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Order 2001-3-20

Served: March 21, 2001

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

Issued by the Department of Transportation
on the 16th day of March, 2001

Essential Air Service at **PAGE, ARIZONA** **VERNAL, UTAH** **MOAB, UTAH** under 49 U.S.C. 41731 *et seq.*	**Dockets OST-1997-2694-17** **OST 1997-2706-16** **OST-1997-2827-32**

ORDER SELECTING CARRIER AND SETTING FINAL RATES

Summary

On November 3, 2000, Sunrise Airlines ceased providing all scheduled service leaving the communities of Page, AZ; Ely, NV; Vernal, UT; and Moab, UT, with no scheduled air service.[1] By this order we are Selecting Great Lakes Aviation to provide replacement essential air service at Page, Vernal and Moab for a two-year period. The selection decision for Ely will be dealt with in a separate order.[2]

Background

Page: By Order 2000-2-9, issued February 7, 2000, Sunrise Airlines, Inc., (Sunrise) was selected to continue providing essential air service at Page. Subsidy was set at an annual rate of $686,014, for the period April 1, 2000, through March 31, 2002, for 21 nonstop round trips per week to Phoenix during the six-month peak period beginning on or about May 1, and for 15-nonstop round trips per week during the six-month off-peak period beginning on or about November 1. Service was to be provided with Jetstream aircraft with 13 available passenger seats.

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1 See Appendix A for a map.

2 By Order 2001-1-20, January 26, 2001, we resolicited proposals for replacement service at Ely.

Vernal: By Order 2000-4-17, issued April 18, 2000, Sunrise was selected to provide essential air service at Vernal. Subsidy was set at an annual rate of $594,706, for the two-year period beginning upon commencement of service, through May 31, 2002, for 18 nonstop round trips per week to Salt Lake City, with 13-seat Jetstream aircraft.

Moab: By Order 98-7-1, issued July 1, 1998, Redtail Aviation, Inc. was selected to provide essential air service at Moab, Utah. By Order 99-6-13, the Department confirmed that Sunrise was obligated to provide essential air service at Moab as the successor-in-interest to Redtail Aviation. Subsidy was set by Order 99-6-13 at an annual rate of $595,373 for peak, off-peak and shoulder service that averaged three round trips a day to Salt Lake City, also with Jetstream aircraft.

Carrier Shutdown

On November 3, 2000, Sunrise notified the Department that all of its aircraft were being repossessed by their owner and that it would be ceasing all scheduled operations at the end of that day.

Request for Proposals

Because Sunrise's cessation of operations left Page, Vernal, Moab and Ely without any air service, we immediately issued Order 2000-11-4 on an expedited basis requesting proposals for replacement essential air service.[3]

Carrier Proposals

In response to our request, five carriers submitted proposals offering a number of service options and aircraft types. Sunrise and Casino Airlines submitted proposals for service to all four communities (including Ely); Great Lakes Aviation submitted proposals for Vernal, Page and Moab; Arrow West submitted a proposal for Moab only; and Classic Aviation submitted a proposal for Page only.

Great Lakes

Page: The carrier requests $1,251,977 per year for 12 nonstop round trips each week to Phoenix from November through April, and 24 nonstop round trips each week to Phoenix from May through October, with 19-seat Beech 1900D aircraft. If it is also selected to serve Moab, for operational reasons, Great Lakes would initially provide Page with one one-stop round trip each day to Denver, although Page would only be guaranteed service to Phoenix.

Vernal: The carrier requests $1,102,967 per year for 18 nonstop round trips each week to Denver with 19-seat Beech 1900D aircraft.

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[3] Department of Transportation Order 2000-11-4, issued November 7, 2000.

Moab: The carrier requests $971,444 per year for twelve nonstop round trips each week to Denver with 19-seat Beech 1900D aircraft. If it is also selected to serve Page, for operational reasons, Great Lakes would initially provide Moab with one one-stop round trip each day to Phoenix, although Moab would only be guaranteed service to Denver.

These service proposals would be for a one-year period, but could be extended for one additional year at the mutual agreement of Great Lakes and the Department.[4]

Casino Airlines

Page: The carrier requests $896,188 per year for service consisting of three nonstop round trips each weekday and over each weekend to Las Vegas during the 26-week peak summer season, and two nonstop round trips each weekday and three over each weekend to Las Vegas during the 26-week off-peak season, with 19-seat Beech 1900D aircraft. (Service for a brief start-up period may be provided with 19-seat Jetstream aircraft.)

Vernal and Moab: Casino also submitted proposals for both Vernal and Moab. However, it stated in its proposals that it would provide service at those communities only if it is also selected to serve Ely, NV. Casino is currently not providing scheduled air service, nor does it have the requisite operating authority from the Department to provide scheduled air service. We are dealing with the selection decision for Ely on a separate procedural track, as no operating carriers have proposed to serve Ely. Thus, Casino's proposals for Vernal and Moab are not presented here.

Sunrise Airlines

Page: The carrier requests $877,398 for 21 nonstop round trips each week to Phoenix during the 26-week peak season; and 13 nonstop round trips each week to Phoenix during the 26-week off-peak season, with 13-seat Jetstream aircraft.

Vernal: The carrier requests $826,584 per year for eighteen nonstop round trips each week to Salt Lake City with 13-seat Jetstream aircraft.

Moab: The carrier requests $800,256 for 21 nonstop round trips each week to Salt Lake City during the 16-week peak season; and 7 nonstop round trips each week to Salt Lake City during the 36-week off-peak season, with 13-seat Jetstream aircraft.

Sunrise would provide service to Vernal and/or Moab only if it were also selected to serve Page.

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[4] Because of the unusual circumstances surrounding this proceeding, including the service hiatus following the departure of Sunrise Airlines and the contemplated change of hubs proposed by Great Lakes at some communities, the revenue forecasts are difficult to make with a high degree of confidence. Thus, the carrier is reluctant to agree up-front to more than a one-year rate.

Arrow West

Moab only: The carrier requests $883,889 per year for three nonstop round trips each day, seven days a week, to Salt Lake City during the 26-week peak season, and twelve nonstop round trips per week to Salt Lake City during the 26-week off-peak season, with 9-seat, pressurized, two-pilot, Cessna 421 aircraft.

Classic Aviation

Page only: Option A - The carrier requests $684,690 per year for two nonstop round trips each day, seven days a week, to Salt Lake City, during the 26-week peak period, and one nonstop round trip each day, seven days a week, to Salt Lake City, during the 26-week off-peak period, with 9-seat, pressurized-turboprop, single-pilot, Beech King Air aircraft.

Page only: Option B - The carrier requests $989,904 per year for two nonstop round trips each day, seven days a week, year-round, to Salt Lake City, with 9-seat, pressurized-turboprop, single-pilot, Beech King Air aircraft.

Community and State Comments

Page: The City of Page has advised the Department that, by a unanimous vote, the Page City Council has recommended the selection of Great Lakes to provide essential air service at the community. The City states that its primary service area is Phoenix and only Great Lakes and Sunrise offer to serve Phoenix. It prefers Great Lakes over Sunrise because of Great Lakes' superior aircraft, code sharing arrangements, its ability to accommodate a greater number of passengers at the lowest one-way fare, and because Great Lakes offers one flight per day to Denver (over Moab) which will provide Page and Moab travelers access to other markets without having to back-fly to those destinations. The City notes that Sunrise is not currently operating and needs to re-establish its fitness, and that its 13-seat Jetstream aircraft is restricted to 7 available seats in the heat of the peak summer tourist season.

Vernal: The Vernal City Council, the Uintah County Commission, and the Vernal/Uintah County Airport Board jointly support the selection of Great Lakes to provide essential air service from Vernal to Denver. The parties state that, although the majority of air service passengers polled prefer service to Salt Lake City, Great Lakes' stability and ability to perform outweighs the preference for Salt Lake City service. Also, the parties state that the service proposals of other carriers are contingent upon being able to re-establish fitness as a commuter, and also being selected at another community. Because Vernal is a business and shopping center for much of northeastern Utah, and a popular tourist destination, the parties state that air service needs to be restored as soon as possible.

The parties also prefer Great Lakes' Beech 1900D aircraft over the Jetstream aircraft proposed by Sunrise because the Beech has better flight performance for the community's altitude and summer temperatures, when operating at, or near, full load conditions.

Moab: The Grand County Council supports the selection of Great Lakes to provide service to Moab. The Council states that since Moab has become an international destination, service to and from Denver would expose an even bigger market to the community. The Council also states that it has a brand new terminal and excellent facilities at Canyonlands Field and, to facilitate the success of Great Lakes' new service, promises to work closely with the carrier to explore marketing options and other ways to expand enplanement numbers.

Selection Decision

After careful consideration of this matter, including the comments of the communities, we have decided to select Great Lakes to provide essential air service at Page, Vernal and Moab. We find that the agreed-to service and subsidy levels for each community are reasonable for the level of service to be provided. Under the Department's governing statutes, 49 U.S.C. 41733(c), we are required to consider, among other things, the applicants' operating experience, their marketing arrangements to ensure service beyond the hub, and the community's views.

In our order requesting proposals, we stated that we would place great importance on how quickly each of the applicants would be able to commence operations. Of the five applicants in this case, only Great Lakes is an operating commuter carrier with the requisite authority to commence service immediately.[5] Although Casino and Sunrise had previously been found fit by the Department to provide service as commuter air carriers, they have both ceased scheduled operations and are currently undergoing a reviews to re-establish their fitness to operate as commuters. Arrow West and Classic Aviation are registered air taxi operators and, as such, are neither providing scheduled air service nor do they have the requisite authority from the Department to provide such service.

Moreover, we find that the service proposed by Great Lakes is clearly superior to that proffered by the other carriers. Great Lakes operates a fleet of 19-seat Beech 1900D aircraft, and only Casino proposes service with this size aircraft.

At Page, Great Lakes' proposal provides for service to Phoenix, its traditional hub, and the community prefers service to Phoenix. Casino would provide service to Las Vegas, and Classic would provide service to Salt Lake City, neither destination being the first choice of the community. Although Sunrise also proposes service to Phoenix with comparable frequencies, it is with a smaller capacity aircraft. In addition, with its selection also at Moab, Great Lakes would also provide Page with one-stop service to Denver.

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[5] Great Lakes also provides subsidized essential air service at communities in Colorado, Illinois, Iowa, Kansas, Michigan, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming.

At Vernal, Great Lakes' proposal for service to Denver is superior to Sunrise's for service to Salt Lake City because of the better aircraft, and because Denver offers more connecting opportunities to the national air transportation system than does Salt Lake City. Further, Great Lakes' code-share relationship with United Air Lines provides on-line connections.

At Moab, Great Lakes is also the preferred choice because of its larger aircraft, and because it would provide Moab with service to Denver and also access to Phoenix (over Page).

At all three communities, Great Lakes is clearly the carrier of choice. As we previously stated, in making a carrier selection decision, we are required by statute to consider, among other things, the community views, the carrier's relative operating experience, and the marketing alliances at the hub to allow for through service beyond the hub. In all three of these statutorily-related criteria, Great Lakes' proposal is superior: (1) it has the support of all three communities; (2) it is the only carrier currently operating scheduled air service; and (3) United has a large connecting complex at Denver and Great Lakes' United code-share offers the full panoply of service—interline ticketing, joint fares, schedules coordinated with United to minimize connecting times at the hub, etc. In the case of Page-Phoenix service, we acknowledge that United does not have a connecting hub at Phoenix. However, none of the other applicants for Page are even operating, and if they were to become operational, they would have no code-share arrangements at all.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. We last reviewed Great Lakes' fitness in Order 2000-12-26, December 28, 2000, in accordance with its selection to provide subsidized essential air service at Cortez, Colorado. Since that time, no information has come to our attention that would lead us to question the carrier's ability to operate in a reliable manner. 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 Great Lakes is fit. Based on the above, we find that Great Lakes is fit to provide the essential air transportation at issue in this case.

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

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., to provide essential air service at Page, Arizona, Vernal, Utah, and Moab, Utah as described in Appendix B, for a one-year period beginning when the carrier commences service;

2. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., for the provision of essential air service at Page, Arizona, as described in Appendix B, for the

one-year period beginning when the carrier commences service, 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 set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by $682.28;[6]

3. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., for the provision of essential air service at Vernal, Utah, as described in Appendix C, for the one-year period beginning when the carrier commences service, 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 set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by $601.07;[7]

4. The Department sets the final rate of compensation for Great Lakes Aviation, Ltd., for the provision of essential air service at Moab, Utah, as described in Appendix D, for the one-year period beginning when the carrier commences service, 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 set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by $794.31;[8]

5. We direct Great Lakes Aviation, Ltd., 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;

6. We find that Great Lakes Aviation, Ltd., continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Page, Arizona, Vernal, Utah, and Moab, Utah; and

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[6] See Appendix B 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.

[7] 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.

[8] See Appendix D 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.

7. We will serve a copy of this order on the mayors and airport managers of Page, Vernal, and Moab; the Governors of Arizona and Utah; the Arizona and Utah Departments of Transportation; Great Lakes Aviation, Sunrise Airlines, Casino Airlines, Classic Aviation and Arrow West.

By:

SUSAN MCDERMOTT
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

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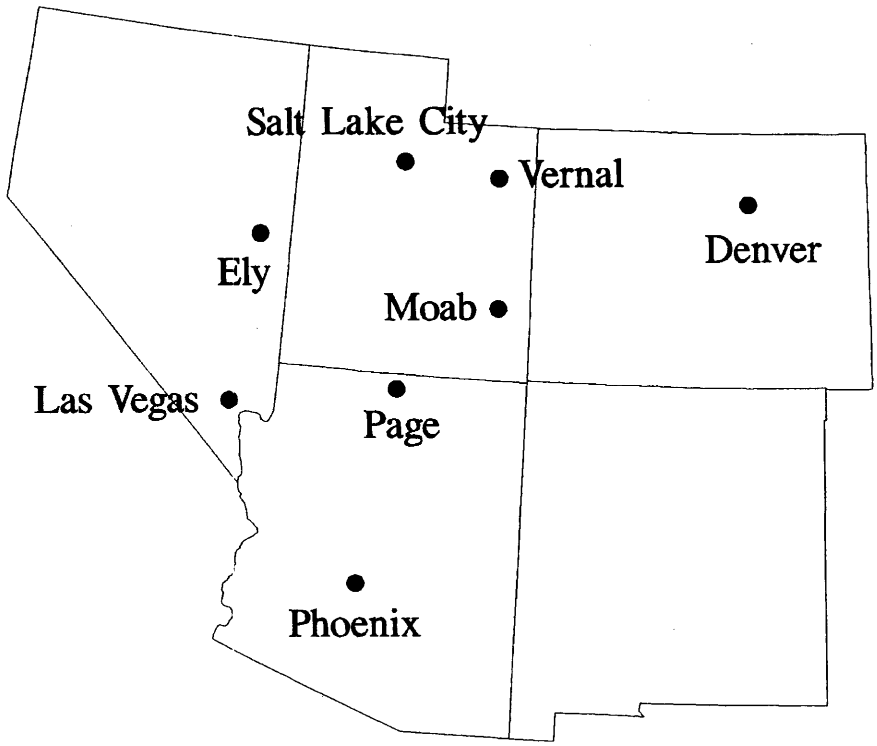
AREA MAP


Salt Lake City
Vernal
Denver
Ely
Moab
Las Vegas
Page
Phoenix

**GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
PAGE, ARIZONA**

Effective Period:	Date of inauguration of service, through the final day of the twelfth month thereafter, subject to extension for an additional year at the mutual agreement of the carrier and the Department
Service:	12 nonstop round trips each week to Phoenix from November through April, and 24 nonstop round trips each week to Phoenix from May through October (up-line service permitted)
Aircraft:	Beech 1900D (19-seat)
Timing of Flights:	Flights must be well timed and well spaced to ensure full compensation.
Subsidy Rate:	Per year - $1,251,977 Per flight - $682.28 [1]
Weekly Compensation Ceiling:	Nov. through Apr.: $16,374.72 [2] May through Oct.: $32,749.44 [3]

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 parities 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.

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1 Annual compensation of $1,251,977, divided by the estimated number of annual completed flights (1,835), calculated as follows: Nov.-Apr. - 24 flights per week x 26 weeks x .98 = 612
May-Oct. – 48 flights per week x 26 weeks x .98 = 1,223

2 The subsidy rate per flight ($682.28) multiplied by the number of scheduled subsidy-eligible flights per week (24).

3 The subsidy rate per flight ($682.28) multiplied by the number of scheduled subsidy-eligible flights per week (48).

GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
PAGE, ARIZONA
Calculation of Compensation Requirement

Departures:	PGA-PHX	1,849	Mileages:	PGA-PHX	243
	PGA-CNY	715		PGA-CNY	157
	Total	2,564			
				Flight hours	2,113
Block hours	PGA-PHX	2,108			
	PGA-CNY	536		Available seat-miles	10,669,678
	Total	2,644		Revenue passenger-miles	3,996,000

Operating revenue:						
Passenger	12,000	PGA-PHX passengers @ $94.00 average fare				$1,128,000
	2,000	PGA-DEN passengers @ $110.00 average fare				220,000
	500	CNY-PHX passengers @ $97.00 average fare				48,500
	14,500	Subtotals				$1,396,500
Other	0.0062	of passenger revenue of $1,396,500				8,658
Total operating revenue						$1,405,158
Operating expense:						
Direct operating expense:						
Flying operations		$106.66	per block hour	2,644		$282,009
Flying operations		$19.7041	per departure	2,564		50,521
Hull insurance		$4,100	12 months	0.3393	0.90	15,024
Fuel & Oil: PGA-PHX		$2.085	1,849	149 gallons		574,420
Fuel & Oil: PGA-CNY		$2.085	715	115 gallons		171,439
Maintenance (a)		$90.20	per departure	2,564		231,273
Maintenance (b)		$109.47	per flight hour	2,113		231,310
Aircraft lease		$34,504	12 months	0.90		372,643
Total direct operating expense						$1,928,639

Indirect operating expense:				
PGA facility lease	$1,200	12	Months	$14,400
PGA landing fees	$400	12	Months	4,800
PGA deicing charge	$125.	115	Estimated apps.	14,375
PGA local marketing				5,000
PGA station manager				26,000
PGA station agent	$20,800	2	Agents	41,600
Flight crew overnight expense	$230	358		82,340
PHX cost per turn	$125	925	DEN departures	115,625
DEN airport baggage system fees	$1.46	1,000	DEN enplanements	1,460
DEN airport terminal transit system fee	$1.45	1,000	DEN enplanements	1,450
DEN United baggage system fee	$4.68	1,000	DEN enplanements	4,680
Liability insurance	$0.00261	3,996,000	Revenue pass-miles	10,430
Passenger-related	$10.2535	14,500	Total passengers	148,676
Administrative	$0.01229	10,669,678	Available seat-miles	131,130
Total indirect operating expense				$601,966

Total operating expense				$2,530,605
Operating loss				$1,125,447
Profit element	0.05	$2,530,605	Total operating expense	126,530
Compensation requirement				$1,251,977

**GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
VERNAL, UTAH**

Effective Period: Date of inauguration of service, through the final day of the twelfth month thereafter, subject to extension for an additional year at the mutual agreement of the carrier and the Department

Service: 18 nonstop round trips each week to Denver (up-line service permitted)

Aircraft: Beech 1900D (19-seat)

Timing of Flights: Flights must be well timed and well spaced to ensure full compensation.

Subsidy Rate: Per year - $1,102,967
Per flight - $601.07 [1]

Weekly Compensation Ceiling: $21,638.52 [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 parities 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.

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1 Annual compensation of $1,102,967, divided by the estimated number of annual completed flights (1,835), calculated as follows: 36 flights per week x 52 weeks x .98 = 1,835

2 The subsidy rate per flight ($601.07) multiplied by the number of scheduled subsidy-eligible flights per week (36).

GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
VERNAL, UTAH
Calculation of Compensation Requirement

Mileage:	VEL-DEN	260
Departures:		1,840
Block hours		2,300
Flight hours		1,838
Available seat-miles		9,089,600
Revenue passenger miles		2,340,000

Operating revenue:			
Passenger	9,000	VEL-DEN passengers @ $115.00 average fare	$1,035,000
Other	0.0062	of passenger revenue of $1,035,000	6,417
Total operating revenue			$1,041,417

Operating expense:					
Direct operating expense:					
Flying operations	$106.66	per block hour	2,300		$245,318
Flying operations	$19.7041	per departure	1,840		36,256
Hull insurance	$4,100	12 months	0.3393	0.75	12,520
Fuel & Oil: VEL-DEN	$1.407	1,840	155 gallons		401,276
Maintenance (a)	$90.20	per departure	1,840		165,968
Maintenance (b)	$109.47	per flight hour	1,838		201,206
Aircraft lease	$34,504	12 months	0.75		310,536
Total direct operating expense					$1,373,080

Indirect operating expense:				
VEL facility lease	$870	12	Months	$10,440
VEL landing fees	$2.50	920	VEL departures	2,300
VEL deicing charge	$125	115	Estimated apps.	14,375
VEL local marketing				5,000
VEL station manager				26,000
VEL station agent	$20,800	2	Agents	41,600
Flight crew overnight expense	$230	358		82,340
DEN cost per turn	$264	920	DEN departures	242,880
DEN airport baggage system fees	$1.46	4,500	DEN enplanements	6,570
DEN airport terminal transit system fee	$1.45	4,500	DEN enplanements	6,525
DEN United baggage system fee	$4.68	4,500	DEN enplanements	21,060
Liability insurance	$0.00261	2,340,000	Revenue pass-miles	6,107
Passenger-related	$10.2535	9,000	Total passengers	92,282
Administrative	$0.01229	9,089,600	Available seat-miles	111,711
Total indirect operating expense				$669,190

Total operating expense				$2,042,270
Operating loss				$1,000,853
Profit element	0.05	$2,042,270	Total operating expense	102,114
Compensation requirement				$1,102,967

GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
MOAB, UTAH

Effective Period:	Date of inauguration of service, through the final day of the twelfth month thereafter, subject to extension for an additional year at the mutual agreement of the carrier and the Department
Service:	12 nonstop round trips each week to Denver (up-line service permitted)
Aircraft:	Beech 1900D (19-seat)
Timing of Flights:	Flights must be well timed and well spaced to ensure full compensation.
Subsidy Rate:	Per year - \$971,444 Per flight - \$794.31 [1]
Weekly Compensation Ceiling:	\$19,063.44 [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 parities 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.

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1 Annual compensation of \$971,444, divided by the estimated number of annual completed flights (1,223), calculated as follows: 24 flights per week x 52 weeks x .98 = 1223

2 The subsidy rate per flight (\$794.31) multiplied by the number of scheduled subsidy-eligible flights per week (24).

GREAT LAKES AVIATION, LTD.
ESSENTIAL AIR SERVICE AT
MOAB, UTAH
Calculation of Compensation Requirement

Mileage:	CNY-DEN	283				
Departures:		1,226				
Block hours		1,646				
Flight hours		1,316				
Available seat-miles		6,592,202				
Revenue passenger-miles		1,415,000				
Operating revenue:						
Passenger	5,000	CNY-DEN passengers @ $92.00 average fare				$460,000
Other	0.0062	of passenger revenue of $460,000				2,852
Total operating revenue						$462,852
Operating expense:						
Direct operating expense:						
Flying operations	$106.66	per block hour	1,646			$175,562
Flying operations	$19.7041	per departure	1,226			24,157
Hull insurance	$4,100	12 months	0.3393	0.55		9,181
Fuel & Oil: CNY-DEN	$1.320	1,226	163 gallons			263,786
Maintenance (a)	$90.20	per departure	1,226			110,585
Maintenance (b)	$109.47	per flight hour	1,316			144,063
Aircraft lease	$34,504	12 months	0.55			227,726
Total direct operating expense						$955,060

Indirect operating expense:				
CNY facility lease	$400	12	Months	$4,800
CNY deicing charge	$125	134	Estimated apps.	16,750
CNY local marketing				5,000
CNY station manager				26,000
CNY station agent	$20,800	2	Agents	41,600
DEN cost per turn	$264	613	DEN departures	161,832
DEN airport baggage system fees	$1.46	2,500	DEN enplanements	3,650
DEN airport terminal transit system fee	$1.45	2,500	DEN enplanements	3,625
DEN United baggage system fee	$4.68	2,500	DEN enplanements	11,700
Liability insurance	$0.00261	1,415,000	Revenue pass-miles	3,693
Passenger-related	$10.2535	5,000	Total passengers	51,268
Administrative	$0.01229	6,592,202	Available seat-miles	81,018
Total indirect operating expense				$410,936

Total operating expense				$1,365,996
Operating loss				$903,144
Profit element	0.05	$1,365,996	Total operating expense	68,300
Compensation requirement				$971,444