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Order 97-7-29
Served: August 4,

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

Issued by the Department of Transportation
on the 29th day of July, 1997

Essential air service at

CAPE GIRARDEAU, MISSOURI

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

**Dockets OST-96-1559
(48733)**

Essential air service at

FT. LEONARD WOOD, MISSOURI

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

**Dockets OST-96-1167
(45399)**

**ORDER REVISING SERVICE LEVELS
AND SUBSIDY LEVELS**

Summary

By this order, the Department is revising the service levels and subsidy rates for Trans States Airlines, Inc., d/b/a Trans World Express (Trans States), for its provision of essential air service (EAS) between Cape Girardeau and Fort Leonard Wood, Missouri, on the one hand, and St. Louis, Missouri, on the other, beginning October 1, 1997, or when the new service level is implemented, whichever is later, through the remainder of the carrier's present rate term, which ends on April 30, 1998.¹

Background

By Orders 96-8-31 and 96-10-18, the Department last selected Trans States to provide subsidized essential air service at Cape Girardeau and Fort Leonard Wood, respectively, for the two-year period ending April 30, 1998. Specifically, Trans States was selected

¹ See Appendix A for a map.

to provide ten nonstop round trips each week between Cape Girardeau and St. Louis at an annual subsidy rate of \$108,120, and ten nonstop round trips each week between Fort Leonard Wood and St. Louis at an annual subsidy rate of \$164,667. Service was to be provided with 19-seat Jetstream 32 aircraft.

The ten-round-trip-a-week service levels at each community reflected program-wide cutbacks implemented in November 1995 as a result of Congressional reductions in fiscal year 1996 funding for the essential air service program.² Previously, the Department subsidized 18 round trips each week (three each weekday and weekend) for Cape Girardeau, and 17 round trips each week (three each weekday and two on weekends) for Fort Leonard Wood.

Beginning in fiscal year 1998 (effective October 1, 1997), Congress has provided an annual funding level of \$50 million for the EAS program. These funds are provided for by the Rural Air Service Survival Act which was part of the Federal Aviation Administration reauthorization legislation enacted in 1996. The Department intends to use these funds to restore compliance with the statutory essential air service requirements established in the Airport and Airway Safety and Capacity Expansion Act of 1987. Consequently, we requested that Trans States submit proposals that contemplate increased service levels for Cape Girardeau and Fort Leonard Wood for the remaining seven-month period of its current rate term, from October 1, 1997, through April 30, 1998.

In response to our request, Trans States proposed to restore the pre-cut service patterns for both communities. Specifically, it would provide Cape Girardeau 19 round trips a week (three each weekday and four on weekends) to St. Louis at an annualized subsidy rate of \$295,466. For Fort Leonard Wood, it would provide 18 round trips a week (three each weekday and weekend) to St. Louis at a subsidy rate of \$346,883 annually. All service would be provided nonstop and with 19-seat Jetstream 32 aircraft.

Decision

Based on our review of Trans States' proposals and recent financial and service history, we have decided to revise Trans States' subsidy rates to provide increased service at the two communities as the carrier proposed.

When the Department implemented the program-wide subsidy cuts in November 1995, service at most subsidized communities was reduced below statutory minimums and well below viable levels. With the full FY 1998 funding, the Department now expects to restore viable service at all of the subsidized communities

² See Orders 95-11-28, November 17, 1995, and 96-2-1, February 2, 1996.

to levels that are commensurate with statutory and program guidelines.³ The service levels we are selecting here essentially restore those in effect at Fort Leonard Wood and Cape Girardeau before the Department made its program-wide reductions in November 1995.⁴

The subsidy rates we are authorizing here appear reasonable for the service at issue, and Trans States' performance continues to be satisfactory. We expect Trans States, community officials, and major businesses to work energetically together to promote the service improvements. In that regard, we have earmarked specific dollar amounts for local advertising in the carrier's subsidy rates and fully expect the carrier to use those amounts as proposed. During our next rate-renewal review in early 1998, we will review the communities' continuing needs in light of traffic response to the service levels we are authorizing here. The subsidy rates will be effective for the period October 1, 1997, or when Trans States institutes the increased service level, whichever is later, through the remainder of the carrier's rate term, April 30, 1998.⁵

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

ACCORDINGLY,

1. We revise the service provided by Trans States Airlines, Inc., d/b/a Trans World Express, at Cape Girardeau and Fort Leonard Wood, Missouri, as described in Appendix C, for the period beginning October 1, 1997, or when Trans States implements the new service, whichever is later, through April 30, 1998;
2. We set the final rates of compensation for Trans States Airlines, Inc., d/b/a Trans World Express, for the provision of essential air service at Cape Girardeau, and Fort Leonard Wood, Missouri, as described in Appendix C, for the period from October 1, 1997, or when Trans States implements the new service, whichever is later, through April 30, 1998, 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 set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:^{6 7}

³ 49 U.S.C. 41732(b)(1)(A) specifies that eligible EAS communities are to receive at least two round trips a day, six days a week; and the Department's program guidelines (14 CFR 398.5) contemplate that service will be commensurate with a community's historical traffic and its traffic-generating potential.

⁴ Each community's weekend service will be increased by one round trip compared to its pre-cut service pattern.

⁵ Appendix B contains details of Trans States' compensation requirements for these rates.

⁶ See Appendix C for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revisions of these rates may be required.

⁷ Assuming sufficient increased funding; if funding is not available, Trans States' subsidy rates and service levels established in Orders 96-8-31, for Cape Girardeau, and 96-10-18, for Fort Leonard Wood would remain in effect until the expiration of the two-year rate term, April 30, 1998.

Cape Girardeau	\$152.93
Fort Leonard Wood	\$189.45

3. If sufficient funding is not available on October 1, 1997, to compensate Trans States Airlines, Inc., d/b/a Trans World Express, in accordance with ordering paragraph 2 above, Trans States will continue to provide the service described in Order 96-8-31 for Cape Girardeau and in Order 96-10-18 for Fort Leonard Wood at the subsidy rates described in those orders for the remainder of the present rate period or until such time as increased funding does become available;

4. We direct Trans States 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;

5. These dockets will remain open until further order of the Department; and

6. We will serve copies of this order on the Mayors and airport managers of Cape Girardeau, and Fort Leonard Wood, Missouri; the Missouri Department of Transportation; the Governor of Missouri; and Trans States Airlines.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

TRANS STATES AIRLINES
SUBSIDY CALCULATION FOR CAPE GIRARDEAU, MISSOURI
19 NONSTOP ROUND TRIPS WEEKLY WITH JETSTREAM 32's

				<u>Annual Total</u>
Block Hours at 97.5%				1,352 <u>1/</u>
Departures at 97.5%				1,932 <u>2/</u>
Operating Revenue	Passengers	Fare		
Passenger Revenue	12,368	\$62.00		\$766,816
Freight Revenue				\$7,668
Total Operating Revenue				<u>\$774,484</u>
Operating Expenses				
Direct Expenses				
Flying Operations	\$148.26 per BH			\$200,448
Fuel and Oil	\$101.92 per BH			\$137,796
Maintenance	\$134.36 per BH			\$181,655
Aircraft Rentals	\$46.71 per BH			\$63,152
Hull Insurance	\$6.33 per BH			\$8,558
Total Direct Expenses	<u>\$437.58 per BH</u>			<u>\$591,609</u>
Indirect Expenses				
Station Costs				
Cape Girardeau	actual costs			\$108,764
St. Louis	966	departures x	\$60.23	\$58,182
Landing Fees				
Cape Girardeau	966	landings x	\$7.49	\$7,235
St. Louis	966	landings x	\$19.67	\$19,001
Advertising				\$15,000
Commission	10.86%	x psgr. rev.		\$83,276
Reserv. and Ticketing	\$5.68	per psgr.		\$70,250
Psgr. Liability	\$4.44	per 1,000 RPM's	1,410	\$6,260
G&A	\$0.0142	x ASM's	4,184,712	\$59,423
Total Indirect Expenses				<u>\$427,391</u>
Total Operating Costs				\$1,019,000
Return (at 5 percent of total costs)				\$50,950
Total Economic Costs				<u>\$1,069,950</u>
Compensation Need				\$295,466

1/ Based on 1,932 flts. at 42 min per flt.

2/ Six flts./day x 313 days a year = 1,878 flts. x 97.5% = 1,831 flts.
 Plus 2 flts./day x 52 days a year = 104 flts. x 97.5% = 101 flts.
 Total flights = 1,932

TRANS STATES AIRLINES
SUBSIDY CALCULATION FOR FORT LEONARD WOOD, MISSOURI
18 NONSTOP ROUND TRIPS WEEKLY WITH JETSTREAM 32's

				<u>Annual Total</u>
Block Hours at 97.5%				1,343 <u>1/</u>
Departures at 97.5%				1,831 <u>2/</u>
Operating Revenue	Passengers	Fare		
Passenger Revenue	10,472	\$65.00		\$680,680
Freight Revenue				\$6,807
Total Operating Revenue				<u>\$687,487</u>
Operating Expenses				
Direct Expenses				
Flying Operations		\$148.26 per BH		\$199,113
Fuel and Oil		\$101.92 per BH		\$136,879
Maintenance		\$134.36 per BH		\$180,445
Aircraft Rentals		\$46.71 per BH		\$62,732
Hull Insurance		\$6.33 per BH		\$8,501
Total Direct Expenses		<u>\$437.58</u>		<u>\$587,670</u>
Indirect Expenses				
Station Costs				
Fort Leonard Wood	actual costs			\$114,534
St. Louis	916	departures x	\$60.23	\$55,171
Landing Fees				
St. Louis	916	landings x	\$19.67	\$18,018
Advertising				\$12,000
Commission	10.86%	x psgr. rev.		\$73,922
Reserv. and Ticketing	\$5.68	per psgr.		\$59,481
Psgr. Liability	\$4.44	per 1,000 RPM's	1,246	\$5,532
G&A	\$0.0142	x ASM's	4,139,891	\$58,786
Total Indirect Expenses				<u>\$397,444</u>
Total Operating Costs				\$985,114
Return (at 5 percent of total costs)				\$49,256
Total Economic Costs				<u>\$1,034,370</u>
Compensation Need				\$346,883

1/ Based on 1,831 flts. at 44 minutes per flt.

2/ Six flts./day x 313 days a year = 1,878 flts. x 97.5% = 1,831 flts.

**TRANS STATES AIRLINES
ESSENTIAL AIR SERVICE AT CAPE GIRARDEAU AND
FORT LEONARD WOOD, MISSOURI**

EFFECTIVE PERIOD: October 1, 1997, (or when Trans States implements the increased service levels, whichever is later), through April 30, 1998 1/

SERVICE:

Cape Girardeau: 19 nonstop round trips each week to St. Louis (114 nonstop miles)

Fort Leonard Wood: 18 nonstop round trips each week to St. Louis. Worth (119 nonstop miles)

AIRCRAFT TYPE Jetstream 32, 19 passenger seats

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

**SUBSIDY RATE PER
ARRIVAL/DEPARTURE**

Cape Girardeau: \$152.93 2/

Fort Leonard Wood: \$189.45 3/

**COMPENSATION CEILING
EACH WEEK**

Cape Girardeau: \$5,811.34 4/

Fort Leonard Wood: \$6,820.20 5/

FOOTNOTES APPEAR ON THE FOLLOWING PAGE

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.

FOOTNOTES

1/ Assuming sufficient increased funding; if funding is not available, Trans States' subsidy rates and service levels established in Orders 96-8-31, for Cape Girardeau, and 96-10-18, for Fort Leonard Wood would remain in effect until the expiration of the two-year rate term, April 30, 1998.

2/ Annual compensation of \$295,466 divided by the estimated annual completed departures and arrivals at a 97.5 percent completion factor: $6 \times 313 \times .975 = 1,831 + 2 \times 52 \times .975 = 101$.
Total = 1,932.

3/ Annual compensation of \$346,883 divided by the estimated annual completed departures and arrivals at a 97.5 percent completion factor: $6 \times 313 \times .975 = 1,831$.

4/ Subsidy rate per arrival/departure of \$152.93 multiplied by 38 subsidy-eligible arrivals and departures each week.

5/ Subsidy rate per arrival/departure of \$189.45 multiplied by 36 subsidy-eligible arrivals and departures each week.