

Commuter Airline Perspective



On-Demand Mobility and Follow Up Workshop



March 8, 2016

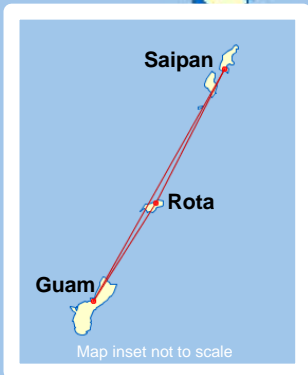
Founded in 1989, Cape Air is now the largest commuter airline in the United States



- Annual revenue over \$125M
- Financially stable
- Fleet of 93 aircraft
 - 83 Cessna 402Cs
 - 4 Britten-Norman Islanders
 - 2 Cessna Caravan Amphibians
 - 2 ATR 42s
- 43 airports served; 20 in EAS



Micronesia



Cape Air seeks a 21st century commuter airliner to modernize the fleet

Cape Air specifications

- Certified for Part 135 Scheduled Commuter
- Nine passenger seats
- Twin reciprocating engines, burning a fuel other than 100LL
- Payload of at least 9 X (180 lbs/pax + 40 lbs bags/pax) = **1,980 lbs** at 200+ nm stage with IFR reserves
- Single pilot certified, but dual controls
- Glass panel
- At least 180 knots true airspeed in cruise
- Certified for flight-into-known-icing option



The active worldwide fleet of 9-seat airliners is greater than 2,000 but more than 11,000 aircraft need to be replaced

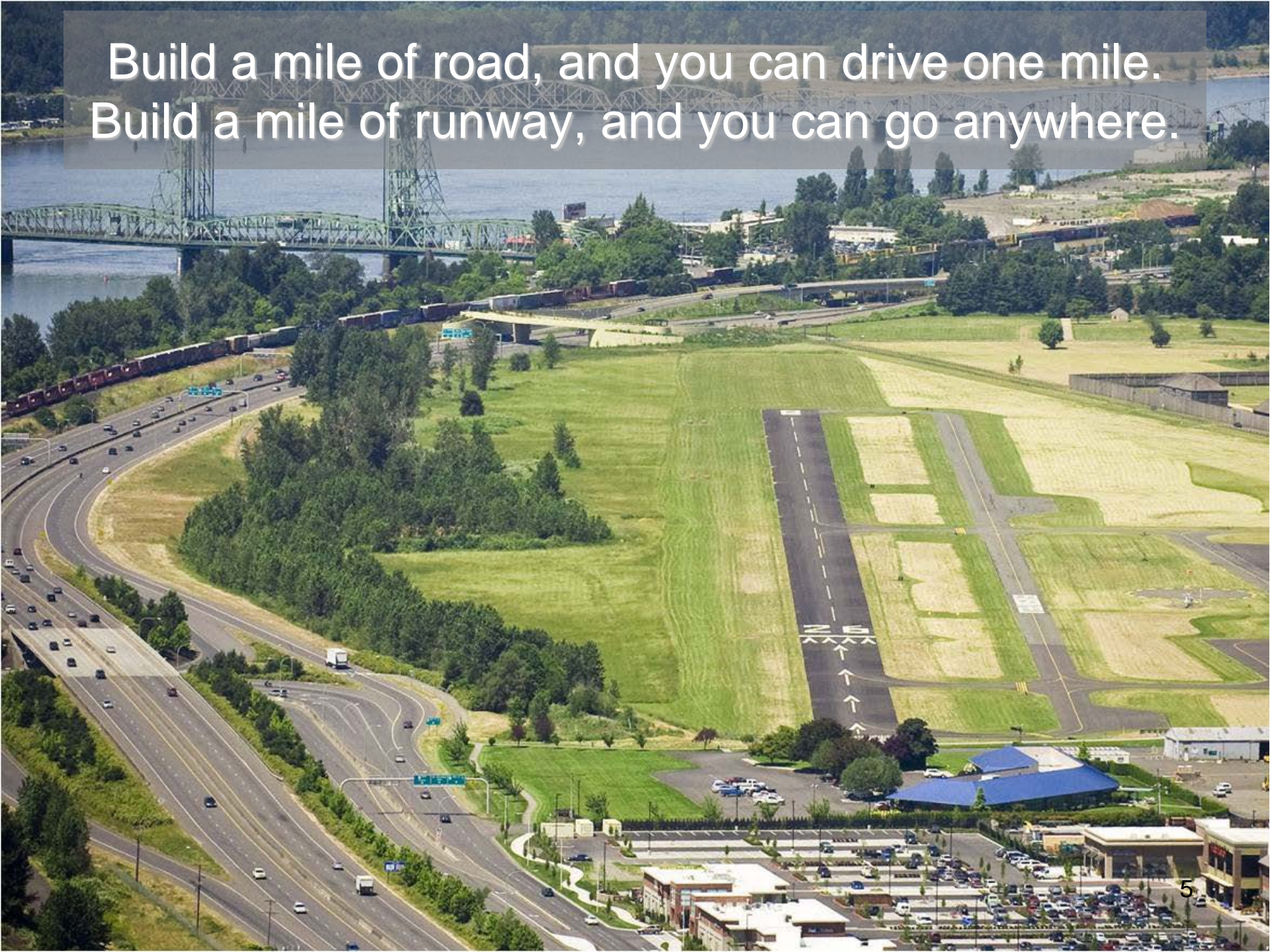
Worldwide fleet of 9-seat airliners

<u>Model</u>	<u>Built</u>	<u>Still airworthy*</u>	<u>Present Fleet</u>	<u>Pax Use*</u>	<u>Commercial Fleet</u>
Beechcraft King Air 100 Series	3,100	60%	1,860	15%	279
Beechcraft King Air 200/300 Series	3,550	72%	2,556	15%	383
Beechcraft Queen Air	930	50%	465	10%	47
Cessna 208A/B Caravan	2,000	90%	1,800	20%	360
Cessna 401/402A/B	854	45%	384	15%	58
Cessna 402C	681	50%	341	40%	136
Cessna 404 Titan	396	50%	198	10%	20
Cessna 414	1,070	50%	535	15%	80
Cessna 441	362	50%	181	15%	27
Cessna-Reims F406 Caravan II	86	60%	52	15%	8
de Havilland DHC-3 Single Otter	466	30%	140	20%	28
Pilatus PC12	1,200	90%	1,080	25%	270
Piper PA31 Navajo	3,942	50%	1,971	15%	296
Piper PA-42 Cheyenne	192	50%	96	10%	10
Quest Kodiak	100	95%	95	25%	24
Total	18,929	62%	11,753	17%	2,025

* Estimate



Build a mile of road, and you can drive one mile.
Build a mile of runway, and you can go anywhere.



Cape Air's next-generation commuter aircraft design priorities

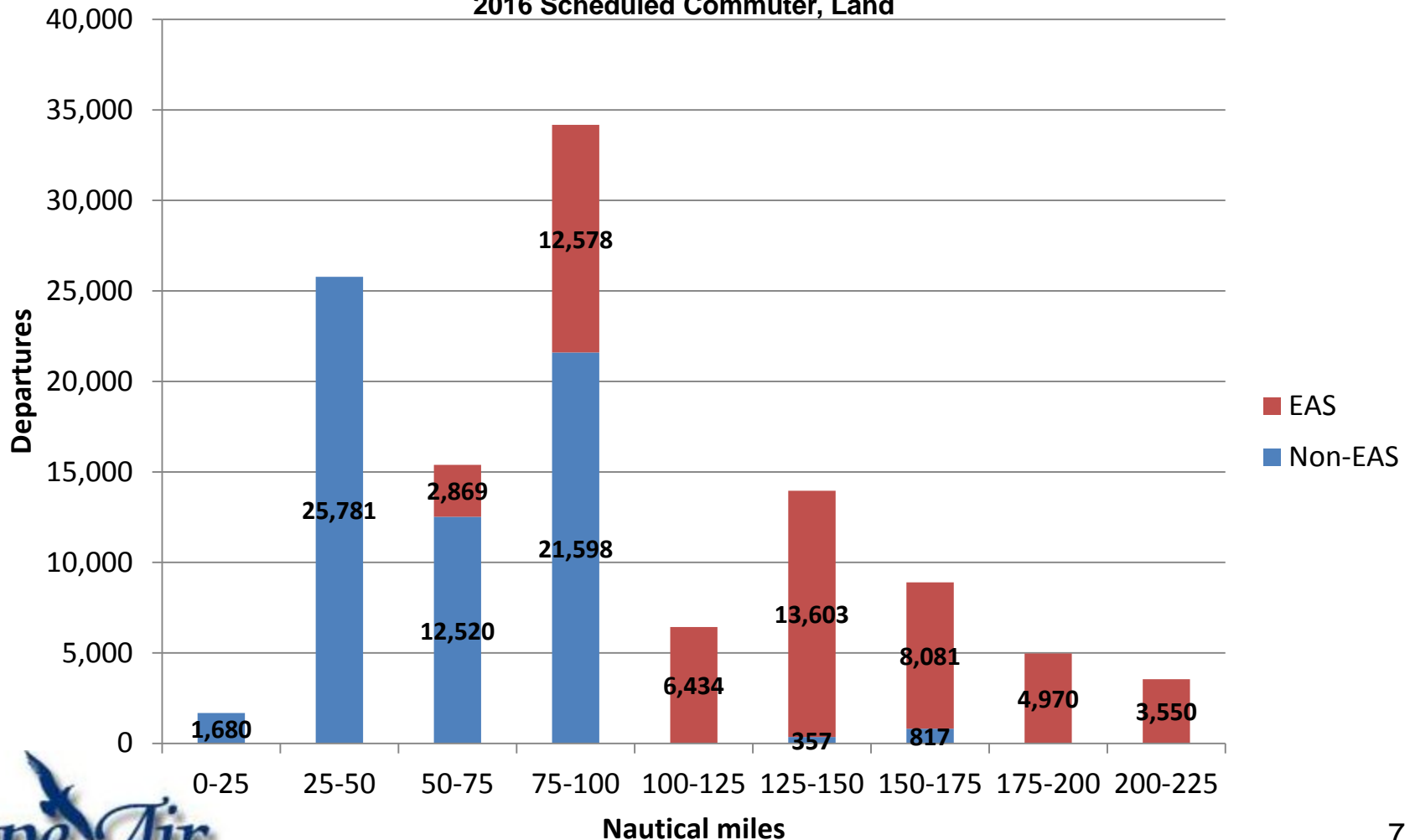
- Safety
- Payload of at least 1,980 lbs at a 200+ nm stage with IFR reserves
- Relative to the Cessna 402, increased ownership of a new aircraft offset by:
 - Lower maintenance
 - Lower fuel burn
 - Increased utilization (fewer spare aircraft required)
- Max flight duration 99 minutes (since there is no lavatory on board)
 - Range becomes a function of speed
 - Fares for longer flights get prohibitively expensive—DOCs are a function of flight time
- Supply chain (parts, engineering, regulatory support)
- Environmental responsibility



67% of Cape Air's flights are less than 100 miles;
98% of Cape Air's routes not in the Essential Air Service
(EAS) program are less than 100 miles

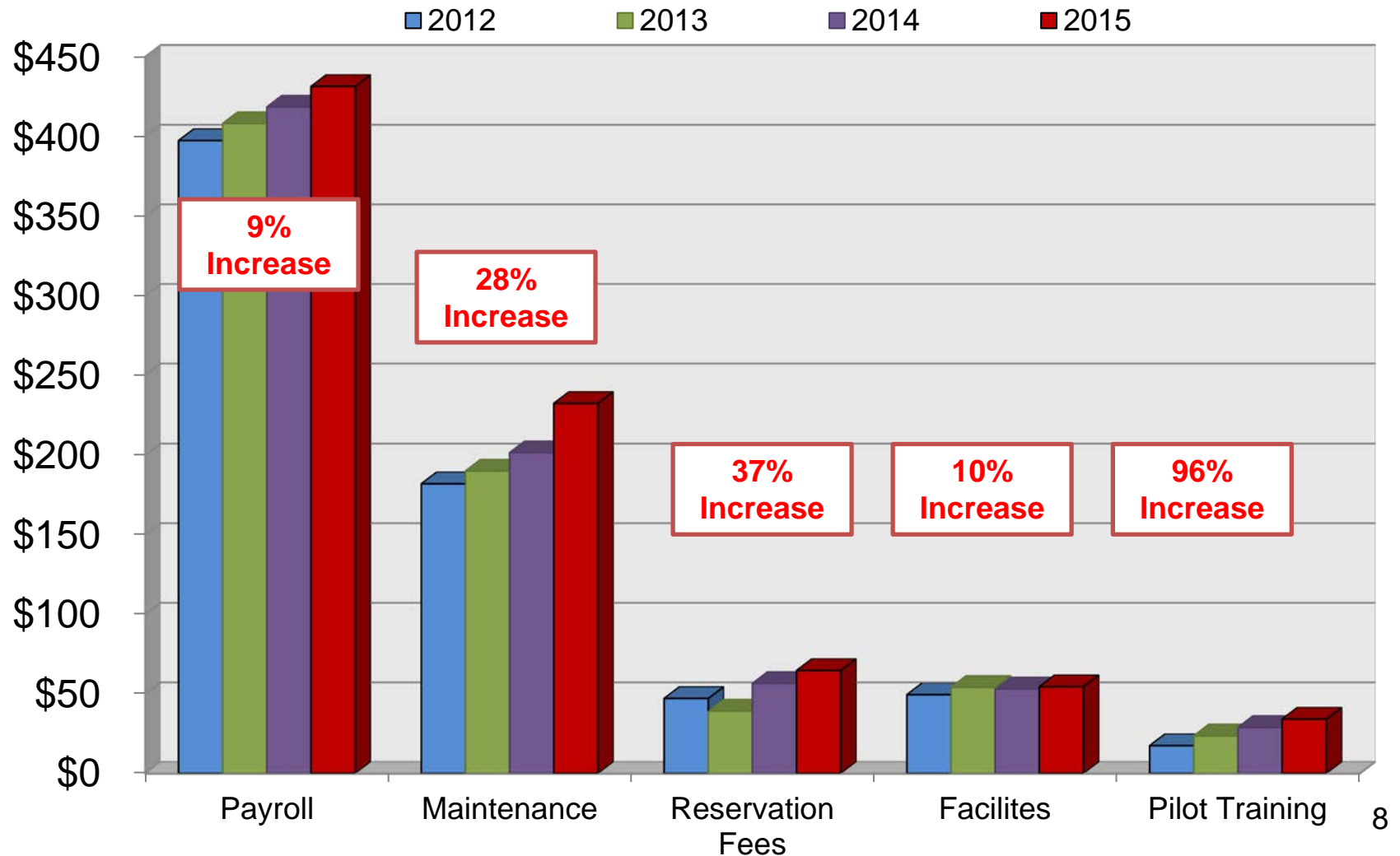
Cape Air Route Distribution by Mileage

2016 Scheduled Commuter, Land



Operating expenses are an increasing challenge

Aircraft expense per flight hour

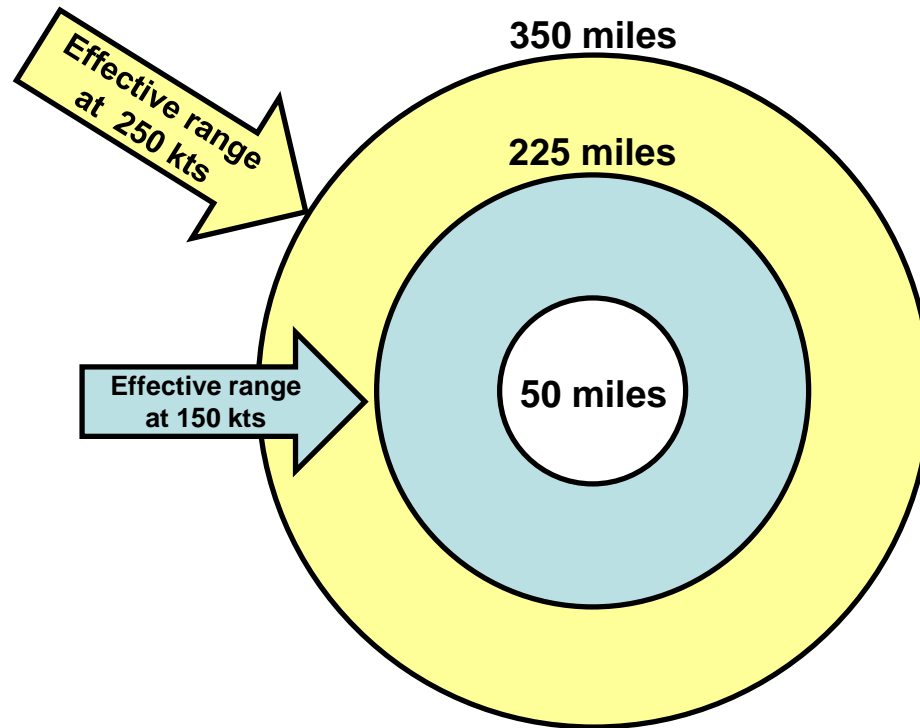


Offsets from Cessna 402 maintenance costs can pay for the increased ownership cost of a new-generation 9-seat twin

	<u>Cessna 402</u>	<u>Replacement</u>
Maintenance		
Utilization (flight hours/yr)	1,017	1,200
Maintenance/Hr (ex. Reserved)	\$232	\$120
Maintenance/Yr	\$235,944	\$144,000
Ownership		
Purchase price	\$550,000	\$1,500,000
Rate	6.50%	6.50%
Period	7	7
Payment	\$100,282	\$273,497
Mx & Ownership Subtotal	\$336,226	\$417,497
Economy cruise speed (kts)	150	160
Annual ASMs	1,372,950	1,728,000
CASM (Mx & Own only)	\$0.24	\$0.24



The effective range of commuter aircraft is limited to 99 minutes of flight because they don't have a lavatory; a faster aircraft flies more miles in 99 minutes, opening new city pair possibilities



Thank you!



Dan Wolf
Founder & CEO



Linda Markham
President

Cape Air

FLY
Cabin Safety
quinta abordo

FLY
Cabin Safety
Seguridad abordo