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Order 99-12-32



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

SERVEC JAN 4 1999

Issued by the Department of Transportation
on the 29th day of December, 1999

Essential Air Service at

CEDAR CITY AND VERNAL, UTAH

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

Docket OST-97-2706 - 5

ORDER SETTING FINAL RATES UNTIL FURTHER DEPARTMENT ACTION

Order 97-7-12 set final annual rates for SkyWest's provision of Essential Air Service of \$577,538 at Cedar City and \$280,854 at Vernal through December 27, 1999. Under those rates Cedar City and Vernal each receive three nonstop round trips a day to Salt Lake City with 30-seat Brasilias. Because we have received competitive inquiries for these markets from Sunrise Airlines, we recently issued orders 99-12-1 and 99-10-24 requesting proposals at these two communities.

We expect to conclude discussions with all of the applicants regarding their service and subsidy proposals in the near future, but we will not be able to finalize a carrier selection decision before SkyWest's rates expire on December 27. ¹ Accordingly, we will set final rates for SkyWest from December 28, 1999, until we can complete the carrier selection proceeding.

We have reached agreement with SkyWest for annual subsidy rates of \$661,624 at Vernal and \$679,450 at Cedar City for continuation of its historical service: three nonstop round trips a day to Salt Lake City, with 30-seat Brasilias effective December 28, 1999. We find that the proposed service and subsidy levels are reasonable and appropriate.

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

ACCORDINGLY,

¹ Part of the carrier selection process will be to summarize all of the proposals in a letter to the civic officials of each community and request their comments.

1. The Department sets the final rate of compensation for SkyWest Airways, Inc., for the provision of essential air service at Cedar City, Utah, 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 ceiling and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month at the community by \$370.27;²
2. The Department sets the final rate of compensation for SkyWest Airways, Inc., for the provision of essential air service at Vernal, Utah, 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 ceiling and shall be determined by multiplying the subsidy-eligible departures from and arrivals at the hub completed during the month at the community by \$372.12;³
3. We direct SkyWest Air, 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; and
4. The Department will serve copies of this order on the Governor of Utah, the Mayors and Airport Managers of Vernal and Cedar City, Utah, and SkyWest Airlines, Inc.

By:

A. Bradley Mims
Deputy Assistant Secretary for Aviation
and International Affairs, X-3

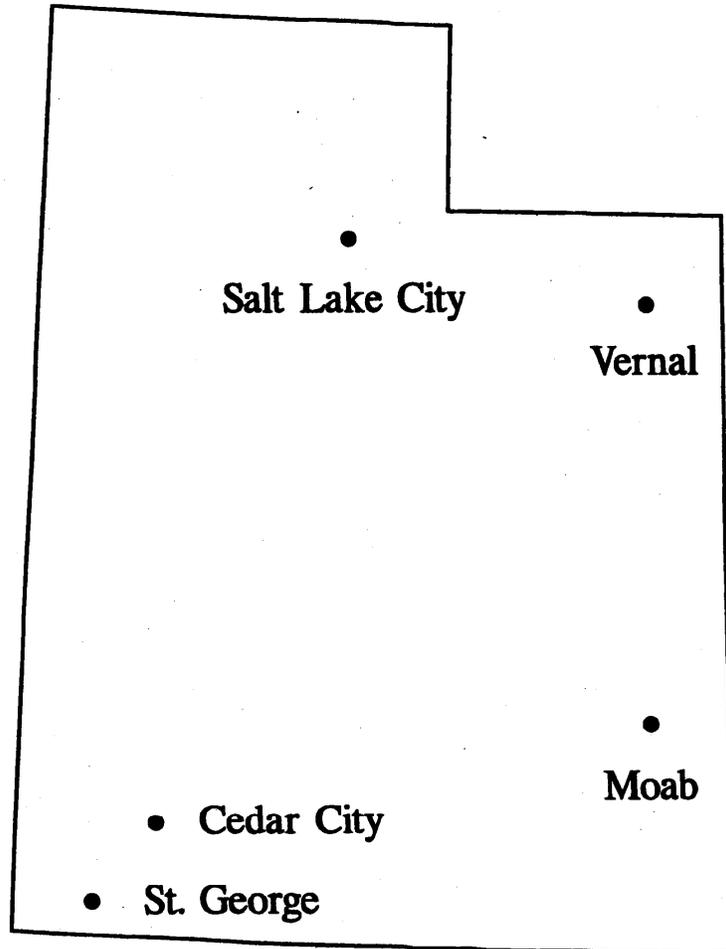
(SEAL)

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

² See Appendix C-1 for calculation.

³ See Appendix C-2 for calculation.

Appendix A



Mileages

CDC-SLC	221
VEL-SLC	131
CNY-SLC	183
SGU-SLC	269

Essential Air Service to be Provided at Cedar City, Utah
Docket 97-2706

	3 R.T./Day <u>Salt Lake City</u>
Passengers	15,558
Avg. Fare	\$75.83
Pax. Revenue	\$1,179,763
Frnt.Rev. @ .6%	<u>\$7,079</u>
Total Revenue	\$1,186,842
Stage Length	221
Blk. Time	61
Blk. Hours @ 98%	1,865
RPMs	3,438,318
Deps. @ 98%	1,835
Fuel @ \$101.94	\$190,118
<u>Non-Fuel @ \$492.27</u>	<u>\$918,084</u>
Total Directs @ \$594.21 1/	\$1,108,202
Flt. Att. @ \$24.51	\$45,711
Commissions @ 3.97% 2/	\$46,837
TR/Pax. @ \$3.00/Pax. 2/	\$46,674
Wtd. Dep. @ \$172.49 3/	\$316,519
<u>Capacity @ 13.65% of Above Costs</u>	<u>\$213,478</u>
Total Indirects	\$669,219
Total Operating	\$1,777,421
<u>Profit @ 5%</u>	<u>\$88,871</u>
Total Economic	\$1,866,292
Annual Subsidy	\$679,450

1/ Fuel expense is estimated for the quarter ended September 30, 1999. All other expenses are based on Schedule F-2, YE 6/30/99.

2/ Half of traffic related expenses allocated by passengers and half by revenue.

3/ Brasilia's weighted at 25,900 lbs. landing weight, CRJ's weighted at 51,000 lbs.

Essential Air Service to be Provided at Vernal, Utah
Docket 97-2706

	3 R.T./Day <u>Salt Lake City</u>
Passengers	7,536
Avg. Fare	\$96.40
Pax. Revenue	\$726,470
Frnt.Rev. @ .6%	<u>\$4,359</u>
Total Revenue	\$730,829
Stage Length	131
Blk. Time	47
Blk. Hours @ 95%	1,393
RPMs	987,216
Deps. @ 95%	1,778
ASMs @ 95%	6,989,112
Flight Crew @ \$132.47/hr.	\$184,531
Fuel & Oil @ \$88.44/hr.	\$123,197
Other @ \$39.70/hr.	\$55,302
Maintenance @ \$167.19/hr.	\$232,896
Depreciation/Rent @ \$152.91/hr.	<u>\$213,004</u>
Total Directs 1/	\$808,930
Flt. Att. @ \$24.51/hr.	\$34,142
TR @ \$.03/RPM	\$29,616
Wtd. Dep. @ \$172.49/Brasilia dep. 3/	\$306,687
Capacity @ .021/ASM	<u>\$146,771</u>
Total Indirects	\$517,216
Total Operating	\$1,326,146
Profit @ 5%	<u>\$66,307</u>
Total Economic	\$1,392,453
Annual Subsidy	\$661,624

1/ All unit costs are based on Schedule F-2, YE 6/30/99.

2/ Half of traffic related expenses allocated by passengers and half by revenue.

3/ Brasilia's weighted at 25,900 lbs. landing weight, CRJ's weighted at 51,000 lbs.

**SKYWEST AIR, INC.
ESSENTIAL AIR SERVICE AT
CEDAR CITY, UTAH**

EFFECTIVE PERIOD: December 28, 1999, until further Department action
SCHEDULED PASSENGER SERVICE: 18 nonstop round trips each week between Cedar City and Salt Lake City.

AIRCRAFT TYPE: Brasilia, 30-seats.

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

SUBSIDY RATE PER ARRIVAL/DEPARTURE: \$370.27 ¹

COMPENSATION CEILING EACH WEEK: \$13,329.72 ²

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.

¹ Annual compensation of \$679,450 divided by the estimated annual completed departures and arrivals at a 98 percent completion factor: 36 departures/arrivals x 52 weeks x .98 = 1,835 total.

² Subsidy rate per arrival/departure of \$370.27 multiplied by 36 subsidy-eligible arrivals and departures each week.

**SKYWEST AIR, INC.
ESSENTIAL AIR SERVICE AT
VERNAL, UTAH**

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SCHEDULED PASSENGER SERVICE: 18 nonstop round trips each week between Vernal and Salt Lake City.

AIRCRAFT TYPE: Brasilia, 30-seats.

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

SUBSIDY RATE PER ARRIVAL/DEPARTURE: \$372.12 ¹

COMPENSATION CEILING EACH WEEK: \$13,396.32 ²

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.

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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.

¹ Annual compensation of \$661,624 divided by the estimated annual completed departures and arrivals at a 95 percent completion factor: 36 departures/arrivals x 52 weeks x .95 = 1,778 total.

² Subsidy rate per arrival/departure of \$372.12 multiplied by 36 subsidy-eligible arrivals and departures each week.