



Order 2003-6-1
Served: June 2, 2003

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

Issued by the Department of Transportation
on the 2nd of June, 2003

Essential Air Service at

VICTORIA, TEXAS

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

DOCKET OST-2003-14604

ORDER SETTING FINAL RATE

On February 26, 2003, Express Jet Holdings, Inc., d/b/a Continental Express (Express) filed a 90-day notice to suspend its subsidy-free air service at Victoria, Texas. Order 2003-4-2, April 1, 2003, required Express to continue providing essential air service to Victoria while we processed a carrier-selection case.

In the meantime, Express is entitled to be compensated for its forced service. The carrier and staff have agreed to an annual subsidy rate of \$1,269,675 to provide two daily nonstop round trips to Houston with 35-seat EMB-135 aircraft. We will make the agreed-to subsidy rate effective from June 1, 2003, until further Department action, i.e., until we select a replacement carrier and the service is fully in place.

The rate we have agreed to is based on Express's system average expenses and it appears reasonable. We will continue to process the carrier selection proceeding.

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

ACCORDINGLY,

1. The Department sets the final subsidy rate for Express for the provision of essential air service at Victoria, Texas, as described in Appendix C, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by

multiplying the subsidy-eligible flights completed during the month to and from Houston by \$1,038.16; ¹

2. We direct 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 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;

3. This Docket will remain open until further Department action; and

4. The Department will serve copies of this order on the Mayor and Airport Manager of Victoria, Texas, the Governor and Department of Transportation of the State of Texas, and Express Jet, Inc.

By:

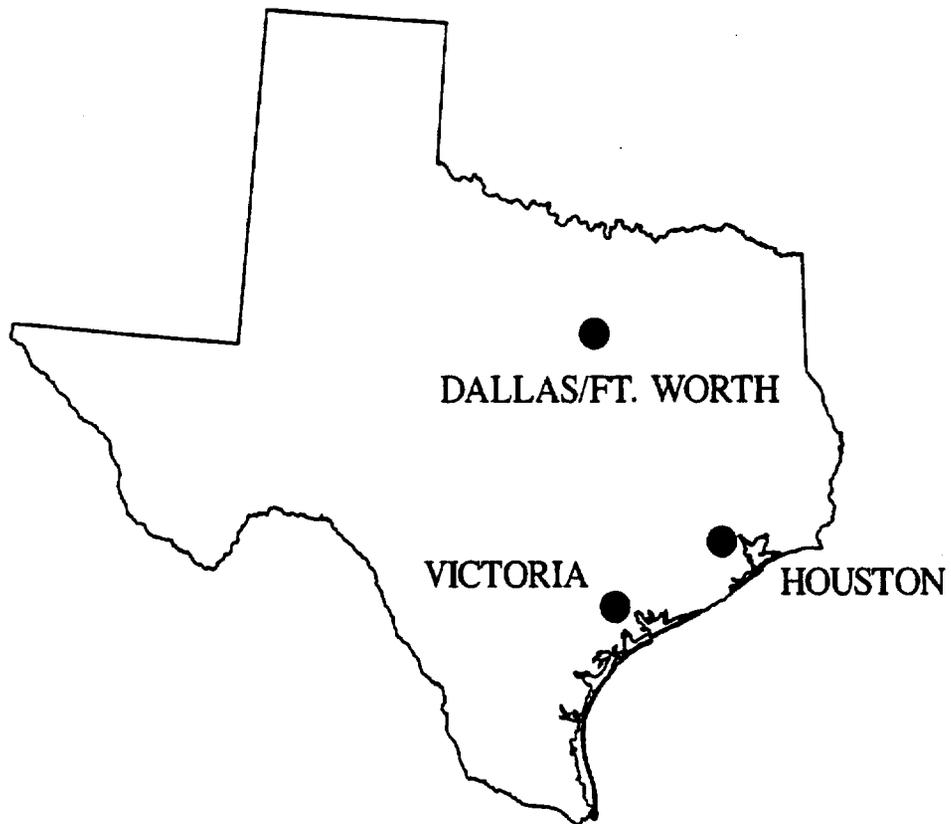
READ C. VAN DE WATER
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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

¹ See Appendix C for calculation.

VICTORIA, TEXAS, AND THE SURROUNDING REGION



Victoria-Houston 123 miles
Victoria-Dallas 279 miles

Appendix B

ExpressJet, Essential Air Service to be Provided at Victoria, Texas Docket 14604

Blk. Time	0.83
Departures	1,223 1/
Block Hours	1,015 1/
Passengers	13,575
Pax. Revenue	\$841,669
<u>Other Rev @ 1%</u>	<u>\$8,417</u>
Total Rev.	\$850,086
Pilot @ \$226.67/hr.	\$230,070
Fuel @ \$377.87	\$383,538
Other @ \$27.03/hr.	\$27,435
Maint. @ \$286.68/hr.	\$290,980
<u>Depr/Rent @ \$416.50/hr.</u>	<u>\$422,748</u>
Directs	\$1,354,771
Traffic Related @ \$84.75/hr.	\$86,021
DR @ \$354.25/dep.	\$433,248
<u>CR @ \$142.64/hr.</u>	<u>\$144,780</u>
Indirects	\$664,049
Operating Exp.	\$2,018,820
<u>Profit @ 5%</u>	<u>\$100,941</u>
Economic Cost	\$2,119,761
Subsidy @ 98%	\$1,269,675

1/ 24 flts./week x 52 weeks *.83 hrs.*.98 = 1,015 hrs.; 1,223 depts.

Express Jet, Inc., Essential Air Service to be Provided to Victoria, Texas, Docket 14626

Effective Period: June 1, 2003, until further Department action.

Scheduled Service:

12 nonstop round trips each week to Houston (IAH).

Aircraft: 35-seat Embraer EMB-135 aircraft

Subsidy Rate per Houston Flight: \$1,038.16 ¹

Weekly Compensation Ceilings: \$24,915.84 ²

Note:

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

¹ \$1,269,675 annual compensation, divided by 1,223 annual flights, calculated as follows:
24 flights/week*52 weeks*.98 completion

² 24 flights per week x \$1,038.16