Order 99-9-14
Served Sep. 24, 1999

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

Issued by the Department of Transportation
on the 21st day of September, 1999

Essential air service at **LAMAR, COLORADO, AND** **GOODLAND, KANSAS** **NORTH PLATTE, NEBRASKA** Under 49 U.S.C. 41731 *et seq.*	**Docket OST-1995-934** **Docket OST-1999-5177**

ORDER ESTABLISHING SUBSIDY RATES

Summary

By this order, the Department is establishing final subsidy rates (a) for Great Lakes' essential air service at Lamar, Colorado, and Goodland, Kansas, for the three-month period from July 1 through September 30, 1999, at annual levels of $1,069,919 and $1,145,318, respectively, and (b) for Great Lakes' hold-in service at North Platte, Nebraska, at an annual level of $106,006 beginning May 31, 1999, until further Department action.

Background

By Order 97-10-10, October 14, 1997, the Department selected Great Lakes Aviation, Ltd., d/b/a United Express, to continue providing essential air service at Lamar, Colorado, and Goodland, Kansas, though June 30, 1999. Specifically, the Department selected Great Lakes to operate 18 nonstop round trips from each community to Denver with 19-seat Beech 1900 aircraft at annual subsidy rates of $1,009,635 for Lamar and $1,666,766 for Goodland.[1]

In addition, by Order 99-5-12, May 24, 1999, the Department prohibited Great Lakes from suspending its unsubsidized service at North Platte, Nebraska, following Great Lakes' filing of a 90-day notice of intent to suspend its service there as of May 31, 1999, and required the carrier to continue to operate 18 nonstop round trips a week from North Platte to Denver.[2] Although Great Lakes had been serving North Platte without subsidy, it became eligible for compensation as of May 31, 1999, by virtue of its being required to continue service beyond the end of the 90-day notice period.

We requested that Great Lakes submit a subsidy proposal for its hold-in service at North Platte, pending completion of the competitive carrier selection case.[3] At the same time, we also asked the carrier to submit subsidy proposals for its services at Lamar and Goodland beyond May 31, 1999, when the old rates for the two

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[1] See Appendix A for a map. The Goodland rate actually covered a Kearney-Goodland-Denver routing.

[2] Order 99-5-12 required Great Lakes to maintain service at North Platte for 30 days beyond the end of the 90-day notice period; subsequent orders have extended that requirement for additional 30-day periods.

[3] We have received a proposal for replacement service at North Platte from Equity Air Holdings.

communities expired. In particular, we asked that the proposals for Lamar and Goodland cover the three-month period from July 1, 1999, through September 30, 1999, when the current subsidy rates for five communities in western Kansas with which Lamar's and Goodland's services have traditionally been connected are also due for renewal.[4] We will by separate order establish new two-year subsidy rates beginning October 1, 1999, for all seven communities, and request proposals from other interested carriers.

Carrier Proposal

Great Lakes has submitted proposals for all three communities in response to our request. As a result of discussions with Department staff, Great Lakes has agreed to annualized subsidy rates of $1,069,919 for Lamar and $1,145,318 for Goodland from July 1 through September 30, 1999, and $106,006 for North Platte from May 31, 1999, until further notice, pending completion of the carrier selection proceeding.[5]

Decision

After a thorough review of Great Lakes' proposals, we have decided to establish final subsidy rates for Lamar, Goodland and North Platte at the agreed levels. The rates appear reasonable for the service at issue.

As noted above, we will soon establish new subsidy rates for Lamar and Goodland along with five other subsidized communities for the two-year period beginning October 1, 1999. We want to place the communities of Lamar and Goodland on notice that, based on our review of their traffic and service histories, we intend to reduce the levels of service we will subsidize from 18 round trips a week to 12. During the last decade, Lamar has never averaged as many as five enplanements a day nor Goodland as many as four.[6]

Until October 1997, we had for many years subsidized 12 round trips a week at both Lamar and Goodland. In Order 97-7-10, we authorized subsidy for Great Lakes to operate 18 round trips a week at the communities in view of two events: the November 1995 Congressional reductions in program funding that necessitated a cutback in the communities' subsidized service levels from 12 to 10 round trips a week; and a complete service hiatus from August 1996, when Mesa Air Group, d/b/a United Express, left the communities, until August 1997, when Great Lakes inaugurated replacement service.

In authorizing 18 round trips a week, we had hoped that the higher service levels would stimulate use of the local airports. But we also noted that the subsidy necessary to support such service levels was substantial, and we would closely reexamine the communities' continuing service needs at rate renewal time. During the year ended March 31, 1999, the most recent 12-month period for which data are available, the communities' traffic levels have shown very little improvement: Lamar averaged only 4.9 enplanements a day and Goodland averaged 3.5. In view of those results and the high cost of subsidizing service at the communities, we expect to revert to subsidizing 12 round trips a week at both communities.

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

ACCORDINGLY,

1. We set the final rates of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Lamar, Colorado, and Goodland, Kansas, as described in Appendix C, for the period from

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[4] See Order 98-3-32, which established subsidy rates for Great Lakes' service at Dodge City, Garden City, Great Bend and Hays, Kansas, and Liberal, Kansas/Guymon, Oklahoma, through September 30, 1999. Great Lakes currently serves Lamar over a Liberal/Guymon-Lamar-Denver routing and Goodland over a Salina-Goodland-Denver routing, where the Salina-Goodland segment is unsubsidized.

[5] Appendix B contains details of Great Lakes' compensation requirements.

[6] All traffic data come from RSPA Form 298-C, Schedules T-1 or A-1. Enplanements represent one-half of total origin-and-destination passengers. Daily averages are based on 313 service days a year, where a service day is a weekday or weekend.

July 1, 1999, through September 30, 1999, and at North Platte, Nebraska, as described in Appendix C, for the period from May 31, 1999, until further Department action, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:[7]

Lamar	$581.48
Goodland	$622.46
North Platte	$ 57.61

2. We direct Great Lakes Aviation, Ltd., d/b/a United Express, 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 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 claims that are not supported under the terms of this order;

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

4. We will serve copies of this order on the Mayors and airport managers of Lamar, Colorado, Goodland, Kansas, and North Platte, Nebraska; the Governors of Colorado, Kansas and Nebraska; the Directors of the Colorado Division of Aeronautics, the Kansas Aviation Division and the Nebraska Department of Aeronautics; and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

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

(SEAL)

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[7] See Appendix C for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of these rates may be required.

APPENDIX B
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GREAT LAKES AVIATION, LTD., d/b/a US AIRWAYS EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE
AT LAMAR, COLORADO
(At 98 percent completion)

Departures		1,840 1/
Block Hours		1,533 2/
Available seat-miles		5,698,480 3/
Operating Revenues:		
Passenger: 3,000 psgrs at $95.00	$ 285,000	
Freight (at 0.62% of psgr rev)	1,767	
Total Operating Revenues		$ 286,767
Operating Expenses:		
Direct: Flying Operations ($94.11/BH)	$ 144,271	
($5.61/dept)	10,322	
Fuel & Oil ($0.90 x 117 gal/dpt)	193,752	
Hull Insurance ($2,050 x 12 mo x 0.3393)	8,347	
Maintenance ($75.00/dpt)	138,000	
($104.82 x 1,225)	128,405	
Aircraft Lease ($34,504 x 12 x 0.5)	207,024	
Total Direct Expenses		830,121
Indirect: Lamar deicing charge ($125.00 x 115)	14,375	
Local Marketing	5,000	
Station Manager	22,600	
Station Agents ($17,300 x 2)	34,600	
Denver cost per turn ($264.34 x 920)	243,193	
Denver baggage system fees ($1.46 x 1,500)	2,190	
Denver terminal transit system fee ($1.45 x 1,500)	2,175	
United baggage system fee ($4.68 x 1,500)	7,020	
Passenger-related ($16.63/psgr)	49,890	
Administrative ($0.0142/ASM)	80,918	
Total Indirect Expenses		461,961
Total Operating Expenses		$1,292,082
Operating Loss		$1,005,315
Profit Element (5.0% of Total Operating Expenses)		$ 64,604
Annual Compensation Requirement		$1,069,919

1/ 6 dpts x 313 service days x .98 completion = 1,840 departures.
2/ 1,840 dpts x 50 min/60 = 1,533 block hours.
3/ 1,840 dpts x 19 seats 163 miles = 5,698,480 available seat-miles.

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GREAT LAKES AVIATION, LTD., d/b/a US AIRWAYS EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE
AT GOODLAND, KANSAS
(At 98 percent completion)

Departures		1,840 1/
Block Hours		1,564 2/
Available seat-miles		5,663,520 3/
Operating Revenues:		
Passenger: 2,200 psgrs at $92.00	$ 202,400	
Freight (at 0.62% of psgr rev)	1,255	
Total Operating Revenues		$ 203,655
Operating Expenses:		
Direct: Flying Operations ($94.11/BH)	$ 147,188	
($5.61/dept)	10,322	
Fuel & Oil ($0.91 x 117 gal/dpt)	195,905	
Hull Insurance ($2,050 x 12 mo x 0.3393)	8,347	
Maintenance ($75.00/dpt)	138,000	
($104.82 x 1,250)	131,025	
Aircraft Lease ($34,504 x 12 x 0.5)	207,024	
Total Direct Expenses		837,811
Indirect: Goodland facility lease ($150.00 x 12)	1,800	
Goodland deicing charge ($125.00 x 115)	14,375	
Local Marketing	5,000	
Station Manager	22,600	
Station Agents ($17,300 x 2)	34,600	
Denver cost per turn ($264.34 x 920)	243,193	
Denver baggage system fees ($1.46 x 1,100)	1,606	
Denver terminal transit system fee ($1.45 x 1,100)	1,595	
United baggage system fee ($4.68 x 1,100)	5,148	
Passenger-related ($16.63/psgr)	36,586	
Administrative ($0.0142/ASM)	80,422	
Total Indirect Expenses		446,925
Total Operating Expenses		$1,284,736
Operating Loss		$1,081,081
Profit Element (5.0% of Total Operating Expenses)		$ 64,237
Annual Compensation Requirement		$1,145,318

1/ 6 dpts x 313 service days x .98 completion = 1,840 departures.
2/ 1,840 dpts x 51 min/60 = 1,533 block hours.
3/ 1,840 dpts x 19 seats 162 miles = 5,663,520 available seat-miles.

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GREAT LAKES AVIATION, LTD., d/b/a US AIRWAYS EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE
AT NORTH PLATTE, NEBRASKA
(At 98 percent completion)

Departures		2,453 1/
Block Hours		2,391 2/
Available seat-miles		9,391,795 3/
Operating Revenues:		
Passenger: 16,000 North Platte-Denver psgrs at $105.00	$1,680,000	
4,000 Grand Island-Denver psgrs at $103.00	412,000	
Freight (at 0.62% of psgr rev)	12,970	
Total Operating Revenues		$2,104,970
Operating Expenses:		
Direct: Flying Operations ($94.11/BH)	$ 225,017	
($5.61/dept)	13,761	
Fuel & Oil LBF-DEN ($0.916 x 143 gal/dpt)	241,018	
LBF-GRI ($0.916 x 101 gal/dpt)	56,712	
Hull Insurance ($2,665 x 12 mo x 0.3393)	10,851	
Maintenance ($75.00/dpt)	183,975	
($104.82 x 1,911)	200,311	
Aircraft Lease ($34,504 x 12 x 0.65)	269,131	
Total Direct Expenses		1,200,776
Indirect: North Platte facility lease ($850.00 x 12)	10,200	
North Platte landing fees ($6.64 x 1,227)	8,147	
North Platte deicing charge ($125.00 x 154)	19,250	
Local Marketing	5,000	
Station Manager	22,600	
Station Agents ($17,300 x 3)	51,900	
Grand Island incremental landings ($10.79 x 256)	2,762	
Denver cost per turn ($264.34 x 920)	243,193	
Denver baggage system fees ($1.46 x 10,000)	14,600	
Denver terminal transit system fee ($1.45 x 10,000)	14,500	
United baggage system fee ($4.68 x 10,000)	46,800	
Passenger-related ($16.63/psgr)	332,600	
Administrative ($0.0142/ASM)	133,363	
Total Indirect Expenses		904,915
Total Operating Expenses		$2,105,691
Operating Loss		$ 721
Profit Element (5.0% of Total Operating Expenses)		$ 105,285
Annual Compensation Requirement		$ 106,006

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1/ North Platte-Denver: 6 dpts x 313 service days x .98 comp = 1,840 departures
North Platte-Grand Island: 2 dpts x 313 service days x .98 comp = 613 departures
2,453 departures

2/ North Platte-Denver: 1,840 dpts x 65 min/60 = 1,993 block hours
North Platte-Grand Island 613 dpts x 39 min/60 = 398 block hours
2,391 block hours

3/ North Platte-Denver: 1,840 dpts x 19 seats x 227 mi = 7,935,920 available seat-miles
North Platte-Grand Island 613 dpts x 19 seats x 125 mi = 1,455,875 available seat-miles
9,391,795 available seat-miles

APPENDIX C
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GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE AT
LAMAR, COLORADO, GOODLAND, KANSAS, AND NORTH PLATTE, NEBRASKA

EFFECTIVE PERIOD	
Lamar and Goodland	July 1, 1999, through September 30, 1999
North Platte	May 31, 1999, until further Department action
SERVICE	
All three communities	18 nonstop round trips to Denver each week
AIRCRAFT TYPE	
All three communities	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	
Lamar	$581.48 1/
Goodland	$622.46 2/
North Platte	$ 57.61 3/
COMPENSATION CEILING EACH WEEK	
Lamar	$20,933 4/
Goodland	$22,409 5/
North Platte	$ 2,074 6/

FOOTNOTES APPEAR ON THE FOLLOWING PAGE

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N O T E

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 plans 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 the 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 ensured 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 agreement, 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 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.

F O O T N O T E S

1/ Annual compensation of $1,069,919 divided by 1,840 annual arrivals and departures at a 98 percent completion factor, calculated as follows: 6 dpts x 313 service days x .98 = 1,840.
2/ Annual compensation of $1,145,318 divided by 1,840 annual arrivals and departures at a 98 percent completion factor, calculated as follows: 6 dpts x 313 service days x .98 = 1,840.
3/ Annual compensation of $106,006 divided by 1,840 annual arrivals and departures at a 98 percent completion factor, calculated as follows: 6 dpts x 313 service days x .98 = 1,840.
4/ Subsidy rate per arrival/departure of $581.48 multiplied by 36 subsidy-eligible arrivals and departures each week.
5/ Subsidy rate per arrival/departure of $622.46 multiplied by 36 subsidy-eligible arrivals and departures each week.
6/ Subsidy rate per arrival/departure of $57.61 multiplied by 36 subsidy-eligible arrivals and departures each week.