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

Issued by the Department of Transportation
on the 2nd day of May, 2000

Served: May 5, 2000

Essential Air Service at

CAPE GIRARDEAU, MISSOURI

DOCKET OST-96-1559 - 7

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

Essential Air Service at

FORT LEONARD WOOD, MISSOURI

DOCKET OST-96-1167 - 24

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

**ORDER SELECTING CARRIER AND
ESTABLISHING SUBSIDY RATES**

Summary

By this order the Department is selecting Corporate Airlines, Inc., d/b/a Trans World Express (Corporate Airlines) to provide subsidized essential air service at Cape Girardeau and Fort Leonard Wood, Missouri, for a two-year rate term at an annual subsidy rate of \$430,925 for Cape Girardeau and \$573,725 for Fort Leonard Wood, effective on or about May 8, 2000, through May 31, 2002. The Department is also extending the subsidy rates of Trans States, for the provision of essential air service at Cape Girardeau and Fort Leonard Wood established by Order 98-5-9, until replacement service actually begins. (See Appendix A for map)

Background

By Order 98-5-9, issued May 8, 1998, the Department reselected Trans States Airlines, Inc., d/b/a Trans World Express (Trans States), to continue to provide essential air service at Cape Girardeau and Fort Leonard Wood for an additional two-year period ending April 30, 2000. On March 6, 2000, Trans States filed 90-day notices of its intent to suspend its subsidized service at those communities. Since Trans States provided the only scheduled service at both communities, we issued Order 2000-3-31, requiring Trans

States to continue serving the communities and requesting proposals, with subsidy if necessary, from carriers interested in providing replacement service.

Carrier Proposals

Corporate Airlines was the only carrier to submit proposals to provide essential air service at these communities. The carrier proposes to provide the communities with the same service they currently receive – three nonstop round trips on weekdays and four on weekends between Cape Girardeau and St. Louis, and three nonstop round trips six days a week between Fort Leonard Wood and St. Louis. All service would be provided with 19-seat Jetstream-32 aircraft. Corporate Airlines has agreed to annual subsidy rates of \$430,925 for Cape Girardeau and \$573,725 for Fort Leonard Wood, for this service.

Community Comments

We have received comments from officials of both Cape Girardeau and Fort Leonard Wood. Fort Leonard Wood officials, while expressing a preference for a carrier with larger aircraft to allow for future growth, are committed to working with Corporate Airlines to ensure viable service to the community. Cape Girardeau also supports the selection of Corporate Airlines to provide essential air service. Both communities state their desire to work cooperatively with the carrier to make the service as successful as possible.

Decision

After a thorough review of the proposals and community comments, we have decided to select Corporate Airlines to provide essential air service at Cape Girardeau and Fort Leonard Wood, Missouri, as outlined in Appendix C, for the two-year period beginning on or about May 8, 2000, through May 31, 2002, notwithstanding that the agreed-to annual subsidy rates reflect a significant increase of previous subsidies paid to Trans States.¹ Corporate Airlines will operate both the Cape Girardeau and Fort Leonard Wood service as a Trans World Airlines commuter affiliate, or Trans World Express, in the same way that Trans States has historically operated. That arrangement will afford passengers with all of the continuing benefits of frequent flyer miles, one check-in for baggage, joint fares, schedules designed to minimize connecting times at the St. Louis hub, etc. In addition, Corporate Airlines will, at least initially, fly the same schedules that Trans States has historically flown, and will be using 19-seat Jetstream-32 aircraft, the same aircraft used by Trans States. Thus, the transition from Trans States to Corporate Airlines will be completely unnoticeable to the passengers.

Carrier Fitness

According to 49 U.S.C. 41737(b) and 41738, the Department must find an air carrier fit, willing and able to provide reliable service before we compensate it for providing essential air service. Corporate Airlines was last found fit by Order 2000-2-18, December 16, 1996. Since then, no information has come to our attention that would

¹ See Appendix B for details of Corporate Airlines' subsidy calculations.

lead us to question its ability to operate in a reliable manner. We contacted the FAA Flight Standards District Office in Tennessee that oversees Corporate Airlines' operations and they have advised us that the carrier is conducting its operations in accordance with its regulations, and that it knows of no reason why we should not find that Corporate Airlines remains fit.

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

ACCORDINGLY,

1. The Department extends the 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, established in Appendix C of Order 98-5-9, until replacement service begins;
2. The Department selects Corporate Airlines, Inc., d/b/a Trans World Express, to provide essential air service at Cape Girardeau and Fort Leonard Wood, Missouri, at the service levels and subsidy rates described in Appendix C, beginning on or about May 8, 2000, through May 31, 2002;
3. The Department sets the final rates of compensation for Corporate Airlines for the provision of essential air service at Cape Girardeau and Fort Leonard Wood, as described in Appendix C, beginning on or about May 8, 2000, through May 25, 2002, 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 flown during the month by:²

Cape Girardeau: \$222.56
Fort Leonard Wood: \$312.66;

4. The Department finds that Corporate Airlines continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Cape Girardeau and Fort Leonard Wood, Missouri;
5. We direct Corporate 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.

² See Appendix B for the calculation of these rates, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of these rates may be required.

The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

6. These dockets will remain open until further order of the Department; and
7. The Department will serve copies of this order on the Mayor and Airport Manager of Cape Girardeau, Missouri; the Commanding Officer of the U.S. Army Engineer Center and Fort Leonard Wood, Missouri; the Missouri Department of Transportation; the Governor of Missouri; and Corporate Airlines, d/b/a Trans World Express; and the parties listed in Appendix D.

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>*

MISSOURI

Kansas City •

★ Jefferson City

• Fort Leonard Wood

St. Louis •

Cape Girardeau •

Sikeston •



CORPORATE AIRLINES, d/b/a TRANS WORLD EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
CAPE GIRARDEAU, MISSOURI
Provided with 19-seat Jetstream 32 aircraft
(Effective May 8, 2000, at 98% completion)

Passengers	16,849
Block Hours @ 98% compl. (1,936 flts x 74 min./flt.)	1,433
Available seat-miles ¹	4,231,209
 Operating Revenues:	
Passenger: 16,849 CGI psgrs. @ \$67.00	\$ 1,128,883
Freight Rev (@ 1% of psgr. rev.)	<u>11,289</u>
Total Operating Revenue	\$ 1,140,172
 Operating Expenses:	
Direct: Flight Crew (\$99.80/BH)	\$ 143,013
Fuel & Oil (\$117.93/BH)	168,994
Hull insurance	104,217
Maintenance (\$192.99/BH)	276,555
Aircraft Lease	<u>140,308</u>
Total Direct Expenses	\$ 833,087
Indirect: CGI Station Costs	\$ 124,400
CGI Landing Fees (19 Indgs/wk @ \$7.49)	7,252
CGI Local Marketing	15,000
STL Station Costs (\$65.31/flt.)	126,440
STL Turn Cost (\$33.40 x 968)	32,331
Commissions (7.45% of pax. rev.)	84,102
Reservations/Ticketing	113,731
G&A (\$.0378/ASM)	<u>159,940</u>
Total Indirect Expenses	\$ 663,196
 Total Operating Expenses	 \$ 1,496,283
 Operating Loss	 \$ 356,111
Profit Element (5% of Total Operating Expenses)	<u>74,814</u>
Annual Compensation Requirement	\$ 430,925

¹ 38 flts/wk x 52 wks x 115 miles x 19 seats x .98 = 4,231,209

CORPORATE AIRLINES, d/b/a TRANS WORLD EXPRESS
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
FORT LEONARD WOOD, MISSOURI
Provided with 19-seat Jetstream 32 aircraft
(Effective May 8, 2000, at 98% completion)

Passengers	14,194
Block Hours @ 98% compl. (1,835 flts x 81 min./flt.)	1,486
Available seat-miles ¹	4,113,084
Operating Revenues:	
Passenger: 14,194 TBN psgrs. @ \$66.43	\$ 942,907
Freight Rev (@ 1% of psgr. rev.)	<u>9,429</u>
Total Operating Revenue	\$ 952,336
Operating Expenses:	
Direct: Flight Crew (\$99.80/BH)	\$ 148,303
Fuel & Oil (\$117.93/BH)	175,244
Hull insurance	104,217
Maintenance (\$192.99/BH)	286,783
Aircraft Lease	<u>140,308</u>
Total Direct Expenses	\$ 854,855
Indirect: TBN Station Costs	\$ 111,500
TBN Local Marketing	15,000
STL Station Costs (\$65.31/flt.)	119,844
STL Turn Cost (\$33.40 x 918)	30,661
Commissions (7.45% of pax. rev.)	70,247
Reservations/Ticketing	95,809
G&A (\$.0378/ASM)	<u>155,475</u>
Total Indirect Expenses	\$ 598,536
Total Operating Expenses	\$ 1,453,391
Operating Loss	\$ 501,055
Profit Element (5% of Total Operating Expenses)	<u>72,670</u>
Annual Compensation Requirement	\$ 573,725

¹ 36 flts/wk x 52 wks x 118 miles x 19 seats x .98 = 4,113,084

**CORPORATE AIRLINES, d/b/a TRANS WORLD EXPRESS
ESSENTIAL AIR SERVICE AT
CAPE GIRARDEAU, MISSOURI**

EFFECTIVE PERIOD:	From May 8, 2000 through May 25, 2002
SERVICE:	19 nonstop round trips each week between Cape Girardeau and St. Louis with unrestricted upline service permitted
AIRCRAFT TYPE:	Jetstream 32 (19 seats)
TIMING OF FLIGHTS:	Flights must be well-timed and well-spaced to ensure full compensation
ANNUAL SUBSIDY RATE:	\$430,925
SUBSIDY RATE PER ARRIVAL/DEPARTURE:	\$222.56 ¹
WEEKLY COMPENSATION CEILING:	\$8,457.28 ²

¹ Annual compensation of \$430,925 divided by the estimated annual completed CGI departures and arrivals at a 98% completion factor: $38 \times 52 \times .98 = 1,936$.

² Subsidy rate per arrival/departure of \$222.56 multiplied by 38 subsidy-eligible arrivals and departures each week.

**CORPORATE AIRLINES, d/b/a TRANS WORLD EXPRESS
ESSENTIAL AIR SERVICE AT
FORT LEONARD WOOD, MISSOURI**

EFFECTIVE PERIOD:	From May 8, 2000 through May 25, 2002
SERVICE:	18 nonstop round trips each week between Fort Leonard Wood and St. Louis with unrestricted upline service permitted
AIRCRAFT TYPE:	Jetstream 32 (19 seats)
TIMING OF FLIGHTS:	Flights must be well-timed and well-spaced to ensure full compensation
ANNUAL SUBSIDY RATE:	\$573,725
SUBSIDY RATE PER ARRIVAL/DEPARTURE:	\$312.66 ¹
WEEKLY COMPENSATION CEILING:	\$11,255.76 ²

¹ Annual compensation of \$573,725 divided by the estimated annual completed TBN departures and arrivals at a 98% completion factor: $36 \times 52 \times .98 = 1,835$.

² Subsidy rate per arrival/departure of \$312.66 multiplied by 36 subsidy-eligible arrivals and departures each week.

NOTE

The carrier understands that it may forfeit its compensation for any flight 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 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.

SERVICE LIST FOR THE STATE OF MISSOURI

Air Midwest, Inc.
Amerijet International, Inc.
Chicago Air Taxi, Inc.
Chicago Express Airlines, Inc.
Crauch Aviation
Delta Connection
Direct Air, Inc.
Exec Express II, Inc.
Flagship Airlines Inc.
Gorda Aero Service, Inc.
GP Express Airlines, Inc.
Great Lakes Aviation, Ltd.
Heartland Aviation, Inc.
Mesaba Aviation, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Multi Aero, Inc.
Northwest Airlink
Ohio Valley Aviation, Inc.
Planemaster Services Inc.
Redwing Airways, Inc.
Simmons Airlines, Inc.
Trans States Airlines, Inc.

Chester Anderson
Louis Andrews
Ken Bannon
Richard Thomas Clarke
E.B. Freeman
Douglas Gumula
A. Edward Jenner
John McFarlane
Gary L. White
Robert Wigmore