Order 97-3-37

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

Served April 1, 1997

Issued by the Department of Transportation
on the 26th day of March 1997

Essential air service at

LAMAR, COLORADO, AND GOODLAND, KANSAS — **Docket OST-95-934**

HASTINGS AND KEARNEY, NEBRASKA — **Docket OST-96-1715**

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

ORDER SELECTING AIR CARRIER AND RESOLICITING PROPOSALS

Summary

By this order the Department of Transportation is making a final selection of Great Lakes Aviation, Ltd., to provide essential air service at Lamar, Colorado, for an annual rate of subsidy compensation of $595,788 and at Goodland, Kansas, and Kearney, Nebraska, for $874,824 annually, for an overall total of $1,470,612 for the three points. (See AppendixA for a map of the service area.) The Department is also resoliciting proposals from air carriers interested in providing essential air service at Hastings, Nebraska.

Background--Goodland and Lamar

By Order 94-10-16, October 14, 1994, the Department selected Mesa Airlines to provide essential air service, with subsidy support, from Goodland and Lamar (and five other points in Kansas and Oklahoma) to Denver, consisting of two nonstop round trips each weekday and weekend. The Department authorized subsidy amounting to $1,204,973 annually to support service at the seven communities.

By Order 95-11-28, November 17, 1995, the Department implemented program-wide reductions in essential air service subsidy payments and service levels, effective November 27, 1995, in response to a reduced program appropriation enacted by Congress for fiscal year 1996. The Department modified the subsidy rates applicable to Lamar and Goodland by (1) eliminating second-hub service by Mesa at three of the seven Colorado, Kansas, and Oklahoma communities, and (2) reducing subsidy-eligible service to the program-wide level of ten round trips per week, i.e., the equivalent of two round trips a day, five days a week, at the remaining four communities. The modified rate amounted to $793,747 a year, or approximately $198,487 per community.

By Order 95-12-40, December 22, 1995, the Department required Mesa Air Group to maintain service at six communities, including Goodland and Lamar, after Mesa had filed notice of its intent to suspend its subsidized service at all six.[1] In that order, we also requested proposals from carriers interested in providing replacement service at each point, with or without subsidy. At the same time, Mesa sought review in the U.S. Court of Appeals for the District of Columbia Circuit of the Department's action requiring Mesa to maintain service. On July 2, 1996, the court concluded that the carrier had the right to terminate service without notice. Eight days later, Mesa announced that it would suspend service at Goodland and Lamar as of August 9, 1996. This cessation left both communities without any scheduled passenger air service, although both communities remain eligible for service under the essential air service program. Hence, the Department issued Order 96-7-23, July 16, 1996, resoliciting proposals from carriers interested in providing air service at Goodland and Lamar.

Background--Hastings and Kearney

The Department of Transportation selected GP Express Airlines, Inc., to provide essential air service, with subsidy support, at Hastings and Kearney, Nebraska, by a series of orders, most recently by Order 95-11-28, November 17, 1995, and Order 95-12-2, December 11, 1995. Under the terms of this selection, GP Express was to provide Hastings and Kearney with two round trips, five days a week to Kansas City for an annual rate of $634,992. GP Express provided service under that rate from November 27, 1995, through August 30, 1996, when it ceased all operations, leaving Hastings and Kearney with no scheduled passenger air service. Consequently, the Department issued Order 96-9-20, September 17, 1996, soliciting proposals from air carriers interested in providing essential air service at Hastings and Kearney.

Summary of Air Carrier Proposals

Common to all four communities is the condition that the level of funding available for the essential air service program for fiscal year 1997 limits the Department to supporting only two round trips, five days a week, to one hub.

In response to Order 96-7-23 and Order 96-9-20, the Department has received and negotiated through the informal subsidy rate conference process the following proposals:

(1) Alpine Aviation, Inc., d/b/a Alpine Air, proposes to provide service with an eight-passenger Piper Cheyenne aircraft over a Goodland-Lamar-Colorado Springs routing for an annual subsidy of $693,381.

(2) Downeast Flying Service, d/b/a Downeast Express, also d/b/a Northeast Airlines, proposes six options (four options for Goodland and Lamar and two for Hastings and Kearney): (A) service with a 13-passenger Beech 1300 aircraft over a Goodland-Lamar-Colorado Springs routing for an annual subsidy of $831,442, (B) service with a 19-passenger Beech 1900 aircraft over a Goodland-Lamar-Colorado Springs routing for an annual subsidy of $965,751, (C) service with a 13-passenger Beech 1300 aircraft over a Goodland-Lamar-

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[1] Mesa's service at Goodland and Lamar was being operated by Mountain West, one of a number of subsidiaries and divisions of Mesa Air Group.

Denver routing for an annual subsidy of $944,610, (D) service with a 19-passenger Beech 1900 aircraft over a Goodland-Lamar-Denver routing for an annual subsidy of $1,094,496, (E) service with a 13-passenger Beech 1300 aircraft over a Hastings-Kearney-Omaha routing for an annual subsidy of $689,508, and (F) service with a 19-passenger Beech 1900 aircraft over a Hastings-Kearney-Omaha routing for an annual subsidy of $820,398.

(3) Great Lakes Aviation, Ltd., proposes two options, both with 19-passenger Beech 1900 aircraft: (A) nonstop service between Lamar and Denver for an annual subsidy of $595,788, and (B) service over a Kearney-Goodland-Denver routing for an annual subsidy of $874,824.

(The Department also received a proposal for Goodland and Lamar service from a fourth applicant, Colorado Scenic Airways. That carrier, however, subsequently withdrew its proposal.)

Community Comments

By letters dated February 19, 1997, we advised the Mayors and Airport Managers of Lamar, Goodland, Hastings, and Kearney, the Governors of Colorado, Kansas, and Nebraska, and the Directors of Aeronautics/Aviation of Colorado, Kansas, and Nebraska of the results of our negotiations with the three applicant carriers, and sought comments on carrier selection from these officials. The comments we received are summarized as follows: (1) The City Administrator of Lamar supports the proposal of Great Lakes, citing the community’s preference for Beech-1900 service to Denver operated by a code-sharing carrier. (2) The Mayor and Airport Manager of Goodland support the proposal of Great Lakes, citing the community’s preference for nonstop service operated by a code-sharing carrier and the benefits of access to a major carrier’s scheduling, pricing, and reservations system. (3) The Mayor of Hastings and the Chairman of the Hastings Airport Authority support the proposal of Downeast Express, without expressing a preference for aircraft type. They support service to Omaha, and express satisfaction with the flight schedules, aircraft types, and ticket price proposed by Downeast. (4) The Airport Manager of Kearney relayed a resolution of the Kearney City Council acting as the Board of Directors of the Kearney Municipal Airport supporting the proposal of Great Lakes. The Board cites the familiarity of the Central Nebraska public with the carrier, the carrier’s code-sharing arrangement with United Airlines (with emphasis on the advantages of United’s reservations system), and the carrier’s record of developing passenger traffic at other Nebraska communities it serves. (5) The Governor of Colorado endorses Lamar’s preference for service to Denver, with at least 13-passenger aircraft and preferably 19-passenger aircraft. He encourages the Department to support air carriers that will provide dedicated air service and crew, connecting flights at Denver or Colorado Springs, and responsive customer service. (6) The Governor of Kansas supports Goodland’s endorsement of the proposal of Great Lakes, citing the carrier’s affiliation with a major carrier and its visibility, scheduling, and pricing, and the nonstop service and timing proposed.

Selection Decision

In selecting carriers to provide essential air service, the Department is specifically required under 49 U.S.C. 41733 to consider: (A) the demonstrated reliability of the applicant in providing scheduled air service; (B) the contractual and marketing arrangements the applicant has made with a larger carrier to ensure service beyond the hub airport; (C) the interline arrangements that the applicant has made with a larger carrier to enable connecting passengers and cargo at the hub airport to be transported by the larger carrier through one reservation, ticket, and baggage check-in; and (D) the preferences of the actual and potential users of air transportation at the eligible place, giving substantial weight to the views of the elected officials representing the users. In addition to these statutory selection criteria, the Department also considers the subsidy cost of the proposal options and the overall quality of the proposed service.

As a practical matter, the several carrier selection options narrow to three choices: (1) selecting Alpine to serve Goodland and Lamar and Downeast's Beech 1900 proposal to serve Hastings and Kearney, for a total subsidy cost of $1,513,779 (or $378,445 per point), (2) selecting Downeast to serve all four points, for a total subsidy cost ranging from $1,651,840 to $1,914,894, depending on the hub and aircraft type to be used for Goodland and Lamar (or $412,960 to $478,724 per point), or (3) selecting Great Lakes to serve Goodland, Lamar, and Kearney for a total subsidy cost of $1,470,612 (or $490,204 per point) and resoliciting proposals for Hastings. Exercising either of the first two choices would entail a lower subsidy burden and would secure service at all four points. On the other hand, either of those choices would necessarily mean that three of the four communities would not receive the carrier they support, Great Lakes. Moreover, Great Lakes has a clear advantage in three statutorily-mandated selection criteria. First, with the exception of Hastings (which only Downeast has proposed to serve), the communities have stated an emphatic preference for the proposals of Great Lakes. Second, Great Lakes has by far the most experience in providing scheduled air service in the vicinity. It is well established at the Denver hub, and it has earned a solid record of reliability in serving numerous communities under the essential air service program, including several points in Nebraska. Third, we must give weight for both legal and practical reasons to Great Lakes' marketing and code-share alliance with United Airlines, affording passengers a seamless product for destinations beyond the hub. Finally, the fact that there has been a hiatus in service at the subject points heightens the importance of identity and marketing experience, virtues that will be critical to the selected carrier's ability to restore passenger confidence and patronage. This consideration also argues for the selection of Great Lakes, as most of the civic and state officials articulated.

We find that these considerations counterbalance the cost differences described above and the temporary non-resolution of Hastings' ongoing service hiatus. Therefore we will select Great Lakes to provide essential air service at Lamar, Goodland, and Kearney for approximately a two-year period beginning when the carrier inaugurates the agreed-upon levels of service through June 30, 1999. The service to be provided is summarized in Appendix B to this order. See Appendix C for summaries of the calculations of the annual subsidy rates.

With regard to Hastings, our decision to defer to the very strong preference of other civic and state officials for the selection of Great Lakes, thus continuing to leave Hastings without its own air service, is influenced in part by the latter's location of less than 30 miles by four-lane, divided highway from Grand Island, where direct air service is currently available to three hubs. For the present, we will again solicit proposals from carriers interested in serving Hastings, and we will continue to discuss other alternatives with Nebraska officials.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing, and able to provide service before we may pay it for essential air service. We last found Great Lakes Aviation fit to provide scheduled passenger service as a commuter air carrier by Order 97-2-1, February 3, 1997, when we selected it to provide subsidized service at Sault Ste. Marie and Alpena, Michigan. The Department has routinely monitored the carrier's continuing fitness, and based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to establish and maintain quality service at Lamar, Goodland, and Kearney, 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 its regulations, and knows of no reason why we should not find that Great Lakes remains fit.

Request for Proposals

We will resolicit proposals from carriers interested in providing replacement service at Hastings. For the short term, through at least the end of fiscal year 1997 (September 30, 1997), we are prepared to consider proposals that would provide the community with service to any suitable hub consisting of at least two nonstop or one-stop round trips a day, five days a week, with twin-engine, two-pilot aircraft. For fiscal year 1998 onward, we request proposal options that would provide the community with service to any suitable hub consisting of at least three round trips a day, nonstop or one-stop, six days a week, with twin-engine, two-pilot aircraft. (Selection of such a proposal would be contingent upon the Department's receiving the funding provided for by the Rural Air Service Survival Act for fiscal year 1998 onward.) During the year ended June 30, 1996, the most recent full annual period for which data are available, Hastings averaged 2.2 passenger enplanements a day. (See Appendix D for historical traffic data.)

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 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.[2] 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.

Community and State Comments

The community of Hastings and State of Nebraska are welcome to submit comments on the proposals at any time.[3] 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. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Lamar, Colorado, as described in Appendix B to this order, for the two-year period beginning on the date the carrier inaugurates the level of service described in Appendix B, through June 30, 1999;

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[2] The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing 31 U.S.C. 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.

[3] Civic parties should file an original and five copies of their comments in Docket OST-96-1715. This filing should be addressed to:

Documentary Services Division, SVC-121.30
Office of the Secretary
U.S. Department of Transportation
Room PL401
400 Seventh Street, S.W.
Washington, D.C. 20590

[4] 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.

2. The Department selects Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Goodland, Kansas, and Kearney, Nebraska, as described in Appendix B to this order, for the two-year period beginning on the date the carrier inaugurates the level of service described in Appendix B, through June 30, 1999;

3. The Department sets a final rate of compensation for Great Lakes Aviation, d/b/a United Express, for the provision of essential air service at Lamar, Colorado, for the period set forth in ordering paragraph (1), above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rates set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed during the week [5] by $582.39; [6]

4. The Department sets a final rate of compensation for Great Lakes Aviation, d/b/a United Express, for the provision of essential air service at Goodland, Kansas, and Kearney, Nebraska, for the period set forth in ordering paragraph (1), above, to be payable as follows: For each calendar week in which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling rates set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible departures performed during the week [7] by the following
rates: [8]

Goodland:	$427.58
Kearney:	$427.58

5. The Department directs Great Lakes Aviation, Ltd., to retain all books to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination thereof 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;

6. We find that Great Lakes Aviation, Ltd., continues to be fit, willing, and able to operate as an air carrier and capable of providing essential air service at Lamar, Colorado; Goodland, Kansas; and Kearney, Nebraska;

7. We request that carriers interested in providing essential air service at Hastings, Nebraska, submit their proposals, with subsidy requests if necessary, within 20 days after the date of

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[5] Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point.
[6] See Appendix B for calculations.
[7] Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point. In the case of Lamar and Goodland, subsidy-eligible departures are to be calculated separately for each point, even though the carrier proposes to serve both points on the same linear routing to Denver.
[8] See Appendix B for calculations.

service of this order. Proposals should include all the data required by section 204.4 of the Department's Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to the EAS and 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 Hastings, Nebraska, Docket OST-96-1715";[9]

8. Dockets OST-95-934 and OST-96-1715 shall remain open until further order of the Department; and

[9] 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.

9. We will serve a copy of this order on the Mayors and Airport Managers of Lamar, Colorado; Goodland, Kansas; and Hastings and Kearney, Nebraska; the Governors of Colorado, Kansas, and Nebraska; the Directors of the Colorado Division of Aeronautics, the Kansas Aviation Division, and the Nebraska Department of Aeronautics; Alpine Aviation, Inc.; Downeast Flying Service; Great Lakes Aviation, Ltd.; and the air carriers listed in Appendix E.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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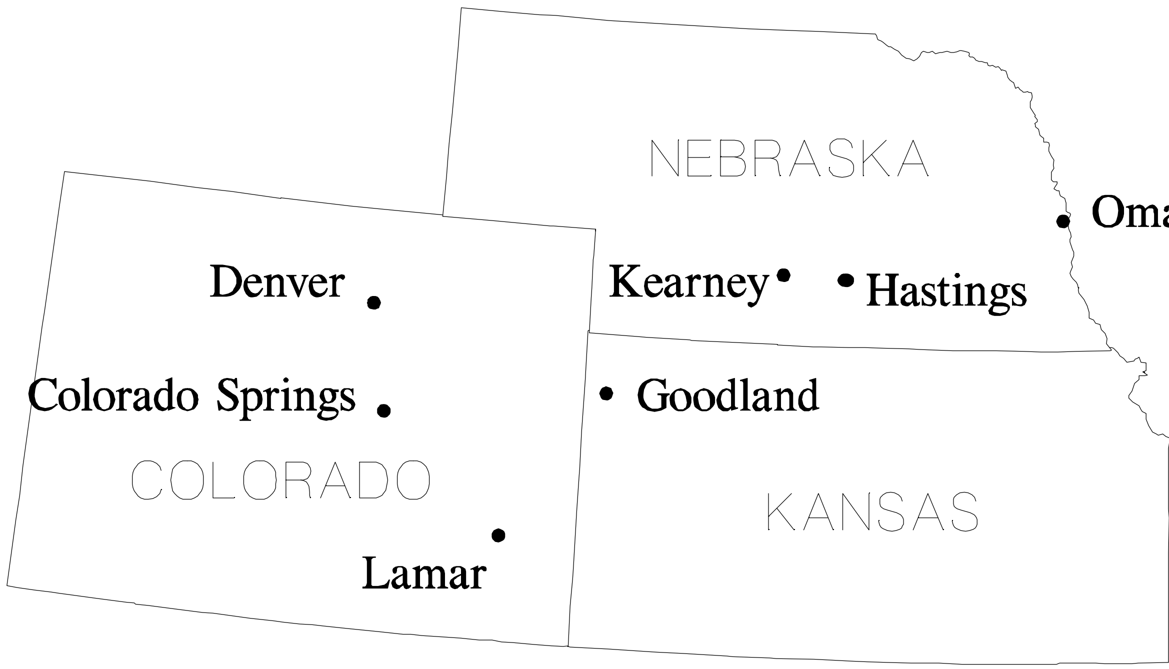
NEBRASKA
Omaha
Denver
Kearney
Hastings
Colorado Springs
Goodland
COLORADO
KANSAS
Lamar

Great Lakes Aviation, Ltd., d/b/a United Express
Basic Essential Air Service To Be Provided at Lamar, Colorado; Goodland, Kansas; and Kearney, Nebraska

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 this 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 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 requirement 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.

Great Lakes Aviation, Ltd., d/b/a United Express
Basic Essential Air Service To Be Provided at Lamar, Colorado

Effective period: Date carrier inaugurates service through June 30, 1999.

Service: Ten round trips per week to Denver.

Intermediate stops and upline service: Nonstop to Denver.
No upline limitations.

Aircraft type: Beech 1900 (19 passenger seats).

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

Annual compensation: $595,788

Subsidy rate for each point for each arrival from or departure to Denver: $582.39 [1]

Weekly compensation ceiling for each point: $11,647.80 [3]
[2]

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[1] Annual compensation of $595,788, divided by the number of departures estimated to be performed annually (1,023 departures, calculated by multiplying four departures per service day by 261 annual weekdays and multiplying further by 98 percent completion).
[2] Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.
[3] The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (20).

Great Lakes Aviation, Ltd., d/b/a United Express
Basic Essential Air Service To Be Provided at Goodland, Kansas, and Kearney, Nebraska

Effective period: Date carrier inaugurates service through June 30, 1999.

Service: Ten round trips per week to Denver.

Intermediate stops and upline service: Goodland: Nonstop to Denver.
No upline limitations.

Kearney: One-stop (at Goodland) or
nonstop to Denver.
No upline limitation.

Aircraft type: Beech 1900 (19 passenger seats).

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

Annual compensation: $874,824 for both points combined.

Subsidy rate for each point for each arrival from or departure to Denver: $427.58 [4]

Weekly compensation ceiling for each point: $8,551.60 [6]
[5]

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4 Annual compensation of $874,824, divided by two (to summarily allocate an amount to each point), divided further by the number of departures estimated to be performed annually for each point (1,023 departures, calculated by multiplying four departures per service day by 261 annual weekdays and multiplying further by 98 percent completion).

5 Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

6 The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (20).

Great Lakes Aviation, Ltd.
Proposal To Provide Essential Air Service with Beech 1900 aircraft at Lamar, Colorado, to Denver
Calculation of Compensation Requirement

Estimated annual block hours		940	Mileages:	
Estimated annual departures:			LAA-DEN	163
Denver	512			
Lamar	512			
Total estimated annual departures		1,024		
Estimated annual available seat-miles		3,171,328		

Operating revenue:

Passenger revenue Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger-miles
LAA-DEN	2,700	$85.00	$229,500	163	440,100
Other revenue	0.01	$229,500	2,295		
Total operating revenue			$231,795		

Operating expense:

Direct operating expense:			
Flying operations	$93.80	940	$88,172
Fuel & oil	$124.17	940	116,720
Maintenance	$122.70	940	115,338
Hull insurance	$8.87	940	8,338
Aircraft rentals	$174.06	940	163,616
Total direct operating expense			$492,184
Indirect operating expense:			
Marketing expense			$4,158
Other traffic-related expense			40,254
Departure-related			200,723
General & administrative			50,855
Total indirect operating expense			$295,990
Total operating expense			$788,174
Operating loss			$556,379
Profit element	$788,174	0.05	39,409
Compensation requirement			$595,788
Average load factor			0.14
Subsidy per passenger			$220.66

Great Lakes Aviation, Ltd.
Proposal To Provide Essential Air Service with Beech 1900 aircraft at Kearney, Nebraska, and Goodland, Kansas, to Denver
Calculation of compensation requirement

				Mileages	
Estimated annual block hours			1,878		
Estimated annual departures:				EAR-GLD	171
	Kearney	512		GLD-DEN	162
	Goodland	1,024		EAR-DEN	305
	Denver	512			
Total estimated annual departures			2,048		
Estimated annual available seat-miles			9,728,000		

Operating revenue:

Passenger revenue:

Market	Estimated passengers	Average fare	Passenger revenue	Trip distance	Revenue passenger-miles
EAR-DEN	4,500	$115.00	517,500	333	1,498,500
GLD-DEN	2,000	$98.00	196,000	162	324,000
	6,500		$713,500		1,822,500
Other revenue	0.01	$713,500	7,135		
Total operating revenue			$720,635		

Operating expense:			
Direct operating expense:			
Flying operations	$93.80	1,878	$176,156
Fuel & oil	$124.17	1,878	233,191
Maintenance	$122.70	1,878	230,431
Hull insurance	$8.87	1,878	16,658
Aircraft rentals	$174.06	1,878	326,885
Total direct operating expense			$983,321
Indirect operating expense:			
Marketing expense			$10,010
Other traffic-related expense			111,055
Departure-related			306,748
General & administrative			108,351
Total indirect operating expense			$536,164
Total operating expense			$1,519,485
Operating loss			$798,850
Profit element	$1,519,485	0.05	75,974
Compensation requirement			$874,824
Average load factor			0.19
Subsidy per passenger			$134.59

Historical Origin-Destination Passenger Traffic (both directions) at Hastings, Nebraska [1]

	HSI-DEN	HSI-OMA	HSI-MCI	HSI-other	HSI Total
CY 1987	778	1,094	0	32	1,904
CY 1988	621	1,117	0	97	1,835
CY 1989	696	1,138	0	70	1,904
CY 1990	1,022	1,960	0	27	3,009
CY 1991	880	1,137	125	96	2,238
CY 1992	4	4	1,852	48	1,908
CY 1993	1	0	1,757	44	1,802
CY 1994	11	0	1,710	18	1,739
CY 1995	0	0	1,689	162	1,851
4 quarters ended 6/30/96 [2]	0	15	1,329	29	1,373

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1 Source: D.O.T., R.S.P.A./B.T.S., Form 298-C, Schedule T-1 origin-destination passenger data reported by GP Express Airlines.

2 As indicated in the body of this order, GP Express ceased flying operations on August 30, 1996. Because the Form 298-C data are reported quarterly, the four quarters ended June 30, 1996, are the most recent full annual period for which Hastings passenger data exist.

Historical Average Daily Enplanements at Hastings, Nebraska [3]

	HSI-DEN	HSI-OMA	HSI-MCI	HSI-other	HSI Total
CY 1987	1.2	1.7	0.0	0.1	3.0
CY 1988	1.0	1.8	0.0	0.2	2.9
CY 1989	1.1	1.8	0.0	0.1	3.0
CY 1990	1.6	3.1	0.0	0.0	4.8
CY 1991	1.4	1.8	0.2	0.2	3.6
CY 1992	0.0	0.0	2.9	0.1	3.0
CY 1993	0.0	0.0	2.8	0.1	2.9
CY 1994	0.0	0.0	2.7	0.0	2.8
CY 1995	0.0	0.0	2.7	0.3	3.0
4 quarters ended 6/30/96	0.0	0.0	2.1	0.0	2.2

3 Origin-destination passengers (both directions) from page one of this Appendix, divided by two to yield average annual enplanements, divided further by 313 or 314 service days, as appropriate, to yield average daily enplanements.

Air Carrier Service List for the State of Nebraska

Air Casino, Inc.
Air Midwest, Inc.
Air Wisconsin, Inc.
Amerijet International, Inc.
Big Sky Transportation Co.
Delta Connection
Dwyer Aircraft Sales, Inc.
Falcon Aviation, Inc.
GP Express Airlines, Inc.
Great Lakes Aviation, Ltd.
Mesa Airlines, Inc.
Mesaba Aviation, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Multi Aero, Inc.
Northwest Airlink
Redwing Airways, Inc.
Renown Aviation, Inc.
Rocky Mountain Airways, Inc.
Thunderbird Aviation, Inc.
Trans States Airlines, Inc.

Louis Andrews
Ken Bannon
E.B. Freeman
A. Edward Jenner
Bob Karns
John McFarlane
Bill Oakes
Kevin Thomas
Robert Wigmore