



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

Served: October 8, 1999

Issued by the Department of Transportation  
on the 6th day of October, 1999

Essential air service at

**OIL CITY/FRANKLIN, PENNSYLVANIA**

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

**Docket OST-1997-2523**

**ORDER TO SHOW CAUSE**

**Summary**

By this order the Department of Transportation is tentatively reselecting Mesa Air Group, d/b/a USAir Express, to provide basic essential air service for the period May 1, 1999, through October 31, 2001, at Oil City/Franklin, Pennsylvania, with 19-passenger Beech 1900 aircraft for an annual rate of \$510,261.

**Background**

Mesa Air Group, d/b/a USAir Express, has provided subsidized essential air service at Oil City/Franklin since April 3, 1994, when it purchased substantial assets of Crown Airways, Inc., d/b/a USAir Express, and assumed Crown's essential air service responsibility at Oil City/Franklin. Most recently, the Department reselected Mesa to provide essential air service at Oil City/Franklin by Order 97-5-12, May 15, 1997, for service consisting of four nonstop round trips to Pittsburgh each weekday and each weekend with 19-passenger Beech 1900 aircraft for the period October 1, 1997, through April 30, 1999, for an annual rate of \$243,923. (See Appendix A for a map of the service area.)

Under our normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing its service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited Mesa to submit proposals for the continuation of its basic essential air service at Oil City/Franklin.

### **Summary of Air Carrier Proposal**

In response to our request, Mesa has submitted a service/subsidy proposal offering four nonstop round trips a day (24 round trips each week) to Pittsburgh with 19-passenger Beech 1900 aircraft. Following discussions with Department staff, Mesa agreed to provide that service at an annual subsidy rate of \$510,261. (This new rate is higher than the recently-expired rate principally because of deterioration in average passenger revenue and increases in direct operating expense, especially maintenance and flying operations expense.) We note that Mesa's last rate expired on May 31, 1999, and the carrier has continued to serve Oil City/Franklin while we have been negotiating a new rate. In order to give Mesa a new two-year selection period, consistent with long-standing program practice, we will make this rate effective for the period from May 1, 1999, through October 31, 2001.

### **Selection Decision**

We have tentatively decided to reselect Mesa to provide essential air service at Oil City/Franklin for another two-year period. We tentatively find that Mesa's proposed subsidy rate for this service is reasonable.<sup>1</sup> As we noted above, other carriers that may be interested in providing essential air service at Oil City/Franklin, with or without subsidy, may submit competing proposals in response to this order.

### **Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing, and able to provide service before we may pay it for essential air service.

We last found Mesa Air Group fit to provide scheduled passenger service as a certificated air carrier by Order 98-12-26, when we tentatively selected it to provide service at Kingman and Prescott, Arizona, and Alamogordo/Holloman Air Force Base, Clovis, and Silver City/Hurley/Deming, New Mexico. The Department has routinely monitored the carrier's continuing fitness and, based on our review of its most recent submissions, we find that Mesa continues to have available adequate financial and managerial resources to establish and maintain quality service at Oil City/Franklin, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason that we should not find that Mesa remains fit.

### **Response to Tentative Proposal**

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Mesa to provide essential air service at Oil City/Franklin at the subsidy rates discussed above. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections.

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<sup>1</sup> Appendix D contains summary calculations of Mesa's compensation requirement.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed. In order to aid carriers in assessing the market's potential, we have summarized historical passenger traffic data (compiled from reports filed with the Department by Crown and Mesa) in Appendix B.

### **Procedures for Filing Replacement Proposals**

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>2</sup> Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as

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<sup>2</sup> The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing 31 U.S.C. 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

### **Community and State Comments**

If we receive competing proposals, the communities of Oil City and Franklin and the State of Pennsylvania are welcome to submit comments on the proposals at any time.<sup>3</sup> Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.<sup>4</sup>

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

### **ACCORDINGLY**

1. The Department directs all interested persons to show cause within 20 days from the date of service of this order why it should not select Mesa Air Group, d/b/a USAir Express, to provide essential air service at Oil City/Franklin, Pennsylvania, as described in Appendix C to this order, for the period from May 1, 1999, through October 31, 2001;
2. The Department directs all interested persons to show cause within 20 days from the date of service of this order why it should not set the final rates of compensation for Mesa Air Group for the provision of essential air service at Oil City/Franklin, Pennsylvania, for the period May 1, 1999, through October 31, 2001, 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 C, and shall be determined by multiplying the subsidy-eligible departures performed during the week <sup>5</sup> by \$207.93; <sup>6</sup>
3. In the event timely competing proposals are filed, the final rates tentatively established in ordering paragraph (2) or (3), as appropriate, shall be effective from May 1, 1999, onward, until further Department action;
4. If no competing proposals are filed, all further procedural steps will be deemed to have been waived, and the carrier selection tentatively made by this order shall become effective on the twenty-first day after the date of service of this order;

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<sup>3</sup> Civic parties should file an original and five copies of their comments in Docket OST-1997-2523. This filing should be addressed to:

Documentary Services Division, SVC-121.30  
Office of the Secretary  
U.S. Department of Transportation, Room PL-401  
400 Seventh Street, S.W.  
Washington, D.C. 20590

<sup>4</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service.

<sup>5</sup> Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point.

<sup>6</sup> See Appendix C for calculations.

5. The Department directs Mesa Air Group 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 the audit and examination thereof 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;

8. We find that Mesa Air Group continues to be fit, willing, and able to operate as an air carrier and capable of providing essential air service at Oil City/Franklin, Pennsylvania;

9. We direct any interested persons having objection to the selection of Mesa Air Group to provide essential air service as described in ordering paragraph (1), above, at the rates set forth in ordering paragraphs (2) or (3), as appropriate, to file such objections or competing service proposals, with subsidy requests if necessary, within 20 days after the date of service of this order;<sup>7</sup>

10. Docket OST-1997-2523 shall remain open until further order of the Department; and

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<sup>7</sup> Objections should be filed with the Documentary Services Division, SVC-121.30; Department of Transportation, Room PL-401; 400 7th Street, S.W.; Washington, D.C. 30590. Proposals should include all the data required by section 204.6 of the Department's Regulations (14 CFR 204.6), and should conform to the rules for documents to be filed with the Department (14 CFR 302.3). An original and five copies of the proposal should be sent to the EAS and Domestic Analysis Division, X-53; Office of Aviation Analysis, Room 6401; Department of Transportation; 400 7th Street, S.W.; Washington, D.C. 20590, with the title, "Proposal To Provide Essential Air Service at Oil City/Franklin, Pennsylvania, Docket OST-1997-2523." After the proposals have been docketed, Department staff will contact each applicant and direct it to serve a copy of its proposal on the civic officials of the community, the state, and the other applicants. All applicants must then file a certificate of service with the Department's Documentary Services Division.

11. We will serve a copy of this order on the Mayors and Airport Manager of Oil City and Franklin; the Governor of Pennsylvania; the Pennsylvania Department of Transportation Bureau of Aviation.; Mesa Air Group; and the air carriers listed in Appendix E.

By:

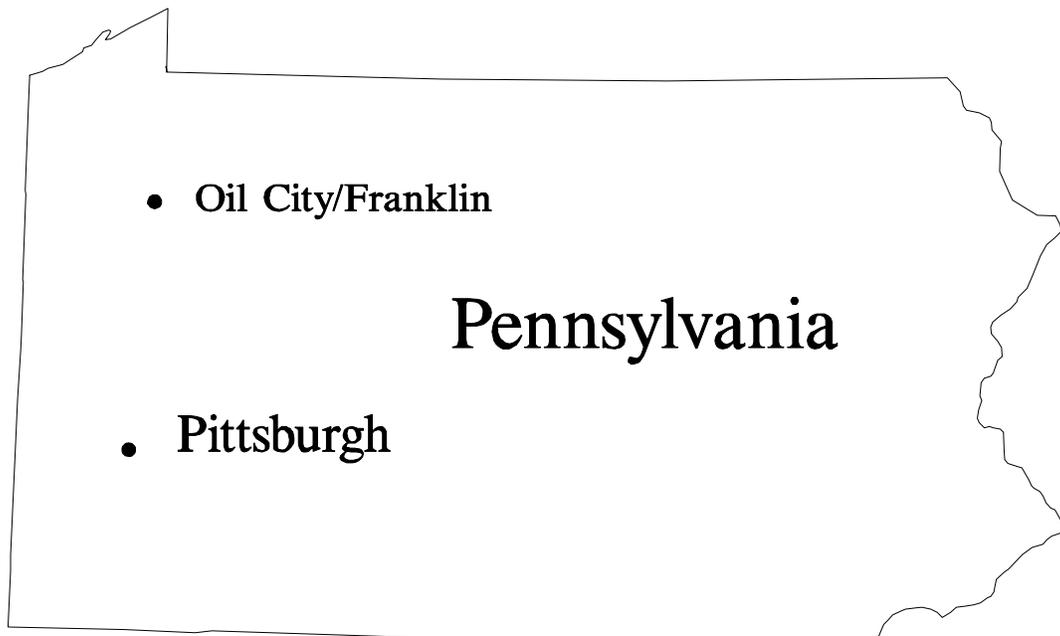
**A. BRADLEY MIMS**

Acting Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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

*The electronic version may not include all of the appendices.*



Historical Origin-Destination Traffic and Average Daily Enplanements  
at Oil City/Franklin, Pennsylvania

Four quarters ended	Origin- destination passengers <sup>1</sup>	Average annual enplanements <sup>2</sup>	Average enplanements per service day <sup>3</sup>
12/31/85	16,190	8,095	26
12/31/86	15,962	7,981	25
12/31/87	18,858	9,429	30
12/31/88	21,011	10,506	33
12/31/89	19,987	9,994	32
12/31/90	21,276	10,638	34
12/31/91	20,309	10,154	32
12/31/92	19,528	9,764	31
12/31/93	19,496	9,748	31
12/31/94	16,917	8,458	27
12/31/95	18,927	9,464	30
12/31/96	13,314	6,657	21
12/31/97	19,913	9,956	32
12/31/98	22,201	11,100	35

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<sup>1</sup> Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Form 298-C, Schedule T-1, for traffic reported by Crown Airways, Inc., and Mesa Airlines, Inc., except for Form T-100 on-flight market origin-destination passengers reported by Mesa for the period of July 1, 1995, through June 30, 1997.

<sup>2</sup> Origin-destination passengers divided by two.

<sup>3</sup> Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/88, 12/31/92, and 12/31/96 (314 effective annual service days)

Mesa Airlines, Inc.  
Basic Essential Air Service To Be Provided at Oil City/Franklin, Pennsylvania

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 this 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 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 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 requirement 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 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.

Mesa Airlines, Inc.  
Basic Essential Air Service To Be Provided at Oil City/Franklin, Pennsylvania

Effective period: May 1, 1999, through October 31, 2001.

Service: 24 nonstop round trips per week to Pittsburgh.

Aircraft type: Beech 1900 (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Annual compensation: \$510,261

Subsidy rate for each arrival from or departure to Pittsburgh: \$207.93 <sup>1</sup>

Weekly compensation ceiling: <sup>2</sup> \$9,980.64 <sup>3</sup>

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<sup>1</sup> Annual compensation of \$510,261, divided by the number of departures estimated to be performed annually (2,454 departures, calculated by multiplying eight departures per service day by 313 annual service days--counting each weekend as one service day--and multiplying further by 98 percent completion).

<sup>2</sup> 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.

<sup>3</sup> The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (48).

Mesa Air Group  
 Provision of Basic Essential Air Service at Oil City/Franklin, Pennsylvania  
Calculation of Compensation Requirement

Total estimated annual block hours				1,526
Total estimated annual revenue passenger-miles				967,680
Total estimated annual departures				2,454
Total estimated annual available seat-miles				2,984,064
Operating revenue:				
Passenger revenue:	<u>Passengers</u>	<u>Average fare</u>	<u>Revenue</u>	<u>Route mileage</u>
FKL-PIT	15,120	\$59.04	\$892,685	64
Other revenue	\$892,685	0.01	<u>8,927</u>	
Total operating revenue			\$901,612	
Operating expense:				
	<u>Unit rate</u>	<u>Units</u>	<u>Expense</u>	
Direct operating expense:				
Flying operations	\$107.35	1,526	\$163,816	
Fuel and oil	\$91.19	1,526	139,156	
Other flight operations	\$17.48	1,526	26,674	
Maintenance	\$212.895	1,526	324,878	
Aircraft ownership	\$135.46	1,526	<u>206,712</u>	
Total direct operating expense	\$564.37		\$861,236	
Indirect operating expense:				
Traffic-related	\$0.097	967,680	\$93,865	
Local marketing			5,000	
Departure-related	\$137.00	2,454	336,198	
ASM-related	\$0.016	2,984,064	<u>48,342</u>	
Total indirect operating expense			<u>\$483,405</u>	
Total operating expense			<u>\$1,344,641</u>	
Operating loss			\$443,029	
Profit element	0.05	\$1,344,641	<u>\$67,232</u>	
Compensation requirement			<u>\$510,261</u>	

Air Carrier Service List for the State of Pennsylvania

Air Wisconsin, Inc.  
Amerijet International, Inc.  
Chautauqua Airlines, Inc.  
Chester County Aviation, Inc.  
Colgan Air  
Columbia Aviation, Inc.  
Corporate Air, Inc.  
Delta Connection  
Enterprise Airlines, Inc.  
Executive Airlines, Inc.  
Heartland Aviation, Inc.  
Henson Aviation Inc.  
Horizon Air, Inc.  
Jetstream International Airlines, Inc.  
Long Island Airlines  
Mesa Air Group  
Metroflight, Inc.  
Midway Airlines, Inc.  
Midwest Express Airlines, Inc.  
New York Helicopter Corporation  
Northcoast Executive Airlines, Inc.  
Northwest Airlink  
Omniflight Helicopter Service, Inc.  
Pennsylvania Aviation, Inc.  
Southern Air Transport, Inc.  
Southern Jersey Airways, Inc.  
Travelair, Inc.

Chester Anderson  
Ken Bannon  
Grecorio Salas Calvo, Jr.  
Sabrina Cranor  
E.B. Freeman  
Douglas Gumula  
Edward Harahusk  
A. Edward Jenner  
John McFarlane  
Eric Nordling  
Mark Prange  
John Sinisi