



**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 July, 2020

Essential Air Service at

ALAMOSA, COLORADO
(FAIN 69A3452160489)¹

DOCKET DOT-OST-1997-2960

under 49 U.S.C. § 41731 *et seq.*

ORDER SELECTING AIR CARRIER

Summary

By this Order, the U.S. Department of Transportation (the Department) is selecting SkyWest Airlines, Inc. (SkyWest) to provide Essential Air Service (EAS) at Alamosa, Colorado from October 1, 2020, through September 30, 2022. SkyWest will provide Alamosa with 12 round trips per week to Denver International Airport (DEN), using 50-seat Canadair Regional Jet 200 (CRJ-200) aircraft, at an annual subsidy rate of \$3,505,574.²

Background

By Order 2018-9-6 (September 6, 2018), the Department selected Boutique Air, Inc. (Boutique Air) to provide EAS at Alamosa, for the two-year period from October 1, 2018, through September 30, 2020. Under the terms of that Order, Boutique Air is providing Alamosa with 24 nonstop round trips per week to DEN, using 8- or 9-seat Pilatus PC-12 aircraft, at an annual subsidy rate of \$2,891,307 for the first year and \$2,949,133 for the second year.

In anticipation of the end of that contract, the Department issued Order 2020-3-2 (March 11, 2020), soliciting proposals for a new term, with or without subsidy support, consisting of either 24 round trips per week in small aircraft or 12 round trips per week in large aircraft.³ In response to the Department's solicitation, Boutique Air, Key Lime Air Corporation d/b/a Denver Air Connection (Key Lime), and SkyWest submitted proposals for consideration.

¹ Federal Award Identification Number (FAIN).

² Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

³ In order for scheduled air carrier aircraft with more than 30 seats to operate at the airport, an airport must obtain an airport operating certificate from the Federal Aviation Administration under 14 CFR Part 139. In an email dated March 20, 2020, Mr. Will Hickman, Airport Manager for the San Luis Valley Regional Airport (ALS), stated that the airport "is currently making great strides" to obtain a Part 139 airport operating certificate, and he expects that ALS will receive the certificate "before October 1, 2020, which is the EAS contract start date." Mr. Hickman's full email is located at: <https://beta.regulations.gov/document/DOT-OST-1997-2960-0190>. Based on this representation from the community, the Department expects ALS to receive its Part 139 certificate before October 1, 2020.

Those proposals, as well as the complete public file for EAS at Alamosa, may be accessed online through the Federal Docket Management System at www.regulations.gov, by entering “DOT-OST-1997-2960” in the “SEARCH” field.

Boutique Air’s Proposal

Boutique Air proposed to continue providing 24 nonstop round trips per week to DEN, using 8- or 9-seat Pilatus PC-12 aircraft, at an annual subsidy rate of \$3,685,203 for the first year and \$3,758,907 for the second year. Boutique Air has a codeshare agreement with United Airlines, Inc. (United) and American Airlines, Inc. and its proposal indicates it will commit \$20,000 annually to market the air service.

Key Lime’s Proposal

Key Lime proposed either a two- or four-year term contract consisting of 12 nonstop round trips per week to DEN, using either 50-seat Embraer ERJ-145 or 30-seat Dornier 328 aircraft. Key Lime requested a first year annual subsidy rate of \$3,294,802, with an annual rate increase of two percent for each additional year thereafter, as indicated below:

Period	Subsidy
Year One	\$ 3,294,802
Year Two	\$ 3,360,698
Year Three	\$ 3,427,912
Year Four	\$ 3,496,470

Key Lime notes in its proposal that it has an interline agreement with United at DEN and intends to spend \$20,000 annually to market the air service.

SkyWest’s Proposal

SkyWest proposed to provide 12 nonstop round trips per week to DEN, using 50-seat CRJ-200 aircraft, at an annual subsidy of \$3,505,574. SkyWest has codeshare agreements with larger air carriers, including United, and it intends to operate this service as United Express. Additionally, SkyWest indicated it will spend \$20,000 annually to market the air service.

Community and State Comments

On April 8, 2020, the Department requested community comments regarding this air carrier selection case.

By letter dated May 6, 2020, the Alamosa County Board of County Commissioners (BOCC) expressed support for SkyWest’s proposal. That letter stated:

We believe that SkyWest offers the most viable air service and opportunity for the San Luis Valley, Southern Colorado, as well as regions of northern New Mexico. Additionally, SkyWest is a globally recognized brand that is currently the nation’s largest regional airline, with codeshare agreements with major airlines including United, America, Delta, and Alaska Airlines. These codeshare agreements with other airlines will make it far easier and more affordable for travelers to visit the San Luis Valley for business or pleasure using the 50 seat

CRJ-200, allowing families and large groups to fly together on the same flight, which was previously never possible.

The Department also received several letters from community organizations strongly supporting SkyWest's proposal.

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:⁴ (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 air transportation, giving substantial weight to the views of the elected officials representing those users; and (E) whether the air carrier has included a plan in its proposal to market the service. In addition, basic EAS must include at least two daily round trips six days a week for an eligible place not in Alaska.⁵ Finally, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94 (December 19, 2019), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

SkyWest's proposal meets all five of the air carrier selection criteria the Department is required to consider, and the Department finds its service and subsidy levels reasonable. Therefore, the Department is selecting SkyWest for a new, two-year term. SkyWest received community support and has a proven record of providing reliable EAS at other markets around the country. In addition, the air carrier's service package will allow passengers to connect to air service provided by a variety of full service, low-fare/cost, and international air carriers at DEN.

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. Alamosa is not subject to this requirement.

Further, the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69 (October 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. Alamosa is subject to this requirement. 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.⁶

⁴ The Department did not receive any proposals to serve the community without subsidy.

⁵ See 49 U.S.C. § 41732(b)(1)(A).

⁶ See 49 U.S.C. § 41731(a)(1)(C).

Lastly, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94 (December 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. Alamosa is not subject to this requirement.

The Department expects SkyWest and the community to work together to ensure that the community will comply with the subsidy per passenger caps 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 the Department to find an air carrier fit, willing, and able to provide reliable service before it can provide subsidized 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 raised no concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that SkyWest is reliable and fit to conduct the operations proposed at Alamosa.

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

ACCORDINGLY,

1. The Department selects SkyWest Airlines, Inc. to provide Essential Air Service at Alamosa, Colorado, at the service levels and subsidy rates as described in Appendix B, for the period from October 1, 2020, through September 30, 2022;
2. The Department makes this selection contingent upon receiving properly-executed certifications from SkyWest Airlines, Inc. 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
3. The Department directs SkyWest Airlines, Inc. 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;

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

4. The Department finds SkyWest Airlines, Inc. fit, willing, and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Alamosa, Colorado;
5. This docket will remain open pending further Department action; and
6. The Department will serve this Order on the civic officials of Alamosa, Colorado, the Airport Manager of San Luis Valley Regional Airport, Boutique Air, Inc., Key Lime Air Corporation d/b/a Denver Air Connection, and SkyWest Airlines, Inc.

By:

David E. Short
Deputy Assistant Secretary
for Aviation and International Affairs

(SEAL)

An electronic version of this document is available at
<http://www.regulations.gov>

SkyWest Airlines, Inc.
Essential Air Service proposal for Alamosa, CO

SkyWest Airlines	
Essential Air Service Bid	
4/7/2020	
	ALS
	DEN
Number of round trips per week	12
Aircraft type	CRJ
Passenger Revenue	
Passengers	18,000
Average fare	\$ 80.00
Revenue	\$ 1,440,000
Block Time	
Trip block time (minutes)	66
Total scheduled block time	1,373
Total completed block time	1,347
RPMS	
Passengers	18,000
Stage length	179
Total RPMs	3,222,000
ASMs	
Scheduled departures	1,248
Completed departures	1,224
Stage length	179
Available Seats	50
Total ASMs	10,958,495
Marketing Costs	\$ 20,000
Direct operating expenses	\$ 3,349,443
RPM related	\$ 73,787
Departure related	\$ 1,164,708
ASM related	\$ 102,133
Total expenses	\$ 4,710,071
Operating income (loss)	\$ (3,270,071)
5% profit margin	\$ 235,504
Annual subsidy requirement	\$ 3,505,574
Effective Subsidy rate per unit	
Subsidy per trip	\$ 2,863
Subsidy per passenger	\$ 195
Load factor	29%

SkyWest Airlines, Inc.
Essential Air Service to be provided at Alamosa, CO
DOT-OST-1997-2960

Annual Subsidy: \$3,505,574

Contract Term: October 1, 2020, through September 30, 2022

Hub: Denver International Airport

Scheduled Service: Twelve (12) round trips per week to Denver International Airport (DEN)

Aircraft: 50-seat CRJ-200 aircraft

Rate per Eligible Flight: \$2,866¹

Weekly Ceiling: \$68,784²

Note: The air 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 air 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 air 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 air carrier contemplates any such changes beyond the scope of the Order during the applicable period of these rates, 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 air carrier to provide service on these routes. The air 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 amounts or at the stipulated service levels, the air carrier may cease to provide service to that specific location without regard 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 air carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts 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 31st; August claims must be submitted by November 30th and so on.

¹ Annual compensation of \$3,505,574 divided by 1,223 annual flights (24 weekly flights x 52 weeks x 98 percent completion).

² 24 flights per week multiplied by \$2,866 per flight.