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Order 2001-4-6

Served: April 9, 2001

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

Issued by the Department of Transportation
on the 4th day of April, 2001

Essential Air Service at **Yankton, South Dakota** under 49 U.S.C. 41731 *et seq.*	**Docket OST-00-8321- 8**

FINAL ORDER TERMINATING SUBSIDY

Summary

By this order, the Department is terminating the subsidy eligibility of Yankton, South Dakota, on or after April 30, 2001, because the cost of subsidizing each passenger using the local airport exceeds the $200 per passenger statutory ceiling.

Background

By Order 99-4-7, April 12, 1999, the Department authorized an annual subsidy rate of $640,976 for Great Lakes Aviation, Ltd, d/b/a United Express, to provide essential air service at Yankton, South Dakota. On November 15, 2000, Great Lakes filed a 90-day notice of its intent to terminate all scheduled air service at Yankton effective February 14, 2001, stating that its existing subsidy rate is inadequate. Great Lakes is the only air carrier providing scheduled service at the community.

While reviewing the matter of the existing subsidy rate, we noted that through the year ended September 30, 2000, the most current year for which we had historical passenger data, the amount of subsidy exceeded $300 per passenger. Under statutory 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 airport.[1] Yankton is less than 210 miles from the medium hub airport at Omaha, Nebraska.

On February 13, 2001, the Department issued show-cause Order 2001-2-7 tentatively terminating Yankton's subsidy eligibility and allowing interested persons 20 days to file objections showing cause why our tentative decision should not be made final. If objections were filed we would consider them before reaching a final decision; if no objections were filed, the show-cause order would become final by its own terms.

The Community's Objection

The City of Yankton, through the City Manager, filed an objection to the Department's tentative decision on February 19, 2001. The City's objections are largely a repeat of their objections to Great Lakes' original notice to suspend service filed last November 15. They state that Great Lakes' schedules have been poorly timed since September 6, 2000, when the carrier implemented a schedule change that removed a morning departure from Yankton to Denver. They further state that the number of passengers using the service in the summer of 2000 had fallen to the level previously experienced in the summer of 1997, when Great Lakes service was suspended for two months. Finally they state that Great Lakes in fact had provided two-stop service on one Yankton-to-Denver flight from May 15, 2000 through September 5, 2000, in contravention of the governing statutes and a Department order.

As a remedy, the community recommends a change in legislation that currently precludes our providing subsidy support to communities were the subsidy cost exceeds $200, and asks that the Department overlook the $200 cap until such legislation has passed the Congress. It cites as a reason for its request the fact that the $200 ceiling was set "over ten years ago" and does not reflect the increases in commuter carrier operating costs, e.g., fuel, safety, labor and others, that have plagued the industry in recent years. As a final alternative, the community asks that the Department negotiate a new, one-year subsidy rate with Great Lakes that would allow the community an opportunity to make a concerted effort to increase ridership and thus reduce the subsidy cost below $200.

Objections Filed by the South Dakota Congressional Delegation

The South Dakota Congressional Delegation filed a separate letter objecting to the show-cause order. The Delegation reiterates several of the same issues raised by the community, e.g., inconvenient schedules, unreliable service, and the number of stops on flights between Yankton and Denver during the four-month period identified above. The letter submitted by the Delegation addresses several other issues, including the statutory ceiling of $200 per passenger, a comparison of service and traffic results at Norfolk and

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[1] P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, made this a permanent restriction.

Yankton from 1990, and a general plea not to remove Yankton and similar communities from the EAS program.

Final Decision

After giving careful consideration to the community's objection, the objection filed by the South Dakota Congressional Delegation, and all other relevant circumstances, including the proposals and requests described above, we have decided to finalize our tentative decision in Order 2001-2-7 to terminate subsidy for essential air service at Yankton. The comments we received do not provide a basis for ignoring the statutorily mandated $200 subsidy-per-passenger cap. However, in an effort to provide an orderly and smooth shutdown in service, we will require Great Lakes to continue to provide scheduled service to Yankton until April 30, 2001.

As we noted in Order 2001-2-7, Yankton has not been generating sufficient numbers of passengers in recent years to reduce the cost of providing subsidized service below $200 per passenger. Given the availability of jet service to several hubs at nearby Sioux Falls and, to a lesser extent, large turboprop and some limited jet service at Sioux City, it appears highly unlikely that Yankton can produce sufficient numbers of passengers to reduce the cost of below $200. If the subsidy amount per passenger were only slightly over the $200 cap, we could be justified in sustaining service for a short period of time to determine whether a concerted community-carrier effort could reduce the subsidy cost below the cap. That is not the case here.

The subsidy per passenger exceeds $300, and even at the current subsidy rate the carrier filed notice to suspend service stating the rate is inadequate. Of course, a higher subsidy rate would only push the subsidy per passenger even higher. We have also reviewed the question of whether it might be possible to restore service to Minneapolis. Based on Great Lakes' cost structure, resoring Minneapolis service would require approximately $1 million per year and a subsidy-per-passenger of almost $500 based on current traffic.

We also carefully considered the issue of comparing the service and passenger demand history at Norfolk with Yankton. At first glance, such a comparison would appear valid. Unfortunately, in over 20 years of experience in working with EAS communities we know that there are just too many differences between communities to support a conclusion that equal service at both Norfolk and Yankton should have produced similar passenger traffic results. Moreover, the essential air service program is not designed, nor does it have sufficient funds, to embark on a very ambitious plan to build passenger demand in any community. As we also pointed out in Order 2001-2-7, to reduce the cost below $200, Yankton would have to generate over 3,200 annual passengers – a passenger level it most recently achieved when Great Lakes was providing a total of five round trips per day, split between the hubs at Minneapolis and Denver -- far more service than we were subsidizing. Also, the number of passengers necessary to keep the subsidy cost per passenger below $200 has grown markedly in recent years at most communities, not just Yankton. Significant increases in airline fuel, labor, and other costs require even greater numbers of passengers for carriers operating 19-seat aircraft to earn profits. In other words, with rising airline costs, it is very likely that even 3,200 annual passengers would be well below the number necessary to reduce the subsidy below $200. Finally, we acknowledge both that Great Lakes did provide some two-stop service at the height of its pilot-shortage problems and that it schedules for the past several months have been far from optimal. However we based our decision in the show-cause order and again in this final order, not on the most recent past, but rather on a review of service and traffic history for the past five years.

In summary, we conclude that we are required to terminate subsidy support for scheduled air service to Yankton, and we do so effective April 30, 2001. Interested carriers may, of course, provide scheduled service to Yankton at their own initiative at any time now or in the future; our action here simply makes Yankton ineligible to receive subsidized air service.

Before Great Lakes terminates service, we expect it to contact all passengers holding reservations for travel after April 30, 2001, to notify them of the suspension of service and the availability of nearby air services, and to assist them in making alternate travel arrangements.

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

ACCORDINGLY,

1. We finalize our tentative findings and conclusions as set forth in Order 2001-2-7, February 13, 2001, and terminate the subsidy-rate established by Order 99-4-7, April 12,1999, for the provision of essential air service at Yankton, South Dakota, as of April 30, 2001; and

2. We will serve a copy of this order on the Mayor and airport manager of Yankton, South Dakota, the Governor of South Dakota, the Office of Air, Rail and Transit of the South Dakota Department of Transportation, United Air Lines, Inc., and Great Lakes Aviation, Ltd., d/b/a United Express.

By:

SUSAN MCDERMOTT

Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

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Revenue Passengers at Yankton, South Dakota

Year	Number	Average per Day
1994	5,890	18.8
1995	5,433	17.4
1996	2,572	8.2
1997	2,437	7.8
1998	3,981	12.7
1999	1,828	5.8
*2000	2,096	6.7

* Year Ending September 30, 2000

Source: Bureau of Transportation Statistics, Form 298-C, Schedule T-1. Averages refer to passenger enplanements per service day, based on 313 service days each year.