



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

Issued by the Department of Transportation
on the 20th of January, 2022

Essential Air Service at

ABERDEEN, SOUTH DAKOTA
(69A3452260247)¹
BEMIDJI, MINNESOTA
(69A3452260248)

DOT-OST-2011-0137

DOT-OST-2011-0134

under 49 U.S.C. § 41731 *et seq.*

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 Aberdeen, South Dakota, and Bemidji, Minnesota, for a three-year term from March 1, 2022, through February 28, 2025, using 50-passenger Bombardier or Canadair CRJ-200 (CRJ-200) aircraft.

SkyWest will provide Aberdeen with 14 nonstop round trips per week from Aberdeen Regional Airport (ABR) to Minneapolis-St. Paul International Airport (MSP) and will be compensated at an annual subsidy rate of \$3,207,595.²

At Bemidji, SkyWest will provide 14 nonstop round trips per week from Bemidji Regional Airport (BJI) to MSP and will be compensated at an annual subsidy rate of \$1,863,375.

Background

By Order 2020-1-13, issued on January 29, 2020, the Department selected SkyWest to provide EAS at ABR and BJI with 14 nonstop round trips per week from each community to MSP using CRJ-200 aircraft for a two-year contract term from March 1, 2020, through February 28, 2022, at annual subsidy rates of \$1,298,572 for Aberdeen and \$1,344,499 for Bemidji.

¹ FAIN = Federal Award Identification Number.

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

As the expiration of the current contracts approached, the Department issued Order 2021-9-15 on September 13, 2021, requesting proposals from air carriers interested in providing EAS for a new contract terms at the communities. In response to that Order, Denver Air Connection, Inc. and SkyWest submitted proposals.³

Summary of Air Carrier Proposals

Aberdeen Proposals										
<u>Carrier/Service Option</u>	<u>Annual Subsidy (Year 1)</u>	<u>Annual Subsidy (Year 2)</u>	<u>Annual Subsidy (Year 3)</u>	<u>Annual Subsidy (Year 4)</u>	<u>Community Support?</u>	<u>Hub(s)</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>	<u>Interline/Codeshare</u>
Denver Air Connection	\$3,547,453	\$3,618,402	\$3,618,402	\$3,618,402	No	MSP	14	ERJ145	50	Interline with United
SkyWest	\$3,207,595	\$3,207,595	\$3,207,595	N/A	Yes	MSP	14	CRJ200	50	Branded as Delta Connection, interlines with most major carriers

Bemidji Proposals										
<u>Carrier/Service Option</u>	<u>Annual Subsidy (Year 1)</u>	<u>Annual Subsidy (Year 2)</u>	<u>Annual Subsidy (Year 3)</u>	<u>Annual Subsidy (Year 4)</u>	<u>Community Support?</u>	<u>Hub(s)</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>	<u>Interline/Codeshare</u>
Denver Air Connection	\$3,229,912	\$3,294,510	\$3,294,510	\$3,294,510	No	MSP	14	ERJ145	50	Interline with United
SkyWest	\$1,863,375	\$1,863,375	\$1,863,375	N/A	Yes	MSP	14	CRJ200	50	Branded as Delta Connection, interlines with most major carriers

The proposals, as well as each community’s entire EAS docket, may be accessed online at www.regulations.gov by entering the community’s respective docket number in the search field.

Community and State Comments

On October 28, 2021, the Department requested comments from the communities of Aberdeen and Bemidji regarding this EAS carrier-selection case. In response, the Department received letters from Aberdeen and Bemidji, both supporting SkyWest’s selection for their next EAS contract term.

The Aberdeen Regional Airport Board, representing the community of Aberdeen, wrote:

SkyWest Airlines has served Aberdeen Regional Airport since 2011. From that time onward, Aberdeen has seen steady growth. That growth is in part due to the convenience and reliability of having jet service locally. Aberdeen

³ Due to a small calculation adjustment, SkyWest submitted a revision to its package for Aberdeen and Bemidji (\$1,010 less than original). The Department deemed it not a materially significant change to the original proposal.

Regional Airport enjoys direct flights twice daily to Minneapolis-St. Paul International Airport. The time blocks are satisfactory for making connections at one of the largest US hubs, MSP, to literally anywhere in the world.

Beltrami County, the City of Bemidji, and the Bemidji Regional Airport Authority submitted a letter stating that the community of Bemidji was “very satisfied” with SkyWest’s service, writing that it provided “safe and reliable air service to our community for several years.” The letter also mentions that, as a result of the SkyWest service being branded as Delta Air Lines, Bemidji passengers have access to over 100 destinations at Delta’ MSP hub, thus providing travelers the ability to make just one connection to their final destination.

The Department also received a letter from Greater Bemidji, an organization that promotes the economic development of the Bemidji region, supporting SkyWest’s proposal.

Decision

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider five factors when making an air carrier selection for a community not in Alaska, where basic EAS will not be provided without compensation:⁴ (A) service reliability of the applicant air 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 EAS, 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 EAS. In addition, Section 41732(b)(1)(A) requires basic EAS to include at least two daily round trips six days a week for an eligible place not in Alaska. Finally, the Further Extending Government Funding Act, Pub. L. No. 117-70 (December 3, 2021), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

SkyWest’s proposal meets the air 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 to provide Aberdeen and Bemidji 14 nonstop round trips each to MSP for a new, three-year contract term.

SkyWest has been a dependable partner in the EAS program for over 20 years and during that time it has earned a solid reputation for providing reliable EAS to the communities it serves. SkyWest’s service will be branded as Delta Connection, enabling Aberdeen and Bemidji passengers with access to Delta Air Lines’ extensive domestic and international network. MSP is a large-hub airport and is one of Delta’s largest connecting hubs, which will provide Aberdeen and Bemidji passengers excellent access to the national air transportation system. Furthermore, SkyWest’s proposal was supported by both communities. Lastly, SkyWest dedicates \$20,000 at each community to market its air service. SkyWest’s EAS subsidy proposal is less than that of Denver Air Connection and thus, the selection of Sky West to serve Aberdeen and Bemidji also is consistent with the Department’s authority under the Further Extending Government Funding Act.

⁴ The Department did not receive any proposals to provide EAS at Aberdeen or Bemidji without subsidy.

Reminder About EAS Eligibility

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. EAS communities, except for those in Alaska and Hawaii, are subject to a \$1,000 subsidy per passenger cap, regardless of the distance to a hub airport.⁵

The Department expects SkyWest to work with both Aberdeen and Bemidji to ensure that the communities will comply with this eligibility requirement. Communities that fail to comply with applicable EAS eligibility 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. 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 Aberdeen and Bemidji.

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 Aberdeen, South Dakota, from March 1, 2022, through February 28, 2025, and establishes the annual subsidy rate as described in Appendix B;
2. The Department selects SkyWest Airlines, Inc. to provide Essential Air Service at Bemidji, Minnesota, from March 1, 2022, through February 28, 2025, and establishes the annual subsidy rate as described in Appendix B;
3. The Department makes these selections 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;⁶

⁵ See 49 U.S.C. § 41731(a)(1)(C). The Department notes that many of the traditional eligibility requirements, were waived for Fiscal Years 2020 and 2021 by the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020). However, compliance with these eligibility requirements has resumed with the start of Fiscal Year 2022.

⁶ The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

4. 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;

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 both Aberdeen, South Dakota, and Bemidji, Minnesota;

6. These dockets will remain open pending further Department action; and

7. The Department will serve this Order on the Transportation Director of the City of Aberdeen, South Dakota, the Executive Director of the Bemidji Regional Airport, the Mayor of Bemidji, Minnesota, the City Manager of Bemidji, Minnesota, Denver Air Connection, Inc. and SkyWest Airlines, Inc.

By:

Joel Szabat
Deputy Assistant Secretary
for Aviation and International Affairs

(SEAL)

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

SkyWest Proposal to Provide EAS at Aberdeen and Bemidji

SkyWest Airlines		
Essential Air Service Bid		
10/27/2021		
	ABR	BJI
	MSP	MSP
Number of round trips per week	14	14
Aircraft type	CRJ	CRJ
Passenger Revenue		
Passengers	40,000	45,000
Average fare	\$ 93.40	\$ 90.00
Revenue	\$ 3,736,000	\$ 4,050,000
Block Time		
Trip block time (minutes)	75	64
Total scheduled block time	1,820	1,553
Total completed block time	1,765	1,506
RPMS		
Passengers	40,000	45,000
Stage length	257	199
Total RPMs	10,280,000	9,471,635
ASMs		
Scheduled departures	1,456	1,456
Completed departures	1,412	1,412
Stage length	257	199
Available Seats	50	50
Total ASMs	18,709,600	14,487,200
Revenue	\$ 3,736,000	\$ 4,050,000
Marketing Costs	\$ 20,000	\$ 20,000
Direct operating expenses	\$ 5,141,879	\$ 4,200,070
Departure related	\$ 1,276,695	\$ 1,276,695
ASM related	\$ 174,373	\$ 135,021
Total expenses	\$ 6,612,947	\$ 5,631,786
Operating income (loss)	\$ (2,876,947)	\$ (1,581,786)
5% profit margin	\$ 330,647	\$ 281,589
Annual subsidy requirement	\$ 3,207,595	\$ 1,863,375
SkyWest effective rates per unit		
Cost per trip	\$ 4,682	\$ 3,988
Cost per passenger	\$ 131	\$ 105
SkyWest cost per block hour	\$ 3,746	\$ 3,738
Effective Subsidy rate per unit		
Subsidy per trip	\$ 2,271	\$ 1,319
Subsidy per passenger	\$ 80	\$ 41
Load factor	55%	65%

SkyWest Airlines, Inc.
Essential Air Service to be provided at Aberdeen, South Dakota
DOT-OST-2011-0137

<u>Contract Term:</u>	March 1, 2022, through February 28, 2025
<u>Annual Subsidy:</u>	\$3,207,595
<u>Hubs:</u>	Minneapolis-St. Paul International Airport
<u>Scheduled Service:</u>	14 round trips per week
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> ¹	\$2,272
<u>Weekly Ceiling:</u> ²	\$63,616

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 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 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 service amounts, 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 February 18, 2022. The Government's obligation for performance under this Order beyond February 18, 2022, 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 February 18, 2022, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond February 18, 2022, the Department will provide notice in writing to the air 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 \$3,207,595 divided by 1,412 annual flights (28 weekly flights x 52 weeks x 97 percent completion).

² 28 flights per week multiplied by \$2,272.

SkyWest Airlines, Inc.
Essential Air Service to be provided at Bemidji, Minnesota
DOT-OST-2011-0134

<u>Contract Term:</u>	March 1, 2022, through February 28, 2025
<u>Annual Subsidy:</u>	\$1,863,375
<u>Hubs:</u>	Minneapolis-St. Paul International Airport
<u>Scheduled Service:</u>	14 round trips per week
<u>Aircraft:</u>	50-passenger CRJ-200
<u>Rate per Flight:</u> ¹	\$1,320
<u>Weekly Ceiling:</u> ²	\$36,960

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 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 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 service amounts, 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.

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² 28 flights per week multiplied by \$1,320.