



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

Issued by the Department of Transportation
on the 18th of February, 2020

Essential Air Service at

WATERLOO, IOWA (FAIN 69A3452060239)¹

Docket DOT-OST-2011-0132

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 American Airlines Inc., branded as American Eagle (American), at Waterloo, Iowa, for the two-year term from May 1, 2020, through April 30, 2022. American will provide Waterloo with 13 weekly nonstop round trips to Chicago O'Hare International Airport (ORD) with 50-seat jet aircraft (ERJ-145) at an annual subsidy rate of \$1,659,159.²

Background

By Order 2018-1-4 (January 5, 2018), the Department selected American to provide EAS at Waterloo from May 1, 2018, through April 30, 2020, at an annual subsidy rate of \$1,727,411. Under the terms of that Order, American provides 13 weekly nonstop round trips to ORD with 50-seat jet aircraft.

As the end of the current contract approached, the Department issued Order 2019-9-6 (September 13, 2019), requesting proposals from interested air carriers for a new term. In response to that Order, only American submitted a proposal for consideration.

Proposal of American

American stated that its service would be operated by its regional brand, American Eagle, with 13 weekly nonstop round trips to ORD, using 50-seat jet aircraft, at an annual subsidy rate of \$1,659,159.³ In its proposal, the air carrier stated that, at ORD, American, American Connection, and American Eagle offer "540 daily departures to 154 destinations, making it one of the largest hubs in the country."

¹ Federal Award Identification Number.

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

³ American confirmed via email that its proposal for Waterloo is for a two-year term.

With respect to marketing, American stated that it intends “to communicate on the route on any platform that the Marketing team sees as adequate (Online, Traditional or Social Media) as part of its normal course of business.”

The proposal, as well as the community’s entire docket, may be accessed online at www.regulations.gov by entering “DOT-OST-2011-0132” in the search field.

Community Comments

On October 16, 2019, the Department solicited comments from the community regarding this air carrier selection case. The Department received comments from Waterloo’s Mayor, Mr. Quentin M. Hart, and the Waterloo Regional Airport Board’s Chair, Mr. Hugh M. Field, supporting American. In their jointly-signed letter, the city officials stated: “We are thankful that American Airlines wants to continue to serve Waterloo to Chicago O’Hare International Airport. This connection provides our passengers a one-stop connection to nearly anywhere in the world when combining AA’s network of cities with their airline partners in the One World Alliance.”

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 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.⁴

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

American has served Waterloo for several years and its service will continue to provide Waterloo passengers seamless connectivity and global access at its ORD hub. The Department notes that American’s subsidy will have decreased by approximately \$68,000 annually, thus providing savings for the Federal Government (\$1,659,159 annual subsidy for the new contract vs. \$1,727,411 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.

⁴ In addition, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94, provides that, when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that has been considered since the inception of the program.

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 with 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. Waterloo is subject to the Subsidy Cap.

The Department expects the air carrier and the community 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. American 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 FAA, and it has raised no concerns that would negatively affect the air carrier's fitness. The Department therefore concludes that American is reliable and fit to conduct the operations proposed here.

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

ACCORDINGLY,

1. The Department selects American Airlines, Inc. to provide Essential Air Service at Waterloo, Iowa, from May 1, 2020, through April 30, 2022, and establishes the subsidy rate as described in Appendix C;
2. This Order is contingent upon the Department's receipt of properly-executed certifications from the air carrier that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;⁵
3. The Department directs American 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;

⁵ The certifications are internet accessible at: <https://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

4. The Department finds that American Airlines, Inc, continues to be fit, willing, and able to operate as a certificated carrier, and capable of providing reliable Essential Air Service at Waterloo, Iowa;
5. This docket will remain open until further Order of the Department; and
6. The Department will serve this Order on the mayor of Waterloo, Iowa, the Waterloo Regional Airport Board, the Director of Aviation at the Waterloo Regional Airport, and American Airlines, Inc.

By:

David E. Short
Deputy Assistant Secretary
Aviation and International Affairs

(SEAL)

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

AREA MAP

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American Airlines proposal for Waterloo

EAS Bid Summary

ALO-ORD @ 1 6/7 Daily RT Frequency with a E145

Prepared October-2019

EAS Market

ALO-ORD

A/C Type	E145
Seats Per Departure	50
Weekly Round Trips	13
Annual Departures (99% completion factor)	1,342
Stage Length (Miles)	234
Block Hours Per Departure	1.2
Annual Block Hours (Factors)	1,568

Estimated Load Factor	72%
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Passenger Revenue

Average Onboard Fare	\$	92.9
Annual Onboard Pax	\$	48,318
	\$	4,486,478

Revenue Forecast

Annualized

Passenger Revenue	\$	4,486,478
<u>Other Revenue</u>	\$	810,813
Total Revenue	\$	5,297,291

Expense Forecast

Direct Expense	\$	4,754,069
Indirect Expense	\$	610,684
<u>Aircraft Ownership and Overhead</u>	\$	966,645
Total Expense	\$	6,331,397

Profit/(Loss)	\$	(1,034,106)
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<u>Profit Element</u>	\$	625,052
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Annual Subsidy Requirement	\$	1,659,159
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Subsidy Requirement

Subsidy Per Trip	\$	1,236
Subsidy Per Passenger	\$	34

American Airlines, Inc.
Essential Air Service to be provided at Waterloo, Iowa
DOT-OST-2011-0132

<u>Contract Term:</u>	May 1, 2020, through April 30, 2022
<u>Hub:</u>	Chicago O'Hare International Airport (ORD)
<u>Scheduled Service:</u>	13 nonstop round trips per week
<u>Aircraft:</u>	50-seat jet aircraft (ERJ-145)
<u>Rate per Eligible Flight:</u>	\$1,236 ¹
<u>Weekly Ceiling:</u>	\$32,136 ²

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 \$1,659,159 divided by 1,342 annual departures (26 weekly departures multiplied by 52 weeks plus four flights (for a total of 365 days each year) multiplied by 99 percent completion).

² 26 flights per week multiplied by \$1,236 per flight.