



January 18, 2018

Mr. Joel Szabat
Deputy Assistant Secretary for Aviation and International Affairs
U.S. Department of Transportation
1200 New Jersey Ave., SE
Washington, DC 20590

Re: Reply to Cape Air's Filing Regarding Decatur, Illinois EAS (Docket DOT-OST-2006-23929)

Dear Mr. Szabat:

As counsel for Archer Daniels Midland Co. ("ADM"), I am writing to respectfully reiterate our support for SkyWest Airlines' ("SkyWest") petition for reconsideration and motion for stay and offer the following reply in response to the January 16, 2018 comments filed by Hyannis Air Service, Inc. dba Cape Air ("Cape Air") in the docket.¹

ADM believes that SkyWest service is the best for the residents of Decatur because it has the support of the community, is similar to the jet service offered at numerous other EAS communities, will promote Decatur's economic development, and presents a reasonable total subsidy and per-passenger subsidy—almost 50 percent smaller than Cape Air's. We encourage the Department to select SkyWest as the EAS provider for Decatur at the earliest possible time, so ADM's employees and the traveling public can begin enjoying the superior jet service and vital links to Chicago O'Hare International Airport ("O'Hare") on both an O&D and connecting basis.

ADM's Decades-Long Support and Investment in Decatur, Illinois

As an initial matter, allow me to respond to Cape Air's absurd suggestion that ADM's involvement in this proceeding is somehow inappropriate or "remarkable;" it's nothing of the sort. ADM's strong support and advocacy for SkyWest's jet service proposal is founded on its long desire to bring the best air service for its employees and Decatur residents. ADM has invested and supported the community of Decatur for decades—long before the EAS program began. ADM knows that SkyWest offers the best opportunities for its hometown and local residents, many of whom are their employees and families who need and desire jet service to O'Hare. Indeed, DOT prioritizes the support of the local community in awarding EAS service, and SkyWest has overwhelming support—from the Decatur Park Board, the Mayor, Decatur Memorial Hospital, the Economic Development Corporation and dozens of small businesses.

Cape Air is operating nine-passenger prop planes that are, on average, over 30 years old. SkyWest's fleet of 50-passenger CRJ-200s average less than half that age and are pressurized for passenger comfort. With ADM employees, vendors, and customers potentially accounting for thousands of trips between Chicago and Decatur, ADM believes pressurized-cabin jet service represents a marked comfort and safety improvement, and an opportunity to showcase Decatur as a modern, cutting-edge community. Cape Air wrongly suggests that

¹ Cape Air Comments, Docket DOT-OST-2006-23929 (Jan. 16, 2018).

SkyWest's service is "extravagant" "dream air service" for Decatur.² On the contrary, SkyWest's proposal is well within the EAS norm, as the carrier is operating 50-passenger CRJ-200s in many similar EAS communities.³

Total and Per-Passenger Subsidy Considerations

When considering the subsidy requirement, EAS precedent reflects two factors: whether the total subsidy is reasonable and whether the per-passenger subsidy provides value based on the service being offered. Cape Air's proposal, while offering a slightly less total subsidy, requires a far greater per-passenger subsidy.

SkyWest's proposal meets both criteria. First, its subsidy is reasonable and in line with other subsidies for nearly identical CRJ-200 service in other markets.⁴ Here, a CRJ-200 is an appropriate aircraft for Decatur, offering an appropriate amount of jet service at a reasonable load factor. Second, the Department has regularly considered passenger enplanement and service levels in evaluating the subsidy.⁵ For example, in 2003, when the Department was looking at EAS in the same Decatur market, the Department selected the EAS service proposal requesting the largest subsidy, because it was "reasonable for the service provided."⁶ SkyWest's current proposal includes additional capacity that can serve an additional 20,000 annual passengers, leading to a far lower subsidy per passenger. Cape Air's subsidy per possible passenger is nearly double SkyWest's.

Furthermore, Cape Air presents a "slippery slope" argument, suggesting that any consideration of per-passenger subsidy will encourage carriers to fly 737s into EAS communities.⁷ This argument is ridiculous. Like all other routes, Decatur-Chicago, despite strong demand, would not justify B737 service. Load factors would be below break even, with a total subsidy far higher and not reasonable.

Cape Air's Proposed Service

Cape Air suggests it should be given compensation if the Department's initial decision is "vacated." Yet, Cape Air began selling service to the public three days after SkyWest filed its petition for reconsideration and motion for stay. As an experienced carrier before the Department, Cape Air is well aware of the Department's regulations, which allow for the filing of a petition for reconsideration within 20 days of an order. Therefore, Cape Air had both actual and constructive notice that its selection could be reconsidered when it began selling

² See Cape Air Comments at 3

³ See, e.g., Order 2016-5-19; DOT-OST-1997-2785 (Devils Lake and Jamestown, ND); Order 2015-12-13; DOT-OST-2011-0121 (Cody, WY); Order 2014-7-8; DOT-OST-2009-0300 (Alpena, MI); Order 2016-12-29; DOT-OST-1999-5175, DOT-OST-2011-0135, DOT-OST-2009-0304, DOT-OST-2011-0109 (Iron Mountain/Kingsford, MI; Brainerd, MN; International Falls, MN; Rhinelander, WI); Order 2016-8-23; DOT-OST-2003-15128 (Escabana, MI).

⁴ See, e.g., Order 2017-12-13, Docket DOT-OST-1996-1715 (Kearney, NE)

⁵ SkyWest's petition referenced significant EAS precedent showing that the Department regularly considers the value of the EAS service, not simply the total cost. Cape Air's comment did not cite to any precedent regarding the Department's use of subsidy considerations in its EAS decision-making. Nor did Cape Air deny that Congress requires the EAS program to calculate and cap per-passenger subsidies for EAS communities like Decatur. See Department of Transportation and Related Agencies Appropriations Act 2000 (stating that "No essential air service subsidies shall be provided to communities in the 48 contiguous States that are located fewer than 70 highway miles from the nearest large or medium hub airport, or that require a rate of subsidy per passenger in excess of \$200 unless such point is greater than 210 miles from the nearest large or medium hub airport.")

⁶ Order 2003-1-1, OST-2002-11859, Decatur, IL

⁷ Cape Air comments at 3 (stating that per-passenger review "would encourage carriers to file expensive EAS proposals with narrow-body aircraft like a Boeing 737, which would drive prohibitively high total costs for the EAS program and the American taxpayer").

tickets. Nothing in the Department's Rules of Practice permit a lesser review of the petition for reconsideration based on Cape Air's actions.

Cape Air's answer states that it has sold a "proportional" number of bookings to St. Louis, although it does not reveal the total number of bookings or how many bookings are to St. Louis. Should the Department award the service to SkyWest, Cape Air should be able to refund tickets to customers that are unable to travel by air to St. Louis. Customers that booked to Chicago would be able to travel on SkyWest.

O'Hare remains by far the more beneficial destination for Decatur residents, due to its significant flight connections and the volume of traffic between Chicago and Decatur. While service to St. Louis may have limited benefits to the community, it's a far easier ground commute for Decatur residents than Chicago. Depending on traffic, the drive to St. Louis airport is roughly an hour shorter than the drive to O'Hare.

Conclusion

ADM respectfully submits that SkyWest's request for reconsideration and a stay is meritorious, and presents both far better spending of limited EAS funding, and far greater consumer benefits. As Cape Air service is not scheduled to begin for nearly a month—on February 14, 2018—the Department still has ample time to reconsider the original order. We strongly urge the Department to select SkyWest for Decatur EAS service. We have filed these comments in the docket and have made them available to interested parties.

Sincerely,



Kenneth P. Quinn
Counsel for ADM

cc: The Honorable Jeffrey A. Rosen
The Honorable Steven Bradbury
D. Cameron Findlay
D. Devany