



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

Issued by the Department of Transportation  
on the 20<sup>th</sup> day of June, 2003

Essential Air Service at

**PAGE, ARIZONA  
SHOW LOW, ARIZONA  
KINGMAN, ARIZONA  
PRESCOTT, ARIZONA**

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

**Served: June 25, 2003**

**Dockets-OST-1997-2694  
OST 1998-4409  
OST-1996-1899**

**ORDER**

**Summary**

By this order, we are deferring setting new, two-year subsidy rates for Page, Show Low, Prescott and Kingman, Arizona, at the request of the State of Arizona Department of Transportation.

**Background**

By letter dated May 30, 2003, the State of Arizona Department of Transportation (ADOT) requested that the Department delay issuance of any new, long-term contracts for essential air service at Page, Show Low, Prescott and Kingman. According to ADOT, it is working in conjunction with the four communities to prepare a proposal in which the State of Arizona would serve as the sponsor and contractor for a single carrier to provide essential air service at all four of these communities.<sup>1</sup> In that capacity, ADOT states that the State would solicit, select, monitor and pay the carrier for its services with funds from the Essential Air Service program.

**Decision**

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<sup>1</sup> The subsidy rates at three of the communities -- Page, Prescott and Kingman -- currently have expired; the subsidy rate for Show Low expires later this summer.

The Department supports the efforts of ADOT to seek innovative solutions to local air service needs. Indeed, increased state involvement is one of the cornerstones of the Administration's Flight-100 reauthorization proposal. This concept is fully consistent with the aims of the Essential Air Service program.

As a result, we will accede to ADOT's request and defer action on the setting of any long-term subsidy rates for these four communities until further notice.<sup>2</sup>

In that regard, there is currently an ongoing carrier selection case for Page, and two communities in Utah -- Moab and Vernal. Five applicant carriers have submitted service/subsidy proposals, and some include service patterns that integrate service at Page with one or both of the Utah communities. We direct the staff to contact all applicants in that case and advise them of our decision here to delay action on Page, as well as the other three Arizona communities. We will work with them and allow them to amend their existing proposals to exclude service to Page so that we can continue to process the carrier selection cases for Vernal and Moab.

Finally, we note that ADOT has stated that it is considering a proposal that would significantly alter the way that the Essential Air Service program is now administered in Arizona. While we are encouraged that ADOT is actively seeking solutions for local air service needs, the U.S. Department of Transportation must maintain control over some facets of the process. For example, under current statutes, only the U.S. Department of Transportation is authorized to disburse EAS funds, and they must be paid directly to airlines. In addition, the U.S. Department of Transportation will ultimately be responsible for the levels of service for which we would be willing to authorize subsidy.

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

**ACCORDINGLY,**

1. We defer action on setting new, long-term subsidy rates for Page, Show Low, Prescott and Kingman, Arizona, until further notice;
2. These dockets will remain open until further Department order; and
3. We will serve a copy of this order on the Director of the Arizona Department of Transportation; the Utah Department of Transportation; the mayors and airport managers of Page, Show Low, Prescott and Kingman, Arizona; the mayors and airport managers of Vernal and Moab, Utah, the Governors of Arizona and Utah; Great Lakes Aviation, Air

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<sup>2</sup> Since Air Midwest's contract to serve Kingman and Prescott, and Great Lake's contract to serve Page, have expired, we direct the staff to work with each carrier to establish short-term, final subsidy rates to be in full effect while we continue to work with ADOT.

Midwest, Arizona Express Airlines, Mountain Bird, Inc., d/b/a Salmon Air; and Eagle Canyon Airlines, Inc., d/b/a Scenic Airlines.

By:

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

(SEAL)

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