



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

Issued by the Department of Transportation  
on the 25<sup>th</sup> of October, 2022

Essential Air Service at

**QUINCY, ILLINOIS**  
(FAIN 69A3452360548)<sup>1</sup>

**DOT-OST-2003-14492**

under 49 U.S.C. § 41731 *et seq.*

**ORDER SELECTING AIR CARRIER**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) (1) grants the community of Quincy, Illinois, a waiver from the requirement in 49 U.S.C. § 41732(b)(5) that basic Essential Air Service (EAS) is provided in aircraft with at least 2 engines and 2 pilots, and (2) selects Southern Airways Express, LLC (Southern) to provide EAS at Quincy for the four-year contract term from December 1, 2022, through November 30, 2026. Southern will provide Quincy with 18 round trips per week from Quincy Regional Airport (UIN) to Chicago O'Hare International Airport (ORD) and 18 round trips per week to St. Louis-Lambert International Airport (STL), for a combined total of 36 round trips per week, using 8-/9-passenger Cessna 208 aircraft. Southern will be compensated at the following annual subsidy rates:<sup>2</sup>

<sup>1</sup> FAIN = Federal Award Identification Number.

<sup>2</sup> Such subsidy is calculated on a fiscal year basis, subject to the availability of funds.

<u>Year</u>	<u>Annual Subsidy</u>
1	\$4,085,604
2	\$4,187,744
3	\$4,292,438
4	\$4,399,749

### Background

By Order 2021-9-22, issued on September 24, 2021, the Department selected Hyannis Air Service, Inc. d/b/a Cape Air (Cape Air) to provide EAS at Quincy for a four-year term from December 1, 2021, through November 30, 2025. Under that Order, Quincy receives 18 nonstop round trips per week to ORD and 18 nonstop round trips per week to STL for a combined total of 36 round trips per week, and is compensated at the following annual subsidy rates:

<u>Year</u>	<u>Annual Subsidy</u>
1	\$3,319,412
2	\$3,418,994
3	\$3,521,564
4	\$3,627,211

On May 3, 2022, in accordance with the requirements of 49 U.S.C. § 41734(a), Cape Air filed a 90-day notice of its intent to terminate service at Burlington and Quincy, effective August 1, 2022, stating: "Cape Air gives this notice with reluctance and regret – principally due to a shortage of pilots."

In response to Cape Air's notice, the Department issued Order 2022-5-19 on May 25, 2022, prohibiting Cape Air from terminating service at Quincy and soliciting proposals to provide replacement EAS. Air carrier proposals were due on July 1, 2022, and Quincy received bids from Boutique Air, Inc. and Southern.

### Summary of Air Carrier Proposals

<u>Quincy Proposals</u>										
<u>Carrier/Service Option</u>	<u>Annual Subsidy (Year 1)</u>	<u>Annual Subsidy (Year 2)</u>	<u>Annual Subsidy (Year 3)</u>	<u>Annual Subsidy (Year 4)</u>	<u>Community Support?</u>	<u>Hub(s)</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>	<u>Interline/Codeshare</u>
Boutique Air	\$4,789,965	\$4,981,563	N/A	N/A	No	ORD/STL	36	PC-12	8/9	American (interline)/ United (interline and codeshare)
Southern, Option A	\$3,751,391	\$3,845,176	\$3,941,305	\$4,039,838	No	ORD/STL	24 to STL/12 to ORD	Cessna 208	8/9	American and United (interline)
Southern, Option B	\$4,085,604	\$4,187,744	\$4,292,438	\$4,399,749	Yes	STL/ORD	18 to ORD/18 to STL	Cessna 208	8/9	American and United (interline)



The complete public file, including the air carrier proposals for EAS at Quincy, may be accessed online through the Federal Docket Management System at [www.regulations.gov](http://www.regulations.gov) by entering the community's docket number in the "Search" field.

### **Community and State Comments**

On July 7, 2022, the Department requested comments from the community of Quincy regarding this EAS carrier-selection case.

By letter dated August 19, 2022<sup>3</sup>, the Mayor of Quincy, Michael Troup, wrote that the City of Quincy Aeronautics Committee, the public, and the City of Quincy City Council all expressed support for the proposal put forth by Southern. The Mayor outlined the factors the community considered in supporting Southern: its demonstration of reliability, contractual agreements with large airlines, interline agreements, its marketing plan, availability of qualified pilots, and its commitment to base pilots in Quincy. The community also stated its preference for a four-year contract term.

### **Waiver Request**

Title 49 U.S.C. § 41732(b)(5) describes basic EAS as service provided in aircraft with at least 2 engines and using 2 pilots, unless scheduled air transportation has not been provided to the place in aircraft with at least 2 engines and using 2 pilots for at least 60 consecutive operating days at any time since October 31, 1978. 49 U.S.C. § 41732(c) provides that, upon request by an eligible place, the Secretary of Transportation (Secretary) may waive, in whole or in part, certain subsections of Section 41732, including the requirement that basic EAS is service provided in aircraft with at least 2 engines and using 2 pilots.

In a letter to the Department dated September 7, 2022<sup>4</sup>, the City of Quincy requested that the Secretary waive 49 U.S.C. § 41732(b)(5) requiring that basic EAS be provided in aircraft with at least 2 engines and using 2 pilots

### **Decision**

Title 49 U.S.C. § 41733(c)(1) directs the Secretary 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.<sup>5</sup> The five factors are: (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 EAS, 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 its EAS to the community. In addition, Section 41732(b)(1)(A) requires basic EAS to include at least two daily round trips six days a week for an eligible place not in Alaska. Finally, the Consolidated Appropriations Act, 2022, Pub. L. No. 117-103 (March 15, 2022), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

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<sup>3</sup> DOT-OST-2003-14492-0117.

<sup>4</sup> DOT-OST-2003-14492-0119.

<sup>5</sup> The Department did not receive any proposals to provide EAS at Quincy without subsidy.

The Department has thoroughly reviewed the proposals submitted in this EAS carrier-selection case. Section 41732(b) sets out minimum requirements for basic EAS, including that service be provided in aircraft with at least 2 engines and using 2 pilots.

Section 41732(c) provides communities the ability to request a waiver from certain requirements, including that basic EAS is provided in aircraft with at least 2 engines and using 2 pilots. As Quincy supports the selection of Southern to provide EAS at the community, it has requested, pursuant to 41732(c), that the Secretary waive the requirement that basic EAS be provided with aircraft with at least 2 engines and using 2 pilots to enable the Department to select Southern to provide EAS.

Based on the Department's review of the record, Southern's ability and reliability to provide the proposed service, and the totality of the circumstances, including the significant decrease in service at Quincy by Cape Air since filing its notice to terminate service, and the Department's statutory responsibility to provide eligible EAS communities with access to the national air transportation system, the Department finds that a waiver is warranted in this instance.

Southern has the experience to serve the Quincy market, having been selected at other communities to provide EAS. The air carrier has interline agreements with American Airlines and United Airlines, which will provide Quincy passengers access to each air carrier's extensive domestic and international networks, at the ORD and STL hubs. Lastly, Southern proposes \$25,000 to market its air service at Quincy.

In light of the above, the Department is selecting Southern's Option B, to replace Cape Air for a four-year term starting December 1, 2022. The Department's grant of a waiver to the community from 49 U.S.C. § 41732(b)(5) will remain in effect for a limited period time, for the four-year term ending November 30, 2026. While the waiver is limited to the term of this contract, the Department notes that once EAS has been provided for at least 60 consecutive operating days during this term on the Cessna 208 aircraft, neither the Department nor Quincy will be able to rely on 49 U.S.C. § 41732(b)(5) to preclude as ineligible, future bidders proposing to provide EAS on single engine or single pilot aircraft.

### **Service Transition**

The Department expects the air carriers to work together to make a smooth transition at Quincy, with no hiatus in service. Cape Air is required to continue serving Quincy until Southern commences full EAS at the community.<sup>6</sup> Before Cape Air terminates its EAS at Quincy, the Department expects the air carrier to notify all passengers holding reservations for travel after the termination date, to assist those passengers in making alternate air transportation arrangements, or to provide a full refund of the ticket price, without penalty, if requested.

### **Reminder About EAS Eligibility**

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. We note that many of the traditional eligibility requirements, established under

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<sup>6</sup> In accordance with 49 U.S.C. § 41734(c), the Department will extend Cape Air's service obligation for successive 30-day periods as necessary.



Title 49 U.S.C. § 41731(a)(1)(B) and (C) and the subsidy cap established by the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69 (October 9, 1999), were waived for Fiscal Years 2020 and 2021 by the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), and for Fiscal Year 2022 by the Consolidated Appropriations Act, 2022, Pub. L. No. 117-103 (March 15, 2022). However, unless waived by Congress for future fiscal years, compliance with these eligibility requirements (described below) will resume at the beginning of Fiscal Year 2023.

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, 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. Quincy is subject to this requirement because it is not more than 175 miles from the nearest large- or medium-hub airport.

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. Quincy is subject to this requirement, because it is not more than 210 miles from the nearest large- or medium-hub airport.

EAS communities, except for those in Alaska and Hawaii, must have had an average subsidy per passenger of less than \$1,000 during the most recent fiscal year, regardless of the distance to the nearest large- or medium-hub airport.<sup>7</sup>

The Department expects Southern and Quincy to work together to ensure that the community will comply with the applicable requirements. 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 fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. Southern 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 Federal Aviation Administration has not raised concerns that would negatively affect the Department’s fitness findings. The Department therefore concludes that Southern remains fit to conduct the operations proposed at Quincy.

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

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<sup>7</sup> See 49 U.S.C. § 41731(a)(1)(C).

**ACCORDINGLY,**

1. The Department selects Southern Airways Express, LLC to provide Essential Air Service at Quincy, Illinois, from December 1, 2022, through November 30, 2026, in accordance with the aircraft service identified in Appendix B, and establishes the annual subsidy rates as described in Appendix B;
2. The Department terminates the EAS contract for Hyannis Air Service, Inc. d/b/a Cape Air to serve Quincy, Illinois, as outlined in Order 2021-9-23, effective December 1, 2022, or the date on which Southern Airways Express, LLC commences service, whichever is later;
3. The Department makes this selection contingent upon receiving properly-executed certifications from Southern Airways Express, LLC that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;<sup>8</sup>
4. Under the authority provided by 49 U.S.C. § 41732(c), the Department waives 49 U.S.C. § 41732(b)(5) for the period from December 1, 2022, through November 30, 2026;
5. The Department directs Southern Airways Express, LLC 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;
6. The Department finds that Southern Airways Express, LLC is fit, willing, and able to perform Essential Air Service at Quincy, Illinois;
7. This docket will remain open pending further Department action; and

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<sup>8</sup> 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 this Order on the Mayor of Quincy, Illinois, the Airport Manager of Quincy Regional Airport, Southern Airways Express, LLC, Hyannis Air Service, Inc. d/b/a Cape Air, and Boutique Air, Inc.

By:

Carol A. (Annie) Petsonk  
Assistant Secretary  
for Aviation and International Affairs

(SEAL)

*An electronic version of this document is available at  
[www.regulations.gov](http://www.regulations.gov)*



**Proposal of Southern Airways Express, LLC**

	<b>Option B C-208</b>
<b>Annual Round Trips</b>	
UIN-STL	18
UIN-ORD	18
<b>Total</b>	<b>36</b>
<b>Operating Revenues</b>	
UIN-STL	\$502,250
UIN-ORD	\$809,750
<b>Total Operating Revenues</b>	<b>\$1,312,000</b>
<b>Operating Expenses</b>	
Flying Operations	\$1,900,005
Fuel and Into Plane	\$1,314,698
Maintenance	\$968,950
Aircraft	\$416,700
Indirect	\$540,222
<b>Total Operating Expenses</b>	<b>\$5,140,575</b>
Operating Loss	\$3,828,575
Profit Element (5%)	\$257,029
<b>Compensation Required</b>	<b>\$4,085,604</b>
<b>Compensation per Pax</b>	<b>\$199</b>
<b>Compensation per Departure</b>	<b>\$1,108</b>
Annual Seats	33,192
Annual Passengers	20,500
Load Factor	62%
Departures	3,688
Average Fare	\$64
Completion Factor	98.5%
<b>Compensation Required Year 1</b>	<b>\$4,085,604</b>
<b>Compensation Required Year 2</b>	<b>\$4,187,744</b>
<b>Compensation Required Year 3</b>	<b>\$4,292,438</b>
<b>Compensation Required Year 4</b>	<b>\$4,399,749</b>



**Southern Airways Express, LLC**  
**Essential Air Service to be provided at Quincy, Illinois**  
**DOT-OST-2003-14492**

<u>Annual Subsidy:</u>	\$4,085,604
<u>Contract Term:</u>	December 1, 2022, through November 30, 2023
<u>Hub</u>	Chicago O'Hare International Airport (ORD) St. Louis-Lambert International Airport (STL)
<u>Scheduled Service:</u>	36 round trips per week
<u>Aircraft/Seats:</u>	8-/9-passenger Cessna 208
<u>Subsidy Rate per Flight:</u> <sup>1</sup>	\$1,108
<u>Weekly Ceiling:</u> <sup>2</sup>	\$79,776

**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 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 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 service amounts, 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 December 16, 2022. The Government's obligation for performance under this Order beyond December 16, 2022, 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 December 16, 2022, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 16, 2022, the Department will provide notice in writing to the air 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.

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<sup>1</sup> Annual compensation of \$4,085,604 divided by 3,688 annual flights (52 weeks multiplied by 72 flights per week multiplied by 98.5 percent completion).  
<sup>2</sup> 72 flights per week multiplied by \$1,108.

**Southern Airways Express, LLC**  
**Essential Air Service to be provided at Quincy, Illinois**  
**DOT-OST-2003-14492**

<u>Annual Subsidy:</u>	\$4,187,744
<u>Contract Term:</u>	December 1, 2023, through November 30, 2024
<u>Hub</u>	Chicago O'Hare International Airport (ORD) St. Louis-Lambert International Airport (STL)
<u>Scheduled Service:</u>	36 round trips per week
<u>Aircraft/Seats:</u>	8-/9-passenger Cessna 208
<u>Subsidy Rate per Flight:</u> <sup>1</sup>	\$1,135
<u>Weekly Ceiling:</u> <sup>2</sup>	\$81,792

**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 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 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.

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1 Annual compensation of \$4,187,744 divided by 3,688 annual flights (52 weeks multiplied by 72 flights per week multiplied by 98.5 percent completion).

2 72 flights per week multiplied by \$1,135.



**Southern Airways Express, LLC**  
**Essential Air Service to be provided at Quincy, Illinois**  
**DOT-OST-2003-14492**

<u>Annual Subsidy:</u>	\$4,292,438
<u>Contract Term:</u>	December 1, 2024, through November 30, 2025
<u>Hub</u>	Chicago O'Hare International Airport (ORD) St. Louis-Lambert International Airport (STL)
<u>Scheduled Service:</u>	36 round trips per week
<u>Aircraft/Seats:</u>	8-/9-passenger Cessna 208
<u>Subsidy Rate per Flight:</u> <sup>1</sup>	\$1,164
<u>Weekly Ceiling:</u> <sup>2</sup>	\$83,808

**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 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 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.

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1 Annual compensation of \$4,292,438 divided by 3,688 annual flights (52 weeks multiplied by 72 flights per week multiplied by 98.5 percent completion).

2 72 flights per week multiplied by \$1,164.



**Southern Airways Express, LLC**  
**Essential Air Service to be provided at Quincy, Illinois**  
**DOT-OST-2003-14492**

<u>Annual Subsidy:</u>	\$4,399,749
<u>Contract Term:</u>	December 1, 2025, through November 30, 2026
<u>Hub</u>	Chicago O'Hare International Airport (ORD) St. Louis-Lambert International Airport (STL)
<u>Scheduled Service:</u>	36 round trips per week
<u>Aircraft/Seats:</u>	8-/9-passenger Cessna 208
<u>Subsidy Rate per Flight:</u> <sup>1</sup>	\$1,188
<u>Weekly Ceiling:</u> <sup>2</sup>	\$85,536

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<sup>2</sup> 72 flights per week multiplied by \$1,188.