



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

Issued by the Department of Transportation
on the 6th day of November, 2015

Essential Air Service at

**PADUCAH, KENTUCKY
HANCOCK/HOUGHTON, MICHIGAN
MUSKEGON, MICHIGAN
EAU CLAIRE, WISCONSIN**

**DOCKET DOT-OST-2009-0299
DOCKET DOT-OST-2009-0302
DOCKET DOT-OST-2009-0301
DOCKET DOT-OST-2009-0306**

Under 49 U.S. C. § 47131 *et seq.*

ORDER RE-SELECTING CARRIER

Summary

By this Order, the Department of Transportation (the Department) is re-selecting SkyWest Airlines, Inc. (SkyWest) to provide Essential Air Service (EAS) at Paducah, Kentucky; Hancock/Houghton, Michigan; Muskegon, Michigan; and Eau Claire, Wisconsin, for the two-year period from February 1, 2016, through January 31, 2018. At Paducah, Eau Claire, and Muskegon, SkyWest will provide 13 nonstop round trips per week to Chicago O'Hare International Airport (ORD). At Hancock/Houghton, SkyWest will provide 14 nonstop round trips per week to ORD. SkyWest will operate this service using 50-seat Canadair Regional Jet 200 (CRJ-200) aircraft, at an annual combined subsidy rate of \$8,444,567,¹ as indicated below:

Community	Subsidy	Round trips Per Week
Paducah	\$2,170,549	13
Hancock/Houghton	\$1,633,954	14
Muskegon	\$2,418,759	13
Eau Claire	\$2,221,305	13

¹ Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

Background

By Order 2013-10-8, issued on October 21, 2013, the Department re-selected SkyWest to provide subsidized EAS at the above communities using CRJ200 aircraft, for the period from January 1, 2014, through January 31, 2016. Under that contract, SkyWest has provided each community with 14 weekly nonstop round trips to ORD, at an annual combined subsidy rate of \$5,661,624, as indicated below:

Community	Subsidy	Round trips Per Week
Paducah	\$2,034,160	14
Hancock/Houghton	\$690,976	14
Muskegon	\$1,389,952	14
Eau Claire	\$1,546,536	14

As the end of that rate term approached, the Department issued Order 2015-6-8, on June 8, 2015, requesting proposals from air carriers interested in providing EAS at the above communities for a new term. Those proposals were due no later than July 10, 2015. In response, SkyWest, the incumbent, was the only air carrier to submit a proposal for consideration.

That proposal, as well as the complete public file for EAS at each of the above communities, may be accessed online through the Federal Docket Management System at <http://www.regulations.gov>, by entering each community's respective Docket number in the "SEARCH for: Rules, Comments, Adjudications or Supporting Documents:" field.

Proposal of SkyWest

SkyWest proposed to provide Paducah, Muskegon, and Eau Claire with 13 nonstop round trips per week to ORD and Hancock/Houghton with 14 nonstop round trips per week to ORD, using 50-seat CRJ200 aircraft, at an annual combined subsidy rate of \$8,444,567.

Community Comments

On July 13, 2015, the Department requested community comments regarding this air carrier selection case. In response, by letter dated August 5, 2015, Mr. Chris Neihoff, Chairman of Barkley Regional Airport Authority, Ms. Gayle Kayler, Mayor of Paducah, Mr. Bob Leeper, Judge Executive of McCracken County, and Ms. Sandra Wilson, President of the Paducah Area Chamber of Commerce, provided support for SkyWest's continued service at Paducah.

By letter dated July 27, 2015, Mr. Marty Piette, Director of Muskegon County Airport, provided support for SkyWest's continued service. However, Mr. Piette indicated some dissatisfaction with the timing of the flights and explained that the community has unsuccessfully urged SkyWest to operate a daily morning originating flight, which has the potential to increase business-oriented transportation.

By letter dated October 29, 2015, the Honorable Robert Backon, Mayor of the City of Houghton, provided strong support for SkyWest's proposal to continue providing EAS at the community. Mayor Backon explained that the technology institutions located in the area could not survive without air service, which is an important economic factor in the community.

By letter dated August 10, 2015, Mr. Jeff Ratcliffe, Executive Director of the Keweenaw Economic Development Alliance (KEDA), provided comments on behalf of Houghton. Mr. Ratcliffe's letter summarized the result of a local survey conducted by KEDA, which indicate the users of the service feel SkyWest's service lacks reliability and the community overall has an unfavorable view of the service from Houghton County Memorial Airport. Of those surveyed, 55 percent indicated a hub preference of Minneapolis, and 70 percent prefer Delta Air Lines as the EAS provider.²

The Department also received letters from local business representatives and concerned citizens from Hancock/Houghton that reflect the results mentioned in the above survey and cited additional issues with SkyWest – frequent flight cancellations, poor communication regarding flight cancellations, and unfavorable customer service, as well as a hub preference to a destination other than Chicago. On the other hand, the Department received letters supporting the continuance of the existing service to Chicago provided by SkyWest.

By letter dated July 23, 2015, Ms. Charity Speich, Airport Director of Chippewa Valley Regional Airport, provided support for SkyWest's continued service at Eau Claire. In that letter, Ms. Speich explained that SkyWest's proposal is attractive to the community given the combination of CRJ aircraft, access to United Airlines' network, and nonstop round trips to O'Hare. Additionally, Eau Claire and SkyWest have recently leveraged a Small Community Air Service Development grant to support local marketing and community outreach efforts with the goal of raising awareness of the existing EAS air service and increase enplanements.

Decision

In selecting an air carrier to provide subsidized EAS not in Alaska, 49 U.S.C. § 41733(c)(1) directs the Department to consider five factors: (1) service reliability; (2) contractual and marketing arrangements with a larger air carrier at the hub; (3) interline arrangements with a larger air carrier at the hub (4) community views, giving substantial weight to the views of the elected officials representing the users of the service; and (5) whether the air carrier has included a plan in its proposal to market the service. In addition, the Consolidated and Further Continuing Appropriations Act, 2015, Public Law No. 113-235, and continued by the Continuing Appropriations Act, 2016, Pub. L. 114-53, 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.

The decision is straightforward and clearly points to the re-selection of SkyWest. The Department received only one proposal, from the incumbent, which, as indicated above, is strongly supported by all four communities. SkyWest has a proven record of providing generally reliable service at many EAS communities. SkyWest's code-share agreement with United Airlines provides seamless access to the national and global air transportation system. The Department expects that SkyWest work with the Hancock/Houghton and Muskegon to address the concerns that were raised in the Community Comments section.

The Department shall make this selection of SkyWest contingent upon receiving properly executed certifications from the air carrier that it is in compliance with the Department's

² Delta Air Lines did not submit a proposal for consideration, nor did SkyWest propose service to Minneapolis.

regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.³

Note Regarding Paducah, Muskegon, and Eau Claire's Eligibility

Paducah, Muskegon, and Eau Claire are subject to the Department's \$200 per passenger statutory limit⁴ because those communities are fewer than 210 miles from the nearest large- or medium-hub airport. The Department expects the communities and SkyWest to work cooperatively to ensure subsidy rates remain in compliance with the \$200 subsidy per passenger cap to remain eligible for the EAS program.⁵

Air Carrier Fitness

49 U.S.C. §§ 41737(b) and 41738 require the Department to find an air carrier fit, willing, and able to provide reliable service before it can provide subsidized EAS. SkyWest is subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would bring into question the air carrier's fitness at this time. The Department's staff has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that SkyWest is reliable and remains fit to conduct the operations proposed here.

This Order is issued under authority delegated in 49 CFR Part 1.25a(b).

ACCORDINGLY,

1. The Department selects SkyWest Airlines, Inc. to provide Essential Air Service at Paducah, Kentucky; Hancock/Houghton, Michigan; Muskegon, Michigan; and Eau Claire, Wisconsin, at the service levels and subsidy rate as described in Appendix A, for the period from February 1, 2016, through January 31, 2018;

2. 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 air carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;

³ The certifications are internet accessible at: <http://www.dot.gov/policy/aviation-policy/small-community-rural-air-service/essential-air-service>.

⁴ Congress first established the \$200 ceiling under P.L. 101-164 for fiscal year 1990, and reestablished it in fiscal years 1994-1999. The ceiling was made permanent by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act of 2000.

⁵ On May 1, 2014, a Notice of Proposed Enforcement Policy on the \$200 per passenger subsidy cap was published in the Federal Register (Volume 79, Issue 84). After a 60-day public comment period and review, the Department issued a Final Notice of Enforcement Policy on the \$200 cap in October 2014. All communities in the 48 contiguous States within 210 miles of the nearest large- or medium-hub airport receiving subsidized air service under the EAS program are subject to the \$200 cap for the current and future fiscal years.

3. The Department finds SkyWest Airlines, Inc. fit, willing and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Paducah, Kentucky; Hancock/Houghton, Michigan; Muskegon, Michigan; and Eau Claire, Wisconsin;
4. These dockets will remain open pending further Department action; and
5. The Department will serve copies of this Order on the civic officials of Paducah, Kentucky; Hancock, Houghton, and Muskegon, Michigan; Eau Claire, Wisconsin; the Directors of the Barkley Regional Airport (Paducah), Chippewa Valley Regional Airport (Eau Claire), Muskegon County Airport, and Houghton County Memorial Airport; and the service list for this docket.

By:

BRANDON M. BELFORD
Deputy Assistant Secretary for
Aviation and International Affairs

(SEAL)

An electronic version of this document is available at
<http://www.regulations.gov>

SkyWest Airlines, Inc.

Annual Compensation Requirements for Essential Air Service at Paducah, KY,
Hancock/Houghton, MI, Muskegon, MI, and Eau Claire, WI

	PAH-ORD	EAU-ORD	CMX-ORD	MKG-ORD
Number of Round Trips	13	13	14	13
Aircraft Type	CRJ	CRJ	CRJ	CRJ
Passenger Revenue				
Passengers	42,000	36,000	46,000	28,000
Average Fare	\$ 94	\$ 93	\$ 108	\$ 73
Revenue	\$ 3,948,000	\$ 3,348,000	\$ 4,968,000	\$ 2,044,000
Block Time				
Trip block Time (minutes)	89	79	89	58
Total scheduled block time	2,005	1,780	2,160	1,307
Total completed block time (98%)	1,965	1,745	2,117	1,281
RPMS				
Passengers	42,000	36,000	46,000	28,000
Stage Length	342	268	359	118
Total RPMs	14,364,000	9,648,000	16,514,000	3,304,000
ASM				
Scheduled departures	1,352	1,352	1,456	1,352
Completed departures (98%)	1,325	1,325	1,427	1,325
Stage length	342	268	359	118
Available seats	50	50	50	50
Total ASMs	23,119,200	18,116,800	26,135,200	7,976,800
Revenue	\$ 3,948,000	\$ 3,348,000	\$ 4,968,000	\$ 2,044,000
Direct operating expenses	\$ 4,493,345	\$ 4,039,199	\$ 4,836,492	\$ 3,108,063
RPM related	\$ 172,170	\$ 147,574	\$ 188,567	\$ 114,780
Departure related	\$ 971,540	\$ 971,540	\$ 1,046,274	\$ 971,540
ASM related	\$ 215,471	\$ 168,849	\$ 243,580	\$ 74,344
Total expenses	\$ 5,852,525	\$ 5,327,161	\$ 6,314,913	\$ 4,268,726
Operating income (loss)	\$ (1,904,525)	\$ (1,979,161)	\$ (1,346,913)	\$ (2,224,726)
5% profit margin	\$ 266,024.00	\$ 242,144.00	\$ 287,041.00	\$ 194,033.00
Annual subsidy requirement	\$ (2,170,549)	\$ (2,221,305)	\$ (1,633,954)	\$ (2,418,759)
SkyWest effective rates per unit				
Cost per trip	\$ 4,417	\$ 4,021	\$ 4,426	\$ 3,222
Cost per passenger	\$ 127	\$ 135	\$ 125	\$ 139
SkyWest cost per block hour	\$ 2,978	\$ 3,054	\$ 2,984	\$ 3,333
Effective Subsidy rate per unit				
Subsidy per trip	\$ (1,638)	\$ (1,677)	\$ (1,145)	\$ (1,826)
Subsidy per passenger	\$ (52)	\$ (62)	\$ (36)	\$ (86)
Load factor	62%	53%	63%	41%

SkyWest Airlines, Inc.
Essential Air Service to be provided at Paducah, KY
DOT-OST-2009-0299

Effective Period: February 1, 2016, through January 31, 2018

Scheduled Service: 13 nonstop round trips each week to Chicago O'Hare

Aircraft: 50-seat CRJ-200 aircraft

Rate per Eligible Flight: \$1,638¹

Weekly Ceiling: \$42,588²

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 December 11, 2015. The Government's obligation for performance under this Order beyond December 11, 2015, 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 11, 2015, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond December 11, 2015, 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 \$2,170,549 divided by 1,325 annual departures (26 weekly departures x 52 weeks x 98 percent completion).

2 26 flights per week multiplied by \$1,638 per flight.

SkyWest Airlines, Inc.
Essential Air Service to be provided at Hancock/Houghton, MI
DOT-OST-2009-0302

Effective Period: February 1, 2016, through January 31, 2018

Scheduled Service: 14 nonstop round trips each week to Chicago O'Hare

Aircraft: 50-seat CRJ-200 aircraft

Rate per Eligible Flight: \$1,145³

Weekly Ceiling: \$32,060⁴

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.

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³ Annual compensation of \$1,633,954 divided by 1,427 annual departures (28 weekly departures x 52 weeks x 98 percent completion).

⁴ 28 flights per week multiplied by \$1,145 per flight.

SkyWest Airlines, Inc.
Essential Air Service to be provided at Muskegon, MI
DOT-OST-2009-0301

Effective Period: February 1, 2016, through January 31, 2018

Scheduled Service: 13 nonstop round trips each week to Chicago O'Hare

Aircraft: 50-seat CRJ-200 aircraft

Rate per Eligible Flight: \$1,825¹

Weekly Ceiling: \$47,450²

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.

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1 Annual compensation of \$2,418,759 divided by 1,325 annual departures (26 weekly departures x 52 weeks x 98 percent completion).

2 26 flights per week multiplied by \$1,825 per flight.

SkyWest Airlines, Inc.
Essential Air Service to be provided at Eau Claire, WI
DOT-OST-2009-0306

Effective Period: February 1, 2016, through January 31, 2018

Scheduled Service: 13 nonstop round trips each week to Chicago O'Hare

Aircraft: 50-seat CRJ-200 aircraft

Rate per Eligible Flight: \$1,676¹

Weekly Ceiling: \$43,576²

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.

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