

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

Issued by the Department of Transportation
on the 5th of November, 1996

essential Air Service at

SULT STE. MARIE, AND
PENA, MICHIGAN

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

**Dockets OST-96-1713 &
96-1714**

ORDER PROHIBITING SUSPENSION AND REQUESTING PROPOSALS

SUMMARY

By this order we are prohibiting Great Lakes Aviation, Ltd. (Great Lakes), from suspending its service between Detroit, Michigan, and Alpena and Sault Ste. Marie, Michigan, at the end of its 90-day notice period, and requiring it to maintain service through January 15, 1996. We are also requesting proposals from interested carriers to provide replacement service at the two communities.

BACKGROUND

On September 17, 1996, Great Lakes filed a 90-day notice of intent to suspend its subsidy-free essential air service at Alpena and Sault Ste. Marie, Michigan, effective December 16, 1996. Great Lakes provides three one-stop round trips a day operated Sault Ste. Marie-Alpena-Detroit, with 19-seat Beech 1900 aircraft. In addition to this service, Great Lakes provides two, two-stop round trips a day between Sault Ste. Marie and Chicago O'Hare with 30-seat Embraer Brasilia aircraft. Essential air service for these communities requires a minimum of two nonstop or one-stop round trips per day to Detroit.¹

In response to Great Lakes' notice to terminate service, we have received objections from the communities and a number of businesses and individuals in the area. We also received objections from the Michigan Department of Transportation, Bureau of Aeronautics.

The Chippewa County Economic Development Corporation states that Sault Ste. Marie is isolated--Grand Rapids, the nearest hub, is 238 miles distant--and that ridership at Sault Ste. Marie has been growing. Alpena states that its local industries and senior citizens require air service, especially as it is 102 miles away by car from the state capital

¹ The essential air service determination for each community requires a minimum of two round trips per day, six days per week. However, because of budget reductions, the Department is able to subsidize only 10 round trips per week.

in Lansing. They also state that continuance of service is imperative to the economic, social and recreational growth and the business stability of the community.

Since Great Lakes is the only carrier providing scheduled air service at Alpena, its proposed termination of service would eliminate all air service to the community. Thus in accordance with 49 U.S.C. 41734, we will prohibit Great Lakes from suspending service for an initial 30-day period beyond the end of the 90-day notice period, through January 15, 1997, or until we secure replacement service, whichever occurs first.²

At Sault Ste. Marie, Great Lakes' proposed suspension would not deprive the community of all its air service. Great Lakes provides two, two-stop round trips a day to O'Hare, also with Beech 1900s. However, this two-stop service fails to meet the statutory requirement that essential air service flights be either nonstop or one-stop. Therefore, we will likewise prohibit Great Lakes from suspending its Sault Ste. Marie-Detroit service.

At the same time, we recognize that Sault Ste. Marie is an upline point from Alpena, whose only service is to Detroit, and the cost of subsidizing the incremental Sault Ste. Marie-Alpena segment may in fact prove minimal. For the time being, we will require Great Lakes to continue its Sault Ste. Marie service pending our review.

Solicitation for Service Proposals

We request carriers that are interested in providing replacement essential air service at Sault Ste. Marie and Alpena to submit proposals, including subsidy projections if necessary, within 20 days after the date of service of this order.

Interested carriers should submit proposals that provide quality service at a reasonable subsidy cost. We invite interested air carriers to file proposals that would provide the communities with ten nonstop or one-stop round trips a week to Chicago, Detroit, or any other suitable hub, with twin-engine aircraft operated by two pilots.

² In accordance with 49 U.S.C. 41734 (c), we will extend Great Lakes' service requirement for successive 30-day periods, as necessary, until replacement service actually begins.

In order to assist applicants in the development of reasonable traffic and revenue projections, Appendix B shows historical traffic data for the two communities, and for Sault Ste. Marie the traffic in both the Detroit and Chicago markets.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents available upon request. The first describes our procedures for handling replacement cases under 49 U.S.C. 41731 *et seq.*, and discusses in detail the process of seeking proposals, conducting reviews of the applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of section 204.4 of our regulations (which describes the information required of all applicants for authority to provide essential air service), and schedules giving 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. 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 either 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.³ Consequently, all carriers receiving Federal subsidy to support 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.

³ 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.

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.⁴

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

ACCORDINGLY,

1. We prohibit Great Lakes Aviation, Ltd., d/b/a United Express, from suspending scheduled air service at Sault Ste. Marie and Alpena, Michigan, at the end of its 90-day notice period, and require it to maintain service at the communities consisting of ten nonstop or one-stop round trips a week to Detroit for the 30-day period through January 15, 1997, or until a carrier capable of providing reliable essential air service begins service, whichever occurs first;⁵

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 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. We request that carriers interested in providing essential air service at Sault Ste. Marie and Alpena, Michigan, submit their proposals, with subsidy requests if necessary, within 20 days of the date of service of this order. Proposals should include all the data required by section 204.4 of our Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title, "Proposal to Provide Essential Air Service at Sault Ste. Marie and Alpena, Michigan, Dockets OST 96-1713 & OST-96-1714";⁶ and

⁴ In cases where a carrier proposes to provide full 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.

⁵ In accordance with 49 U.S.C. 41734(c), we will extend Great Lakes' service obligation for successive 30-day periods as necessary until replacement service actually begins.

⁶ After the proposals have been docketed, Department staff will contact each applicant and direct it to serve a copy of its proposal on the civic officials of the community, the State, and the other applicants. All applicants must then file a certificate of service with the Department's Documentary Services Division.

4. We will serve a copy of this order on the Mayor and airport managers of Sault Ste. Marie and Alpena, Michigan, the Michigan Aeronautics Commission, Great Lakes Aviation, Ltd., d/b/a United Express, and the air carriers listed in Appendix D.

By:

Charles A. Hunnicutt
Assistant Secretary for Aviation
and International Affairs

(SEAL)

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
SAULT STE. MARIE, MICHIGAN

EFFECTIVE PERIOD December 16, 1996, until further Department action

SERVICE To Detroit, Michigan

MINIMUM FREQUENCY Ten round trips each week between Sault Ste. Marie
and Detroit (nonstop or one-stop) with unrestricted
upline service permitted

AIRCRAFT TYPE Beech 1900 (19 seats)

MINIMUM NO. OF PILOTS Two

TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure
full compensation.

N O T E

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.

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
ALPENA, MICHIGAN

EFFECTIVE PERIOD	December 16, 1996, until further Department action
SERVICE	To Detroit, Michigan
MINIMUM FREQUENCY	Ten round trips each week between Alpena and Detroit (nonstop or one-stop) with unrestricted upline service permitted
AIRCRAFT TYPE	Beech 1900 (19 seats)
MINIMUM NO. OF PILOTS	Two
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation.

N O T E

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.

Historical Traffic at Sault Ste. Marie and Alpena, Michigan

Sault Ste. Marie, Michigan

Sault Ste. Marie -- Detroit

Sault Ste. Marie -- Chicago

	<u>CIU to DTT</u>	<u>DTT to CIU</u>	<u>DTT Total</u>	<u>CIU to ORD</u>	<u>ORD to CIU</u>	<u>ORD Total</u>	<u>Grand Total</u>
QE 9/30/94	1,784	1,797	3,581	955	803	1,758	5,339
QE 12/31/94	1,350	1,312	2,662	846	798	1,644	4,306
QE 3/31/95	1,088	967	2,055	935	986	1,921	3,976
QE 6/30/95	<u>1,096</u>	<u>1,168</u>	<u>2,264</u>	<u>1,205</u>	<u>1,223</u>	<u>2,428</u>	<u>4,692</u>
YE 6/30/95	5,318	5,244	10,562	3,941	3,810	7,751	18,313
QE 9/30/95	1,614	1,593	3,207	1,324	1,242	2,566	5,773
QE 12/31/95	1,077	1,018	2,095	1,094	1,113	2,207	4,302
QE 3/31/96	1,038	989	2,027	1,559	1,345	2,904	4,931
QE 6/30/96	<u>668</u>	<u>763</u>	<u>1,431</u>	<u>1,353</u>	<u>1,429</u>	<u>2,782</u>	<u>4,213</u>
YE 6/30/96	4,397	4,363	8,760	5,330	5,129	10,459	19,219

Alpena, Michigan

	<u>APN to DTT</u>	<u>DTT to APN</u>	<u>APN Total</u>
QE 9/30/94	1,981	1,939	3,920
QE 12/31/94	1,501	1,594	3,095
QE 3/31/95	1,231	1,239	2,470
QE 6/30/95	<u>1,667</u>	<u>1,748</u>	<u>3,415</u>
YE 6/30/95	6,380	6,520	12,900
QE 9/30/95	2,042	1,960	4,002
QE 12/31/95	1,613	1,619	3,232
QE 3/31/96	1,658	1,680	3,338
QE 6/30/96	<u>1,376</u>	<u>1,650</u>	<u>3,026</u>
YE 6/30/96	6,689	6,909	13,598

Note: Data are from Great Lakes Form 298(c), Schedule T-1.