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Order 2000-11-11

Served: November 16, 2000



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

Issued by the Department of Transportation
on the 13th day of November, 2000

Essential air service at

GLASGOW, MONTANA
GLEN DIVE, MONTANA
HAVRE, MONTANA
LEWISTOWN, MONTANA
MILES CITY, MONTANA
SIDNEY, MONTANA
WOLF POINT, MONTANA

Docket OST-1997-2605 - 5

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

ORDER TENTATIVELY RESELECTING CARRIER
AND ESTABLISHING SUBSIDY RATE

Summary

By this order, the Department is tentatively reselecting Big Sky Transportation Co., d/b/a Big Sky Airlines, to provide essential air service at the seven Montana communities named above for the two-year period beginning December 1, 2000, at an annual subsidy rate of \$4,952,234, and providing for objections or competing proposals from other interested carriers.

Background

By Order 98-9-12, September 14, 1998, the Department selected Big Sky to provide subsidized service at the seven Montana communities named above by operating 12 round trips a week from Sidney to Billings, 5 round trips from Sidney to Bismarck, and 12 round trips a week from the other six communities to Billings with 19-seat Fairchild Metro III aircraft for the two-year period through November 30, 2000, at an annual subsidy rate of \$4,697,222.¹

Under normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order

¹ See Appendix A for a map. Order 98-9-12 authorized Big Sky to operate the Sidney-Bismarck flights in lieu of some of the community's service to Billings, but provided for Big Sky to return to operating all of Sidney's service to Billings if it later chose to do so. Big Sky has continued to operate the authorized Sidney-Bismarck flights.

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 Big Sky to submit a proposal for the continuation of its essential air service at the seven communities beginning December 1, 2000.

Carrier Proposal

Big Sky submitted a proposal in response to our request. As a result of discussions with Department staff, Big Sky has agreed to continue providing the communities with same service patterns at a new annual subsidy rate of \$4,952,234 for the two-year period beginning December 1, 2000.²

Decision

After a thorough review of Big Sky's proposal and its recent service history, we have tentatively decided to reselect Big Sky to serve the seven Montana communities for the two-year period beginning December 1, 2000, as proposed. The rate appears reasonable for the service to be provided, and Big Sky's performance continues to be satisfactory. In that context, we note that total passenger traffic at the seven communities for the year ended March 31, 2000, increased by 15.8 percent over the previous 12-month period.³

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Big Sky fit by Order 99-12-28, December 29, 1999, in connection with its essential air service at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas. 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 Big Sky continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, 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 Big Sky remains fit.

Responses to Tentative Decision

As usual, we will allow interested parties 20 days from the date of this order to object to our decision or to file competing proposals. If no timely objections or competing proposals are filed,

² Appendix B contains details of Big Sky's compensation requirement.

³ See Appendix C for historical traffic data. Enplanements represent one-half of total origin-and-destination traffic, and averages are based on 313 service days (weekdays and weekends) each year.

this order will automatically become final. 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.

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 carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that would provide at least three round trips a day from the communities to a suitable hub with twin-engine aircraft operated by two pilots.

Service History and Traffic Data

Big Sky has operated subsidized service at the seven communities since 1980, when it replaced Frontier Airlines, Inc. During the year ended March 31, 2000, the most recent 12-month period for which data are available, Glasgow averaged 6.6 enplanements a day, Glendive 3.8, Havre 4.5, Lewistown 3.5, Miles City 4.6, Sidney 8.4 and Wolf Point 5.0, with traffic at each of the seven communities showing improvement over the previous 12-month period. On a composite basis, the communities averaged a total of 36.5 enplanements a day during the year ended March 31, 2000 -- an increase of 15.8 percent over the previous 12-month period, as we noted earlier.

Procedures for Filing Competitive 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.⁴ Consequently, all carriers receiving Federal subsidy for 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 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 and state are welcome to submit comments on the proposals at any time. 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.⁵

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

ACCORDINGLY,

1. We tentatively reselect Big Sky Transportation Co., d/b/a Big Sky Airlines, to provide essential air service at Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana, as described in Appendix D, for the period from December 1, 2000, through November 30, 2002;
2. We tentatively set the final rate of compensation for Big Sky Transportation Co., d/b/a Big Sky Airlines, for the provision of essential air service at Glasgow, Glendive, Havre,

⁴ The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing title 31, United States Code, section 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.

⁵ 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 as proposed.

Lewistown, Miles City, Sidney and Wolf Point, Montana, as described in Appendix D, for the period from December 1, 2000, through November 30, 2002, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$555.49.⁶

3. We direct Big Sky Transportation Co., d/b/a Big Sky Airlines, 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:

4. We find that Big Sky Transportation Co., d/b/a Big Sky Airlines, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana:

5. We direct any interested persons having objections to the selection of Big Sky to provide essential air service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order.⁷

6. If we receive objections or competing proposals within the 20-day period, Big Sky will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate until all objections are resolved:

7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁸ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date:

8. This docket will remain open until further order of the Department: and

⁶ See Appendix D for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁷ Objections should be filed with the Documentary Services Division, SVC-124, Room PL-401, Department of Transportation, 400 7th Street S.W., Washington DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany at (202) 366-1061.

⁸ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

9. We will serve copies of this order on the mayors and airport managers of Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana; Big Sky Transportation Co., d/b/a Big Sky Airlines; and the persons listed in Appendix E.

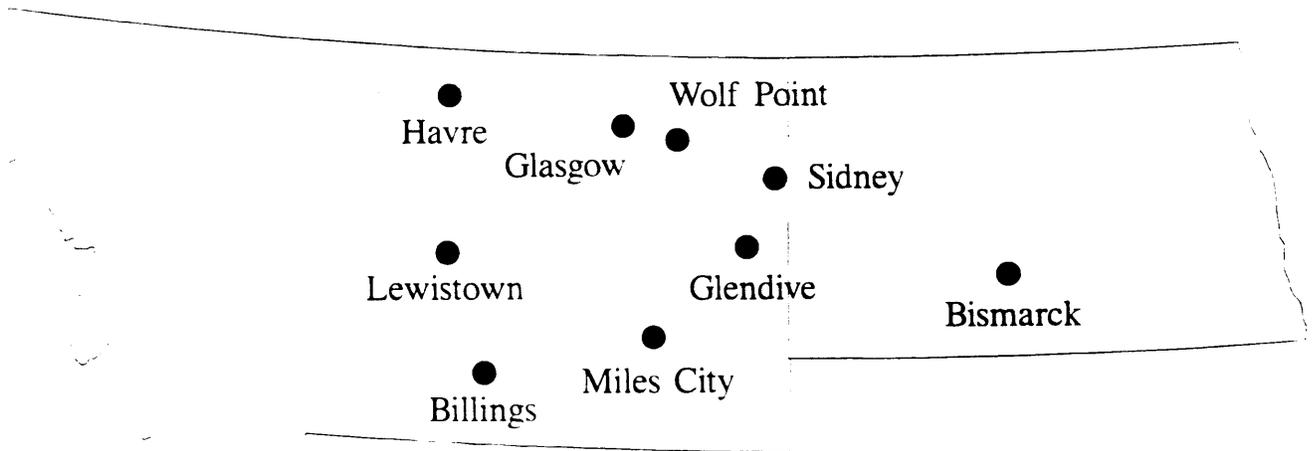
By:

FRANCISCO J. SANCHEZ
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>*

GLASGOW, GLENDIVE, HAVRE, LEWISTOWN,
MILES CITY, SIDNEY AND WOLF POINT, MONTANA,
AND THE SURROUNDING REGION



BIG SKY TRANSPORTATION CO.. d/b/a BIG SKY AIRLINES
ANNUAL COMPENSATION REQUIREMENT FOR
ESSENTIAL AIR SERVICE AT GLASGOW, GLENDIVE, HAVRE, LEWISTOWN,
MILES CITY, SIDNEY AND WOLF POINT, MONTANA

<u>Block Hours:</u>		
Revenue (App. B, p. 2)		6,039
Non-revenue		<u>229</u>
Total Block Hours		6,268
<u>Operating Revenue:</u>		
Passenger Revenue (App. B, p. 3)		\$1,668,210
Freight Revenue		<u>16,682</u>
Total Operating Revenue		\$1,684,892
<u>Direct Expenses:</u>		
Flying Operations	\$124.50 per block hour	\$ 780,366
Fuel & Oil	\$131.56 per block hour	824,618
Direct Maintenance	\$159.66 per block hour	1,000,749
Maintenance Burden		335,108
Aircraft Lease	\$138.78 per block hour	869,873
Hull Insurance	\$ 22.13 per block hour	138,711
Property Tax on Aircraft		<u>134,400</u>
Total Direct Expenses		\$4,083,825
<u>Indirect Expenses:</u>		
Advertising		35,000
Departure-related Expenses		1,035,423
Traffic-related Expenses		467,030
Capacity-related Expenses		<u>662,588</u>
Total Indirect Expenses		\$2,200,041
Total Operating Expenses		\$6,283,866
Operating Loss		\$4,598,974
Profit Element at 5% of Total Operating Expenses		\$ 314,193
Interest		\$ 39,067
Compensation Requirement		\$4,952,234

ANNUAL SCHEDULED BLOCK HOURS

HAVRE AND LEWISTOWN

Havre-Lewistown-Billings
4 flts x (36 + 36 min)/60 x 313 service days x .96 = 1,442

GLASGOW AND WOLF POINT

Glasgow-Wolf Point-Billings
2 flts x (22 + 60 min)/60 x 365 days x .96 = 958
Billings-Glasgow-Wolf Point-Billings
1 flt x (54 + 22 + 60 min)/60 x 261 weekdays x .96 = 568
1,526

SIDNEY, GLENDIVE AND MILES CITY

Sidney-Billings
4 flts x 65 min/60 x 261 weekdays x .96 = 1,086
2 flts x 65 min/60 x 52 weekends x .96 = 108
Sidney-Bismarck
2 flts x 50 min/60 x 261 weekdays x .96 = 418
Glendive-Miles City-Billings
4 flts x (28 + 43 min)/60 x 261 weekdays x .96 = 1,186
2 flts x (28 + 43 min)/60 x 52 weekends x .96 = 118
Sidney-Glendive-Miles City-Billings
2 flts x (22 + 43 + 28 min)/60 x 52 weekends x .96 = 155
3,071

TOTAL SCHEDULED BLOCK HOURS 6,039

ANNUAL PASSENGERS AND PASSENGER REVENUE

COMMUNITIES	PASSENGERS	AVG. FARE	REVENUE
<hr/>			
HAVRE AND LEWISTOWN			
Havre	2,410	\$ 62.00	\$ 149,420
Lewistown	<u>1,990</u>	35.00	<u>69,650</u>
	4,400		\$ 219,070
<hr/>			
GLASGOW AND WOLF POINT			
Glasgow	4,070	\$ 70.00	\$ 284,900
Wolf Point	<u>3,500</u>	81.00	<u>283,500</u>
	7,570		\$ 568,400
<hr/>			
SIDNEY, GLENDIVE AND MILES CITY			
Sidney-Billings	4,740	\$ 62.00	\$ 293,880
Sidney-Bismarck	700	70.00	49,000
Billings-Bismarck	2,450	112.00	274,400
Glendive	2,290	58.00	132,820
Miles City	<u>2,840</u>	46.00	<u>130,640</u>
	13,020		\$ 880,740
<hr/>			
TOTALS	24,990	\$66.76	\$1,668,210
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ANNUAL SCHEDULED DEPARTURES

HAVRE AND LEWISTOWN

Havre-Lewistown-Billings
8 dpts x 313 service days x .96 = 2,404

GLASGOW AND WOLF POINT

Glasgow-Wolf Point-Billings
4 dpts x 365 days x .96 = 1,402
Billings-Glasgow-Wolf Point-Billings
3 dpts x 261 weekdays x .96 = 752
2,154

SIDNEY, GLENDIVE AND MILES CITY

Sidney-Billings
4 dpts x 261 weekdays x .96 = 1,002
2 dpts x 52 weekends x .96 = 100
Sidney-Bismarck
2 dpts x 261 weekdays x .96 = 501
Glendive-Miles City-Billings
8 dpts x 261 weekdays x .96 = 2,004
4 dpts x 52 weekends x .96 = 200
Sidney-Glendive-Miles City-Billings
6 dpts x 52 weekends x .96 = 300
4,107

TOTAL SCHEDULED DEPARTURES 8,665

HISTORICAL ENPLACEMENTS AT GLASGOW, GLENDIVE, HAVRE,
LEWISTOWN, MILES CITY, SIDNEY AND WOLF POINT, MONTANA

	GLASGOW		GLENDIVE		HAVRE		LEWISTOWN	
	NO.	AVG.	NO.	AVG.	NO.	AVG.	NO.	AVG.
1990	1,361	4.3	641	2.0	768	2.5	325	1.0
1991	1,606	5.1	582	1.9	1,034	3.3	858	2.7
1992	2,101	6.7	695	2.2	1,176	3.8	815	2.6
1993	2,048	6.5	919	2.9	1,320	4.2	1,098	3.5
1994	1,975	6.3	844	2.7	1,535	4.9	1,165	3.7
1995	2,056	6.6	871	2.8	1,468	4.7	1,230	3.9
1996	1,756	5.6	720	2.3	1,284	4.1	963	3.1
1997	1,565	5.0	634	2.0	1,200	3.8	832	2.7
1998	1,699	5.4	964	3.1	1,256	4.0	904	2.9
1999	2,001	6.4	1,166	3.7	1,375	4.4	1,073	3.4
1998 2nd qtr	374		227		311		203	
3rd qtr	420		218		271		206	
4th qtr	510		325		337		274	
1999 1st qtr	373		215		267		194	
2nd qtr	477		300		380		274	
3rd qtr	575		314		364		314	
4th qtr	576		337		363		290	
2000 1st qtr	443		253		317		213	
Year ended March 31, 1999	1,677	5.4	985	3.1	1,186	3.8	876	2.8
Year ended March 31, 2000	2,071	6.6	1,204	3.8	1,424	4.5	1,091	3.5

APPENDIX C
Page 2 of 2

	MILES CITY		SIDNEY		WOLF POINT		TOTAL	
	NO.	AVG.	NO.	AVG.	NO.	AVG.	NO.	AVG.
1990	516	1.6	2,031	6.5	1,111	3.5	6,753	21.6
1991	720	2.3	1,973	6.3	1,361	4.3	8,134	26.0
1992	913	2.9	2,193	7.0	1,679	5.4	9,572	30.6
1993	937	3.0	2,054	6.6	1,756	5.6	10,132	32.4
1994	1,008	3.2	2,410	7.7	1,541	4.9	10,477	33.5
1995	928	3.0	2,344	7.5	1,670	5.3	10,566	33.8
1996	831	2.7	1,750	5.6	1,469	4.7	8,771	28.0
1997	819	2.6	2,085	6.7	1,361	4.3	8,494	27.1
1998	1,202	3.8	2,356	7.5	1,443	4.6	9,822	31.4
1999	1,469	4.7	2,512	8.0	1,519	4.9	11,113	35.5
1998 2nd qtr	268		584		357		2,324	
3rd qtr	281		598		384		2,377	
4th qtr	428		647		398		2,920	
1999 1st qtr	345		497		343		2,234	
2nd qtr	323		596		385		2,736	
3rd qtr	368		654		383		2,972	
4th qtr	432		765		408		3,171	
2000 1st qtr	314		608		385		2,532	
Year ended March 31, 1999	1,322	4.2	2,326	7.4	1,482	4.7	9,853	31.5
Year ended March 31, 2000	1,437	4.6	2,623	8.4	1,562	5.0	11,411	36.5

SOURCE: BTS Form 298-C, Schedule T-1. Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 service days (weekdays and weekends) each year. The total figures for all seven communities include a very small amount of traffic between the communities that is double-counted.

BIG SKY TRANSPORTATION CO., d/b/a BIG SKY AIRLINES
ESSENTIAL AIR SERVICE AT GLASGOW, GLENDIVE, HAVRE, LEWISTOWN,
MILES CITY, SIDNEY AND WOLF POINT, MONTANA

EFFECTIVE PERIOD	December 1, 2000, through November 30, 2002
SERVICE	
Havre	12 nonstop or one-stop round trips to Billings each week
Lewistown	12 nonstop round trips to Billings each week
Glasgow and Wolf Point	12 nonstop or one-stop round trips to Billings each week
Glendive and Miles City	12 nonstop or one-stop round trips to Billings each week
Sidney	12 nonstop round trips to Billings and 5 nonstop round trips to Bismarck each week. At its own discretion, the carrier may revert to operating 5 round trips to Billings with no more than two intermediate stops in lieu of any service to Bismarck.
AIRCRAFT TYPE	Fairchild Metro III (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$555.49 ^{1/}
COMPENSATION CEILING EACH WEEK	\$98.877 ^{2/}

^{1/} Annual compensation of \$4,952,234 divided by 8,915 annual arrivals and departures at a 96 percent completion factor. For payout purposes, the Billings-Glasgow-Wolf Point-Billings round-robin flight each weekday is counted as one Glasgow-Wolf Point-Billings linear round trip involving four departures rather than three as shown in Appendix B, p. 4.

^{2/} Subsidy rate per arrival/departure of \$555.49 multiplied by 178 subsidy-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 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 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 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 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.

SERVICE LIST FOR THE STATE OF MONTANA

Air Wisconsin, Inc.
Alpine Aviation, Inc.
Amerijet International, Inc.
Barken International, Inc.
Big Sky Transportation Co.
Blue Ridge Airlines
Delta Connection
Empire Airlines, Inc.
Mesa Airlines, Inc.
Mesaba Aviation, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Northern Tier Airlines, Inc.
Northwest Airlink
Pacific Air West, Inc.
Renown Aviation, Inc.
West Isle Air, Inc.

Ken Bannon
E.B. Freeman
Ben Harrison
A. Edward Jenner
Keith Kahle
Bob Karns
John McFarlane
John Rahenberg
Richard A. Raymer
Tracy Schoenrock
Dan Traitor
Gary L. White