



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

Issued by the Department of Transportation
on the 12th day of December, 2019

Essential Air Service at

DECATUR, ILLINOIS
(FAIN 69A3452060481)¹

DOT-OST-2006-23929

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 United Express (SkyWest), to provide Essential Air Service (EAS) at Decatur, Illinois, for a two-year contract term from February 1, 2020, through January 31, 2022.

SkyWest will provide 12 nonstop round trips per week to Chicago O'Hare International Airport (ORD) using 50-passenger Canadair Regional Jet CRJ200 (CRJ200) aircraft for an annual subsidy of \$2,993,168.²

Background

By Order 2017-12-20, issued on December 21, 2017, the Department re-selected Hyannis Air Service, Inc. d/b/a Cape Air (Cape Air) to provide EAS at Decatur for the two-year contract term from February 1, 2018, through January 31, 2020, at a first-year annual subsidy rate of \$2,915,273, and a second-year annual subsidy rate of \$3,002,731. Cape Air provides the community with 24 nonstop round trips per week to ORD and 12 nonstop round trips per week to St. Louis-Lambert International Airport (STL) (for a total of 36 round trips per week) using 9-passenger Cessna 402 aircraft.

As the expiration of the current contract approached, the Department issued Order 2019-5-21 on May 28, 2019, requesting proposals from air carriers interested in providing EAS for a new contract term. In response to that Order, the following air carriers 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.

Boutique Air, Inc. (Boutique Air), Cape Air, Multi-Aero, Inc. d/b/a Air Choice One (Air Choice One), and SkyWest.

Each carrier's complete proposal and the community comments may be accessed online at www.regulations.gov by entering docket number DOT-OST-2006-23929 in the search block.

Summary of Air Carrier Proposals

DECATUR SERVICE OPTIONS									
<u>Carrier/Service Option</u>	<u>Year 1 Annual Subsidy</u>	<u>Year 2 Annual Subsidy</u>	<u>Year 3 Annual Subsidy</u>	<u>Year 4 Annual Subsidy</u>	<u>Community Support?</u>	<u>Hub(s)</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>
Air Choice One, 2-year selection	\$2,993,008	\$3,082,798	N/A	N/A	No	STL/ORD	36 (18 to STL, 18 to ORD)	Beechcraft 1900C	8/9
Air Choice One, 4-year selection	\$2,993,008	\$3,082,798	\$3,175,282	\$3,270,541	No	STL/ORD	36 (18 to STL, 18 to ORD)	Beechcraft 1900C	8/9
Boutique Air Option 1	\$3,170,266	\$3,233,671	N/A	N/A	No	STL/ORD	36 (12 to STL, 24 to ORD)	PC12	8/9
Boutique Air Option 2	\$2,869,073	\$2,926,454	N/A	N/A	No	STL	36	PC12	8/9
Cape Air Option 1, 2-year selection	\$2,706,355	\$2,787,546	N/A	N/A	No	STL	36	Cessna 402	9
Cape Air Option 1, 4-year selection	\$2,642,983	\$2,722,273	\$2,803,941	\$2,888,059	No	STL	36	Cessna 402	9
Cape Air Option 2, 2-year selection	\$2,994,167	\$3,083,992	N/A	N/A	No	ORD/STL	36 (24 to ORD, 12 to STL)	Cessna 402	9
Cape Air Option 2, 4-year selection	\$2,924,056	\$3,011,777	\$3,102,131	\$3,195,195	No	ORD/STL	36 (24 to ORD, 12 to STL)	Cessna 402	9
Cape Air Option 3, 2-year selection	\$2,850,261	\$2,935,769	N/A	N/A	Yes	STL/ORD	36 (24 to STL, 12 to ORD)	Cessna 402	9
Cape Air Option 3, 4-year selection	\$2,783,520	\$2,867,025	\$2,953,036	\$3,041,627	No	STL/ORD	36 (18 to STL, 18 to ORD)	Cessna 402	9
SkyWest	\$2,993,168	\$2,993,168	N/A	N/A	Yes	ORD	12	CRJ200	50

Community Comments

On June 27, 2019, the Department requested comments from the community of Decatur regarding this EAS carrier-selection case. In response, the Department received letters from the City of Decatur, Decatur Airport, Congressman Rodney Davis, and the Greater Decatur Chamber of Commerce, all supporting SkyWest's proposal. The Honorable Julie Moore Wolfe,

Mayor of Decatur, writes in her letter that SkyWest's service will attract and help retain passengers in the region by offering greater access to the national air transportation network, as well as increase the number of passenger enplanements at Decatur Airport.

Mr. Chris Harrison, President of the Decatur Park District that owns and manages Decatur Airport, writes: "After a thorough review of airline submissions, formal airline presentations, and engaging public feedback, the Decatur Park Board of Commissioners is recommending SkyWest Airlines...for providing Essential Air Service..." Mr. Harrison also stated that ORD is key to increasing passenger usage and long term success for air service at Decatur.

Congressman Rodney Davis, House Representative of the 13th District, Illinois, expressed strong support for SkyWest's proposal, writing: "I fully welcome SkyWest's proposal to provide high-speed jet access and air services from the Decatur community to Chicago (ORD). These proposed flights out of Decatur will add to our region's continued economic growth."

Ms. Miranda Rothrock, President of the Greater Decatur Chamber of Commerce submitted a letter to the Department that echoed Congressman Davis' sentiments that SkyWest's proposal would provide economic benefits to the Decatur region. Ms. Rothrock writes: "The SkyWest service will help attract and retain staff and customers in our community by offering greater access to the air travel network and a higher net number of enplanements. Existing businesses in Macon County will benefit while making it easier to recruit new ones through these offered air services."

In addition, the Department also received a number of letters from individuals from the community of Decatur and the surrounding area. The majority of the letters expressed support for the proposal put forth by SkyWest; however, there were a few letters that expressed support for Cape Air's proposal, and those submitters also wrote favorably of Cape Air's service.

Additional Comments

American Airlines submitted a letter to the Department dated July 15, 2019. Robert A. Wirick, Managing Director of Regulatory and International Affairs, expressed American's enthusiastic support for Cape Air's proposal at Decatur. Mr. Wirick stated that, should the Department select Cape Air, American would continue its existing codeshare agreement with Cape Air at Decatur, thus providing the community seamless booking and travel on American's worldwide network.

Decision

In selecting an air carrier to provide subsidized EAS for an eligible place not in Alaska, Section 41733(c)(1) directs the Department to consider five factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier to the hub; (c) interline arrangements with a larger carrier at the hub; (d) community views, giving substantial weight to the views of the elected officials representing the users; and (e) whether the carrier has included a plan in its proposal to market its service to the community. In addition, the Consolidated Appropriations Act, 2019, Pub. L. No. 116-6, provides that, when selecting an air carrier to provide EAS, the Department may consider the relative subsidy requirements, thus codifying a factor that the Department has considered since the inception of the program.

The Department selects SkyWest to provide EAS at Decatur for a new, two-year contract term. SkyWest's proposal meets all five of the carrier-selection criteria the Department is required to

consider. SkyWest has a solid reputation in the EAS program for providing reliable air service, and the Department is confident the air carrier will do the same at Decatur. In addition, the Department received several comments in support of SkyWest's proposal, including the unanimous support of the elected officials who commented.³ Furthermore, SkyWest will offer Decatur passengers a seamless travel experience with its United Airlines codeshare and numerous connecting opportunities at the ORD hub. Lastly, the Department notes that, with SkyWest's selection at Decatur, the total subsidy for the two-year contract term will be \$9,563 less than Cape Air's current annual subsidy (SkyWest's annual subsidy of \$2,993,168 vs. Cape Air's current annual subsidy of \$3,002,731).

The Department's decision is contingent upon receiving properly-executed certifications from SkyWest that the carrier is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.⁴

Service Transition

The Department expects Cape Air and SkyWest to work together to make a smooth transition at Decatur, with no service hiatus. Before Cape Air suspends service, the Department expects the carrier to notify all passengers holding reservations for travel after the suspension 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.

If SkyWest is unable to start service on February 1, 2020, Cape Air is required to serve Decatur with its current service pattern until SkyWest begins full EAS at the community. In that case, Cape Air will be compensated at the first-year annual subsidy rate of its Option 2, two-year selection that it proposed in its EAS bid (see the table on page 2 of this Order).

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.

Further, the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69, prohibits the Department from subsidizing EAS to communities located within the 48 contiguous States with a subsidy per passenger amount exceeding \$200, unless the community is located more than 210 miles from the nearest large- or medium-hub airport. Decatur is subject to the \$200 subsidy cap.

Lastly, 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 of Transportation, during the most recent fiscal year, to remain eligible for EAS. Locations in Alaska and Hawaii, and

³ Section 41733(c)(1)(D) directs the Department to give substantial weight to the views of elected officials representing the actual and potential users when considering community preferences.

⁴ The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

communities that are more than 175 driving miles from the nearest large or medium hub airport, are exempt from this requirement. Decatur is within 175 miles of Chicago Midway International Airport, a large-hub airport, and is subject to this requirement.

To be compliant with the above requirements, the Department expects the air carrier and the community to work together to ensure continued eligibility 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.

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 Decatur.

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 Decatur, Illinois, from February 1, 2020, through January 31, 2022, and establishes the annual subsidy rate as described in Appendix C;
2. The Department sets a temporary rate, as described in Appendix C, for Hyannis Air Service, Inc. d/b/a Cape Air to provide Essential Air Service at Decatur, Illinois, from February 1, 2020, through March 31, 2020, or until SkyWest Airlines, Inc. commences full Essential Air Service, whichever is earlier;
3. The Department makes this selection contingent upon receiving properly-executed certifications from SkyWest Airlines, Inc. that the carrier is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;
4. The Department directs SkyWest Airlines, Inc. to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years from the service date of this Order or until the Department indicates that the records may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
5. 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 Decatur, Illinois;

6. This docket will remain open pending further Department action; and
7. The Department will serve a copy of this Order on the Mayor of Decatur, Illinois, the Airport Director at Decatur Airport, the Executive Director of Decatur Park District, Boutique Air, Inc., Hyannis Air Service, Inc. d/b/a Cape Air, Multi-Aero, Inc. d/b/a Air Choice One, and SkyWest Airlines, Inc.

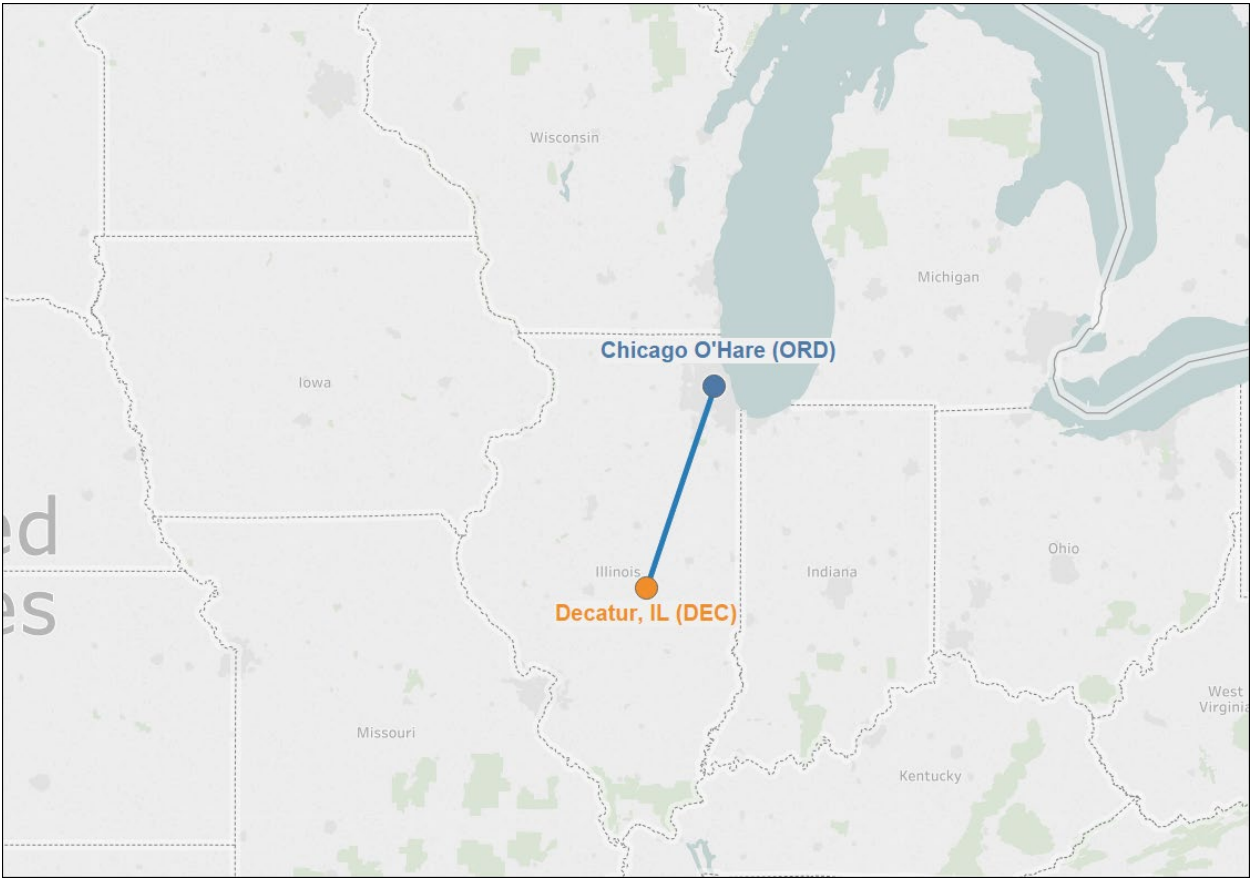
By:

David E. Short
Deputy Assistant Secretary
Aviation and International Affairs

(SEAL)

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

AREA MAP



SkyWest Proposal at Decatur

SkyWest Airlines Essential Air Service Bid 7/10/2019	
	DEC ORD
Number of round trips per week	12
Aircraft type	CRJ
Passenger Revenue	
Passengers	27,000
Average fare	\$ 69.00
Revenue	\$ 1,863,000
Block Time	
Trip block time (minutes)	67
Total scheduled block time	1,394
Total completed block time	1,352
RPMS	
Passengers	27,000
Stage length	156
Total RPMs	4,212,000
ASMs	
Scheduled departures	1,248
Completed departures	1,211
Stage length	156
Available Seats	50
Total ASMs	9,734,400
Revenue	\$ 1,863,000
Marketing Costs	\$ 20,000
Direct operating expenses	\$ 3,293,858
RPM related	\$ 110,680
Departure related	\$ 1,129,767
ASM related	\$ 90,725
Total expenses	\$ 4,645,030
Operating income (loss)	\$ (2,782,030)
5% profit margin	\$ 211,138
Annual subsidy requirement	\$ 2,993,168
Effective Subsidy rate per unit	
Subsidy per trip	\$ 2,473
Subsidy per passenger	\$ 111
Load factor	43%

Hyannis Air Service, Inc. d/b/a Cape Air proposal for Decatur

Drivers

	DEC-STL	DEC-ORD	Total
Weekly RTs	12	24	36
Minimum completion rate	97%	97%	97%
Daily RTs	1.7	3.4	5.1
Pax/Dpt	5.4	5.4	5.4
LF	60%	60%	60%
Fare (average net)	\$39	\$62	\$54
Pax Rev/Dpt	\$211	\$335	\$293
Annual Sched Dpts	1,251	2,503	3,754
Annual Pax	6,555	13,110	19,665

Note: See escalation factors subsequent slide

4-year option
preferred

Expenses

Two-year term; discount for 4-year term, preferred, is noted below

	DEC-STL	DEC-ORD	Total
Fuel	\$225,313	\$605,672	\$830,985
Maintenance	\$218,319	\$614,572	\$832,890
Pilots, Supplies & Training	\$188,387	\$365,915	\$554,302
Ownership	\$160,542	\$451,928	\$612,469
Rents	\$74,437	\$41,231	\$115,668
Staff	\$100,719	\$434,524	\$535,243
Landing Fees	\$52,996	\$79,085	\$132,081
Marketing	\$21,667	\$43,333	\$65,000
Customer Svc.	\$15,963	\$31,005	\$46,968
General & Admin./Other	\$41,533	\$92,358	\$133,891
Operating expense	\$1,099,875	\$2,759,623	\$3,859,498
Return of 5%	\$57,888	\$145,243	\$203,131
Economic Expense	\$1,157,763	\$2,904,866	\$4,062,629
Passenger Revenue	\$255,644	\$812,818	\$1,068,462
Profit	(\$902,118)	(\$2,092,048)	(\$2,994,167)
Proposed Subsidy	\$902,118	\$2,092,048	\$2,994,167
Per Departure	\$743	\$862	\$798
Year 1			
Proposed Subsidy	\$880,994	\$2,043,061	\$2,924,056
Per Departure	\$704	\$816	\$779
Year 1			

SkyWest Airlines, Inc.
Essential Air Service to be provided at Decatur, Illinois
DOT-OST-2006-23929

<u>Contract Term:</u>	February 1, 2020, through January 31, 2022
<u>Hub:</u>	Chicago O'Hare International Airport (ORD)
<u>Scheduled Service:</u>	12 nonstop round trips per week
<u>Aircraft:</u>	50-passenger CRJ200
<u>Annual Subsidy:</u>	\$2,993,168
<u>Rate per Flight:</u> ¹	\$2,447
<u>Weekly Ceiling:</u> ²	\$58,728

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 December 20, 2019. The Government's obligation for performance under this Order beyond December 20, 2019, 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 20, 2019, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 20, 2019, 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 forth.

¹ Annual compensation of \$2,993,168 divided by 1,223 annual departures (24 weekly departures x 52 weeks x 98 percent completion).

² 24 arrivals and departures per week multiplied by \$2,447.

Hyannis Air Service, Inc. d/b/a Cape Air
Temporary Essential Air Service to be provided at Decatur, Illinois
DOT-OST-2006-23929

Contract Term: February 1, 2020, through March 31, 2020, *or until SkyWest begins full EAS at the community*

Hubs: Chicago O'Hare International Airport (ORD)
St. Louis-Lambert International Airport (STL)

Scheduled Service: 24 nonstop round trips per week to ORD
12 nonstop round trips per week to STL

Aircraft: 9-passenger Cessna 402 *or* Tecnam P2012 Traveller

Annual Subsidy:

<u>Effective Period</u>	<u>ORD</u>	<u>STL</u>
February 1, 2020 - March 31, 2020	\$2,092,048	\$902,118

Rate per Flight:

<u>Effective Period</u>	<u>ORD³</u>	<u>STL⁴</u>
February 1, 2020 – March 31, 2020	\$1,152	\$497

Weekly Ceiling:

<u>Effective Period</u>	<u>ORD⁵</u>	<u>STL⁶</u>
February 1, 2020 – March 31, 2020	\$41,472	\$17,892

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 December 20, 2019. The Government's obligation for performance under this Order beyond December 20, 2019, 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 20, 2019, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 20, 2019, 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 forth.

³ Annual compensation divided by 1,816 annual departures (36 weekly departures x 52 weeks x 97 percent completion).

⁴ Annual compensation divided by 1,816 annual departures (36 weekly departures x 52 weeks x 97 percent completion).

⁵ 36 weekly departures multiplied by rate per flight.

⁶ 36 weekly departures multiplied by rate per flight.