

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



Issued by the Department of Transportation
on 14th day of June, 2002

Essential Air Service at

ALTOONA, PENNSYLVANIA
JOHNSTOWN, PENNSYLVANIA

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

Docket OST-02-11446
Docket OST-02-11451

ORDER SETTING FINAL RATES

Summary

By this order we are setting short-term final subsidy rates, effective May 1, 2002, for Chautauqua Airlines' "hold-in" essential air service (EAS) at Altoona and Johnstown, Pennsylvania, until further Department action.

Discussion

On January 31, 2002, Chautauqua Airlines filed 90-day notices to suspend its subsidy-free EAS at Altoona and Johnstown, Pennsylvania. Order 2002-4-6, April 5, 2002, required Chautauqua to continue providing EAS to these communities, consisting of at least three nonstop round trips per day to Pittsburgh.

Because Chautauqua is in the process of converting to an all-jet fleet, it is not interested in submitting a long-term proposal to continue to serve these communities. Nevertheless, Chautauqua is entitled to be compensated until replacement service is secured.

The rates we have agreed to are based on Chautauqua's system average unit costs for direct operating expenses for its Saab 340 fleet and its system indirect expenses for calendar year 2001, with an adjustment for higher insurance costs, and they appear reasonable. We will continue to process the long-term proposals submitted by Colgan Air and Shuttle America.

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

ACCORDINGLY,

1. The Department sets the final subsidy rate for Chautauqua Airlines, Inc., for the provision of essential air service at Altoona, Pennsylvania, as described in Appendix C-1, 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 during the month to Pittsburgh by \$519.32;¹
2. The Department sets the final subsidy rate for Chautauqua Airlines, Inc., for the provision of essential air service at Johnstown, Pennsylvania, as described in Appendix C-2, 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 during the month to Pittsburgh by \$443.30;²
3. We direct Chautauqua 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 thereof 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; and
4. The Department will serve copies of this order on the Governor of Pennsylvania, the Department of Transportation, Bureau of Aviation of the Commonwealth of Pennsylvania, and Chautauqua Airlines, Inc.

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>

¹ See Appendix C-1 for calculation.

² See Appendix C-2 for calculation.

MAP



Order 2002-6-5
Served: June 19, 2002

Appendix B

Chautauqua Airlines, Inc., Essential Air Service at Altoona and
 Johnstown, Pennsylvania, Dockets 11446 and 11451

	<u>Johnstown</u>	<u>Altoona</u>
Round Trips	19/week	19/week
Miles To Pittsburgh	75	102
Block Hours	1,3422/	1,5723/
Departures	1,9172/	1,9173/
Passengers	29,709	24,032
Net Fare	\$48	\$58
RPMs	2,228,175	2,451,264
Pax. Revenue.	\$1,426,032	\$1,393,856
<u>Other Rev. @ 1.7%</u>	<u>\$24,243</u>	<u>\$23,696</u>
Total Revenue	\$1,450,275	\$1,417,552
Crew & Training @\$205.29	\$275,499	\$322,716
Fuel @ \$131.15	\$176,003	\$206,168
Maintenance @ \$337.50	\$452,925	\$530,550
Lease, Tax, Depr. @ \$166.70	\$223,711	\$262,052
<u>Insurance @ \$10.37</u>	<u>\$13,917</u>	<u>\$16,302</u>
Total Directs	\$1,142,055	\$1,337,788
Station @ \$192.72/wtd. dep.	\$369,444	\$369,444
Commissions @ 2.7%	\$38,503	\$37,634
Pax. Fees @ \$16.77/pax.	\$498,220	\$403,017
War Risk Insurance 1/	\$53,094	\$45,771
<u>Overhead @ \$66.49/hr.</u>	<u>\$89,230</u>	<u>\$104,522</u>
Total Indirects	\$1,048,491	\$960,388
Total Operating	\$2,190,546	\$2,298,176
<u>Profit @ 5%</u>	<u>\$109,527</u>	<u>\$114,909</u>
Economic Costs	\$2,300,073	\$2,413,085
Subsidy @ 97%	\$849,798	\$995,533

1/ Hull insurance plus liability insurance at \$1.25/passenger and \$7.50/departure.

2/ 38 flts./week x .7 hrs. x .97 x 52 weeks = 1,342 hrs.; 1,917 depts., 958 turns.

3/ 38 flts./week x .82 hrs. x .97 x 52 weeks = 1,572 hrs.; 1,917 depts., 958 turns.

**Chautauqua Airlines, Inc., Essential Air Service to be Provided to Altoona, Pennsylvania,
Docket 11446**

Effective Period: May 1, 2002, until further Department action.

Scheduled Service:

19 nonstop round trips each week to Pittsburgh.

Aircraft: 30-seat Saab 340

Subsidy Rate per Pittsburgh Flight: \$519.32 ¹

Weekly Compensation Ceiling: \$19,734.16 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 \$995,533 annual compensation, divided by 1,917 annual one-way flights at Altoona, calculated as follows:
38 flights/week*52 weeks*.97 completion. One-stop flights will be compensated at ½ the nonstop rate per flight.

² 38 flights per week x \$519.32 = \$19,734.16.

**Chautauqua Airlines, Inc., Essential Air Service to be Provided to Johnstown,
Pennsylvania, Docket 02-11451**

Effective Period: May 1, 2002, until further Department action.

Scheduled Service:

19 nonstop round trips each week to Pittsburgh.

Aircraft: 30-seat Saab 340

Subsidy Rate per Pittsburgh Flight: \$443.30 ¹

Weekly Compensation Ceiling: \$16,845.40 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.

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