



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

Issued by the Department of Transportation
on the 30th day of June, 2020

Essential Air Service at

VERNAL, UTAH
(FAIN 69A3452060333)¹
MOAB, UTAH
(FAIN 69A3452060334)

DOT-OST-1997-2706

DOT-OST-1997-2827

under 49 U.S.C. §41731 *et seq.*

ORDER SELECTING AIR CARRIER

Summary

By this Order, the U.S. Department of Transportation (the Department) selects SkyWest Airlines (SkyWest), branded as United Express, to provide Essential Air Service (EAS) at Vernal, Utah, with 12 nonstop round trips per week to Denver International Airport (DEN) using 50-passenger CRJ-200 (CRJ-200) regional jet aircraft. The Department is selecting SkyWest for a three-year contract term beginning July 1, 2020, through June 30, 2023, at an annual subsidy rate of \$3,060,645. Also by this Order, the Department selects SkyWest, branded as United Express, to provide EAS at Moab, Utah, with 12 nonstop round trips per week to DEN using CRJ-200 regional jet aircraft. The Department is selecting SkyWest for a three-year contract term beginning July 1, 2020, through June 30, 2023, at an annual subsidy rate of \$2,974,268.²

Background

By Order 2017-8-24 (August 24, 2017),³ the Department selected SkyWest to provide EAS at Vernal and Moab each with 12 nonstop round trips per week to DEN using CRJ-200 aircraft from June 26, 2018, through June 30, 2020, for an annual subsidy rate of \$3,097,656 at Vernal, and \$2,987,980 at Moab. By Order 2019-6-10 (June 17, 2019), the Department approved an alternate service pattern at Moab at no additional annual subsidy and waived, at the

¹ FAIN = Federal Award Identification Number.

² EAS subsidies are calculated and distributed on a fiscal year basis, subject to the availability of funds.

³ See also Order 2017-12-12 (December 15, 2017), amending Order 2017-8-24 to, among other things, extend the contract term through June 30, 2020.

community's request, 49 U.S.C. § 41732(b)(1)(A) to allow seven weekly round trips from October 28, 2019, through February 29, 2020, at Grand County – Canyonlands Field Airport.⁴

As the expiration of the current contract approached, the Department issued Order 2019-11-4 (November 7, 2019), requesting proposals from air carriers interested in providing EAS for a new contract term. In response to that Order, SkyWest was the only air carrier to submit a proposal.

SkyWest's complete proposal and the community comments may be accessed online at www.regulations.gov by entering the community's docket number in the search block.

Proposal of SkyWest

SkyWest submitted a proposal for a three-year contract term to continue to provide Vernal with 12 nonstop round trips per week to DEN, branded as United Express, using CRJ-200 regional jet aircraft, for an annual subsidy rate of \$3,060,645. For Moab, SkyWest proposed a three-year contract term to provide what SkyWest referred to as the equivalent of 12 nonstop round trips per week to DEN "in the form of a seasonal schedule in which weekly frequencies will be adjusted to meet seasonal demand patterns." SkyWest's service for Moab would be branded as United Express and use CRJ-200 regional jet aircraft, for an annual subsidy rate of \$2,974,268.

Community Comments – Vernal

In a letter dated December 23, 2019, Doug Hammond, Vernal City Mayor, expressed his support for SkyWest's proposal. In the letter, he stated: "SkyWest has brought a level of professionalism and quality in the services they provide. We appreciate their efforts to keep costs low and reliability high. . . . We now set new goals as we look to the future of a continued partnership with SkyWest Airlines."

In a letter dated December 23, 2019, Douglas Brown, Airport Manager of the Vernal Regional Airport, also expressed his support for the SkyWest proposal. He states: "On behalf of the Vernal Regional Airport, I would like to recommend awarding the air service contract to SkyWest Airlines. We look forward to continually working with their corporate and local team."

Community Comments - Moab

In a letter dated January 9, 2020, Mary McGann, Chair of the Grand County Council, urged the Department to accept SkyWest's proposal for service between Canyonlands Field Airport and DEN. In the letter, Ms. McGann states that "SkyWest Airlines proposal to use an alternate seasonal schedule would enable a greater number of total passenger seats during peak seasons that could relate to increased enplanements at Canyonlands Field, which in time may allow air service to continue without federal subsidy."

Furthermore, in a letter dated February 24, 2020, Ms. McGann, on behalf of the Grand County Council, requested relief from 49 U.S.C. § 41732(b)(1)(A), under which basic EAS outside

⁴ Under Order 2019-6-10, the alternate service pattern at Moab allowed for 16 weekly round trips between August 20, 2019 and October 4, 2019, and 18 weekly round trips between October 5, 2019, and October 27, 2019, at no additional annual subsidy.

Alaska requires 12 round trip flights per week. In the letter, Ms. McGann states that the community has historically had seasonal variations in tourism in the area, resulting in variations for demand of its commercial air service.

Decision

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider five factors when making an air carrier selection for a community not in Alaska, where basic EAS will not be provided without compensation:⁵ (A) service reliability of the applicant air carrier; (B) the existence of contractual and marketing arrangements with a larger air carrier at the hub; (C) the existence of interline arrangements with a larger air carrier at the hub; (D) the preferences of the actual and potential users of the service, giving substantial weight to the views of the elected officials representing the actual and potential users of the service; and (E) whether the air carrier has included a plan in its proposal to market the service. In addition, Section 41732(b)(1)(A) provides that basic EAS requires at least two daily round trips six days a week for an eligible place not in Alaska. Finally, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94 (Dec. 19, 2019), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

SkyWest was the only air carrier to submit a proposal to serve Vernal and Moab, and its proposal meets all five carrier-selection criteria the Department is required to consider. Therefore, the Department is selecting SkyWest for a new, three-year contract term for Vernal and Moab.

SkyWest has served Vernal and Moab reliably during the current contract period. SkyWest's service will continue to provide Vernal and Moab passengers seamless connectivity and global access at DEN, a major hub for United/United Express. The Department finds the service and subsidy to be reasonable and notes that, with this selection, SkyWest's combined subsidy will have decreased \$50,723 annually (Vernal by \$37,011 annually, and Moab by \$13,712 annually), thus providing savings for the Federal Government.

After careful consideration, the Department will approve Moab's request to waive, from July 1, 2020 until June 30, 2023, its basic EAS requirement for 12 weekly frequencies as required by 49 U.S.C. § 41732(b)(1)(A), to allow for the seasonal schedule proposed by SkyWest. However, the Department requests that SkyWest submit to Moab its seasonal schedules as they become available,⁶ and requests that Moab notify the Department if the community is not in agreement with said proposed schedules.

⁵ The Department did not receive any proposals to serve Vernal or Moab without subsidy, and there is no other scheduled air service at Moab or Vernal.

⁶ On April 3, 2020, SkyWest submitted a seasonal schedule for the balance of its existing EAS contract, and for a new EAS contract were SkyWest to be selected by the Department. *See* Appendix C. That schedule reflects 18 flights per week from May 3, 2020 through June 6, 2020, from August 16, 2020 through October 24, 2020, and from May 3, 2021 through June 5, 2021; and 7 flights per week from December 6, 2020 through February 27, 2021. Until August 15, 2021, all other weeks would be served by 12 flights per week. SkyWest stated that "[s]pecific dates for the remainder of the contract period not addressed in this letter will be determined at a future date once schedule timelines become available."

Reminder About EAS Eligibility

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. Title 49 U.S.C. § 41731(a)(1)(B) provides that a community must maintain an average of 10 enplanements per service day, as determined by the Secretary of Transportation, during the most recent fiscal year, to remain eligible for EAS. Locations in Alaska and Hawaii, and communities that are more than 175 driving miles from the nearest large or medium hub airport, are exempt from this requirement. Vernal is subject to this requirement, but Moab is not.

Further, the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69 (Oct. 9, 1999), prohibits the Department from subsidizing EAS to communities located within the 48 contiguous States that require a subsidy per passenger amount exceeding \$200 (“Subsidy Cap”), unless the community is located more than 210 miles from the nearest large- or medium-hub airport. Vernal is subject to this requirement, but Moab is not. EAS communities within the 48 contiguous States are also subject to an additional \$1,000 subsidy per passenger cap, regardless of the distance to a hub airport. 49 U.S.C. § 41731(a)(1)(C). Both Vernal and Moab are subject to this requirement.

Lastly, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94 (Dec. 19, 2019), prohibits the Department from subsidizing EAS to communities located less than 40 miles from the nearest small hub airport unless the Department has negotiated with the community over a local cost share. Neither Moab nor Vernal is subject to this requirement.

To be compliant with the above applicable requirements, the Department expects the air carrier and each community to work together to ensure that each community will remain eligible for EAS as described above. Communities that fail to comply with the applicable above requirements may risk having their eligibility in the EAS program terminated. In the event the Department terminates a community’s eligibility for EAS due to lack of compliance, that action will supersede this Order.

Air Carrier Fitness

Title 49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier reliable, fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. SkyWest is subject to the Department’s continuing fitness requirements, and no information has come to the Department’s attention that would cause the Department to question the air carrier’s fitness at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness findings. The Department therefore concludes that SkyWest is reliable and fit to conduct the operations proposed at Vernal and Moab.

This Order is issued under authority delegated by the Secretary of Transportation in 49 CFR § 1.25a(b)(6)(ii)(D).

ACCORDINGLY,

1. The Department selects SkyWest Airlines branded as United Express to provide Essential Air Service at Vernal, Utah, from July 1, 2020, through June 30, 2023, and establishes the annual subsidy rate as described in Appendix B;
2. The Department selects SkyWest Airlines branded as United Express to provide Essential Air Service at Moab, Utah, from July 1, 2020, through June 30, 2023, and establishes the annual subsidy rate as described in Appendix B;
3. The Department makes this selection contingent upon receiving properly-executed certifications from SkyWest Airlines that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;⁷
4. The Department directs SkyWest Airlines to retain all books, records, and other source and summary documentation to support claims for payment, including copies of flight logs for aircraft used to provide EAS under this Order and sold or disposed of, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. This documentation shall be retained for three years from the last day of service under this Order, or such longer period as the Department may notify the air carrier. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The air carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
5. The Department waives 49 U.S.C. § 41732(b)(1)(A) to permit SkyWest Airlines to provide a service pattern requested by Grand County – Canyonlands Field Airport in Moab, Utah, with variable numbers of round trips per week, as outlined in Appendix C, subject to the notification requests set out in this Order;
6. The Department finds that SkyWest Airlines is fit, willing, and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Vernal, Utah, and Moab, Utah;
7. These dockets will remain open pending further Department action; and

⁷ The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

8. The Department will serve a copy of this Order on the airport managers of Vernal Regional Airport and Grand County – Canyonlands Field Airport, the civic officials of Vernal, Utah, and Moab, Utah, and SkyWest Airlines.

By:

David E. Short
Deputy Assistant Secretary
Aviation and International Affairs

(SEAL)

An electronic version of this document is available at
www.regulations.gov

Proposal of SkyWest Airlines for EAS Service at Vernal and Moab, Utah

EAS Bid

SkyWest Airlines		
Essential Air Service Bid		
12/6/2019		
	CNY	VEL
	DEN	DEN
Number of round trips per week	12	12
Aircraft type	CRJ	CRJ
Passenger Revenue		
Passengers	32,500	24,500
Average fare	\$ 76.00	\$ 88.00
Revenue	\$ 2,470,000	\$ 2,156,000
Block Time		
Trip block time (minutes)	77	74
Total scheduled block time	1,602	1,539
Total completed block time	1,579	1,518
RPMS		
Passengers	32,500	24,500
Stage length	283	259
Total RPMs	9,197,500	6,345,500
ASMs		
Scheduled departures	1,248	1,248
Competed departures	1,231	1,231
Stage length	283	259
Available Seats	50	50
Total ASMs	17,411,971	15,935,338
Marketing Costs	\$ 20,000	\$ 20,000
Direct operating expenses	\$ 3,727,346	\$ 3,556,176
RPM related	\$ 133,226	\$ 100,432
Departure related	\$ 1,164,708	\$ 1,164,708
ASM related	\$ 162,280	\$ 148,517
Total expenses	\$ 5,207,560	\$ 4,989,834
Operating income (loss)	\$ (2,737,560)	\$ (2,833,834)
5% profit margin	\$ 236,707	\$ 226,811
Annual subsidy requirement	\$ 2,974,268	\$ 3,060,645
Effective Subsidy rate per unit		
Subsidy per trip	\$ 2,417	\$ 2,487
Subsidy per passenger	\$ 92	\$ 125
Load factor	53%	40%

SkyWest Airlines
Essential Air Service to be provided at Vernal, Utah
DOT-OST-1997-2706

<u>Annual Subsidy:</u>	\$3,060,645
<u>Contract Term:</u>	July 1, 2020, through June 30, 2023
<u>Hub:</u>	Denver International Airport (DEN)
<u>Scheduled Service:</u>	12 nonstop round trips per week
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> ¹	\$2,486
<u>Weekly Ceiling:</u> ²	\$59,664

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the Order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated service levels, the carrier may cease to provide service to that specific location without regards to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contract are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond September 30, 2020. The Government's obligation for performance under this Order beyond September 30, 2020, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this order beyond September 30, 2020, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2020, the Department will provide notice in writing to the carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

¹ Annual compensation of \$3,060,645 divided by 1,231 annual flights (24 weekly flights x 52 weeks x 98.6 percent completion).

² 24 flights per week multiplied by \$2,904.

SkyWest Airlines
Essential Air Service to be provided at Moab, Utah
DOT-OST-1997-2827

<u>Annual Subsidy:</u>	\$2,974,268
<u>Contract Term:</u>	July 1, 2020 through June 30, 2023
<u>Hub:</u>	Denver International Airport (DEN)
<u>Scheduled Service:</u>	12 equivalent nonstop round trips per week, as noted below
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> ¹	\$2,416
<u>Weekly Ceiling:</u> ²	July 1, 2020, through August 15, 2020: \$57,984 (12 weekly RTs) August 16, 2020, through October 24, 2020: \$86,976 (18 weekly RTs) October 25, 2020, through December 5, 2020: \$57,984 (12 weekly RTs) December 6, 2020, through February 27, 2021: \$33,824 (7 weekly RTs) February 28, 2021, through May 2, 2021: \$57,984 (12 weekly RTs) May 3, 2021, through June 6, 2021: \$86,976 (18 weekly RTs) June 7, 2021, through August 15, 2021: \$57,984 (12 weekly RTs)

Note: The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the Order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated service levels, the carrier may cease to provide service to that specific location without regards to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contract are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond September 30, 2020. The Government's obligation for performance under this Order beyond September 30, 2020, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this order beyond September 30, 2020, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2020, the Department will provide notice in writing to the carrier.

¹ Annual compensation of \$2,974,268 divided by 1,231 annual departures (24 weekly flights x 52 weeks x 98.6 percent completion).

² 24 flights per week multiplied by \$2,416. Periods beyond August 15, 2021, will be calculated based on seasonal scheduled submitted by SkyWest, and approved by the community.

Appendix B

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.



April 3, 2020

Mark Holding Raggio
United States Department of Transportation
Office of Aviation Analysis
1200 New Jersey Ave SE
Washington, DC 20590

Seasonal Schedule Adjustment for Canyonlands Field Airport, UT

Dear Mr. Raggio:

In an effort to better align capacity with demand, SkyWest is proposing to continue seasonal adjustments to the flight schedules at Canyonlands Field Airport. The schedule of adjustments are as follows:

- 3/01/20 – 05/02/20 - 12 weekly RTs
- 05/03/20 – 06/06/20 - 18 weekly RTs
- 06/07/20 – 08/15/20 - 12 weekly RTs
- 08/16/20 – 10/24/20 - 18 weekly RTs
- 10/25/20 – 12/05/20 - 12 weekly RTs
- 12/06/20 – 02/27/21 - 7 weekly RTs
- 02/28/21 – 05/02/21 - 12 weekly RTs
- 05/03/21 – 06/06/21 - 18 weekly RTs
- 06/07/21 – 08/15/21 - 12 weekly RTs

SkyWest intends to continue with seasonal adjustments for the duration of the contract if we are selected for the next contract period. Specific dates for the remainder of the contract period not addressed in this letter will be determined at a future date once schedule timelines become available. This seasonal schedule will provide the same number of annual round trips as the existing non-seasonal schedule.

We anticipate this proposal will better serve the needs of passengers utilizing the Canyonlands Field Airport by providing more seats and connections during peak travel times.

Thank you for your consideration,

A handwritten signature in black ink, appearing to read "Greg Atkin".

Greg Atkin
Managing Director – Market Development
SkyWest Airlines