Order 2000-12-24

Served: December 29, 2000

119497

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

Issued by the Department of Transportation
on the 26th day of December, 2000

Essential Air Service at **HURON, SOUTH DAKOTA** Under 49 U.S.C. 41731 *et seq.*	**DOCKET OST-2000-7138** - 9

ORDER SELECTING CARRIER AND ESTABLISHING SUBSIDY RATE

Summary
By this order, the Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide subsidized essential air service at Huron, South Dakota, for a new two-year term beginning January 1, 2001, at an annual subsidy rate of $394,585. This rate also applies to the hold-in period of July 27, 2000, through December 31, 2000. (See Appendix A for map.)

Background
On March 27, 2000, Great Lakes filed a 90-day notice of its intent to suspend its nonsubsidized service at Huron, effective June 25, 2000.[1] By Order 2000-5-27, May 26, 2000, the Department prohibited Great Lakes from suspending service beyond the end of its 90-day notice period, through July 26, 2000, and requested proposals, with subsidy if necessary, from carriers interested in providing replacement service.[2]

Carrier Proposal
Great Lakes was the only carrier to submit a proposal in response to our request. As a result of discussions with Department staff, the carrier has agreed to serve Huron for a two-year period from January 1, 2000, through December 31, 2002. Specifically, Great Lakes proposes to continue operating 12 nonstop or one-stop (at Brookings, SD) round

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[1] Under our rules (see 14 CFR 302.16), since the date of the notice fell on a Sunday, the notice's effective date was June 26, 2000.

[2] We have subsequently maintained Great Lakes' service obligation at Huron by a series of 30-day hold-in orders.

trips a week to Minneapolis with 19-seat Beech 1900s at an annual subsidy rate of $394,585.[3] That rate also applies to the period July 27, 2000, through December 31, 2000, during which we were requiring Great Lakes to continue serving Huron while we processed the carrier selection case.

Decision

After a thorough review of the proposal and Great Lakes' service history, we have decided to select Great Lakes to continue to provide service at Huron. The proposed rate appears reasonable for the service at issue and the carrier's performance continues to be satisfactory.

Carrier Fitness

According to 49 U.S.C. 41737(b) and 41738, the Department must find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last reviewed Great Lakes' fitness by Order 2000-8-13, August 16, 2000, in connection with its subsidized air service at Ironwood, Michigan. 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. 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 reliable service at Huron, 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 14 CFR Part 121, 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 Huron, South Dakota, as described in Appendix C, for the period from January 1, 2001, through December 31, 2002;

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 Huron, South Dakota, as described in Appendix C, for the period from July 27, 2000, through December 31, 2002, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures flown during the month by $321.32;[4]

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[3] See Appendix B for details of Great Lakes' subsidy requirement.

[4] 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.

3. The Department finds 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 Huron, South Dakota;

4. We direct Great Lakes 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 of 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

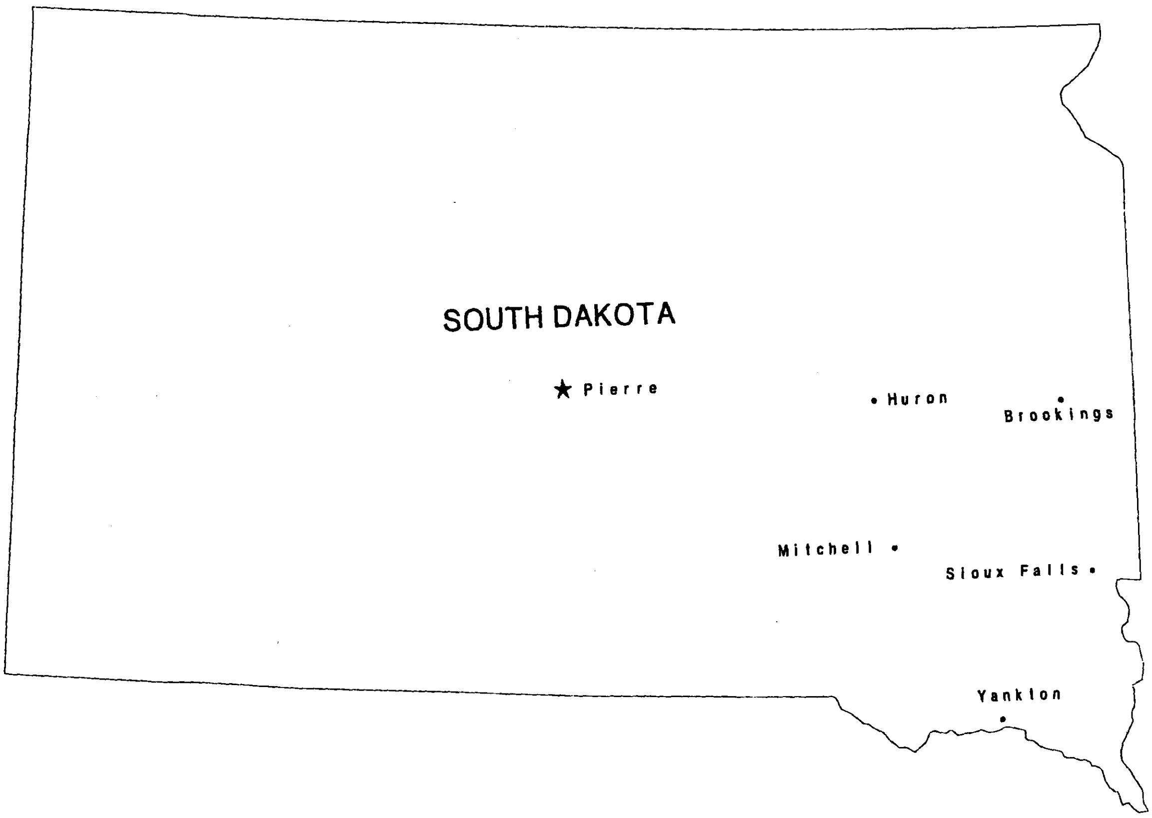
5. The Department will serve a copy of this order on the Mayor and Airport Manager of Huron, the Governor of South Dakota, and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

FRANCISCO J. SANCHEZ
Assistant Secretary for Aviation
and International Affairs

(SEAL)

Appendix A



SOUTH DAKOTA
Pierre
Huron
Brookings
Mitchell
Sioux Falls
Yankton

Appendix B

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
HURON, SOUTH DAKOTA

Mileage:	HON-BKX	70			
Departures:		1,228			
Block hours		572			
Flight hours		457			
Available seat-miles		1,633,240			
Operating revenue:					
Passenger	4,500	HON-MSP passengers @ $85.00 average fare			$382,500
Other	0.0062	of passenger revenue of $382,500			2,372
Total operating revenue					$384,872
Operating expense:					
Direct operating expense:					
Flying operations		$94.11	per block hour	572	$53,831
Flying operations		$5.61	per departure	1,228	6,889
Hull insurance		$4,100	12 months	0.3393@20%	3,339
Fuel & Oil: HON-BKX		$1.430	1,228	76 gallons	133,459
Maintenance (a)		$75.00	per departure	1,228	92,100
Maintenance (b)		$104.82	per flight hour	457	47,903
Aircraft lease		$34,504	12 months	0.2	82,810
Total direct operating expense					$420,331
Indirect operating expense:					
HON facility lease		$530	12 Months		$6,360
HON landing fees		$7.50	614	HON departures	4,605
HON deicing charge		$125	77	Estimated apps.	9,625
HON local marketing					5,000
HON station manager					26,000
HON station agent		$20,800	2	Agents	41,600
HON hangar		$2,500	12 months		30,000
HON crew accommodations		365	$276	RR of $60	100,740
Passenger-related		$16.627	4,500	Total passengers	74,822
Administrative		$0.01424	1,633,240	Available seat-miles	23,257
Total indirect operating expense					$322,009
Total operating expense					$742,340
Operating loss					$357,468
Profit element @ 5% of total operating expenses					37,117
Compensation requirement					$394,585

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS,
ESSENTIAL AIR SERVICE AT
HURON, SOUTH DAKOTA

Effective period: July 27, 2000, through December 31, 2002.

Service: 12 round trips per week to Minneapolis.

Intermediate stops and upline service: Nonstop or one-stop (at Brookings, South Dakota) to Minneapolis, with no upline limitations.

Aircraft type: Beech 1900D (19 passenger seats).

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

Annual compensation: $394,585[1]

Subsidy Rate Per Arrival/Departure: $321.32[2]

Weekly Compensation Ceiling: $7,711.68[3]

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[1] 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.

[2] Annual compensation of $394,585 divided by 1,228 annual arrivals and departures as shown in Appendix B.

[3] Subsidy rate per arrival/departure of $321.32 multiplied by 24 eligible arrivals and departures each week.

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 the rate 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 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 the order during the applicable period of this rate, 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 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 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.