mokulele will now offer 42 weekly flights between the two destinations, only 24 of which are subsidized by the EAS program. “The EAS program can truly help small communities when partnered with the right operator,” Hansen adds. “Because of the EAS program, we’re now able to increase flights, and hopefully grow Kamuela off of the EAS subsidy program by the end of our four-year agreement. We’re doing whatever it takes to build traffic to the point the market is 100 percent self-sustaining and no longer dependent on federal dollars.”

With the new flights, passengers can depart from Kahului at 8:35 am and arrive in Kamuela at 9:20 am. Maui-bound passengers can depart Kamuela at 9:40 am and arrive in Kahului at 10:25 am. Fare start at \$69 each way, taxes included, some restrictions apply and seats may be limited. Complete details and flight schedules can be found at [www.mokuleleairlines.com](http://www.mokuleleairlines.com).

#### **About Mokulele Airlines**

Mokulele Airlines, flying the skies of Hawaii since 1994, was purchased by TransPac Aviation, Inc. in 2011 with a goal of providing high quality, low-cost interisland air service. Mokulele, which is headquartered in Kailua-Kona, now offers more than 120 flights a day connecting Oahu, Molokai, Lanai, Maui and the Big Island on its fleet of nine-passenger, turbine-powered Cessna Grand Caravans. For reservations & information, visit [mokuleleairlines.com](http://mokuleleairlines.com), [facebook.com/mokulele](https://www.facebook.com/mokulele), contact your favorite travel agent or call 866-260-7070.

To: Regional Airport Authority  
From: Janet E. Young, Interim Airport Manager  
Date: April 21, 2015  
Re: **Extension of Agreement with RS&H, Airport Full-Service Consultant**

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In February 2011, the Airport Authority approved the selection of RS&H as the full-service consultant to the Merced Regional Airport following a RFQ review process that considered the qualifications of eight contending companies. The agreement was for a four year period with the right to extend for one additional year. The four year period will lapse on June 6, 2015. Airport management recommends the extension of the contract for the additional year provided for in the agreement. RS&H provides excellent consulting and engineering services on a range of topics and is instrumental in working successfully with the FAA in pursuit of grant opportunities and addressing other issues. Compensation for RS&H is provided from grant funds. The proposed extension will require City Council approval and the Authority is asked to approve the extension and recommend approval to the City Council.

**SUMMARY/RECOMMENDATION:**

Airport management requests that the Regional Airport Authority approve this item and recommend the one year contract extension for consulting and engineering services by RS&H to the Merced City Council, as provided for in the agreement.



## Merced Regional Airport

Manager's Report February 2015

### OPERATIONS

Great Lakes enplaned 128 revenue passengers for the month of February 2015, compared to 102 revenue passengers in January 2015. In comparison to January 2014, enplanements were down 3.23 percent. There were 12 departure cancellations this month out of the 52 scheduled departures. One of the cancellations was due to weather, six stemmed from lack of crew availability, and five from maintenance. The Federal Aviation Administration (FAA) instituted a new rule requiring First Officers to have a minimum of 1,500 flight hours to secure the ATP credential to fly for a commercial airline. The new rule created a shortage of pilots for the mid- and smaller level carriers. Since adoption of the new rule, Great Lakes Airlines has lost over 200 of its pilots. Great Lakes Airlines continues to hire and train pilots.

Airport management continues to work with Great Lakes Airlines to secure a commitment for the start date of passenger service with larger aircraft and advertising funding. Securing the commitment will trigger further discussions with the Department of Transportation (DOT). In addition, airport management is pursuing steps necessary to expand terminal space to accommodate the anticipated increase in passenger numbers.

The FAA Part 139 Inspection of the Airport took place from November 17 - 19, 2014. The inspection involved Airport management, the FBO, the Merced Fire Department, and Great Lakes Airlines. Airport management responded in a timely manner to the FAA Letter of Correction and the FAA Letter of Investigation that focused on ARFF training and the absence of FBO fueler recurrent training. In addition, the revised Airport Certification Manual was submitted to the FAA and contains updates as well as amendments suggested by the Inspector. The Letter of Correction included comments regarding outdated and faded signage; the need for re-marking of runway 12/30 and taxiways as well as lead-on and lead-off lines; pavement improvement issues; the need for B:C fire extinguishers on mobile fueler trucks, as well as recommendations related to ARFF training record maintenance. The corrective measures taken resulted in no further action on the Letter of Investigation. Signage has been ordered to replace the faded panels and the signs with verbiage no longer current under FAA requirements. The City purchased the required replacement B:C fire extinguishers for the FBO mobile fueler trucks to maintain the Part 139 certificate and the FBO is being billed for the expense. Since the last report, the FBO did change the worn tire cited in the Letter of Correction. The City of Merced Fire Department has successfully developed a training matrix for ARFF personnel satisfactory to the FAA Inspector. The re-marking and a pavement assessment is included in the Airport Capital Improvement Plan and the airport consultant, RS&H, is completing the grant proposal that will be submitted to the FAA for funding.

### CAPITAL PROJECTS AND CONSTRUCTION

Grant 21, Wildlife Hazard Assessment Study was approved and funded by the FAA. A "kick-off" meeting was held in September 2013 to start the yearlong Wildlife Hazard Assessment. Completion is estimated in the next two months.

The FAA approved Grant 22 for pavement rehabilitation to the west side of the FBO maintenance hangar. However, since only discretionary funds were available, the FAA approved only \$87,000 through that grant for the design portion of the project. Total funding available for design was \$87,000. The FAA Airports District Office then authorized the City of Merced in late August 2014 to award the contract for paving (under Grant 23) in the amount of \$326,835 to Rolfe Construction. A preconstruction conference took place on October 7, 2014, and work began in preparing the site in late October. The paving in the apron areas near the FBO began in November and extended into December, and the painting of specified runway and taxiway markings was completed in December 2014. RS&H worked with the airport and the City engineering team in monitoring the progress. The work was completed in mid-December and an inspection was conducted on December 29, 2014. RS&H determined the need for additional work on the paved areas to improve the quality of the paved surface and the contractor performed additional labor to address the issues. A portion of the final inspection of the work has been completed, but additional steps are yet to be undertaken. More information will be available soon.

Visit the Merced Regional Airport website at [www.flymercedairport.com](http://www.flymercedairport.com)

Airport management in consultation with RS&H developed a five-year Airport Capital Improvement Plan (ACIP) proposal which was submitted to the FAA Airports District Office on December 29, 2014. A preliminary discussion took place on December 10, 2014, with the leadership team of the FAA San Francisco Airports District Office. The proposed ACIP was approved by the Airport Authority at its January 2015 meeting. Airport management is scheduling an additional meeting with the FAA San Francisco Airports District Office to pursue funding opportunity discussions.

Airport Management also is developing plans and budget estimates for a slate of improvements and upgrades to the Merced Regional Airport Terminal to accommodate anticipated increased passenger numbers. City approval will be sought, as appropriate.

**OTHER**

Legal and Airport management continue to work to consolidate lease amendments into one lease with Gateway Air Center.

Airport staff are updating the Airport Emergency Plan.



# Merced Regional Airport

Manager's Report March 2015

## OPERATIONS

Great Lakes enplaned 134 revenue passengers for the month of March 2015, compared to 128 revenue passengers in February 2015. In comparison to March 2014, enplanements were down 1.47 percent. There were 18 departure cancellations this month out of the 58 scheduled departures, primarily due to lack of crew availability. The Federal Aviation Administration (FAA) instituted a new rule requiring First Officers to have a minimum of 1,500 flight hours to secure the ATP credential to fly for a commercial airline. The new rule created a shortage of pilots for the mid- and smaller level carriers. Since adoption of the new rule, Great Lakes Airlines has lost over 200 of its pilots. Great Lakes Airlines continues to hire and train pilots.

Airport management continues to work with Great Lakes Airlines to secure a commitment for the start date of passenger service with larger aircraft and advertising funding. Securing the commitment will trigger further discussions with the Department of Transportation (DOT). In addition, airport management is pursuing steps necessary to expand terminal space to accommodate the anticipated increase in passenger numbers.

The FAA Part 139 Inspection of the Airport took place from November 17 - 19, 2014. The inspection involved Airport management, the FBO, the Merced Fire Department, and Great Lakes Airlines. Airport management responded in a timely manner to the FAA Letter of Correction and the FAA Letter of Investigation that focused on ARFF training and the absence of FBO fueler recurrent training. In addition, the revised Airport Certification Manual was submitted to the FAA and contains updates as well as amendments suggested by the Inspector. The Letter of Correction included comments regarding outdated and faded signage; the need for re-marking of runway 12/30 and taxiways as well as lead-on and lead-off lines; pavement improvement issues; the need for B:C fire extinguishers on mobile fueler trucks, as well as recommendations related to ARFF training record maintenance. The corrective measures taken resulted in no further action on the Letter of Investigation. Signage has been ordered to replace the faded panels and the signs with verbiage no longer current under FAA requirements. The City purchased the required replacement B:C fire extinguishers for the FBO mobile fueler trucks to maintain the Part 139 certificate and the FBO is being billed for the expense. Since the last report, the signage has been replaced to address the issues cited in the Letter of Correction. The City of Merced Fire Department has successfully developed a training matrix for ARFF personnel satisfactory to the FAA Inspector. The re-marking and a pavement assessment is included in the Airport Capital Improvement Plan and the airport consultant, RS&H, is completing the grant proposal that will be submitted to the FAA for funding.

## CAPITAL PROJECTS AND CONSTRUCTION

Grant 21, Wildlife Hazard Assessment Study was approved and funded by the FAA. Completion is estimated in the next several weeks.

The FAA approved Grant 22 for pavement rehabilitation to the west side of the FBO maintenance hangar. However, since only discretionary funds were available, the FAA approved only \$87,000 through that grant for the design portion of the project. Total funding available for design was \$87,000. The FAA Airports District Office then authorized the City of Merced in late August 2014 to award the contract for paving (under Grant 23) in the amount of \$326,835 to Rolfe Construction. A preconstruction conference took place on October 7, 2014, and work began in preparing the site in late October. The paving in the apron areas near the FBO began in November and extended into December, and the painting of specified runway and taxiway markings was completed in December 2014. RS&H worked with the airport and the City engineering team in monitoring the progress. The work was completed in mid-December and an inspection was conducted on December 29, 2014. RS&H determined the need for additional work on the paved areas to improve the quality of the paved surface and the contractor performed additional labor to address the issues. A portion of the final inspection of the work has been completed, but additional steps are yet to be undertaken. More information will be available soon.

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Airport Management also is developing plans and budget estimates for a slate of improvements and upgrades to the Merced Regional Airport Terminal to accommodate anticipated increased passenger numbers. City approval will be sought, as appropriate.

**OTHER**

Airport staff are updating the Airport Emergency Plan and collaborating with the County Department of Public Health, the Merced Fire Department and Merced Police Department in planning for a triennial emergency drill that will take place at the airport on May 30, 2015.

To: Regional Airport Authority  
From: Janet E. Young, Interim Airport Manager  
Date: April 21, 2015  
**Re: Possible Incompatible Land Use Activity**

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Discussion as desired by authority members.

To: Regional Airport Authority  
From: Janet E. Young, Interim Airport Manager  
Date: April 21, 2015  
**Re: Other Business from the Authority**

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Discussion as desired by authority members.