



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

Issued by the Department of Transportation  
on the 6<sup>th</sup> day of October, 1999

Served: October 8, 1999

Essential Air Service at

OSHKOSH, WISCONSIN

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

Docket OST-1999-5712

**ORDER ESTABLISHING FINAL SUBSIDY RATE**

By this order, the Department is setting a final subsidy rate of \$460,392 for Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes), for its provision of subsidized essential air service at Oshkosh, Wisconsin, from August 18, 1999, until further Department action. (See Appendix A for a map.)

By Order 99-8-11, August 13, 1999, the Department required Great Lakes to maintain service at Oshkosh for 30 days after it filed a 90-day notice of its intention to suspend its subsidy-free service at Oshkosh. That order also requested proposals from carriers interested in providing replacement service at Oshkosh. Proposals were due September 16, 1999, but to date we have received none. Under Order 99-8-11 and subsequent 30-day orders extending Great Lakes' obligation, Great Lakes continues to maintain essential air service at Oshkosh while the Department continues to seek a replacement carrier.

In view of its hold-in obligation, Great Lakes filed a request for subsidy for its Oshkosh service. As a result of discussions with Department staff, Great Lakes has agreed to an annual subsidy rate of \$460,392 for its hold-in service consisting of two nonstop round trips a day, six days per week in the Oshkosh-Chicago O'Hare market with 19-seat Beech aircraft.<sup>1</sup> Our review of Great Lakes' operating and financial data indicates that this rate is reasonable for the service provided. We will therefore establish it as the final subsidy rate for Great Lakes' service beginning August 18, 1999, until further notice.

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

<sup>1</sup> Appendix B contains details of Great Lakes' compensation requirement.

**ACCORDINGLY,**

1. 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 Oshkosh, Wisconsin, as described in Appendix C, for the period from August 18, 1999, until further Department action, payable as follows: for each calendar month during which essential air service is provided at Oshkosh, 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 by \$375.22;<sup>2</sup>
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 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; and
3. We will serve a copy of this order on the Mayor and airport manager of Oshkosh, Wisconsin, the Governor of Wisconsin, the Wisconsin Department of Transportation, City of Chicago-Department of Aviation, and Great Lakes Aviation, Ltd..

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.*

---

<sup>2</sup> See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of this rate may be required.

Great Lakes Aviation, Ltd., d/b/a United Express  
Calculation of Annual Compensation Requirement  
at Oshkosh, Wisconsin  
Docket OST-1999-5712

Routing = Rhinlander-Oshkosh-ORD

Departures/flights	4 x 313 x .98		1,227
Total ASMs @ 98% completion	19 seats X1227 flts x 142	OSH-ORD = 142 mi.	3,310,446
Block Hours @ 98% completion	1227 flts. x 48 min per flt. /60		982
Total RPM's	5,200 pax x 142 miles		809,400

Operating revenue

Passenger revenue	Distance	Passengers	Ave. Fare	Revenue
OSH-ORD	142	5,700	\$84.00	\$478,800
Freight revenue	0.0062	of passenger revenue		<u>\$2,969</u>
Total operating revenue				<u>\$481,769</u>

Operating expense:

Direct operating expense:				
Aircraft lease	12	mo. X	\$34,504 per mo. x	0.50 \$207,024
Hull insurance	\$4,100,000	x	12 mo. x \$0.0003393	0.50 \$8,347
Flying operations	1,227 flts	x	\$5.61 + 982 BH x	\$94.11 \$99,299
Fuel & oil	\$0.84/ gal	x	108.3 gal/flt x 1,227	\$111,623
Maintenance		x		
cost per cycle	1,227 cycles	x	\$75	\$92,025
cost per Flt Hour	785 FH	x	\$104.82	<u>\$82,284</u>
Total direct operating expense				<u>\$600,602</u>
Total indirect operating expense <sup>1/</sup>				<u>\$296,695</u>
Total operating expense				\$897,296
Operating loss				\$415,528
Profit (@ 5% of total operating expense)				<u>\$44,864</u>

Compensation requirement **\$460,392**

<sup>1/</sup> Details of other indirect expenses on following page.

Great Lakes Aviation, Ltd., d/b/a United Express  
 Calculation of Annual Compensation Requirement  
 at Oshkosh, Wisconsin  
 Docket OST-1999-5712

Indirect operating expense:	<u>Units</u>	<u>Rate</u>				
Oshkosh Station:						
Facility lease	12	\$3,680	a month			\$44,160
Landing fee	1227 <sup>2/</sup>	\$9.66	landing			\$11,853
Local advertising	1	\$5,000	a year			\$5,000
Station manager	1	\$22,600	a year			\$22,600
Station agent	3	\$17,300	a year			\$51,900
Oshkosh De-icing	154 <sup>3/</sup>	\$125.00	per turn			\$19,250
G&A	19 seats x 142 mi x 1227 flts	3,310,446	ASM's	x	\$0.01424	\$47,141
Psgr costs		5,700	psgrs	x	\$16.63	<u>\$94,791</u>
						\$296,695

<sup>2/</sup> Oshkosh-ORD landings and Oshkosh-Rhinelanders landings.  
<sup>3/</sup> 614 OSH-ORD and 614 OSH-RHI take-offs annually. Deicing season = Nov-Apr: 614 take-offs. 25% estimate of flights needing deicing = 154.

GREAT LAKES AVIATION  
ESSENTIAL AIR SERVICE AT OSHKOSH, WISCONSIN

EFFECTIVE PERIOD:	August 18, 1999, until further notice.
SERVICE:	Two nonstop round trips to Chicago O'Hare International Airport six days per week.
AIRCRAFT TYPE:	Beech 1900 (19 passenger seats)
MINIMUM NO. OF SEATS TO BE AVAILABLE IN EACH DIRECTION:	38 on weekdays and 38 over each weekend period less any preemption from upline service.
TIMING OF FLIGHTS:	Flights must be well-timed and well-spaced in order to ensure full compensation.
ANNUAL SUBSIDY RATE:	\$460,392 This rate assumes 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.
SUBSIDY RATE PER DEPARTURE/ARRIVAL:	\$375.22 <u>1/</u>
WEEKLY COMPENSATION CEILING: <u>2/</u>	\$9,005.28 <u>3/</u>

1/ Annual compensation of \$460,392 divided by the estimated annual completed arrivals/departures at a 98 percent completion factor:  
4 arrivals/dptrs a day x 313 days x .98 = 1,227.

2/ 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.

3/ Subsidy rate per arrival/departure at Chicago O'Hare of \$375.22 multiplied by 24 (4 arr/dptrs per day x 6 days a week) subsidy-eligible arrivals and departures each week.

**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 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.