



Proposal of Hyannis Air Service, Inc., dba Cape Air to provide subsidized Essential Air Service for:

City

DOT Docket

Decatur, IL

DOT-OST-2006-23929

Burlington, IA

DOT-OST-2001-8731

Featuring **multi-engine** aircraft to/from **Chicago O'Hare** and **St. Louis Lambert**
and **interline** connections with:

American Airlines



 **DELTA** 
AIR LINES

UNITED



jetBlue
AIRWAYS®

Alaska
AIR LINES®



Hyannis Air Service, Inc., dba Cape Air
Attn: Andrew Bonney, 660 Barnstable Road, Hyannis, MA 02601
(508) 862-9719

September 12, 2017

Background

THE CAPE AIR STORY



Cape Air has grown from a single aircraft and route in 1989 to America's largest commuter airline today

Key facts

- First route was Boston – Provincetown, begun in October 1989 with one aircraft
- Today's fleet
 - 83 Cessna 402s in four regions
 - Four Britten-Norman Islanders
 - Three ATR-42s in Micronesia
- Operating up to 550 flights daily
- In 2016 flew 680,000 passengers
- Stable and mature company

Cape Air: Leading the pack nine at a time

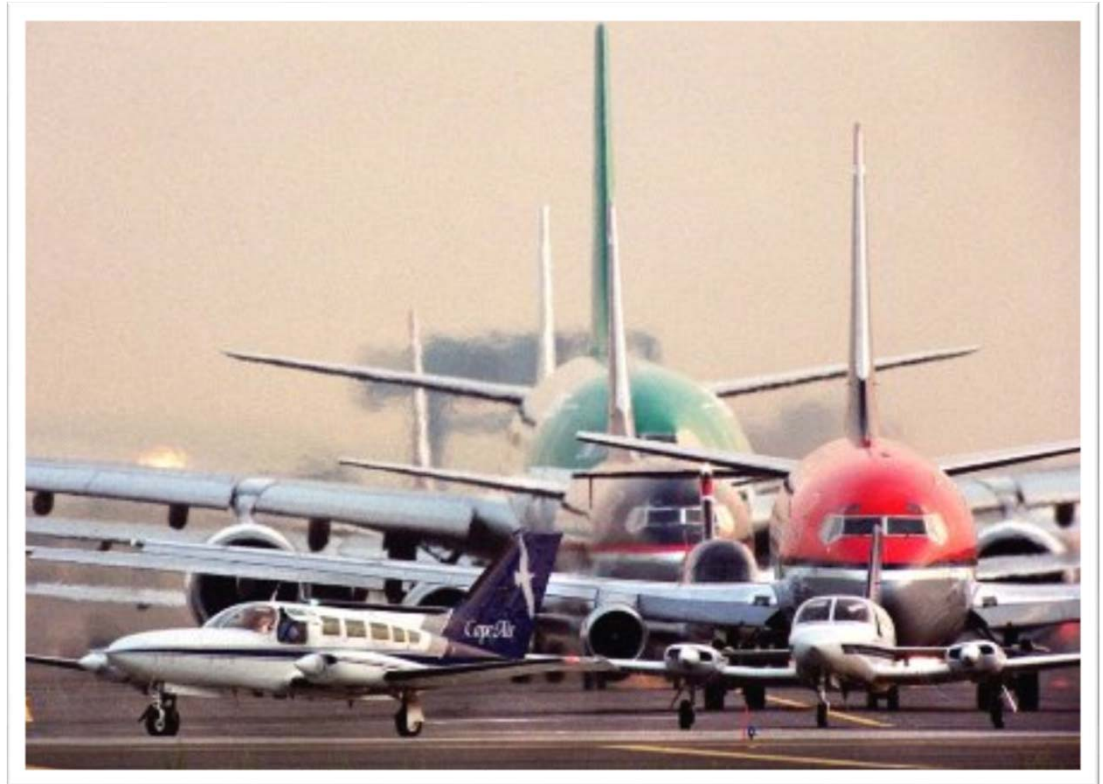


Photo courtesy Mark Garfinkel (August 7, 2000, Boston)



Cape Air began service in 1989 with three aircraft...

Cape Air Begins Service From P'Town

Cape Air has begun operation of its scheduled commuter airline service between the Provincetown Airport and Boston's Logan Airport.

Cape Air's fall/winter schedule offers three to four daily departures from Provincetown and three to four departures from Gate No. 28, lower level of American Airlines Terminal B in Boston.

Cape Air is a division of Hyannis Air Service, Inc., an air charter service and fixed base operator at the Barnstable Municipal Airport in Hyannis. For more information, call 1-800-352-0714 or 775-8171.



...And one route: Boston – Provincetown

Original Cape Air route map



November 1989 schedule

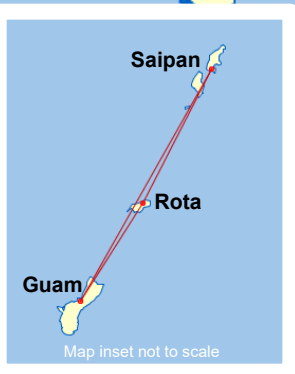
Today Cape Air
serves 39 cities

Cape Air Routes

3Q17

--- Denotes seasonal service

Micronesia

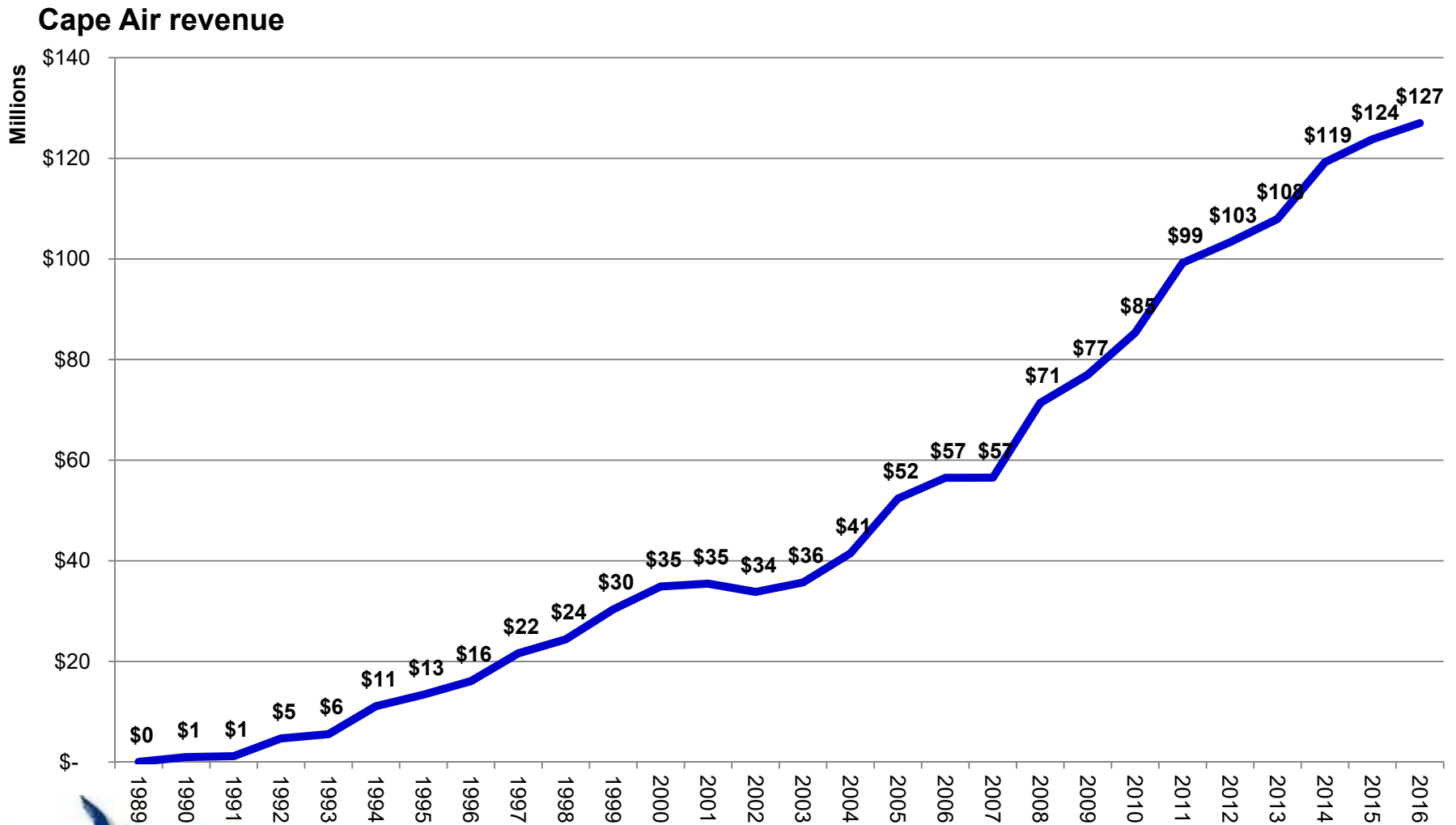




Cape Air 2017

- Revenue of \$125M
- Consistently profitable
- 39 airports served, 19 in EAS
- 940 employees
- +50% employee owned

Cape Air revenue has grown steadily since 1989



Cape Air is the only commuter airline to have interline connections with all of the legacy airlines plus Alaska and JetBlue



Itineraries connecting between Cape Air and United are available on united.com

UNITED United States | English MileagePlus: Sign in or join

Tue Sep 19, 2017 UIN Quincy, IL, US → IAH - Intercontinental Houston, TX, US [Edit search](#)

Economy (lowest)

Sun 9/17	Mon 9/18	Tue 9/19	Wed 9/20	Thu 9/21
\$324	\$290	\$290	\$290	\$290

[Fares are for the entire one-way trip, per person, and include taxes and fees. Additional bag charges may apply.](#)

50K Bonus Miles + \$50 statement credit [Learn More](#)

[Show fare type comparison](#)

[List view](#) [Detailed view](#)

[Depart](#) [Arrive](#) [Stops](#) [Duration](#)

	Economy	Economy (flexible)	First (2-cabin, lowest)
6:00 am 12:12 pm 1 stop 6h 12m Details Seats	\$290 Select 1 ticket left at this price	\$469 Select 4 tickets left at this price	\$419 Select 1 ticket left at this price
Includes Travel Operated By Cape Air, Republic Airlines DbA United Express			
8:17 am 12:12 pm 1 stop 3h 55m Details Seats	\$290 Select 2 tickets left at this price	\$469 Select 4 tickets left at this price	\$419 Select 2 tickets left at this price
Includes Travel Operated By Cape Air, Republic Airlines DbA United Express			
8:17 am 4:41 pm 1 stop 8h 24m Details Seats	\$296 Select 2 tickets left at this price	\$475 Select 4 tickets left at this price	\$425 Select 2 tickets left at this price
Includes Travel Operated By Cape Air, Mesa Airlines DbA United Express			

[Filters](#) [Price & schedule](#) [Airports](#) [Experience](#) 32 of 32 flights from \$290



Cape Air's interline agreement with American Airlines puts Cape Air cities on aa.com



Depart Kirksville, MO to New York, NY
Thursday, September 14, 2017

Note: interline display on aa.com available by selecting "All Carriers" on Advanced Search page. Cape Air has requested American improve interline functionality on aa.com. Reservations by phone work well.

[Product comparison](#)


<	Tue, Sep 12 \$ 252	Wed, Sep 13 \$ 242	Thu, Sep 14 \$ 169	Fri, Sep 15 \$ 299	Sat, Sep 16 \$ 242	>	Lowest Fare	Refundable
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Sort by: Price (low to high) ▾

		Main Cabin		First	
IRK	LGA				
12:15 PM	→ 5:38 PM	4h 23m	1 stop	One way \$ 169 2 seats left	One way \$ 299 2 seats left
9K 1168 ■ CNA-Cessna (Light)					
AA 4668 ■ E75-Embraer RJ-175					
Operated by Republic Airlines As American Eagle					



At joint cities Cape Air's connecting destinations appear on jetblue.com



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1. SEARCH2. FLIGHTS3. TRAVELERS4. SEATS5. EXTRAS6. PAYMENT

Select Your Flight

Rutland, VT (RUT) to Fort Lauderdale, FL (FLL)

BEST FARE GUARANTEE jetblue.com has the lowest fares—guaranteed*
*terms apply

Prices displayed are one-way per person including taxes and fees. Additional baggage fees may apply. Flights operated by partner airlines can only be paid using credit cards. The order of flights displayed is not neutral with respect to carrier identity; lowest priced JetBlue flights are displayed first, followed by codeshare and interline partner-operated flights, prioritized by price and schedule.

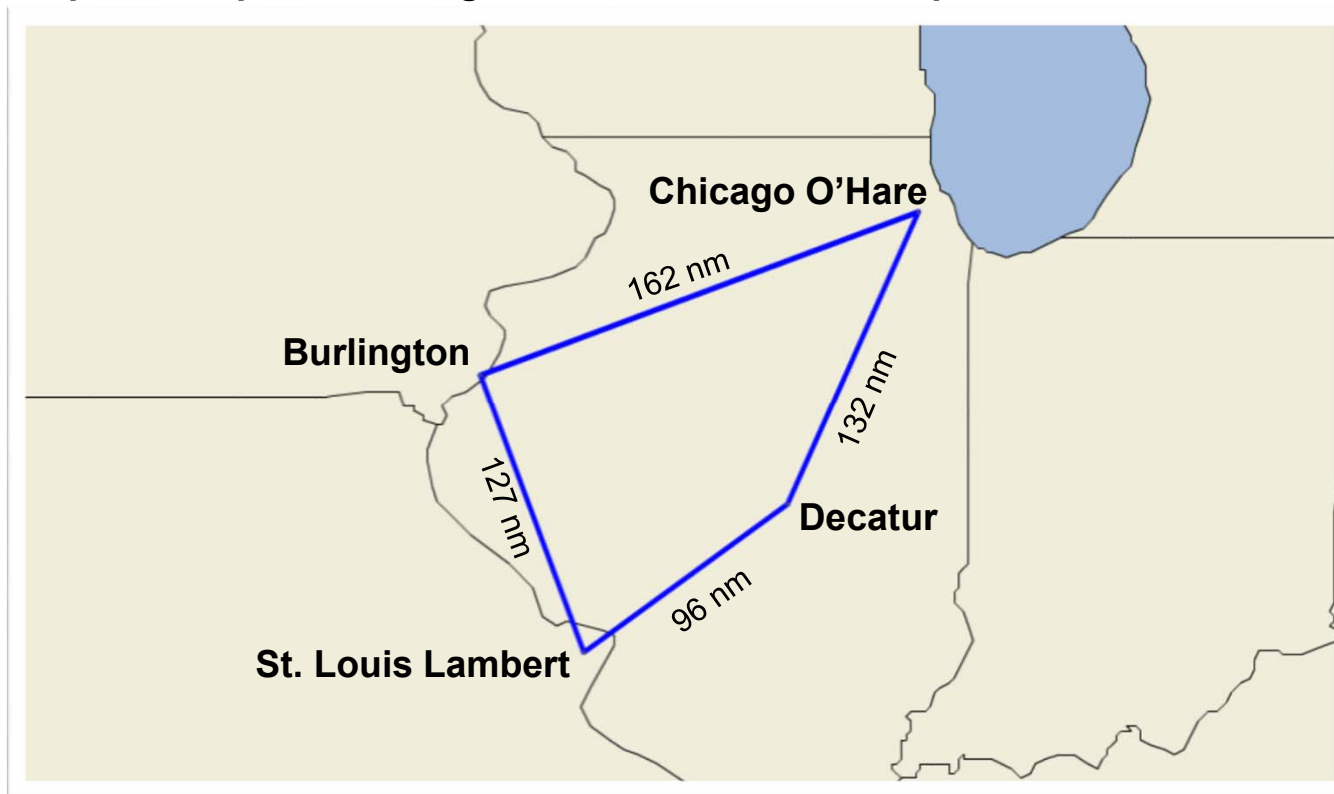
Departs		Arrives	Duration		Airline	Flight	Cabin
○ \$155 USD One-way							
RUT 4:05 PM Tue, Sep 05	➔	BOS 5:04 PM Tue, Sep 05	0h 59m Layover: 3h 38m			 9K 70	Economy
BOS 8:42 PM Tue, Sep 05	➔	FLL 11:56 PM Tue, Sep 05	3h 14m Total: 7h 51m	View seats Amenities		 569	Economy
○ \$199 USD One-way							
RUT 4:05 PM Tue, Sep 05	➔	BOS 5:04 PM Tue, Sep 05	0h 59m Layover: 3h 38m		 Operated by Cape Air	 5104	Economy
BOS 8:42 PM Tue, Sep 05	➔	FLL 11:56 PM Tue, Sep 05	3h 14m Total: 7h 51m	View seats Amenities		 569	Economy
○ \$226 USD One-way							



JetBlue serves Chicago O'Hare!

Cape Air proposes:
Decatur: 24x weekly ORD, 12x weekly STL
Burlington: 12x weekly ORD, 12x weekly STL

Proposed Cape Air Burlington and Decatur route map



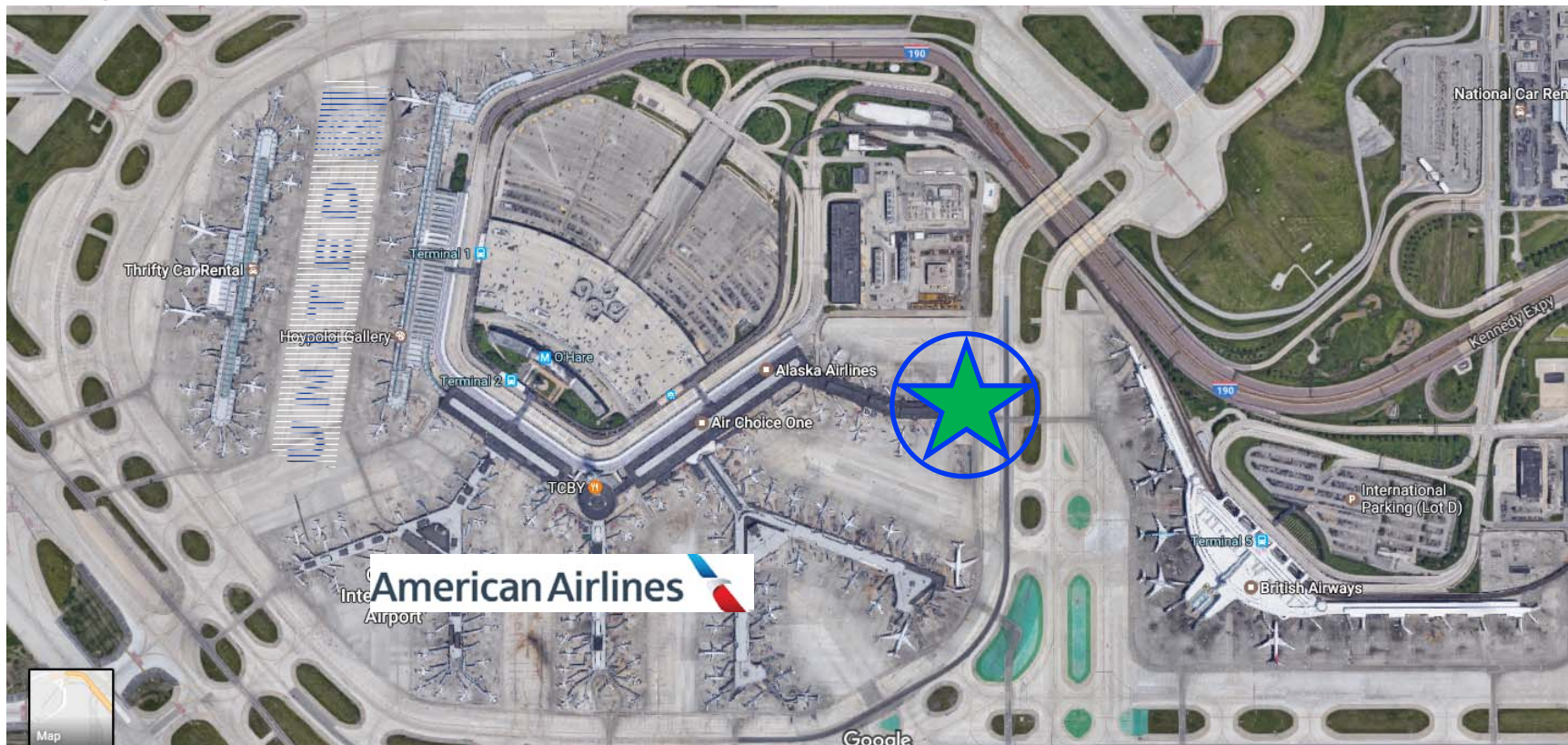
Proposing service to/from

CHICAGO O'HARE



Cape Air has made arrangements to bring Burlington and Decatur flights into the main terminal at Chicago O'Hare

Chicago O'Hare



**Cape Air interlines with the two major hub carriers
at Chicago O'Hare, American and United!**

Chicago O'Hare has non-stop service to 219 destinations

Chicago O'Hare non-stop service

July 2017

ID	Destination	Flights/Mo	ID	Destination	Flights/Mo	ID	Destination	Flights/Mo	ID	Destination	Flights/Mo	ID	Destination	Flights/Mo
1	Abu Dhabi, AE	31	45	Columbia, SC	55	89	Indianapolis, IN	471	133	Myrtle Beach, SC	41	177	San Jose del Cabo, MX	15
2	Akron/Canton, OH	199	46	Columbus, OH	432	90	Ironwood, MI	57	134	Nashville, TN	435	178	San Jose, CA	148
3	Albany, NY	184	47	Copenhagen, DK	31	91	Istanbul, TR	31	135	Nassau, BS	5	179	San Juan, PR	71
4	Albuquerque, NM	93	48	Dallas/Fort Worth, TX	648	92	Jackson Hole, WY	108	136	New Orleans, LA	184	180	San Salvador, SV	22
5	Allentown, PA	79	49	Dayton, OH	304	93	Jackson, MS	56	137	New York-JFK, NY	320	181	Sao Paulo-Guarulhos, SP, BR	31
6	Amman, JO	31	50	Decatur, IL	99	94	Jacksonville, FL	152	138	New York-La Guardia, NY	1,259	182	Savannah, GA	96
7	Amsterdam, NL	62	51	Delhi, IN	31	95	Kahului/Maui, HI	5	139	Newark, NJ	448	183	Seattle, WA	534
8	Anchorage, AK	116	52	Denver, CO	624	96	Kalamazoo/Battle Creek, MI	166	140	Norfolk, VA	192	184	Seoul, KR	53
9	Appleton, WI	167	53	Des Moines, IA	341	97	Kalispell-Glacier, MT	36	141	Oakland, CA	31	185	Shanghai, CN	85
10	Aruba, AW	5	54	Detroit, MI	593	98	Kansas City, MO	357	142	Oklahoma City, OK	197	186	Shannon, IE	31
11	Asheville, NC	124	55	Doha, QA	31	99	Knoxville, TN	185	143	Omaha, NE	325	187	Sioux City, IA	57
12	Aspen, CO	62	56	Dubai, AE	31	100	Krakow, PL	5	144	Ontario, CA	27	188	Sioux Falls, SD	212
13	Atlanta, GA	750	57	Dublin, IE	124	101	La Crosse, WI	116	145	Orange County, CA	234	189	South Bend, IN	111
14	Austin, TX	250	58	Dubuque, IA	86	102	Lansing, MI	144	146	Orlando, FL	398	190	Spokane, WA	31
15	Baltimore, MD	299	59	Duluth, MN	117	103	Las Vegas, NV	423	147	Ottawa, ON, CA	84	191	Springfield, IL	87
16	Bangor, ME	62	60	Eau Claire, WI	57	104	Lexington, KY	194	148	Paducah, KY	57	192	Springfield, MO	233
17	Barcelona, ES	31	61	Edinburgh, SC, GB	31	105	Liberia, CR	5	149	Panama City, PA	62	193	St. Louis, MO	464
18	Beijing, CN	80	62	El Paso, TX	62	106	Lincoln, NE	118	150	Paris-De Gaulle, FR	93	194	State College, PA	62
19	Berlin-Tegel, DE	31	63	Erie, PA	54	107	Little Rock, AR	178	151	Pensacola, FL	31	195	Stockholm-Arlanda, SE	31
20	Billings, MT	31	64	Evansville, IN	158	108	London-Heathrow, EN, GB	279	152	Peoria, IL	200	196	Syracuse, NY	264
21	Birmingham, AL	158	65	Fairbanks, AK	31	109	Los Angeles, CA	806	153	Philadelphia, PA	449	197	Taipei, TW	31
22	Bismarck, ND	31	66	Fargo, ND	204	110	Louisville, KY	260	154	Phoenix, AZ	453	198	Tampa, FL	216
23	Bloomington/Normal, IL	85	67	Fayetteville, AR	243	111	Madison, WI	323	155	Pittsburgh, PA	355	199	Tokyo-Haneda, JP	31
24	Boise, ID	89	68	Flint, MI	169	112	Madrid, ES	31	156	Portland, ME	123	200	Tokyo-Narita, JP	124
25	Boston, MA	689	69	Fort Lauderdale, FL	301	113	Manchester, EN, GB	31	157	Portland, OR	305	201	Toledo, OH	86
26	Bozeman, MT	103	70	Fort Myers, FL	153	114	Manchester, NH	86	158	Providence, RI	120	202	Toronto, ON, CA	587
27	Brussels, BE	31	71	Fort Wayne, IN	179	115	Manhattan, KS	57	159	Puerto Vallarta, MX	5	203	Traverse City, MI	286
28	Buffalo, NY	322	72	Frankfurt, DE	124	116	Marquette, MI	31	160	Punta Cana, DO	67	204	Trenton, NJ	31
29	Burlington, IA	52	73	Grand Cayman, KY	10	117	Mason City, IA	52	161	Quebec, QC, CA	31	205	Tucson, AZ	90
30	Burlington, VT	124	74	Grand Rapids, MI	378	118	Memphis, TN	236	162	Raleigh/Durham, NC	259	206	Tulsa, OK	177
31	Calgary, AB, CA	118	75	Great Falls, MT	14	119	Meridian, MS	31	163	Rapid City, SD	125	207	Vancouver, BC, CA	153
32	Cancun, MX	160	76	Green Bay, WI	234	120	Mexico City, MX	247	164	Reno, NV	91	208	Vienna, AT	31
33	Cedar Rapids, IA	355	77	Greensboro, NC	174	121	Miami, FL	397	165	Reykjavik, IS	42	209	Warsaw, PL	51
34	Champaign/Urbana, IL	235	78	Greenville/Spartanburg, SC	195	122	Milwaukee, WI	391	166	Richmond, VA	261	210	Washington-Dulles, VA	174
35	Charleston, SC	101	79	Guadalajara, MX	71	123	Minneapolis/St. Paul, MN	748	167	Roanoke, VA	88	211	Washington-National, DC	676
36	Charleston, WV	60	80	Guatemala City, GT	4	124	Missoula, MT	36	168	Rochester, MN	213	212	Waterloo, IA	57
37	Charlotte-Douglas, NC	450	81	Hancock, MI	62	125	Mobile, AL	26	169	Rochester, NY	241	213	Wausau, WI	135
38	Charlottesville, VA	124	82	Harrisburg, PA	177	126	Moline, IL	207	170	Rome-Da Vinci, IT	93	214	West Palm Beach, FL	31
39	Chattanooga, TN	93	83	Hartford, CT	229	127	Montego Bay, JM	10	171	Sacramento, CA	90	215	White Plains, NY	137
40	Cincinnati, OH	495	84	Helsinki, FI	23	128	Monterrey, MX	71	172	Saginaw/Midland/Bay C., MI	86	216	Wichita, KS	239
41	Cleveland, OH	457	85	Hong Kong, HK	62	129	Montreal-PET, QC, CA	309	173	Salt Lake City, UT	322	217	Wilkes-Barre/Scranton, PA	60
42	Cody, WY	5	86	Honolulu/Oahu, HI	31	130	Montrose, CO	36	174	San Antonio, TX	190	218	Winnipeg, MB, CA	87
43	Colorado Springs, CO	178	87	Houston-Intercontinental, TX	493	131	Munich, DE	62	175	San Diego, CA	304	219	Zurich, CH	52
44	Columbia, MO	57	88	Huntsville/Decatur, AL	62	132	Muskegon, MI	57	176	San Francisco, CA	681			



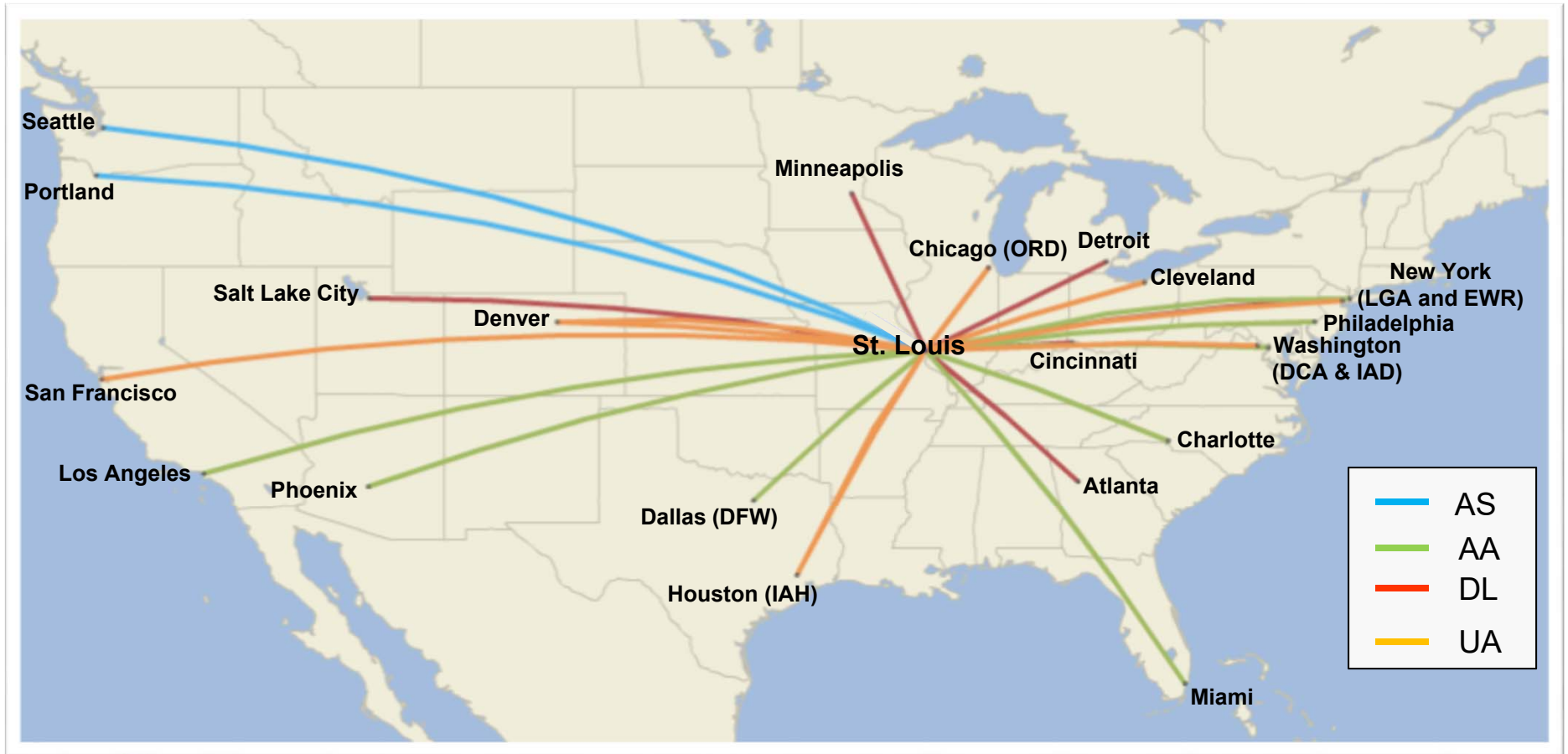
Proposing service to/from

ST. LOUIS LAMBERT



In partnership with Alaska, American, Delta and United, Cape Air's interline capabilities provide seamless one-stop travel to 22 cities from St. Louis, and further connections to the world

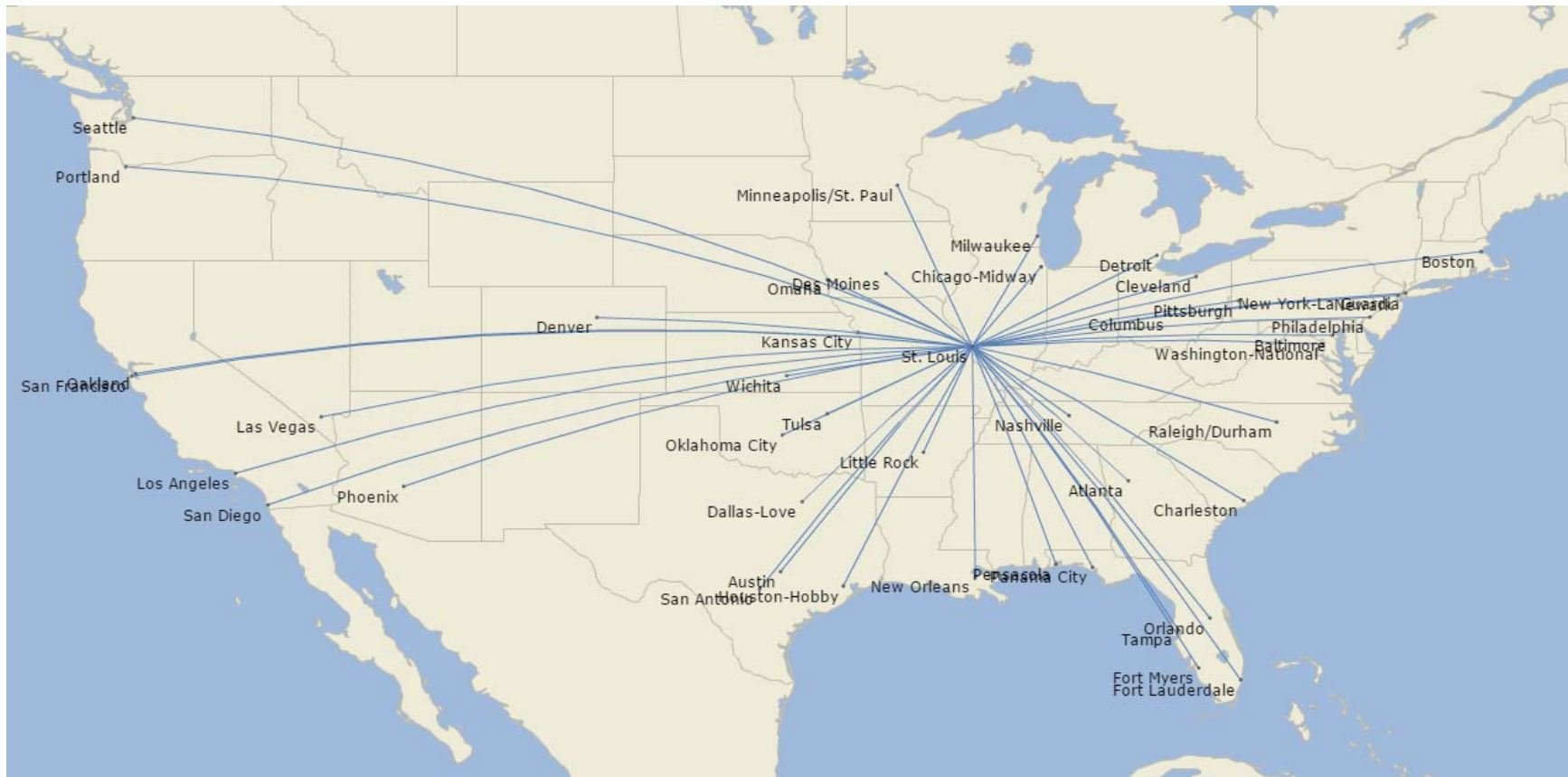
Cities served non-stop from St. Louis by Cape Air's partner airlines



Source: OAG

Southwest serves 44 destinations non-stop from St. Louis

Southwest's St. Louis route map



Cape Air's proposal includes a ramp-side inter-terminal shuttle for St. Louis, facilitating seamless connections between terminals at St. Louis, *without having to re-clear security*

Cape Air's St. Louis inter-terminal shuttle



No TSA rescreening to connect between terminals at St. Louis!



Cape Air's proposal offers great features for Burlington and Decatur

<u>Feature</u>	<u>Ready</u>
Multi-engine aircraft	✓
Chicago + St. Louis	✓
Captain + First Officer	✓
Interline with American, Alaska/Virgin America, Delta, JetBlue, United	✓
TSA Pre-Check	✓
Fares controlled at Cape Air	✓

The features
that make small
community air
service thrive!



The Cessna 402 is the backbone of Cape Air's fleet, and is proposed here while we work to bring in the next generation fleet, the Tecnam P2012 Traveler



Cessna 402C



While certificated for operation by a single pilot,
Cape Air operates in the Midwest with two-pilot crews

Tecnam has told Cape Air they can deliver certified P2012 Traveler aircraft in late 2018

Inaugural flight of the Tecnam P2012 Traveler

July 21, 2016, Naples, Italy



Cape Air senior delegation at the Tecnam factory reviewing the P2012 Traveler prototype

November, 2016



Jim Goddard
SVP Tech Ops
Cape Air

Dan Wolf
CEO
Cape Air

Paolo Pascale
Managing Director
Tecnam

Stan Bernstein
Board member
Cape Air

The Tecnam P2012 Traveler interior includes nine passenger seats plus two pilot seats, leather, air conditioning, and USB ports

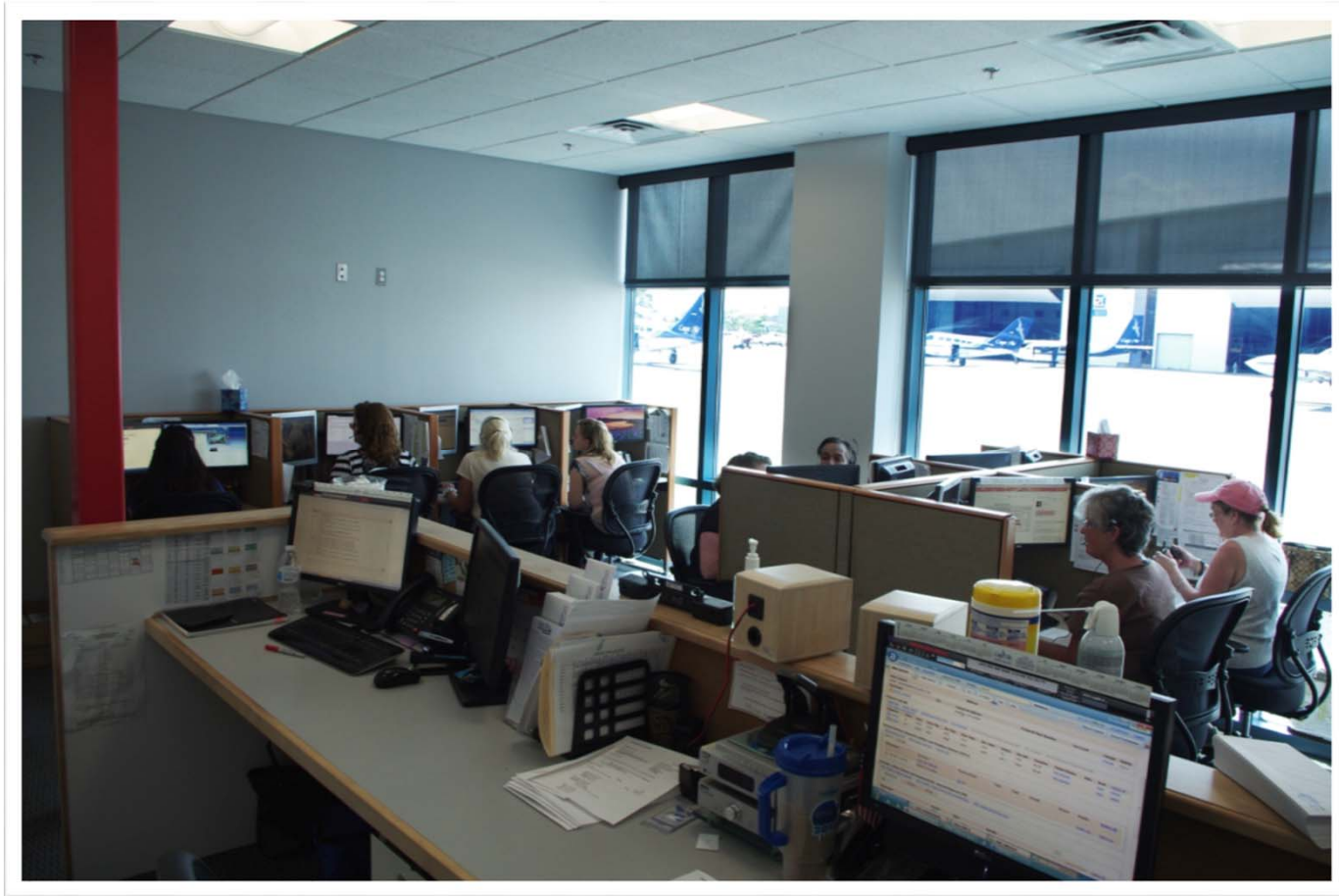


Cape Air's proposal includes an Airline Transport Pilot-rated captain and a first officer on each flight



Cape Air uses Amadeus as its reservation system and has its own internal reservations center

Cape Air's Reservations Call Center



1-800-CAPE-AIR
www.capeair.com

Cape Air's proposal includes a downtown ticket office to enhance airline and airport awareness in each community

City ticket office highlights

- Increases the visibility of the airport and air service within the community
- Provides a welcoming place for people to learn about the air service from a friendly Cape Air agent
- Enables the redemption of targeted promotions, providing wide latitude in marketing the air service
- Enhances the central business district with a vibrant retail space

A Cape Air Downtown Ticket Office



Examples

CAPE AIR TICKET OFFICES



Downtown Ticket Office Example
Cape Girardeau, Missouri

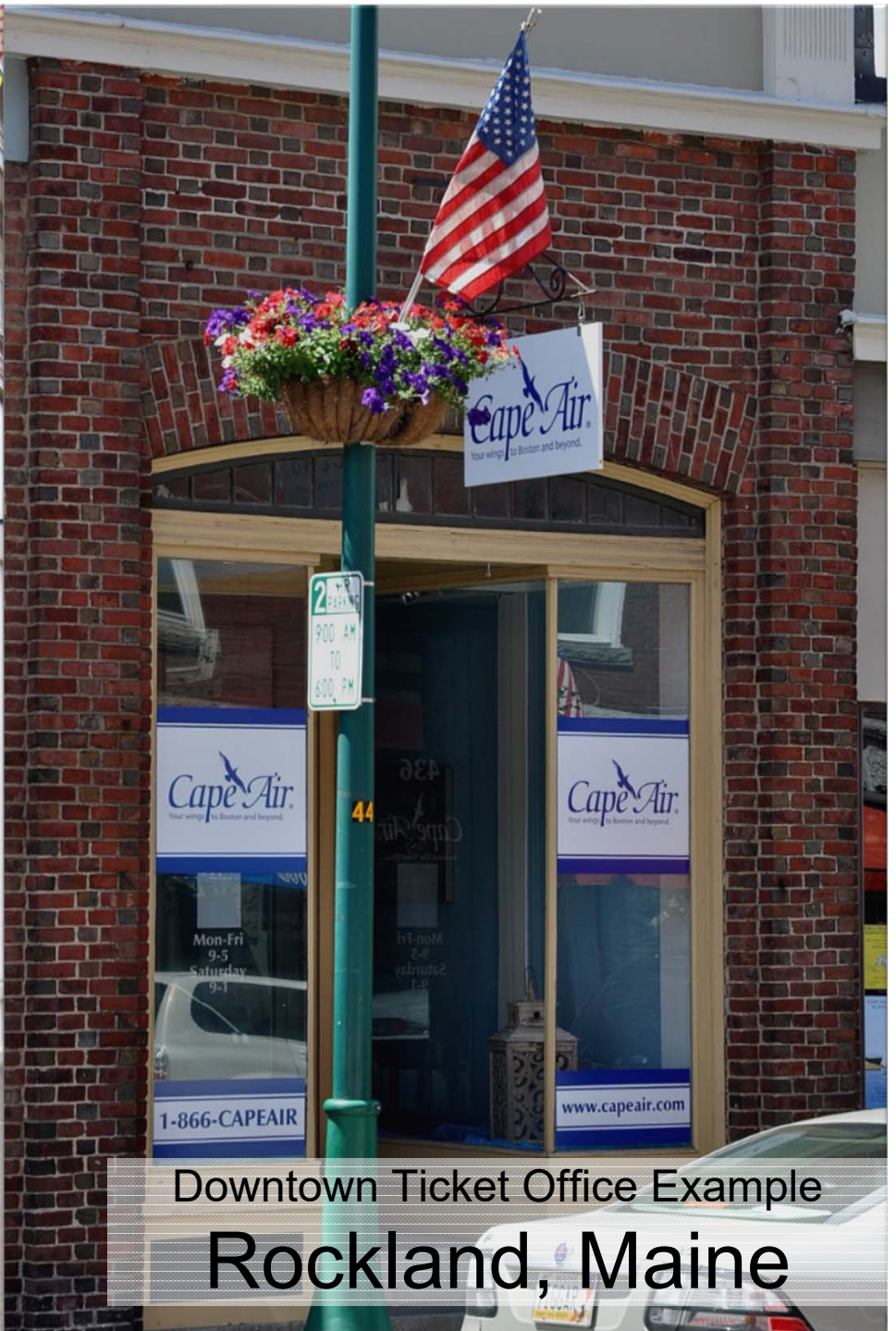


Downtown Ticket Office Example
Mayaguez, Puerto Rico





Downtown Ticket Office Example
Rutland, Vermont



Downtown Ticket Office Example
Rockland, Maine

Cape Air specializes in marketing small community air service



Marketing

Digital Targeted Marketing

- Geo-Fencing, for precise targeting

Proprietary in-flight magazine, *Birds' Eye View*

Streaming Radio

- Pandora campaign provided heavy saturation and high engagement with audience over 3 month period

Coming soon... Travel Pass by Cape Air!



Robust marketing budgets included!

Cape Air now participates in the TSA Pre-Check program

TSA Pre✓TM



Decatur: Cape Air proposes 36x weekly service

Drivers

	<u>ORD</u>	<u>STL</u>	<u>Total</u>
Daily RTs	3.43	1.71	5.14
Pax/Dpt	5.04	5.04	5.04
LF	63%	63%	63%
Fare (net)	\$95	\$40	\$77
Pax Rev	\$479	\$202	\$386
Completion Rate	97%	97%	97%

Expenses

Two-year term; discount for 4-year term, preferred, is noted below

	<u>Chicago O'Hare</u>	<u>St. Louis Lambert</u>	<u>Total</u>
Fuel	\$710,755	\$247,375	\$958,130
Maintenance	\$942,355	\$347,809	\$1,290,163
Pilots	\$234,643	\$117,321	\$351,964
Ownership	\$287,813	\$52,805	\$340,618
Rents	\$488,000	\$138,538	\$626,538
Staff	\$63,675	\$31,838	\$95,513
Landing Fees	\$117,934	\$51,338	\$169,272
Marketing	\$43,800	\$21,900	\$65,700
Customer Svc	\$24,125	\$24,019	\$48,144
General & Admin./Other	\$113,985	\$46,260	\$160,245
Operating expense	\$3,027,085	\$1,079,203	\$4,106,289
Return of 5%	\$159,320	\$56,800	\$216,120
Economic Expense	\$3,186,406	\$1,136,004	\$4,322,409
Passenger Revenue	\$1,162,417	\$244,719	\$1,407,136
Profit	(\$2,023,989)	(\$891,284)	(\$2,915,273)
Year 1 Subsidy Required	\$2,023,989	\$891,284	\$2,915,273
Year 1 Per Departure	\$834	\$734	\$801
Year 1 4-Year Contract Discount	\$1,965,692	\$865,613	\$2,831,304
Year 1 Per Departure	\$810	\$713	\$777

Note: See escalation factors next slide



Decatur:
To align revenue with costs over time
Cape Air proposes a 3% annual escalation factor

Annual subsidy including escalation

Two-year selection	<u>ORD 24x/week</u>	<u>STL 12x/week</u>	<u>Total 36x/week</u>
Year 1	\$2,023,989	\$891,284	\$2,915,273
Year 2	\$2,084,708	\$918,023	\$3,002,731
Four-year selection			
Year 1	\$1,965,692	\$865,613	\$2,831,304
Year 2	\$2,024,663	\$891,581	\$2,916,244
Year 3	\$2,085,402	\$918,328	\$3,003,731
Year 4	\$2,147,964	\$945,878	\$3,093,843



Burlington: Cape Air proposes 24x weekly service

Drivers

	<u>ORD</u>	<u>STL</u>	<u>Total</u>
Daily RTs	1.57	1.71	3.29
Pax/Dpt	5.04	5.04	5.04
LF	63%	63%	63%
Fare (net)	\$95	\$40	\$66
Pax Rev	\$479	\$202	\$334
Completion Rate	97%	97%	97%

Expenses

Two-year term; discount for 4-year term, preferred, is noted below

	<u>Chicago O'Hare</u>	<u>St. Louis Lambert</u>	<u>Total</u>
Fuel	\$383,903	\$269,710	\$653,613
Maintenance	\$516,202	\$402,213	\$918,415
Pilots	\$175,982	\$175,982	\$351,964
Ownership	\$72,453	\$61,249	\$133,702
Rents	\$220,480	\$135,062	\$355,542
Staff	\$29,185	\$31,838	\$61,022
Landing Fees	\$53,801	\$51,063	\$104,864
Marketing	\$20,075	\$21,900	\$41,975
Customer Svc	\$11,057	\$24,019	\$35,077
General & Admin./Other	\$58,337	\$46,260	\$104,597
Operating expense	\$1,541,475	\$1,219,297	\$2,760,772
Return of 5%	\$81,130	\$64,174	\$145,304
Economic Expense	\$1,622,605	\$1,283,471	\$2,906,076
Passenger Revenue	\$532,774	\$244,719	\$777,494
Profit	(\$1,089,831)	(\$1,038,752)	(\$2,128,582)
Subsidy Required	\$1,089,831	\$1,038,752	\$2,128,582
Per Departure	\$979	\$856	\$915
4-Year Contract Discount	\$1,058,440	\$1,008,832	\$2,067,273
Per Departure	\$951	\$831	\$889

Year 1
Year 1



Note: See escalation factors next slide

Burlington:
To align revenue with costs over time
Cape Air proposes a 3% annual escalation factor

Annual subsidy including escalation

Two-year selection	<u>ORD 12x/week</u>	<u>STL 12x/week</u>	<u>Total 36x/week</u>
Year 1	\$1,089,831	\$1,038,752	\$2,128,582
Year 2	\$1,122,525	\$1,069,914	\$2,192,440
Four-year selection			
Year 1	\$1,058,440	\$1,008,832	\$2,067,273
Year 2	\$1,090,193	\$1,039,097	\$2,129,291
Year 3	\$1,122,899	\$1,070,270	\$2,193,169
Year 4	\$1,156,586	\$1,102,378	\$2,258,965



Cape Air would be delighted to serve Burlington and Decatur!

Cape Air features:

- ✓ Full **interline connectivity**, allowing same-ticket connections with the world
 - ✓ Interline with: **American, Alaska/Virgin America, Delta, JetBlue, United**
- ✓ Operated by: **Multi-engine aircraft**, with two-pilot crews
- ✓ Access to **Chicago O'Hare**, one of the largest hubs in the world, and a major metropolitan area of the U.S.
- ✓ Robust **marketing** and local **ticket offices** in the downtown business districts
- ✓ The **expertise and infrastructure** of a mature commuter airline

Cape Air: A great community partner



An aerial photograph of St. Louis, Missouri, featuring the Gateway Arch in the foreground. A Cape Air twin-engine turboprop aircraft, registration N4630N, is positioned in front of the Arch. The city skyline is visible in the background, including the US Bank Tower. The Cape Air logo, featuring a stylized bird and the text "Cape Air", is overlaid in the top left corner.

Cape Air®

Thank you!

Hyannis Air Service, Inc., dba Cape Air
Attn: Andrew Bonney, 660 Barnstable Road, Hyannis, MA 02601
(508) 862-9719