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Order 2001-2-10



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

Served: February 14, 200

Issued by the Department of Transportation
on the 9th day of February, 2001

Essential air service at

SARANAC LAKE/LAKE PLACID,
NEW YORK

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

Docket OST-00-8025 -5

ORDER SELECTING CARRIER

Summary

By this order we are selecting Champlain Enterprises, Inc., d/b/a CommutAir to provide essential air service (EAS) at Saranac Lake/Lake Placid consisting of three nonstop round trips per day to Albany for \$631,353 annually.

Background

On September 12, 2000, CommutAir filed a 90-day notice of its intention to suspend its subsidy-free service at Saranac Lake/Lake Placid effective December 11, 2000. CommutAir provided three daily nonstop round trips to Albany with 19-seat Beech 1900D equipment. Order 2000-11-6 prohibited CommutAir from suspending its subsidy-free service at Saranac Lake/Lake Placid, effective December 11, 2000, required it to continue to provide three nonstop round trips a day to Albany, and requested proposals for replacement service. In response to that request for proposals, CommutAir submitted a proposal with one option for our consideration.

Proposal of CommutAir

The time allotted for carriers to file competing proposals has expired, and we have only one applicant in the case, CommutAir. It has submitted one option for our consideration.

Under its proposal, CommutAir would provide three nonstop round trips to Albany each weekday and 3 ½ nonstop round trips over each weekend. All service to Albany would be provided with 19-seat Beech 1900D aircraft. CommutAir requests \$631,353 annual subsidy for this service.

Decision

We have decided to select CommutAir. Saranac Lake/Lake Placid had subsidy-free essential air service for a number of years. Albany is the defined hub for Saranac Lake, and the community generates enough traffic that three round trips per day are consistent with the level of historical traffic. The only proposal was from the

incumbent, and its proposed service reflects a continuation of the existing service. We have informally discussed the circumstances with community officials. These officials are supportive of continued service by CommutAir, although they did express concern with the high fares passengers must pay, and concern that passengers are driving to low-fare service at Burlington, Vermont, and Albany. We ask the carrier to work with the community to address their concerns regarding fares. Nevertheless, we find both the service and subsidy levels proposed by CommutAir to be reasonable.

Carrier Fitness

49 U.S.C. 41738 and 41737(b) require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. The Department has discussed the fitness of CommutAir with the Federal Aviation Administration (FAA). Based on our review, we find that CommutAir has adequate financial and managerial resources to maintain reliable service at Saranac Lake/Lake Placid, and that it possesses a favorable compliance disposition. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that CommutAir is fit. Based on the above, we find that CommutAir is fit to provide the essential air transportation at issue in this case. CommutAir remains subject to the Department's continuing fitness monitoring.

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

ACCORDINGLY,

1. The Department selects CommutAir, Inc., d/b/a Continental Connection to provide essential air service at Saranac Lake/Lake Placid, New York, for the two-year period through January 31, 2003;
2. The Department sets the final rate of compensation for CommutAir for the provision of essential air service at Saranac Lake/Lake Placid, New York, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed each month between Saranac Lake/Lake Placid and Albany, by \$338.35;¹
4. We find that CommutAir Airlines, Inc., continues to be fit, willing, and able to provide reliable air service at Saranac Lake/Lake Placid, New York;

¹ See Appendix C for calculations.

5. We direct CommutAir, 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 the 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. This docket will remain open until further order of the Department; and

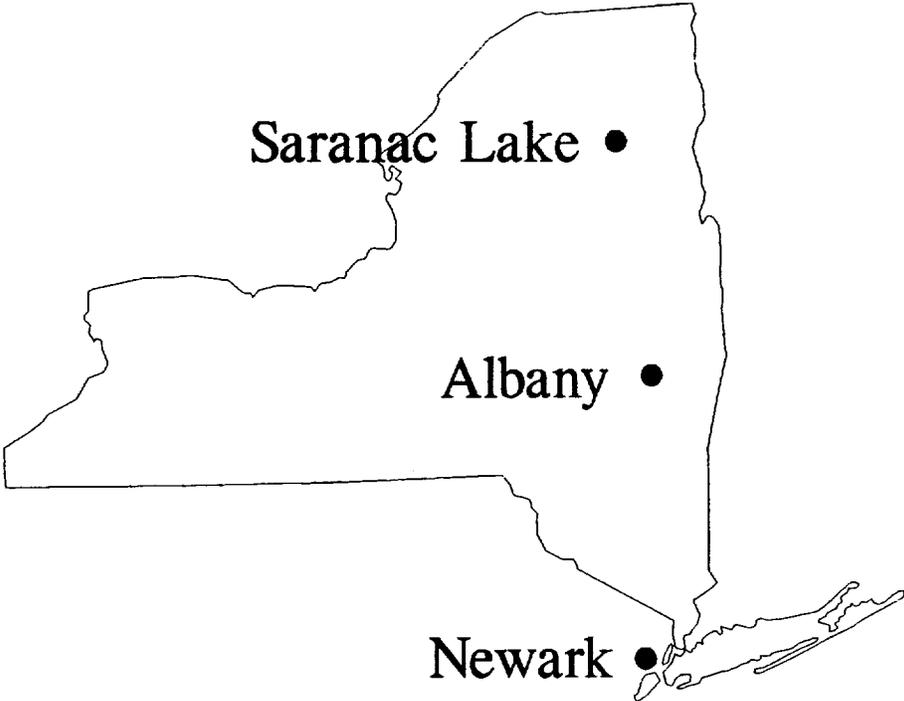
7. We will serve a copy of this order on the Mayor and airport manager of Saranac Lake and Lake Placid, New York, the New York Department of Transportation, and CommutAir.

By:

Susan McDermott
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>*



Mileages

Saranac Lake - Albany	115
Saranac Lake - Newark	254

Appendix B

Essential Air Service to be Provided at Saranac Lake/Lake Placid,
Docket 8025

	<u>Saranac Lake/ Lake Placid</u>
Total passengers	9,972
Avg. Fare	\$81.07
Pax. Revenue	\$808,430 1/
<u>Frt. Rev. @ 1%</u>	<u>\$8,084</u>
Total Revenue	\$816,514
Blk. Hours @ 97%	1,369 2/
Flights @ 97%	1,866 2/
RPMs	1,146,780
Crew & Training @ \$124.30 hr.	\$170,167
Hull Ins. @ \$8.68/hr.	\$11,883
Fuel & Oil @ \$140.76/hr.	\$192,700
Supplies & Dispatch @ \$7.27/hr.	\$9,953
Maintenance @ \$130.70/hr.	\$178,928
<u>Depreciation @ \$117.32/hr.</u>	<u>\$160,611</u>
Total Directs	\$724,242
Station 3/	\$240,423
Ldg. & A/C svc., per ldg.	\$52,155
Res. @ \$15.77/pax.	\$157,258
Pax. Liab. Ins. @ \$.005031/RPM	\$5,769
<u>Administrative @ 2.98%</u>	<u>\$35,159</u>
Total Indirects	\$490,764
Total Operating	\$1,215,006
Interest Exp. @ \$125.72/hr.	\$172,111
<u>Profit @ 5%</u>	<u>\$60,750</u>
Total Economic	\$1,447,867
Annual Subsidy @ 97%	\$631,353

1/ SLK-ALB: 9,972 pax. @ \$81.07.

2/ SLK-ALB: 37 flts./week x 44 min. x 52 weeks x .97/60 = 1,369 hrs.; 1,866 flights.

3/ Includes promotion.

**COMMUTAIR, INC., ESSENTIAL AIR SERVICE AT
SARANAC LAKE/LAKE PLACID, NEW YORK, DOCKET 00-8025**

EFFECTIVE PERIOD: December 11, 2000, through January 31, 2003

SCHEDULED PASSENGER SERVICE: 18.5 nonstop round trips each week to Albany.

AIRCRAFT TYPE: Beech 1900D, 199-seats.

TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation

SUBSIDY RATE PER FLIGHT: \$338.35 ¹

COMPENSATION CEILING EACH WEEK: \$12,518.95 ²

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 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.

¹ Annual compensation of \$631,353 divided by the estimated annual completed departures and arrivals at a 97 percent completion factor: 37 flights x 52 weeks x .97 = 1,866 total.

² Subsidy rate per arrival/departure of \$338.35 multiplied by 37 subsidy-eligible flights each week.