



April 28, 2021

Mr. Joel Szabat
Deputy Assistant Secretary for Aviation and International Affairs
United States Department of Transportation
1200 New Jersey Ave SE
Washington, D.C. 20590

RE: EAS at Pierre ("PIR") and Watertown ("ATY"), South Dakota,
Docket DOT-OST-2011-0138

Dear Mr. Szabat:

SkyWest Airlines has greatly appreciated the opportunity to provide Essential Air Service to the communities of Pierre and Watertown, South Dakota, since April of 2019. Both communities had a history of air service challenges for many years before we partnered with them to bring growth and stability to their air service. Both communities have worked hard to support SkyWest Airlines. Both have invested heavily to support the United Airlines network service with the type of connections to the global air network that these communities need to thrive. With the service to South Dakota's state capital, United has implemented federal government air fares to Pierre that will save taxpayers many millions of dollars over the coming years; and Watertown is heavily dependent on private industry that requires reliable air service as a lifeline.

Reliable United Airlines branded 50-seat jet service, operated by SkyWest Airlines, helped Essential Air Service prosper in 2019 with higher passenger enplanements than either community has seen for many years. Unfortunately, the global pandemic stalled progress. As air service now begins a fragile recovery from COVID-19, there are many concerns about Pierre and Watertown's ability to rebound under the current selection of Denver Air Connect (DAC) as their Essential Air Service provider. And though SkyWest met or exceeded all five of the statutory selection criteria in Title 49 U.S.C. § 41733, it is perplexing and disappointing that SkyWest was not selected to continue the service. In a puzzling move, the Department selected the DAC proposal that did not meet several of DOT's five mandatory selection criteria. As concerning is that the selected proposal contains questionable assumptions that will put air service at Pierre and Watertown in jeopardy. As a point of reference, SkyWest Airlines, the largest operator of Essential Air Service in the Domestic 48 states, has rarely appealed an Order Selecting Air Carrier in the many decades we have participated in the program.

DAC's proposal poses both financial and operational risk that will likely impact their ability to operate sustainably and have a negative impact on the communities. DAC's bid indicates they will be able to generate more passengers annually than SkyWest did in the year ending March 2020, just before the pandemic's onset in the United States. This would appear unlikely since they are offering the communities 31,200 fewer seats annually, removing the United Airlines codeshare and replacing it with a mere interline baggage transfer agreement, and providing less connective schedules at higher fares.

There are also significant pricing implications for the Denver Air Connection interline service when compared with the full United Airlines online network service provided by SkyWest through its United codeshare. Today, PIR/ATY travelers enjoy competitive through pricing for connecting itineraries through SkyWest and United to the national transportation system, as United Airlines sets the connecting fares and monitors them to remain competitive. The Denver Air Connection proposal lacks this critical feature, eliciting the undesirable outcome of substantially higher connecting fares from PIR/ATY to virtually all destinations, thus suppressing demand and making air travel out of reach for many residents.

Additionally, DAC's proposed number of block hours under the proposed number of segments is measurably lower than the number of block hours that SkyWest has flown on these segments historically. If DAC ends up flying fewer passengers and more block hours than their proposal, then their requested subsidy will force them to operate at a loss which puts the air service viability in Pierre and Watertown in jeopardy yet again. This would undermine the mission of the Essential Air Service program to connect smaller communities to the global air network with reliable, competitive air service.

Under the current selection, Pierre and Watertown are no longer positioned to fully recover from the impacts to their air service caused by COVID-19. The negative impact caused by the loss of the United network, just as these communities work to recover, is difficult to overstate. Under DAC's proposal, passengers will experience much higher connecting fares and less viable schedules. Additionally, DAC's proposal is likely to fall short of its revenue targets and exceed its expenses. Their schedule extends their network in a manner that might be difficult for an air carrier with just a few available aircraft to operate reliably. After working hard to build momentum, these conditions will put air service at risk in these communities yet again.

The original bid cycle in September 2020 was at a time when demand for air service was even more severely depressed and difficult to forecast. At that time, there was no vaccine availability, which has since markedly changed the landscape. Accordingly, SkyWest believes it is in the best interest of Pierre and Watertown for the DOT to issue a rebid. Issuing a rebid will allow for fresh carrier bids and will give Pierre and Watertown the best chance of receiving realistic proposals that best meet the needs of the communities and support the mission of the Essential Air Service program.

Thank you for your consideration.

Respectfully,

A handwritten signature in black ink, appearing to read "Greg Atkin". The signature is fluid and cursive, written in a professional style.

Greg Atkin
Managing Director – Market Development
SkyWest Airlines