



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

Issued by the Department of Transportation  
on the 19<sup>th</sup> day of February, 2020

Essential Air Service at

**CHISHOLM/HIBBING, MINNESOTA**  
(FAIN 69A3451860338)<sup>1</sup>

**DOT-OST-2003-15796**

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., branded as Delta Connection (SkyWest), to provide Essential Air Service (EAS) at Chisholm/Hibbing, Minnesota (Hibbing), with 12 nonstop round trips per week to Minneapolis-St. Paul International Airport (MSP) using 50-passenger Bombardier CRJ-200 (CRJ-200) aircraft for a two-year contract term from June 1, 2020, through May 31, 2022, at an annual subsidy rate of \$2,463,352.<sup>2</sup>

**Background**

By Order 2018-2-10 (February 15, 2018), the Department selected SkyWest to provide EAS at Hibbing with 12 nonstop round trips per week to MSP using CRJ-200 aircraft for the two-year contract term from June 1, 2018, through May 31, 2020, at an annual subsidy rate of \$2,792,813.

As the expiration of the current contract approached, the Department issued Order 2019-11-10 on November 14, 2019, requesting proposals from air carriers interested in providing EAS for a new contract term at the community. In response to that Order, SkyWest was the only air carrier to submit a proposal.

SkyWest's complete proposal and the community's comments may be accessed online at [www.regulations.gov](http://www.regulations.gov) by entering the docket number DOT-OST-2003-15796 in the search block.

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

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

### **Proposal of SkyWest**

SkyWest submitted a proposal for a two-year contract term to provide Hibbing with 12 nonstop round trips per week to MSP, branded as Delta Connection, using CRJ-200 aircraft, for an annual subsidy rate of \$2,463,352.

### **Community Comments**

On December 19, 2019, the Department requested comments from the communities of Chisholm and Hibbing regarding this EAS carrier-selection case. In response, the Department received a December 23, 2019 letter from the executive director of Range Regional Airport and the mayors of the City of Chisholm and the City of Hibbing. The letter supported SkyWest's selection for a new, two-year EAS contract term based on the following factors: SkyWest's service being branded as Delta Connection, which enables passengers to connect to Delta Air Lines' (Delta) worldwide network and participate in the airline's frequent flyer program, the use of CRJ-200 aircraft, and the choice of MSP as a hub.

### **Decision**

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider five factors when making an air carrier selection not in Alaska: (A) service reliability; (B) contractual and marketing arrangements with a larger air carrier at the hub; (C) 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 those users; and (E) whether the air carrier has included a plan in its proposal to market the service.

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

SkyWest has served Hibbing reliably for several years and the community is pleased with having them as their EAS provider. In addition, SkyWest's codeshare with Delta will continue to provide Hibbing passengers domestic and global access through Delta's MSP hub. The Department finds the service and subsidy to be reasonable and notes that, with this selection, SkyWest's subsidy will have decreased by \$329,461 annually, thus providing savings for the Federal Government (\$2,463,352 annual subsidy for the new contract vs. \$2,792,813 for the current contract).

### **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)(C) states that, to be eligible for EAS, a community must have an average subsidy per passenger of less than \$1,000 during the most recent fiscal year, as determined by the Secretary of Transportation, or face termination of subsidy eligibility, regardless of distance to the hub airport. The \$1,000 subsidy per passenger limit applies to all EAS communities outside of Alaska and Hawaii.

To be compliant with the above requirements, the Department expects the air carrier and Hibbing to work together to ensure that the community will remain eligible for EAS. 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. 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 Hibbing.

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 Chisholm/Hibbing, Minnesota, from June 1, 2020, through May 31, 2022, and establishes the annual subsidy rate as described in Appendix B;
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;<sup>3</sup>
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;
4. The Department finds that SkyWest Airlines, Inc. is fit, willing, and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Chisholm/Hibbing, Minnesota;
5. This docket will remain open pending further Department action; and

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<sup>3</sup> The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

6. The Department will serve this Order on the mayors of Chisholm and Hibbing, Minnesota, the executive director of Chisholm-Hibbing Airport Authority, and SkyWest Airlines, Inc.

By:

David E. Short  
Deputy Assistant Secretary  
Aviation and International Affairs

(SEAL)

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

**SkyWest Airlines**  
**Essential Air Service Bid**  
**12/18/2019**

	HIB MSP
Number of round trips per week	12
Aircraft type	CRJ
<b>Passenger Revenue</b>	
Passengers	34,000
Average fare	\$ 80.00
Revenue	\$ 2,720,000
<b>Block Time</b>	
Trip block time (minutes)	60
Total scheduled block time	1,248
Total completed block time	1,235
<b>RPMS</b>	
Passengers	34,000
Stage length	174
Total RPMs	5,916,000
<b>ASMs</b>	
Scheduled departures	1,248
Completed departures	1,235
Stage length	174
Available Seats	50
Total ASMs	10,742,509
Marketing Costs	\$ 20,000
Direct operating expenses	\$ 3,533,785
RPM related	\$ 139,375
Departure related	\$ 1,164,708
ASM related	\$ 100,120
Total expenses	\$ 4,957,989
Operating income (loss)	\$ (2,237,989)
5% profit margin	\$ 225,363
<b>Annual subsidy requirement</b>	<b>\$ 2,463,352</b>
<b>Effective Subsidy rate per unit</b>	
Subsidy per trip	\$ 1,995
Subsidy per passenger	\$ 72
<b>Load factor</b>	55%

**SkyWest Airlines, Inc.**  
**Essential Air Service to be provided at Chisholm/Hibbing, Minnesota**  
**DOT-OST-2003-15796**

<u>Annual Subsidy:</u>	\$2,463,352
<u>Contract Term:</u>	June 1, 2020, through May 31, 2022
<u>Hubs:</u>	Minneapolis-St. Paul International Airport (MSP)
<u>Scheduled Service:</u>	12 nonstop round trips per week
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> <sup>1</sup>	\$1,995
<u>Weekly Ceiling:</u> <sup>2</sup>	\$47,880

**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.

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<sup>1</sup> Annual compensation of \$2,463,352 divided by 1,235 annual departures (24 weekly departures x 52 weeks x 99 percent completion).

<sup>2</sup> 24 arrivals and departures per week multiplied by \$1,995.