



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

Issued by the Department of Transportation
on the 4th of December, 2024

Essential Air Service at

**PIERRE, SOUTH DAKOTA
WATERTOWN, SOUTH DAKOTA**

**DOT-OST-2011-0138
DOT-OST-2001-10644**

Under 49 U.S.C. § 41731 *et seq.*

ORDER REQUESTING PROPOSALS

Summary

By this Order, the U.S. Department of Transportation (the Department) is requesting proposals from air carriers interested in providing Essential Air Service (EAS) at Pierre (PIR) and/or Watertown (ATY), South Dakota, for a new contract term beginning June 1, 2025, with or without subsidy. Air carriers should file proposals no later than January 6, 2025.

Background

By Order 2023-4-9 (April 14, 2023), the Department selected Key Lime Air Corp. d/b/a Denver Air Connection (DAC) to provide EAS at Pierre and Watertown, South Dakota, using 50-seat Embraer ERJ-145 regional jet aircraft, for the two-year term from June 1, 2023, through May 31, 2025.

Under the terms of that order, at Pierre, DAC provides a total of 12 weekly nonstop round trip to Denver International Airport (DEN) and Minneapolis–Saint Paul International Airport (MSP) at a first-year annual subsidy of \$5,745,454 and a second-year annual subsidy of \$6,147,636.

At Watertown, DAC provides a total of 12 weekly nonstop round trips to DEN and Chicago O'Hare International Airport (ORD) at a first-year annual subsidy of \$6,329,521 and a second-year annual subsidy of \$6,772,587.

The complete public file for EAS at Pierre and Watertown may be accessed online through the Federal Docket Management System at www.regulations.gov by entering the community's docket number in the "Search" field.

Request for Proposals: General Requirements

The Department is requesting proposals from air carriers interested in providing EAS as scheduled air transportation at Pierre and/or Watertown,¹ with subsidy, if necessary, for a new contract period beginning June 1, 2025. Air carriers should file their proposals no later than January 6, 2025.

When preparing proposals, interested air carriers should note that in selecting an air carrier to provide subsidized EAS for an eligible place not in Alaska, 49 U.S.C. § 41733² directs the Department to consider, among other factors, five specific factors: (A) the demonstrated reliability of the applicant in providing scheduled air service; (B) the contractual, marketing, code-share, or interline arrangements the applicant has made with a larger carrier serving the hub airport; (C) the preferences of the actual and potential users of air transportation at the eligible place, including the views of the elected officials representing the users; (D) whether the air carrier has included a plan in its proposal to market its services to the community; and (F) the total compensation proposed by the air carrier for providing scheduled air service under this section.³ Further, the general provisions governing EAS will be included in the selection order as part of our authorization of subsidy for the selected service. Appendix B of this Order contains those general provisions.

The Department expects clear, well-documented proposals that will facilitate their evaluation by the community and the EAS team. Air carrier 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. To evaluate air carrier proposals, the Department requires that air carriers fully describe the service being proposed and the annual amount of subsidy being requested, if any. The Department requests that proposals include information concerning proposed schedules, projected block hours, and financial data supporting subsidy requests including information on projected expenses and revenues. In cases where an air carrier proposes to provide EAS without subsidy and the Department determines 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 air carrier selection case. Instead, the Department may rely on that air carrier's subsidy-free service as proposed. The Department expects that air carriers will have completed due diligence regarding any community-specific operational requirements. Air carriers should prepare their proposals with every expectation that, should they be selected by the Department, they will be able to commence full EAS as described in their proposal on the first day of the new contract term.

Interested air carriers should prepare their proposals with the understanding that their initial proposals will represent their *final* and *only* proposals. However, the Department retains the discretion to negotiate proposals with air carriers when it deems it desirable; in such cases, the

¹ 49 U.S.C. § 41732(a) states that “[b]asic [EAS] is scheduled air transportation of passengers and cargo.” As amended by the FAA Reauthorization Act of 2024, Pub. L. No. 118-63, May 16, 2024, 138 Stat 1025, 1215 (“FAA 2024”), basic EAS also requires service to a medium or large hub airport less than 650 miles from an eligible place (unless such airport or eligible place are located in a noncontiguous state).

² As amended by the FAA Reauthorization Act of 2024, Pub. L. No. 118-63 (May 16, 2024) (“FAA 2024”).

³ Section 41733(c)(1)(E) only applies to EAS operations in Alaska.

Department will give all applicants the same opportunity. The Department also retains the discretion to re-solicit a new round of proposals.

Proposals should provide sufficient capacity to accommodate historical levels of traffic with, as a general matter, service up to two airports that provide numerous connecting opportunities to the national air transportation system.⁴ When crafting a proposal, the air carrier should ensure that the proposed hub best meets the air service needs of the community. To assist air carriers in developing traffic and revenue projections for their proposals, the Department has provided a summary of recent historical passengers in Appendix A.⁵ The Department encourages air carriers to work with the community as they prepare their proposals in order to craft a service proposal that meets the community's needs with subsidy requirements that remain competitive. The Department will fully consider the views of the community and State before making an air carrier decision.

Air carriers may propose more than one service option. They can also propose service options different from what the community currently receives—lengths of contract terms or hub airports, for example. However, proposals should have at least one option that complies with the weekly capacity described below, and compliant with all legal requirements.

Air carriers should note that it is a federal crime to knowingly and willfully make materially false, fictitious, or fraudulent statements, entries, or representations in an EAS proposal submitted to the Department.⁶

Request for Proposals: Specific Requirements

The Department expects proposals that meet basic EAS requirements and are consistent with what the communities currently receive, which at Pierre is 12 round trips per week to DEN and MSP or another large- or medium-hub within 650 miles of Pierre, using regional jet aircraft. At Watertown, it is 12 round trips per week to DEN and ORD, or another large- or medium-hub within 650 miles of Watertown, using regional jet aircraft. In certain circumstances, this may require a waiver sought by the community and approved by the Department pursuant to 49 U.S.C. § 41732(c).⁷

⁴ Ordinarily, where the proposal is for EAS from the community to one airport, that airport must be a medium- or large-hub, and where the proposal is for EAS to two airports, at least one of those airports must be a medium- or large-hub. See 49 U.S.C. § 41732(a)(1) and 14 CFR Part 398.2(b)(1). However, service to a small-hub or nonhub airport is acceptable for basic EAS if the nearest medium or large hub airport is more than 400 miles from the eligible place. See 49 U.S.C. § 41732(a)(2). In some cases, the Department may require service to two hubs, at least one of which must be a large- or medium-hub. See 14 CFR Part 398.2(b)(3). In the case of a community receiving two total round trips per day, the Department expects that at least one round trip per day will be to a medium- or large-hub airport, as medium- and large-hub airports provide better access to the national air transportation system. The terms large, medium, small, and non-hub airport are defined in 49 U.S.C. § 47102 and 14 CFR Part 398.2(a). In addition, the current list of large, medium, small, and non-hub airports is provided by the Federal Aviation Administration at <https://www.faa.gov/sites/faa.gov/files/2023-09/cy22-commercial-service-enplanements.pdf>. This list is updated annually.

⁵ Source: Bureau of Transportation Statistics, Schedule T-100.

⁶ See 18 U.S.C. § 1001.

⁷ EAS communities may submit waiver requests from certain EAS requirements to the Department for consideration. Waiver requests may be submitted with an air carrier's proposal or during the community comment

Community and State Comments

Pierre and Watertown, the State of South Dakota, and any actual and potential users of air transportation from the communities are welcome to submit comments at any time. The Department encourages interested air carriers to contact the community *before* they submit their proposals so that they can tailor them to the (specific) community's needs, as they will not be able to amend them after the due date.

After the due date, the proposals will be uploaded to www.regulations.gov, thereby making them public. Shortly afterwards, the Department will notify the community of the proposals and ask them to submit their comments by a specific date.

Other Air Carrier Requirements

The Department is responsible for implementing various federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁸ Consequently, all air carriers receiving subsidy for EAS must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those air carriers whose subsidies exceed \$100,000 over the life of the contract must also certify that they are in compliance with the regulations governing lobbying activities.⁹ Because the Department is prohibited from paying subsidy to air carriers that do not submit these documents, all air carriers that plan to submit proposals involving subsidy should be aware that the selected air carrier will be required to complete the required certifications. Interested air carriers requiring more detailed information regarding these requirements should contact the Office of Aviation Analysis at (202) 366-5903.¹⁰

This order is issued under authority assigned in 14 CFR Part 385.12(h)(6).

Accordingly,

1. The Department requests that air carriers interested in providing Essential Air Service at Pierre and/or Watertown, South Dakota, submit their proposals, with or without subsidy, no later than January 6, 2025. The proposals should be e-mailed to: michael.gormas@dot.gov and EAS@dot.gov, with the subject line "Proposal to Provide EAS at Pierre and/or Watertown, South Dakota";¹¹

2. These dockets will remain open until further Order of the Department; and

period, after proposals are received. 49 U.S.C. § 41732(c) states: "Notwithstanding section 41733(e), upon request by an eligible place, the Secretary may waive, in whole or in part, subsections (a) and (b) of this section or subsections (a) through (c) of section 41734. A waiver issued under this subsection shall remain in effect for a limited period of time, as determined by the Secretary."

⁸ The regulations applicable to these areas are: (1) 49 CFR Part 20 – New restrictions on lobbying; (2) 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation – Effectuation of title VI of the Civil Rights Act of 1964; (3) 49 CFR Part 27 – Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from federal financial assistance; (4) 14 CFR Part 382 – Nondiscrimination on the basis of disability in air travel; (5) 49 CFR Part 32 – Governmentwide requirements for drug free workplace; and (6) 2 CFR Part 1200 – Government-wide debarment and suspension (non-procurement).

⁹ 49 CFR 20.110(a)(1) and (b)(1).

¹⁰ The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

¹¹ Questions regarding filings in response to this Order may be directed to Mr. Michael Gormas at michael.gormas@dot.gov.

3. The Department will serve this Order on the civic officials of Pierre and Watertown, South Dakota, the airport managers of Pierre Regional Airport and Watertown Regional Airport, and the courtesy distribution list for requests for proposals for EAS communities.

By:

TODD M. HOMAN
Director
Office of Aviation Analysis

(SEAL)

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

Passenger Traffic at Pierre¹

CityMarketName_1	Pierre, SD				
Airport_1	PIR				
Sum of T110_Rpax		Direction			
Year	Month	Enplanements	Deplanements	Grand Total	
2023	1	1007	982	1989	
	2	897	953	1850	
	3	1190	1165	2355	
	4	1206	1071	2277	
	5	1400	1402	2802	
	6	1455	1443	2898	
	7	1350	1487	2837	
	8	1306	1290	2596	
	9	1397	1358	2755	
	10	1616	1546	3162	
	11	1720	1826	3546	
	12	1196	1348	2544	
2023 Total		15740	15871	31611	
2024	1	984	979	1963	
	2	940	929	1869	
	3	1017	1014	2031	
	4	946	885	1831	
	5	1231	1201	2432	
	6	1361	1301	2662	
	7	1245	1288	2533	
	8	1171	1187	2358	
2024 Total		8895	8784	17679	

¹ Source: Bureau of Transportation Statics, Schedule T-100.

Passenger Traffic at Watertown

CityMarketName_1	Watertown, SD				
Airport_1	ATY				
Sum of T110_Rpax		Direction			
Year	Month	Enplanements	Deplanements	Grand Total	
2023		1	752	751	1503
		2	769	791	1560
		3	1415	1412	2827
		4	1266	1185	2451
		5	1476	1519	2995
		6	1822	1725	3547
		7	1637	1699	3336
		8	1349	1338	2687
		9	1151	1212	2363
		10	1427	1389	2816
		11	1223	1217	2440
		12	1157	1191	2348
2023 Total		15444	15429	30873	
2024		1	944	949	1893
		2	904	878	1782
		3	1006	960	1966
		4	904	823	1727
		5	1235	1242	2477
		6	1415	1254	2669
		7	1484	1564	3048
		8	1306	1273	2579
2024 Total		9198	8943	18141	

Example of General Terms and Conditions for Essential Air Service

The air carrier understands that it may forfeit its compensation for any flights that it does not operate in compliance 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 compliance 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.

Funds may not be available for performance under this Order beyond [DATE]. The Government's obligation for performance under this Order beyond [DATE], 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 [DATE], until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond [DATE], 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 31st; August claims must be submitted by November 30th, and so on.