



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

Issued by the Department of Transportation
on the 9th day of February, 2004

Essential air service at

STAUNTON, VIRGINIA

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

Served: February 12, 2004

Docket OST-2002-11378

ORDER SELECTING CARRIER
AND ESTABLISHING FINAL SUBSIDY RATE

Summary

By this order, the Department is selecting Colgan Air, Inc., d/b/a US Airways Express, to provide essential air service at Staunton, Virginia, for an additional one-year period beginning May 1, 2004, at a subsidy rate of \$615,578.

Background

By Order 2003-1-14, January 17, 2003, the Department selected Colgan to provide essential air service at Staunton, Virginia, by operating 19 nonstop round trips to Pittsburgh each week with 19-seat Beech 1900 aircraft at an annual subsidy of \$623,667.¹ That order selected Colgan for a one-year period, through April 30, 2004, with an extension for a second year subject to the mutual agreement of the carrier and the Department. Colgan began its Staunton-Pittsburgh service on April 20, 2003.

Carrier Proposal

Colgan has now submitted a proposal for a second year, beginning May 1, 2004. As a result of discussions with Department staff, Colgan has agreed to continue operating 19 nonstop round trips a week between Staunton and Pittsburgh with Beech 1900s at a subsidy of \$615,578, slightly less than its current subsidy.²

Community Comments

In a letter submitted on behalf of the community on January 27, 2003, the Executive Director of the Shenandoah Valley Regional Airport Commission states that, while there is "still work to be done" to return Staunton's service to self-sufficiency, traffic has improved substantially since Colgan began service, as a consequence of the promotional efforts made by the carrier in close

¹ See Appendix A for a map. The Shenandoah Valley Regional Airport serves the nearby communities of Harrisonburg and Waynesboro, Virginia, as well as Staunton.

² Appendix B contain details of Colgan's subsidy requirement.

cooperation with the community's airport authorities, civic officials and businesses.³ The community therefore endorses the continuation of Colgan's essential air service "without hesitation."

Decision

After careful review of Colgan's proposal and the community's views, we have decided to select Colgan to continue providing essential air service at Staunton for an additional year, beginning May 1, at its proposed subsidy rate of \$615,578. Colgan's proposed rate is reasonable for the service at issue, and its performance continues to be satisfactory.

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 compensate it for providing essential air service. We last found Colgan fit by Order 2003-9-2, September 5, 2003, where we selected it to provide subsidized essential air service at Jamestown, New York, and Bradford, Pennsylvania. Since then, we have routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Colgan continues to have available adequate financial and managerial resources to provide quality service at the community at issue here, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with 14 CFR Part 121, and knows of no reason why we should not find that Colgan remains fit.

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

ACCORDINGLY,

1. We select Colgan Air, Inc., d/b/a US Airways Express, to provide essential air service at Staunton, Virginia, as described in Appendix C, from May 1, 2004, through April 30, 2005;
2. We set the final rate of compensation for Colgan Air, Inc., d/b/a US Airways Express, for the provision of essential air service at Staunton, Virginia, as described in Appendix C, from May 1, 2004, through April 30, 2005, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix D, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$321.12;⁴

³ The community's letter is accompanied by data showing that local traffic during January-April 2003, just prior to Colgan's entry into the market, was 28.0 percent below that of the corresponding period in 2002, whereas traffic during May-December 2003, following Colgan's entry, showed an improvement of 35.7 percent over the corresponding period in 2002. As we noted in Order 2003-1-14, Staunton's service had nearly always been self-sufficient until the terrorist attacks of September 11, 2001, requiring subsidy only from May 1994 until July 1996.

⁴ See Appendix C 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.

3. We direct Colgan Air, 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;

4. We find that Colgan Air, Inc., d/b/a US Airways Express, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Staunton, Virginia;

5. This docket will remain open until further order of the Department; and

6. We will serve copies of this order on the mayor and airport manager of Staunton, Virginia; the Shenandoah Valley Regional Airport Commission; and Colgan Air, Inc., d/b/a US Airways Express.

By:

KARAN K. BHATIA
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>*

MAP



COLGAN AIR, INC., d/b/a US AIRWAYS EXPRESS
ESSENTIAL AIR SERVICE AT
STAUNTON, VIRGINIA

EFFECTIVE PERIOD	May 1, 2004, through April 30, 2005
SERVICE	19 nonstop round trips to Pittsburgh each week
AIRCRAFT TYPE	Beech 1900 (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	\$321.12 <u>1/</u>
COMPENSATION CEILING EACH WEEK	\$12,202.56 <u>2/</u>

1/ Annual compensation of \$615,578 divided by 1,917 annual arrivals and departures at a 97 percent completion factor, as calculated in Appendix B.

2/ Subsidy rate per arrival/departure of \$321.12 multiplied by 38 subsidy-eligible arrivals and departures each week.

N O T E

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 the 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 this rate, 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 the route. 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 the specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amount or at the agreed service level, 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 level of subsidy and/or service that are mutually agreed to in writing by the parties to this order 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.