



November 7, 2023

DOT-OST-1998-3521 – Merced, California

Dear Merced Stakeholders

As you know, we initiated service in Merced on January 1st of this year and have since experienced load factors well below previous estimates. Although numbers have slowly increased over the last six months, our average load factor for the first six months of the year has averaged 34.4%, which translates to only 2,644 seats sold in this period. If we annualize this for 2022, we are projecting **just under 5,300 seats sold for 2022**, which is well under historic load factors referenced in the RFP for 2018-2020 (2018-14,382 / 2019-12,959 / 2020-8,337).

Since we first responded to the RFP almost two years ago, we have seen drastic marked shifts in supply chain constraints, fuel costs, and labor costs, just to mention a few. For example, fuel cost in January 2021 averaged \$4.50 per gallon where today we are seeing prices above \$7.00 per gallon. This alone increases our operating costs over \$225.00 per hour on a PC-12 and \$375.00 per hour on a King Air 350.

The City of Merced recommended Advanced Air, their first choice for the Los Angeles Airport service was Hawthorne (HHR), with Las Vegas (LAS) to fulfill the large hub requirement. Their second choice replaced HHR with LAX which, after review by the DOT, was ultimately awarded.

At this time, Advanced Air is asking that the City of Merced revisit the option of Hawthorne Airport (HHR) over LAX for the Los Angeles and sent this request to the DOT. The primary factor is to ensure long-term viability of this market. For Advanced Air to have long-term success in Merced we need to build an operation that is not only extremely reliable and affordable, but also financially sound and sustainable.

We believe utilizing HHR over LAX will substantially enhance the passenger experience, benefiting the traveling public, Advanced Air, and ultimately the DOT subsidy cost on this route. Please see the survey attached showing that **78.57%** of the passengers prefer the Hawthorne Airport option.

Thank you,

Sincerely,

Levi Stockton
President