



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

Issued by the Department of Transportation
on the 8th day of January, 2026

Essential Air Service at

MERCED, CALIFORNIA
(FAIN 69A3452660513)¹

DOT-OST-1998-3521

Under 49 U.S.C. § 41731 *et seq.*

**ORDER ENSURING CONTINUED
ESSENTIAL AIR SERVICE**

Summary

By this Order, the U.S. Department of Transportation (the Department) extends the Essential Air Service (EAS) obligation of Advanced Air, LLC (Advanced Air) at Merced, California, from January 1, 2026, through June 30, 2026, or until the air carrier selection case initiated by Order 2025-6-5 (May 10, 2025) concludes and EAS commences under the new contract, whichever occurs earlier. Advanced Air will be compensated at the rates set out in Appendix A and in accordance with the terms in Appendix B.

Background

By Order 2021-9-24 (September 23, 2021), the Department selected Advanced Air to provide EAS at Merced for the four-year period from January 1, 2022, through December 31, 2025. Under the terms of that order, Advanced Air provides a total of 24 nonstop round trips per week, consisting of 12 weekly nonstop round trips to Harry Reid International Airport, formerly McCarran International Airport, in Las Vegas (LAS), and 12 weekly nonstop round trips to Los Angeles International Airport (LAX), using 8-seat Pilatus PC-12 aircraft, at the current annual subsidy rate of \$3,881,383.

Subsequently, by Order 2023-3-20 (March 23, 2023), the Department approved the request of Merced to alter the EAS pattern provided by Advanced Air, effective April 1, 2023, at no additional annual subsidy, by changing the service from LAX to Hawthorne Municipal Airport (HHR) and keeping service to LAS, as indicated below.

¹ FAIN = Federal Award Identification Number.

Effective Dates	Hub(s)	Weekly Round Trips
January 1, 2022 - March 31, 2023	Los Angeles International Airport (LAX)	12
	Harry Reid International Airport (LAS)	12
April 1, 2023 - December 31, 2025	Hawthorne Municipal Airport (HHR)	12
	Harry Reid International Airport (LAS)	12

In anticipation of the end of the contract established by Order 2021-9-24, the Department issued Order 2025-6-5 on May 10, 2025, requesting proposals from air carriers interested in providing EAS at Merced. In response, Advanced Air, Boutique Air, Inc. (Boutique), Corporate Flight Management, Inc. d/b/a Contour Airlines (Contour), SkyWest Airlines, Inc. (SkyWest), and SkyWest Charter, LLC (SWC) submitted proposals for consideration.

Those proposals, as well as the complete public file for EAS at Merced, 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.

Decision

As this matter is still under review, the Department will extend the EAS obligation of the incumbent air carrier, Advanced Air, through June 30, 2026, or until the air carrier selection case concludes and EAS commences under the new contract, whichever occurs first. Advanced Air's compensation will be adjusted to their new proposed rate for the duration of this extension, as detailed in Appendix A. Advanced Air has consented to this extension.

This Order is issued under authority redelegated by the Under Secretary of Transportation in 49 CFR § 1.25a(b)(6)(ii)(D), as further authorized by 49 CFR § 1.60(b).

Accordingly,

1. The Department extends the terms of Order 2021-9-24, as amended by Order 2023-3-20, from January 1, 2026, through June 30, 2026, or until the air carrier selection case initiated by Order 2025-6-5 (May 10, 2025) concludes and EAS commences under the new contract, whichever occurs earlier; Advanced Air, LLC will be compensated at the rates set out in Appendix A and in accordance with the terms in Appendix B of this Order;
2. This docket will remain open until further order of the Department; and

3. The Department will serve this Order on the Mayor and City Manager of Merced, California, the Airport Manager of Merced Regional Airport, Advanced Air, LLC, Boutique Air, Inc.; Corporate Flight Management, Inc. d/b/a Contour Airlines, SkyWest Charter, LLC, and SkyWest Airlines, Inc.

By:

CINDY A. BARABAN
Deputy Assistant Secretary
for Aviation and International Affairs

(SEAL)

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

Advanced Air, LLC

Annual Compensation Requirements for Essential Air Service at
Merced, California to provide 24 nonstop round trips each week

PROPOSAL FINANCIAL SUMMARY

<i>Operations</i>		
Scheduled Flights	2,496	
Completed Flights	2,446	
Scheduled Block Hours	2,122	
Scheduled Seats	19,968	
<i>Revenue</i>		
Passengers	9,984	
Average Net Fare (o/w)	\$ 75	
Load Factor	50%	
Passenger Revenue	\$ 748,800	
<i>Expenses</i>		
Fuel	\$ 1,219,900	
Maintenance and Reserves	\$ 2,171,100	
Flight Crew	\$ 753,000	
Ownership and Insurance	\$ 1,652,200	
Airport Rent and Operations	\$ 384,400	
Overhead Staff	\$ 624,000	
Marketing and Distribution	\$ 125,000	
Total Costs	\$ 6,929,600	
<i>Profit Element</i>		
Margin (@ 5%)	\$ 346,480	
<i>Total Annual Subsidy</i>		
Year 1	\$ 6,527,280	
Year 2	\$ 6,918,917	
Year 3	\$ 7,334,052	
Year 4	\$ 7,774,095	

NOTES:

12 weekly round trips
between Merced, CA (MCE)
and Oakland, CA (OAK) and
12 weekly round trips
between Merced, CA (MCE)
and Hawthorne, CA (HHR)

Seat pricing:
\$75 one-way to Oakland, CA
(OAK)
\$75 one-way to Hawthorne,
CA (HHR)

Advanced Air, LLC

PROPOSAL FINANCIAL SUMMARY (cont.)

Additional Service Options

Destination and Equipment Alternatives with Pricing Adjustments

OPTIONS:

- 12x service to Sacramento (SMF) versus Oakland (OAK): +\$0.3M
- 12x service to Las Vegas (LAS) versus Oakland (OAK): +\$2.8M
- service into Los Angeles International (LAX) versus Hawthorne (HHR): +1.5M
- 7x service to Hawthorne (HHR) and Oakland (OAK) with Do328J versus KA350: +\$0.3M **
- 10x service to Hawthorne (HHR) and Oakland (OAK) (7x KA350, 3x Do328J): +\$1.1M **

**All flights to be conducted as 14 CFR Part 380 Public Charters. Accordingly, service is contingent upon the community waiving its rights to scheduled air transportation or submitting a proposal for Alternate Essential Air Service (AEAS).

**Advanced Air, LLC
Essential Air Service to be provided at Merced, California
DOT- OST-1998-3521**

Effective Period: From January 1, 2026, through June 30, 2026, or until the air carrier selection case initiated by Order 2025-6-5 (May 10, 2025) concludes and EAS commences under the new contract, whichever occurs earlier

Scheduled Service: Twelve (12) weekly nonstop round trips to Harry Reid International Airport (LAS) and twelve (12) weekly nonstop round trips to Hawthorne Municipal Airport (HHR)

Aircraft: 9-seat King Air aircraft

Annual Subsidy: \$7,227,280

Rate per Eligible Flight: \$2,955¹

Weekly Ceiling: \$141,840²

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. In the event the air carrier provides notice that it is ending, suspending, or reducing basic essential air service, the air carrier must conform with all requirements under 49 U.S.C. § 41734, including any contract termination penalties or conditions on compensation that the Secretary of Transportation incorporates in this EAS subsidy contract.

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.

¹ Annual compensation of \$7,227,280 divided by 2,446 annual departures (48 weekly departures x 52 weeks x 98 percent completion).

² 48 flights per week multiplied by \$2,955 per flight.

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 January 30, 2026. The Government's obligation for performance under this Order beyond January 30, 2026, 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 January 30, 2026, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond January 30, 2026, 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.