

A photograph of the tail section of a Cape Air aircraft, registration N133CA, on a tarmac. The tail features a white background with blue horizontal stripes and a silhouette of a bird in flight. The text 'Cape Air' is written in a cursive font, and the number '133' is visible on the top of the tail. The aircraft is parked on a dark asphalt surface under a clear blue sky.

VETERANS AIRPORT OF SOUTHERN ILLINOIS

Passenger Demand Analysis

YEAR ENDED MARCH 31, 2020

TABLE OF CONTENTS

INTRODUCTION & METHODOLOGIES	1	AIRLINES	18
Introduction	1	Airlines Used at MWA	18
Objectives	2	Airlines Used at STL.....	19
Methodology	2	Airlines Used at BNA.....	20
EXECUTIVE SUMMARY	3	Diverting Passenger Airline Use.....	21
AIRPORT USE	5	FACTORS AFFECTING AIR SERVICE DEMAND AND	
Airport Catchment Area	5	RETENTION	22
Air Service	6	Passenger Activity Comparison	22
Passenger and Population Trends.....	6	Airfares.....	23
Load Factor, Available Seats and Passengers	7	Nonstop Service Availability	25
Airport Use.....	8	Quality of Air Service at Competing Airports	26
Domestic and International Itineraries.....	8	Retention Rate Sensitivity	27
Airport Use by Community	9	SITUATION ANALYSIS	28
TRUE MARKET	10	Essential Air Service	28
True Market Estimate.....	10	Impact of the Pandemic.....	29
Top 25 True Market Destinations.....	11	New Service Opportunities.....	30
Top 25 Domestic Destinations	12	TOP 50 TRUE MARKETS	31
Top 10 Domestic Destinations by Originating Airport	13	GLOSSARY	33
Top 15 International Destinations	14		
Federal Aviation Administration (FAA) Geographic Regions	15		
Regional Distribution of Travelers	16		
Distribution of International Travel	17		

INTRODUCTION & METHODOLOGIES

INTRODUCTION

Achieving air service success requires thoroughly understanding the market and the needs of local stakeholders, airlines, and trends impacting the aviation industry. Air service development efforts are most effective when they follow a plan consistent with industry trends, the air service needs of the community and specific strategies of target airlines for additional air service. Veterans Airport of Southern Illinois (MWA) is subject to several trends that impact air service efforts, including:



- The years prior to the Coronavirus Disease 2019 (COVID-19) pandemic included major airline consolidation, fleet renewal with larger regional and mainline aircraft, and rapid growth by ultra-low-cost carriers.
- The pandemic had an unprecedented worldwide impact on the airline industry. Airlines significantly reduced capacity as passenger demand dropped 90 percent in April 2020.
- Demand has slowly increased, but, in February 2021, capacity from the U.S. to Europe and Asia is still down more than 70 percent, and U.S. domestic capacity is down over 40 percent. Even with the capacity reductions, recent airline load factors are 20 points lower than the prior year.
- Prior to the pandemic, the industry was enjoying record profits due to lower fuel prices and less competition. Due to the pandemic, airlines have required financial aid and subsidies, but most have restructured debt and reduced costs to reduce cash burn and position for a return to profitability as demand returns.
- At the end of 2020, one-fourth of the U.S. passenger airline fleet was inactive, but airlines are projecting stronger demand in 2021 as the rate of vaccinations accelerate and the economy improves.
- Incentives for new service continue to be important to airline decision-making.
- Low-cost carriers and ultra-low-cost carriers, as a group, are growing faster than the majors as domestic leisure demand returns faster than business traffic during the pandemic.

With these trends in mind, the responsibility is on airports to monitor their market and be proactive with their air service development efforts, especially when performance issues are noted. When service improvements or new service is



sought, it is important that airports and communities know and understand their market, and the *Passenger Demand Analysis* is a critical tool in helping communities do so. It provides objective air traveler data, compiled from industry accepted sources using standard methodologies.

The ultimate impact on the airline industry from COVID-19 is yet to be determined. There will be a long recovery period before the U.S. demand for air travel returns to normal conditions. This study reviews historical trends and demand as it existed through the first quarter of 2020.

Assumptions about the pandemic-affected air travel environment have not been incorporated because there is not currently a clear view to where this evolving situation will lead. However, as with every other challenge to industry demand (e.g., September 11, 2001, swine flu, the Great Recession), the industry will rebound and air travel will continue to be a vital and growing

element for economic development throughout the U.S. While the evolving environment will create temporary setbacks, the observations and recommendations of this study are still valid and important for long-term air service development.

OBJECTIVES

The objective of the *Passenger Demand Analysis* is to develop information on the travel patterns of airline passengers who reside in the MWA catchment area. The report provides an understanding of the MWA situation and formulates strategies for improvement. This analysis includes an estimate of total airline passengers in the catchment area and related destinations as well as an assessment of the air service situation at MWA.

METHODOLOGY

The *Passenger Demand Analysis* combines Airline Reporting Corporation (ARC) ticketed data and U.S. Department of Transportation (DOT) airline data to provide a comprehensive overview of the air travel market. For the purposes of this study, ARC data includes tickets purchased through travel agencies in the MWA catchment area (**Exhibit 3.1**, page 5) as well as tickets purchased via online travel agencies by passengers in the MWA catchment area. It does not capture tickets issued directly by airline web sites (e.g., www.aa.com, www.united.com) or directly through airline reservation offices. The data used include tickets for the zip codes in the catchment area, NOT all tickets. As a result, ARC data represents a sample to measure the air travel habits of catchment area air travelers. Data for travel agencies located within the catchment area is reported by the zip code of the travel agency. Online travel agency data (e.g. Expedia, Orbitz, and Travelocity) is reported by the customer zip code used to purchase the ticket. Although limitations exist, ARC data accurately portrays the airline ticket purchasing habits of a large cross-section of catchment area travelers. A total of 6,918 ARC tickets for the year ended March 31, 2020, were used in this analysis. Adjustments were made for Frontier Airlines, Southwest Airlines and Spirit Airlines since they have limited ARC representation.

EXECUTIVE SUMMARY

DATA SOURCE/ CATCHMENT AREA

The *Passenger Demand Analysis* includes 6,918 ARC tickets from the MWA catchment area for the year ended March 31, 2020. The catchment area has an estimated population of 218,471 in 2020 and 61 zip codes. In addition to ARC data, Diio Mi origin and destination data and schedule data is used throughout the report.

DEPARTURES AND AVAILABLE SEATS

For the year ended March 31, 2020, MWA was served by one airline, Cape Air, under the Essential Air Service (EAS) program to Nashville International Airport (BNA) and St. Louis Lambert International Airport (STL). MWA had a total of 1,885 departures, offering 16,965 seats with 92 percent of flights on Cessna 402 aircraft and the remaining 8 percent of flights provided on Cape Air's Tecnam P2012 aircraft. Flights increased by less than 1 percent since the year ended March 31, 2019.

AIRPORT USE

Six percent of catchment area travelers used MWA, while 75 percent diverted to STL, 10 percent to BNA, 6 percent to Chicago O'Hare International Airport (ORD) and 3 percent to Evansville Regional Airport (EVV).

In a comparison of domestic versus international itineraries, 7 percent of domestic travelers and 1 percent of international travelers used MWA. STL served 76 percent of domestic and 55 percent of international travelers, while BNA served 10 percent of domestic and 9 percent of international travelers. ORD served 4 percent of domestic and 34 percent of international travelers, the second highest share of international travelers. EVV served only 3 percent of domestic and 1 percent of international travelers.

TRUE MARKET

MWA's total air service market, called the true market, is estimated at 280,503 annual origin and destination passengers. Domestic travelers accounted for 266,177 of the total true market (95 percent). International travelers made up the remaining 14,326 passengers (5 percent).

DESTINATIONS

Fifty-four percent of travelers were destined to or from one of the top 25 markets. Tampa was the number one destination with 4 percent of passengers. MWA retained 1 percent of passengers to/from Tampa. The next largest markets were STL, New York-LaGuardia, Boston and Washington-National with retention of 100, 3, 1 and 4 percent, respectively. Four of the top 25 markets had retention rates of 5 percent or greater while seven markets had retention rates of less than 1 percent.

REGIONAL DISTRIBUTION

Twenty-three percent of travelers were destined to the Southeast region, followed by 17 percent to the East region. MWA's highest retention occurred in the Central region at 83 percent. The lowest retention occurred to Alaska and international regions. Of the international travelers, the top three international regions were Europe, Asia, and Mexico and Central America, with MWA retaining some passengers to Europe, Canada, the Caribbean and South America.

AIRLINES USED

As the only air service provider at MWA, Cape Air served all passengers; however, based on U.S. DOT data, numerous passengers connected beyond the hub, with the majority connecting on American Airlines followed by United Airlines and Delta Air Lines. Airline share of diverting passengers were estimated using an approximation of carrier share with ARC data. An adjustment was made for Frontier Airlines, Spirit Airlines and Southwest Airlines. Carrier shares of diverting MWA catchment area passengers were Southwest with 33 percent, American with 29 percent, Delta with 15 percent and United with 14 percent. Alaska Airlines and Frontier had shares of 4 and 2 percent, respectively, and other various airlines served 3 percent of passengers.

PASSENGER ACTIVITY

For the year ended March 31, 2011, through the year ended March 31, 2020, MWA's origin and destination passengers (as reported by the airlines to the U.S. DOT) increased at a compounded annual growth rate (CAGR) of 1.5 percent compared to 1.1 percent at STL, 7.7 percent at BNA, 3.9 percent at ORD and 3.7 percent at EVV. Notably, MWA's passengers decreased by 11 percent from 2019 to 2020.

DOMESTIC AIRFARES

For the year ended March 31, 2020, the one-way average domestic airfare for MWA was \$130, influenced by the low fare for local STL passengers. MWA's fare was \$40 lower than STL's average fare, \$25 lower than BNA's average fare, \$37 lower than ORD's average fare and \$78 lower than EVV's fare.

AVERAGE FARE TREND

From the year ended March 31, 2011, through the year ended March 31, 2020, the average domestic airfare for MWA passengers increased at a CAGR of 0.3 percent compared to 1.3 percent for STL. The other three airports, BNA, EVV and ORD, all had decreasing rates over the 10-year period, with a decrease in the CAGR of 0.3 percent at BNA, 0.5 percent at EVV and 0.2 percent at ORD.

NONSTOP SERVICE

For the year ended March 31, 2020, MWA offered nonstop service to one top 25 destination with an average of 34 weekly roundtrips. STL had nonstop service to 24 of the top 25 destinations on 775 weekly roundtrips while BNA and ORD had service to all 25 of the top 25 destinations. EVV had service to only one of the top 25 destinations.

AIR SERVICE OPPORTUNITIES

MWA is located in southern Illinois, approximately two hours from St. Louis, four hours from Nashville and five hours from the Chicago area. MWA's current service on Cape Air is supported through the EAS program. MWA's existing contract is from December 1, 2019, through November 30, 2023, and provides between \$2.9 million and \$3.2 million in annual subsidies over the four-year contract for 24 weekly nonstop flights to STL and 12 weekly nonstop flights to BNA.

Outside of the EAS program, MWA has opportunities for additional service if incentives can be identified to support the service. Due to the proximity to the Chicago area and the significant visitation that exists between southern Illinois and the Chicago area, the top opportunity for additional service is nonstop service on American Airlines or United Airlines (and their regional partners) to their ORD hubs. Both airlines have significant experience operating in markets like MWA; however, it is likely that any carrier looking to add service to MWA would expect either a minimum revenue guarantee or subsidy to support service. It is likely that the incentives would be required for a minimum of two years to let the market mature, and it is possible that the airlines would expect a permanent revenue guarantee or subsidy for the service if the market is unable to be profitable on its own.

AIRPORT USE

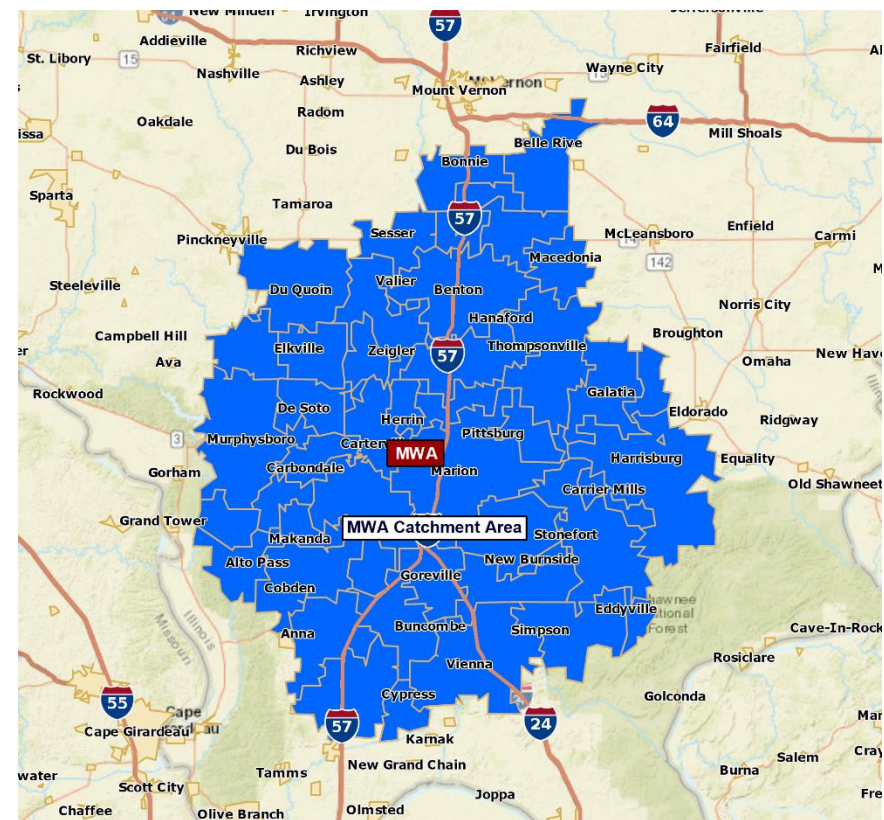
To understand airport use, it is important to understand the relative size of the catchment area, current air service and passenger activity. MWA's use was determined using year ended March 31, 2020, ARC data for the zip codes from the catchment area.

AIRPORT CATCHMENT AREA

An airport catchment area, or service area, is a geographic area surrounding an airport where it can reasonably expect to draw passenger traffic and is representative of the local market. The catchment area contains the population of travelers who should use MWA considering the drive time from the catchment area to competing airports. This population of travelers is MWA's focus market for air service improvements and represents the majority of travelers using the local airport.

Exhibit 3.1 identifies the MWA catchment area. It is comprised of 61 zip codes within the U.S. with a population of approximately 218,471 in 2020 (source: U.S. Census Bureau, Woods & Poole Economics, Inc.).

EXHIBIT 3.1 MWA CATCHMENT AREA



Ninety-two percent of MWA's flights were provided on Cessna 402 aircraft with the remaining 8 percent of flights provided on Cape Air's Tecnam P2012 aircraft.

AIR SERVICE

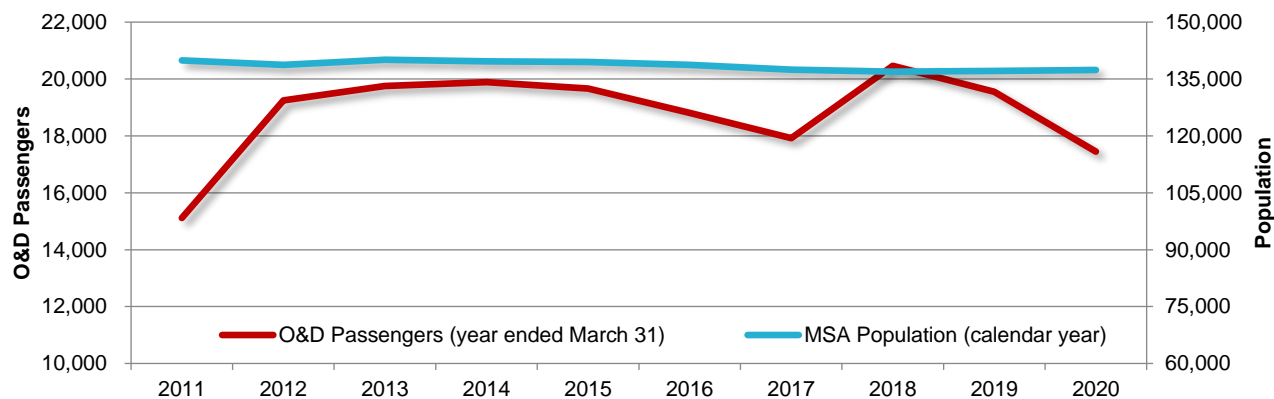
Table 3.1 provides MWA's departures and seats for the year ended March 31, 2020. One airline, Cape Air, served MWA to two destinations, BNA and STL. Ninety-two percent of flights were provided on Cessna 402 aircraft with the remaining 8 percent of flights provided on Cape Air's new Tecnam P2012 aircraft. Overall, flights increased by less than 1 percent since the year ended March 31, 2019.

DESTINATION	MARKETING CARRIER	TOTAL DEPARTURES	TOTAL SEATS
Nashville, TN	Cape Air	108	972
St. Louis, MO	Cape Air	1,777	15,993
Total		1,885	16,965

PASSENGER AND POPULATION TRENDS

Exhibit 3.2¹ plots origin and destination passenger trends from 2011 to 2020 compared to population trends at MWA. The Carbondale-Marion, Illinois Metropolitan Statistical Area (MSA) was used as a surrogate for the growth trend of the MWA catchment area population. During the 10-year period, passengers grew at a 1.6 percent CAGR, while population declined at a CAGR of 0.2 percent.

EXHIBIT 3.2 PASSENGERS AND POPULATION TRENDS



¹ Source: Diio Mi; Woods & Poole Economics, Inc.

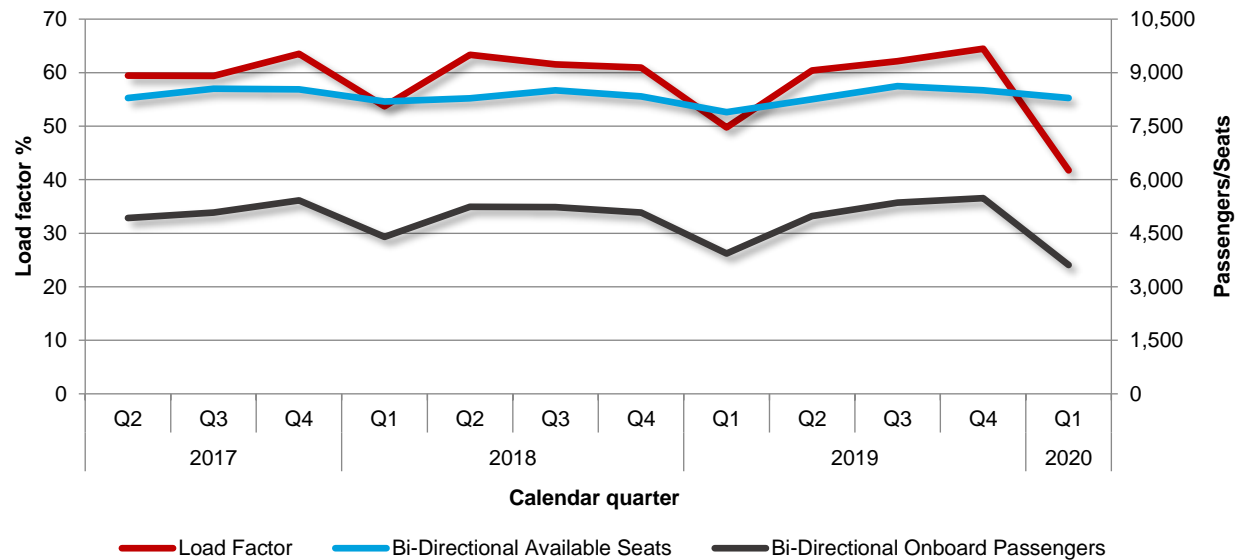
The average load factor at MWA improved on average year-over-year in two of the last four quarters with an increase in capacity in three of the last four quarters.

LOAD FACTOR, AVAILABLE SEATS AND PASSENGERS

Exhibit 3.3 shows MWA’s bi-directional available seats, bi-directional onboard passengers and load factors for arrivals and departures by quarter from the second quarter 2017 through the first quarter 2020. The average load factor improved in two of the last four quarters year-over-year with an increase in seats in three of the last four quarters. The lowest load factor in the 12-quarter period was in the first quarter of 2020 at 42 percent, while the high was in the fourth quarter of 2019 at 64 percent.

Over the three-year period, available seats were lowest in the first quarter of 2019 at 7,893, while the highest number of seats was in the third quarter of 2019 at 8,622. The low for onboard passengers at MWA through the three-year span was in the first quarter of 2020, and the high for onboard passengers was in the fourth quarter of 2019. Onboard passengers increased in two of the past four quarters compared to the previous year.

EXHIBIT 3.3 LOAD FACTOR, AVAILABLE SEATS AND ONBOARD PASSENGERS



MWA retains 6 percent of its catchment area passengers, with STL being the largest diversionary airport at 75 percent followed by BNA at 10 percent, ORD at 6 percent and EVV with 3 percent.

AIRPORT USE

Exhibit 3.4 shows the airports used by MWA catchment area travelers. An estimated 6 percent of the catchment area's air travelers used MWA for their trips; 75 percent diverted to STL, 10 percent to BNA, 6 percent to ORD and the remaining 3 percent to EVV.

DOMESTIC AND INTERNATIONAL ITINERARIES

Table 3.2 shows passengers by domestic and international itineraries. Seven percent, or 17,355 domestic travelers, and 1 percent, or 89 international travelers, used MWA. STL was the top diversionary airport for domestic passengers, serving 76 percent of domestic travelers, and the largest diversionary airport for international travelers, serving 55 percent. BNA served the second highest share of diverting domestic passengers with 10 percent versus serving 9 percent of diverting international travelers. While ORD served only 4 percent of domestic travelers, 34 percent of international travelers used ORD. EVV served only 3 percent of domestic and 1 percent of international travelers.

EXHIBIT 3.4 AIRPORT USE

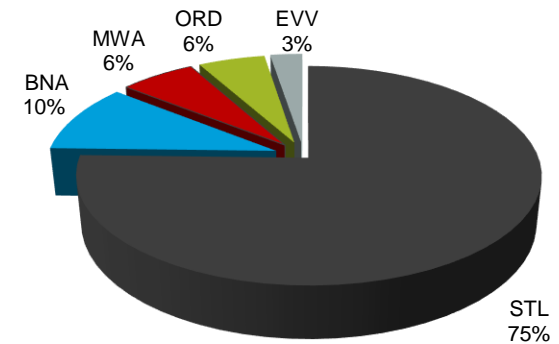


TABLE 3.2 AIRPORT USE - DOMESTIC & INTERNATIONAL COMPARISON

RANK	ORIGINATING AIRPORT	AIRPORT USE	
		PAX	%
Domestic			
1	STL	203,667	76
2	BNA	27,475	10
3	MWA	17,355	7
4	ORD	10,609	4
5	EVV	7,071	3
Subtotal		266,177	100
International			
1	STL	7,867	55
2	ORD	4,922	34
3	BNA	1,275	9
4	EVV	173	1
5	MWA	89	1
Subtotal		14,326	100
Domestic and International			
1	STL	211,534	75
2	BNA	28,750	10
3	MWA	17,444	6
4	ORD	15,531	6
5	EVV	7,244	3
Total		280,503	100



AIRPORT USE BY COMMUNITY

Airport retention rates by community are an important aspect to understanding the overall MWA catchment area. ARC tickets include local travel agency data which is reported by the agency zip code and online travel agency data which is reported by the passenger zip code. **Table 3.3** shows how retention varies among the local communities within it.

Overall, the Carbondale community generated the highest number of true market passengers, with 72,953 annual passengers, 26 percent of the total. The Marion and Carterville communities each generated more than 25,000 annual passengers. Communities with lower than average retention (less than 5 percent) included the Benton, Du Quoin, Anna and Cobden communities. The highest retention (greater than 10 percent) included the Herrin and Mulkeytown communities.

TABLE 3.3 AIRPORT USE BY COMMUNITY

COMMUNITY	% AIRPORT USE					TRUE MARKET PASSENGERS
	STL	BNA	MWA	ORD	EVV	
Carbondale	78	5	6	11	0	72,953
Marion	74	15	8	2	2	44,823
Carterville	83	8	5	2	1	25,470
Murphysboro	78	10	6	5	0	20,801
Herrin	74	9	11	6	0	15,185
Harrisburg	42	16	6	8	27	10,566
Makanda	85	3	8	4	0	8,961
West Frankfort	77	9	7	6	0	8,169
Benton	91	0	2	6	2	8,264
Du Quoin	94	2	2	2	0	7,470
Anna	82	11	3	2	1	6,177
Mulkeytown	78	0	16	0	6	4,682
Goreville	65	26	6	1	1	4,795
Cobden	85	8	1	6	0	4,705
Other	65	20	5	4	6	37,482
Total	75	10	6	6	3	280,503

TRUE MARKET

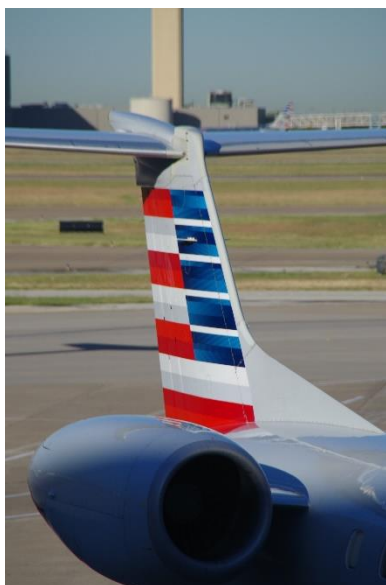
The true market portion of the *Passenger Demand Analysis* provides the total number of passengers in the catchment area; specifically, it analyzes the portion of passengers diverting from the MWA catchment area. This section investigates destinations associated with travel to and from the catchment area. In addition, destinations are grouped into geographic regions to further understand the regional flows of catchment area air travelers.

TRUE MARKET ESTIMATE

The airport catchment area (**Exhibit 3.1**, page 5) represents the geographic area from which the airport primarily attracts air travelers. Domestic airlines report origin and destination traffic statistics to the U.S. DOT on a quarterly basis. Used by itself, these traffic statistics do not quantify the total size of an air service market. By combining ARC tickets with passenger data contained in the U.S. DOT airline reports, an estimate of the total air travel market by destination was calculated. The total air travel market is also referred to as the “true market”. Passengers were estimated for domestic and international markets on a destination basis. Adjustments were made to account for Frontier Airlines, Southwest Airlines and Spirit Airlines, which are under-represented in ARC data.

The ARC data used in this report includes information on initiated passengers ticketed by local or online travel agencies. This enables the identification of passenger retention and diversion. According to U.S. DOT airline reports for the year ended March 31, 2020, 49 percent of MWA origin and destination passengers initiated air travel from MWA, and the other 51 percent began their trip from another city (e.g. New York, Dallas and Phoenix). For the purposes of this analysis, it is assumed that travel patterns for MWA visitors mirror catchment area passengers.





TOP 25 TRUE MARKET DESTINATIONS

The top 25 destinations for MWA (shown in **Table 4.1**) accounted for 54 percent of the travel to/from the MWA catchment area. Tampa was the largest market with 10,091 annual passengers (13.8 passengers daily each way) and accounted for 4 percent of all catchment area travel. STL, New York-LaGuardia, Boston and Washington-National made up the remaining top five markets. MWA had nonstop service to one of its top five destinations.

TABLE 4.1 TRUE MARKET ESTIMATE - TOP 25 DESTINATIONS

RANK	DESTINATION	MWA REPORTED PAX	DIVERTED PAX	TRUE MARKET	PDEW
1	Tampa, FL	58	10,033	10,091	13.8
2	St. Louis, MO	9,966	0	9,966	13.7
3	New York, NY (LGA)	254	9,562	9,816	13.4
4	Boston, MA	115	8,622	8,737	12.0
5	Washington, DC (DCA)	321	8,351	8,672	11.9
6	Fort Lauderdale, FL	39	7,580	7,620	10.4
7	Miami, FL	107	6,523	6,630	9.1
8	Austin, TX	75	6,550	6,625	9.1
9	Orlando, FL (MCO)	88	6,481	6,569	9.0
10	Los Angeles, CA	204	6,217	6,421	8.8
11	Newark, NJ	69	6,277	6,346	8.7
12	Denver, CO	145	6,032	6,178	8.5
13	Seattle, WA	98	5,764	5,863	8.0
14	Dallas, TX (DFW)	586	4,543	5,129	7.0
15	Fort Myers, FL	10	4,920	4,930	6.8
16	Las Vegas, NV	38	4,848	4,885	6.7
17	San Francisco, CA	70	4,813	4,883	6.7
18	Phoenix, AZ (PHX)	320	4,216	4,537	6.2
19	San Diego, CA	126	4,266	4,392	6.0
20	Minneapolis, MN	40	4,267	4,307	5.9
21	Raleigh/Durham, NC	38	3,911	3,948	5.4
22	New Orleans, LA	60	3,815	3,875	5.3
23	San Antonio, TX	50	3,729	3,779	5.2
24	Philadelphia, PA	168	3,281	3,449	4.7
25	Baltimore, MD	10	3,268	3,278	4.5
Top 25 destinations		13,056	137,870	150,926	206.7
Total domestic		17,355	248,822	266,177	364.6
Total international		89	14,236	14,326	19.6
All markets		17,444	263,059	280,503	384.3

With the available MWA nonstop service, the highest retention rate was to STL; however, many of those passengers likely connect beyond STL.

TOP 25 DOMESTIC DESTINATIONS

Table 4.2 shows the percentage of passengers by market and originating airport for the top 25 domestic destinations. Nine percent of passengers used MWA for travel to the top 25 domestic markets. Overall, the highest retention rates by market (5 percent or greater) included STL, Dallas-Fort Worth, Phoenix-Sky Harbor and Philadelphia. MWA retained less than 1 percent of passengers destined for Tampa, Fort Lauderdale, Fort Myers, Las Vegas, Minneapolis, Raleigh/Durham and Baltimore in the top 25 markets.

RANK	DESTINATION	ORIGIN AIRPORT %					TOTAL PAX
		STL	BNA	MWA	ORD	EVV	
1	Tampa, FL	92	3	1	1	4	10,091
2	St. Louis, MO	0	0	100	0	0	9,966
3	New York, NY (LGA)	73	17	3	6	1	9,816
4	Boston, MA	79	12	1	7	2	8,737
5	Washington, DC (DCA)	96	0	4	0	1	8,672
6	Fort Lauderdale, FL	61	30	1	4	5	7,620
7	Miami, FL	54	36	2	8	1	6,630
8	Austin, TX	82	13	1	3	0	6,625
9	Orlando, FL (MCO)	66	20	1	11	2	6,569
10	Los Angeles, CA	74	13	3	7	3	6,421
11	Newark, NJ	85	8	1	3	3	6,346
12	Denver, CO	89	1	2	8	0	6,178
13	Seattle, WA	80	12	2	4	2	5,863
14	Dallas, TX (DFW)	75	3	11	2	8	5,129
15	Fort Myers, FL	89	5	0	1	5	4,930
16	Las Vegas, NV	79	8	1	11	1	4,885
17	San Francisco, CA	79	11	1	8	0	4,883
18	Phoenix, AZ (PHX)	89	0	7	1	3	4,537
19	San Diego, CA	93	0	3	1	3	4,392
20	Minneapolis, MN	95	4	1	0	0	4,307
21	Raleigh/Durham, NC	51	43	1	0	4	3,948
22	New Orleans, LA	82	6	2	4	6	3,875
23	San Antonio, TX	92	6	1	0	0	3,779
24	Philadelphia, PA	81	9	5	3	2	3,449
25	Baltimore, MD	94	3	0	2	1	3,278
Top 25 Domestic		75	10	9	4	2	150,926
Total Domestic		76	10	7	4	3	266,177

The top 10 markets for each airport were diverse with no individual market appearing in each of the five airports top 10 destinations.

TOP 10 DOMESTIC DESTINATIONS BY ORIGINATING AIRPORT

Table 4.3 shows the top 10 markets when passengers exclusively fly out of MWA as well as the top 10 markets when passengers fly exclusively from the alternate airports. The top 10 markets for each airport were diverse with no individual market appearing in each of the five airports top 10 destinations.

RANK	STL		BNA		MWA	
	DESTINATION	PAX	DESTINATION	PAX	DESTINATION	PAX
1	Tampa, FL	9,330	Miami, FL	2,388	St. Louis, MO	9,966
2	Washington, DC (DCA)	8,303	Fort Lauderdale, FL	2,281	Dallas, TX (DFW)	586
3	New York, NY (LGA)	7,208	Raleigh/Durham, NC	1,716	Kirksville, MO	547
4	Boston, MA	6,863	New York, NY (LGA)	1,672	Decatur, IL	416
5	Denver, CO	5,490	Orlando, FL (MCO)	1,311	Washington, DC (DCA)	321
6	Austin, TX	5,458	Charleston, SC	1,230	Phoenix, AZ (PHX)	320
7	Newark, NJ	5,423	Boston, MA	1,013	Nashville, TN	257
8	Los Angeles, CA	4,748	Austin, TX	862	New York, NY (LGA)	254
9	Seattle, WA	4,690	Los Angeles, CA	829	Los Angeles, CA	204
10	Fort Lauderdale, FL	4,659	New York, NY (JFK)	726	Charlotte-Douglas, NC	203

RANK	ORD		EVV	
	DESTINATION	PAX	DESTINATION	PAX
1	Orlando, FL (MCO)	702	Dallas, TX (DFW)	408
2	New York, NY (LGA)	602	Tampa, FL	384
3	Boston, MA	570	Fort Lauderdale, FL	349
4	Las Vegas, NV	524	Buffalo, NY	346
5	Miami, FL	524	Atlanta, GA	291
6	Los Angeles, CA	466	Fort Myers, FL	233
7	Denver, CO	466	Tucson, AZ	233
8	San Francisco, CA	408	Norfolk, VA	233
9	Jacksonville, FL	408	New Orleans, LA	232
10	Fort Lauderdale, FL	291	Boston, MA	175



TOP 15 INTERNATIONAL DESTINATIONS

Table 4.4 shows the percentage of passengers for the top 15 international destinations by originating airport. Only the top 15 international destinations are shown due to the smaller market sizes involved with international itineraries and limited available data. MWA retained 1 percent of the catchment area passengers destined for the top 15 international markets.

London, United Kingdom, Cancun, Mexico, and Vancouver, Canada were the top three international markets. Dublin, Ireland and Belize City, Belize made up the remainder of the top five markets. MWA served passengers to London-Heathrow, Vancouver, Canada and Toronto, Canada. Other top 15 markets were primarily served from STL and ORD.

TABLE 4.4 TOP 15 INTERNATIONAL DESTINATIONS BY ORIGINATING AIRPORT

RANK	DESTINATION	ORIGIN AIRPORT %					PASSENGERS	
		STL	ORD	BNA	EVV	MWA	TOTAL	PDEW
1	London, UK (LHR)	39	56	4	0	2	543	0.7
2	Cancun, Mexico	67	14	14	5	0	401	0.5
3	Vancouver, Canada	92	5	0	0	3	382	0.5
4	Dublin, Ireland	40	43	17	0	0	334	0.5
5	Belize City, Belize	65	9	26	0	0	325	0.4
6	Toronto, Canada	59	12	24	3	3	324	0.4
7	Calgary, Canada	73	6	12	9	0	315	0.4
8	Aruba, Aruba	65	0	29	6	0	296	0.4
9	San Jose del Cabo, Mexico	97	3	0	0	0	287	0.4
10	Amman, Jordan	3	97	0	0	0	277	0.4
11	Delhi, India	24	76	0	0	0	239	0.3
12	Barcelona, Spain	22	78	0	0	0	220	0.3
13	Rome-Da Vinci, Italy	52	39	9	0	0	220	0.3
14	Ahmedabad, India	30	70	0	0	0	220	0.3
15	Paris-De Gaulle, France	70	30	0	0	0	220	0.3
Top 15 International		55	34	10	2	1	4,602	6.3
Total International		55	34	9	1	1	14,326	19.6

Most airline hubs are directional and flow passenger traffic to and from geographic regions, not just destinations within the region.

FEDERAL AVIATION ADMINISTRATION (FAA) GEOGRAPHIC REGIONS

It is important to identify and quantify air travel markets, but it is also important to measure air travel by specific geographic regions. Generally, airlines operate route systems that serve geographic areas. Additionally, most airline hubs are directional and flow passenger traffic to and from geographic regions, not just destinations within the region. Therefore, air service analysis exercises consider the regional flow of passenger traffic as well as passenger traffic to a specific city. Accordingly, this section analyzes the regional distribution of air travelers from the airport catchment area. For this exercise, the FAA geographic breakdown of the U.S. is used (**Exhibit 4.1**).

EXHIBIT 4.1 FAA GEOGRAPHIC REGIONS

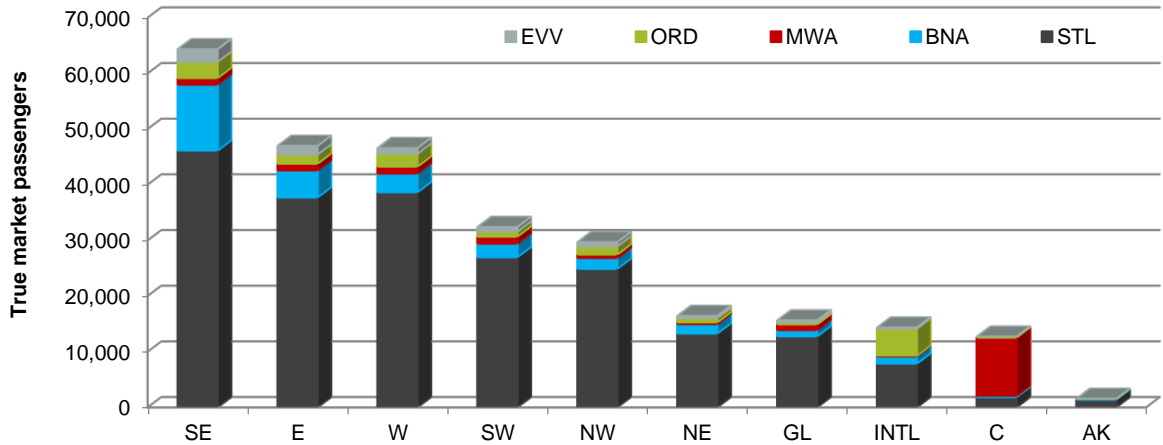


REGIONAL DISTRIBUTION OF TRAVELERS

Table 4.5 and **Exhibit 4.2** divide catchment area travel into the FAA's nine geographic regions and one catch-all international region. The Southeast region was the largest traveled region, with 23 percent of passengers. The East region was the second largest with 17 percent of passengers. MWA's retention rates were highest to the Central region (83 percent) due to the nonstop STL service and Great Lakes region (7 percent). MWA's lowest retention rates were to Alaska (0 percent) and international regions (1 percent).

AIRPORT		REGION										
		SE	E	W	SW	NW	NE	GL	INTL	C	AK	TOTAL
STL	Pax	46,141	37,716	38,656	26,984	24,897	13,259	12,771	7,867	1,848	1,394	211,534
	%	22	18	18	13	12	6	6	4	1	1	100
BNA	Pax	11,843	4,851	3,359	2,449	1,943	1,699	1,117	1,275	175	39	28,750
	%	41	17	12	9	7	6	4	4	1	0	100
MWA	Pax	1,181	1,200	1,241	1,237	637	311	1,028	89	10,521	0	17,444
	%	7	7	7	7	4	2	6	1	60	0	100
ORD	Pax	2,921	1,670	2,332	908	1,449	779	382	4,922	87	80	15,531
	%	19	11	15	6	9	5	2	32	1	1	100
EVV	Pax	2,248	1,533	982	812	740	367	319	173	55	16	7,244
	%	31	21	14	11	10	5	4	2	1	0	100
Total	Pax	64,333	46,971	46,570	32,390	29,665	16,415	15,617	14,326	12,687	1,528	280,503
	%	23	17	17	12	11	6	6	5	5	1	100
MWA Retention %		2	3	3	4	2	2	7	1	83	0	6

EXHIBIT 4.2 REGIONAL DISTRIBUTION OF TRAVEL



Europe was the largest international region, with 27 percent of MWA catchment area international passengers followed by Asia with 20 percent of the total.

DISTRIBUTION OF INTERNATIONAL TRAVEL

Table 4.6 shows international travelers by airport and region. Five percent of catchment area travelers had international itineraries. Europe was the most frequented international region with 27 percent, or 3,838 of the total 14,326 catchment area international travelers, followed by Asia with 20 percent and Mexico and Central America with 17 percent of the total. Canada was the fourth largest region with 12 percent of international travel. The remaining top international regions were, in order of greatest to least: the Caribbean, South America, the Middle East, Africa, and Australia and Oceania.



MWA's retention averaged less than 1 percent for international destinations. MWA's retention was above 0 percent to Europe, Canada, the Caribbean and South America.

TABLE 4.6 REGIONAL DISTRIBUTION OF INTERNATIONAL PASSENGERS

REGION	ORIGINATING AIRPORT					TRUE MARKET	% OF COLUMN	MWA RETENTION %
	STL	ORD	BNA	EVV	MWA			
Europe	1,883	1,638	285	21	10	3,838	27	0.3
Asia	1,350	1,297	186	31	0	2,865	20	0.0
Mexico & Central America	1,606	479	282	30	0	2,397	17	0.0
Canada	1,110	275	175	43	60	1,663	12	3.6
Caribbean	976	346	187	29	10	1,548	11	0.6
South America	376	249	64	8	9	706	5	1.3
Middle East	221	407	36	4	0	669	5	0.0
Africa	289	191	49	6	0	535	4	0.0
Australia & Oceania	57	38	10	1	0	105	1	0.0
Total passengers	7,867	4,922	1,275	173	89	14,326	100	0.6
% of row	55	34	9	1	1	100	-	-

AIRLINES

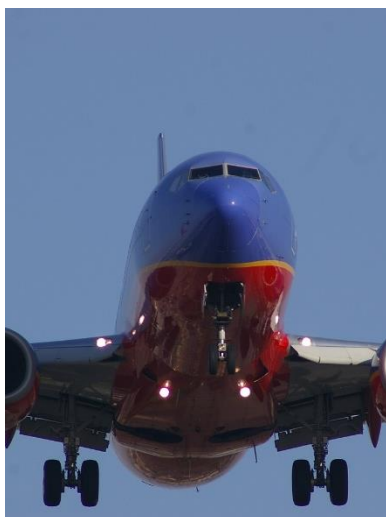
Information in this section identifies airline use by catchment area air travelers. The information is airport and airline specific. The intent is to determine which airlines are used to travel to specific destinations. The airline market share at MWA is based on U.S. DOT airline reported data. Airline market share at diverting airports is based on ARC data and is an estimation of the carrier's share of diverted passengers.

AIRLINES USED AT MWA

Table 5.1² provides the airline share for the top 25 true markets and total share by airline at MWA. All service was provided by Cape Air for the year ended March 31, 2020; however, passengers connected on other airlines beyond the hub. With Cape Air's codeshare relationship with American Airlines, American was the primary connecting airline with 29 percent, followed by interline connections to United Airlines and Delta Air Lines. The remaining 1 percent of passengers connected beyond on other airlines.

RANK	TOP 25 TRUE MARKETS	AIRLINE %					TOTAL PAX
		9K	AA	UA	DL	OTHER	
1	St. Louis, MO	100	0	0	0	0	9,966
2	Dallas, TX (DFW)	0	100	0	0	0	586
3	Kirkville, MO	100	0	0	0	0	547
4	Decatur, IL	100	0	0	0	0	416
5	Washington, DC (DCA)	0	100	0	0	0	321
6	Phoenix, AZ (PHX)	0	100	0	0	0	320
7	Nashville, TN	100	0	0	0	0	257
8	New York, NY (LGA)	0	96	0	4	0	254
9	Los Angeles, CA	0	100	0	0	0	204
10	Charlotte-Douglas, NC	0	90	0	10	0	203
11	Chicago, IL (ORD)	0	88	12	0	0	177
12	Philadelphia, PA	0	100	0	0	0	168
13	Grand Rapids, MI	0	75	6	19	0	160
14	Denver, CO	0	47	53	0	0	145
15	San Diego, CA	0	53	8	0	39	126
16	Portland, ME	0	100	0	0	0	116
17	Boston, MA	0	100	0	0	0	115
18	Miami, FL	0	91	0	9	0	107
19	Ontario, CA	0	91	9	0	0	105
20	Seattle, WA	0	30	10	0	60	98
21	Orlando, FL (MCO)	0	77	0	23	0	88
22	Tucson, AZ	0	87	13	0	0	86
23	Sacramento, CA	0	87	0	13	0	79
24	Austin, TX	0	100	0	0	0	75
25	Medford, OR	0	0	30	70	0	71
Total Top 25		76	21	1	1	1	14,791
Total All Markets		64	29	3	3	1	17,444

² Source: Diio Mi



AIRLINES USED AT STL

Table 5.2 shows the airlines used and top destinations when travelers from the catchment area used STL. Southwest Airlines had the highest share of catchment area passengers at STL, carrying 37 percent of diverting passengers. American had the second highest share at 28 percent, followed by United, Delta, Alaska Airlines and Frontier Airlines. All other carriers combined for the remaining 2 percent of passengers.

TABLE 5.2 AIRLINES USED AT STL

RANK	TOP 25 TRUE MARKETS	AIRLINE %							TOTAL STL PAX
		WN	AA	UA	DL	AS	F9	OTHER	
1	Tampa, FL	80	15	0	5	0	0	0	9,330
2	Washington, DC (DCA)	62	36	0	2	0	0	0	8,303
3	New York, NY (LGA)	39	24	0	37	0	0	0	7,208
4	Boston, MA	71	20	4	1	0	0	3	6,863
5	Denver, CO	17	11	52	3	0	17	0	5,490
6	Austin, TX	81	7	11	1	0	0	0	5,458
7	Newark, NJ	32	1	63	4	0	0	0	5,423
8	Los Angeles, CA	3	92	1	1	0	3	0	4,748
9	Seattle, WA	1	7	4	2	84	1	1	4,690
10	Fort Lauderdale, FL	86	9	0	5	0	0	0	4,659
11	Fort Myers, FL	82	7	6	2	0	0	2	4,368
12	Orlando, FL (MCO)	22	13	0	43	0	22	0	4,313
13	Minneapolis, MN	32	1	6	53	0	0	9	4,103
14	San Diego, CA	1	26	14	4	54	1	0	4,091
15	Phoenix, AZ (PHX)	1	89	3	6	0	1	0	4,042
16	San Francisco, CA	3	11	71	11	0	3	0	3,871
17	Las Vegas, NV	24	33	12	6	0	24	0	3,870
18	Dallas, TX (DFW)	0	94	6	0	0	0	0	3,844
19	Miami, FL	0	95	2	3	0	0	0	3,553
20	San Antonio, TX	81	15	3	0	0	0	0	3,494
21	New Orleans, LA	86	4	5	5	0	0	0	3,188
22	Baltimore, MD	90	6	0	4	0	0	0	3,080
23	Portland, OR	2	7	30	26	22	2	11	3,020
24	Salt Lake City, UT	2	2	4	91	0	2	0	2,918
25	Philadelphia, PA	48	52	0	0	0	0	0	2,808
Total Top 25		41	26	12	11	6	3	1	116,735
Total All Markets		37	28	13	13	5	2	2	211,534

American Airlines had the highest share of catchment area passengers at BNA, carrying 28 percent of diverting passengers, followed by Delta Air Lines at 25 percent.

AIRLINES USED AT BNA

Table 5.3 shows the airlines used and top destinations when travelers from the catchment area used BNA. American had the highest share of catchment area passengers at BNA, carrying 28 percent of diverting passengers, followed by Delta with 25 percent of passengers. Southwest and United had the third and fourth highest shares at 24 and 7 percent, respectively, while JetBlue Airways served 5 percent of passengers. All other carriers combined for the remaining 11 percent of passengers.

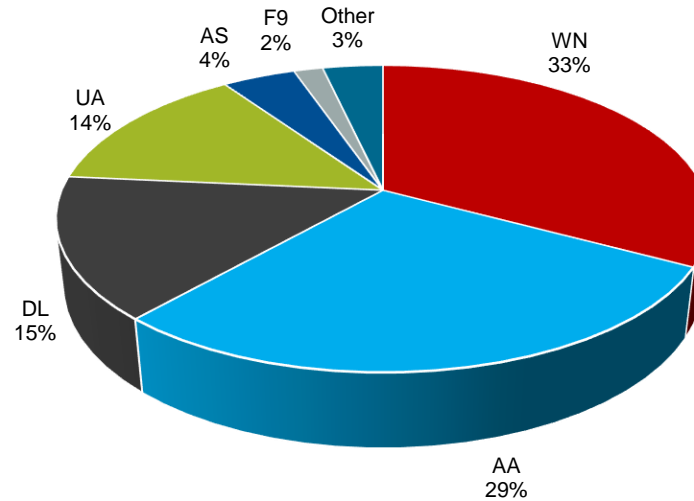
RANK	TOP 25 TRUE MARKETS	AIRLINE %						TOTAL BNA PAX
		AA	DL	WN	UA	B6	OTHER	
1	Miami, FL	100	0	0	0	0	0	2,388
2	Fort Lauderdale, FL	0	24	2	9	51	14	2,281
3	Raleigh/Durham, NC	0	80	10	10	0	0	1,716
4	New York, NY (LGA)	10	43	48	0	0	0	1,672
5	Orlando, FL (MCO)	0	70	10	0	0	20	1,311
6	Charleston, SC	35	35	30	0	0	0	1,230
7	Boston, MA	0	27	38	9	18	9	1,013
8	Austin, TX	14	0	86	0	0	0	862
9	Los Angeles, CA	92	7	0	0	0	1	829
10	New York, NY (JFK)	71	29	0	0	0	0	726
11	Seattle, WA	0	27	0	0	0	73	721
12	Buffalo, NY	17	33	17	33	0	0	630
13	San Francisco, CA	11	22	1	22	0	45	535
14	Newark, NJ	0	0	0	100	0	0	514
15	Pensacola, FL	0	75	25	0	0	0	416
16	Las Vegas, NV	0	10	20	29	0	41	395
17	Kahului, HI	100	0	0	0	0	0	332
18	Philadelphia, PA	88	0	6	0	0	6	298
19	Jacksonville, FL	0	3	97	0	0	0	291
20	Houston, TX (HOU)	0	0	100	0	0	0	277
21	Norfolk, VA	43	0	36	21	0	0	271
22	Tampa, FL	71	24	2	0	0	2	264
23	Atlanta, GA	0	75	25	0	0	0	261
24	Fort Myers, FL	49	49	1	0	0	1	260
25	Manchester, NH	0	0	100	0	0	0	253
Total Top 25		28	29	20	8	7	8	19,745
Total All Markets		28	25	24	7	5	11	28,750

When MWA catchment area travelers divert to alternate airports, the largest percentage used Southwest Airlines, followed by American Airlines, Delta Air Lines and United Airlines.

DIVERTING PASSENGER AIRLINE USE

Exhibit 5.1 shows the airlines used when travelers from the catchment area originated from any other airport besides MWA. Overall, Southwest carried the highest number of diverting passengers, with 33 percent, followed by American with 29 percent, Delta with 15 percent and United with 14 percent. Alaska and Frontier had shares of 4 and 2 percent, respectively. Other airlines accounted for 3 percent of passengers.

EXHIBIT 5.1 DIVERTING PASSENGER AIRLINE USE



FACTORS AFFECTING AIR SERVICE DEMAND AND RETENTION

This section examines several factors that have affected and will continue to affect air service demand in the Marion area and MWA's ability to retain passengers. The factors affecting MWA's ability to retain passengers included in this section are airfares, nonstop service availability, and the quality and capacity of air service offered at MWA, STL, BNA, ORD and EVV.

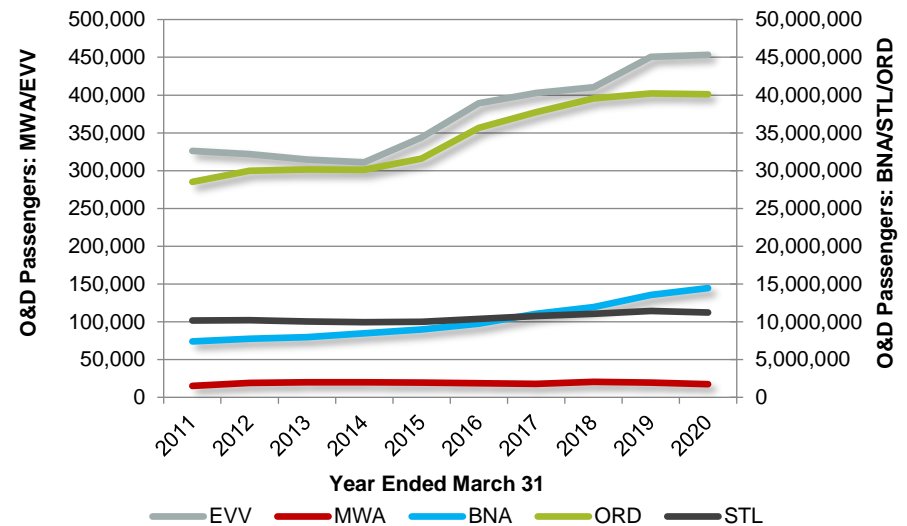
PASSENGER ACTIVITY COMPARISON

To better understand the changes in passenger volumes at MWA and the diverting airports, **Exhibit 6.1** provides a depiction of origin and destination passengers over the last 10 years by year ended March 31 passenger totals as reported to the U.S. DOT. During this period MWA's passengers increased at a CAGR of 1.6 percent but decreased 11 percent from 2019 to 2020.

STL's passengers increased at a 1.1 percent CAGR, the lowest of the comparison airports. BNA's

passengers increased at a 7.7 percent CAGR, the highest growth rate of the comparison airports. ORD's passengers increased at a 3.9 percent CAGR, and EVV's passengers increased at a 3.7 percent CAGR.

EXHIBIT 6.1 PASSENGER TRENDS



MWA's overall average domestic fare for the year ended March 31, 2020, was \$130, \$40 lower than STL, \$25 lower than BNA, \$37 lower than ORD and \$78 lower than EVV.

AIRFARES

When a traveler decides which airport to access for travel, airfares play a large role. Airfares affect air service demand and an airport's ability to retain passengers. One-way airfares (excluding taxes and Passenger Facility Charges [PFC]) paid by travelers are used to measure the relative fare competitiveness between MWA and the alternate airports. Fares listed for the alternate airports are for all air travelers using the airport and are not reflective of the average fare paid only by catchment area travelers diverting to these airports.

Table 6.1³ shows one-way average airfares for the top 25 catchment area domestic destinations. Average airfares are a result of many factors including length of haul, availability of seats, business versus leisure fares and airline competition. MWA's overall average domestic fare for the year ended March 31, 2020, was \$130, \$40 lower than STL, \$25 lower than BNA, \$37 lower than ORD and \$78 lower than EVV due to the significant impact the low MWA-STL fare of \$60 has on the average.

In individual markets, MWA had a higher fare than the highest fare at all of the competing airports in 16 of the top 25 markets. MWA had a fare more than \$50 higher than the highest at the competing airports in the Tampa, Minneapolis and San Antonio markets.

TABLE 6.1 U.S. DOT AVERAGE DOMESTIC ONE-WAY FARES

RANK	DESTINATION	AVERAGE ONE-WAY FARE					MWA MIN DIFF.
		STL	BNA	MWA	ORD	EVV	
1	Tampa, FL	\$144	\$117	\$246	\$110	\$180	\$65
2	St. Louis, MO	-	\$124	\$60	\$182	-	(\$122)
3	New York, NY (LGA)	\$177	\$155	\$218	\$144	\$206	\$12
4	Boston, MA	\$201	\$119	\$147	\$138	\$211	(\$64)
5	Washington, DC (DCA)	\$166	\$162	\$219	\$194	\$184	\$24
6	Fort Lauderdale, FL	\$161	\$109	\$156	\$117	\$182	(\$26)
7	Miami, FL	\$202	\$143	\$246	\$156	\$191	\$44
8	Austin, TX	\$165	\$179	\$221	\$126	\$215	\$5
9	Orlando, FL (MCO)	\$115	\$102	\$218	\$118	\$180	\$38
10	Los Angeles, CA	\$203	\$192	\$249	\$173	\$242	\$7
11	Newark, NJ	\$197	\$162	\$273	\$199	\$262	\$12
12	Denver, CO	\$107	\$129	\$230	\$124	\$225	\$4
13	Seattle, WA	\$197	\$198	\$214	\$170	\$261	(\$48)
14	Dallas, TX (DFW)	\$184	\$189	\$196	\$150	\$227	(\$30)
15	Fort Myers, FL	\$132	\$151	\$209	\$124	\$183	\$26
16	Las Vegas, NV	\$122	\$147	\$276	\$136	\$236	\$40
17	San Francisco, CA	\$218	\$217	\$279	\$237	\$268	\$11
18	Phoenix, AZ (PHX)	\$176	\$193	\$245	\$167	\$235	\$10
19	San Diego, CA	\$171	\$206	\$221	\$174	\$255	(\$35)
20	Minneapolis, MN	\$152	\$138	\$289	\$129	\$217	\$72
21	Raleigh/Durham, NC	\$180	\$121	\$191	\$105	\$204	(\$13)
22	New Orleans, LA	\$165	\$129	\$218	\$119	\$221	(\$2)
23	San Antonio, TX	\$179	\$175	\$334	\$210	\$234	\$100
24	Philadelphia, PA	\$205	\$133	\$234	\$196	\$232	\$2
25	Baltimore, MD	\$178	\$137	\$184	\$112	\$205	(\$21)
Average Domestic Fare		\$170	\$154	\$130	\$167	\$208	(\$78)

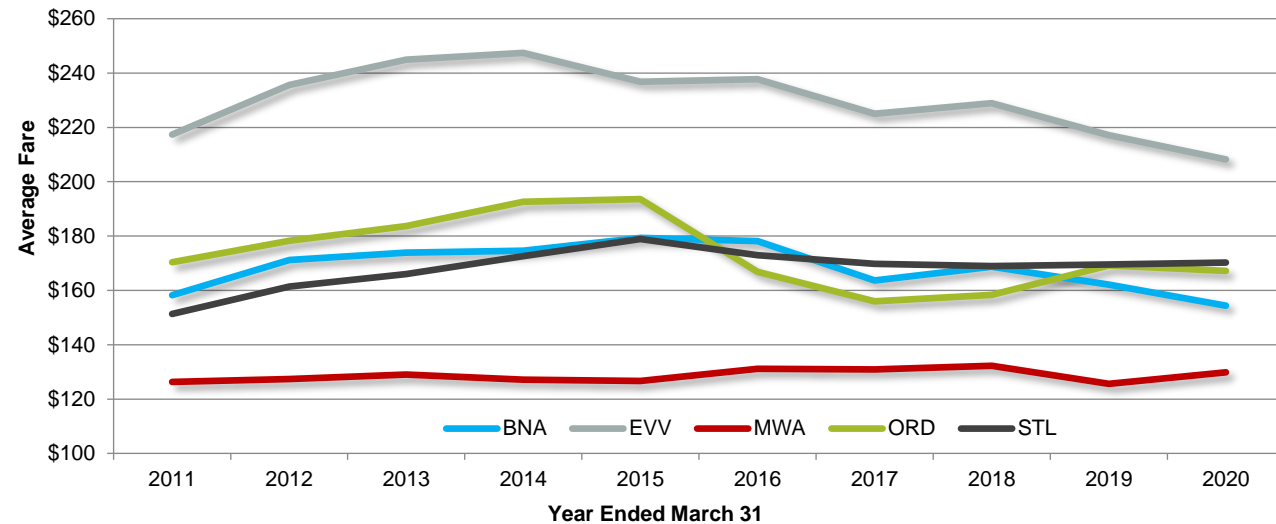
³ Source: Diio Mi; Note: Year Ended March 31, 2020; Fares do not include taxes or Passenger Facility Charges



Exhibit 6.2 tracks the average fares at MWA and the competing airports from the year ended March 31, 2011, through the year ended March 31, 2020. Based on U.S. DOT airline data, average fares at MWA have ranged from \$126 (2011/2019) to \$132 (2018). The average fare at STL ranged from \$151 (2011) to \$179 (2015), while the average fare at BNA ranged from \$154 (2020) to \$179 (2015). ORD ranged from \$156 (2017) to \$194 (2015) while EVV ranged from \$208 (2020) to \$247 (2014). Overall, average domestic fares over the 10-year period increased at a CAGR of 0.3 percent at MWA compared to 1.3 percent at STL. The other three airports, BNA, EVV and ORD, all had decreasing rates over the 10-year period, with a decrease in the CAGR of 0.3 percent at BNA, 0.5 percent at EVV and 0.2 percent at ORD.

MWA's fare has remained below the other four comparison airports in each of the last 10 years. Much of this is due to the influence of the lower fare offered to the nonstop market such as MWA-STL and the lack of reporting to some destinations beyond.

EXHIBIT 6.2 10-YEAR AVERAGE DOMESTIC ONE-WAY FARE TREND



MWA offered nonstop service to one of the top 25 catchment area destinations with an average of 34 weekly departures for the year ended March 31, 2020.

NONSTOP SERVICE AVAILABILITY

Travelers drive to competing airports to access air service for many reasons, one of which is nonstop service availability. **Table 6.2**⁴ compares the level of air service offered at MWA with that offered at the competing airports. For the year ended March 31, 2020, MWA offered nonstop service to one of the top 25 catchment area destinations with an average of 34 weekly frequencies. STL had service to 24 of the top 25 markets with an average of 775 weekly roundtrips, while BNA had service to all 25 of the top 25 destinations with 1,726 weekly frequencies. ORD had the highest service levels, with service to all 25 of the top 25 markets, with an average of 8,702 weekly frequencies. EVV had the lowest service of the competing airports with service to only one of the top 25 markets and 14 weekly frequencies.

TABLE 6.2 NONSTOP SERVICE COMPARISON

RANK	DESTINATION	AVG WEEKLY DEPARTURES				
		STL	BNA	MWA	ORD	EVV
1	Tampa, FL	17	33	0	60	0
2	St. Louis, MO	0	22	34	98	0
3	New York, NY (LGA)	78	92	0	270	0
4	Boston, MA	22	59	0	155	0
5	Washington, DC (DCA)	56	63	0	155	0
6	Fort Lauderdale, FL	17	40	0	57	0
7	Miami, FL	16	18	0	82	0
8	Austin, TX	13	21	0	59	0
9	Orlando, FL (MCO)	40	45	0	95	0
10	Los Angeles, CA	32	46	0	152	0
11	Newark, NJ	46	54	0	106	0
12	Denver, CO	85	69	0	120	0
13	Seattle, WA	19	20	0	108	0
14	Dallas, TX (DFW)	53	53	0	149	14
15	Fort Myers, FL	13	2	0	54	0
16	Las Vegas, NV	31	27	0	95	0
17	San Francisco, CA	17	16	0	121	0
18	Phoenix, AZ (PHX)	37	25	0	103	0
19	San Diego, CA	17	14	0	62	0
20	Minneapolis, MN	54	44	0	149	0
21	Raleigh/Durham, NC	12	32	0	88	0
22	New Orleans, LA	14	29	0	42	0
23	San Antonio, TX	14	14	0	40	0
24	Philadelphia, PA	46	54	0	98	0
25	Baltimore, MD	26	42	0	59	0
Total Top 25 Frequencies		775	933	34	2,573	14
Total All Markets		1,660	1,726	36	8,702	107
Number of Top 25 Served		24	25	1	25	1
Total Destinations Served		71	80	2	268	7

⁴ Source: Diio Mi; Year Ended March 31, 2020

MWA offered a total of 1,885 departures and 16,965 seats. MWA's departures were all provided on propeller aircraft.

QUALITY OF AIR SERVICE AT COMPETING AIRPORTS

The quality of air service offered by an airport is a factor in a traveler's decision when selecting which airport to originate travel from. In general, passengers prefer larger aircraft over smaller aircraft and jet aircraft over turboprop aircraft.

Table 6.3⁵ provides MWA's and the competing airports total departures by aircraft type for the year ended March 31, 2020. MWA had 1,885 departures and 16,965 seats. MWA's departures were all provided on propeller aircraft. Comparatively, STL offered 86,309 departures and 10.1 million seats on a mix of propeller, turboprop, regional jet and narrow body jet aircraft, with 9 percent of departures on propeller/turboprop aircraft. BNA had 89,742 departures and 11.6 million seats with only 2 percent of departures on propeller/turboprop aircraft. ORD had 452,524 departures and more than 50.3 million seats, while EVV had 5,585 departures and 321,146 seats.



AIRCRAFT TYPE	SEAT RANGE	TOTAL DEPARTURES				
		STL	BNA	MWA	ORD	EVV
Prop/Turboprop	<9	3,201	870	-	2,040	-
	9-30	4,704	248	1,885	1,380	-
	>30	-	410	-	-	-
Regional jet	30-50	9,477	4,656	-	136,354	4,474
	51-70	3,507	4,958	-	52,841	-
	71-100	8,630	11,890	-	51,781	975
Narrow body jet	70-125	1,306	2,829	-	11,413	-
	126-160	37,891	44,597	-	54,861	134
	>160	17,593	18,975	-	119,211	2
Wide body jet	160-240	-	95	-	5,981	-
	241-300	-	214	-	10,217	-
	>300	-	-	-	6,445	-
Total Departures		86,309	89,742	1,885	452,524	5,585
% Turboprop Departures		9%	2%	100%	1%	0%
% Regional Jet Departures		25%	24%	0%	53%	98%
Total Seats		10,056,795	11,557,073	16,965	50,300,114	321,146

⁵ Source: Diio Mi; Year Ended March 31, 2020

An increase in retention of 10 percentage points would create an estimated additional 28,050 annual passengers (38.4 passengers daily each way) for MWA.

RETENTION RATE SENSITIVITY

Considering the previous factors of fares, nonstop service and quality of service, a retention rate sensitivity follows in **Table 6.4**. The purpose is to show how changes in passenger retention can affect passenger volume. Passengers in total and for each of the top 25 markets are calculated using varying degrees of retention. An increase in retention of 10 percentage points would create an estimated additional 28,050 annual passengers (38.4 passengers daily each way) for MWA.

RANK	DESTINATION	REPORTED PAX	RETENTION %	RETENTION IMPROVEMENT		
				5%	10%	15%
1	Tampa, FL	58	1	563	1,068	1,572
2	St. Louis, MO	9,966	100	9,966	9,966	9,966
3	New York, NY (LGA)	254	3	745	1,236	1,727
4	Boston, MA	115	1	551	988	1,425
5	Washington, DC (DCA)	321	4	755	1,188	1,622
6	Fort Lauderdale, FL	39	1	420	801	1,182
7	Miami, FL	107	2	439	770	1,102
8	Austin, TX	75	1	406	738	1,069
9	Orlando, FL (MCO)	88	1	416	745	1,073
10	Los Angeles, CA	204	3	525	846	1,167
11	Newark, NJ	69	1	386	703	1,021
12	Denver, CO	145	2	454	763	1,072
13	Seattle, WA	98	2	391	684	978
14	Dallas, TX (DFW)	586	11	843	1,099	1,356
15	Fort Myers, FL	10	0	257	503	750
16	Las Vegas, NV	38	1	282	526	770
17	San Francisco, CA	70	1	314	558	802
18	Phoenix, AZ (PHX)	320	7	547	774	1,001
19	San Diego, CA	126	3	346	566	785
20	Minneapolis, MN	40	1	255	471	686
21	Raleigh/Durham, NC	38	1	235	432	630
22	New Orleans, LA	60	2	253	447	641
23	San Antonio, TX	50	1	239	428	617
24	Philadelphia, PA	168	5	340	513	685
25	Baltimore, MD	10	0	174	338	502
Total Top 25		13,056	9	20,104	27,152	34,200
Total Domestic		17,355	7	30,664	43,973	57,281
Total International		89	1	806	1,522	2,238
Total of All Markets		17,444	6	31,469	45,495	59,520

SITUATION ANALYSIS

This section reviews the EAS program, impacts of COVID-19 on hub airports and potential opportunities for added MWA service.

ESSENTIAL AIR SERVICE

MWA's current service on Cape Air is supported through the EAS program. MWA's existing contract is from December 1, 2019, through November 30, 2023, and provides between \$2.9 million and \$3.2 million in annual subsidies over the four-year contract for 24 weekly nonstop flights to STL and 12 weekly nonstop flights to BNA.



The EAS program has strict requirements for airports to retain eligibility and, due to MWA's location to STL, all of them apply. The overarching requirement for all EAS markets outside of Alaska is a maximum \$1,000 per passenger subsidy. There is no waiver or exception to this rule. Once an airport crosses the \$1,000 per passenger subsidy threshold, subsidy eligibility ceases and the airport will lose service. Since MWA is just 120 miles from STL, they are also subject to a minimum 10 enplanements per service day and \$200 per passenger subsidy cap. Based on data reported to the U.S. DOT by the airlines for the year ended March 31, 2020, MWA had 17,444 total passengers. With an annual subsidy of \$3,021,338, MWA had a per passenger subsidy of \$173, below the \$200 threshold and significantly below the \$1,000 absolute cap. During the pandemic, most airports have seen significant declines in passengers, and while it is expected that the U.S. DOT will waive the 10 enplanement and \$200 cap requirements, it is still very important for EAS airports to monitor their performance and take actions as needed to stay within the program rules.

The other byproduct of having EAS service is a limitation on additional, unsubsidized service at the community. There have been several instances in the past where additional, non-subsidized service is added to an EAS community and the U.S. DOT has handled them slightly differently. In the early 2010s, Manhattan Regional Airport (MHK) in Manhattan, Kansas, added service on American Airlines with 50-seat regional jets twice daily to Dallas-Fort Worth through a state and local minimum revenue guarantee while the airport also received EAS subsidies for Great Lakes Aviation service. The U.S.

While the COVID-19 pandemic is unprecedented, it is reasonable to predict that non-hub markets will recover faster than larger airports.

DOT continued to subsidize the Great Lakes service until the end of their active contract. As their contract date approached, the U.S. DOT issued an order eliminating subsidies at MHK due to the American Airlines' service meeting the minimum 12 weekly roundtrips as established by the EAS program.

In a different example, Yellowstone Regional Airport (COD) in Cody, Wyoming, entered into the subsidized EAS program in 2011 when SkyWest Airlines (Delta Connection) terminated service. United Airlines also served COD but offered service only during the summer season. Since United was providing less than the minimum 12 weekly roundtrips required by the EAS program, the U.S. DOT awarded service subsidized year-round for one roundtrip and one subsidized roundtrip for a partial year, offset by the unsubsidized service during the summer season. In short, the U.S. DOT treated the non-federally subsidized service as partially meeting minimum EAS requirements and only subsidized the needed service to meet the 12 weekly roundtrips.

In a third example, Sioux Gateway Airport (SUX) in Sioux City, Iowa was out of the subsidized EAS program prior to the pandemic and recruited new air service using a Small Community Air Service Development Program grant to Denver. After announcing new service, their current airline (American) filed to terminate subsidy free service and ultimately the DOT awarded a new contract for a full 12 weekly roundtrips to Chicago while ignoring the impact of their non-EAS subsidized 7x weekly service to Denver.

This is important for MWA, as any additional service added outside the subsidized market could affect subsidy eligibility for service after November 30, 2023. If there were 12 weekly roundtrips to MWA outside of the EAS service, the U.S. DOT could view that as meeting the minimum EAS service levels and end subsidies after the current contract. If there were less than 12 weekly roundtrips, it is possible that the U.S. DOT would treat that as partially meeting the EAS minimums and therefore only subsidize service to get to the minimum level, or they could ignore the alternate service all together.

IMPACT OF THE PANDEMIC

While the COVID-19 pandemic has brought tremendous new uncertainty, the full impact on passenger demand is unknown and therefore the true market estimate is based on the 12 months ended March 31, 2020, the time period preceding the primary impacts of the pandemic. Since the timeframe covered by this study, the world has seen passenger airline traffic drop by over 90 percent compared to 2019 and will likely have impacts for many years to come. Opportunities and route discussions are based on data within this report, pre-COVID-19 impact. While it is likely that MWA will lose passengers in 2021, the expectation is that the market will rebound in 2022 and likely be back to normal levels in 2023. In past downturns, non-hub airports, such as MWA, fared much better than medium and large hub airports in recovery time.



Table 7.1 (next page) shows the year-over-year passenger variance for U.S. airports based on U.S. DOT origin and destination data. With two major downturns in the past 19 years (2001 and 2009), the nation's air traffic has rebounded at different speeds. In 2001, all hub sizes bounced back within two years to positive growth and, by 2004, were essentially back to 2000 passenger levels. The 2008/2009 financial crisis exhibited a much more severe drop in passenger traffic across the board and took longer for the markets to rebound. Non-hub airports had the smallest reduction in passengers each year. They also showed a much quicker rebound, with a nearly 7 percent growth in 2010 and, by 2011, aggregate non-hub airports were back to pre-recession levels. The larger airports took substantially longer to return to pre-recession levels, with small hub airports taking the longest (2017) to recover to normal levels. While the COVID-19 pandemic is unprecedented, it is reasonable to predict that non-hub markets will recover faster.

NEW SERVICE OPPORTUNITIES

MWA has the opportunity for additional service, either through the EAS program or outside of it. MWA has an estimated 280,503 annual true market Passengers, of which just 6 percent use the local airport. There are many factors affecting the minimal retention at MWA, but it is primarily related to the number of annual seats available through the EAS program. For the year ended March 31, 2020, MWA had 33,930 total scheduled seats (in and out) and with over 17,000 annual passengers, MWA had a load factor greater than 50 percent. It is uncommon for routes to be able to attain a load factor greater than 70 percent annually, due to the size limitations of nine-seat aircraft and the inability to carry extra passengers during more popular months, days of the week or even individual flight times.

Outside of the EAS program, MWA has opportunities for additional service if incentives can be identified to support the service. Due to the proximity to the Chicago area and the significant visitation that exists between southern Illinois and the Chicago area, the most obvious opportunity for additional service is nonstop service on either American Airlines or United Airlines (and their regional partners) to their ORD hubs. Both airlines have significant experience operating in markets like MWA; however, it is likely that any carrier looking to add service to MWA would expect either a minimum revenue guarantee or set subsidy to support service. It is likely that the incentives would be required for a minimum of two years to let the market mature, and it is possible that the airlines would expect a permanent revenue guarantee or subsidy for the service if the market is unable to be profitable on its own.

CALENDAR YEAR	LARGE	MEDIUM	SMALL	NON
2001	(8%)	(4%)	(6%)	(8%)
2002	(4%)	(4%)	(2%)	(3%)
2003	3%	0%	3%	4%
2004	11%	7%	8%	9%
2005	6%	5%	5%	3%
2006	3%	3%	0%	1%
2007	2%	2%	3%	2%
2008	(5%)	(6%)	(4%)	(3%)
2009	(6%)	(8%)	(7%)	(5%)
2010	3%	1%	1%	7%
2011	3%	0%	1%	2%
2012	1%	(1%)	0%	0%
2013	2%	0%	(1%)	1%
2014	3%	4%	2%	3%
2015	7%	7%	2%	0%
2016	7%	5%	4%	(1%)
2017	5%	5%	5%	1%
2018	5%	7%	8%	5%
2019	4%	5%	7%	9%

TOP 50 TRUE MARKETS

TABLE A.1 TOP 50 TRUE MARKETS

RANK	DESTINATION	MWA REPORTED PAX	RETENTION %	TRUE MARKET	PDEW	DIVERTING PASSENGERS			
						STL	BNA	ORD	EVV
1	Tampa, FL	58	1	10,091	13.8	9,330	55	264	384
2	St. Louis, MO	9,966	100	9,966	13.7	0	0	0	0
3	New York, NY (LGA)	254	3	9,816	13.4	7,208	602	1,672	80
4	Boston, MA	115	1	8,737	12.0	6,863	570	1,013	175
5	Washington, DC (DCA)	321	4	8,672	11.9	8,303	0	0	49
6	Fort Lauderdale, FL	39	1	7,620	10.4	4,659	291	2,281	349
7	Miami, FL	107	2	6,630	9.1	3,553	524	2,388	58
8	Austin, TX	75	1	6,625	9.1	5,458	230	862	0
9	Orlando, FL (MCO)	88	1	6,569	9.0	4,313	702	1,311	156
10	Los Angeles, CA	204	3	6,421	8.8	4,748	466	829	175
11	Newark, NJ	69	1	6,346	8.7	5,423	170	514	170
12	Denver, CO	145	2	6,178	8.5	5,490	466	77	0
13	Seattle, WA	98	2	5,863	8.0	4,690	257	721	97
14	Dallas, TX (DFW)	586	11	5,129	7.0	3,844	116	175	408
15	Fort Myers, FL	10	0	4,930	6.8	4,368	58	260	233
16	Las Vegas, NV	38	1	4,885	6.7	3,870	524	395	58
17	San Francisco, CA	70	1	4,883	6.7	3,871	408	535	0
18	Phoenix, AZ (PHX)	320	7	4,537	6.2	4,042	58	0	116
19	San Diego, CA	126	3	4,392	6.0	4,091	58	0	116
20	Minneapolis, MN	40	1	4,307	5.9	4,103	0	164	0
21	Raleigh/Durham, NC	38	1	3,948	5.4	2,020	0	1,716	175
22	New Orleans, LA	60	2	3,875	5.3	3,188	174	221	232
23	San Antonio, TX	50	1	3,779	5.2	3,494	0	234	0
24	Philadelphia, PA	168	5	3,449	4.7	2,808	116	298	58
25	Baltimore, MD	10	0	3,278	4.5	3,080	52	103	33
26	Portland, OR	38	1	3,228	4.4	3,020	169	0	0
27	Salt Lake City, UT	19	1	3,052	4.2	2,918	0	0	115
28	Atlanta, GA	30	1	2,609	3.6	1,910	116	261	291
29	Charleston, SC	0	0	2,465	3.4	1,002	58	1,230	175
30	Houston, TX (HOU)	19	1	2,407	3.3	2,053	35	277	22
31	Buffalo, NY	9	0	2,293	3.1	1,307	0	630	346
32	Honolulu, HI	10	0	2,227	3.1	1,990	114	57	57
33	Chicago, IL (ORD)	177	8	2,161	3.0	1,922	0	62	0
34	Hartford, CT	29	1	2,064	2.8	1,812	52	137	33
35	Ontario, CA	105	5	2,035	2.8	1,591	56	248	35

RANK	DESTINATION	MWA REPORTED PAX	RETENTION %	TRUE MARKET	PDEW	DIVERTING PASSENGERS			
						STL	BNA	ORD	EVV
36	Pittsburgh, PA	58	3	2,026	2.8	1,794	58	0	116
37	Oakland, CA	19	1	1,969	2.7	1,848	31	51	20
38	Washington, DC (IAD)	51	3	1,936	2.7	1,714	0	0	171
39	Albuquerque, NM	60	3	1,922	2.6	1,862	0	0	0
40	Kahului, HI	19	1	1,883	2.6	1,532	0	332	0
41	Houston, TX (IAH)	21	1	1,828	2.5	1,573	116	117	0
42	Manchester, NH	20	1	1,818	2.5	1,465	49	253	31
43	Oklahoma City, OK	10	1	1,817	2.5	1,643	28	119	18
44	Reno, NV	19	1	1,815	2.5	1,613	56	91	35
45	Jacksonville, FL	20	1	1,779	2.4	1,060	408	291	0
46	Norfolk, VA	58	3	1,748	2.4	1,011	175	271	233
47	Sacramento, CA	79	5	1,747	2.4	1,318	233	118	0
48	Detroit, MI	59	3	1,695	2.3	1,307	55	163	111
49	Portland, ME	116	7	1,680	2.3	1,414	0	92	58
50	Savannah, GA	10	1	1,559	2.1	1,492	0	57	0
Top 50 Destinations		14,114	7	202,689	277.7	154,986	7,708	20,888	4,992
Total Domestic		17,355	7	266,177	364.6	203,667	27,475	10,609	7,071
Total International		89	1	14,326	19.6	7,867	1,275	4,922	173
Total All Markets		17,444	6	280,503	384.3	211,534	28,750	15,531	7,244

GLOSSARY

AIRLINE CODES

9K	Cape Air
AA	American Airlines
AS	Alaska Airlines
B6	JetBlue Airways
DL	Delta Air Lines
F9	Frontier Airlines
UA	United Airlines
WN	Southwest Airlines

AIRPORT CATCHMENT AREA (ACA)

The geographic area surrounding an airport from which that airport can reasonably expect to draw passenger traffic. The airport catchment area is sometimes called the service area.

AIRPORT CODES

BNA	Nashville, TN
COD	Cody, WY
DCA	Washington-National, DC
DFW	Dallas-Fort Worth, TX
EVV	Evansville, IN
HOU	Houston-Hobby, TX
IAD	Washington-Dulles, DC
IAH	Houston-Intercontinental, TX
JFK	New York-Kennedy, NY
LGA	New York-LaGuardia, NY
LHR	London-Heathrow, UK
MCO	Orlando-International, FL

AIRPORT CODES (CONTINUED)

MHK	Manhattan, KS
MWA	Marion, IL
ORD	Chicago-O'Hare, IL
PHX	Phoenix-Sky Harbor, AZ
STL	St. Louis, IL

ARC

Acronym for Airline Reporting Corporation.

AVERAGE AIRFARE

The average of the airfares reported by the airlines to the U.S. DOT. The average airfare does not include taxes or passenger facility charges and represents one-half of a roundtrip ticket.

CAGR

Abbreviation for compounded annual growth rate, or the average rate of growth per year over a given time period.

DESTINATION AIRPORT

Any airport where the air traveler spends four hours or more. This is the Federal Aviation Administration definition.

DIVERSION

Passengers who do not use the local airport for air travel, but instead use a competing airport to originate the air portion of their trip.

FAA

Acronym for the Federal Aviation Administration.

HUB

An airport used by an airline as a transfer point to get passengers to their intended destination. It is part of a hub and spoke model, where travelers moving between airports not served by direct flights change planes en route to their destination. Also an airport classification system used by the FAA (e.g., non-hub, small hub, medium hub, and large hub).

INITIATED (ORIGIN) PASSENGERS

Origin and destination passengers who began their trip from within the catchment area.

LOAD FACTOR

The percentage of airplane capacity that is used by passengers.

LOCAL MARKET

The number of air travelers who travel between two points via nonstop air service.

MSA

Acronym for Metropolitan Statistical Area. MSAs have at least one urban cluster with a population of at least 50,000 plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties.

NARROW-BODY JET

A jet aircraft with a single aisle designed for seating over 100 passengers.

NONSTOP FLIGHT

Air travel between two points without stopping at an intermediate airport.

ONBOARD PASSENGERS

The number of passengers transported on one flight segment.

ORIGIN AND DESTINATION (O&D) PASSENGERS

Includes all originating and destination passengers. In the context of this report, it describes the passengers arriving and departing an airport.

ORIGINATING AIRPORT

The airport used by an air traveler for the first enplanement of a commercial air flight.

PASSENGER FACILITY CHARGE

Fee imposed by airports of \$1 to \$4.50 on enplaning passengers. The fees are used by airports to fund FAA approved airport improvement projects.

PAX

Abbreviation for passengers.

PDEW

Abbreviation for passengers daily each way.

POINT-TO-POINT

Nonstop service that does not stop at an airline's hub and whose primary purpose is to carry local traffic rather than connecting traffic.

REFERRED PASSENGERS

Origin and destination passengers who began their trip from outside the catchment area.

REGIONAL JET

A jet aircraft with a single aisle designed for seating fewer than 100 passengers.

RETAINED PASSENGERS

Passengers who use the local airport for air travel instead of using a competing airport to originate the air portion of their trip.

TRUE MARKET

Total number of air travelers, including those who are using a competing airport, in the geographic area served by MWA. The true market estimate includes the size of the total market and for specific destinations.

TURBOPROP AIRCRAFT

A type of engine that uses a jet engine to turn a propeller. Turboprops are often used on regional and business aircraft because of their relative efficiency at speeds slower than, and altitudes lower than, those of a typical jet.

U.S. DOT

Acronym for U.S. Department of Transportation.

WIDE-BODY JET

A jet aircraft with two aisles designed for seating greater than 175 passengers.



FOR MORE INFORMATION, PLEASE CONTACT
JEFFREY HARTZ | 959 REDCEDAR WAY | COPPELL, TX 75019
360-600-6112 | JEFFREY.HARTZ@MEADHUNT.COM | WWW.MEADHUNT.COM

**Mead
& Hunt**