

Order 2003-6-31
Served: June 23, 2003

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

Issued by the Department of Transportation
on the 23rd of June, 2003

Essential Air Service at

BRADFORD, PENNSYLVANIA

DOCKET OST-2003-14528

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

ORDER SETTING FINAL RATES

On March 14, 2003, Mesa Air Group, Inc., on behalf of its subsidiary, Air Midwest, d/b/a USAirways Express (Air Midwest) filed a 90-day notice to suspend its subsidy-free air service at Bradford, Pennsylvania. By Order 2003-4-3, April 2, 2003, we requested proposals for replacement service and required Air Midwest to continue providing essential air service to Bradford while we processed a carrier-selection case. We set the required service at two round trips a day, the level the carrier was providing when it filed its notice.

During this hold-in period, Air Midwest is entitled to be compensated for its service. The carrier and staff have agreed to annual subsidy rates of \$499,642 for two nonstop round trips a day to Pittsburgh, and \$698,018 for three round trips a day, all with 19-seat Beech 1900D aircraft.

We have reviewed the traffic and service history at Bradford, and are willing to authorize three round trips a day during the pendency of the carrier-selection case. As recently as calendar year 2000, Bradford generated an average of 82 passengers a day, 41 in each direction. That number of historical passengers could not be accommodated on a two-round-trip schedule, and, even though traffic fell off after September 11 as it did nationwide, the community still generates significant traffic levels.

We will compensate Air Midwest at the two-round-trip-per-day level until it inaugurates the third nonstop round trip. The three-round-trip rate will be effective until further Department action, *i.e.*, until we conclude the long-term selection proceeding and select a replacement carrier, either Air Midwest or another carrier, and the service is fully in place.

The rates we have agreed to are based on Air Midwest's system average expenses and they appear 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 Air Midwest for the provision of essential air service at Bradford, Pennsylvania, as described in Appendix C-1, 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 Pittsburgh by \$417.06; ¹
2. The Department sets the final subsidy rate for Air Midwest for the provision of essential air service at Bradford, Pennsylvania, as described in Appendix C-2, 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 Pittsburgh by \$388.44; ²
3. We direct Air Midwest 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;
4. This Docket will remain open until further Department action; and
5. The Department will serve copies of this order on the Mayor and Airport Manager of Bradford, Pennsylvania, the Governor and Department of Transportation of the State of Pennsylvania, and Air Midwest.

By:

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

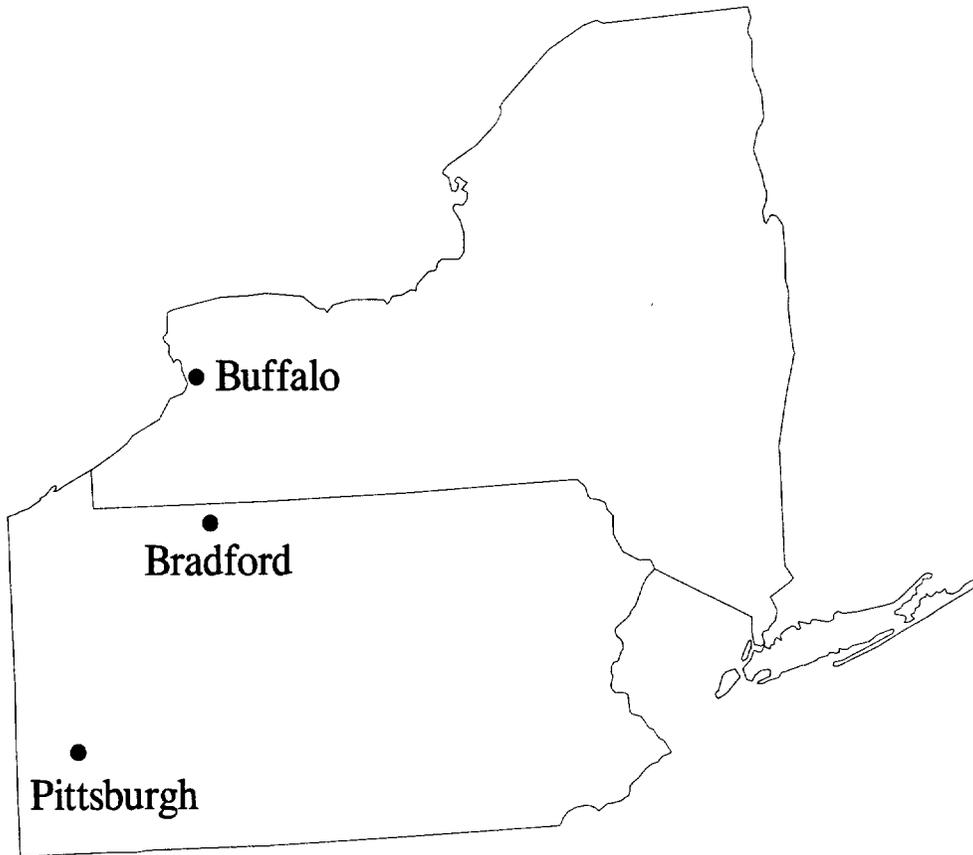
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An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>

¹ See Appendix C-1 for calculation.

² See Appendix C-2 for calculation.

AREA MAP



Mesa Airlines, Essential Air Service to be Provided at Bradford, Pennsylvania,
Docket 14528

	<u>Option 1</u>	<u>Option 2</u>
Round Trips per Week	12	18
Completed Departures	1,198 1/	1,797 2/
Total Block Hours	899 1/	1,348 2/
ASM's	2,822,488 1/	4,233,732 2/
BFD Miles	124	124
BFD Passengers	6,260	10,000
RPMs	776,240	1,240,000
BFD Revenue	\$438,200	\$710,000
<u>Other @ 1%</u>	<u>\$4,382</u>	<u>\$7,100</u>
Total Revenue	\$442,582	\$717,100
Flight Crew @ \$153.15/hr.	\$137,682	\$206,446
Hull Insurance @ \$6.93/hr.	\$6,230	\$9,342
Fuel & Oil @ \$150/hr.	\$134,850	\$202,200
Maintenance @ \$289.22/hr.	\$260,009	\$389,869
<u>Aircraft Rent @ \$49.12/hr.</u>	<u>\$44,159</u>	<u>\$66,214</u>
Total Directs	\$582,930	\$874,071
TFF @ \$.06/RPM	\$46,574	\$74,400
Marketing	\$5,000	\$5,000
Station @ \$148.06/dep.	\$177,376	\$266,064
<u>Adm. @ \$.0194/ASM</u>	<u>\$54,756</u>	<u>\$82,134</u>
Total Indirects	\$283,706	\$427,598
Total Operating Expenses	\$866,636	\$1,301,669
Return @ 5%	\$43,332	\$65,083
<u>Interest @ \$35.88/hr.</u>	<u>\$32,256</u>	<u>\$48,366</u>
Economic Cost	\$942,224	\$1,415,118
Compensation @ 96%	\$499,642	\$698,018

1 BFD-PIT, 24 flts./week x 45 minutes/ft. * 52 weeks *.96/60 = 899 hrs., 1,198 deps., 2,822,488 ASMs

2/ BFD-PIT, 36 flts./week x 45 minutes/ft. * 52 weeks *.96/60 = 1,348 hrs., 1,797 deps., 4,233,732 ASMs

**Air Midwest Air Group, Inc., Essential Air Service to be Provided to Bradford,
Pennsylvania, Docket 14626**

Effective Period: June 12, 2003, until start of increased service level in Appendix C-2.

Scheduled Service:

12 nonstop round trips each week to Pittsburgh.

Aircraft: 19-seat Beech 1900D aircraft

Subsidy Rate per Pittsburgh Flight: \$417.06 ¹

Weekly Compensation Ceilings: \$10,009.44 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 \$499,642 annual compensation, divided by 1,198 annual flights, calculated as follows:
24 flights/week*52 weeks*.96 completion

² 24 flights per week x \$417.06

**Air Midwest Air Group, Inc., Essential Air Service to be Provided to Bradford,
Pennsylvania, Docket 14626**

Effective Period: Start of service until further Department action.

Scheduled Service:

18 nonstop round trips each week to Pittsburgh.

Aircraft: 19-seat Beech 1900D aircraft

Subsidy Rate per Pittsburgh Flight: \$388.44 ¹

Weekly Compensation Ceilings: \$13,983.84 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 \$698,018 annual compensation, divided by 1,797 annual flights, calculated as follows:

36 flights/week*52 weeks*.96 completion

² 36 flights per week x \$388.44