



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

Issued by the Department of Transportation
on the 13th day of February, 2004

Essential air service at

**GREENBRIER/WHITE SULPHUR SPRINGS/
LEWISBURG, WEST VIRGINIA**

Docket OST-2003-15553

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

**ORDER SELECTING CARRIER
AND ESTABLISHING SUBSIDY RATES**

Summary

By this order, the Department is (a) selecting Air Midwest, Inc., d/b/a US Airways Express, to provide essential air service at Greenbrier/White Sulphur Springs/Lewisburg, West Virginia, for a two-year period at an annual subsidy rate of \$540,579, and (b) setting final rates for Air Midwest's hold-in service at the community, which ends with the beginning of the two-year rate term.

Background

By Order 2003-9-21, September 26, 2003, the Department requested proposals from carriers interested in providing essential air service at Greenbrier/White Sulphur Springs/Lewisburg after Air Midwest filed a 90-day notice of intent to suspend its unsubsidized service there as of September 28.¹ That order also required Air Midwest to maintain service at the community for 30 days beyond the end of the 90-day notice period, and the Department has subsequently extended Air Midwest's service obligation pending completion of the carrier selection case.²

Carrier Proposal

In response to our request, we received a proposal from one carrier: Mesa Air Group, Inc., on behalf of its subsidiary and the incumbent, Air Midwest. Mesa's proposal contains five options, under any of which Air Midwest would continue operating Beech 1900 aircraft:³

¹ Greenbrier Valley Airport is located near the cities of White Sulphur Springs and Lewisburg in Greenbrier County. See Appendix A for a map.

² Air Midwest had been operating one daily nonstop round trip to Charlotte with 19-seat Beech 1900 aircraft, but agreed to increase its service under the hold-in requirement; on October 26, Air Midwest added one daily nonstop round trip to Pittsburgh, also operated with Beech 1900 aircraft.

³ Mesa's full proposal is available in the docket.

- Option 1 proposes 12 round trips each week to Charlotte plus 2 each week to Pittsburgh at a subsidy of \$657,586 annually.
- Option 2 proposes 12 round trips each week to Pittsburgh at a subsidy of \$637,128 annually.
- Option 3 proposes 6 round trips each week to Charlotte plus 6 each week to Pittsburgh at a subsidy of \$496,970 annually.
- Option 4 proposes 7 round trips each week to Charlotte, 5 each week to Washington's Dulles International Airport, and 2 each week to Pittsburgh, at a subsidy of \$540,579 annually.
- Option 5 proposes 6 round trips each week to Pittsburgh plus 6 each week to Dulles at a subsidy of \$581,704 annually.

Community Comments

In letters dated December 2 and December 11, the Chairman of the Greenbrier County Airport Authority and the Mayor of White Sulphur Springs state that they prefer Mesa's Option 4, with second choice being Option 1. In a letter dated December 6, the Mayor of Lewisburg states that Option 1 is his first choice and Option 4 his second choice. He further states that he would prefer that the Pittsburgh service be eliminated from either option, in favor of more service to Charlotte under Option 1 or to Dulles under Option 4.⁴

Decision

After a thorough review of Mesa/Air Midwest's various options and the community's comments, we have decided to select Option 4. Our decision is consistent with the community's preferences, the rate appears reasonable for the service at issue, and the carrier'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.

Because this case involves only one applicant, we need simply choose an option based on the community's views and the subsidy required. Both mayors and the Airport Authority have expressed some preference for Option 4. It is the Mayor of Lewisburg's second choice out of the five, but it is the first choice of both the Mayor of White Sulphur Springs and the Airport Authority, and it requires \$117,000 a year less subsidy than Option 1, the Mayor of Lewisburg's

⁴ At the time that the community was submitting its comments, some question arose as to whether Air Midwest would, in fact, continue to operate as a US Airways Express carrier to Charlotte throughout the prospective rate term. On February 2, 2004, however, Mesa submitted to the Department a letter of agreement between Mesa and US Airways indicating that the code-share partnership would continue at least through October 15, 2006.

first choice. In addition, Option 4 is the second-least expensive option among the five, requiring just \$44,000 a year more subsidy than Option 3, the least expensive. We have therefore concluded that, on balance, the community's views outweigh the small potential savings in subsidy. We would also note that, if the selected service pattern proves unsatisfactory during the course of the rate term, the carrier, with the community's concurrence, may ask the Department for permission to implement an alternative service pattern at the same or less subsidy.

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 Air Midwest fit by Order 2003-10-28, October 29, 2003, in connection with its essential air service at Dodge City, Garden City, Great Bend and Hays, Kansas. 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 their most recent submissions, we find that Air Midwest 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 Air Midwest remains fit.

Hold-in Subsidy Rates

Air Midwest's service at Greenbrier/White Sulphur Springs/Lewisburg became eligible for subsidy as of September 28, 2003, the end of the 90-day notice period, by virtue of the Department's hold-in action under Order 2003-9-21. As a result of discussions with Department staff, Mesa has agreed to final subsidy rates of \$232,750 annually for the period from September 28 through October 25, 2003, when Air Midwest operated 7 nonstop round trips a week to Charlotte, and \$683,212 annually beginning October 26, 2003, when Air Midwest added 7 nonstop round trips a week to Pittsburgh, until the carrier implements the long-term proposal selected by this order or 120 days after the date of service of this order, whichever is first.⁵ Upon review, we conclude that the rates appear reasonable for the service at issue, and we will establish them as the final rates for Air Midwest's hold-in service.

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

ACCORDINGLY,

1. We select Air Midwest, Inc., d/b/a US Airways Express, to provide essential air service at Greenbrier/White Sulphur Springs/Lewisburg, West Virginia, as described in Appendix B, for the period beginning when the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first, through the 24th full month thereafter;
2. We set the final rates of compensation for Air Midwest, Inc., d/b/a US Airways Express, for the provision of essential air service at Greenbrier/White Sulphur Springs/Lewisburg, West Virginia, described in Appendix B, for the period from September 28, 2003, through the 24th

⁵ Mesa has informed us that Air Midwest can implement the selected service in 90 to 120 days.

month following the date on which the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly 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:⁶

(a) From September 28 through October 25, 2003	\$332.98
(b) From October 26, 2003, until the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first	\$488.71
(c) From the date on which the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first, through the 24th full month thereafter	\$386.68

3. We direct Air Midwest, 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, 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;

4. We find that Air Midwest, 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 Greenbrier/White Sulphur Springs/Lewisburg, West Virginia;

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

6. We will serve copies of this order on the mayors and airport manager of Greenbrier/White Sulphur Springs/Lewisburg, West Virginia, and Mesa Air Group, Inc., d/b/a US Airways Express.

By:

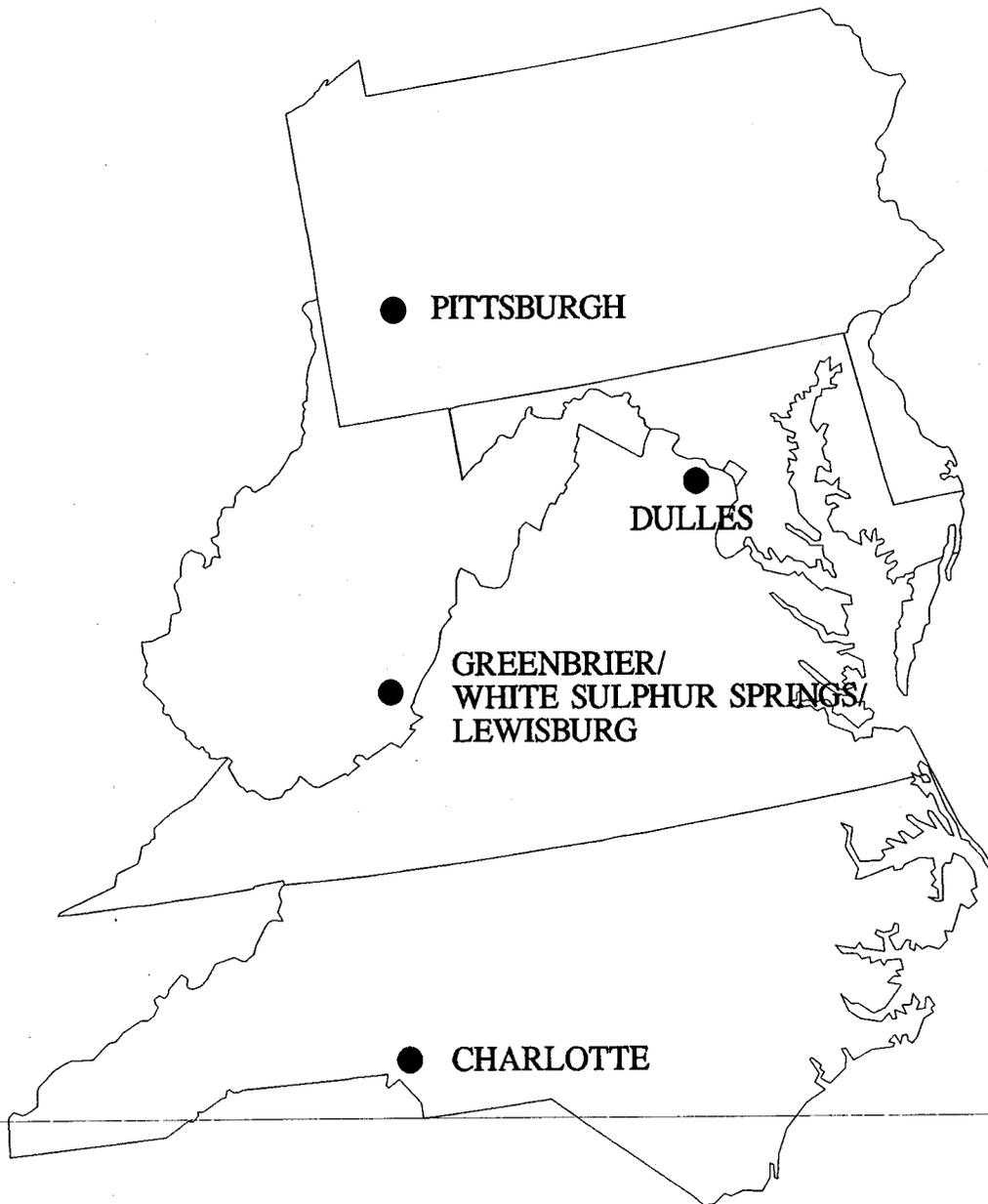
KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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

⁶ 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.

REGIONAL MAP



AIR MIDWEST, INC., d/b/a US AIRWAYS EXPRESS
ESSENTIAL AIR SERVICE AT
GREENBRIER/WHITE SULPHUR SPRINGS/LEWISBURG, WEST VIRGINIA

EFFECTIVE PERIOD	(a) From September 28 through October 25, 2003 (b) From October 26, 2003, until the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first (c) From the date on which the carrier implements the selected service pattern or 120 days after the date of service of this order, whichever is first, through the 24th full month thereafter
SERVICE	(a) 7 nonstop round trips a week to Charlotte (b) 7 nonstop round trips a week to Charlotte and 7 nonstop round trips a week to Pittsburgh (c) 7 nonstop round trips a week to Charlotte, 5 nonstop round trips a week to Dulles International Airport, and 2 nonstop round trips a week to Pittsburgh
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	(a) \$332.98 <u>1/</u> (b) \$488.71 <u>2/</u> (c) \$386.68 <u>3/</u>
COMPENSATION CEILING EACH WEEK	(a) \$ 4,661.72 <u>4/</u> (b) \$13,683.88 <u>5/</u> (c) \$10,827.04 <u>6/</u>

1/ Annual compensation of \$232,750 divided by 699 annual arrivals and departures at a 96 percent completion factor:
14 dpts x 52 weeks x .96 = 699.

2/ Annual compensation of \$683,212 divided by 1,398 annual arrivals and departures at a 96 percent completion factor:
28 dpts x 52 weeks x .96 = 1,398.

3/ Annual compensation of \$540,579 divided by 1,398 annual arrivals and departures at a 96 percent completion factor:
28 dpts x 52 weeks x .96 = 1,398.

4/ Subsidy rate per arrival/departure of \$332.98 multiplied by 14 subsidy-eligible arrivals and departures each week.

5/ Subsidy rate per arrival/departure of \$488.71 multiplied by 28 subsidy-eligible arrivals and departures each week.

6/ Subsidy rate per arrival/departure of \$386.68 multiplied by 28 subsidy-eligible arrivals and departures each week.

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 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 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.