Order 99-4-7

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

Issued by the Department of Transportation
on the 12th day of April, 1999

Served: April 14, 1999

Essential Air Service at **FAIRMONT, MINNESOTA** **BROOKINGS, SOUTH DAKOTA** **YANKTON, SOUTH DAKOTA** **DEVILS LAKE, NORTH DAKOTA** **JAMESTOWN, NORTH DAKOTA** **NORFOLK, NEBRASKA** Under 49 U.S.C. 41731 *et seq.*	**Docket OST-1998-3843** **OST-1997-2785** **OST-1998-3703** **OST-1997-2785** **OST-1997-2785** **OST-1998-3704**

ORDER SELECTING AIR CARRIER AND APPROVING ALTERNATE SERVICE PATTERN

Summary

By this order, the Department is approving Great Lakes Aviation, Ltd., d/b/a United Express's proposed alternate service pattern, by changing the hub to which service is subsidized for Norfolk, Nebraska, and Yankton, South Dakota, from Minneapolis to Denver. The order also selects Great Lakes to provide subsidized service at Fairmont, Minnesota, Brookings and Yankton, South Dakota, Devils Lake and Jamestown, North Dakota, and Norfolk, Nebraska, for a new two-year rate period at a total combined subsidy rate of $3,915,196 a year, effective on the date the carrier inaugurates the level of service described in Appendix B to this order, through April 30, 2001, and sets a final combined annual subsidy rate of $3,915,196 for Great Lakes' provision of subsidized essential air service (EAS) at the six communities.[1]

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[1] See Appendix A for a map.

Background

On March 26 and April 1, 1998, Great Lakes' filed 90-day notices of intent to suspend its subsidized essential air service at Fairmont, Norfolk, and Yankton. Great Lakes serves those three communities as part of a subsidized six-city package that also includes Devils Lake, Jamestown, and Brookings, all served to Minneapolis/St. Paul. As a result of Great Lakes' suspension notices, by Order 98-5-19, issued on May 12, 1998, the Department requested proposals from carriers interested in providing essential air service at all six communities.

In response to our request for proposals, Great Lakes was the only applicant. As a short-term measure, Great Lakes proposed to continue to provide 18 round trips a week between each of the six communities and Minneapolis/St. Paul with 19-seat Beech 1900 aircraft, while it examined other service alternatives for the communities. By Order 99-1-15, January 29, 1999, we set a short-term rate of $4,794,180 for the period September 28, 1998, until further Department action, but no later than April 1, 1999.

Carrier Proposal

On March 10, 1999, Great Lakes proposed a longer-term service pattern and requested that it be permitted to change the hub for Norfolk and Yankton's subsidized services to Denver effective in May 1999. Great Lakes proposes to provide 12 round trips a week over the routing Spencer-Yankton-Kearney-Denver for $640,976 annually, and 12 round trips a week over the routing Norfolk-North Platte-Denver for $431,660 annually. Great Lakes also proposes to continue to provide 18 nonstop round trips a week between Fairmont and Minneapolis for $734,120 annually, 18 nonstop round trips a week between Brookings and Minneapolis for $881,662 annually, and 18 round trips a week over the routing Devils Lake-Jamestown-Minneapolis for $1,226,778 annually. All service would be provided with 19-seat Beech 1900 aircraft.

The current essential air service determination for Norfolk requires at least two round trips each service day to Omaha (one-stop), with 15-seat or larger aircraft. The current essential air service determination for Yankton requires at least two round trips each service day to Minneapolis/St. Paul (one-stop), with 15-seat or larger aircraft.

Consistent with long-standing program policy, we contacted officials from both communities for their views on the proposed change in hub. Community officials of Norfolk and Yankton support Great Lakes' proposal to change their hub from Minneapolis to Denver. The Norfolk Airport Authority believes that service to Denver would greatly increase enplanements at Norfolk. The Yankton Office of Economic Development expects to see better connections and fares on United by flying through Denver, and states that service to Denver should be an improvement over the Minneapolis connection.

Decision

After reviewing Great Lakes' proposal and the communities' comments, we have decided to approve the alternate service patterns proposed by Great Lakes. The communities of Norfolk and Yankton support the carrier's proposal. The new service pattern will provide the two communities service to a hub where United Airlines has a major presence, a very important benefit for the communities in view of Great Lakes' status as a United Express code-share carrier. The change in service pattern will also result in a significantly lower total subsidy requirement for the six communities. We find that the subsidy rates authorized here are reasonable for the service being provided.

We again note an area of potential improvement that we believe could result in significantly more responsive service and decreased subsidy for the communities that continue to receive service to Minneapolis/St. Paul. We continue to encourage Northwest's cooperation with Great Lakes to afford marketable joint fare opportunities for the communities, which should benefit all parties -- the communities in the form of more affordable fares, and both Great Lakes and Northwest in the form of increased traffic and revenues.

As a final matter, we have earmarked a specific dollar amount for local advertising in Great Lakes' subsidy rates and we fully expect the carrier to use that amount as proposed to continue to promote its service at these essential air service communities.

Carrier Fitness

Before we may pay a carrier for the provision of essential air service, 49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service. We last found Great Lakes fit to provide scheduled passenger service as a commuter air carrier when we set the final rate of compensation for it to provide subsidized air service at Fairmont, Minnesota, Brookings and Yankton, South Dakota, Devils Lake and Jamestown, North Dakota, and Norfolk, Nebraska, by Order 99-1-15, February 1, 1999. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Great Lakes remains fit.

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

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Fairmont, Minnesota, Brookings and Yankton, South Dakota, Devils Lake and Jamestown, North Dakota, and Norfolk, Nebraska, as described in Appendix B to this order, for the two-year period beginning on the date the carrier inaugurates the level of service described in Appendix B, through April 30, 2001;

2. The Department approves the alternate service pattern of Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Norfolk, Nebraska, and Yankton, South Dakota, as set forth in Appendix B, beginning on the date the carrier inaugurates the level of service to Denver described in Appendix B;

3. The Department extends the annual subsidy rate set in Order 99-1-15 from April 1, 1999, until Great Lakes Aviation, Ltd., d/b/a United Express, inaugurates the level of service described in Appendix B of this order;

4. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express for the provision of essential air service at Fairmont, Minnesota, for the period set forth in paragraph (1) above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rate set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed[2] during the week by $398.98;[3]

5. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express for the provision of essential air service at Norfolk, Nebraska, for the period set forth in paragraph (1) above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rate set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed[4] during the week by $351.80;[3]

6. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express for the provision of essential air service at Yankton, South Dakota, for the period set forth in paragraph (1) above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rate set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed[4] during the week by $522.39;[3]

7. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express for the provision of essential air service at Brookings, South Dakota, for the period set forth in paragraph (1) above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rate set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed[4] during the week by $479.16;[3]

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[2] Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point.

[3] See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

8. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., d/b/a United Express for the provision of essential air service at Devils Lake and Jamestown, North Dakota, for the period set forth in paragraph (1) above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rates set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed[4] during the week by the following rates: [3]

Devils Lake:	$333.36
Jamestown:	$333.36

9. We find that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Fairmont, Minnesota, Brookings and Yankton, South Dakota, Devils Lake and Jamestown, North Dakota, and Norfolk, Nebraska;

10. We direct Great Lakes Aviation, Ltd., d/b/a United Express, to retain all books, records, and other source and summary documentation to support subsidy claims for payment, and to preserve and maintain such documentation in a manner that readily permits its 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;

11. These dockets will remain open until further order of the Department; and

12. We will serve a copy of this order on the Mayors and airport managers of Fairmont, Minnesota, Brookings and Yankton, South Dakota, Devils Lake and Jamestown, North Dakota, and Norfolk, Nebraska, the Governors of Minnesota, Nebraska, North Dakota, and South Dakota, the Departments of Transportation of Minnesota, Nebraska, North Dakota, and South Dakota, Northwest Airlines, Inc., United Air Lines, Inc., and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

A. BRADLEY MIMS
Acting Assistant Secretary for Aviation and International Affairs

(SEAL)

GREAT LAKES AVIATION
ESSENTIAL AIR SERVICE AT
FAIRMONT, MINNESOTA, BROOKINGS AND YANKTON, SOUTH DAKOTA,
DEVILS LAKE AND JAMESTOWN, NORTH DAKOTA, AND
NORFOLK, NEBRASKA

EFFECTIVE PERIOD:	Date the alternate service pattern, which would switch Norfolk and Yankton's service from Minneapolis/St. Paul to Denver, is implemented, on or about May 18, 1999 through April 30, 2001
SERVICE:	
Brookings, Fairmont, and Jamestown	Nonstop to Minneapolis/St. Paul
Devils Lake	Nonstop or one-stop to Minneapolis/St. Paul
Norfolk and Yankton	Nonstop or one-stop to Denver
MINIMUM FREQUENCY:	
Brookings, Fairmont, Jamestown, and Devils Lake	18 round trips each week between each community and Minneapolis/St. Paul
Norfolk and Yankton	12 round trips each week between each community and Denver
AIRCRAFT TYPE:	Beech 1900D (19 passenger seats)
TIMING OF FLIGHTS:	Flights must be well-timed and well-spaced to ensure full compensation.
ANNUAL SUBSIDY RATES:	
Brookings	$881,662
Fairmont	$734,120
Devils Lake and Jamestown	$1,226,778
Norfolk	$431,660
Yankton	$640,976
	These rates assume an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.

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SUBSIDY RATE PER DEPARTURE/ARRIVAL	
Brookings	$479.16 [1]
Fairmont	$398.98 [2]
Devils Lake	$333.36 [3]
Jamestown	$333.36 [3]
Norfolk	$351.80 [4]
Yankton	$522.39 [5]
WEEKLY COMPENSATION CEILING AT EACH COMMUNITY [6]	
Brookings	$8,624.88 [7]
Fairmont	$7,181.64 [7]
Devils Lake	$6,000.48 [7]
Jamestown	$6,000.48 [7]
Norfolk	$4,221.60 [8]
Yankton	$6,268.68 [8]

[1] Annual compensation of $881,662 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 6 x 313 x .98 = 1,840.
[2] Annual compensation of $734,120 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 6 x 313 x .98 = 1,840.
[3] Annual compensation of $1,226,778 divided by two (to summarily allocate an amount to each point), divided further by the estimated annual completed departures and arrivals for each community at a 98 percent completion factor: 6 x 313 x .98 = 1,840.
[4] Annual compensation of $431,660 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 4 x 313 x .98 = 1,227.
[5] Annual compensation of $640,976 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 4 x 313 x .98 = 1,227.
[6] Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.
[7] The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week. (18).
[8] The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week. (12).

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N O T E

The carrier has been notified that it may forfeit its eligibility for compensation for any flights that it does not operate in full conformance with the terms and stipulations of this order, including the service plan outlined in this 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 this order during the applicable period of this order, 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 subsidized 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 parties to this order 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.