



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

Issued by the Department of Transportation
on the 24th of September, 2021

Essential Air Service at

QUINCY, ILLINOIS
(69A3452260180)¹

under 49 U.S.C. § 41731 *et seq.*

DOT-OST-2003-14492

ORDER SELECTING AIR CARRIER

Summary

By this Order, the U.S. Department of Transportation (the Department) selects Hyannis Air Service, Inc. d/b/a Cape Air (Cape Air) to provide Essential Air Service (EAS) at Quincy, Illinois, for the four-year term from December 1, 2021, through November 30, 2025. Cape Air will provide Quincy with 36 round trips per week from Quincy Regional Airport (UIN) using 9-passenger Tecnam P2012 Traveller aircraft. Quincy will receive 18 nonstop round trips per week to Chicago O'Hare International Airport (ORD) and 18 nonstop round trips per week to St. Louis-Lambert International Airport (STL). Cape Air will be compensated at the following annual subsidy rates:²

<u>Year</u>	<u>Annual Subsidy</u>
1	\$3,319,412
2	\$3,418,994
3	\$3,521,564
4	\$3,627,211

Background

By Order 2019-10-13 (October 22, 2019), the Department selected Cape Air to provide EAS at Quincy for a two-year contract term from December 1 2019, through November 30, 2021, with 18 nonstop round trips per week to both ORD and STL for a combined total of 36 nonstop round trips per week. Cape Air's compensation was set at a first-year annual subsidy rate of \$3,059,743, and a second-year annual subsidy rate of \$3,151,536.

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 contract approached, the Department issued Order 2021-3-31 (March 18, 2021), requesting proposals from air carriers interested in providing EAS for a new contract term at the community. In response to that Order, Boutique Air, Inc. (Boutique Air), Cape Air, and Multi Aero Inc. d/b/a Air Choice One (Air Choice One) submitted proposals for consideration.

Summary of Air Carrier Proposals

Quincy Proposals										
<u>Air 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)³</u>	<u>Round Trips per Week</u>	<u>Aircraft</u>	<u>Seats</u>	<u>Interline/ Codeshare⁴</u>
Air Choice One	\$3,554,113	\$3,660,736	\$3,770,558	3,883,675	No	ORD/ STL	36	Beechcraft 1900	Up to 19	No
Boutique Air, Option 1	\$3,060,743	\$3,121,957	\$3,184,396	\$3,248,083	No	ORD/ STL	36	Pilatus PC-12	8/9	American (interline)/ United (interline and codeshare)
Boutique Air, Option 2	\$3,081,778	\$3,143,413	\$3,206,281	\$3,270,406	No	ORD/ BNA	36	Pilatus PC-12	8/9	American (interline)/ United (interline and codeshare)
Boutique Air, Option 3	\$3,094,378	\$3,156,265	\$3,219,390	\$3,283,777	No	ORD/ MSP	36	Pilatus PC-12	8/9	American (interline)/ United (interline and codeshare)
Cape Air, Option 1 (two years)	\$3,417,534	\$3,520,060	N/A	N/A	No	ORD/ STL	36	Tecnam P2012 Traveller	9	American (codeshare) Interlines with Alaska, Delta, JetBlue, United, and more
Cape Air, Option 1 (four-years)	\$3,319,412	\$3,418,994	\$3,521,564	\$3,627,211	Yes	ORD/ STL	36	Tecnam P2012 Traveller	9	American (codeshare) Interlines with Alaska, Delta, JetBlue, United, and more
Cape Air, Option 2 (two years)	\$2,593,572	\$2,671,379	N/A	N/A	No	STL	36	Tecnam P2012 Traveller	9	American (codeshare) Interlines with Alaska, Delta, JetBlue, United, and more
Cape Air, Option 2 (four years)	\$2,519,107	\$2,594,680	\$2,672,521	\$2,752,696	No	STL	36	Tecnam P2012 Traveller	9	American (codeshare) Interlines with Alaska, Delta, JetBlue, United, and more

The proposals, as well as the community’s entire EAS docket, may be accessed online at www.regulations.gov by entering “DOT-OST-2003-14492” in the search field.

³ ORD = Chicago O’Hare International Airport; STL = St. Louis-Lambert International Airport; BNA = Nashville International Airport; MSP = Minneapolis/St. Paul International Airport.

⁴ Common names for air carriers listed.

Community and State Comments

On April 29, 2021, the Department requested comments from the community of Quincy regarding this EAS carrier-selection case. In response, the Department received a letter from the Honorable Michael A. Troup, Mayor of Quincy. Mayor Troup stated in his letter that the Quincy Aeronautics Committee unanimously supported Cape Air's proposal for continuing ORD and STL service for a four-year contract term. Mayor Troup states that the combination of Cape Air's new Tecnam aircraft, its codeshare with American Airlines, its numerous interline agreements, and its substantial marketing budget best meets the air service needs of Quincy as a whole.

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:⁵ (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 Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

Section 41732(b)(5) states basic EAS shall include service provided in aircraft with at least two engines and using two pilots, unless scheduled air transportation has not been provided to the place in aircraft with at least two engines and using two pilots for at least 60 consecutive operating days at any time since October 31, 1978. The Department did not consider Boutique's proposal because it included the use of a single-engine aircraft, and the community did not waive their right to the service provided under 49 U.S.C. § 41732(b)(5).

Cape Air's Option 1 four-year proposal meets the carrier-selection criteria the Department is required to consider, and the Department finds its service and subsidy levels reasonable. Therefore, the Department is selecting Cape Air to provide EAS at Quincy to ORD and STL for a new, four-year contract term. Air Choice One's proposal only meets two of the requirements the Department is required to consider: reliability and marketing. In addition, in selecting Cape Air's Option 1 over Air Choice's proposal, the Department is fully consistent with the authority granted by the Consolidated Appropriations Act of 2021 to the Department to consider the relative subsidy requirements of the applicant air carriers in making its decision to award an EAS subsidy for a community.

Cape Air has earned a solid reputation for providing reliable EAS to the communities it serves. Cape Air has the unanimous support of the local community as expressed by the Mayor of Quincy. Cape Air's service will operate as a codeshare with American Airlines, giving Quincy's passengers access to American's extensive domestic and international network. ORD is a large-hub airport and American operates a large base there, which will provide Quincy's passengers excellent connections to the national air transportation system. In its proposal, Cape Air also

⁵ The Department did not receive any proposals to provide EAS at Quincy without subsidy.

highlighted its interline agreement with United Airlines, which operates its largest hub at ORD. Lastly, Cape Air dedicates \$75,000 to market its air service at Quincy.

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)(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 communities that are more than 175 driving miles from the nearest large or medium hub airport, are exempt from this requirement. Quincy, less than 175 miles from the nearest large or medium hub airport, is subject to this requirement.

Further, the Department of Transportation and Related Agencies Appropriations Act, 2000, Pub. L. No. 106-69 (October 9, 1999), prohibits the Department from subsidizing EAS to communities located within the 48 contiguous states that require a subsidy per passenger amount exceeding \$200 (“Subsidy Cap”), unless the community is located more than 210 miles from the nearest large or medium hub airport. Quincy, less than 210 miles from the nearest large or medium hub airport, is subject to this requirement. EAS communities within the 48 contiguous states are also subject to an additional \$1,000 subsidy per passenger cap, regardless of the distance to a hub airport.⁶

The Department notes that these eligibility requirements were waived for Fiscal Years 2020 and 2021 by the Consolidated Appropriations Act, 2021, Pub. L. No. 116-260 (December 27, 2020). Unless waived by Congress for future fiscal years, compliance with these eligibility requirements will resume at the beginning of Fiscal Year 2022.

The Department expects Cape Air and Quincy to work together to ensure that the community complies with all EAS eligibility requirements. Communities that fail to comply with 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 the Department find an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. Cape Air 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 Federal Aviation Administration has not raised concerns that would negatively affect the Department’s fitness findings. The Department therefore concludes that Cape Air is reliable and fit to conduct the operations proposed at Quincy.

This Order is issued under authority delegated by the Secretary of Transportation in 49 CFR § 1.25a(b)(6)(ii)(D).

⁶49 U.S.C. § 41731(a)(1)(C).

ACCORDINGLY,

1. The Department selects Hyannis Air Service, Inc. d/b/a Cape Air to provide Essential Air Service at Quincy, Illinois, from December 1, 2021 through November 30, 2025, and establishes the annual subsidy rates as described in Appendix B;
2. The Department makes this selection contingent upon receiving properly-executed certifications from Hyannis Air Service, Inc. d/b/a Cape Air that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;⁷
3. The Department directs Hyannis Air Service, Inc. d/b/a Cape Air 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;
4. The Department finds that Hyannis Air Service, Inc. d/b/a Cape Air is fit, willing, and able to operate as a commuter air carrier, and capable of providing reliable Essential Air Service at Quincy, Illinois;
5. This docket will remain open pending further Department action; and

⁷The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

6. The Department will serve this Order on the Mayor of Quincy, Illinois, the Airport Manager of Quincy Regional Airport, Hyannis Air Service, Inc. d/b/a Cape Air, Multi-Aero Inc. d/b/a Air Choice One, and Boutique Air, 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

Cape Air Proposal to Provide EAS at Quincy

Option 1: 18x weekly STL + 18x weekly ORD



Drivers

	STL-UIN	ORD-UIN	Total
Weekly RTs	18	18	36
Minimum completion rate	97%	97%	97%
Daily RTs	2.6	2.6	5.1
Pax/Dpt	5.5	5.5	5.5
LF	61%	61%	61%
Fare (average net)	\$47	\$72	\$60
Pax Rev/Dpt	\$260	\$398	\$329
Annual Sched Dpts	1,877	1,877	3,754
Annual Pax	10,062	10,062	20,124

Note: See escalation factors subsequent slide



Expenses

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

	STL-UIN	ORD-UIN	Total
Fuel	\$323,872	\$696,707	\$1,020,579
Maintenance	\$271,134	\$605,661	\$876,796
Pilots, Supplies & Training	\$431,426	\$431,426	\$862,852
Ownership	\$199,380	\$445,376	\$644,755
Rents	\$104,956	\$29,522	\$134,477
Staff	\$142,788	\$317,149	\$459,937
Landing Fees	\$77,696	\$60,287	\$137,983
Marketing	\$37,500	\$37,500	\$75,000
Customer Svc.	\$29,498	\$6,868	\$36,365
General & Admin./Other	\$62,961	\$72,449	\$135,410
Operating expense	\$1,681,211	\$2,702,944	\$4,384,155
Return of 5%	\$88,485	\$142,260	\$230,745
Economic Expense	\$1,769,695	\$2,845,205	\$4,614,900
Passenger Revenue	\$472,909	\$724,457	\$1,197,366
Profit	(\$1,296,786)	(\$2,120,748)	(\$3,417,534)
Proposed Subsidy	\$1,296,786	\$2,120,748	\$3,417,534
Per Departure	\$712	\$1,165	\$910
Proposed Subsidy	\$1,259,554	\$2,059,858	\$3,319,412
Per Departure	\$671	\$1,097	\$884

Year 1
Year 1

Annual subsidy including escalation

	Option 1		
	STL-UIN	ORD-UIN	Total
Four-year reselection			
Year 1	\$1,259,554	\$2,059,858	\$3,319,412
Year 2	\$1,297,340	\$2,121,654	\$3,418,994
Year 3	\$1,336,260	\$2,185,304	\$3,521,564
Year 4	\$1,376,348	\$2,250,863	\$3,627,211

**Hyannis Air Service, Inc. d/b/a Cape Air
Essential Air Service to be provided at Quincy, Illinois
DOT-OST-2003-14492**

Contract Term: December 1, 2021, through November 30, 2025

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

Scheduled Service: 36 nonstop round trips per week (18 to ORD; 18 to STL)

Aircraft: 9-passenger Tecnam P2012 Traveller

Compensation Schedule:

<u>Effective Period</u>	<u>ORD Annual Subsidy</u>	<u>ORD Rate per Flight¹</u>	<u>ORD Weekly Ceiling²</u>	<u>STL Annual Subsidy</u>	<u>STL Rate per Flight³</u>	<u>STL Weekly Ceiling⁴</u>
December 1, 2021 - November 30, 2022	\$2,059,858	\$1,134	\$40,824	\$1,259,554	\$694	\$24,984
December 1, 2022 - November 30, 2023	\$2,121,654	\$1,168	\$42,048	\$1,297,340	\$714	\$25,704
December 1, 2023 - November 30, 2024	\$2,185,304	\$1,203	\$43,308	\$1,336,260	\$736	\$26,496
December 1, 2024 - November 30, 2025	\$2,250,863	\$1,239	\$44,604	\$1,376,348	\$758	\$27,288

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

2 36 weekly departures multiplied by rate per flight.

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

4 36 weekly departures multiplied by rate per flight.

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 September 30, 2021. The Government's obligation for performance under this Order beyond September 30, 2021, 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 September 30, 2021, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2021, 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.