

In this newsletter:

1. Sioux Falls Regional Airport first in country to opt to privatize passenger and baggage screening
2. America West Express announces intention to suspend Sioux Falls-Phoenix service
3. 2005 passenger boardings up

Covenant Aviation Security Chosen to Assume Passenger and Baggage Screening

At their April Board Meeting, the Sioux Falls Regional Airport Authority Board voted to opt out of Federal passenger and baggage screening. Sioux Falls became the first airport in the country to opt for privatized screening.

After September 11, 2001 the Transportation Security Administration (TSA) was created as part of the Department of Homeland Security. One of their functions was to take over passenger and baggage screening from private companies nationwide. Five airports, however, were chosen to have private screening as part of a pilot program. Those five airports are San Francisco International, Kansas City International, Greater Rochester (NY) International, Jackson Hole (WY), and Tupelo Airport (MS). Earlier this year, all airports were given the opportunity to opt out of federal screening in favor of operation by a private company.

After careful consideration, the Airport Authority felt screening could better be handled by a private firm. The TSA screeners in Sioux Falls are all very professional and very competent in the performance of their duties. It was the Authority's opinion, though, that a private firm could perform the screening function just as competently but at less cost to taxpayers through more efficient scheduling. A private firm would also be easier to deal with than a Federal government office for any passenger who might have a customer service issue.

Although the Airport Authority was able to apply to opt out, the TSA oversaw the selection process. Covenant Aviation in partnership with Lockheed Martin Information and Technology Services was chosen from 34 qualified vendors to take over the screening at the Sioux Falls Regional Airport. Covenant Aviation currently provides screening services at two of the five pilot airports—San Francisco and Tupelo.

The TSA will also fund the contract, valued at approximately \$12 million over five years, and will oversee the screeners' performance to ensure they continue to uphold security standards.

Over 90% of the current TSA screeners in Sioux Falls have been hired by Covenant Aviation.

The Airport Authority does have the option to opt back to Federal screening at any time if they are unhappy with the performance or service of the private company.

America West Express Announces Suspension of Service

America West Express, operated by Mesa Airlines, has announced they will terminate the Sioux Falls-Phoenix service on April 2, 2006. Phoenix is one of Sioux Falls' top air travel markets. America West Express has been serving the Sioux Falls market from their hub in Phoenix with one daily regional jet flight since December 5, 2004. The service has been partially subsidized by a Small Community Air Service Development grant which guaranteed America West Express would break even for the first year.

While the service has been popular with many travelers, America West Express cited less than anticipated load factors as the reason for suspension of the service.

America West Express promised the Airport Authority they would continue to watch the Sioux Falls market and might consider re-starting service in the future.

Year End Boardings Up 7%

December 2005 boardings finished strongly at 30,548—a 4.6% increase over December 2004. That brought the 2005 year end boarding total to 358,450, or 7% over 2004's 335,076. This total was only 3,500 passengers less than the record of 362,000 passengers in 2000 and is the highest total since 9/11.

Every month, with the exception of October, was up over 2004. April was particularly strong at 19.0% over April 2004.

Sioux Falls has 23 daily flights and is served by Northwest Airlines and Northwest AirlinK through Minneapolis, United Express through Denver and Chicago, Delta Connection/Comair through Cincinnati, Allegiant Air to Las Vegas and Orlando, and America West Express through Phoenix.