Order 98-8-21
Served: August 25, 1998

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

Issued by the Department of Transportation
on the 19th day of August, 1998

Essential Air Service at RUTLAND, VERMONT under 49 U.S.C., 41731 *et seq*.	**Docket OST-97-2784**

ORDER SETTING FINAL RATE UNTIL FURTHER DEPARTMENT ACTION

Summary

By this order we are setting a new final annual rate of $909,439 for Colgan Air, Inc., for its essential air service (EAS) at Rutland, Vermont, for four nonstop round trips per day to Boston, effective September 1, 1998, until further Department action. The current rate set by Order 98-6-30 will expire on August 31, 1998, by the terms of Order 98-8-14.

Discussion

Order 98-6-30 set a final annual rate of $1,495,138 for Colgan's provision of EAS at Rutland and Keene, New Hampshire, from July 1, 1998, until further Department action. Under that rate Keene was to receive three round trips a day to Boston and Rutland four, all with 19-seat Beech 1900s.

Order 98-8-14 terminated Colgan's rate at Keene effective September 1, 1998, and allowed the carrier to suspend service on that date. (See Order 98-8-14 for a full explanation.) For several years Keene and Rutland have received their EAS as a linear service package. Because Rutland is to continue to receive subsidy support after Keene's subsidy has been eliminated, a new rate must be established that reflects the subsidy need of providing Rutland service without the benefit of spreading some fixed costs over the Keene operation. We have reached agreement with Colgan for an annual subsidy rate of $909,439 for four nonstop Rutland-Boston round trips a day, effective September 1, 1998. We find that the proposed service and subsidy levels are reasonable and appropriate for the service the carrier proposes.

We will not, however, reselect Colgan for the typical two-year period at this time, because the carrier's subsidy rate at three nearby Maine communities that it also serves to Boston -

-Augusta/Waterville, Bar Harbor, and Rockland--is due to expire at the end of December. We will examine with the carrier any efficiencies of integrating those three communities with Rutland at that time, and set a new two-year rate for all four communities.

This order is issued under authority delegated in 49 CFR 1.56(i).

ACCORDINGLY,

1. The Department sets the final rate of compensation for Colgan Airways, Inc., for the provision of essential air service at Rutland, Vermont, as described in Appendix B, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month at the community by $375.65 [1]

2. We direct Colgan Air, Inc., to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order; and

3. The Department will serve copies of this order on the Governor of Vermont, the Mayor and Airport Manager of Rutland, Vermont, and Colgan Air, Inc.

By:

Charles A. Hunnicutt
Assistant Secretary for Aviation
and International Affairs

(SEAL)

An electronic version of this document is available on the World Wide Web at
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[1] See Appendix C for calculation.

Appendix B

Colgan Air, Essential Air Service at Rutland, Vermont

	Total
Distance to Boston	127
Passengers	10,000
Fare	$70
Total Revenue	$700,000
Flight Hours 1/	1,614
Expenses:	
Flying Ops. @ $94.46/hr.	$152,458
Fuel @ 126.50/hr 2/	$204,171
Maintenance @ $181/hr.	$292,134
Aircraft 3/	$284,152
Insurance 4/	$70,000
Direct Expense	$1,002,915
Pax. Rel. @ $12.12/pax.	$121,200
Rev. Related @ 6.3%	$44,100
Rutland Station	$86,068
Boston Station	$107,159
G & A @ 10.9%	$148,397
Marketing @ EAS point & Hub	$22,960
Indirect Expense	$529,884
Total Oper. Exp.	$1,532,799
Return at 5%	$76,640
Total Econ. Cost	$1,609,439
Annual Subsidy Need	
97% completion	$909,439

1/ RUT-BOS: 48 flts./week x 52 weeks x 40 min. x .97/60 = 1,614 hrs.

2/ 115 gph x $1.10/gallon plus oil.

3/ Two-thirds of an aircraft assigned.

Appendix C

COLGAN AIR, INC.
ESSENTIAL AIR SERVICE AT ,
AND RUTLAND, VERMONT

EFFECTIVE PERIOD: September 1, 1998, until further Department action
SCHEDULED PASSENGER SERVICE: 24 nonstop round trips each week between Rutland and Boston.
AIRCRAFT TYPE: Beech 1900, 19-seats.
TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation.
SUBSIDY RATE PER ARRIVAL/DEPARTURE: $375.65 [1]
COMPENSATION CEILING EACH WEEK: $18,031.20 [2]

NOTE

The 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 plan outlined in the order and any other significant elements of the required service, without prior approval. The 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 carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the 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 assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The 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 agreed amounts or at the agreed service levels, the 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 parities to the agreement 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.

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[1] Annual compensation of $909,439 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor: 48 departures/arrivals x 52 weeks x .97 = 2,421 total.

[2] Subsidy rate per arrival/departure of $375.65 multiplied by 48 subsidy-eligible arrivals and departures each week.