

NEW BUSINESS

ITEM D-4 Essential Air Service

DATE SUBMITTED	<u>01/30//2015</u>	Agenda Item No	D-4
SUBMITTED BY	<u>City Manager</u>	CITY COUNCIL ACTION	(X)
DATE ACTION REQUIRED	<u>02/04/2015</u>	PUBLIC HEARING REQUIRED	()
		RESOLUTION	()
		ORDINANCE 1 ST READING	()
		ORDINANCE 2 ND READING	()

**IMPERIAL CITY COUNCIL
AGENDA ITEM**

**SUBJECT: DISCUSSION/ACTION: ESENTIAL AIR SERVICE FOR THE
IMPERIAL COUNTY AIRPORT.**

- 1. LETTER OF SUPPORT FOR SEA PORT AIRLINES TO PROVIDE
ESSENTIAL AIR SERVICE**

BACKGROUND/SUMMARY:

Bi annually the Department of Transportation provides subsidy to qualified airports throughout the country to financially assist air carriers in serving communities that would otherwise not be able to support commercial airline flights. Imperial County Airport is one of these facilities. The DOT requested proposals in December 2014 for air carriers interested in serving the El Centro area for the new term. Two airlines applied, Great Lakes Aviation, Ltd. and SeaPort Airlines, Inc. The two proposals are attached for your consideration. Public comments are due to DOT by February 13, 2015. Staff has reviewed the proposals and each offers both pros and cons; however staff feels the elements of SeaPort Airlines proposal is more beneficial for the region. The costs are less when compared to the number of flights provided. The opportunity is provided for business contacts from outside the region to visit and return from our area on the same day, without the need for an overnight stay. SeaPort is also offering to hold its current level of federal subsidy for four years rather than the required two. SeaPort is the current carrier serving our region.

FISCAL IMPACT: None

STAFF RECOMMENDATION: Send comments to DOT to support SeaPort Airlines proposal.

MANAGER'S RECOMMENDATION:

MANAGER'S INITIALS MDB

The City Council should consider both proposals and provide direction for comments. The manager recommends SeaPort Airlines.

MOTION:

SECONDED:	APPROVED	()	REJECTED	()
AYES:	DISAPPROVED	()	DEFERRED	()
NAYES:				
ABSENT:	REFERRED TO:			

DATE: January 30th, 2015

TO: Honorable Ms. Cheryl Viegas-Walker, City of El Centro

FROM: Rich Macias, SCAG Transportation Division Director
Naresh Amatya, SCAG Manager of Transportation
Ryan N. Hall, SCAG Aviation Specialist

SUBJECT: **Imperial County Airport (IPL) Essential Air Service (EAS) proposals to the United States Department of Transportation (USDOT) starting in May, 2015**

Background and Summary

The United States Department of Transportation (USDOT) Essential Air Service (EAS) program provides subsidies to airlines to operate flights between rural areas and medium or large hub airports. The goal of the program is to allow for easier and faster access to both the national airspace system (in terms of flight connections) and business opportunities located in adjacent metropolitan areas. EAS was established shortly after the airlines were deregulated in the late 1970's.

Imperial County Airport (IPL) has participated in EAS for a number of years with flights being offered on different airlines to Los Angeles International Airport (LAX), Burbank Bob Hope Airport (BUR) and San Diego International Airport (SAN). Currently, SeaPort Airlines serves both BUR and SAN twice daily (weekend schedules vary). The contractual relationship is between the USDOT and the airline itself; the airport does not receive any direct federal funding as a result of the program.

The USDOT released an RFP for airline service from IPL that will start in May, 2015. Comments on the two proposals are currently being accepted by the USDOT until February 13th, 2015 via email to Mr. Scott Faulk, USDOT EAS and Domestic Analysis Division, Scott.Faulk@dot.gov. The proposals are:

- Great Lakes Aviation with service to LAX (the service would be marketed as United Express), and
- SeaPort Airlines to serve BUR and SAN (the incumbent carrier, proposing nearly identical service as what is provided today)

Imperial County was fortunate to have two different proposals submitted. The fact that two airlines are interested in serving Imperial County is a positive sign that the industry believes that the market has long term viability. The two proposals received by the USDOT are summarized and analyzed below. For the purposes of this discussion only the attributes of the service are reviewed (the cost of the service to the



USDOT is not included). The full and original proposals may also be found and downloaded from the following website address: <http://www.regulations.gov/#!docketDetail;D=DOT-OST-2008-0299>

Great Lakes Aviation



Image 1. United Express EMB-120 (copyright www.airliners.net)

Destination	LAX
Nonstop destinations from LAX	154 (92 domestic and 62 international)
Number of weekly departures	12
Number of seats per aircraft	30
Number of weekly seats	385
Average one-way fare	\$73

The Great Lakes Aviation proposal would connect El Centro with LAX, the busiest airport in California (and the 3rd in the United States). Additionally, passengers would be flying on what “appears” to be a United Express aircraft- making connections between flights simple and straightforward. Additionally, interline agreements are in place for Delta and American Airlines as well. Passengers would not have to go thru TSA screening again in LAX or check in a second time at the ticket counter at LAX (for most partner itineraries, there will be exceptions). Luggage could also be checked to the final destination.

The EMB-120 (commonly referred to as ‘The Brasilia’) is a two propeller aircraft with two pilots and a flight attendant.

Pros of Great Lakes Aviation:

- Access to domestic and international connections.
- Flights are marketed as United Express and can be found/purchased from the United Airlines website.
- Once being cleared by TSA in Imperial County passengers will not have to clear security again in LAX but can easily transfer between flights on United, Delta and American.
- Checked luggage can be transferred to other United Airlines flights as well as Delta and American.

Cons of Great Lakes Aviation:

- The community would have to accept a change in the destinations and product currently offered in the market (changing from BUR and SAN to LAX, as well as the airline inter-line agreements). These types of changes can lead to a perceived “hassle factor” that may dissuade passengers.
- The number of destinations would be reduced from two to one.
- For travelers going from BUR to Imperial County the Great Lakes schedule does not have an early morning flight, making a full day of meetings challenging to schedule (the first scheduled flight from LAX-IPL, Great Lakes #7272 will arrive at 12:55pm).
- Passengers who are going to the Los Angeles region as their end destination will have to contend with surface access congestion near LAX, as opposed to Burbank Bob Hope Airport.
- Similarly, the check in process and TSA screening for LAX origin passengers may take longer than at Burbank Bob Hope Airport.

SeaPort Airlines



Image 2. SeaPort Airlines Cessna Caravan (copyright www.airliners.net)

Destination	BUR and SAN
Nonstop destinations from BUR	13
Nonstop destinations from SAN	58 (49 domestic and 9 international)
Number of weekly departures	24 (total to both markets)
Number of seats per aircraft	9
Number of weekly seats	216
Average one-way fare	\$79

The proposed SeaPort Airlines flights are nearly identical to the service offered now in Imperial County. If SeaPort Airlines is retained the brand awareness for residents and visitors to Imperial County has been trending in a positive direction in recent months. Additionally, for passengers who are primarily using the flights for business reasons in Southern California the choice of having two airports to travel to (BUR and SAN) is important. Additionally, from Burbank Bob Hope Airport to Downtown LA is closer in miles than LAX. The airline recently started bilateral inter-line agreements with both Alaska Airlines and Hawaiian Airlines. This convenience will allow passengers to check in once and also be able to check baggage all the way to their final destination.

The flights would continue to be operated on a Cessna Caravan.

Pros of SeaPort Airlines:

- SeaPort Airlines is the existing airline in the market, making acceptance easier for passengers.
- Two convenient destinations in California (SAN and BUR)
- Marketing already underway for the current service
- Easy to reach Downtown Los Angeles from Burbank Bob Hope Airport
- Inter-line agreements (including ticketing and checked baggage) with Alaska Airlines and Hawaiian Airlines.
- More flights and options per week for travelers.
- The airline has significant local connections and is known for working with community leaders to provide a good product.

Cons of SeaPort Airlines:

- More limited opportunities for connections at BUR and SAN (compared to LAX)
- Limited brand recognition for passengers who do not reside in Imperial County
- The passenger experience on-board the aircraft does not include beverages or restrooms or a pressurized cabin.

Analysis and Conclusions

Both proposals are reasonable and meet most of the air transportation needs of the residents of Imperial County. There are tradeoffs with both services relating to passenger preferences. Both proposals also meet the needs outlined by the USDOT in their ability to meet the goals of the Essential Air Service program.

Once the new contract is in place and service is scheduled to begin the community must work together immediately to ensure that the flights are successful. Only by passengers using the flights on a regular and on-going basis will there be a chance of Imperial County continuing to receive the economic and quality of life benefits of the EAS program. Marketing at all levels will be vital to the long-term viability of the airport

and the service. If passenger growth trends upward there is always the potential for increased service, perhaps to even other markets in the Southwest.

All comments on the two proposals must be made electronically to the USDOT by February 13th, 2015. Comments should be addressed to Mr. Scott Faulk, USDOT EAS and Domestic Analysis Division, Scott.Faulk@dot.gov .

If there are any questions or comments regarding this memo do not hesitate to contact Mr. Ryan N. Hall, SCAG Aviation Specialist at hall@scag.ca.gov .

Before the United States Department of Transportation

Washington, DC

January 7, 2015

Essential Air Service at:

EL CENTRO/IMPERIAL, CALIFORNIA

Docket OST-2008-0299

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

This document contains Great Lakes Aviation, Ltd.'s response to Order Requesting Proposals 2014-12-2.

Great Lakes Aviation, Ltd. is pleased to submit this proposal to provide essential air transportation at El Centro/Imperial, California. The attached proposal contemplates the use of pressurized 30 seat Embraer EMB-120 Brasilia aircraft. Great Lakes has been operating the Brasilia since 1994 and believes it is well suited to serve the market.

The Company has been developing a Los Angeles (LAX) hub for the last several years and utilizes gate facilities in Terminal 6. With security screening accomplished at the El Centro - Imperial airport, passengers will conveniently connect to American, Delta and United without being required to visit a LAX checkin counter or passenger security processes.

Great Lakes' proposal contemplates non-stop, conveniently timed connecting services with our code share partner, United Airlines, at the LAX hub. In addition to our code share agreement with United Airlines, Great Lakes maintains electronic interline ticketing and baggage agreements American, Delta and United. Customers will also be eligible for Delta Sky Miles Frequent Flyer program when travel is booked through Delta's sales channels. All of which will offer El Centro/Imperial passengers maximum access to the domestic and international air transportation system.

Questions and comments may be referred to:

Michael Matthews
Chief Financial Officer
Great Lakes Airlines
1022 Airport Parkway
Cheyenne, WY 82001
(307) 432-7000

Great Lakes Aviation, Ltd.

Annual Compensation Requirements for Essential Air Service at
El Centro/Imperial California to Los Angeles, California (LAX)

Two Round Trips - 30 Seat Aircraft

97.5% completion factor

Departures:	1,217
Block Hours:	1,217
Revenue Passenger Miles:	2,172,000
Available Seat Miles:	6,608,310

Operating Revenues:					
Passenger: IPL-LAX	12,000	psgrs at	\$72.54	\$870,480	

Other:	(at 0.62% of passenger revenue)			\$5,397	
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Total Operating Revenues:					\$875,877
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Operating Expenses:

Direct:	Aircraft and Hull Insurance			\$365,975	
	Fuel and Oil			\$665,845	
	Flying Operations			\$291,983	
	Maintenance			\$550,960	

Total Direct Expenses:					\$1,874,763
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Total Indirect Expenses:					<u>\$946,951</u>
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Total Operating Expenses:					\$2,821,713
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Operating Loss					(\$1,945,836)
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Profit Element (5.0% of Total Operating Expenses)					\$141,086
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Annual Compensation Requirement:					\$2,086,922
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No Upline Scheduling Restrictions

***** Sample Schedules 30 Seat Aircraft *****

***** [IPL] EL CENTRO / IMPERIAL, CALIFORNIA *****

----- D E P A R T U R E S -----

FLT	DPT	ARR	TO	EQP	FREQ	
7271	645	745	LAX	30 Seat	X7	non stop
7275	1330	1430	LAX	30 Seat	X6	non stop

----- A R R I V A L S -----

FLT	EQP	FREQ	FROM	DPT	ARR	
7272	30 Seat	X7	LAX	1155	1255	non stop
7278	30 Seat	X6	LAX	1645	1745	non stop

No Upline Scheduling Restrictions

Before the United States Department of Transportation
January 7, 2015

Proposal to Provide Essential Air Service at

EL CENTRO/IMPERIAL, CALIFORNIA

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

Docket OST-2008-0299

**Proposal of SeaPort Airlines, Inc. to Provide
Essential Air Service at El Centro/Imperial, California**

By Order 2014-12-2, the U.S. Department of Transportation (“the Department”) requested proposals from carriers interested in providing Essential Air Service (EAS) at El Centro/Imperial, California no later than January 7, 2015.

SeaPort Airlines, Inc. respectfully submits this timely proposal to provide subsidized EAS at El Centro/Imperial as follows:

- 12 weekly roundtrips to Burbank Bob Hope Airport; and
- 12 weekly roundtrips to San Diego International Airport.

The requested annual level of subsidy for this service is \$2,264,009. This proposal is submitted on the basis of a four year contract award.

After this proposal is docketed, SeaPort Airlines will schedule a meeting with the community to explain our proposal in detail and answer any questions. In the interim and throughout the carrier selection process, questions regarding this proposal should be directed to:

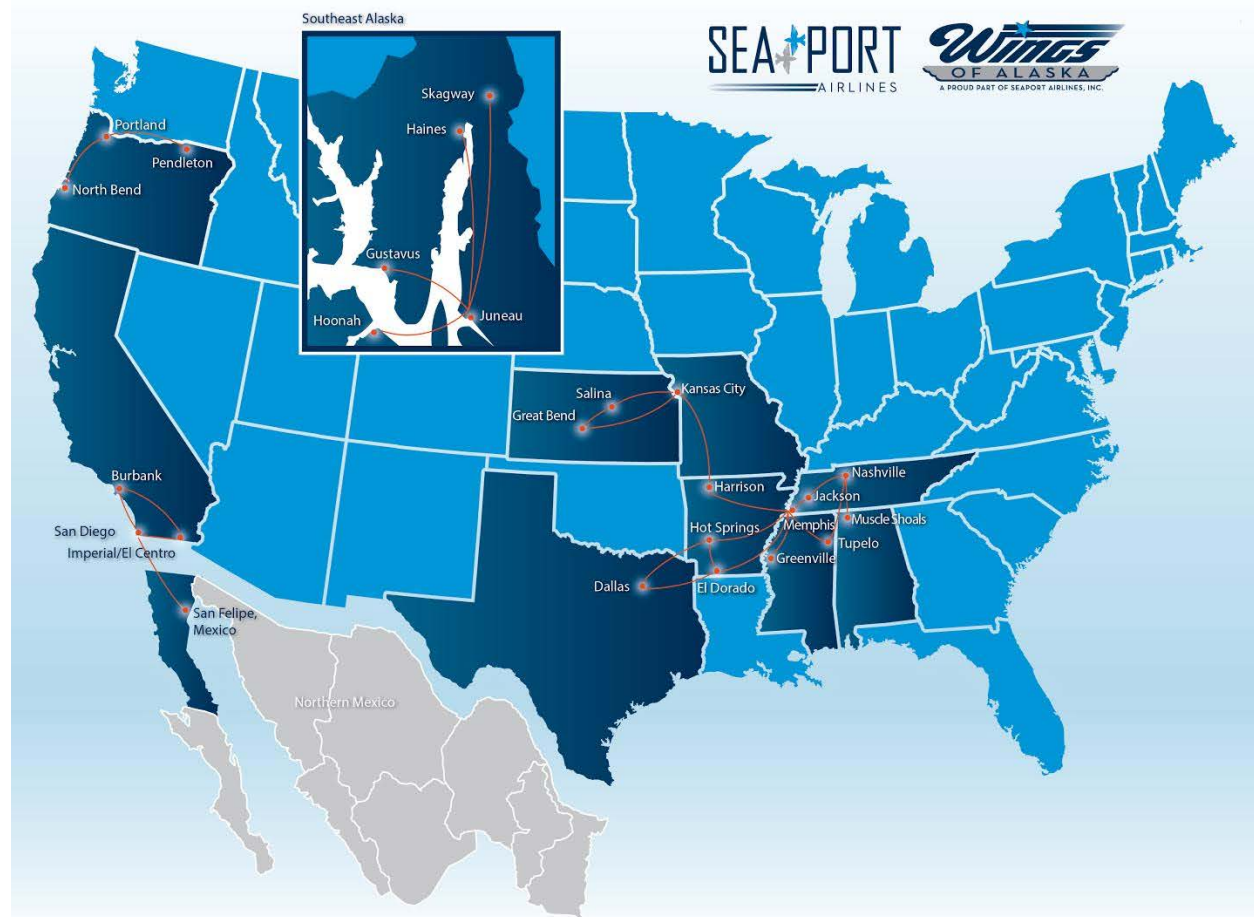
Timothy Sieber
Executive Vice President
SeaPort Airlines, Inc.
7505 NE Airport Way
Portland, OR 97218
(971) 340-1716
tsieber@seaportair.com

Discussion of Proposal

Company Introduction

SeaPort Airlines, Inc. is a FAA certified scheduled airline based in Portland, Oregon with over 30 years of experience in commercial aviation. In addition to Portland, the company has operational bases at Memphis, Tennessee (MEM); San Diego, California (SAN); and Juneau, Alaska (JNU).

Over 300 professionals provide service to 23 cities across ten states and two countries with a fleet of 21 aircraft. The company’s route map as of the date of this proposal is provided below:¹



The primary focus of SeaPort Airlines is to provide affordable and reliable air service to small and rural communities across America. Service to 11 of the communities on our route map is provided under the EAS program: Muscle Shoals, Alabama; Tupelo, Mississippi; Pendleton, Oregon; El Dorado, Hot Springs, and Harrison, Arkansas; Salina and Great Bend, Kansas; Jackson, Tennessee; and El Centro/Imperial, California.

¹ Service to Muscle Shoals, AL begins on January 12, 2015.

In December, the Department awarded SeaPort the contract to provide EAS at Visalia, California. Beginning in February 2014, service will be provided to both Burbank Bob Hope Airport (Los Angeles Basin) and Sacramento International Airport.

Increasing our presence in California is a major focus of SeaPort Airlines. This was demonstrated most recently on December 15, 2015 with the launch of our first international service, connecting San Diego International Airport with San Felipe, Mexico. Along with service to one additional destination in Mexico, SeaPort has identified four intra-California routes that, subject to available aircraft, may be added during 2015.

Aircraft

SeaPort Airlines' proposal to provide EAS at El Centro/Imperial assumes operations with 9-passenger Cessna Caravans. That will allow us to offer safe, comfortable, and affordable air transportation with a reasonable level of frequency.

Produced in the USA, the "Caravan" was originally designed in the 1980's to replace an aging fleet of piston-powered aircraft, such as the De Havilland Otter and Piper Chieftain. Over 2,500 Caravans have been built logging over 13 million flight hours. SeaPort operates a total of 14 Cessna Caravans, including three recently delivered brand new from the factory.



The new aircraft, which SeaPort anticipates taking additional deliveries of during 2015, are equipped with the all-glass Garmin G1000 avionics suite which incorporates Synthetic Vision Technology(SVT) that includes topographical displays of terrain, visualization of other air traffic, and real-time data from both aircraft and engine that improves situational awareness and trend monitoring to facilitate pre-emptive maintenance that reduces flight delays and cancellations attributable to mechanical issues.

Further benefits of the Garmin 1000 include an advanced autopilot system that can perform virtually all pilot actions from climb-out through final descent and reduces pilot workload with precise vertical and horizontal guidance. These capabilities will result in higher flight completion rates, even during the most challenging weather conditions, as well as enhanced levels of safety and comfort. While the Caravan is certified for single-pilot operation, SeaPort typically operates with both a Captain and First Officer.

The recently delivered aircraft are equipped with a TKS anti-ice/de-ice system that exudes glycol-based fluid through laser drilled holes on the leading edge of the wing and other critical surfaces. The fluid prevents precipitation from adhering the aircraft, further enhancing both safety and operational reliability

Proposed Service Patterns & Illustrative Flight Schedules

SeaPort’s proposal to provide EAS at El Centro/Imperial includes a schedule similar to that which we currently provide. This includes 12 weekly roundtrips to Burbank and 12 weekly roundtrips to San Diego, and is illustrated below:

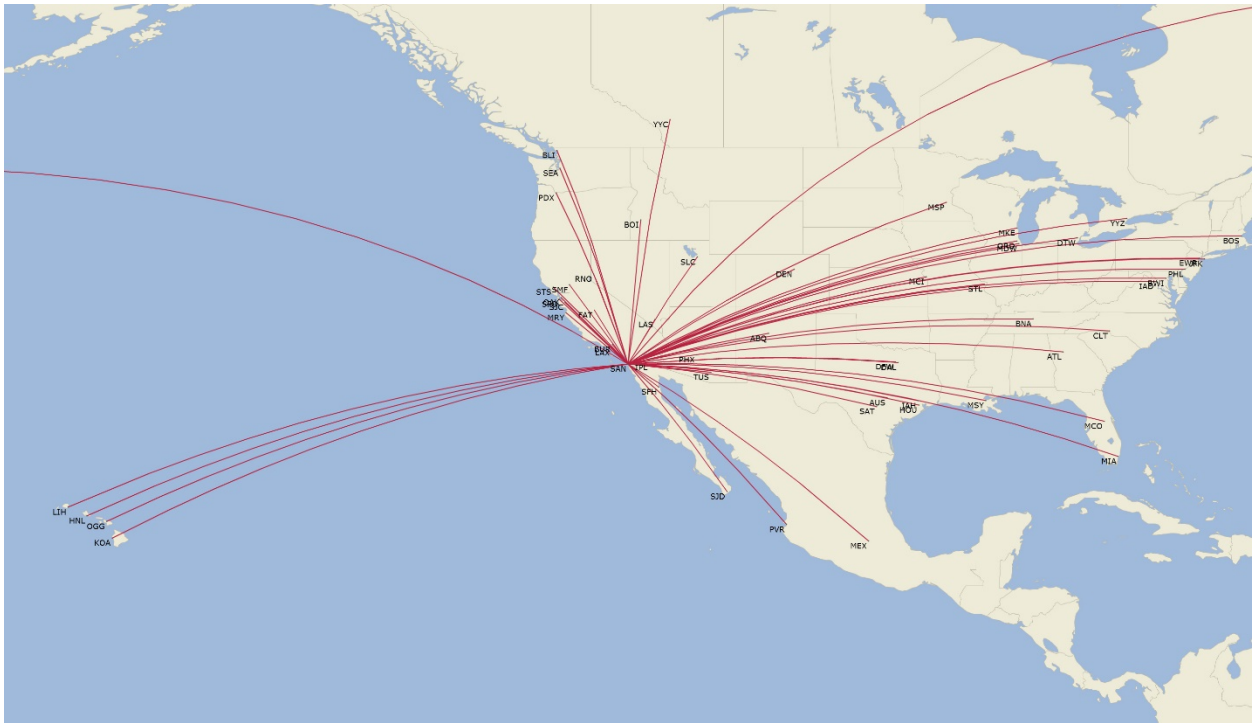
EL CENTRO/IMPERIAL, CALIFORNIA									
Flight #	Depart	Arrive	Stop	Frequency	Flight #	Depart	Arrive	Stops	Frequency
TO: BURBANK (LOS ANGELES)					FROM: BURBANK (LOS ANGELES)				
5111	5:45am	7:00am	0	ExSatSun	5112	7:30am	8:45am	0	ExSatSun
5197	7:00am	8:15am	0	SatOnly	5198	8:45am	10:00am	0	SatOnly
5115	3:00pm	4:15pm	0	ExSat	5210/5114	11:35am	1:45pm	SAN	TueWedFri
TO: SAN DIEGO					FROM: SAN DIEGO				
5111/5201	5:45am	8:45am	BUR	ExSatSun	5114	1:00pm	1:45pm	0	ExSun
5113	9:55am	10:40am	0	ExSatSun	5205/5116	2:00pm	6:00pm	BUR	ExSatSun
5199	10:30am	11:15am	0	SatOnly	5118	7:30pm	8:15pm	0	ExSat
5117	6:15pm	7:00pm	0	ExSat					

We anticipate no major changes to the above schedule over the term of the next contract period. Any changes that might occur would only be after consultation with, or at the request of, the community. An example of SeaPort’s willingness to work with the El Centro/Imperial, CA community was the recent adjustment of a departure time from Burbank ten minutes later to better accommodate connections with a Southwest Airlines flight from Sacramento.

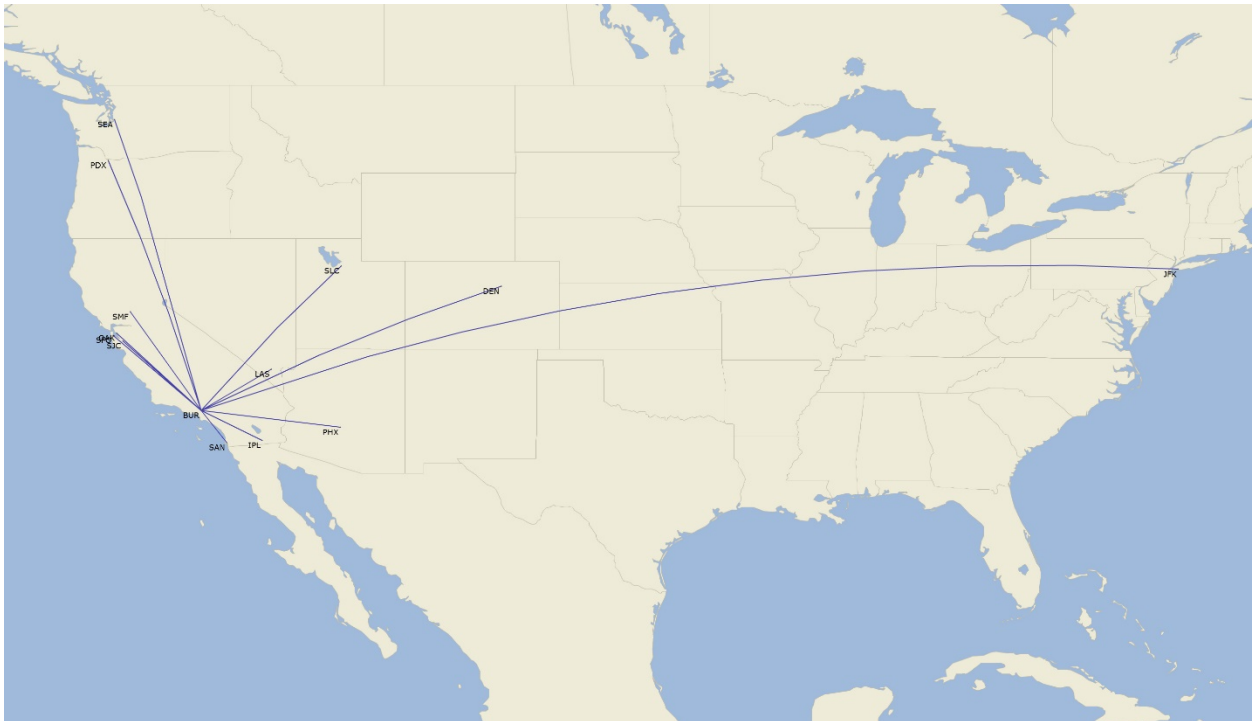
The maps on the next page show nonstop destinations from both San Diego International Airport and Burbank Bob Hope Airport.²

² Published schedules for June 2015 as of December 19, 2014.

Nonstop Destinations Served from San Diego International Airport May 2015



Nonstop Destinations Served from Burbank Bob Hope Airport May 2015



Fares & Pricing

SeaPort Airlines projections of traffic and revenue in this proposal assume the continued use of a low-fare pricing fare model that allows for the customer's fare from El Centro/Imperial to be an "add-on" to the fare of a connecting airline at the hub and still result in reasonable overall trip cost.

The table below illustrates the fares SeaPort plans to offer at El Centro/Imperial to both Burbank and San Diego, along with the rules and restrictions applicable to the three basic fare families of our company.

Illustrative Fares at El Centro/Imperial, Ca

	FULL Flex	Flex 4 FEE	NO Flex
IMPERIAL/EL CENTRO to/from BURBANK	\$119	\$89-\$59	\$49
IMPERIAL/EL CENTRO to/from SAN DIEGO	\$89	\$69-\$59	\$49
Advance Purchase (Days Before Departure)	0	3-7	7-14
Refunds Permitted	Yes	No	No
Fee to Change Itinerary	\$0	\$50	Not Permitted
Stand-by For Earlier Flight Same Day	\$0	\$25	Not Permitted
# of Free Checked Bags (50 lbs each)	2	1	1
Fee for Oversize/Excess Checked Bags	\$50	\$50	\$50
Fee for Booking at Airport/on Phone	\$0	\$0	\$25

In addition to the fares listed above, customers in El Centro/Imperial will have access to new products that SeaPort is rolling out over the next six months:

- Commuter Books that offer 10 tickets at a discounted prices and waiver of certain restrictions.
- Student stand-by fares for \$25 each-way, based on available seats.
- Private negotiated fares that allow companies to realize progressive savings based on level of activity and/or share of their air travel budget committed to local air service.

Interline Connectivity & GDS Display

SeaPort Airlines tickets may be purchased by calling our toll-free reservation number, online at www.SeaPortAirlines.com, at any travel agent connected to a major global distribution system (GDS), or all of the major online travel agencies and meta-searchers such as Orbitz, Travelocity, Expedia, Kayak, Hipmunk, and CheapoAir.

On March 23, 2014, SeaPort Airlines became the first US airline to be completely hosted by the Amadeus Altéa reservation platform. This system is one the top three distribution systems in the world and is the same reservation system for such leading airlines as Air France/KLM, Qantas, Emirates, Korean Airlines, and others.

With this new system, SeaPort has unsurpassed capability compared to other regional airlines with respect to interline ticketing, offering optional services, through baggage check-in, Inter-Airline Thru Check-In (IATCI), SMS notifications to customers of schedule changes and flight irregularities, the ability for customers to make online changes to reservations, and (eventually) online check-in.

Most importantly, however, Altéa enabled SeaPort Airlines to implement its first bilateral interline e-ticketing and baggage agreement.³ That agreement with Alaska Airlines was activated on March 24, 2014, the day after the reservation migration was completed. A second interline agreement with Hawaiian Airlines was activated on December 15, 2014.

The company has initiated discussions with multiple airlines about potential incremental revenue from connecting SeaPort customers to build a business case for interline agreements similar to the one with Alaska Airlines and Hawaiian Airlines.

In addition to reservations, SeaPort Airlines offers rental cars and hotels on its website. SeaPort plans to enhance this offering in 2015 with a dynamic booking process for business trips and vacations that will allow customers to book flights (including those of interline partners), rental car, and hotel in a single transaction and all from a single screen. This will be included as part of an overall makeover of the company's website in late 2015 that will be designed for better functionality with mobile devices and complies with new USDOT requirements for accessibility.

Sales & Marketing

SeaPort Airlines proposal to provide EAS at El Centro/Imperial, California includes a commitment to spend \$25,000 during each year of the contract term for advertising and promotional activities. These expenditures are intended to help increase traffic in the market and maintain a level above 10 enplanements per operational day.

Advertising

Advertising activities will focus on radio, print, online, and outdoor (i.e., roadside signs and sports stadium boards) throughout the catchment area of Imperial County Airport. On a limited basis, we would purchase commercials during local television news broadcasts.

Sales & Community Relations

Advertising will be supported by aggressive and ***sustained*** sales activities focused on companies and organizations in the El Centro/Imperial area with a need for reliable, affordable travel options. The sales message would include explanation the value proposition of flying compared to driving, connectivity possibilities, service enhancements, and the importance of local businesses to support local air service. The costs associated with sales activities (i.e., printing, travel, etc.) are not included in the \$25,000 advertising budget.

³ 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.

Subsidy Request Calculations

As noted on page one, SeaPort Airlines is requesting annual subsidy of \$2,264,009 at El Centro/Imperial, California to provide 12 weekly roundtrips to San Diego and 12 weekly roundtrips to Burbank. This calculates to subsidy of \$925.57 per departure. The next page contains the calculations to support the requested subsidy amount.

This proposal is being submitted on the basis of an award of a four-year contract.

Respectfully submitted,



Timothy Sieber
Executive Vice President
SeaPort Airlines, Inc.

January 7, 2015

OST-2008-0299
 Cessna Caravan, Two-Pilots
 12 Weekly RTs: El Centro/Imperial - Burbank
 12 Weekly RTs: El Centro/Imperial - San Diego

	Proforma Data
Operating Projections	
Average Sector Length (sm)	140
Scheduled Departures	2,496
Scheduled Block Hours	2,496.0
Projected Completion Factor	98.0%
Projected Completed Departures	2,446
Projected Completed Block Hours	2,446.1
Passenger Projections	
Projected Passengers	7,675
Passengers per Departure	3.1
Projected Average Fare	\$72.24
Revenue Passenger Miles (RPMs)	1,074,500
Available Seat Miles (ASMs)	3,082,061
Projected Load Factor	34.9%
Financial Projections	
Revenues	
Passenger Ticket Revenues	\$554,428
Ancillary Revenues	\$13,861
Total	\$568,288
Expenses	
Flight Operations	\$269,069
Aircraft Ownership/Lease	\$531,000
Fuel & Oil	\$614,211
Sales & Marketing	\$25,000
Traffic Servicing	\$451,337
Insurance	\$51,368
Maintenance	\$403,603
Sub-Total - Direct	\$2,345,587
Indirect	\$351,838
Total Expenses	\$2,697,425
Projected Operating Profit/(Loss)	(\$2,129,137)
Subsidy Calculations	
Operating Loss	\$2,129,137
Economic Return @ 5%	\$134,871
Required Subsidy	\$2,264,009