



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

Issued by the Department of Transportation
on the 24th day of May, 1999

Served: May 26, 1999

Essential air service at

**IRON MOUNTAIN/KINGSFORD,
MICHIGAN
WILLISTON, NORTH DAKOTA
NORTH PLATTE, NEBRASKA**

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

Dockets OST-99-5175

OST-99-5173

OST-99-5177

**ORDER PROHIBITING SUSPENSION OF SERVICE
AND REQUESTING PROPOSALS FOR REPLACEMENT SERVICE**

Summary

By this order we are prohibiting Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes), from suspending service at Iron Mountain/Kingsford, Michigan (Iron Mountain), Williston, North Dakota, and North Platte, Nebraska, at the end of its 90-day notice period, and requiring it to maintain service through June 29, 1999. We are also requesting proposals from interested carriers to provide replacement service at these three communities.

Background

Great Lakes is the only carrier providing scheduled air service at all three cities, providing three round trips a day between Iron Mountain and Chicago-O'Hare International Airport with 30-seat Brasilia aircraft, and between Williston and Denver, and North Platte and Denver, with 19-seat Beech 1900 aircraft. On March 2, 1999, Great Lakes filed 90-day notices of intent to suspend its subsidy-free essential air service at all three communities, effective May 31, 1999. Great Lakes states that its revenues on all three routes are currently insufficient to cover its costs of operating the service. In addition, it states that low-fare competition at Omaha and Lincoln, Nebraska, has had an impact on North Platte traffic.

We received an objection to the proposed suspension of Great Lakes' Iron Mountain/Kingsford service from the Bureau of Aeronautics, Michigan Department of Transportation. The Michigan Bureau of Aeronautics discusses the importance of maintaining scheduled air service at Iron Mountain and requests that the Department require Great Lakes to continue its service under the

hold-in provisions of the Airline Deregulation Act, 49 U.S.C. 41734.¹ It notes that in a recent meeting with the community, Great Lakes reaffirmed its commitment to improve the quality and reliability of its air service, and the carrier's decision to overnight an aircraft at Iron Mountain reflects that commitment. The Michigan Bureau of Aeronautics has been actively working to assess the community's air travel needs and has also undertaken initiatives to increase utilization and reliability of air service. It is in partnership with the local community to fund construction of a hangar that could be used for the aircraft now remaining overnight at Iron Mountain, and anticipates that this effort will lead to increased ridership and, in turn, better profitability for Great Lakes.

We also received a letter from the City of Williston expressing the community and state's interest in participating in the carrier selection for Williston.

Decision

Since Great Lakes is the only carrier providing scheduled air service at the three communities, its proposed termination of service would eliminate all air service to the communities. Thus, in accordance with 49 U.S.C. 41734, we will prohibit Great Lakes from suspending service at all three communities for an initial 30-day period beyond the end of the 90-day notice period, through June 29, 1999, or until we secure replacement service at the communities, whichever comes first.²

Solicitation for Service Proposals

We request carriers that are interested in providing replacement essential air service at any or all of these communities referenced above to submit proposals, including subsidy projections if necessary, within 30 days of the date of service of this order.

Interested carriers may submit proposals for any individual point(s) that offer quality service at reasonable subsidy costs. For Iron Mountain, we request proposals that would provide for three nonstop or one-stop round trips a day, to Chicago or any suitable hub, including Milwaukee, with 15-seat or larger aircraft operated.³ For Williston, we request proposals for three nonstop or one-stop round trips a day to Denver or any suitable hub, with 15-seat or larger aircraft operated. For North Platte, we request proposals for with three nonstop or one-stop round trips a day, to Denver, Omaha, or any suitable hub, with 15-seat or larger aircraft operated. In order to assist applicants in the development of reasonable traffic and revenue projections, Appendix B shows historical traffic data for the three communities.

Procedures for Filing Replacement Proposals

¹ In addition, the Airport Manager at Dickinson expressed support for continuation of Great Lakes' service at Williston as Great Lakes provides that service over a Williston-Dickinson-Denver routing.

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

³ The Department will make Chicago-O'Hare slots available to the applicant carrier selected to provide EAS at Iron Mountain if needed. Under 49 U.S.C. 41734, if a carrier other than Great Lakes is selected to provide EAS at Iron Mountain, the Department may withdraw Great Lakes' Chicago O'Hare slots for Iron Mountain and transfer them to the selected carrier if it needs the authority to provide the service.

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 the process for handling replacement cases under 49 U.S.C. 41731, *et seq.*, 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 section 204.4 of our regulations (which describes the fitness information required of all applicants for authority to provide essential air service), 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. 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.⁴ 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

If we receive competing proposals, the communities and States 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. After conducting rate conferences with all applicants, we will

⁴ 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.

provide a summary of the conference results to the civic parties and ask them to file their final comments.⁵

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

ACCORDINGLY,

1. We prohibit Great Lakes Aviation, Ltd., d/b/a United Express, from suspending scheduled air service at Iron Mountain, Michigan, Williston, North Dakota, and North Platte, Nebraska, and require it to maintain service at the communities, as set forth in Appendix C, through June 29, 1999, or until a carrier capable of providing reliable essential air service begins service, whichever occurs first;⁶
2. We direct Great Lakes Aviation, Ltd., d/b/a United Express, to retain all books, records, and other 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 Iron Mountain, Michigan; North Platte, Nebraska; and Williston, North Dakota, 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 Aviation Economic 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 Iron Mountain, Michigan, North Platte, Nebraska, and Williston, North Dakota, Docket OST-99-5175, OST-99-5173, and/or OST-99-5177, respectively, as appropriate";⁷
4. These dockets will remain open until further order of the Department; and

⁵ 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 as proposed.

⁶ In accordance with 49 U.S.C. 41734, we will extend Great Lakes' service requirement for successive 30-day periods as necessary until replacement service actually begins.

⁷ 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 communities, the States, and the other applicants. All applicants must then file a certificate of service with the Department's Dockets Operations and Media Management office.

5. We will serve a copy of this order on the Mayors and airport managers of Iron Mountain and Kingsford, Michigan, North Platte, Nebraska, and Dickinson and Williston, North Dakota; the Departments of Transportation of Michigan, Nebraska, and North Dakota; Great Lakes Aviation, Ltd., d/b/a United Express; and the other carriers listed in Appendices D, E, and F.

By:

A. BRADLEY MIMS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this order is available on the World Wide Web at
<http://dms.dot.gov>
The electronic version may not include all of the appendices.*

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Iron Mountain/Kingsford, Michigan

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁸	<u>Average annual enplanements</u> ⁹	<u>Average enplanements per service day</u> ¹⁰
12/31/1990	4,692	2,346	7.5
12/31/1991	4,538	2,269	7.2
12/31/1992	5,441	2,721	8.7
12/31/1993	5,626	2,813	9.0
12/31/1994	5,388	2,694	8.6
12/31/1995	5,154	2,577	8.2
12/31/1996	4,629	2,315	7.4
12/31/1997	3,361	1,681	5.4
12/31/1998	2,973	1,487	4.8

⁸ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1, data reported by Great Lakes Aviation, Ltd. (Great Lakes voluntarily suspended all scheduled operations, including Iron Mountain-Chicago service, on May 16, 1997, while the carrier worked with the Federal Aviation Administration to resolve operational deficiencies in its system. It resumed service at Iron Mountain on May 30, 1997.)

⁹ Origin-destination passengers divided by two.

¹⁰ Average annual enplanements divided by 313 effective annual service days, except for the four-quarter periods ended 12/31/1992 and 12/31/1996 (314 effective annual service days to reflect leap years).

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at North Platte, Nebraska

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹¹	<u>Average annual enplanements</u> ¹²	<u>Average enplanements per service day</u> ¹³
12/31/1990	26,827	13,414	42.9
12/31/1991	29,464	14,732	47.1
12/31/1992	30,240	15,120	48.2
12/31/1993	31,894	15,947	50.9
12/31/1994	24,242	12,121	38.7
12/31/1995	20,174	10,087	32.2
12/31/1996	17,087	8,544	27.2
12/31/1997	20,647	10,324	33.0
12/31/1998	15,024	7,512	24.0

¹¹ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1, data reported by Rocky Mountain Airways (CY1990--CY1992), GP Express Airlines (CY1990 through CY1995), Continental Express (CY1992—CY1994), Mesa Airlines (third quarter 1992 through second quarter 1995 and third quarter 1997 through second quarter 1998), and Great Lakes Aviation (second quarter 1998, onward), as well as D.O.T., B.T.S., Report T-100A, On-Flight Market O&D, reported by Mesa Airlines for July 1995 through June 1997.

¹² Origin-destination passengers divided by two.

¹³ Average annual enplanements divided by 313 effective annual service days, except for the four-quarter periods ended 12/31/1992 and 12/31/1996 (314 effective annual service days to reflect leap years).

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Williston, North Dakota

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹⁴	<u>Average annual enplanements</u> ¹⁵	<u>Average enplanements per service day</u> ¹⁶
12/31/1990	8,149	4,075	13.0
12/31/1991	6,371	3,186	10.2
12/31/1992	6,621	3,311	10.5
12/31/1993	9,985	4,993	16.0
12/31/1994	14,148	7,074	22.6
12/31/1995	15,185	7,593	24.3
12/31/1996	17,498	8,749	27.9
12/31/1997	12,669	6,335	20.2
12/31/1998	12,519	6,260	20.0

¹⁴ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1, data reported by Big Sky Airlines (CY 1990 through second quarter 1993) and Great Lakes Aviation, Ltd. (second quarter 1993 to date). (Great Lakes voluntarily suspended all scheduled operations, including Williston-Denver service, on May 16, 1997, while the carrier worked with the Federal Aviation Administration to resolve operational deficiencies in its system. It resumed service at Williston on July 4, 1997.)

¹⁵ Origin-destination passengers divided by two.

¹⁶ Average annual enplanements divided by 313 effective annual service days, except for the four-quarter periods ended 12/31/1992 and 12/31/1996 (314 effective annual service days to reflect leap years).

Appendix C

GREAT LAKES AVIATION, INC., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE TO BE MAINTAINED AT
IRON MOUNTAIN, MICHIGAN; WILLISTON, NORTH DAKOTA; AND
NORTH PLATTE, NEBRASKA

EFFECTIVE PERIOD	May 31, 1999, until further Department action
SERVICE	
Iron Mountain, Michigan	18 nonstop or one-stop round trips each week to Chicago
Williston, North Dakota	18 nonstop or one-stop round trips each week to Denver
North Platte, Nebraska	18 nonstop round trips each week to Denver
AIRCRAFT TYPE	Beech 1900 (19 seats)
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.