



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

Issued by the Department of Transportation
on the 9th day of August, 2002

Essential air service at

DECATUR, ILLINOIS

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

Served: August 14, 2002

Docket OST-2002-11859

ORDER ESTABLISHING HOLD-IN RATE

Summary

By this order, the Department is establishing a final subsidy rate of \$487,050 annually for Trans States Airlines, Inc., d/b/a American Connection, for its ongoing essential air service Decatur, Illinois, the period from June 13, 2002, until further Department action.

Background

By Order 2002-4-20, April 25, 2002, the Department prohibited Trans States from discontinuing its scheduled air service at Decatur for a 30-day period after the carrier had filed a 90-day notice of intent to discontinue its service there as of June 13, 2002. Under the Department's order, Trans States was required to provide Decatur with 12 nonstop round trips a week to St. Louis with 30-seat Jetstream 41 aircraft.¹ The Department has since maintained Trans States' service obligation by a series of 30-day hold-in orders while processing a long-term carrier replacement case.

Although Trans States had been serving Decatur without subsidy, the carrier automatically became eligible for compensation beginning June 13, 2002, by virtue of the Department's requiring it to continue service beyond the end of the 90-day notice period.

Carrier Proposal

As a result of discussions with Department staff, Trans States had agreed to a final subsidy rate of \$487,050 annually for its ongoing hold-in service at Decatur.²

¹ See Appendix A for a map.

² Appendix B contains details of Trans States' compensation requirement.

Decision

After reviewing Trans States' proposed rate, we have concluded that it appears reasonable for the service at issue. We will therefore establish it as the final rate for the carrier's hold-in service at Decatur, beginning June 13, 2002, until further Department action.

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

ACCORDINGLY,

1. We set the final rate of compensation for Trans States Airlines, Inc., d/b/a American Connection, for the provision of essential air service at Decatur, Illinois, as described in Appendix C, for the period from June 13, 2002, until further Department action, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$396.30;³
2. We direct Trans States Airlines, Inc., d/b/a American Connection, 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;
3. This docket will remain open until further order of the Department; and
4. We will serve copies of this order on the mayor and airport manager of Decatur, Illinois; the Decatur Park District; the Illinois Division of Aeronautics; and Trans States Airlines, Inc. d/b/a American Connection.

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>*

³ See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

DECATUR, ILLINOIS



APPENDIX B

TRANS STATES AIRLINES, INC., d/b/a AMERICAN CONNECTION
 ANNUAL ESSENTIAL AIR SERVICE REQUIREMENT
 AT DECATUR, ILLINOIS
 (at 98 percent completion)

Block Hours		1,033 ^{1/}
Turns		615 ^{2/}
<u>Operating Revenue:</u>		
Passenger Revenue	18,282 psgrs at \$61.00	\$1,115,202
Other Revenue		<u>1,044</u>
Total Operating Revenue		\$1,116,246
<u>Direct Expenses:</u>		
Flying Operations	\$194.67 per block hour	\$ 201,094
Fuel	\$130.32 per block hour	134,621
Hull Insurance	\$18.12 per block hour	18,718
Maintenance	\$228.23 per block hour	235,762
Aircraft Rent	\$264.65 per block hour	<u>273,383</u>
Total Direct Expenses		\$ 863,578
<u>Indirect Expenses:</u>		
EAS Station Costs		\$ 176,214
EAS Landing Fees	\$17.48 per turn	10,750
Hub Station Costs		98,515 ^{3/}
Hub Landing Fees	\$40.78 per turn	25,080
Local Marketing		20,000
Commissions/Credit Cards	5.16% of psgr rev	57,544
Reservations	\$7.68 per psgr	140,406
Flight Attendants		46,456 ^{4/}
Liability Insurance		13,720 ^{5/}
Administration	\$72.30 per block hour	<u>74,686</u>
Total Indirect Expenses		\$ 663,371
Total Operating Expenses		\$1,526,949
Operating Loss		\$ 410,703
Profit Element	5% of Total Operating Expenses	\$ 76,347
Compensation Requirement		\$ 487,050

^{1/} 0.84 hrs x 4 dpts x 6 service days x 52 weeks x .985 completion = 1,033.

^{2/} 2 turns x 6 service days x 52 weeks x .985 completion = 615.

^{3/} \$2.10/psgr + \$97.76/turn, based on five months ended May 31, 2002.

^{4/} \$2.52 x (1,229 dpts x 30 seats)/2.

^{5/} \$0.0065799/ RPM + (\$0.00003/RPM + \$0.03/psgr) War Risk.

TRANS STATES AIRLINES, INC., d/b/a AMERICAN CONNECTION
ESSENTIAL AIR SERVICE AT DECATUR, ILLINOIS

EFFECTIVE PERIOD	June 13, 2002, until further Department action
SERVICE	12 nonstop round trips to St. Louis each week
AIRCRAFT TYPE	Jetstream 41 (30 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$396.30 <u>1/</u>
COMPENSATION CEILING EACH WEEK	\$9,511.20 <u>2/</u>

1/ Annual compensation of \$487,050 divided by 8,915 annual arrivals and departures at a 98.5 percent completion factor: 4 dpts x 6 service days x 52 weeks x .985 comp = 1,229

2/ Subsidy rate per arrival/departure of \$396.30 multiplied by 24 subsidy-eligible arrivals and departures each week.

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 plan 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 this rate, 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 this order 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.