



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

Issued by the Department of Transportation  
on the 5<sup>th</sup> day of February, 2003

Essential Air Service at

**MASSENA, NEW YORK  
OGDENSBURG, NEW YORK  
WATERTOWN, NEW YORK**

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

**Served: February 10, 2003**

**Docket OST-1997-2842**

**ORDER SELECTING CARRIER  
AND SETTING SUBSIDY RATE**

**Summary**

By this order we are reselecting Air Midwest, Inc., d/b/a US Airways Express (Air Midwest) to continue providing essential air service at the Upstate New York communities of Massena, Ogdensburg and Watertown to Pittsburgh for a new two-year term.<sup>1</sup>

**Background**

By Order 2000-4-2, issued April 3, 2000, Air Midwest was selected to continue providing essential air service at Massena, Ogdensburg and Watertown for a two-year period. Subsidy was set at an annual rate of \$1,115,507 for the period October 1, 1999, through September 30, 2001, for three round trips each weekday, and three each weekend, between the three communities and Pittsburgh, with 19-seat Beech 1900 aircraft.<sup>2</sup>



<sup>1</sup> Air Midwest, Inc., is a wholly owned subsidiary of Mesa Air Group.

<sup>2</sup> Air Midwest has been providing essential air service at Massena, Ogdensburg and Watertown since May 1994, when it replaced Chatauqua Airlines. (See Department Order 94-4-5, issued April 4, 1994.)

During that two-year contract period, the communities expressed their dissatisfaction with the Pittsburgh hub and had asked the Department to explore other alternative service options. As a result, by Order 2000-12-12, December 18, 2000, the Department requested proposals from all carriers interested in providing essential air service at the three upstate communities for a new two-year rate period. In response to that request, Air Midwest and CommutAir, d/b/a Continental Connection (CommutAir) submitted service proposals.

By Order 2002-2-3, February 5, 2002, the Department set a revised final rate of \$1,905,432 for Air Midwest at Massena, Ogdensburg and Watertown, retroactive to October 1, 2001, until further notice, pending the completion of the carrier selection case. In the order, the Department noted that, while negotiations on their service proposals had been completed with both Air Midwest and CommutAir, the State of New York had requested that the Department delay action on the selection decision pending further study by the communities and the State of the air service needs for the region.

In December 2001, the Ogdensburg Bridge and Port Authority and the Town of Massena, commissioned a study by the Merwin Rural Services Institute at SUNY Potsdam (MRSI) to study the air service needs for Ogdensburg and Massena, and to estimate the potential viability of a change of hub from Pittsburgh to Albany. The study, entitled "St. Lawrence County Air Service Study," was issued in April 2002, and a copy has been submitted to the Department and filed in the docket for this case. The study concluded that a change in hub from Pittsburgh to Albany would better meet the needs of the upstate communities.<sup>3</sup>

### **Second Request for Proposals**

In May 2002, the Department issued a second request for proposals (Order 2002-5-27, May 29, 2002), incorporating by reference the results of the MRSI study. We noted that a considerable amount of time had elapsed since the original proposals had been filed, and that the dynamics of the case may have been significantly altered by the terrorist attacks of September 11, and by the conclusions of the MRSI study. We decided that the most prudent course of action would be to afford Air Midwest and CommutAir, and all other carriers, the opportunity to present to the community and the Department proposals for air service that best meet the communities' current needs.

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<sup>3</sup> A copy of the study has been placed in Docket OST-1997-2842 and can be accessed through the Department's web site.

## **Carrier Proposals**

In response to that latest request for proposals, both Air Midwest and CommutAir submitted updated proposals. After discussions with each carrier, the final proposals are as follows:

### **Air Midwest**

Option 1 – Air Midwest proposes to continue its current and historical service at Massena, Ogdensburg and Watertown for a new two-year rate term. The carrier proposes to provide Watertown with three nonstop round trips each weekday and over each weekend period to Pittsburgh. For Massena and Ogdensburg, the carrier proposes to provide three round trips each weekday and over each weekend period to Pittsburgh. Of the six segments for each community, up to three may be two-stop, and the remaining three segments must be one-stop or nonstop. Air Midwest has agreed to an annual subsidy of \$1,288,012 for this service.

Option 2 – Air Midwest proposes to provide Watertown with three nonstop round trips each weekday and over each weekend period to Pittsburgh. For Massena and Ogdensburg, the carrier proposes to provide three nonstop or one-stop round trips each weekday and over each weekend period to Albany. Air Midwest has agreed to an annual subsidy of \$1,788,951 for this service.

Option 3 - This option proposes service for Massena and Ogdensburg only. Air Midwest proposes to provide these communities with three nonstop or one-stop round trips each weekday and over each weekend period to Albany. Air Midwest has agreed to an annual subsidy of \$1,545,099 for this service.

Service under all three options would be operated with 19-seat Beech 1900-D aircraft.

### **CommutAir**

CommutAir proposes to provide Watertown with three round trips each weekday and over each weekend period to Albany, with all flights making an intermediate stop at Syracuse. For Massena and Ogdensburg, using a separate aircraft, the carrier proposes to provide three nonstop or one-stop round trips each weekday and over each weekend period to Albany. The service would be operated over a MSS-OGS-ALB-OGS-MSS-ALB-OGS-MSS-ALB-OGS-MSS routing. CommutAir has agreed to an annual subsidy of \$334,253 for its Watertown service, and \$1,310,850 for its Massena and Ogdensburg service. All of CommutAir's service would be operated with 19-seat Beech 1900-D aircraft.

## **Community and State Comments**

Comments on the carrier selection decision have been received from the New York Department of Transportation (NYDOT), the City of Watertown, the City of Ogdensburg, the Town of Massena, the Ogdensburg Bridge and Port Authority, the Town of Lawrence, the Town of Stockholm, the New York Power Authority, the Saint Regis Mohawk Tribe, the United Automobile – Aerospace – Agricultural Implement Workers

of America (UAW) –Local 465, and Senator Schumer and Congressman McHugh’s offices. All of the comments submitted support the selection of Air Midwest’s Option 2.<sup>4</sup>

The NYDOT coordinated the responses from the City of Watertown, the City of Ogdensburg, the Town of Massena and the Ogdensburg Bridge and Port Authority and submitted them to the Department, along with its own comments. Attached to the State’s comments also were resolutions passed by the Watertown and Ogdensburg City Councils, the Massena Town Board and the Ogdensburg Bridge and Port Authority, all supporting the selection of Air Midwest’s Option 2.

The NYDOT states that all of the communities (and the Ogdensburg Bridge and Port Authority) unanimously support the selection of Air Midwest’s Option 2 as the option that best serves their needs. According to NYDOT, Option 2 is the only proposal that will maintain direct service from Watertown to Pittsburgh while providing Massena and Ogdensburg with service to Albany--service that they have indicated is needed to reverse the downward trend in enplanements and to make local air service competitive. The NYDOT states that this option has strong support from local officials, institutions, private corporations and congressional representatives. NYDOT further states that this option would allow each community to receive the service that has the best chance for success. According to NYDOT, Watertown needs to maintain its current service to Pittsburgh due to the nature of traffic from Fort Drum Army Base. Massena and Ogdensburg have long maintained that the current service does not meet the needs of local travelers as evidenced by the gradual reduction in enplanements in the last few years. The NYDOT points out that the choice of Albany service is also supported by the conclusions of the MRSI travel study submitted to the Department last spring. NYDOT concludes that while Air Midwest’s Option 2 does not have the lowest cost of all the proposal submitted, its \$1.7 million annual cost is still below the current subsidy of \$1.9 million for all three communities.

The Town of Massena states that ridership for both Massena and Ogdensburg has been declining in recent years because of high fares, and long stage lengths to Pittsburgh in small aircraft. It further states that, if the service were properly marketed and provided convenient schedules and competitive fares, it could attract 6,000 additional enplanements per year. Service to Albany is preferable, it states, because Albany is the State Capital and over 30 percent of the workforce in the area is employed by the public sector with headquarters in the Albany area. It notes that the Albany airport, while not a typical connecting hub airport, is growing rapidly and provides a significant number of

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<sup>4</sup> Other parties submitting comments on the carrier selection decision include New York State Senators Raymond A. Meier and James W. Wright, New York State Assembly members Chris Ortloff and Diedre Scozzafava, Alcoa, St. Lawrence County Board of Legislators, the Village of Massena, the Village of Potsdam, GM Powertrain Group, the Albany County Airport, the Town of Hammond, Massena Memorial Hospital, and the Town of Waddington. All of these parties, however, based their comments on the first round of proposals and thus their comments are not summarized here. We will send a copy of this order to each of these parties.

connecting flights at competitive rates to anywhere in the United States. If service to Albany is selected, the Town of Massena states that it is prepared to establish a budget of \$15,000 to promote the new service, including direct contacts with local businesses, travel bureaus, newspapers and TV and radio stations.

### **Carrier Selection Decision**

After careful consideration of this matter, including all of the comments submitted in the docket, we have decided to select Air Midwest to continue to provide essential air service to Pittsburgh for Massena, Ogdensburg and Watertown, for an additional two years, in accordance with its Option 1. As set forth in Appendix A, service is to be provided with Beech 1900-D, 19-seat aircraft, at an annual subsidy of \$1,288,021.

We are well aware of the strong support for service to Albany, as evidenced by the large number of comments received from elected officials, businesses, and residents in both Massena and Ogdensburg, all supporting the selection of Air Midwest's service to the Albany airport. We are also aware of the MRSI study that concludes, among other things, that the majority of respondents are not using the local service and that businesses and institutions would be more likely to use the local air service if the destination hub were Albany instead of Pittsburgh. However, Massena and Ogdensburg's situation must be viewed in the context of the core objectives of the EAS program, namely to subsidize air service for the most isolated communities and to ensure that travelers from those communities have access to the nation's air transportation system. In this case, especially given that service to Albany would require either \$714,000 or \$1,000,000 in additional subsidy over the two-year contract period, depending on the option selected, we believe that Pittsburgh fully achieves those goals. According to the Official Airline Guide for the month of January 2003, Pittsburgh offers an average of 170 daily jet departures (not including regional jets) to domestic destinations all across the country. Albany, on the other hand, has an average of 31 daily jet departures (not including regional jets), most of which are to destinations on the East coast or Midwest. Including regional jets results in a total of 267 departures a day at Pittsburgh and 48 departures a day at Albany.

We note also that the carriers themselves believe that Pittsburgh is the more attractive hub, as witnessed by their traffic projections. Air Midwest was willing to project only 10,500 passengers combined in the Massena/Ogdensburg-Albany market compared to 11,300 to Pittsburgh, with full knowledge that the communities were strongly advocating the Albany hub. CommutAir is intimately familiar with the services available at Albany, as it has established a "mini-hub" there over the past couple of years. Despite its effort to win the EAS contract, CommutAir was willing to project only 8,892 passengers to Albany, less than 80 percent of Air Midwest's 11,300 to Pittsburgh.

### **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 found Air Midwest fit to provide scheduled passenger service as a certificated air carrier by Order 2002-7-2, when we selected it to provide essential air service at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas; Enid and Ponca City, Oklahoma; and Brownwood, Texas. The Department has routinely monitored the carrier's continuing fitness. No information has come to our attention that would lead us to conclude that Air Midwest does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question the carrier's fitness. We therefore conclude that Air Midwest remains fit to conduct the operations proposed here.

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

### **ACCORDINGLY,**

1. The Department reselects Air Midwest, Inc., d/b/a US Airways Express, to provide essential air service at Massena, Ogdensburg and Watertown, New York, as described in Appendix A, for the period beginning on the date of service of this order, through the end of the 24<sup>th</sup> month thereafter;
2. The Department sets the final rate of compensation for Air Midwest, Inc., d/b/a US Airways Express, for the provision of essential air service Massena, Ogdensburg and Watertown, New York, as described in Appendix A, for the period set forth in ordering paragraph (1), 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 A, and shall be determined by multiplying the subsidy-eligible arrivals and departures performed during the month by \$232.91;<sup>5</sup>
3. We direct Air Midwest, Inc., d/b/a US Airways Express, 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;

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<sup>5</sup> 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.

4. We find that Air Midwest, Inc., d/b/a US Airways Express, continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Massena, Ogdensburg and Watertown, New York;
5. Docket OST 98-2842 shall remain open until further order of the Department; and
6. We will serve a copy of this order on the mayors and airport managers of the Town of Massena, Ogdensburg and Watertown, New York, the Governor of New York, Ogdensburg Bridge and Port Authority, the New York State Department of Transportation, the Village of Massena, Air Midwest, CommutAir, and the parties listed in Appendix C.

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>

**AIR MIDWEST, INC.  
ESSENTIAL AIR SERVICE TO BE PROVIDED AT  
MASSENA, OGDENSBURG AND WATERTOWN, NEW YORK**

Effective Period: Date of service of the selection order, through the end of the 24<sup>th</sup> month thereafter

Service: Watertown: Three nonstop round trips each weekday and over each weekend period to Pittsburgh

Massena and Ogdensburg: Three round trips each weekday and over each weekend period to Pittsburgh. Of the six segments each service day for each community, up to three may be two-stop. The remaining three segments may be one-stop or nonstop.

Aircraft: Beech 1900-D (19 passenger seats)

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

Subsidy Rate: Per year - \$1,288,012

Per arrival from or departure to Pittsburgh - \$232.91 <sup>1</sup>

Weekly  
Compensation Ceiling: \$25,154.28 <sup>2</sup>

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<sup>1</sup> Annual compensation of \$1,288,012, divided by the number of arrivals and departures estimated to be performed annually (5,530), calculated by multiplying 18 arrivals and departures each service day by 313.5 annual service days—counting each weekend as one service day—and multiplying further by 98 percent completion.

<sup>2</sup> The subsidy rate for each arrival/departure (\$232.91) multiplied by the number of scheduled subsidy-eligible flights per week (108).

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.

Appendix B

**AIR MIDWEST, INC.**  
**ESSENTIAL AIR SERVICE TO BE PROVIDED AT**  
**MASSENA, OGDENSBURG AND WATERTOWN, NEW YORK**  
**CALCULATION OF SUBSIDY REQUIREMENT**

Service: MSS/OGS/ART-Pittsburgh	
Passengers	18,050
Avg. Fare	\$140.94
Passenger Rev.	\$2,544,000
<u>Other Revenue @ 1%</u>	<u>\$25,440</u>
Total Revenue	\$2,569,440
Block Hours	3,847
Departures	4,943
RPM's	6,551,950
ASM's	14,363,840
Pilot Expenses @ \$135.00/hr.	\$519,345
Fuel Expenses @ \$106.60/hr.	\$410,090
Hull Insurance @ \$13.30/hr.	\$51,165
Maintenance @ \$251.27/hr.	\$966,636
<u>Aircraft Rent @ \$82.09/hr.</u>	<u>\$315,800</u>
Direct Expenses	\$2,263,036
Tff. Related @\$0.069/RPM	\$452,085
US Airways Program Fee	\$218,766
Marketing	\$15,000
Capacity Related @	
117.59/departure	\$581,247
<u>Capacity Related @ \$0.01/ASM</u>	<u>\$143,638</u>
Indirect Expenses	\$1,410,736
Operating Expense	\$3,673,772
Return @ 5%	\$183,689
Total Economic Cost	\$3,857,461
<b>Annual Subsidy @ 98%</b>	<b>\$1,288,021</b>

**Appendix C**

**SERVICE LIST**

James W. Wright  
State Senator, 46<sup>th</sup> District  
Room 707 LOB  
Albany, NY 12247

Raymond A Meier  
State Senator, 47<sup>th</sup> District  
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Diedre K. Scozzafava  
New York State Assembly  
Room 532 LOB  
Albany, NY 12248

Chris Ortloff  
New York State Assembly  
Room 450 LOB  
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John W. Lancaster  
Plant Manager  
GM Powertrain Group  
P.O. Box 460  
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Michael J. St. Thomas  
President UAW Local 465  
32 Andrews Street  
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CEO Albany County Airport Authority  
Albany International Airport  
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Regional Manager, Northern New York  
New York Power Authority  
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Victor R. Burnett  
Town of Lawrence  
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Lowell E. Kelsey  
Town of Stockholm  
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Donald R. Brining  
St. Lawrence County  
48 Court Street, Court House  
Canton, NY 13617-1169

William R. Greene  
Town Supervisor  
Waddington, NY 13694

Ruth F. Garner  
Mayor  
P.O. Box 5168  
Potsdam, NY 13676

Ann A. Mitchell  
Town of Hammond  
P.O. Box 219  
Hammond, NY 13646

Saint Regis Mohawk Tribe  
412 State Route 37  
Akwesasne, NY 13655

Charles F. Fahd, II  
CEO Massena Memorial Hospital  
One Hospital Drive  
Massena, NY 13662

Michael L. Cooper  
VP-Government Affairs  
Alcoa  
201 Isabelle Street at 7th St. Bridge  
Pittsburgh, PA 15212-5858

**HISTORICAL ENPLANEMENTS  
MASSENA, OGDENSBURG,  
AND WATERTOWN, NEW YORK**

	<b>MASSENA</b>	<b>OGDENSBURG</b>	<b>WATERTOWN</b>
<b>1986</b>	<b>3,594</b>	<b>3,562</b>	<b>4,263</b>
<b>1987</b>	<b>4,127</b>	<b>4,588</b>	<b>6,900</b>
<b>1988</b>	<b>4,553</b>	<b>5,046</b>	<b>8,428</b>
<b>1989</b>	<b>4,503</b>	<b>4,373</b>	<b>9,759</b>
<b>1990</b>	<b>4,453</b>	<b>3,739</b>	<b>8,000</b>
<b>1991</b>	<b>3,046</b>	<b>3,768</b>	<b>6,688</b>
<b>1992</b>	<b>6,944</b>	<b>3,279</b>	<b>7,331</b>
<b>1993</b>	<b>6,740</b>	<b>3,068</b>	<b>6,010</b>
<b>1994</b>	<b>6,948</b>	<b>3,451</b>	<b>5,181</b>
<b>1995</b>	<b>5,391</b>	<b>1,488</b>	<b>4,348</b>
<b>1996</b>	<b>2,679</b>	<b>718</b>	<b>2,132</b>
<b>1997</b>	<b>2,305</b>	<b>1,160</b>	<b>2,448</b>
<b>1998</b>	<b>4,164</b>	<b>2,481</b>	<b>4,101</b>
<b>1999</b>	<b>4,106</b>	<b>2,630</b>	<b>3,582</b>
<b>2000</b>	<b>3,640</b>	<b>2,446</b>	<b>2,699</b>
<b>2001</b>	<b>3,019</b>	<b>2,242</b>	<b>4,441</b>