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## Memorandum

Date: June 11, 2019

Subject: INFORMATION: Audit Announcement | DOT's Oversight of Unsubsidized Carriers for the Essential Air Service Program | Project No. 19A3004A000  
Office of the Secretary of Transportation

From: Matthew E. Hampton  
Assistant Inspector General for Aviation Audits 

To: Assistant Secretary for Aviation and International Affairs

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The Airline Deregulation Act<sup>1</sup> of 1978 gave airlines freedom to determine which markets to serve and what fares to charge—which resulted in lower fares, the expansion of the regional airline industry, and increased flight choices for many Americans. However, small communities grew concerned that they would lose air service as airlines shifted operations to larger, potentially more lucrative markets. To address these concerns, Congress established the Essential Air Service (EAS) program to ensure small communities receive continuous air service. The program is administered by the Department of Transportation (DOT), which has the authority to provide subsidies, if necessary, for airlines servicing EAS communities. Initially seen as transitional, the EAS program was extended indefinitely by the Federal Aviation Administration Reauthorization Act of 1996.

The FAA Reauthorization Act of 2018 mandated our office to determine whether unsubsidized carriers<sup>2</sup> provided basic essential air service and whether the Department conducted oversight of carriers providing unsubsidized service to ensure air service quality and community satisfaction. Accordingly, the objectives of this audit are to evaluate DOT's (1) authorization of unsubsidized air carriers for small communities and (2) oversight of the services provided by those air carriers.

We plan to begin the audit in June and will contact your audit liaison to schedule an entrance conference. We will conduct our work at DOT Headquarters and

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<sup>1</sup> Airline Deregulation Act of 1978, Pub. L. No. 95-504, 92 Stat. 1705 (1978).

<sup>2</sup> An air carrier that provides commercial air service to an EAS community without receiving a subsidy from the Department of Transportation.

reach out to the eligible communities, as required. If you have any questions, please contact me at (202) 366-0500 or Marshall Jackson, Program Director, at (202) 366-4274.

cc: DOT Audit Liaison, M-1