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Order 2000-2-18

Served: February 17, 2000



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

Issued by the Department of Transportation
on the 14th day of February, 2000

Essential air service at

**DODGE CITY, KANSAS
GARDEN CITY, KANSAS
GREAT BEND, KANSAS
HAYS, KANSAS
LIBERAL, KANSAS/GUYMON, OKLAHOMA
GOODLAND, KANSAS, and
LAMAR, COLORADO**

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

Docket OST-1998-3502 - 3
Docket OST-1998-3503 - 3
Docket OST-1998-3496 - 3
Docket OST-1998-3497 - 3
Docket OST-1998-3498 - 3

Docket OST-1995-934 - 22

Ninety-day notice of

**GREAT LAKES AVIATION, LTD.,
d/b/a UNITED EXPRESS**

to terminate service at Salina, Kansas, under
49 U.S.C. 41734 and 14 CFR Part 323

Docket OST-1999-6590 - 3

ORDER TO SHOW CAUSE

Summary

By this order, the Department is tentatively reselecting Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service from the first seven communities listed above to Denver for the two-year period beginning October 1, 1999, but terminating subsidy for Great Lakes' service at Goodland, Great Bend and Lamar and allowing the carrier to suspend service at those three communities on or about April 1, 2000. The annual subsidy rates initially total \$3,884,540 for service at all seven communities, and \$2,686,218 for the remaining four. The order also provides for objections or competing proposals from other interested carriers. Finally, the order dismisses the 90-day notice of intent to suspend service at Salina, Kansas, that Great Lakes filed but subsequently withdrew.

Background

By a series of orders, the Department selected Great Lakes to provide subsidized service from the first seven communities listed above to Denver through September 30, 1999, by operating 18 round trips a week from Garden City, Goodland, Lamar and Liberal/Guymon and 12 a week from Dodge City, Great Bend and Hays at subsidy rates totaling \$4,735,289 annually.¹ In addition, by Order 97-9-13, September 11, 1997, the Department selected Mesa Airlines, Inc., d/b/a US Airways Express, to provide subsidized service at four of the communities -- Dodge City, Garden City, Great Bend and Hays -- through September 30, 1999, by operating 12 round trips a week from each community to Kansas City with 19-seat Beech 1900 aircraft at subsidy rates totaling \$277,228 annually.²

Under our normal procedures when nearing the end of a subsidy rate term, we contact the incumbent carrier to determine whether it is interested in continuing service and whether it will continue to require subsidy. We usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting it for a new rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order; if any such proposals are filed, we process them as a competitive case. Consistent with this practice, we invited both Mesa and Great Lakes to submit proposals for the continuation of their services at the communities beginning October 1, 1999.

Carrier Proposal

Great Lakes submitted a proposal in response to our request. As a result of discussions with Department staff, Great Lakes has agreed to a new rate term for the two-year period from October 1, 1999, through September 30, 2001.³ Specifically, Great Lakes has agreed to subsidy rates totaling \$3,884,540 a year for its ongoing services since October 1, 1999, consisting of the following:

¹ See Orders 97-10-10, October 14, 1997; 98-3-32, March 30, 1998; and 99-9-14, September 21, 1999. Order 97-10-10 selected Great Lakes to provide subsidized service at Goodland and Lamar through June 30, 1999, and Order 99-9-14 extended that term at revised subsidy rates for three months, through September 30, 1999. Order 98-3-32 selected Great Lakes to provide subsidized service at Dodge City, Garden City, Great Bend, Hays and Liberal/Guymon through September 30, 1999. At each of the seven communities, Great Lakes replaced Mesa, which formerly operated service into Denver as United Express. Strictly speaking, Garden City is guaranteed 12 round trips a week to Denver, but as a practical matter the Department has typically authorized 18 by virtue of one of Liberal/Guymon's three round trips a day being routed via Garden City. This routing provides Garden City with an additional round trip and lowers the subsidy necessary to support the route. The Department initially authorized the routing by Order 92-10-47, October 28, 1992.

² See Appendix A for a map. Mesa's service to Kansas City is operated by its subsidiary, Air Midwest, Inc.

³ Mesa also submitted a proposal, but discussions between the carrier and Department staff have not yet been concluded. We will therefore consider Mesa's service in a later order.

- 12 Dodge City-Garden City round trips a week
- 5 Liberal/Guymon-Garden City-Denver round trips a week
- 12 Liberal/Guymon-Lamar-Denver round trips a week
- 12 Great Bend-Hays-Denver round trips a week
- 12 Goodland-Denver round trips a week

In addition, Great Lakes and Department staff have agreed on two different options for service beginning April 1, 2000, or when the carrier implements the selected service pattern, whichever is later. Under Option A, the Department would continue to subsidize Great Lakes' services at all seven communities at subsidy rates totaling \$4,891,410 a year, as follows:

- 13 Dodge City-Liberal/Guymon-Denver round trips a week
- 5 Liberal/Guymon-Garden City-Denver round trips a week
- 13 Great Bend-Garden City-Denver round trips a week
- 18 Hays-Denver round trips a week⁴
- 12 Goodland-Denver round trips a week
- 12 Lamar-Denver round trips a week

On the other hand, Option B assumes that the Department will continue to subsidize Great Lakes' services at Dodge City, Garden City, Hays and Liberal/Guymon, but terminate subsidy for the carrier's services at Goodland, Great Bend and Lamar. Department staff requested that Great Lakes submit such an option in light of the high subsidy required to maintain scheduled service at the latter three communities and their low traffic levels. Under Option B, Great Lakes would provide the following services at subsidy rates totaling \$2,686,218 a year:

- 13 Dodge City-Liberal/Guymon-Denver round trips a week
- 5 Liberal/Guymon-Garden City-Denver round trips a week
- 13 Garden City-Denver round trips a week
- 18 Hays-Denver round trips a week

Decision

After a thorough review of Great Lakes' proposal and service history as well as the communities' historical traffic results, we have decided to authorize subsidy for Great Lakes' ongoing service since October 1, 1999, as proposed, and to select Great Lakes' proposed Option B for the period

⁴ In the past, the Department has subsidized 12 round trips a week between Hays and Denver. However, Great Lakes now proposes to serve the community on a Salina-Hays-Denver routing under either Option A or Option B. Salina's service is unsubsidized, but Great Lakes expects that Salina's revenue will slightly exceed the cost of operating the Salina-Hays segment. Consequently, Great Lakes has offered to operate 18 Salina-Hays-Denver round trips a week at a subsidy of \$739,444 a year as opposed to \$778,183 a year for 12 round trips a week for the Hays-Denver segment alone, thus enabling the Department to support more service at Hays at a lower subsidy rate. On December 2, 1999, Great Lakes had filed a 90-day notice of intent to suspend its service from Salina to Denver as of March 1, 2000, but the carrier withdrew that notice on February 10, 2000. We will therefore dismiss the notice in this order.

beginning April 1, 2000, or the date on which the carrier implements the revised service patterns, whichever is later. The proposed rates appear reasonable for the services at issue and the carrier's performance continues to be satisfactory.⁵

In selecting Option B, we have also decided to terminate subsidy for Great Lakes' service at Goodland, Great Bend and Lamar, for the reasons discussed below, and to allow Great Lakes to suspend service at those three communities. Before it does so, however, we expect Great Lakes to contact all passengers who hold reservations for flights that will be suspended, to inform them of the suspension, and to assist them in arranging alternate transportation.

Goodland and Lamar

Each year, the essential air service program's budget has included various criteria regarding communities' continued eligibility for subsidy-supported air service. Among those criteria is a prohibition against our subsidizing service at communities where the subsidy amounts to more than \$200 per passenger unless they are more than 210 miles from the nearest large or medium hub.⁶

In the last two years, we have made an effort to improve traffic at both communities. For many years, we had subsidized 12 round trips a week at both. By Orders 97-10-10 and 99-9-14, however, we authorized subsidy for 18 round trips a week over a two-year period, despite the communities' historically low traffic levels, in view of two events: first, the November 1995 reductions in program funding that necessitated a cutback in the communities' subsidized service levels from 12 to 10 round trips a week; and second, a complete service hiatus from August 1996, when Mesa left the communities, until August 1997, when Great Lakes began replacement service.⁷

⁵ Appendix B contains details of Great Lakes' compensation requirements.

⁶ Goodland is 189 highway miles from Denver International Airport, a large hub, and Lamar is 203 highway miles from DIA. We would also note that Lamar is 163 highway miles from a small-hub airport at Colorado Springs.

⁷ In November 1995, the program's fiscal year 1996 budget was cut by nearly a third, compelling the Department to implement severe reductions in the levels of subsidized service throughout the program. Insofar as the seven subsidized communities at issue here are concerned, those reductions included the elimination of subsidy for service to a second hub -- *i.e.*, from Dodge City, Great Bend and Hays to Denver, and from Garden City to Kansas City -- and a reduction in the subsidized levels of all remaining services to 10 round trips a week. In response, Mesa discontinued its second-hub service from Dodge City, Great Bend and Hays to Denver in January 1996 and, following a court decision, it also discontinued all service at Goodland and Lamar in August 1996. For the most part, Mesa and Air Midwest kept all other services (including Garden City's second-hub service to Kansas City) intact despite the subsidy reductions. See Orders 95-11-28, November 17, 1995; 95-12-40, December 22, 1995; and 96-7-23, July 16, 1996; as well as *Mesa Air Group, Inc., v. Department of Transportation* (D.C. Cir. No. 96-1017). Great Lakes was selected to replace Mesa at Goodland and Lamar by Order 97-3-37, March 26, 1997. All pre-reduction service levels at the other communities were finally restored by January 1998 after a program budget increase for fiscal year 1998; see Order 97-9-13, September 11, 1997.

We had hoped that 18 round trips a week would stimulate use of the communities' local airports, but we also noted our concern that the subsidy necessary to support such service was substantial and that we would closely reexamine the communities' continuing service needs at rate renewal time. Traffic has not responded as we had hoped; during calendar year 1999, the most recent 12-month period for which data are available, Goodland averaged just 3.1 and Lamar just 4.7 enplanements a day. Although Great Lakes' Option A is based on 12 round trips a week at each of the two communities rather than 18, and thus involves lower subsidy requirements, subsidy per passenger nonetheless far exceeds the \$200 statutory limit. Continued subsidy for Goodland's service would be \$873,410 a year, or about \$457 per passenger. Similarly, continued subsidy for Lamar's service would be \$779,299 a year, or about \$265 per passenger.⁸ Both figures are well above the statutory limit, and we must therefore discontinue subsidy for Great Lakes' service at the two communities.

Great Bend

In addition, we have closely weighed Great Bend's continuing demand for local service to Denver against the subsidy required to maintain that service. Great Bend has always been guaranteed service to just one hub, to the east; its traffic has never been sufficient to merit our designating Denver as a second hub.⁹ Instead, Great Bend's service to Denver is essentially a vestige of a time when Air Midwest operated all the service at the seven communities, along linear routes stretching from Denver in the west to Kansas City and Wichita in the east. Under those circumstances, Great Bend-Denver service was a by-product of Air Midwest's Denver-Goodland-Hays-Great Bend-Kansas City routing.

After Mesa acquired Air Midwest, we approved Mesa's proposal, supported by the communities, to realign services so that Mesa would provide service westward as United Express and Air Midwest would provide service eastward as USAir (now US Airways) Express.¹⁰ At the time, we noted that Great Bend's service to Denver was averaging only 0.7 enplanements a day. Nonetheless, we were willing to continue supporting that service in the hope that United Express's service to Denver, where United Airlines maintains a major presence, would improve ridership.

However, Great Bend's traffic has improved only slightly. We recognize that there have been some mitigating circumstances: specifically, the two-year hiatus in the community's service to Denver from January 1996 until January 1998 following the November 1995 program cutbacks, and the carrier transition from Mesa to Great Lakes that occurred in April 1998. Great Lakes has

⁸ Based on 1,913 and 2,941 origin-and-destination passengers for Goodland and Lamar, respectively, during calendar year 1999. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 weekdays and weekends a year. See Appendix C.

⁹ See Order 80-4-220, April 30, 1980, which first established Great Bend's determination. The community's designated hub was originally Wichita but was later changed to the larger hub of Kansas City.

¹⁰ See Order 92-4-16, April 6, 1992.

nonetheless registered somewhat better results than Mesa had managed before the hiatus, but the most recent data still show that Great Bend-Denver service is averaging just 3.6 enplanements a day -- less than two passengers per flight. Under Great Lakes' Option A, our continued support of Great Bend-Denver service would require \$552,483 a year in subsidy, which amounts to \$247 per passenger.¹¹ Inasmuch as the statutory \$200-per-passenger ceiling applies in cases -- such as Goodland and Lamar -- where the service in question represents a community's *only* scheduled service, we cannot justify spending more than that limit for a community's service to a second hub, where the community would still receive service to a primary hub.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. We last found Great Lakes fit by Order 2000-1-1, January 3, 2000, in connection with its essential air service at North Platte, Nebraska. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, 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 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

Responses to Tentative Decision

As usual, we will allow interested parties 20 days from the date of this order to object to our decision or to file objections or competing proposals. If no timely objections or competing proposals are filed, this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. As a general matter, we request proposals that would provide service at levels commensurate with those tentatively selected here with twin-engine aircraft operated by two pilots.

¹¹ Based on 2,238 origin-and-destination passengers during calendar year 1999. Great Lakes' Option A contains an annual subsidy requirement for Garden City and Great Bend combined of \$1,247,595, whereas Option B contains an annual subsidy requirement for Garden City alone of \$695,112. The difference of \$552,483 is attributable to Great Bend.

Service History and Traffic Data

Appendix C contains traffic data for calendar year 1999 and notes the principal changes in the communities' services during the last decade. Mesa's acquisition of Air Midwest and consequent route realignment in 1992 was a salutary development which provided the communities with United Express service to Denver, and traffic responded well. But the November 1995 cutback in the program's budget was disruptive: most of the communities suffered, at the least, some reduction in the number of flights serving their airports, and service on some routes was discontinued entirely for as long as two years. Pre-cutback services were fully restored by January 1998, but Mesa's code-share relationship with United Airlines ended soon afterwards, and in April 1998 Mesa's services to Denver passed into the hands of Great Lakes, another United Express carrier.

Traffic to Denver from the traditionally stronger communities has proven resilient. During calendar year 1999, Dodge City averaged 8.5 enplanements a day, Garden City 21.6, Hays 10.7, and Liberal/Guymon 13.1. Taken together, the four communities averaged 53.8 enplanements a day -- 33 percent above the 40.5 enplanements a day that they averaged in calendar year 1994, prior to the service cutbacks prompted by the November 1995 program reductions.

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

ACCORDINGLY,

1. We tentatively reselect Great Lakes Aviation, Ltd., d/b/a United Express, to provide essential air service at Dodge City, Garden City, Goodland, Great Bend and Hays, Kansas, Lamar, Colorado, and Liberal, Kansas/Guymon, Oklahoma, as described in Appendix D, for the period from October 1, 1999, through September 30, 2001;
2. We tentatively terminate the subsidy eligibility of Goodland, Kansas, and Lamar, Colorado, as of April 1, 2000, or the date on which Great Lakes implements the revised service patterns described in Appendix D, whichever is later, and allow Great Lakes to discontinue service at the two communities as of that date;
3. We tentatively terminate subsidy for Great Lakes' service between Great Bend, Kansas, and Denver, as of April 1, 2000, or the date on which Great Lakes implements the revised service patterns described in Appendix D, whichever is later, and allow Great Lakes to discontinue service at the community as of that date;
4. We tentatively set the final rates of compensation for Great Lakes Aviation, Ltd., d/b/a United Express, for the provision of essential air service at Dodge City, Garden City, Goodland, Great Bend and Hays, Kansas, Lamar, Colorado, and Liberal, Kansas/Guymon, Oklahoma, as described in Appendix D, for the period from October 1, 1999, through September 30, 2001, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix D, and shall be

determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:¹²

<u>Effective October 1, 1999</u>	
Dodge City and Garden City	\$221.60
Liberal/Guymon and Lamar	\$427.50
Great Bend and Hays	\$427.76
Goodland	\$741.32

<u>Effective on or after April 1, 2000</u>	
Dodge City and Liberal/Lamar	\$394.97
Garden City	\$377.78
Hays	\$401.87

5. We direct Great Lakes Aviation, Ltd., d/b/a United Express, 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;

6. We find that Great Lakes Aviation, Ltd., d/b/a United Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Dodge City, Garden City, Goodland, Great Bend and Hays, Kansas, Lamar, Colorado, and Liberal, Kansas/Guymon, Oklahoma;

7. We direct Great Lakes Aviation, Ltd., d/b/a United Express, and any other interested persons having objections to the selection of Great Lakes to provide essential air service as described in ordering paragraph 1 above, at the rates set forth in ordering paragraph 4 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;¹³

¹² See Appendix D for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of these rates may be required.

¹³ Objections should be filed with the Documentary Services and Media Management Division, SVC-124, Room PL-401, Department of Transportation, 400 7th Street S.W., Washington DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany at (202) 366-1061.

8. If we receive objections or competing proposals within the 20-day period, Great Lakes will be compensated at the subsidy rates set forth in ordering paragraph 4 above as final rates until all objections are resolved;
9. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.¹⁴ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;
10. We dismiss the 90-day notice of intent to suspend service at Salina, Kansas, filed by Great Lakes Aviation, Ltd., and close Docket OST-1999-6590;
11. Except as described in ordering paragraph 10 above, these dockets will remain open until further order of the Department; and
12. We will serve copies of this order on the mayors and airport managers of Dodge City, Garden City, Goodland, Great Bend, Hays and Liberal, Kansas, Lamar, Colorado, and Guymon, Oklahoma; Mesa Air Group, Inc., d/b/a US Airways Express; Great Lakes Aviation, Ltd. d/b/a United Express; the Ellis County Coalition for Economic Development; the Office of the City Attorney for Dodge City; and the persons listed in Appendix E.

By:

A. BRADLEY MIMS
Deputy 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>*

¹⁴ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

KANSAS, COLORADO AND OKLAHOMA

● Denver

● Colorado Springs

Lamar ●

● Goodland

● Hays ● Salina

Garden City ●

● Great Bend

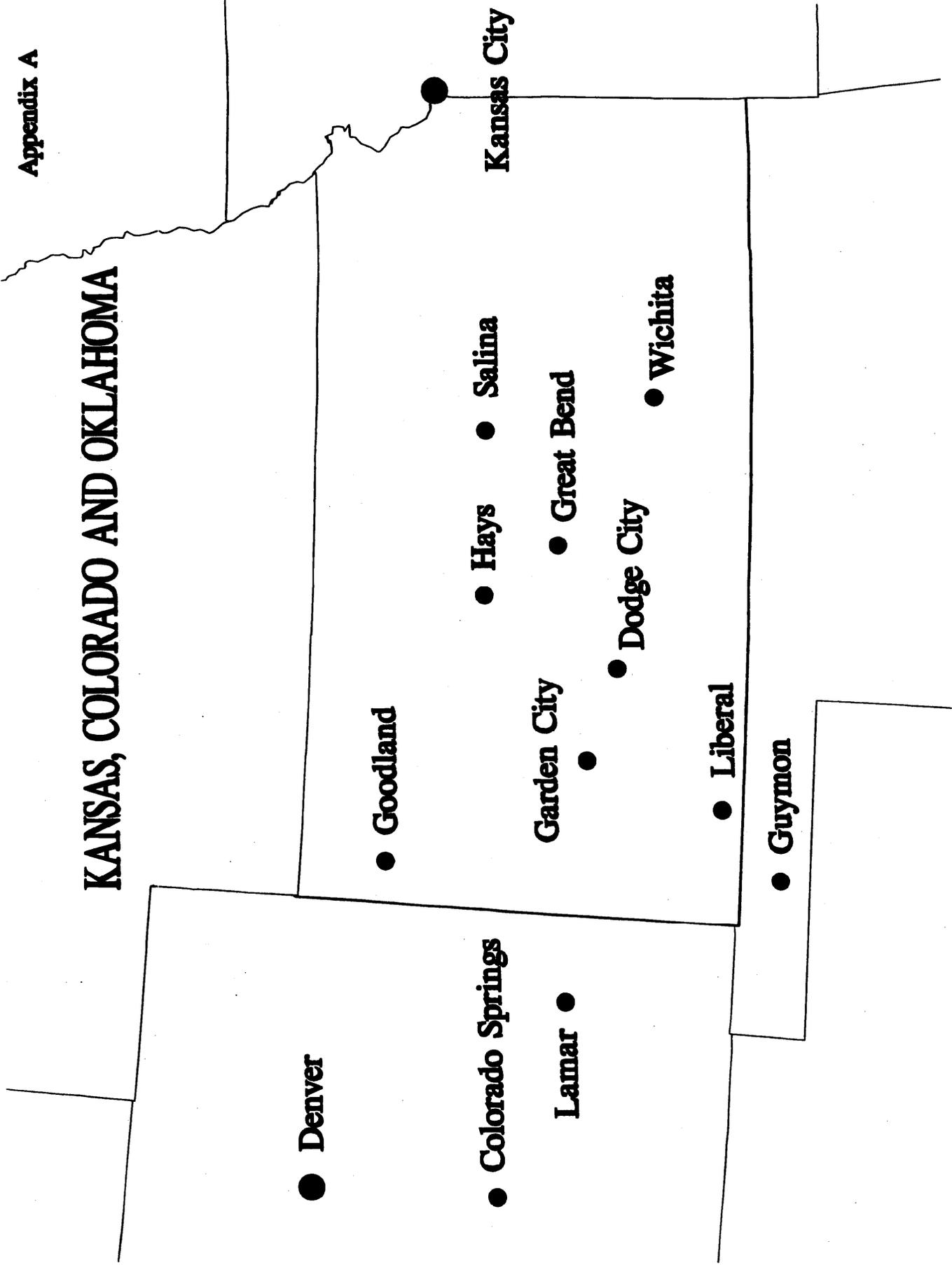
● Dodge City

● Wichita

● Liberal

● Guymon

Kansas City ●



APPENDIX B
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GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
LIBERAL, KANSAS/GUYMON, OKLAHOMA, AND LAMAR, COLORADO
(Effective October 1, 1999, at 98 percent completion)

Departures		2,965
Block Hours		2,335
Available seat-miles		8,207,938
Operating Revenues:		
Passenger: 8,200 LBL psgrs at \$106.00	\$ 869,200	
2,500 LAA psgrs at \$96.00	240,000	
Other (at 0.62% of psgr rev)	6,877	
Total Operating Revenues		\$1,116,077
Operating Expenses:		
Direct: Flying Operations (\$94.11/BH)	\$ 219,739	
(\$5.61/dpt)	16,636	
Fuel & Oil (\$1.220/gal)	394,778	
Maintenance (\$75.00/dept)	222,411	
(\$104.82 x 1,866 flt hrs)	195,617	
Aircraft Lease (1 x \$34,504/mo)	414,048	
Aircraft Insurance	16,694	
Total Direct Expenses		1,479,923
Indirect: LBL Facility Lease	4,631	
LBL Landing Fee	10,819	
Station Manager	26,000	
Station Agents (2 x \$20,800)	41,600	
LBL Local Promotions	5,000	
LBL Deicing Charge (109 x \$125)	13,578	
LAA Facility Lease	0	
LAA Landing Fee	0	
Station Manager	26,000	
Station Agents (2 x \$20,800)	41,600	
LAA Local Promotions	5,000	
LAA Deicing Charge (153 x \$125)	19,172	
Crew Overnight (358 x \$87.49)	31,321	
GCK Landings	1,062	
DEN Turn Cost (869 x \$264)	229,416	
DEN Airport Baggage (5,350 x \$1.46)	7,811	
DEN Airport Train (5,350 x \$1.45)	7,758	
DEN United Baggage (5,350 x \$4.68)	25,038	
G&A (\$0.0142/ASM)	116,881	
Passenger-related (10,700 x \$16.63)	177,909	
Total Indirect Expenses		790,596
Total Operating Expenses		\$2,270,519
Operating Loss		\$1,154,442
Profit Element (5.0% of Total Operating Expenses)		\$ 113,526
Annual Compensation Requirement		\$1,267,968

APPENDIX B
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GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
DODGE CITY, KANSAS, AND LIBERAL, KANSAS/GUYMON, OKLAHOMA
(Effective on or after April 1, 2000, at 98 percent completion)

Departures		3,170
Block Hours		2,716
Available seat-miles		9,515,416
Operating Revenues:		
Passenger: 5,000 DDC psgrs at \$97.00	\$ 485,000	
9,000 LBL psgrs at \$106.00	954,000	
Other (at 0.62% of psgr rev)	8,922	
Total Operating Revenues		\$1,447,922
Operating Expenses:		
Direct: Flying Operations (\$94.11/BH)	\$ 255,591	
(\$5.61/dpt)	17,784	
Fuel & Oil (\$1.233/gal)	437,437	
Maintenance (\$75.00/dept)	237,750	
(\$104.82 x 2,171 flt hrs)	227,534	
Aircraft Lease (1 x \$34,504/mo)	414,048	
Aircraft Insurance	16,694	
Total Direct Expenses		1,606,838
Indirect: DDC Facility Lease	4,140	
DDC Landing Fee	4,620	
Station Manager	26,000	
Station Agents (2 x \$20,800)	41,600	
DDC Local Promotions	5,000	
DDC Deicing Charge (83 x \$125)	10,375	
LBL Facility Lease	4,631	
LBL Landing Fee	19,733	
Station Manager	26,000	
Station Agents (2 x \$20,800)	41,600	
LBL Local Promotions	5,000	
LBL Deicing Charge (198 x \$125)	24,750	
Crew Overnight (358 x \$242)	86,457	
DEN Turn Cost (920 x \$264)	242,880	
DEN Airport Baggage (7,000 x \$1.46)	10,220	
DEN Airport Train (7,000 x \$1.45)	10,150	
DEN United Baggage (7,000 x \$4.68)	32,760	
G&A (\$0.0142/ASM)	135,500	
Passenger-related (19,500 x \$16.63)	232,778	
Total Indirect Expenses		964,194
Total Operating Expenses		\$2,571,032
Operating Loss		\$1,123,110
Profit Element (5.0% of Total Operating Expenses)		\$ 128,552
Annual Compensation Requirement		\$1,251,662

TRAFFIC TO/FROM DENVER
CALENDAR YEAR 1999

<u>COMMUNITY</u>	<u>ORIGIN-AND-DESTINATION PASSENGERS</u>					<u>AVERAGE DAILY ENPLANEMENTS</u>
	<u>1ST QTR</u>	<u>2ND QTR</u>	<u>3RD QTR</u>	<u>4TH QTR</u>	<u>TOTAL</u>	
Dodge City	1,028	1,248	1,429	1,617	5,322	8.5
Garden City	2,810	3,262	3,742	3,682	13,496	21.6
Goodland	367	486	582	478	1,913	3.1
Great Bend	439	566	660	573	2,238	3.6
Hays	1,345	1,674	1,717	1,952	6,689	10.7
Lamar	646	858	746	691	2,941	4.7
Liberal/Guymon	1,799	2,225	2,100	2,051	8,175	13.1

SOURCE: From carrier reports. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 weekdays and weekends a year.

SERVICE HISTORY

- Prior to April 1992, all services at the seven communities were operated by Air Midwest; each community received westbound service to Denver and eastbound service to either Kansas City or Wichita. In April 1992, however, following Mesa's acquisition of Air Midwest, Mesa realigned the communities' services so that Mesa operated as United Express to Denver and Air Midwest operated as USAir (now US Airways) Express to Kansas City or Wichita. Lamar and Great Bend, however, lost their eastbound service to Wichita. See Order 92-4-16, April 6, 1992.
- Liberal/Guymon's single round trip a day to Wichita was replaced by a third round trip a day to Denver, routed via Garden City, in April 1993. See Order 92-10-47, October 28, 1992.
- Dodge City's and Garden City's eastern hub was changed from Wichita to Kansas City in March 1994. As a result, all remaining eastbound service was now operated to Kansas City. See Order 94-3-18, March 9, 1994.
- Severe reductions in the program's budget in November 1995 compelled the Department to terminate subsidy for service to second hubs – *i.e.*, from Dodge City, Great Bend and Hays to Denver, and from Garden City to Kansas City – and to reduce the subsidized levels of all remaining services from 12 to 10 round trips a week. In response, Mesa discontinued service from Dodge City, Great Bend and Hays to Denver in January 1996; following a court decision, it also discontinued service at Goodland and Lamar in August 1996. For the most part, Mesa and Air Midwest kept all other services (including Garden City's service to Kansas City) intact despite the subsidy reductions. See Orders 95-11-28, November 17, 1995; 95-12-40, December 22, 1995; and 96-7-23, July 16, 1996; as well as *Mesa Air Group, Inc., v. Department of Transportation* (D.C. Cir. No. 96-1017).
- Air Midwest operated a third, unsubsidized round trip each day from Hays to Kansas City from August 1996 until November 1998.
- Great Lakes began service at Goodland and Lamar in August 1997, thus replacing Mesa after a one-year service hiatus. See Order 97-3-37, March 26, 1997.
- Following increases in the program's budget, the Department increased the subsidized service levels at Goodland and Lamar to 18 round trips a week, and Great Lakes implemented those levels in October 1997. See Order 97-10-10, October 14, 1997. Elsewhere, the Department restored subsidy for the service levels that had been in place prior to November 1995. Mesa implemented the restored levels in January 1998, thus ending a two-year hiatus in service from Dodge City, Great Bend and Hays to Denver. See Order 97-9-13, September 11, 1997.
- Following the termination of Mesa's code-share arrangement with United Airlines, Great Lakes replaced Mesa on the routes to Denver from Dodge City, Garden City, Great Bend, Hays and Liberal/Guymon in April 1998. See Order 98-3-32, March 30, 1998.

GREAT LAKES AVIATION, LTD., d/b/a UNITED EXPRESS
ESSENTIAL AIR SERVICE AT
DODGE CITY, GARDEN CITY, GOODLAND, GREAT BEND AND HAYS, KANSAS,
LAMAR, COLORADO, AND LIBERAL, KANSAS/GUYMON, OKLAHOMA

EFFECTIVE PERIOD	October 1, 1999, through September 30, 2001	
SERVICE		
Effective October 1, 1999	12 Dodge City-Garden City-Denver round trips each week 5 Liberal/Guymon-Garden City-Denver round trips each week 12 Liberal/Guymon-Lamar-Denver round trips each week 12 Great Bend-Hays-Denver round trips each week 12 Goodland-Denver round trips each week	
Effective on or after April 1, 2000	13 Dodge City-Liberal/Guymon-Denver round trips each week 5 Liberal/Guymon-Garden City-Denver round trips each week 13 Garden City-Denver round trips each week 18 Hays-Denver round trips each week, with upline service at Salina permitted	
AIRCRAFT TYPE	Beech 1900 (19 seats)	
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation	
SUBSIDY RATE PER ARRIVAL/DEPARTURE		
Effective October 1, 1999	Dodge City and Garden City	\$221.60 <u>1/</u>
	Liberal/Guymon and Lamar	\$427.50 <u>2/</u>
	Great Bend and Hays	\$427.76 <u>3/</u>
	Goodland	\$741.32 <u>4/</u>
Effective on or after April 1, 2000	Dodge City and Liberal/Guymon	\$394.97 <u>5/</u>
	Garden City	\$377.78 <u>6/</u>
	Hays	\$401.87 <u>7/</u>

FOOTNOTES APPEAR AT APPENDIX D, PAGE 3

COMPENSATION CEILING
EACH WEEK

Effective October 1, 1999	Dodge City and Garden City	\$12,853 <u>8/</u>
	Liberal/Guymon and Lamar	\$24,795 <u>9/</u>
	Great Bend and Hays	\$20,532 <u>10/</u>
	Goodland	\$17,792 <u>11/</u>
Effective on or after April 1, 2000	Dodge City and Liberal/Guymon	\$24,488 <u>12/</u>
	Garden City	\$13,600 <u>13/</u>
	Hays	\$14,467 <u>14/</u>

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 plans 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 ensured 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 agreement, 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 this 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/ Annual compensation of \$657,252 divided by 2,966 annual arrivals and departures at a 98 percent completion factor:

Dodge City	4 dpts x 313 service days x .98 =	1,227
Garden City	6 dpts x 261 weekdays x .98 =	1,535
	4 dpts x 52 weekends x .98 =	<u>204</u>
		2,966

2/ Annual compensation of \$1,267,968 divided by 2,966 annual arrivals and departures at a 98 percent completion factor:

Liberal/Guymon	6 dpts x 261 weekdays x .98 =	1,535
	4 dpts x 52 weekends x .98 =	204
Lamar	4 dpts x 313 service days x .98 =	<u>1,227</u>
		2,966

3/ Annual compensation of \$1,049,723 divided by 2,454 annual arrivals and departures at a 98 percent completion factor:

Great Bend	4 dpts x 313 service days x .98 =	1,227
Hays	4 dpts x 313 service days x .98 =	<u>1,227</u>
		2,454

4/ Annual compensation of \$909,597 divided by 1,227 annual arrivals and departures at a 98 percent completion factor:

Goodland	4 dpts x 313 service days x .98 =	1,227
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5/ Annual compensation of \$1,251,662 divided by 3,169 annual arrivals and departures at a 98 percent completion factor:

Dodge City	4 dpts x 261 weekdays x .98 =	1,023
	6 dpts x 52 weekends x .98 =	306
Liberal/Guymon	6 dpts x 313 service days x .98 =	<u>1,840</u>
		3,169

6/ Annual compensation of \$695,112 divided by 1,840 annual arrivals and departures at a 98 percent completion factor:

Garden City	6 dpts x 313 service days x .98 =	1,840
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7/ Annual compensation of \$739,444 divided by 1,840 annual arrivals and departures at a 98 percent completion factor:

Hays	6 dpts x 313 service days x .98 =	1,840
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8/ Subsidy rate per arrival departure of \$221.60 multiplied by 58 subsidy-eligible arrivals and departures each week.

9/ Subsidy rate per arrival/departure of \$427.50 multiplied by 58 subsidy-eligible arrivals and departures each week.

10/ Subsidy rate per arrival/departure of \$427.76 multiplied by 48 subsidy-eligible arrivals and departures each week.

11/ Subsidy rate per arrival/departure of \$741.32 multiplied by 24 subsidy-eligible arrivals and departures each week.

12/ Subsidy rate per arrival/departure of \$394.97 multiplied by 62 subsidy-eligible arrivals and departures each week.

13/ Subsidy rate per arrival/departure of \$377.78 multiplied by 36 subsidy-eligible arrivals and departures each week.

14/ Subsidy rate per arrival/departure of \$401.87 multiplied by 36 subsidy-eligible arrivals and departures each week.

SERVICE LIST FOR THE STATE OF KANSAS

Air Midwest, Inc.
Amerijet International, Inc.
Aspen Airways, Inc.
Blue Ridge Airlines
Delta Connection
Exec Express II, Inc.
Executive Airlines, Inc.
Flagship Airlines Inc.
Heartland Aviation, Inc.
Mesa Airlines, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Multi Aero, Inc.
Northwest Airlink
Redwing Airways, Inc.
Renown Aviation, Inc.
Trans States Airlines, Inc.

Louis Andrews
Ken Bannon
E.B. Freeman
Douglas Gumula
Ben Harrison
A. Edward Jenner
Keith Kahle
John McFarlane
Kevin Thomas
Robert Wigmore

SERVICE LIST FOR THE STATE OF COLORADO

Air L.A., Inc.
Air Transport, Inc.
Alpine Aviation, Inc.
Amerijet International, Inc.
Arizona Airways, Inc.
Arizona Pacific Airlines, Inc.
Aspen Airways, Inc.
Aviation Services West, Inc.
Barken International, Inc.
Blue Ridge Airlines
Delta Connection
Laredo Air, Inc.
Mesa Airlines, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Northwest AirlinK
Pacific Air West, Inc.
Pennsylvania Commuter Airlines, Inc.
Renown Aviation, Inc.
Rocky Mountain Airways, Inc.
Rocky Mountain Helicopters, Inc.
Skywest Airlines, Inc.
Wings West Airlines, Inc.

Chuck Aune
Ken Bannon
E.B. Freeman
Ben Harrison
A. Edward Jenner
Keith Kahle
Bob Karns
Alan W. Markham
Helen McCoy
John McFarlane
Richard A. Raymer
Kevin Thomas

SERVICE LIST FOR THE STATE OF OKLAHOMA

ACT International Airlines, Inc.
Aero Freight, Inc.
Air Midwest, Inc.
Amerijet International, Inc.
Conquest Airlines Corporation
Corporate Aviation Services, Inc.
Delta Connection
Exec Express II, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Multi Aero, Inc.
Northwest Airlink
Redwing Airways, Inc.
Renown Aviation, Inc.
Texas National Airlines, Inc.
Trans States Airlines, Inc.

Francis Armstrong
Ken Bannon
E.B. Freeman
A. Edward Jenner
Keith Kahle
Wes Marden
John McFarlane
Andrew Spinks
Kevin Thomas
Wayne Trawick
Robert Wigmore