



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

Issued by the Department of Transportation  
on the 9<sup>th</sup> day of February, 2004

Essential air service at

**GLASGOW, MONTANA  
GLENDIVE, MONTANA  
HAVRE, MONTANA  
LEWISTOWN, MONTANA  
MILES CITY, MONTANA  
SIDNEY, MONTANA  
WOLF POINT, MONTANA**

**Docket OST-1997-2605**

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

**ORDER SELECTING CARRIER  
AND ESTABLISHING SUBSIDY RATES**

**Summary**

By this order, the Department is selecting Big Sky Transportation Co., d/b/a Big Sky Airlines, to continue providing essential air service at seven Montana communities for a new two-year period beginning March 1, 2004, at subsidies of \$5,765,139 for the first year and \$5,790,938 for the second year.

**Background**

By Order 2000-11-11, November 13, 2000, the Department selected Big Sky to provide subsidized service at the seven Montana communities listed above by operating 11 Sidney-Billings, 5 Sidney-Bismarck, 1 Sidney-Glendive-Miles City-Billings, 11 Glendive-Miles City-Billings, 12 Glasgow-Wolf Point-Billings and 12 Havre-Lewistown-Billings round trips each week with 19-seat Fairchild Metro III aircraft for the two-year period from December 1, 2000, through November 30, 2002, at an annual subsidy rate of \$4,952,234.<sup>1</sup> By Order 2002-8-3,

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<sup>1</sup> See Appendix A for a map. Beginning with Order 98-9-12, September 14, 1998, the Department has allowed Big Sky to operate some of Sidney's service to Bismarck rather than Billings, though Big Sky may return to operating all of Sidney's service to Billings at any time, if it chooses to do so. The service in question had been the Sidney-Glendive segment on one Sidney-Glendive-Miles City-Billings round trip each weekday. Under Order 98-9-12, Big Sky dropped the Sidney-Glendive segment in favor of a nonstop Sidney-Bismarck round trip, at a subsidy savings of about \$25,000 a year; on June 18, 2001, Big Sky added Williston, North Dakota, as an unsubsidized intermediate point on its Sidney-Bismarck flights.

August 7, 2002, the Department subsequently revised Big Sky's annual subsidy rate to \$5,716,559, effective October 1, 2001, through the remainder of the rate term, as part of a program-wide action recognizing the lower revenues and higher operating costs experienced by carriers as a result of the September 11, 2001, terrorist attacks.

As the end of the rate term approached, the Department issued Order 2002-10-40, October 31, 2002, requesting proposals from carriers interested in providing service at the communities, with or without subsidy, and extending Big Sky's expiring subsidy rate as an interim rate from December 1, 2002, until further Department action. Big Sky has continued to provide essential air service at the seven communities under that interim rate.

Proposals were received in response to Order 2002-10-40. However, by late 2003, those proposals were more than a year old. Consequently, by Order 2003-12-4, December 3, 2003, the Department resolicited proposals for the communities, and established Big Sky's interim rate as the final rate for its services until completion of the selection case.

### **Carrier Proposals**

In response to our request, we received two proposals: from Big Sky and from Mesa Air Group, Inc., on behalf of its subsidiary, Air Midwest, Inc. Big Sky proposes continuation of its current services, as described above, at subsidies of \$5,765,139 for the first year and \$5,790,938 for the second year. Mesa proposes operating 12 Sidney-Billings, 12 Glendive-Miles City-Billings, 12 Glasgow-Wolf Point-Billings and 12 Havre-Lewistown-Billings round trips each week with 19-seat Beech 1900 aircraft, at a subsidy of \$4,954,922 annually.<sup>2</sup>

### **Community Comments**

In a letter dated January 15, the Chairman of the Montana Governor's Essential Air Service Task Force states that all its members, representing the seven communities, as well as the mayors of the seven cities, have been consulted concerning the carriers' proposals, and support for the continuation of Big Sky's service is unanimous. The mayors of Miles City, Sidney and Wolf Point additionally submitted separate letters endorsing Big Sky's proposal.

### **Decision**

After a thorough review of the two carriers' proposals and the communities' comments, we have decided to select Big Sky to continue providing the communities' services for a new two-year period. Our decision is consistent with the communities' preferences, Big Sky's proposed rates are reasonable for the services at issue, and Big Sky's performance continues to be satisfactory.

In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (a) service reliability; (b) contractual and marketing arrangements with a larger carrier at the hub; (c) interline arrangements with a larger carrier at the hub; and (d) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

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<sup>2</sup> Both carriers' proposals are contained in full in the docket.

Both applicants have considerable experience providing scheduled service and with the essential air service program specifically, though of course Big Sky has 24 years' experience with the particular markets at issue here. Both applicants have code-share and interline agreements with larger carriers, Big Sky with Northwest Airlines and others, and Air Midwest with America West Airlines.

Reaching a decision is therefore principally a matter of weighing Big Sky's community support against Air Midwest's lower subsidy requirement. The communities' support for Big Sky is overwhelming -- in fact, unanimous. Air Midwest's subsidy requirement is roughly \$800,000 a year less than Big Sky's, spread over seven communities, but we must also note that Big Sky's subsidy requirements for the next two years represent *de minimis* increases over its current subsidy.<sup>3</sup> We are willing to accede to the communities' unanimous preference when the result requires almost no additional program spending.

### **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 Big Sky fit by Order 2002-2-9, February 11, 2002, in connection with its essential air service at seven communities in Arkansas, Oklahoma and Texas. Since then, the Department has 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 Big Sky continues to have available adequate financial and managerial resources to provide quality service at the communities 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 Big Sky remains fit.

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

### **ACCORDINGLY,**

1. We select Big Sky Transportation Co., d/b/a Big Sky Airlines, to provide essential air service at Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana, as described in Appendix B, for the period from March 1, 2004, through February 28, 2006;
2. We set the final rates of compensation for Big Sky Transportation Co., d/b/a Big Sky Airlines, for the provision of essential air service at Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana, as described in Appendix B, for the period from March 1, 2004, through February 28, 2006, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly

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<sup>3</sup> The increases are \$48,580 or 0.8 percent for the first year, and another \$25,799 or 0.4 percent for the second year.

ceilings set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:<sup>4</sup>

(a) March 1, 2004, through February 28, 2005	\$646.68
(b) March 1, 2005, through February 28, 2006	\$649.57

3. We terminate the subsidy rate set in Order 2003-12-4, December 3, 2003, as of March 1, 2004;

4. We direct Big Sky Transportation Co., d/b/a Big Sky Airlines, 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, whichever comes first. 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;

5. We find that Big Sky Transportation Co., d/b/a Big Sky Airlines, continues to be fit, willing and able to operate as a commuter air carrier and capable of providing reliable essential air service at Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana;

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

7. We will serve copies of this order on the mayors and airport managers of Glasgow, Glendive, Havre, Lewistown, Miles City, Sidney and Wolf Point, Montana; the Chairman of the Montana Governor's Essential Air Service Task Force; Big Sky Transportation Co., d/b/a Big Sky Airlines; and Mesa Air Group, Inc.

By:

**KARAN K. BHATIA**  
Assistant Secretary for Aviation  
and International Affairs

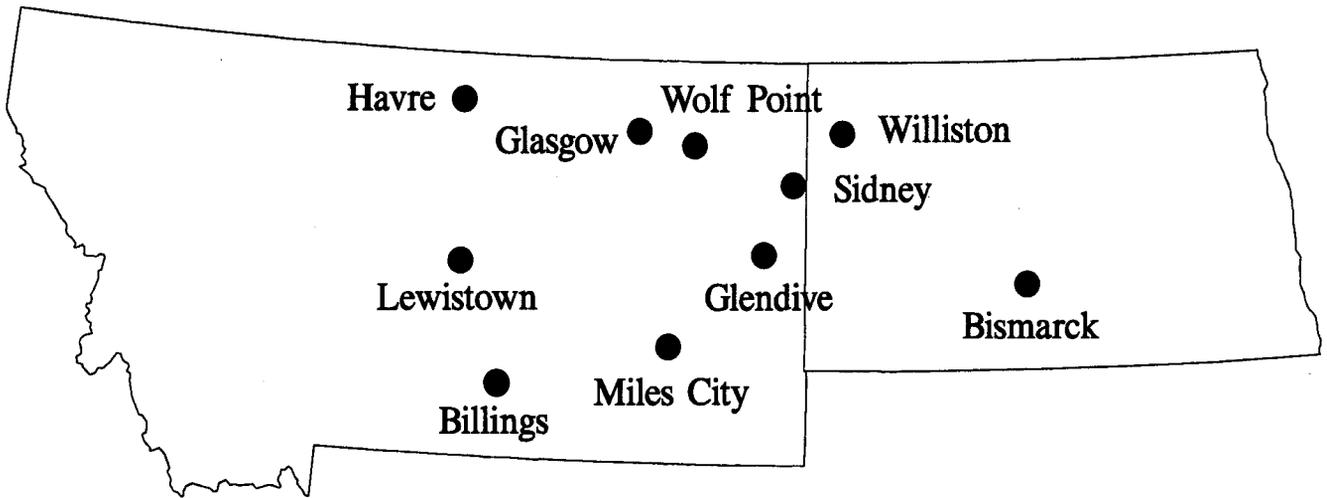
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on the World Wide Web at <http://dms.dot.gov>*

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<sup>4</sup> See Appendix B for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of these rates may be required.

# M A P



BIG SKY TRANSPORTATION CO., d/b/a BIG SKY AIRLINES  
ESSENTIAL AIR SERVICE AT  
GLASGOW, GLENDIVE, HAVRE, LEWISTOWN,  
MILES CITY, SIDNEY AND WOLF POINT, MONTANA

EFFECTIVE PERIOD	March 1, 2004, through February 28, 2006
SERVICE	
Havre	12 nonstop or one-stop round trips to Billings each week
Lewistown	12 nonstop round trips to Billings each week
Glasgow and Wolf Point	12 nonstop or one-stop round trips to Billings each week
Glendive and Miles City	12 nonstop or one-stop round trips to Billings each week
Sidney	11 nonstop round trips to Billings, 1 round trip to Billings with no more than two intermediate stops, and 5 nonstop round trips to Bismarck each week. At its own discretion, the carrier may discontinue Sidney's service to Bismarck and instead operate 5 additional round trips to Billings each week with no more than two intermediate stops.
AIRCRAFT TYPE	Fairchild Metro III (19 seats)
TIMING OF FLIGHTS	Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER ARRIVAL/DEPARTURE	
(a) March 1, 2004, through February 28, 2005	\$646.68 <u>1/</u>
(b) March 1, 2005, through February 28, 2006	\$649.57 <u>2/</u>
COMPENSATION CEILING EACH WEEK	
(a) March 1, 2004, through February 28, 2005	\$115,109.04 <u>3/</u>
(b) March 1, 2005, through February 28, 2006	\$115,623.46 <u>4/</u>

FOOTNOTES APPEAR ON THE FOLLOWING PAGE

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 plans 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 these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on the 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 agreement, 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 this 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.

FOOTNOTES

1/ Annual compensation of \$5,765,139 divided by 8,915 annual arrivals and departures at a 96 percent completion factor, calculated as follows:

HVR-LWT-BIL	8 dpts x 313 service days x .96 =	2,404
GGW-OLF-BIL	8 dpts x 313 service days x .96 =	2,404
SID-BIL	4 dpts x 261 weekdays x .96 =	1,002
	2 dpts x 52 weekends x .96 =	100
SID-BIS	2 dpts x 261 weekdays x .96 =	501
GDV-MLS-BIL	8 dpts x 261 weekdays x .96 =	2,004
	4 dpts x 52 weekends x .96 =	200
SID-GDV-MLS-BIL	6 dpts x 52 weekends x .96 =	<u>300</u>
		8,915

2/ Annual compensation of \$5,790,938 divided by 8,915 annual arrivals and departures at a 96 percent completion factor.

3/ Subsidy rate per arrival/departure of \$646.68 multiplied by 178 subsidy-eligible arrivals and departures each week.

4/ Subsidy rate per arrival/departure of \$649.57 multiplied by 178 subsidy-eligible arrivals and departures each week.