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Order 2002-4-26
Served: May 3, 2002



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

Issued by the Department of Transportation
on the 30th day of April, 2002

Essential Air Service at

UTICA/ROME, NEW YORK

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

Docket OST-2000-7556

**ORDER TO SHOW CAUSE
TENTATIVELY TERMINATING SUBSIDY**

Summary

By this order, the Department is tentatively terminating the subsidy eligibility of Utica/Rome, New York, after June 30, 2002, because the cost of subsidizing each passenger using the local airport exceeds the \$200 per passenger statutory ceiling.¹

Background

By Order 2001-3-31, March 30, 2001, the Department authorized an annual subsidy rate of \$1,133,415 for Champaign Enterprises, Inc., d/b/a CommutAir, to provide essential air service at Utica/Rome, New York, consisting of twelve nonstop round trips each week to New York City (JFK). CommutAir is the only air carrier providing scheduled service at the community.

While reviewing the existing subsidy rate, we noted that the amount of subsidy exceeded \$300 per passenger based on passenger usage for the year ended June 30, 2001. Under statutory eligibility criteria the Department is prohibited from subsidizing service at

¹ See Appendix A for a map.

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.²

Decision

The issue of terminating subsidy for air service at any community is a very serious one and not one we make lightly, especially at a community such as Utica/Rome that generated as many as 24,000 passengers a year as recently as 1998. As discussed below, current and recent usage levels are far below that. The community was served subsidy-free until CommutAir filed a notice to terminate its service on June 21, 2000, simultaneous with the precipitous drop in passenger traffic. We subsequently issued Order 2001-3-31 on March 30, 2001, setting a subsidy rate of \$1,133,415. There were 4,000 forecast passengers in the subsidy rate, a level in excess of the \$200 per passenger cap. However, our long-standing program policy has been to use actual passenger levels rather than forecast, on the grounds that forecast passengers are estimates at best. We would not terminate a community's subsidy eligibility based solely on forecasts. As it has turned out, passenger levels at Utica/Rome are well below even the forecast levels.

It appears that the aviation landscape for Utica/Rome has changed fundamentally in ways that are not likely to reverse themselves. First, on May 8, 2000, Southwest Airlines inaugurated service at Albany. Southwest is the largest low-fare carrier in the nation and its effects on passenger demand are well documented.³ In short, the evidence is clear that passengers will drive long distances to take advantage of low-fare jet service, such as Southwest's. And low-fare service tends to discipline the market, *i.e.*, the other carriers at the hub tend to lower their fares, further increasing the attractiveness of the hub. In this case, the Albany airport is only 90 miles east of Utica via the New York State Thruway, I-90. There is no question that the presence of Southwest at nearby Albany has contributed to the dramatic decline in passengers using the local Utica/Rome airport.

Second, in addition to Southwest's presence at Albany, JetBlue Airlines inaugurated service at Syracuse on May 7, 2001. It also is a low-fare jet carrier. The Syracuse airport is only about 49 miles west of Utica, also via the New York State Thruway. In addition to the attraction of JetBlue's low-fare jet service, Syracuse has been a small hub airport for many years. It is served by Delta Air Lines, Northwest Airlines, United Air Lines, US Airways and American Airlines, offering nonstop jet service to a number of destinations. Given the recent advent of low-fare jet service by Southwest only 90 miles away at Albany, and by JetBlue only 49 miles away at Syracuse, it is highly unlikely that Utica/Rome's enplanements will reverse their trend and start growing again.

² Public Law 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, made this a permanent restriction.

³ See *The Airline Deregulation Evolution Continues, the Southwest Effect*, May 1993, issued by the U. S. Department of Transportation.

As can be seen in Appendix B, passenger levels at Utica/Rome have plummeted from 26 enplanements a day in 1999, to 10 in 2000, to 3 in 2001. The community enplaned a total of 1,787 passengers during the year ended June 30, 2001, or 3,574 passengers in total. (Since our analysis relies on passenger data for the year ended June 30, 2001, it is not affected by the industry-wide passenger downturn caused by the terrorist attacks of September 11, 2001.) Coupled with the annual subsidy rate of \$1,133,415 to support the service, the subsidy per passenger is \$317, well in excess of the statutory cap of \$200. At the existing subsidy rate of \$1,133,415, the Utica/Rome-JFK market would have to generate 5,667 passengers a year to get below the \$200 subsidy limit. Given the continued presence of JetBlue and Southwest so close by, we do not see that as at all likely to happen.

Based on all of the above, we conclude that we are required to end subsidy payments for service at Utica/Rome and will tentatively terminate the subsidy eligibility of Utica/Rome after June 30, 2002.

Consistent with longstanding program policy, we will give the community 20 days from the date of service of this order to object to our tentative findings here. Interested carriers, including CommutAir, may of course provide scheduled service at Utica/Rome on their own initiative. Our action here simply makes Utica/Rome ineligible to receive subsidized air service. In order to allow for an orderly shutdown of service, we will continue to subsidize CommutAir for service it provides to Utica/Rome through June 30, 2002.

If CommutAir elects to suspend service, we expect the carrier to contact all passengers holding reservations for affected flights, to notify them of the termination of service and the availability of nearby air service, 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 tentatively terminate the subsidy eligibility of Utica/Rome, New York, after June 30, 2002, and allow Champaign Enterprises, Inc., d/b/a CommutAir, to terminate service at the community after that date;
2. We tentatively allow Champaign Enterprises, Inc., d/b/a CommutAir, to terminate all scheduled air service at Utica/Rome, New York, after June 30, 2002;

3. We direct all interested persons to show cause within 20 days of the date of service of this order why we should not make final the tentative findings and conclusions set forth in paragraph 1 above.⁴ If no objections are filed, all procedural steps will be deemed waived, and this order shall become effective on the 21st day following the date of service;

4. If we receive objections, we will require Champaign Enterprises, Inc., d/b/a CommutAir to continue providing service to Utica/Rome in accordance with Order 2001-3-31, until we issue a final order in the case. We will afford full consideration to the matters and issues raised in any timely and properly filed objections to this order;

5. This docket will remain open until further order of the Department; and

6. We will serve a copy of this order on the mayors of Utica and Rome, the manager of the Oneida County Airport, the New York Department of Transportation, the Governor of New York and CommutAir.

By:

READ C. VAN DE WATER

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>

⁴ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

Appendix A



Appendix B

Historical Enplanements at Utica/Rome

<u>Year</u>	<u>Number</u>	<u>Average per Day</u>
1997	13,272	42.4
1998	12,016	38.4
1999	8,200	26.1
2000	3,092	9.9
2001	997	3.2

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