

Order 2003-6-25
Served: June 24, 2003



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

Issued by the Department of Transportation
on the **19th day of June, 2003**

Essential Air Service at

NORFOLK, NEBRASKA

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

Docket OST-1998-3704

**ORDER TO SHOW CAUSE
TENTATIVELY TERMINATING SUBSIDY ELIGIBILITY AND
ALLOWING SUSPENSION OF SERVICE**

Summary

By this order, the Department is tentatively terminating the subsidy eligibility of Norfolk, Nebraska, under the Essential Air Service (EAS) program because the subsidy per passenger exceeds the \$200 per passenger statutory ceiling and the community is less than 210 highway miles from the medium hub airport at Omaha.¹

Background and Decision

Great Lakes Aviation, Ltd. (Great Lakes) was last selected to provide subsidized EAS at Norfolk by Order 2002-5-22, May 24, 2002, over a Norfolk-North Platte-Denver routing with 19-seat Beech 1900D turboprop aircraft. Great Lakes' current annual subsidy rate for both communities combined is \$1,502,746. A map is attached as Appendix A.

In doing our periodic review of EAS communities, it became apparent that the subsidy per passenger at Norfolk exceeded the \$200 per passenger cap, while the community is only 109 highway miles from the medium hub airport at Omaha. The current subsidy rate for Great Lakes was based, among other things, on the carrier achieving a passenger level of 2,600 annual passengers at Norfolk, a number well below the community's

¹ Congress first imposed this eligibility standard in fiscal year 1992 appropriations language and repeated it every year through fiscal year 1999. Then, by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, Congress made it a permanent subsidy-eligibility standard.

average annual passenger traffic for many years prior to 2001 (not including 1997 traffic, which was impacted by a service hiatus lasting several months). However, not only has traffic not rebounded, it has declined further to 2,181 passengers during the 12-month period ended March 31, 2003. (See Appendix B for a table of Norfolk's historical passengers.)

When evaluating subsidy per passenger over linear routes such as Norfolk-North Platte-Denver, we normally allocate one-half of the total subsidy cost to each community. Here however, North Platte receives three round trips a day and Norfolk two, so we assigned only 40% of the total subsidy of \$1,502,746 to Norfolk, or \$601,098. For the year ended March 31, 2003, Norfolk generated 2,181 passengers, resulting in a subsidy per passenger of \$276, an amount well above the \$200 statutory ceiling. Given the subsidy rate of \$601,098, Norfolk would have to generate more than 3,005 annual passengers to fall under the \$200 cap.

The Department is prohibited from subsidizing service at communities where subsidy amounts to more than \$200 per passenger, unless they are more than 210 miles from the nearest large or medium hub. We find that Norfolk's subsidy per passenger exceeds the statutory cap of \$200 per passenger, and, because Omaha is well within 210 miles, we find that the community is ineligible for continued subsidy support.

As we noted earlier, Norfolk is within a reasonable convenient drive of the medium hub at Omaha. A review of current airline schedules at Omaha reveals multiple daily jet flights to destinations including: Atlanta, Chicago, Cincinnati, Dallas/Ft. Worth, Denver, Detroit, Houston, Las Vegas, Milwaukee, Minneapolis, New York, Orlando, Phoenix, and St. Louis. Omaha is served by most of the major airlines or their regional carrier partners. Carriers include: American, Delta, Continental, Frontier, Midwest Express, Northwest, US Airways, and United. Omaha also offers a varied selection of services from low-fare carriers Southwest Airlines and America West Airlines. Given the abundant services so close by, we see little likelihood that the two round trips a day supported by the EAS program could ever provide effective competition to the services at Omaha, or that local passenger levels will increase sufficiently to produce a subsidy per passenger of less than \$200. Finally, we believe there is little prospect that the trend of declining passenger traffic at Norfolk, which began after the peak year of 1993, will reverse itself in the foreseeable future.

Based on all of the above, we have tentatively decided to terminate Norfolk's subsidy eligibility. Consistent with program practice, we will give the community 20 days after the service date of this order to object if it finds that we have made a mistake in any of our calculations. Objections should be fully documented and contain complete information on the data used by the person objecting. If we receive no objections, Great Lakes is permitted to suspend service after the end of the 20-day period. If we receive properly filed objections within the 20-day period, we will require Great Lakes to continue to serve Norfolk until we issue a final order dealing with those objections.

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

ACCORDINGLY,

1. We tentatively terminate the subsidy eligibility of Norfolk, Nebraska, 20 days after the service date of this order;
2. We tentatively allow Great Lakes Aviation, Ltd., to suspend service anytime after 20 days following the service date of this order;
3. We direct all interested persons to show cause within 20 days of the service date of this order why we should not make final the tentative findings and conclusions set forth above. Objections should be filed with the Docket Operations and Media Management Division, M-30, Room PL-401, 400 7th Street S.W., Washington, DC 20590;²
4. In the event that no objections are filed, all further procedural steps will be deemed waived and this order shall become final on the 21st day following its service date. If we receive timely filed objections, Great Lakes Aviation, Ltd., must continue serving Norfolk until all of the objections are resolved in a final Department order;
5. This docket will remain open until further order of the Department; and
6. We will serve a copy of this order on the Mayor and airport manager of Norfolk, Nebraska, the Bureau of Aeronautics of the Nebraska Department of Transportation, and Great Lakes Aviation, Ltd.

By:

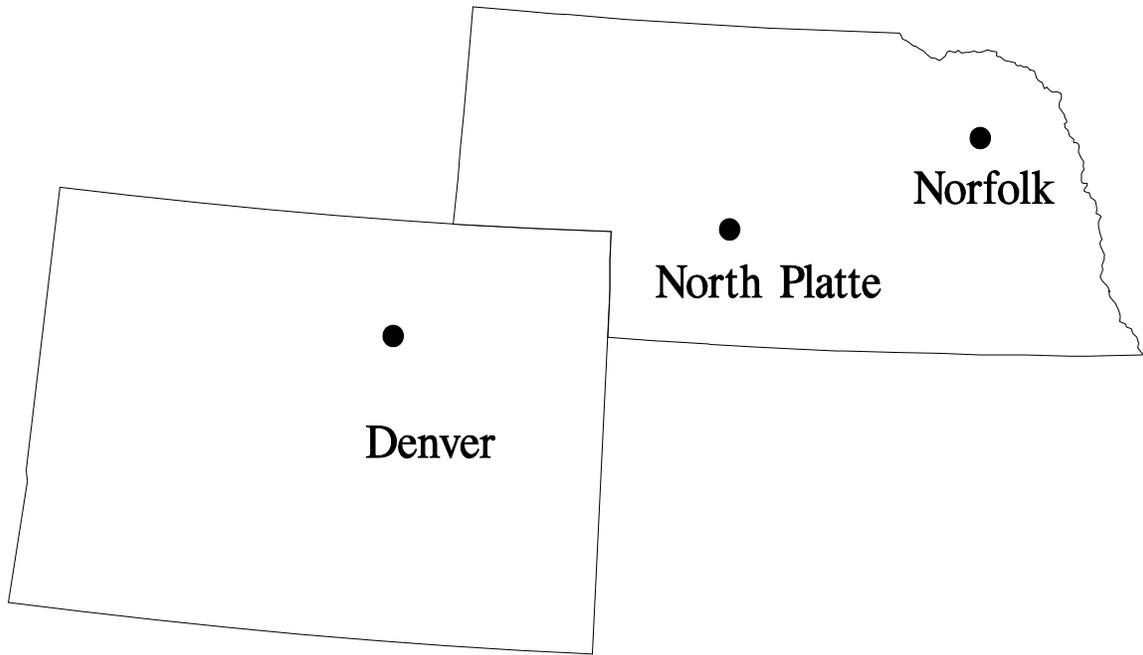
MICHAEL W. REYNOLDS
Acting Assistant Secretary for
Aviation and International Affairs

(SEAL)

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

² In addition, copies of objections may be faxed to: Chief, EAS and Domestic Analysis Division, 202-366-7638. Regardless of whether copies are faxed, an original and five copies of any objection should be filed with the Docket Operations and Media Management Division at the above address.

AREA MAP



Historical Passenger Traffic at Norfolk, Nebraska¹

Year	Number of Passengers	Passenger Enplanements per Day²
1991	4,210	6.7
1992	7,854	12.5
1993	8,957	14.3
1994	7,635	12.2
1995	6,069	9.7
1996	4,472	7.1
1997	2,315	3.7
1998	3,366	5.4
1999	3,708	5.9
2000	3,914	6.2
2001	2,512	4.0
2002	2,219	3.5
YE 3/31/2003	2,181	3.5

¹ Source: Part 298-C data reported by Great Lakes Aviation, Ltd. through September 30, 2002; Form 41, T100 data from October 1, 2002.

² Enplanements per day based on 313-service days each year, except 314-service days in leap years.