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Order 2002-2-3

Served: Feburary 8, 2002

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

Issued by the Department of Transportation
on the 5th day of February, 2002

Essential Air Service at **MASSENA, NEW YORK** **OGDENSBURG, NEW YORK** **WATERTOWN, NEW YORK** under 49 U.S.C. 41731 *et seq.*	**Docket OST-97-2842**-19

ORDER SETTING FINAL SUBSIDY RATE

Summary

By this order, the Department is setting a final subsidy rate for Mesa Airlines, Inc., (Mesa) for the provision of essential air service at the Upstate New York communities of Massena, Ogdensburg and Watertown, effective retroactively to October 1, 2001, until further notice.

Background

By Order 2000-4-2, issued April 3, 2000, Mesa was selected to continue providing essential air service at Massena, Ogdensburg and Watertown, for a two-year period from October 1, 1999, through September 30, 2001. Subsidy was set at an annual rate of $1,115,507 for Mesa's provision of three round trips each weekday, and three each weekend, between Massena, Ogdensburg and Watertown, and Pittsburgh, with 19-seat Beech 1900 aircraft.

By Order 2001-10-17, issued October 31, 2001, the Department extended Mesa's expired subsidy rate for Upstate New York until further notice, subject to adjustment retroactive to October 1, 2001, pending the resolution of the Department's final fiscal year 2002 budget.

The Department is now conducting a carrier selection case for Upstate New York and proposals to provide essential air service have been submitted by Mesa and CommutAir. Although negotiations have been completed with both carriers, the State of New York has requested that the Department delay final action on the selection decision pending further study by the communities and the State of the air service needs for the region.

Subsidy Rate
In the meantime, Mesa and the Department have agreed to an annual subsidy rate of $1,905,432 for a new two-year rate term for a level of service identical to that now being provided by the carrier. Thus, we will set this new rate as a final rate for Mesa, retroactive to October 1, 2001, until further Department action, pending the completion of the carrier selection case.

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

ACCORDINGLY,

1. The Department sets the final rate of compensation for Mesa Airlines, Inc., for the provision of essential air service Massena, Ogdensburg and Watertown, New York, as described in Appendix A, for the period beginning October 1, 2001, until further notice, 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 A, and shall be determined by multiplying the subsidy-eligible arrivals and departures performed during the month by $346.19;[1]

2. We direct Mesa Airlines, Inc., 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;

3. Docket OST 97-2842 shall remain open until further order of the Department; and

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[1] See Appendix B 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.

4. We will serve a copy of this order on the mayors and airport managers of Massena, Ogdensburg and Watertown, New York, the Governor of New York, the Ogdensburg Bridge and Port authority, the New York State Department of Transportation, Mesa Airlines, and Commutair.

By:

READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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MESA AIRLINES, INC.
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
MASSENA, OGDENSBURG AND WATERTOWN, NEW YORK

Effective Period:	October 1, 2001, until further notice
Service:	Watertown: Three nonstop round trips each weekday and over each weekend period to Pittsburgh Massena and Ogdensburg: Three round trips each weekday and over each weekend period to Pittsburgh. Of the six segments each service day for each community, up to three may be two-stop. The remaining three segments may be one-stop or nonstop.
Aircraft:	Beech 1900 (19 passenger seats)
Timing of Flights:	Flights must be well timed and well spaced to ensure full compensation.
Subsidy Rate:	Per year - $1,905,432 Per arrival from or departure to Pittsburgh - $346.19 [1]
Weekly Compensation Ceiling:	$37,388.52 [2]

[1] Annual compensation of $1,905,432, divided by the number of arrivals and departures estimated to be performed annually (5,504), calculated by multiplying 18 arrivals and departures each service day by 6 service days each week—counting each weekend as one service day—times 52 weeks, and multiplying further by 98 percent completion.

[2] The subsidy rate for each arrival/departure ($346.19) multiplied by the number of scheduled subsidy-eligible flights per week (108).

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 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 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 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 parities 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.

EAS to be Provided at Massena, Ogdensburg, and Watertown, New York, Docket 2842

Passengers	16,350
Avg. Fare	$120.73
Passenger Rev.	$1,973,936
Other Revenue @ 1%	$19,739
Total Revenue	$1,993,675
Block Hours	3,728 1/
Departures	4,943 1/
RPMs	6,086,466 2/
Pilot Expenses @ $98.46/hr.	$367,059
Fuel Expenses @ $132.47/hr.	$493,848
Hull Insurance @ $13.33/hr.	$49,694
Maintenance @ $258/hr.	$961,824
A/C Depr. @ $126.84/hr.	$472,860
Direct Expenses	$2,345,285
Tff. Related @$.071/RPM	$432,139
Dep. Related @ $128.69/Dep.	$636,115
Capacity Related @ 7.53%	$257,039
Indirect Expenses	$1,325,293
Operating Expense	$3,670,578
Return @ 5%	$183,529
Promotions @ $15,000/EAS	$45,000
Total Economic Cost	$3,899,107
Annual Subsidy @ 98%	$1,905,432

1/ MSS-OGS-ART-PIT:
(15+20+90) minutes x 2 flights x 7 days/week x 52 weeks x .98/60 = 1,486 hrs.; 2,140 deps.
PIT-ART-MSS-OGS-ART-PIT:
(90+25+15+20+90) x 11 flights/week x 52 weeks x .98/60 = 2,242 hrs.; 2,803 deps.

2/ ART, 5,958 pax. X 324 miles; OGS, 3,486 pax. X 378 miles; MSS, 6,906 pax. X 411 miles = 6,086,466.

Note: Unit costs based on Schedule F-2, YE 6/30/01. Capacity Related on YE 12/31/00, maintenance on experience.