

US's Connect Airlines nears certification for winter launch

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Connect Airlines (Bedford, MA) - the scheduled brand of Part 135 US operator Waltzing Matilda Aviation (WMA) - hopes to conclude within weeks the proving runs that form part of the penultimate phase of its certification process and is raising another USD8 million from US sources in a second round of financing, says Chief Executive Officer John Thomas.

"We've probably got another month of the proving runs, and then we'll be done," he told ch-aviation in an interview. He declined to commit to a launch date until all regulatory processes are completed.

After more than 12 months of to-and-froing during which the Department of Transportation (DOT) questioned the US citizenship of WMA d/b/a Connect Airlines, the regulator, on July 5, 2022, eventually granted the company a Certificate of Convenience and Necessity for US interstate scheduled flights ferrying persons and property. On September 6, the DOT also awarded a Certificate of Public Convenience and Necessity for foreign scheduled air transport of persons, property, and mail.

Authority to operate under both certificates now depends on Connect Airlines securing an Air Operator's Certificate (AOC). The carrier passed from Phase Three to Phase Four of the five-phase certification process in March 2022 already, but the Federal Aviation Administration (FAA) couldn't start the proving runs until Connect Airlines had bagged the DOT approval. The company has applied for three types of operations - domestic scheduled, supplemental, and international - which, according to Thomas, is complicating the proving run process. Once the AOC is granted, Connect Airlines will still need to secure a Foreign Air Operator's Certificate (FAOC) from Transport Canada, which could take another six weeks.

Connect Airlines must also submit evidence to the DOT that it has raised another USD8 million from US sources to match USD8 million already secured in its first round of financing from its UK investor Richard McAlpine.

Meanwhile, Thomas reckons these regulatory delays, in the end, may benefit the carrier as Canada only lifted its last Covid-19 travel restrictions on October 1, 2022, while business travel is also just starting to recover from the pandemic. Still, Connect Airlines will enter a new economic reality marked by high fuel prices, fears of a US recession, and less disposable consumer income, but Thomas appears unconcerned. "Everyone is concerned with the recession coming and obviously the leisure situation, but I think people seem pretty upbeat in terms of the recovery on the business side."

He is also betting on Connect Airlines' strategy to achieve a market share shift from Toronto Pearson to Toronto City Centre (known as Billy Bishop). "For the business traveller, if you're flying point-to-point to Toronto, Billy Bishop is much more convenient. So it's about opening up routes that make it easier for people to get there."

Another part of the strategy, he said, was to change US travellers' perception of flying on turboprops, which have had a bad rap in the States. He said the plan was to increase the fleet to eight DHC-8-Q400s (seven in service and one spare) by the end of March 2023. Two ex-flybe. (2002) aircraft are already being leased from Chorus Aviation. The next three are being leased from Nordic Aviation Capital, the first of which is arriving this month. "We'd like to ramp up as quickly as possible. We were granted 42 daily slots at Billy Bishop for the Northern winter, which expire at the end of March. Because Billy Bishop is both curfew and slot constrained, our operating

window is from 7 am to 11 pm, with three round trips in and out. So you need six slots per aircraft, so for the 42 slots, we need seven aircraft, but our plan is to have seven aircraft plus a spare. So we'd like to build to at least eight aircraft over the Northern winter." Thomas said the Dash-8-Q400s had obtained very favourable lease rates, which would "allow us to be actually quite profitable out of the gate".

The three international launch routes will be from Philadelphia Int'l, Chicago O'Hare, and Baltimore Thurgood Marshall to Billy Bishop, with the aim to add other destinations as quickly as possible. Connect Airlines would also like to start domestic schedules during 2023 from its main base in Philadelphia, but Thomas said it was premature to disclose which are being considered. "We know that there are a lot of regional jets flying out of Philadelphia, and given that our carbon footprint is 40% less with the Q400s than a 56-seater regional jet, we think there will be some good opportunities out of Philadelphia."

Sustainability forms a big part of Connect Airlines' strategy. The company has placed a firm order with Universal Hydrogen for the conversion of seventy-five ATR72-600s to "green hydrogen", with purchase rights for an additional 25 conversion kits. Deliveries are due to start in 2025. Connect Airlines initially planned to acquire 24 Universal Hydrogen conversion kits, consisting of a retrofit of twelve DHC-8-Q300s and purchase rights for twelve additional kits of other aircraft types.

Thomas explained that converting to electric hydrogen would make the Q400 too heavy because it would require four-megawatt engines. Initially, the company considered Dash-8-300s with 1.5-megawatt engines, but with the aircraft out of production, it opted for fleet simplification with ATR72-600s. "We made the decision that for the conversion kits, we'd go for the ATR72. By the time 2025/2026 comes around, we hope to be a sizable Q400 operator, so we'll have the scale and efficiencies on the Q400 operation, and then we'll launch the ATR72 operation. And ultimately, we'd love the Q400 to be converted to electric hydrogen power, but experts say that's not going to happen in the foreseeable future."

"There's a sizeable market out there that is right for replacement, and I think a lot of people are starting to realise that for the industry to reach the 2050 [carbon neutral] goals, we've got to start somewhere, and the space we've got to start is the regional [sector] because that's where the current technology can actually be best applied."

In 2019, the US domestic market had 926 million passengers, roughly 165 million or about 18%, flying regional routes of less than 450 nautical miles (833 kilometres). "The aircraft that they flew generated 17 billion pounds of CO2 emissions. That's a substantial carbon footprint. If you converted all that today to Q400s, you'd save 6 billion pounds of CO2 emissions. And, obviously, when you go to zero-emission, you save the whole 17 billion. That's the equivalent of the entire US airline industry's carbon footprint going down by nearly 10%. That's a big deal," Thomas concluded.