

174482

Order 2002-5-28  
Served: June 3, 2002



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

Issued by the Department of Transportation  
On the 29<sup>th</sup> day of May, 2002

Essential Air Service at:

LAUREL/HATTIESBURG, MISSISSIPPI

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

Docket OST 01-10685 -/8

**ORDER SELECTING CARRIER**

**Summary**

By this order we are selecting Mesaba Aviation, Inc. (Mesaba), d/b/a Northwest Airlinck, to provide two nonstop round trips a day between Laurel/Hattiesburg, Mississippi, and Memphis beginning when the carrier inaugurates service at an annual subsidy rate of \$1,056,991. (See Appendix A for a map.) For the period January 1, 2001, until Mesaba inaugurates service, we will compensate Express Airlines I, d/b/a Northwest Airlinck (Express I) at the same rate.<sup>1</sup>

**Background**

On September 21, 2001, Express I filed a notice of its intent to suspend service, effective January 1. By Order 2001-12-26, issued December 31, 2001, the Department prohibited Express I from terminating its essential air service at Laurel/Hattiesburg, Mississippi, and requested proposals for replacement service. Express I had provided subsidy-free essential air service to Laurel/Hattiesburg for many years with Saab 340 equipment. By Order 2002-4-5, served April 10, 2002, the Department allowed Express I to reduce its "hold-in" service to Memphis from three round trips per day to two because the flights no longer served Meridian and thus the full capacity of the aircraft was available to Laurel/Hattiesburg passengers.

**Carrier Service Proposals**

In response to our request, Mesaba submitted two service options. Under the first option, Mesaba proposed two nonstop round trips per day, and on the second option, three nonstop round trips per day, all with 34-seat Saab 340 equipment. We also received a proposal from Corporate Airlines proposing three nonstop round trips a day to Memphis with 19-seat

<sup>1</sup> Effective May 8, 2002, Express Airlines I officially changed its name to Pinnacle Airlines, Inc.

Jetstream 32 equipment. Corporate Airlines subsequently withdrew its proposal at Laurel/Hattiesburg.

### **Community Comment**

By letter dated March 5, 2002, the community indicated it favored Mesaba's proposal, either two or three round trips a day, to Corporate Airlines. The community favored Mesaba based on the larger equipment it proposed, and the greater number of seats even its lower frequency option provided. (Two round trips per day with a 34-seat aircraft produces 68 seats, while three with a 19-seater produce 57 seats.) The community also appreciated the world-wide, on-line connections provided by Northwest and Northwest Airlink at the Memphis hub.

### **EAS Determination**

Laurel/Hattiesburg's EAS determination was most recently set by Order 94-5-6, and requires two nonstop or one-stop round trips per day to either Atlanta, Memphis or New Orleans with a minimum of 44 seats each day in each direction with 15-seat or larger aircraft.

### **Decision**

We will select Mesaba's two-nonstop-round-trip-per-day option at Laurel/Hattiesburg. Since Corporate Airlines has withdrawn its proposal, the only question is whether we should select two round trips per day or three. The community has indicated it favored either Mesaba's two or three-round-trip option. The three-round-trip option for Mesaba would require significantly more subsidy than the two-round-trip option. Also, two round trips per day would accommodate historical traffic at Laurel/Hattiesburg, and while EAS allows up to one intermediate stop to Memphis, the carrier has proposed superior nonstop service. Under these circumstances, we will select Mesaba's two-nonstop-round trip-per day option, thirteen round trips per week, with Saab 340 equipment, at an annual subsidy of \$1,056,991.

Because Express I provided hold-in service from January 1 onward, we negotiated final rates with that carrier as well. Both Express I and Mesaba are Northwest Airlink carriers and each used or proposed service with the same aircraft type -- Saab 340s. Express I therefore agreed to the same rate per flight as Mesaba.<sup>2</sup> Until Order 2000-4-5 allowed Express I to reduce service to two round trips per day, Northwest was required to provide 19 round trips per week to Laurel/Hattiesburg, although some of the service was provided on a one-stop basis. As is normal practice, we will compensate the carrier at 50 percent of the nonstop rate for its one-stop, as outlined in Appendix B-2.

### **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. Mesaba is a certificated air carrier and was most recently found fit by Order 97-4-20, issued April 21, 1997. Since then, the Department has routinely monitored the carrier's

---

<sup>2</sup> Mesaba is scheduled to take over the route from Express I on or about June 7. Mesaba will operate the same aircraft, the same schedules, the same fare structure, etc., so that the transition will be completely transparent to the passenger.

continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. We find that Mesaba continues to have available adequate financial and managerial resources to maintain reliable service at Laurel/Hattiesburg, 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 Mesaba remains fit.

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

**ACCORDINGLY,**

1. The Department selects Mesaba Aviation, Inc., to provide essential air service at Laurel/Hattiesburg, Mississippi;
2. The Department sets the final rate of compensation for Mesaba Aviation, Inc., for the provision of essential air service at Laurel/Hattiesburg, Mississippi, for the period beginning when it inaugurates service, as described in Appendix C-1, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month by \$806.25;<sup>3</sup>
3. The Department sets the final rate of compensation for Express Airlines I, Inc., for the provision of essential air service at Laurel/Hattiesburg, Mississippi, for the period January 1, 2002, until it is replaced by Mesaba, as described in Appendix C-2, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month by \$806.25;<sup>4</sup>
4. We find that Mesaba Aviation, Inc., is fit, willing, and able to operate as a certificated air carrier and is capable of providing reliable air service at Laurel/Hattiesburg, Mississippi;
5. We direct Mesaba Aviation, 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 the 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;

---

<sup>3</sup> See Appendix C-1 for calculation.

<sup>4</sup> See Appendix C-2 for calculation.

6. This docket will remain open until further order of the Department; and
7. We will serve a copy of this order on the Mayors of Laurel and, Hattiesburg, Mississippi, the airport manager of the Hattiesburg-Laurel Regional Airport, the Mississippi Department of Transportation, Corporate Airlines, Express Airlines I, Northwest Airlines, and Mesaba Aviation.

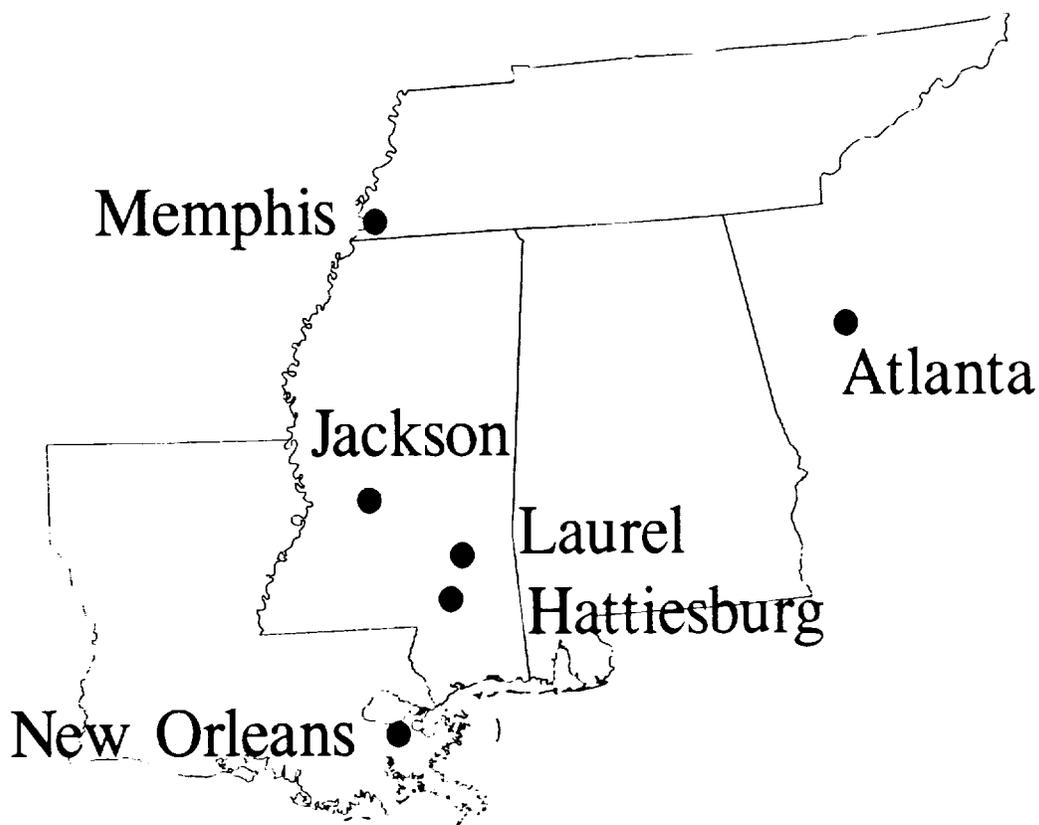
By:

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

(SEAL)

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

## Area Map of Laurel/Hattiesburg, Mississippi



## Mesaba Airlines, Essential Air Service at Laurel/Hattiesburg, Mississippi, Docket 10685

Block Hours	2,046 1/
Wtd. Departures	1,311
Turns	656
RPMs	5,432,250
Passengers	21,729
Fare	\$65 2/
Pax. Rev.	\$1,412,385
<u>Other Rev. @ 4%</u>	<u>\$56,495</u>
Total Revenue	\$1,468,880
Pilot and flt.att. @ \$237.64/hr.	\$486,211
Fuel @ \$133.28/hr.	\$272,691 3/
Hull insurance @ \$5.39/hr.	\$11,028
Flt. Maint. @ \$215.05/hr.	\$439,992
Lease @ \$184.89/hr.	\$378,285
<u>Depreciation @ \$44.83</u>	<u>\$91,722</u>
Total Directs	\$1,679,929 4/
Station rent	\$12,972
Landing fee @ \$11.40/turn.	\$7,478 5/
Deicing @ \$8.38/turn	\$5,497
Station agents	\$123,735
Communications	\$4,635
<u>Pax. Screening \$15.99/turn</u>	<u>\$10,489</u>
Total PIB station	\$164,806
Landing fee @ \$44.75/turn	\$29,356
<u>Handling @ \$150/turn</u>	<u>\$98,400</u>
Memphis station	\$127,756
Pax. fees @ \$5.85/pax.	\$127,115 6/
Credit Cards @ 2%	\$28,248
Comm. & Mktg. @ 2.04%	\$28,813
Insurance	\$43,931 7/
Ground maint. @ \$44.70/wtd. dep.	\$58,602
<u>G&amp;A @ \$71.55/wtd.hr.</u>	<u>\$146,391 8/</u>
Total Indirects	\$725,662
Operating expense	\$2,405,591
<u>Return @ 5%</u>	<u>\$120,280</u>
Economic cost	\$2,525,871
Annual subsidy @ 97%	\$1,056,991

1/ 26 flts./week\*93.6 min./flt. \*52 weeks\*.97/60 = 2,046 hrs.; 1,311 depts. 656 turns;

1,311 wtd. depts. (RJ-85 wtd. @ 2, Saabs at 1)

2/ Beyond revenue allocated to PIB based on published Y-Fares, cross-checked to blk. time.

3/ 136 gph\*\$ .98/gallon, including oil. Note: \$.98/gallon reflects actual price, not fixed price guaranteed by Northwest to Mesaba reflected in the Form 41.

4/ Unit costs based on YE 12/31/01 Form 41, except for fuel and hull insurance.

5/ \$.40/1,000 lbs., 28,500 lbs. per Saab 340.

6/ \$5.50 CRS fee and \$.35 Interrupted trip expense.

7/ Liability insurance @ \$.001277/RPM; War Risk @ \$1.25/pax., FAA 3rd. party @ \$7.50/dep.

8/ Saab hours weighted at 1, RJs at 2.

**Mesaba Aviation, Inc., Essential Air Service to be Provided to Laurel/Hattiesburg,  
Mississippi, Docket OST-01-10685**

Effective Period: Inauguration of service for a two-year period. <sup>1</sup>

Scheduled Service: 13 nonstop round trips each week to Memphis.

Aircraft: Saab 340s.

Rate per Departure/Arrival: \$806.25 <sup>2</sup>

Weekly Ceiling: \$20,962.50 <sup>3</sup>

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

---

<sup>1</sup> We expect Mesaba to inaugurate its service within 60 days of the service date of this order.

<sup>2</sup> Annual compensation of \$1,056,991 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor at each community:  
26 flights/week x 52 weeks x .97 = 1,311 total.

<sup>3</sup> Subsidy rate per arrival/departure at Memphis of \$806.25 multiplied by 26 subsidy-eligible flights each week.

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.

**Express Airlines I, Inc., Essential Air Service to be Provided to Laurel/Hattiesburg,  
Mississippi, Docket OST-01-10685**

Effective Period: January 1, 2002, until it is replaced by Mesaba. <sup>1</sup>

Scheduled Service: 19 nonstop or one-stop round trips each week to Memphis.

Aircraft: Saab 340s.

Rate per Departure/Arrival: Nonstop Service: \$806.25 <sup>2</sup>  
One-stop service at 50%, \$403.13

Weekly Ceiling: \$30,637.50 <sup>3</sup>

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 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.

---

<sup>1</sup> We expect Mesaba to inaugurate the new service pattern within 60 days of the service date of this order.

<sup>2</sup> Same rate as calculated for Mesaba.

24 departures/arrivals x 52 weeks x .98 = 1,223 total.

<sup>3</sup> Subsidy rate per arrival/departure at Memphis of \$806.25 multiplied by 38 subsidy-eligible flights each week.