



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

Issued by the Department of Transportation
on the 2nd day of January, 2003

Essential air service at

DECATUR, ILLINOIS

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

Served: January 7, 2003

Docket OST-2002-11859

**ORDER SELECTING CARRIER
AND ESTABLISHING FINAL SUBSIDY RATE**

Summary

By this order, the Department is selecting Trans States Airlines, Inc., d/b/a American Connection, to provide essential air service at Decatur, Illinois, for a two-year period at a subsidy rate of \$917,077 annually.

Background

By Order 2002-4-20, April 25, 2002, the Department requested proposals from carriers interested in providing essential air service at Decatur after Trans States filed a 90-day notice of intent to suspend its unsubsidized service between the community and St. Louis as of June 13, 2002.¹ That order also required Trans States to maintain service at Decatur for 30 days beyond the end of the 90-day notice period by operating 12 nonstop round trips a week to St. Louis with 30-seat Jetstream 41 aircraft. The Department has subsequently extended Trans States' service obligation for additional 30-day periods pending completion of the carrier selection case.²

Essential Air Service Determination

Decatur's essential air service determination, as established by Order 80-2-124, February 25, 1980, required at least two daily round trips to both St. Louis (nonstop) and Chicago (no more than one intermediate stop) providing a total of 67 inbound and outbound seats. In keeping with that determination, the Department requested proposals for service to St. Louis and/or Chicago in Order 2002-4-20.

¹ See Appendix A for a map.

² Trans States' service to St. Louis became eligible for subsidy as of June 13, 2002, by virtue of the Department's hold-in action. By Order 2002-8-5, August 9, 2002, the Department established a subsidy rate of \$487,050 annually for Trans States' hold-in service.

Carrier Proposals

Trans States, the incumbent, filed a proposal for service to St. Louis containing three options. Under Option A, Trans States would operate 19 nonstop round trips a week to St. Louis with Jetstream 41s at a subsidy of \$917,077 annually. Both Options B and C contemplate 12 nonstop round trips a week to St. Louis with Jetstream 41s: Option B assumes that Decatur would also be receiving service to Chicago, and requests subsidy of \$614,931 annually; Option C assumes that there is no service to Chicago, and requests subsidy of \$487,050 annually.

Great Lakes Aviation, Ltd., filed a proposal for service to Chicago, but later withdrew it.

Community Comments

In a letter dated December 18, 2002, the Vice President of the Decatur Park District Board expresses its support for the increased level of service to St. Louis contained in Trans States' Option A, and notes that, in view of Great Lakes' withdrawal of its Chicago proposal, the Department's earlier request for Chicago proposals remains open.³

Decision

We have decided to select Trans States' Option A, offering 19 nonstop round trips a week to St. Louis at an annual subsidy of \$917,077. The proposed rate appears reasonable for the service to be provided, and Trans States' performance continues to be satisfactory.⁴

In the absence of a proposal for service to Chicago, Trans States' Option A best meets Decatur's essential air service determination, since it offers 90 seats each weekday and 120 each weekend. Ninety seats each weekday easily meets the 67 contained in Decatur's essential air service determination. Although 120 seats over the weekend falls slightly short of the 134 seats contained in Decatur's determination, Trans States projects 23,352 passengers on 1,946 completed flights annually -- an average of 12 passengers per flight on 30-seat aircraft. It is clear from the carrier's traffic projection that the additional round trip required to meet Decatur's seating guarantee on weekends is not necessary as a practical matter.

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 compensate it for providing essential air service. We last found Trans States fit by Order 98-5-9, May 8, 1998, in connection with its subsidized essential air service at Cape Girardeau and Fort Leonard Wood, Missouri.⁵ 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 Trans States' continues to have available adequate financial and managerial resources to provide quality service at the communities at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation

³ The Decatur Park District is a municipal corporation that owns and operates the Decatur Airport.

⁴ See Appendix B for details of Trans States' subsidy requirement.

⁵ Trans States was later replaced at the two communities by Corporate Airlines, Inc. See Order 2000-5-3, May 2, 2000.

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 Trans States remains fit.

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

ACCORDINGLY,

1. We select Trans States Airlines, Inc., d/b/a American Connection, to provide essential air service at Decatur, Illinois, as described in Appendix C, from the date on which the carrier implements the described service through the 24th month following the implementation of that service;
2. 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, from the date on which the carrier implements the described service through the 24th month following the implementation of that service, 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 \$471.26;⁶
3. The rate established in ordering paragraph 2 above is in lieu of, not in addition to, the rate established by Order 2002-8-5, August 9, 2002;
4. 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;
5. We find that Trans States Airlines, Inc., d/b/a American Connection, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Decatur, Illinois;
6. This docket will remain open until further order of the Department; and
7. We will serve copies of this order on the mayor and airport manager of Decatur, Illinois; the

⁶ 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 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)

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on the World Wide Web at <http://dms.dot.gov>*

DECATUR, ILLINOIS



APPENDIX B

TRANS STATES AIRLINES, INC., d/b/a AMERICAN CONNECTION
 ANNUAL ESSENTIAL AIR SERVICE REQUIREMENT
 AT DECATUR, ILLINOIS
 (at 98.5 percent completion)

Block Hours		1,635 <u>1/</u>
Turns		973 <u>2/</u>
Revenue passenger-miles		2,545,368 <u>3/</u>
<u>Operating Revenue:</u>		
Passenger Revenue	23,352 psgrs at \$61.00	\$1,424,472
Other Revenue		<u>1,044</u>
Total Operating Revenue		\$1,425,516
<u>Direct Expenses:</u>		
Flying Operations	\$194.67 per block hour	\$ 318,285
Fuel	\$130.32 per block hour	213,073
Hull Insurance	\$18.12 per block hour	29,626
Maintenance	\$228.23 per block hour	373,156
Aircraft Rent	\$264.65 per block hour	<u>432,703</u>
Total Direct Expenses		\$1,366,843
<u>Indirect Expenses:</u>		
EAS Station Costs		\$ 181,214
EAS Landing Fees	\$17.48 per turn	17,008
Hub Station Costs		144,160 <u>4/</u>
Hub Landing Fees	\$40.78 per turn	39,679
Local Marketing		20,000
Commissions/Credit Cards	5.16% of psgr rev	73,503
Reservations	\$7.68 per psgr	179,343
Flight Attendants		73,555 <u>5/</u>
Liability Insurance		17,525 <u>6/</u>
Administration	\$72.30 per block hour	<u>118,211</u>
Total Indirect Expenses		\$ 864,198
Total Operating Expenses		\$2,231,041
Operating Loss		\$ 805,525
Profit Element	5% of Total Operating Expenses	\$ 111,552
Compensation Requirement		\$ 917,077

1/ 0.84 hrs x 38 dpts x 52 weeks x .985 completion = 1,635.

2/ 38 dpts x 52 weeks x .985 completion = 1,946 dpts and 973 turns.

3/ 23,352 psgrs x 109 mi = 2,545,368 RPMs.

4/ \$2.10/psgr + \$97.76/turn, based on five months ended May 31, 2002.

5/ \$2.52 x (1,946 dpts x 30 seats)/2.

6/ \$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	From the date on which the carrier implements the described service through the 24th month following the implementation of that service
SERVICE	19 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	\$471.26 <u>1/</u>
COMPENSATION CEILING EACH WEEK	\$17,907.88 <u>2/</u>

1/ Annual compensation of \$917,077 divided by 1,946 annual arrivals and departures at a 98.5 percent completion factor: $38 \text{ depts} \times 52 \text{ weeks} \times .985 = 1,946$.

2/ Subsidy rate per arrival/departure of \$471.26 multiplied by 38 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 the route. 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 amount or at the agreed service level, 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.