



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

Issued by the Department of Transportation
on the 1st day of December, 1999

Served: December 3, 1999

Essential air service at

**IRON MOUNTAIN/KINGSFORD,
MICHIGAN**

under 49 U.S.C. 41731 *et seq.*

Docket OST-99-5175

ORDER SELECTING CARRIER AND SETTING FINAL RATES

Summary

By this order we are selecting Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes), to provide subsidized essential air service at Iron Mountain/Kingsford (Iron Mountain), Michigan, and setting a subsidy rate of \$473,599 a year. (See Appendix A for a map.)

Background

On March 2, 1999, Great Lakes Aviation filed a 90-day notice of its intent to suspend its subsidy-free service at Iron Mountain, as well as at two other communities. By Order 99-5-12, issued May 24, 1999, the Department requested proposals, with subsidy requests if necessary, from carriers interested in providing essential air service these communities.¹ The Bureau of Aeronautics, Michigan Department of Transportation, filed an objection to Great Lakes' proposed suspension of its Iron Mountain service. Great Lakes currently provides three nonstop round trips a day between Iron Mountain and Chicago O'Hare Airport with 30-seat Embraer Brasilia aircraft.

The EAS definition for Iron Mountain requires at least two nonstop or one-stop round trips each weekday and over each weekend period to any of three hubs -- Chicago, Green Bay, or Milwaukee.

Carrier Proposal

In response to our request for proposals, Great Lakes was the only applicant at Iron Mountain. Great Lakes proposes to provide 18 nonstop round trips a week between Iron Mountain and Chicago O'Hare Airport with 30-seat Embraer Brasilia aircraft. Based on informal rate discussions

¹ The other two communities are Williston, North Dakota, and North Platte, Nebraska. The carrier selection decision for those two communities will be dealt with separately in other orders.

held between the carrier and the Department staff, an annual subsidy rate of \$473,599 has been agreed upon for each year of the new rate term.²

Carrier Selection

After reviewing Great Lakes' proposal, we have decided to select the carrier to serve Iron Mountain for a two-year period beginning on the issue date of this order, through November 30, 2001, with 30-seat Embraer Brasilia aircraft, at the agreed-to subsidy rate of \$473,599. Our review of Great Lakes' operating and financial data indicates that this rate is reasonable for the service to be provided. Community officials support the selection of Great Lakes' Brasilia proposal.

Past-Period Rate for Service at Iron Mountain

Under 49 U.S.C. 41734(e) the Department is required to compensate an air carrier for losses incurred in providing basic essential air service pursuant to hold-in orders. In this case, when Great Lakes filed its notice it was providing three Iron Mountain-Chicago nonstop round trips a day with 19-seat Beech 1900 aircraft, and it was that service pattern that Order 99-5-12 required Great Lakes to maintain. Based on those specifications, the carrier and staff have agreed to an annualized hold-in rate of \$471,313, effective May 31, 1999, until the service date of this order.³

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find a carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. We last found Great Lakes fit to provide scheduled passenger service as a commuter air carrier by Order 99-5-1, when we tentatively selected it to provide subsidized service at Manistee/Ludington, Michigan. The Department has routinely monitored the carrier's continuing fitness, and based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to maintain quality service at Iron Mountain/Kingsford, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting 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).

² Appendix B contains details of Great Lakes' compensation requirement.

³ Great Lakes has since converted its Iron Mountain service to 30-seat Embraer Brasilias. However, as section 41734(e) specifies, compensation for losses where the service was previously unsubsidized is based on the basic essential air service that was being provided (in this case, Beech 1900 aircraft) when the 90-day notice was filed.

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Iron Mountain/Kingsford, Michigan, for the two-year period beginning on the issue date of this order, through November 30, 2001;
2. 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 Iron Mountain/Kingsford, Michigan, from the issue date of this order, through November 30, 2001, at \$473,599 per year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided at Iron Mountain/Kingsford, the amount of compensation shall be subject to weekly ceiling of \$9,266.07, and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month, assuming a 30-seat Embraer Brasilia aircraft, by \$257.39;
3. 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 Iron Mountain/Kingsford, Michigan, from May 31, 1999, until the issue date of this order, at \$471,313 per year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided at Iron Mountain/Kingsford, the amount of compensation shall be subject to the ceiling per week of \$9,221.40, and shall be determined by multiplying the subsidy-eligible departures operated during the month, assuming a 19-seat Beech 1900 aircraft, by \$256.15;⁴
4. 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 claim that is not supported under the terms of this order;
5. 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 essential air service at Iron Mountain/Kingsford, Michigan;
6. This docket will remain open until further order of the Department; and
7. We will serve copies of this order on the mayors and airport manager of Iron Mountain/Kingsford, Michigan, the Governor of Michigan, the Department of Transportation or Michigan, and Great Lakes Aviation, Ltd., d/b/a United Express.

⁴ Great Lakes will be compensated for its service at Iron Mountain/Kingsford during this past period at the rate it has agreed to for Beech 1900 aircraft, even though it began providing service between the community and Chicago O'Hare with 30-seat Embraer Brasilia aircraft on July 11, 1999.

By:

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

(SEAL)

*An electronic version of this order is available on the World Wide Web at
<http://dms.dot.gov>*

The electronic version may not include all of the appendices.

**GREAT LAKES AVIATION, INC., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
IRON MOUNTAIN/KINGSFORD, MICHIGAN**

EFFECTIVE PERIOD	May 31, 1999, until the issue date of this order
SERVICE	To Chicago O'Hare Airport
MINIMUM FREQUENCY EACH WEEK	18 nonstop round trips between Iron Mountain/Kingsford and Chicago
AIRCRAFT TYPE	Beech 1900D (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation.
ANNUAL SUBSIDY RATE	\$471,313
SUBSIDY RATE PER ARRIVAL/DEPARTURE ¹	\$256.15
COMPENSATION CEILING PER WEEK ^{2, 3}	\$9,221.40

Note: 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 this route. 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.

¹ Annual compensation of \$471,313 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 6 arrivals/departures each service day x 313 service days x .98 = 1,840

² Calendar weeks that fall into separate calendar months will be treated as part of the later month for the purpose of calculating both calendar weeks per month and the monthly compensation.

³ The subsidy rate per arrival/departure times the number of subsidy-eligible arrivals/departures per week (36).

**GREAT LAKES AVIATION, INC., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
IRON MOUNTAIN/KINGSFORD, MICHIGAN**

EFFECTIVE PERIOD	The two-year period beginning on the issue date of this order through November 30, 2001
SERVICE	To Chicago O'Hare Airport
MINIMUM FREQUENCY EACH WEEK	18 nonstop round trips between Iron Mountain/Kingsford and Chicago
AIRCRAFT TYPE	Embraer Brasilia (30 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation.
ANNUAL SUBSIDY RATE	\$473,599
SUBSIDY RATE PER ARRIVAL/DEPARTURE ¹	\$257.39
COMPENSATION CEILING PER WEEK ^{2, 3}	\$9,266.07

Note: 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 this route. 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.

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