



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

Issued by the Department of Transportation  
on the 20<sup>th</sup> day of March, 2018

Essential Air Service at

**BAR HARBOR, MAINE**  
**PLATTSBURGH, NEW YORK**  
(FAIN 69A3451860450)<sup>1</sup>  
**PRESQUE ISLE, MAINE**  
(FAIN 69A3451860449)

**DOT-OST-2011-0185**  
**DOT-OST-2003-14783**

**DOT-OST-2000-8012**

under 49 U.S.C. 41731 *et seq.*

**ORDER SELECTING AIRLINES, ESTABLISHING ANNUAL SUBSIDY RATES, AND REQUESTING PROPOSALS ON AN EXPEDITED BASIS**

**Summary**

By this Order, the United States Department of Transportation (the Department) is 1) selecting SkyWest Airlines, Inc. (SkyWest) to provide Essential Air Service (EAS) at Plattsburgh, New York, for the two-year term from July 1, 2018, through June 30, 2020; 2) selecting United Airlines, Inc. to provide EAS at Presque Isle, Maine, for the two-year term from July 1, 2018, through January 31, 2020; and 3) re-soliciting proposals for EAS on an expedited basis at Bar Harbor, Maine.

SkyWest, branded as United Express, will provide Plattsburgh 12 nonstop round trips per week to Washington Dulles International Airport (IAD) using 50-passenger Canadair Regional Jet (CRJ200) aircraft for an annual subsidy of \$3,371,895.<sup>2</sup>

<sup>1</sup> FAIN = Federal Award Identification Number.

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

At Presque Isle, United will provide 12 nonstop round trips per week to Newark Liberty International Airport (EWR) using 50-seat jet aircraft for an annual subsidy of \$4,780,955.

At Bar Harbor, the Department is re-soliciting proposals, on an expedited basis, from airlines interested in providing *only* seasonal, summer service at Bar Harbor beginning July 1, 2018, with or without subsidy. Airlines should file their proposals no later than April 5, 2018.<sup>3</sup>

### **Background**

By Order 2016-4-10, issued on April 13, 2016, the Department re-selected Peninsula Airways, Inc. (PenAir) to provide subsidized EAS at Bar Harbor, Plattsburgh, and Presque Isle.

At Bar Harbor, PenAir was selected to provide EAS for the two-year contract term from July 1, 2016, through June 30, 2018, during the peak summer season *only*.<sup>4</sup> PenAir provides 14 nonstop round trips per week to Boston Logan International Airport (BOS) using 30-33 passenger Saab 340 (Saab 340) aircraft for an annual subsidy of \$466,799.

At Presque Isle, PenAir was re-selected to provide 19 nonstop round trips per week to BOS using Saab 340 aircraft for a first-year annual subsidy of \$5,087,738, and a second-year annual subsidy of \$5,201,724.

At Plattsburgh, PenAir was re-selected to provide 12 nonstop round trips per week to BOS using Saab 340 aircraft for a first-year annual subsidy of \$2,989,877, and a second-year annual subsidy of \$3,068,490.

As the expiration of the current contracts approached, the Department issued Order 2017-11-3 on November 7, 2017, requesting proposals from airlines for a new contract term. In response to that Order, several airlines submitted proposals to serve the communities.

At Bar Harbor, four airlines submitted proposals: Aerodynamics, Inc. d/b/a SkyValue Airways (SkyValue), Boutique Air, PenAir, and Silver Airways (Silver).

At Plattsburgh, six airlines submitted proposals: Boutique Air, PenAir, Silver, SkyValue, SkyWest, and Via Airlines, Inc. (Via Air).

At Presque Isle, six airlines submitted proposals: Boutique Air, PenAir, Silver, SkyValue, SkyWest, and United.

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<sup>3</sup> Airlines should not expect the Department to grant an extension to the due date for proposals. If for some *rare* and *exceptional* circumstance an extension request is made, the Department expects the request *well in advance* of the due date for proposals. However, airlines should understand the Department is under no obligation to grant an extension.

<sup>4</sup> For the off-peak winter season, Hyannis Air Service d/b/a Cape Air, was selected to provide EAS for the four-year contract term beginning July 1, 2016, through June 30, 2020.

Each airline's complete proposal and the community comments may be accessed online at [www.regulations.gov](http://www.regulations.gov) by entering the community's respective docket number in the search block.

### **Proposal of Boutique Air**

Boutique Air submitted proposals to serve all three communities on a stand-alone, non-contingent basis. The airline would provide service to BOS using 8/9-passenger single-engine Pilatus PC-12 aircraft for a two-year contract term. The subsidy and frequencies for each community are summarized below:

Bar Harbor proposal, seasonal service only:

<u>Option</u>	<u>First Year Annual Subsidy</u>	<u>Second Year Annual Subsidy</u>	<u>Round Trips per Week</u>
1	\$1,606,481	\$1,646,643	48

Plattsburgh proposal

<u>Option</u>	<u>First-Year Annual Subsidy</u>	<u>Second-Year Annual Subsidy</u>	<u>Round Trips per Week</u>
1	\$3,995,899	\$4,095,796	30
2	\$4,437,366	\$4,548,300	36

Presque Isle proposal

<u>Option</u>	<u>First Year Annual Subsidy</u>	<u>Second Year Annual Subsidy</u>	<u>Round Trips per Week</u>
1	\$5,652,117	\$5,793,419	40

### **Proposal of PenAir**

PenAir submitted a proposal with two options, both serving BOS using Saab 340 aircraft for a two-year contract term. Option 1 is an inseparable, all-or-nothing package to serve both Plattsburgh and Presque Isle. Option 2 is an inseparable, all-or-nothing package to serve all three communities. The only difference between the two options is the second option includes a service proposal for Bar Harbor, whereas the first option proposes service only to Plattsburgh and Presque Isle.

At Bar Harbor, PenAir would continue to provide seasonal, summer service only with 14 nonstop round trips per week, beginning around the Memorial Day weekend and ending around Labor Day. The first-year annual subsidy is \$408,954, and the second-year annual subsidy is \$453,533.

At Plattsburgh, PenAir proposes status-quo service of 12 nonstop round trips per week for a first-year annual subsidy of \$3,206,419, and a second-year annual subsidy of \$3,723,989.

At Presque Isle, PenAir proposes status-quo service of 19 nonstop round trips per week for a first-year annual subsidy of \$6,549,770, and a second-year annual subsidy of \$6,744,106.

### **Proposal of Silver**

Silver submitted a proposal to serve Bar Harbor, Plattsburgh, and Presque Isle from BOS using Saab 340 aircraft for a two-year contract term. This proposal is packaged as an inseparable, all-or-nothing proposal – meaning that it is contingent on the airline being selected at all three communities. The total annual subsidy Silver requests for the three-city package is \$11,482,355.<sup>5</sup> At Bar Harbor, Silver proposes 14 nonstop round trips per week on a seasonal basis from around Memorial Day through around Labor Day. At Plattsburgh, Silver proposes 12 nonstop round trips per week. At Presque Isle, Silver proposes 19 nonstop round trips per week.

### **Proposal of SkyValue**

SkyValue originally submitted a proposal to serve all three communities with multiple options, all using 50-passenger Embraer ERJ-145 aircraft, going to BOS, and for a two-year contract term. Subsequently, on January 12, 2018, SkyValue notified the Department in writing that they were withdrawing their Bar Harbor bid. Therefore, the Department will only summarize their Plattsburgh and Presque Isle the options:

<u>Option</u>	<u>Cities Served</u>	<u>Round Trips per Week to Each Market</u>	<u>Contingency</u>	<u>Total Annual Subsidy</u>
1	Plattsburgh, Presque Isle	12	Must be selected at both communities	\$9,324,239
2	Plattsburgh	12	Non-contingent	\$4,999,754
3	Presque Isle	12	Non-contingent	\$5,884,795

### **Proposal of SkyWest**

SkyWest submitted a proposal to serve Plattsburgh and Presque Isle on a stand-alone basis from IAD using CRJ200 aircraft, and the service would be branded as United Express. At Plattsburgh, the airline would provide 12 nonstop round trips per week for an annual subsidy rate of \$3,371,895. At Presque Isle, the airline would provide 12 nonstop round trips per week for an annual subsidy rate of \$5,256,329.

SkyWest's proposal is contingent on the Department, as well as the communities of Plattsburgh and Presque Isle, waiving the hold-in requirement at 49 U.S.C. § 41734(c),<sup>6</sup> which would allow

<sup>5</sup> Bar Harbor's prorated portion of the annual subsidy total is \$773,345. Plattsburgh's prorated portion of the annual subsidy total is \$3,105,249. Presque Isle's prorated portion of the annual subsidy is \$7,603,761.

<sup>6</sup> 49 U.S.C. § 41734(a) requires that EAS carriers provide the Department and the communities they serve 90 days' notice prior to terminating, suspending, or reducing EAS service to that community. Upon receiving such a notice, the Department issues a request for proposals to identify replacement service. If the Department is unable to locate a replacement carrier during that 90-day period, the Department must require the existing EAS carrier to continue to

the airline to terminate its service at the communities 120 days after giving notice to the Department, and the communities of its intent to end, suspend, or reduce EAS. SkyWest states in its proposal that it does not foresee this to be an issue and plans to serve both communities for the full contract period. Nonetheless, in the event such action becomes necessary, SkyWest expressed concern that it would be “operationally constrained and kept in a market indefinitely, without the ability to adapt to the marketplace.”

### **Proposal of United**

United submitted a proposal to serve only Presque Isle. United would serve the community from EWR using 50-seat jet aircraft and would provide 12 nonstop round trips per week for an annual subsidy rate of \$4,780,955.<sup>7</sup>

### **Proposal of Via Air**

Via Air submitted a proposal to serve only Plattsburgh. Via Air proposed to serve the community from Charlotte-Douglas International Airport using 50-passenger Embraer ERJ-145 aircraft and would provide 12 nonstop round trips per week for an annual subsidy rate of \$4,962,691.

### **Community Comments**

On January 4, 2018, the Department requested comments from all three communities regarding this EAS air carrier-selection case.

#### Bar Harbor comments

At Bar Harbor, the Honorable Antonio Blasi, Chairman of the Hancock County Commissioners, representing the community of Bar Harbor, submitted a letter to the Department supporting the proposal put forth by Silver. Chairman Blasi states:

After considering all of the proposals and recommendation provided to us by our airport advisory committee, we have decided to support the proposal that was submitted by Silver Airways. We understand that Silver Airways’ proposal is contingent upon also being selected by the Department to provide service in Plattsburgh and Presque Isle. We are aware that it is unlikely that Silver will be selected in those markets and that by endorsing the Silver Airways’ proposal, that it will likely require the Department to issue an additional request for non-contingent air service proposals at Bar Harbor.

Chairman Blasi also mentions the reasons why Bar Harbor supports Silver’s proposal, including the use of Saab 340 aircraft, the proposed schedule, and its codeshare with JetBlue Airways.

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serve that community for successive 30-day periods, until a replacement carrier is selected.  
49 U.S.C. § 41734(b) & (c).

<sup>7</sup> United’s proposal stated the start date for the service would be September 2018. The Department received written clarification from United via e-mail that this was an error and that service, if selected, would commence on July 1, 2018, the start of the new EAS contract date.

### Plattsburgh comments

At Plattsburgh, three civic entities submitted letters supporting the proposal by SkyWest: The City of Plattsburgh, the Town of Plattsburgh, and Clinton County, which owns and operates the Plattsburgh International Airport. The Honorable Colin L. Read, Mayor of Plattsburgh expressed that he “unambiguously” supported SkyWest’s proposal, stating that he has no doubt that its proposal is “superior” to the others submitted, and he “...cannot recommend more highly the choice of SkyWest/United and the [Washington] Dulles connection as Plattsburgh’s next choice for our residents, workers, and executives alike.”

Mr. Michael S. Cashman, Plattsburgh Town Supervisor, states that SkyWest’s service will be “crucial to our town and region for a myriad of reasons.” Among the reasons Mr. Cashman states are: SkyWest’s service being branded as United, United’s extensive route network and its numerous codeshare relationships with other airlines, and the choice of IAD as a hub and the numerous connecting opportunities the airport will provide Plattsburgh passengers.

Mr. Henry J. McManus, Chairman of the Clinton County Legislature, submitted a letter expressing the County’s unanimous support of SkyWest’s proposal, stating that the airline is “the logical choice” for the region’s next EAS provider. Among the reasons supporting the County’s choice are: 1) SkyWest being one of the largest, most financially and operationally reliable regional airline in the U.S.; 2) SkyWest’s proven track record of success at other EAS communities it serves; 3) SkyWest’s codeshare with United and the benefits of its marketing arrangement with United, including seamless access to United’s extensive route network and United’s membership in the Star Alliance network; 4) SkyWest’s service to IAD, a major domestic and international connecting hub for United; 5) the use of 50-seat regional jet aircraft.

The Department also received many letters and e-mails from citizens of Plattsburgh and the surrounding area, many expressing their support for PenAir, in large part because of its service to BOS, and several letters supporting SkyWest’s proposal.

### Presque Isle comments

Mr. Martin Puckett, City Manager of Presque Isle, submitted a letter supporting the proposal put forth by United. Mr. Puckett states that when reviewing the bids, a preference emerged for a hub other than BOS. Mr. Puckett mentions that “great consideration” was given to those bids with service to BOS, as many citizens in his community have come to rely on service there. But Mr. Puckett states that the Presque Isle City Council and Airport Advisory Committee deemed United’s service to EWR as the best proposal to meet the air service needs of the majority of the flying public in his community and the best one to connect Presque Isle passengers to the national air transportation system. Mr. Puckett also explains that when narrowing the proposals down to two, United’s and SkyWest’s service to IAD, the leaders felt that United’s proposal to EWR would better serve those passengers with a need to travel to BOS.

The Department also received a substantial amount of correspondence from residents and users supporting PenAir’s service, many indicating the need for continued service to BOS for a variety of travel reasons.

## **Decision**

First, the Department acknowledges and appreciates the reliable service PenAir has provided Bar Harbor, Plattsburgh, and Presque Isle over the past six years. After carefully reviewing each airline's proposal, weighing the views of the elected officials of each community, as well as considering the views of citizens from Plattsburgh and Presque Isle, the Department has decided to 1) select SkyWest to provide EAS at Plattsburgh for a two-year term, 2) select United to provide EAS at Presque Isle for a two-year term, and 3) re-solicit proposals on an expedited basis at Bar Harbor with proposals being due on April 5, 2018.

The Department will first address its decisions at Plattsburgh and Presque Isle. In selecting an airline to provide subsidized EAS for an eligible place not in Alaska, 49 U.S.C. § 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.

At Plattsburgh, SkyWest's proposal meets all five selection criteria the Department is required to consider. SkyWest has been a partner in the EAS program for many years and has a proven record of providing reliable service at all EAS communities it serves. SkyWest's service at Plattsburgh would operate as United Express and, thus, would provide passengers access to United's extensive domestic and global network. In addition, SkyWest's service to IAD, a large hub airport and a major hub for United, will provide customers with seamless connections to the national air transportation system, as well as numerous international destinations. Furthermore, SkyWest has unanimous support of the elected officials representing the users of the service, a key carrier-selection criterion. Lastly, SkyWest included in its proposal a marketing plan and funds dedicated to promoting the new service.

As noted earlier, SkyWest's proposal is contingent upon an exemption from the requirement at 49 U.S.C. § 41734(c), which requires airlines providing EAS to continue to serve the community even after filing a notice to suspend service until a replacement airline begins full EAS. The Secretary may exempt airlines from certain EAS requirements when the exemption is consistent with the public interest. Under 49 U.S.C. § 40101(a)(11), the Secretary of Transportation shall consider as being in the public interest: "maintaining a complete and convenient system of continuous scheduled interstate air transportation for small communities and isolated areas with direct financial assistance from the United States Government when appropriate." Plattsburgh's elected officials overwhelmingly support SkyWest's proposal and the Department believes that SkyWest's reputation for reliability, its use of CRJ200 aircraft and service to IAD will increase passenger enplanements. For these reasons, and the reasons described in the preceding paragraphs, the Department will grant SkyWest an exemption from the requirement at 49 U.S.C. § 41734(c) under the authority provided at 49 U.S.C. § 40109(c). As long as Plattsburgh remains eligible to receive EAS, the Department would, in response to any notice from SkyWest announcing its intent to terminate, suspend, or reduce service, issue a request for proposals to find a replacement carrier, as soon as it is practicable.

The Department's selection of SkyWest at Plattsburgh means that the proposal put forth by PenAir for Presque Isle becomes null and void because PenAir's proposal at Presque Isle was contingent on the airline being re-selected at Plattsburgh. Since the Department is not re-selecting PenAir at Plattsburgh, and since Silver's proposal was contingent on the Department selecting the airline at all three communities, that eliminates PenAir and Silver from further consideration at Presque Isle. Boutique Air's proposal did not fully meet all EAS requirements because they proposed service using single-engine, single-pilot aircraft.<sup>8</sup> That left the proposals put forth by SkyValue, SkyWest, and United.

United's proposal received support from Presque Isle's elected officials. United also has a solid reputation for providing reliable EAS. United is the world's third largest airline, and its service will provide Presque Isle passengers access to its extensive domestic and international route network. In addition, United's service to EWR, a large-hub airport and the third largest hub for United, will provide customers with seamless connections to the national air transportation system, as well as numerous international destinations. Lastly, the Department points out that United's requested annual subsidy was the least expensive of all six of the airline proposals submitted at Presque Isle.<sup>9</sup> In fact, United's annual subsidy is \$420,769 less than PenAir's current annual subsidy (United's proposed subsidy of \$4,780,955 vs. PenAir's current annual subsidy of \$5,201,724).

As noted above, the Department notes the large number of letters it received from concerned citizens in Plattsburgh and Presque Isle and other users of the service, regarding this EAS carrier-selection case and many expressed concerns at the prospect of losing BOS as a hub. The Department appreciates the time and effort those citizens took to offer their input on their community's EAS. While we reviewed each letter that was received and considered the citizens' concerns, the Department must rely most heavily on the views of elected officials as required by 49 U.S.C. § 41733(c)(1)(D).<sup>10</sup>

The primary objective of the EAS program is to provide a safety-net level of air service to connect communities to the larger, national air transportation system through a large- or medium-hub airport.<sup>11</sup> As noted earlier, both EWR and IAD are large-hub airports and major connecting hubs for United. The Department is confident that SkyWest's Plattsburgh service to IAD and United's Presque Isle service to EWR will fully meet both communities' EAS. Furthermore, the Department adds that, should SkyWest and/or United wish to substitute one or more flights to BOS for the same annual subsidy, the Department may allow it, subject to the community's concurrence.<sup>12</sup>

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<sup>8</sup> Basic EAS requires service using aircraft with two engines and two pilots. 49 U.S.C. § 41732(b)(5).

<sup>9</sup> The Consolidated Appropriations Act, 2017, Pub. L. 115-31 as continued by the Further Extension of Continuing Appropriations Act, 2018, Pub. L. 115-123, 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.

<sup>10</sup> Section 41733(c)(1)(D) provides that, "In selecting an applicant, the Secretary, shall consider, among other factors...the preferences of the actual and potential users of air transportation at the eligible place, giving substantial weight to the views of the elected officials representing the users."

<sup>11</sup> 49 U.S.C. § 41732(a).

<sup>12</sup> See 14 CFR 385.12(K)(3)



The Department shall make these selections contingent upon its receiving properly executed certifications from SkyWest and United that they are in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.<sup>13</sup>

Lastly, at Bar Harbor, the community clearly supported the proposal put forth by Silver. However, Silver's proposal to serve Bar Harbor was contingent on the airline being selected at both Plattsburgh *and* Presque Isle. Since the Department is not selecting Silver at those two communities, Silver's Bar Harbor proposal is not selectable. Therefore, the Department must re-solicit proposals from airlines interested in serving Bar Harbor during the peak summer season *only* for a new term beginning July 1, 2018.

### **Request for Proposals at Bar Harbor**

The Department is requesting proposals from airlines interested in providing EAS during the peak summer season at Bar Harbor, with subsidy support if necessary, for a new contract period beginning July 1, 2018. Airlines should file their proposals no later than April 5, 2018. The proposals will then be uploaded to [www.regulations.gov](http://www.regulations.gov), thereby making them public. Shortly afterwards, the Department will send the proposals to the community and ask them to submit their final comments. The Department will give full consideration to all proposals that are timely filed.<sup>14</sup>

The Department expects clear, well-documented proposals that will facilitate their evaluation by the community and the EAS team.<sup>15</sup> Airline proposals should be submitted to the Department with all materials merged into a single document. In addition, proposals should be formatted to be viewed online. The Department requires proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. Airlines should also include information concerning proposed schedules and projected block hours, financial data supporting their subsidy requests, including information on their projected expenses and revenues, whether they have the requisite authority from the Department's Air Carrier Fitness Division and the Federal Aviation Administration to provide scheduled air service (a requirement for EAS), and whether they have interline agreements with larger airlines at the proposed hub.

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<sup>13</sup> The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

<sup>14</sup> Airlines should not expect the Department to accept late filings. In cases where a carrier proposes to provide EAS without subsidy and we determine that basic EAS, as required by 49 U.S.C. § 41732, can be reliably provided without such compensation, the Department typically will not proceed with the airline-selection case. Instead, the Department will simply rely on that airline's subsidy-free service as proposed.

<sup>15</sup> In selecting a carrier to provide subsidized EAS for an eligible place not in Alaska, 49 U.S.C. § 41733(c)(1) directs the Department to consider five factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier at 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, 2017, Pub. L. 115-31 as continued by the Further Extension of Continuing Appropriations Act, 2018, Pub. L. 115-123, 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. Interested carriers should also be aware that the general provisions governing Essential Air Service will be included in the selection Order as part of our authorization of subsidy for the selected service. Appendix C of this Order contains those general provisions.

Interested airlines should prepare their proposals with every expectation that their initial proposals will represent their *final* and *only* proposals. However, the Department retains the discretion to negotiate proposals with airlines when it deems it desirable; in such cases, the Department will give all applicants the same opportunity. The Department also retains the discretion to reject outright all unreasonable or unrealistic proposals and re-solicit a new round of proposals. However, negotiation and rejection are only occasional exceptions to the rule.

Proposals should provide sufficient capacity to accommodate historical levels of traffic, with service to a large- or medium-hub airport that provides numerous connecting opportunities to the national air transportation system. In order to assist airlines in developing traffic and revenue projections for their proposals, the Department has provided a summary of historical passengers in Appendix D.<sup>16</sup> The Department expects proposals that are consistent with what the community currently receives, and should use the chart below when crafting their proposals:

<u>Aircraft</u>	<u>Expected weekly round trips</u>
50-seat	12
30-34-seat	12-14
8/9-seat	28-30

Airlines are also welcome to propose more than one service option, if they choose. They also need not limit themselves to these requirements if they envision other, potentially more attractive service possibilities -- different hubs or length of contract, for example -- with subsidy requirements that remain competitive.

### **Service Transition**

The Department expects PenAir to work with SkyWest at Plattsburgh and United at Presque Isle to make a smooth transition with no service hiatus. Before PenAir suspends service, the Department expects it 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 refund of the ticket price, without penalty, if requested.

If SkyWest is unable to start service on July 1, 2018, PenAir is required to serve Plattsburgh with the current service pattern until SkyWest begins full EAS at the community. In that case, PenAir will be compensated at the first-year annual subsidy rate it proposed in its EAS bid.

If United is unable to start service on July 1, 2018, PenAir is required to serve Presque Isle with the current service pattern until United begins full EAS at the community. In that case, PenAir will be compensated at the first-year annual subsidy rate it proposed in its EAS bid.

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<sup>16</sup> Source: Bureau of Transportation Statistics, Schedule T-100.

### **Reminder About EAS Eligibility**

To remain eligible for EAS, communities must comply with all applicable EAS eligibility requirements. 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.

### **Carrier Fitness**

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 and United are 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 either airline'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 Plattsburgh, and that United is reliable and fit to conduct the operations proposed at Presque Isle.

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 Plattsburgh, New York, and establishes the annual subsidy rate as described in Appendix C;
2. Under the authority provided by 49 U.S.C. § 40109(c), the Department exempts SkyWest Airlines, Inc. from 49 U.S.C. § 41734(c) for Essential Air Service at Plattsburgh, New York, under this Order and finds that this exemption is consistent with the public interest at 49 U.S.C. 40101(a)(11);
3. The Department selects United Airlines, Inc. to provide Essential Air Service at Presque Isle, Maine, and establishes the annual subsidy rate as described in Appendix C;
4. The Department requests that airlines interested providing Essential Air Service at Bar Harbor, Maine submit their proposals, with or without subsidy support, no later than April 5, 2018. Proposals should be e-mailed to [michael.f.martin@dot.gov](mailto:michael.f.martin@dot.gov) with the title, "Proposal to Provide EAS at Bar Harbor, Maine";<sup>17</sup>
5. The Department directs SkyWest Airlines, Inc. and United 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

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<sup>17</sup> Questions regarding filings in response to this Order may be directed to Michael Martin at (202) 366-6494 or [michael.f.martin@dot.gov](mailto:michael.f.martin@dot.gov).

may be destroyed, whichever comes first. Copies of flight logs for aircraft sold or disposed of must be retained. The carriers may forfeit its compensation for any claim that is not supported under the terms of this Order;

6. 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 Plattsburgh, New York;

7. The Department finds that United Airlines, Inc. is fit, willing and able to operate as a certificated air carrier, and capable of providing reliable Essential Air Service at Presque Isle/Houlton, Maine;

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

9. The Department will serve copies of this Order on the Mayor of Bar Harbor, Maine, the County Administrator of Clinton County, New York, the City Manager of Presque Isle, Maine, the Airport Manager of Hancock County-Bar Harbor Airport, the Airport Manager at Plattsburgh International Airport, the Airport Director at Northern Maine Regional Airport (Presque Isle), SkyWest Airlines, Inc., United Airlines, Inc., Peninsula Airways, Inc., Aerodynamics, Inc. d/b/a SkyValue Airways, Boutique Air, Silver Airways, and Via Airlines, Inc.

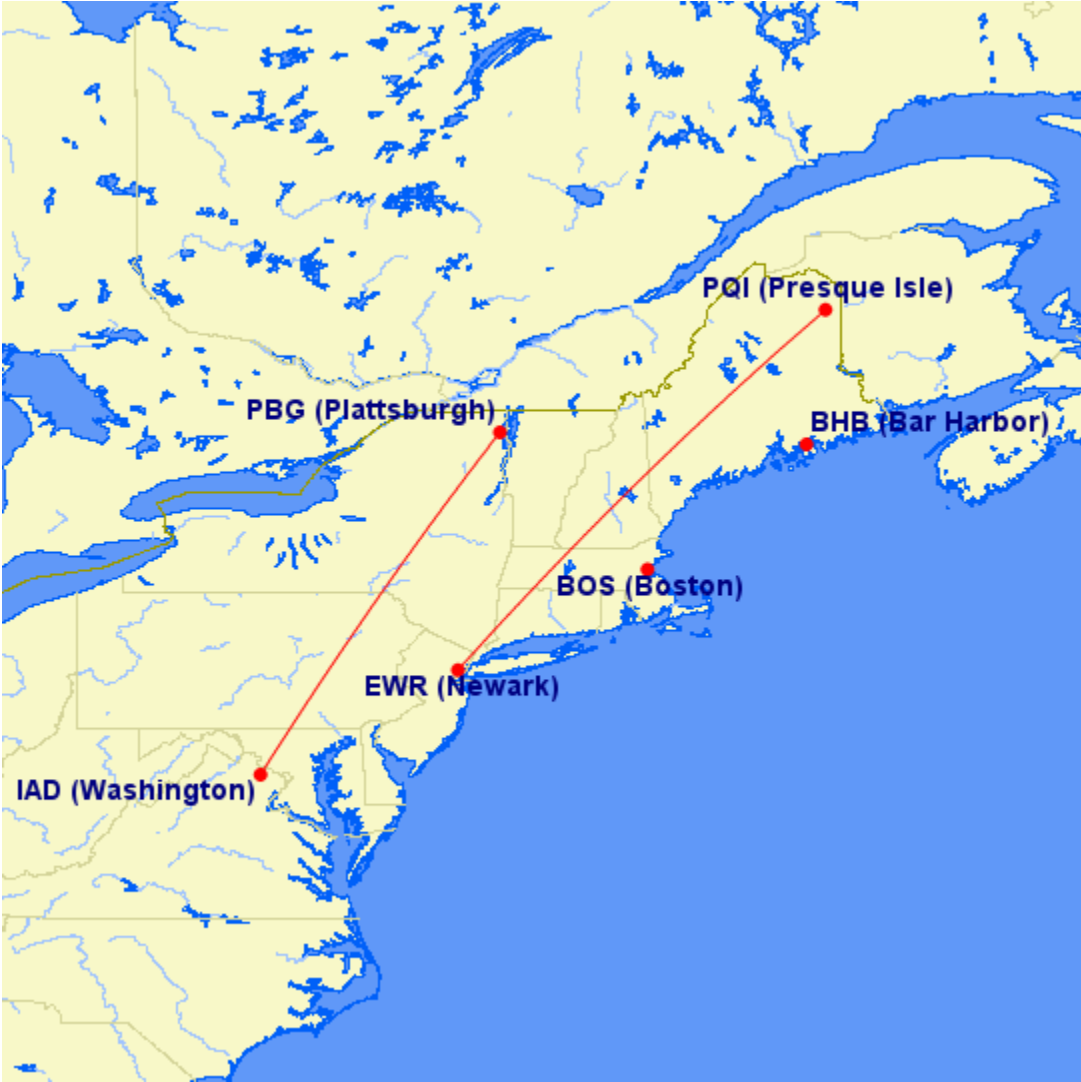
By:

Joel Szabat  
Deputy Assistant Secretary  
for Aviation and International Affairs

(SEAL)

*An electronic version of this document is available at*  
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# AREA MAP



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## SkyWest Proposal at Plattsburgh (PBG)

**SkyWest Airlines**  
**Essential Air Service Bid**  
**1/3/2018**

	<u>PQI</u> <u>IAD</u>	<u>PBG</u> <u>IAD</u>
Number of round-trips per week	12	12
Aircraft type	CRJ	CRJ
<b>Passenger Revenue</b>		
Passengers	26,000	26,000
Average fare	\$ 125.00	\$ 105.00
Revenue	<u>\$ 3,250,000</u>	<u>\$ 2,730,000</u>
<b>Block Time</b>		
Trip block time (minutes)	130	100
Total scheduled block time	2,704	2,080
Total completed block time	98% 2,650	2,038
<b>RPMS</b>		
Passengers	26,000	26,000
Stage length	717	445
Total RPMS	<u>18,642,000</u>	<u>11,570,000</u>
<b>ASMs</b>		
Scheduled departures	1,248	1,248
Completed departures	98% 1,223	1,223
Stage length	717	445
Available Seats	50	50
Total ASMs	<u>44,740,800</u>	<u>27,768,000</u>
Revenue	\$ 3,250,000	\$ 2,730,000
Direct operating expenses	\$ 6,711,527	\$ 4,554,410
Marketing Costs	\$ 20,000	\$ 20,000
RPM related	\$ 106,581	\$ 106,581
Departure related	\$ 896,806	\$ 896,806
ASM related	\$ 416,984	\$ 258,798
Total expenses	<u>\$ 8,151,898</u>	<u>\$ 5,836,595</u>
Operating income (loss)	\$ (4,901,898)	\$ (3,106,595)
5% profit margin	<u>\$ 354,430</u>	<u>\$ 265,300</u>
<b>Annual subsidy requirement</b>	<b>\$ (5,256,329)</b>	<b>\$ (3,371,895)</b>
<b>SkyWest effective rates per unit</b>		
Cost per trip	\$ 6,665	\$ 4,772
Cost per passenger	\$ 273	\$ 204
SkyWest cost per block hour	\$ 3,076	\$ 2,863
<b>Effective Subsidy rate per unit</b>		
Subsidy per trip	\$ (4,298)	\$ (2,757)
Subsidy per passenger	\$ (202)	\$ (130)
<b>Load factor</b>	42%	42%

## United Proposal at Presque Isle (PQI)

### Proposed Schedule

<u>Segment</u>	<u>Depart</u>	<u>Arrive</u>	<u>Frequency</u>
EWRPQI	09:00	11:00	X67
EWRPQI	21:59	23:59	Daily
PQIEWR	06:00	08:05	Daily
PQIEWR	12:00	14:00	X67

Schedule is shown for illustrative purposes only.  
United Airlines reserves the right to change without notice.  
All times are local.

### Flight Statistics (Annual)

Aircraft:	50 Seat Jet
Number of seats per departure:	50
Mileage:	514
Block Hours per departure:	2.0
Completion Rate:	94%
Departures:	1,248

### Revenues (Annual)

Passengers	31,448
Segment Fare	\$143
<b>Total Revenue</b>	<b>\$4,495,801</b>

### Expenses (Annual)

Flight Variable	\$6,610,237
Passenger Variable/Other	\$1,068,167
Ownership	\$1,495,943
<b>Total Expenses</b>	<b>\$9,174,347</b>

Base Profit/(Loss) (**\$4,678,546**)

Margin (**104%**)

Subsidy Required \$4,780,955

Subsidy / Departure \$3,909

Subsidy / Passenger \$152.03

**SkyWest Airlines, Inc.**  
**Essential Air Service to be provided at Plattsburgh, New York**  
**DOT-OST-2003-14783**

<u>Annual Subsidy:</u>	\$3,371,895
<u>Contract Term:</u>	July 1, 2018, through June 30, 2020
<u>Hub(s):</u>	Washington Dulles International Airport (IAD)
<u>Scheduled Service:</u>	12 nonstop round trips per week
<u>Aircraft:</u>	50-passenger CRJ200
<u>Rate per Flight:</u> <sup>1</sup>	\$2,757
<u>Weekly Ceiling:</u> <sup>2</sup>	\$66,168

**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 March 23, 2018. The Government's obligation for performance under this Order beyond March 23, 2018, 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 March 23, 2018, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond March 23, 2018, 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 on.

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<sup>1</sup> Annual compensation of \$3,371,895 divided by 1,223 annual departures (24 weekly departures x 52 weeks x 98 percent completion).

<sup>2</sup> 24 arrivals and departures per week multiplied by \$2,757.



**United Airlines, Inc.**  
**Essential Air Service to be provided at Presque Isle, Maine**  
**DOT-OST-2000-8012**

<u>Annual Subsidy:</u>	\$4,780,955
<u>Contract Term:</u>	July 1, 2018, through June 30, 2020
<u>Hub:</u>	Newark Liberty International Airport (EWR)
<u>Scheduled Service:</u>	12 nonstop round trips per week
<u>Aircraft:</u>	50-seat jet aircraft (CRJ-200 or ERJ-145)
<u>Rate per Flight:</u> <sup>1</sup>	\$3,909
<u>Weekly Ceiling:</u> <sup>2</sup>	\$93,816

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<sup>1</sup> Annual compensation of \$4,780,955 divided by 1,223 annual departures (24 weekly departures x 52 weeks x 98 percent completion).

<sup>2</sup> 24 arrivals and departures per week multiplied by \$3,909.

**Passenger Traffic at Bar Harbor, ME 2014-2017**

<u>Year</u>	<u>Quarter</u>	<u>Deplanements</u>	<u>Enplanements</u>	<u>Total Traffic</u>	<u>Enplanements per Day</u>
2014	4	1,554	1,558	3,112	19.7
2015	1	824	842	1,666	10.8
2015	2	2,158	1,850	4,008	25.7
2015	3	<u>3,625</u>	<u>3,672</u>	<u>7,297</u>	<u>46.2</u>
<b>Annual Totals</b>		<b>8,161</b>	<b>7,922</b>	<b>16,083</b>	<b>25.7</b>
2015	4	1,457	1,564	3,021	19.1
2016	1	1,043	1,123	2,166	14.1
2016	2	2,100	1,874	3,974	25.5
2016	3	<u>3,382</u>	<u>3,527</u>	<u>6,909</u>	<u>43.7</u>
<b>Annual Totals</b>		<b>7,982</b>	<b>8,088</b>	<b>16,070</b>	<b>25.7</b>
2016	4	1,156	1,263	2,419	15.3
2017	1	970	1,090	2,060	13.4
2017	2	2,089	1,770	3,859	24.7
2017	3	<u>3,790</u>	<u>4,007</u>	<u>7,797</u>	<u>49.3</u>
<b>Annual Totals</b>		<b>8,005</b>	<b>8,130</b>	<b>16,135</b>	<b>25.8</b>

### **Example of General Terms and Conditions for Essential Air Service**

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