Testimony before
United States House Transportation
Subcommittee on Aviation,
"Building a 21st Century Infrastructure for America:
Enabling Innovation in the National Airspace"

4 April 2017

Statement of
Calvin C. "Trey" Fayard, III
Founder and CEO, FLYGLO LLC

Introduction

Chairman Shuster, Ranking Member DeFazio, Chairman LoBiondo, Ranking Member Larsen and members of the Aviation Subcommittee, my name is Trey Fayard and I am Founder and CEO of FLYGLO LLC, based in New Orleans, LA. On behalf of myself and my company, thank you for the opportunity to come before you today and testify.

I come before you today to present to you what we believe is an innovative model of air service for the consumer and business traveler that is meant to complement current existing air carrier operations.

History of GLO

First a bit about GLO. GLO was established in 2013 as in indirect air carrier whose mission is to provide air transportation services to inadequately served cities in the Southeastern United States, particularly the Gulf and Mid-South region. GLO is based in New Orleans, LA (MSY) and currently flies regularly scheduled non-stop service to Shreveport, LA, Memphis, TN, Huntsville, AL, Little Rock, AR. We also operate seasonal service into Fort Walton Beach, FL (VPS) from both New Orleans and Little Rock, AR.

Our first flights launched in November 2015. Our flights are offered under GLO's DOT Part 380 indirect air carrier authority, with GLO flights operated on GLO's behalf by a partner operator holding FAA Part 135 commuter air carrier authority, an authority GLO itself is now seeking.

The Idea for GLO began when, in my former life as a practicing attorney, I was spending hours on the road driving between mid-market cities. Many of my clients and colleagues were also disappointed with the lack of convenient, reasonably priced air service between smaller cities in South and Midwest. For example, before GLO, there were three options for one-way travel between New Orleans, LA and Little Rock, AR: 1) Drive six and a half hours on 2 tanks of gas (13 hours roundtrip); 2) Fly commercial with connections in either Dallas or Atlanta for an average cost of $750.00 (round trip), and a door-to-door time of 4 hours; or 3) fly privately for $5,000, also round trip.

Additionally, as the members of the committee likely know, in the late 90's legacy airlines largely shifted flying from smaller cities to major hub cities and formed partnerships with regional carriers for short haul operations with fifty (50) to seventy (70) seat airplanes. Under the legacy model, increasing the volume of passengers became more profitable than servicing smaller communities, and this left a gap in non-stop services between mid-market cities. Granted there are small airlines that operate to small communities, often subsidized via the EAS program.

However, GLO is different.

First, GLO seeks to fill the niche between overserved larger markets and existing small market programs.

Second, unlike other commercial air programs, our model does not rely on any governmental subsidies. We are 100% free-market driven and our revenue is 100% based on passenger demand.[1]

Third, we have been able to create good paying jobs in communities that often struggle to do so. Our fleet currently consists of 3 Saab-340b Aircraft, capable of seating 30 passengers, equipped with a lavatory, galley and flight deck. Our flights are staffed by a captain, co-pilot and flight attendant. We believe our service levels rival or exceed that of any of the major carriers. We currently have around seventy (70) employees with an average salary of $43,000/year with some, like our more skilled mechanics, making almost six figures.

Fourth, the demand is there. Not only do we believe the gap in service to these mid-markets has huge potential, we know that it fosters economic development in the regions we serve. For instance, as I was traveling on our New Orleans to Little Rock Flight last week, I met two medical device salesmen whose region encompasses the ARK-LA-TEX region. A weekly flight on GLO has replaced what was a weekly conference call, with hotel rooms, entertainment, meals and other dollars being infused into those communities as a result. Importantly our small but growing route network will carry almost 4,000 passengers this month alone.

By way of comparison I would ask the committee to please keep in mind that we started with *zero*.

<u>Barriers to entry</u>

Given the rosy picture I have painted you may be wondering, 'why aren't there more GLOs or GLO-type service providers?' Or perhaps even more importantly, how can my community, district, or region, attract GLO or its own GLO-type service?

Well, like all industries, barriers to entry exist; but in the aviation services industry as you all likely know, those barriers indeed can be quite high. To the extent these barriers can be streamlined the likelihood of successful repetition of our model goes up.

To that end, in this age of consolidation and legacy carriers, we would ask the committee to consider the hurdles and challenges of gaining entry to the world of commercial air travel, and how easing these barriers of entry can not only make new service providers like GLO more complementary to existing options, but also serve the American public well.

---

[1] GLO has been awarded various tourism and marketing grants administered by the local airports in markets in which we operate, and are profoundly grateful for the generosity and support provided to us by these communities.

Increased access to investment capital and streamlined certification process

First, access to capital is crucial, and venture capital is expensive. Aviation is a complex business, with atypical metrics compared to other industries, including tremendous working capital requirements, unique payment terms and timing challenges, as well as a constant battle to right-size cost structures, fare offerings, and appropriately match demand. And of course, there's always bad weather.

Additionally, despite our unique model and proven demand current regulatory structures do not seem able to accommodate new entrants. Specifically, due to existing federal regulations, there is a period of about eighteen (18) months on average that it takes to get one aircraft on a Part 135 or Part 121 certificate. Without this certificate, you may not fly.

Until full certification is achieved, GLO currently occupies a sort of hybrid space between mega charter broker and a direct air carrier. We are technically a public charter operator, working diligently to try and obtain certification, and our flights are regularly scheduled and our fleet is dedicated to our exclusive use.

GLO is a small, entrepreneurial start-up. We do not have the backing of a parent company and thus we are exposed to tremendous financial risk as we struggle to prove our model and move towards certification. Accordingly, in our first year of operations, GLO's early investors and the GLO team have invested substantial cash and sweat equity into proving the founding concept and preparing GLO for future growth.

We would ask the committee to consider streamlining this certification process and for it to continue promoting investment into aviation. To the extent both this certification process can be streamlined or expedited, and the universe of investors—aviation specific and otherwise—can be educated on the economic benefits of regional air travel, service providers like GLO can flourish.

Keeping fees and taxes low

Additionally, after procuring initial start-up funding and securing the required regulatory approvals, New Entrant Regional Carriers like GLO face significant challenges in terms of their cost structures and their ability to attract customers.

Specifically, passing airport real estate fees and charges across a 30-seat airplane, particularly while building a passenger base from zero, can be a daunting proposition.

New Entrants like GLO rely on shared risk programs with partner airports which generally take the form of short term expense relief on some rates and charges plus joint marketing programs very often supported by federal grants.

It is also often the case that airport staff will assist new entrants by sharing publicly available (albeit expensive) route analysis data.

In short, new entrants need close partnerships with airports desiring to restore or start non-stop service on thin route segments. We would ask that the committee continue to support these sorts of partnerships.

Additionally, as an all-in solution to air travel needs, GLO prides itself on its pricing structure which includes a complete fare price. That is to say when our customers book they see a total all-in cost including bags and snacks on board.

Any increase in tax or fee such as the Passenger Security Fee necessarily increases the total cost of tickets. These changes disproportionately affect carriers like GLO with moderate fares. This is something GLO wishes to avoid so as to encourage air travel versus other means of transportation in these underserved areas.

As you know the current Passenger Security Fee is $5.60 for each one-way flight, which is significant given GLO's fare pricing structure. We would ask that the committee continue to work to keep fees and taxes low.

Conclusion

In conclusion, we would ask the committee to consider these challenges and create legislation that will encourage new entrants like GLO to the aviation passenger services industry, thereby creating high quality, good paying jobs, bringing innovation to the sector, and promoting free-market and choice for the consumer.

After sixteen (16) months of operations we believe we have proven that the demand is there, that our vision and model is the right one for these mid-sized cities, and that with the right priorities and investment in aviation infrastructure the future is bright for the air travel industry.

We need your help and are honored to have been able to be here today to provide you with some of our thoughts in your mission to bring safe, affordable quality air service to the American public. I am happy to take any questions and thank you again for your time.