



Order 99-10-2

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

Issued by the Department of Transportation
on the 1st day of October, 1999

Served: October 5, 1999

Essential air service at

MT. VERNON, ILLINOIS

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

Docket OST-96-1265

ORDER TERMINATING SUBSIDY

Summary

By this order, the Department is allowing Great Lakes Aviation, Ltd., d/b/a United Express (Great Lakes), to suspend its essential air service (EAS) at Mt. Vernon, Illinois, on October 30, 1999, and terminating subsidy for the carrier's service at the community as of that date.

Background

Mt. Vernon has received subsidy support from several carriers since mid-1981. Most recently, by Order 98-7-8, July 14, 1998, the Department authorized an annual subsidy rate of \$479,699 for Great Lakes to provide EAS at Mt. Vernon consisting of two round trips a day, six days a week to Chicago O'Hare via Springfield, with 19-seat Beech 1900 aircraft. On July 6, 1999, Great Lakes filed a 90-day notice of its intention to suspend that service as of October 4, 1999.

Under current eligibility criteria, the Department is prohibited from subsidizing service at communities where subsidy amounts to more than \$200 per passenger, unless they are more than 210 highway miles from the nearest large or medium hub. (Mt. Vernon is 92 miles from St. Louis, an FAA designated large-hub airport.) For the most recent 12-month period ended June 30, 1999, Mt. Vernon generated 961 passengers resulting in a subsidy cost per passenger of \$499, far exceeding the \$200 per passenger limit.

Decision

Because the subsidy per passenger at Mt. Vernon has exceeded \$200 over the past 12-month period, we find that it is ineligible for continued subsidy support and we have decided to terminate Great Lakes' subsidy rate for service at Mt. Vernon effective October 30, 1999. In reaching this decision, we also reviewed the subsidy and service history at Mt. Vernon.

Subsidized service for Mt. Vernon began in mid-1981 and was provided nonstop to St. Louis by Air Kentucky. At that time, enplanements averaged around eight a day. After several carrier changes and a service hiatus during part of 1989 and 1990 due to a carrier cessation of service, in January 1991, Direct Air was selected to provide Mt. Vernon's subsidized service. It provided that service one stop in conjunction with two other communities, Danville and Mattoon, Illinois, to Chicago Midway Airport. Enplanements during that 10-year period dropped to five a day by 1991, averaging as low as three enplanements per day for 1987.¹ Direct Air provided Mt. Vernon's subsidized service until mid-1995, when Great Lakes began subsidy free service in the Mt. Vernon-Chicago O'Hare market. By the year ended 1995, enplanements had dropped to four per day. Great Lakes provided subsidy-free service until April of 1996, when it filed a 90-day notice to suspend that service. The Department subsequently selected Great Lakes and established a subsidy rate for its continued service between Mt. Vernon and O'Hare via the intermediate point Springfield. During 1996 and most of 1997, Mt. Vernon, along with all non-Alaska subsidized communities, experienced service difficulties as a consequence of reduced funding for the Essential Air Service program. During that time, Mt. Vernon received only ten round trips a week. In addition, Mt. Vernon suffered a complete hiatus in service from May 16 to September 8, 1997, when Great Lakes temporarily suspended its operations system wide. Traffic at Mt. Vernon has been on a steady decline since 1993 when the community generated 2,550 annual enplanements--about 8 per day. For the most current annual period ended June 30, 1999, Mt. Vernon generated 481 annual enplanements, or less than two per day, and less than one per flight. See Appendix B for Mt. Vernon's historical traffic.

Notwithstanding those service drawbacks, however, it is clear that Mt. Vernon's traffic-generating potential is very limited, and prospects for its traffic to increase to statutorily sufficient levels appear unlikely. Under Great Lakes' current annual subsidy rate of \$479,699, and the most current traffic results of 961 annual passengers, subsidy per passenger at Mt. Vernon amounts to \$499. In order for the subsidy per passenger to be less than \$200, Mt. Vernon would have to generate 2,405 passengers, a level it has not

¹ Traffic for calendar years 1989 and 1990 was not counted in our assessment since a service hiatus existed during those years.

generated since mid-1996. And of course, the current subsidy rate of \$479,699 is not fully compensable. Moreover, in addition to the statutory consideration explained above, we note that Mt. Vernon is not isolated. St. Louis, less than a two-hour drive away, receives service to many other destinations from a number of major carriers, including over 20 nonstop jet flights a day to O'Hare from Trans World, Southwest, United, and American. That service level, in addition to the availability of more attractive fares, draws away from the demand for commuter service at Mt. Vernon and substantially lessens the practical justification for subsidy support for such service.

Based on all of the above, we have tentatively decided to terminate Mt. Vernon's subsidy eligibility.

Consistent with past practice, we will give the community 20 days to object if it finds that we have made a mistake in any of our calculations. Interested carriers, including Great Lakes, may of course provide scheduled service at Mt. Vernon at their own initiative; our action here simply makes Mt. Vernon ineligible to receive subsidized air service. In order to allow for an orderly shut-down of service, we will continue to subsidize Great Lakes through October 30, 1999, and require it to continue providing Mt. Vernon's service through that date.

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

ACCORDINGLY,

1. We terminate the subsidy-eligibility of Mt. Vernon, Illinois, effective October 30, 1999;
2. We direct all interested persons to show cause within 20 days after the date of service of this order why we should not make final the tentative findings and conclusions set forth in Paragraph 1 above. Objections should be filed with the Dockets Operations and Media Management, SVC-124, Room PL 401, 400 7th Street, S.W., Washington, D.C. 20590;²
3. We will allow Great Lakes Aviation, Ltd., d/b/a/ United Express, to suspend its service at Mt. Vernon, Illinois, effective October 30, 1999, without filing advanced notice of its intent to suspend essential air service at the community;
4. This docket will remain open until further order of the Department; and

² In addition, copies of objections may be faxed to the Chief, EAS & Domestic Analysis Division, at (202) 366-7638. All objections should nonetheless be filed with the Dockets Operations and Media Management office at the above address regardless of whether copies are also faxed.

5. We will serve a copy of this order on the Mayor and airport manager of Mt. Vernon, Illinois, the Governor of Illinois, the Illinois Department of Transportation, and Great Lakes Aviation, Ltd.

By:

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

(SEAL)

*An electronic version of this document is available on the
World Wide Web at <http://dms.dot.gov>*

Appendix A



**HISTORICAL TRAFFIC
MOUNT VERNON, ILLINOIS 1/**

	<u>Total Enplanements</u>	<u>Enplanements Per Day</u> .
Year Ended 1991	1,533	4.9
Year Ended 1992	2,379	7.6
Year Ended 1993	2,550	8.1
Year Ended 1994	1,639	5.2
Year Ended 1995	1,374	4.4
<u>1996</u>		
1st. Qtr.	285	3.7
2nd Qtr.	320	4.1
3rd Qtr.	204	2.6
4th Qtr.	<u>319</u>	<u>4.0</u>
Year Ended	1,127	3.6
<u>1997</u>		
1st. Qtr.	203	2.6
2nd Qtr. <u>2/</u>	92	1.2
3rd Qtr. <u>2/</u>	17	0.2
4th Qtr.	<u>105</u>	<u>1.3</u>
Year Ended	417	1.3
<u>1998</u>		
1st. Qtr.	74	1.0
2nd Qtr.	79	1.0
3rd Qtr.	147	1.9
4th Qtr.	<u>143</u>	<u>1.8</u>
Year Ended	443	1.4
<u>1999</u>		
1st. Qtr.	81	1.1
2nd Qtr.	<u>111</u>	<u>1.4</u>
Year Ended	481	1.5

1/ SOURCE: Bureau of Transportation Statistics, Form 298-C, Schedule T-1.
Enplanements are based on 313 service days each year.

2/ Service hiatus from May 16 through September 7, 1977.