



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

Issued by the Department of Transportation
on the 29th day of June, 2020

Essential Air Service at

ALPENA, MICHIGAN
(FAIN 69A3451860268)¹

under 49 U.S.C. § 41731 *et seq.*

DOT-OST-2009-0300

ORDER SELECTING AIR CARRIER

Summary

By this Order, the U.S. Department of Transportation (the Department) selects SkyWest Airlines, Inc., branded as Delta Connection (SkyWest), to provide Essential Air Service (EAS) at Alpena, Michigan, for a two-year term from October 1, 2020, through September 30, 2022, at an annual subsidy rate of \$3,779,500.² SkyWest will provide Alpena with 12 round trips per week to Detroit Metropolitan Wayne County Airport (DTW) using 50-passenger Bombardier CRJ-200 (CRJ-200) aircraft.

Background

By Order 2018-5-38, issued on May 23, 2018, the Department selected SkyWest to provide EAS at Alpena with 12 nonstop round trips per week to DTW using CRJ-200 aircraft for the two-year contract term from October 1, 2018 through September 30, 2020, at an annual subsidy rate of \$2,404,327.

As the expiration of the current contract approached, the Department issued Order 2020-2-22 on February 27, 2020, requesting proposals from air carriers interested in providing EAS for a new contract term at the community. In response to that Order, Boutique Air, Inc. (Boutique Air) and SkyWest submitted proposals.

¹ FAIN = Federal Award Identification Number.

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

Summary of Air Carrier Proposals

<u>Carrier/Service Option</u>	<u>Annual Subsidy (year 1)</u>	<u>Annual Subsidy (year 2)</u>	<u>Community Support?</u>	<u>Hub</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>
Boutique Air	\$3,308,725	\$3,374,899	No	DTW	21	Pilatus PC-12	9
SkyWest	\$3,779,500	\$3,779,500	Yes	DTW	12	CRJ-200	50

The detailed proposals, as well as the community’s entire docket, may be accessed online at www.regulations.gov by entering “DOT-OST-2009-0300” in the search field.

Community Comments

On April 2, 2020, the Department requested comments from the community of Alpena regarding this EAS carrier-selection case. In response, Mayor Matthew J. Waligora submitted a letter stating that SkyWest’s proposal was supported by the City of Alpena, the Chairman of the Alpena County Board of Commissioners, the Chairman of the Alpena County Regional Airport Committee, the Airport Manager for Alpena County Regional Airport, the President of the Alpena Area Chamber of Commerce, and the Director of Economic Development. The mayor’s letter stated that “the SkyWest Airlines proposal offering 12 roundtrip flights per week non-stop to DTW, using RJ200 fifty seat jets has been an integral part of our success with increased enplanements in recent years, building on our future plans to be independent of EAS funding.”

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 where basic essential air service will not be provided without compensation:³ (A) service reliability of the applicant 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 those users; and (E) whether the air carrier has included a plan in its proposal to market the service. In addition, basic essential air service shall include at least two daily round trips six days a week for an eligible place not in Alaska. 49 U.S.C. § 41732(b)(1)(A). 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’s proposal meets all five of the 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 has served Alpena for nearly a decade and during that time has provided the community reliable EAS. In addition, SkyWest’s codeshare with Delta Air Lines will continue

³ The Department did not receive any proposals to provide EAS at Alpena without subsidy.

to provide passengers connectivity and global access through the DTW hub. Also, the proposal is strongly supported by the community. Lastly, SkyWest included in its proposal \$20,000 to market its air service at the community.

Reminder About EAS Eligibility

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. 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. Alpena is not subject to this requirement.

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. Alpena is not 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. 49 U.S.C. § 41731(a)(1)(C).

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. Alpena is not subject to this provision.

The Department expects SkyWest and Alpena to work together to ensure that the community complies with Section 41731(a)(1)(C). Should Alpena fail to comply with the above requirement, it may risk having its 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 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 Alpena.

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, Inc. to provide Essential Air Service at Alpena, Michigan from October 1, 2020 through September 30, 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;⁴
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 Alpena, Michigan;
5. This docket will remain open pending further Department action; and

⁴ 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 Mayor of Alpena, Michigan, the Airport Manager of Alpena County Regional Airport, the State of Michigan Department of Transportation, Boutique Air, Inc., 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*

SkyWest Airlines
Essential Air Service Bid
4/1/2020

APN

DTW

Number of round trips per week

12

Aircraft type

CRJ

Passenger Revenue

Passengers

17,000

Average fare

\$ 80.00

Revenue

\$ 1,360,000

Block Time

Trip block time (minutes)

68

Total scheduled block time

1,414

Total completed block time

1,328

RPMS

Passengers

17,000

Stage length

198

Total RPMs

3,366,000

ASMs

Scheduled departures

1,248

Competed departures

1,235

Stage length

198

Available Seats

50

Total ASMs

12,221,764

Marketing Costs

\$ 20,000

Direct operating expenses

\$ 3,482,539

RPM related

\$ 69,688

Departure related

\$ 1,222,943

ASM related

\$ 113,907

Total expenses

\$ 4,909,077

Operating income (loss)

\$ (3,549,077)

5% profit margin

\$ 230,423

Annual subsidy requirement**\$ 3,779,500****Effective Subsidy rate per unit**

Subsidy per trip

\$ 3,062

Subsidy per passenger

\$ 222

Load factor

28%

SkyWest Airlines, Inc.
Essential Air Service to be provided at Alpena, Michigan
DOT-OST-2009-0300

<u>Annual Subsidy:</u>	\$3,779,500
<u>Contract Term:</u>	October 1, 2020, through September 30, 2022
<u>Hub:</u>	Detroit Metropolitan Wayne County Airport (DTW)
<u>Scheduled Service:</u>	12 round trips per week
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> ¹	\$3,060
<u>Weekly Ceiling:</u> ²	\$73,440

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 \$3,779,500 divided by 1,235 annual flights (24 weekly flights x 52 weeks x 99 percent completion).

² 24 flights per week multiplied by \$3,060.