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

Issued by the Department of Transportation
on the 17th day of September, 2001

Essential Air Service at

**Devils Lake, North Dakota,
Jamestown, North Dakota, and
Brookings, South Dakota**

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

Docket OST-1997-2785-6

ORDER TO SHOW CAUSE

Summary

By this order, the Department is tentatively reselecting Great Lakes Aviation, Ltd., to provide basic essential air service at Devils Lake and Jamestown, North Dakota, for \$1,587,733 in annual subsidy, and at Brookings, South Dakota, for \$849,386 in annual subsidy, for the period of May 1, 2001, through December 31, 2002.

Background

Great Lakes has provided subsidized essential air service at Devils Lake, Jamestown, and Brookings for a number of years, most recently under the service and subsidy terms of Order 99-4-7, April 12, 1999. That order called for the provision of three round trips a day, six days a week, to Minneapolis/St. Paul with 19-seat Beech 1900 aircraft. The subsidy rates of \$1,226,778 for Devils Lake and Jamestown and \$881,662 for Brookings authorized by Order 99-4-7 expired on April 30, 2001.

As is our customary procedure, we contacted Great Lakes when the end of the selection period at these three communities was approaching and requested that, if the carrier found that subsidy was necessary for its continued service at the community, it submit a proposal to the Department. Great Lakes responded by submitting and negotiating with us proposals summarized as follows:

Devils Lake and Jamestown: Great Lakes proposes to continue providing the current level of service consisting of three round trips each weekday and each weekend to Minneapolis/St. Paul over the routing Devils Lake-Jamestown-Minneapolis/St. Paul with

19-passenger Beechcraft 1900D aircraft for a subsidy rate of \$1,587,733 annually¹ for the period of May 1, 2001, through December 31, 2002.

Brookings (Two round trip option): Great Lakes proposes to provide two nonstop round trips each weekday and each weekend to Minneapolis/St. Paul with 19-passenger Beechcraft 1900D aircraft for a subsidy rate of \$849,386 annually² for the period of May 1, 2001, through December 31, 2002.

Brookings (Three round trip option): Great Lakes proposes to provide three nonstop round trips each weekday and each weekend to Minneapolis/St. Paul with 19-passenger Beechcraft 1900D aircraft for a subsidy rate of \$1,229,534 annually for the period of May 1, 2001, through December 31, 2002.

Starting in the later half of 1999, as a result of the pilot shortage that was plaguing the industry at the time, Great Lakes unilaterally reduced the amount of service it was providing at a number of communities, including Devils Lake, Jamestown, and Brookings, from three round trips each weekday and each weekend, to two round trips. Although the carrier has subsequently reinstated the three-round-trip service level at Devils Lake and Jamestown, it has not done so at Brookings.

Tentative Selection Decision

We have tentatively decided to reselect Great Lakes to provide essential air service at Devils Lake, Jamestown, and Brookings for the period of May 1, 2001, through December 31, 2002. It has been a consistent program practice to make carrier selections and to set prospective subsidy rates for a two-year period, and we have no intention of deviating significantly from this practice. We are making this selection for less than a two-year period to accommodate the carrier's wish to conform the expiration dates of these rates with that of the current rate for Huron, South Dakota, set by Order 2000-12-24, December 26, 2000. (Great Lakes serves Brookings over the routing of Huron-Brookings-Minneapolis/St. Paul.)

Although we would wish to reinstate three-round-trip service at Brookings, the carrier's three-round-trip proposal option, which is driven mainly by recent cost increases, is simply too costly for us to do so, particularly in light of the essential air service program's current funding level. Moreover, the two-round-trip option provides ample capacity to accommodate historical traffic levels. We would, however, be receptive to competing service proposals that would offer three round trips to Brookings at an annual subsidy rate comparable to that of Great Lakes' two-round-trip option (the option that we are tentatively selecting).

Carrier Fitness

According to 49 U.S.C. 41737(b) and 41738, the Department must find an air carrier fit, willing and able to provide reliable service before we compensate it for providing

¹ See Appendix B for the subsidy rate calculation.

² See Appendix B for the subsidy rate calculation.

essential air service. We last reviewed Great Lakes' fitness by Order 2001-3-20, March 16, 2001, in connection with its subsidized air service at Page, Arizona, and Moab and Vernal, Utah. Since then, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Great Lakes continues to have available adequate financial and managerial resources to maintain reliable service at Devils Lake, Jamestown, and Brookings, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Great Lakes remains fit.

Response to Tentative Proposal

As usual, we will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Great Lakes to provide essential air service at Devils Lake, Jamestown, and Brookings at the service and subsidy levels discussed above. If no timely objections or competing proposals are filed this order will automatically become final. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague, or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Each applicant, including the incumbent, will then have an opportunity to finalize its proposal in rate discussions with Department staff before we seek final community comments. We will give full consideration to all proposals that are timely filed. In an effort to assist carriers in preparing their proposals, we have included summaries of the annual passenger data for each of the three communities in Appendix C to this order.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements.

Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.³ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the contract must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

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

ACCORDINGLY

1. The Department tentatively reselects Great Lakes Aviation, Ltd., to provide basic essential air service at Devils Lake and Jamestown, North Dakota, and Brookings, South Dakota, as described in Appendix A to this order for the period of May 1, 2001 through December 31, 2002;
2. The Department tentatively sets the final rates of compensation for Great Lakes Aviation, Ltd., for the provision of essential air service at Devils Lake and Jamestown, North Dakota, and Brookings, South Dakota, as described in Appendix A, 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 each way completed during the month by the following rates:⁴

Devils Lake	\$444.99
Jamestown	\$444.99
Brookings	\$714.37

³ The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions on Lobbying, implementing 31 U.S.C. 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

⁴ See Appendix A for calculation.

3. If competing proposals are timely filed, the final rates established for Great Lakes Aviation, Ltd., in ordering paragraph (2), above, shall be effective from May 1, 2001, until further Department action;
4. We will afford full consideration to the matters and issues raised in any timely and properly filed service proposals before we take further action. If no competing proposals are filed, all further procedural steps will be deemed to have been waived, and the carrier selection tentatively made by this order shall become effective on the twenty-first day after the date of service of this order;
5. We direct Great Lakes Aviation 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. Docket OST-1997-2785 will remain open until further Department order; and
7. We will serve a copy of this order on the Mayors of Devils Lake and Jamestown, North Dakota, and Brookings, South Dakota, the airport managers of Devils Lake, Jamestown, and Brookings, the North Dakota Aeronautics Commission, the South Dakota Department of Transportation, Office of Aeronautics, Great Lakes Aviation, Ltd., and the air carriers listed in Appendix D.

By:

SUSAN McDERMOTT
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electric version of this document is available on the World Wide Web at
<http://dms.dot.gov/>*

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Devils Lake and Jamestown, North Dakota
Summary of Service To Be Provided

Effective period: May 1, 2001 through December 31, 2002.

Service: 18 round trips per week to Minneapolis/St. Paul.

Intermediate stops and upline service: Flights between Devils Lake and Minneapolis may stop at Jamestown.
Flights serving Jamestown may serve Devils Lake as an upline point.
No service to other intermediate or upline points is contemplated under the terms of this order; accordingly, no such service may be provided on subsidized flights without prior Department approval.

Aircraft type: Beech 1900D (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Annual compensation: \$1,587,733 for both points combined.

Subsidy rate for each point for each arrival from or departure to Minneapolis/St. Paul: \$444.99 ¹

Weekly compensation ceiling for each point: ² \$16,019.64 ³

¹ Annual compensation of \$1,587,733 (from Appendix B), divided by two (to summarily allocate an amount to each point), divided further by the number of departures estimated to be performed annually (1,784 departures, calculated by multiplying 6 departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 95 percent completion).

² Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

³ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (36).

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Brookings, South Dakota
Summary of Service To Be Provided

Effective period: May 1, 2001, through December 31, 2002.

Service: 12 nonstop round trips per week to Minneapolis/St. Paul.

Intermediate stops and upline service: Nonstop to Minneapolis/St Paul.
Flights serving Brookings may serve Huron as an upline point.
No service to other intermediate or upline points is contemplated under the terms of this order; accordingly, no such service may be provided on subsidized flights without prior Department approval.

Aircraft type: Beech 1900D (19 passenger seats).

Timing of flights: Flights must be well-timed and well-spaced in order to ensure full compensation.

Annual compensation: \$849,386.

Subsidy rate for each arrival from or departure to Minneapolis/St. Paul: \$714.37⁴

Weekly compensation ceiling:⁵ \$17,144.88⁶

⁴ Annual compensation of \$849,386 (from Appendix B), divided by the number of departures estimated to be performed annually (1,189 departures, calculated by multiplying 4 departures each service day by 313 annual service days (counting each weekend as one service day), and multiplying further by 95 percent completion).

⁵ Weeks that fall into separate calendar months shall be treated as part of the latter month for the purpose of calculating service weeks each month and monthly compensation. Service above the ceiling level in one week cannot make up for service shortfalls in another week.

⁶ The subsidy rate for each arrival/departure multiplied by the number of scheduled subsidy-eligible flights per week (24).

Great Lakes Aviation, Ltd.
Essential Air Service at Devils Lake and Jamestown, North Dakota, and
Brookings, South Dakota
Summary of Service To Be Provided

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 this 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 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 requirement 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.

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Devils Lake and Jamestown, North Dakota
Calculation of Compensation Requirement

Departures:	DVL-JMS	1,784	Mileages:	DVL-JMS	82
	JMS-MSP	<u>1,784</u>		JMS-MSP	299
	Total	<u>3,568</u>			
Block hours		3,435	Available seat-miles		12,914,376
Flight hours		2,746	Revenue passenger-miles		4,644,250
Operating revenue:					
Passenger	6,500	DVL-MSP passengers @ \$121.00 average fare			\$786,500
	<u>7,250</u>	JMS-MSP passengers @ \$97.00 average fare			<u>703,250</u>
Subtotal passenger	<u>13,750</u>				\$1,489,750
Other	0.0062	of passenger revenue of \$1,489,750			<u>9,236</u>
Total operating revenue					\$1,498,986
Operating expense:					
Direct operating expense:					
Flying operations	\$106.66	per block hour	3,435		\$366,377
Flying operations	\$19,7041	per departure	3,568		70,304
Hull insurance	\$4,100	12 months	0.3393	1.2	20,032
Fuel & Oil: DVL-JMS	\$1.322	1,784	82 gallons		193,393
Fuel & Oil: JMS-MSP	\$1.322	1,784	168 gallons		396,219
Maintenance (a)	\$90.20	per departure	3,568		321,834
Maintenance (b)	\$109.47	per flight hour	2,746		300,605
Aircraft lease	\$34,504	12 months	1.2		<u>496,858</u>
Total direct operating expense					\$2,165,622
Indirect operating expense:					
DVL facility lease	\$1,365	12	Months		\$16,380
DVL landing fees	\$650	12	Months		7,800
DVL deicing charge	\$125	115	Estimated apps.		14,375
DVL local marketing					5,000
DVL station manager					26,000
DVL station agent	\$20,800	2	Agents		41,600
JMS facility lease	\$1,210	12	Months		14,520
JMS landing fees	\$650	12	Months		7,800
JMS deicing charge	\$125	230	Estimated apps.		28,750
JMS local marketing					5,000
JMS station manager					26,000
JMS station agent	\$20,800	2	Agents		41,600
MSP cost per turn	\$255	892	MSP departures		227,460
Liability insurance	\$0.00261	4,644,250	Revenue pass-miles		12,121
Passenger-related	\$10.2535	13,750	Total passengers		140,986
Administrative	\$0.01229	12,914,376	Available seat-miles		<u>158,718</u>
Total indirect operating expense					\$774,110

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Devils Lake and Jamestown, North Dakota
Calculation of Compensation Requirement

(Continued)

Total operating expense				<u>\$2,939,732</u>
Operating loss				\$1,440,746
Profit element	0.05	\$2,939,732	Total operating expense	<u>146,987</u>
Compensation requirement				<u>\$1,587,733</u>

Great Lakes Aviation, Ltd.
 Provision of Essential Air Service at Brookings, South Dakota
Calculation of Compensation Requirement

Departures:	BKX-MSP	1,188	Mileages:	BKX-MSP	182	
Block hours		1,188	Available seat-miles		4,108,104	
Flight hours		950	Revenue passenger-miles		491,400	
Operating revenue:						
Passenger	2,700		BKX-MSP passengers @ \$102.00 average fare		\$275,400	
Other	0.0062		of passenger revenue of \$275,400		1,707	
Total operating revenue					\$277,107	
Operating expense:						
Direct operating expense:						
Flying operations	\$106.66		per block hour	1,188	\$126,712	
Flying operations	\$19.7041		per departure	1,188	23,408	
Hull insurance	\$4,100		12 months	0.3393	0.40	6,677
Fuel & Oil: BKX-MSP	\$1.448		1,188	125 gallons	215,028	
Maintenance (a)	\$90.20		per departure	1,188	107,158	
Maintenance (b)	\$109.47		per flight hour	950	103,997	
Aircraft lease	\$34,504		12 months	0.40	165,619	
Total direct operating expense					\$748,599	
Indirect operating expense:						
BKX facility lease	\$475	12	Months		\$5,700	
BKX landing fees	\$450	12	Months		5,400	
BKX deicing charge	\$125	77	Estimated apps.		9,625	
BKX local marketing					5,000	
BKX station manager					26,000	
BKX station agent	\$20,800	2	Agents		41,600	
MSP cost per turn	\$255	594	MSP departures		151,470	
Liability insurance	\$0.00261	491,400	Revenue pass-miles		1,283	
Passenger-related	\$10.2535	2,700	Total passengers		27,684	
Administrative	\$0.01229	4,108,104	Available seat-miles		50,489	
Total indirect operating expense					\$324,251	
Total operating expense					\$1,072,850	
Operating loss					\$795,743	
Profit element	0.05		\$1,072,850 Total operating expense		53,643	
Compensation requirement					\$849,386	

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Devils Lake, North Dakota

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹	<u>Average annual enplanements</u> ²	<u>Average enplanements per service day</u> ³
12/31/1991	5,232	2,616	8.4
12/31/1992	6,915	3,458	11.0
12/31/1993	7,895	3,948	12.6
12/31/1994	7,683	3,842	12.3
12/31/1995	7,721	3,860	12.3
12/31/1996	7,858	3,929	12.5
12/31/1997	4,181	2,090	6.7
12/31/1998	6,929	3,464	11.1
12/31/1999	6,003	3,002	9.6
12/31/2000	5,228	2,614	8.3

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Jamestown, North Dakota

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁴	<u>Average annual enplanements</u> ⁵	<u>Average enplanements per service day</u> ⁶
12/31/1991	6,766	3,383	10.8
12/31/1992	8,090	4,045	12.9
12/31/1993	6,954	3,477	11.1
12/31/1994	6,885	3,442	11.0
12/31/1995	5,899	2,950	9.4
12/31/1996	5,269	2,634	8.4
12/31/1997	4,089	2,044	6.5
12/31/1998	7,210	3,605	11.5
12/31/1999	5,976	2,988	9.5
12/31/2000	5,494	2,747	8.8

¹ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 origin-destination passengers.

² Origin-destination passengers divided by two.

³ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days to reflect leap years).

⁴ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 origin-destination passengers.

⁵ Origin-destination passengers divided by two.

⁶ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days to reflect leap years).

Historical Origin-Destination Passenger Traffic and Average Daily Enplanements
at Brookings, South Dakota

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁷	<u>Average annual enplanements</u> ⁸	<u>Average enplanements per service day</u> ⁹
12/31/1991	1,557	778	2.5
12/31/1992	1,248	624	2.0
12/31/1993	1,969	984	3.1
12/31/1994	3,408	1,704	5.4
12/31/1995	3,711	1,856	5.9
12/31/1996	2,616	1,308	4.2
12/31/1997	1,885	942	3.0
12/31/1998	5,168	2,584	8.3
12/31/1999	3,121	1,560	5.0
12/31/2000	2,508	1,254	4.0

⁷ Source: D.O.T., R.S.P.A. and B.T.S., Form 298-C, Schedule T-1 origin-destination passengers.

⁸ Origin-destination passengers divided by two.

⁹ Average annual enplanements divided by 313 effective annual service days, except for the four quarters ended 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days to reflect leap years).

Service List for the State of South Dakota

Air Casino, Inc.
Air Wisconsin, Inc.
AirVantage, Inc.
Alpine Aviation, Inc.
Amerijet International, Inc.
Bemidji Airlines
Big Sky Transportation Co.
Corporate Air
Delta Connection
Dwyer Aircraft Sales, Inc.
Falcon Aviation, Inc.
Great Lakes Aviation, Ltd.
Heartland Aviation, Inc.
Imperial International, Inc.
Mesa Airlines, Inc.
Mesaba Aviation, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Aviation
Midwest Express Airlines, Inc.
Northwest Airlink
Renown Aviation, Inc.
Rocky Mountain Airways, Inc.
Thunderbird Aviation, Inc.
Westward Airways, Inc.

Ken Bannon
Brad Elstad
E.B. Freeman
Douglas Gumula
Ben Harrison
A. Edward Jenner
Bob Karns
John McFarlane
Gary L. White