

Order 2004-2-23
Served: February 27, 2004



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

Issued by the Department of Transportation
on the 24th day of February, 2004

Essential Air Service at

WEST YELLOWSTONE, MONTANA

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

Docket OST-2003-14626

**ORDER SELECTING CARRIER
AND SETTING FINAL SUBSIDY RATE**

Summary

By this order, the Department is selecting SkyWest Airlines, Inc., d/b/a Delta Connection, to provide subsidized essential air service at West Yellowstone, Montana, for the 2004 and 2005 summer seasons, at an annual subsidy rate of \$418,488.

Background

On March 3, 2003, SkyWest filed a 90-day notice of its intent to suspend its unsubsidized scheduled air service at West Yellowstone, effective on June 1, 2003. SkyWest was the only carrier serving West Yellowstone during the period June 1-September 30, 2002, and was obligated to provide service at West Yellowstone commencing June 1, 2003, consisting of three daily nonstop round trips to Salt Lake City with 30-seat Embraer-120 aircraft. Since SkyWest's termination of service would have left West Yellowstone with no scheduled service for the 2003 summer season, by Order 2003-5-9, we required the carrier to begin its service on June 1, and we requested proposals for replacement service.¹

¹ Order 2003-5-9 required SkyWest to provide service at West Yellowstone for an initial 30-day period, through July 1, 2003. Orders 2003-6-35, 2003-7-33, and 2003-8-25, extended the carrier's obligation for

Proposals

Proposals for subsidized essential air service were submitted by SkyWest, and by Mesa Air Group on behalf of its wholly-owned subsidiary Air Midwest, Inc. Mesa Air Group subsequently withdrew its proposal on January 16, 2004.

SkyWest proposes to provide West Yellowstone with 14 nonstop round trips each week to Salt Lake City with 30-seat Embraer-120 aircraft for both the 2004 and 2005 summer seasons. Service would commence both years on June 1, and continue for a four-month period, through September 30. For that level of service, the carrier requests a subsidy of \$418,488 for each year's service.

Community Comments

The Operations Manager of the Town of West Yellowstone has informally advised the Department by telephone that the community is very satisfied with the services provided SkyWest and supports their continued selection to provide service for another two summers.

Carrier Selection Decision

After careful consideration of this matter, including the community comments, we have decided to select SkyWest to continue to provide essential air service at West Yellowstone for an additional two years. As set forth in Appendix B, service is to be provided with Embraer-120, 30-seat aircraft, at an annual subsidy of \$418,488.

SkyWest is the only applicant in the case and has been providing reliable unsubsidized service in the West Yellowstone-Salt Lake City market for a number of years with the Embraer-120 aircraft. The service we are selecting here is a continuation of that same service for a two-year period with subsidy. The carrier is offering service as a Delta Connection code-share carrier to Salt Lake City, a large hub destination that offers excellent connection to the nation's air transportation system, and the community remains satisfied with SkyWest's service. Finally, we find the subsidy reasonable for the service level to be provided. Based on all of the above, we will select SkyWest to provide essential air service at West Yellowstone at the service and subsidy levels described above.

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 may compensate it for essential air service. We last

successive 30-day periods. Since the seasonal service was scheduled to end on September 30, no order obligating the carrier past that date has been required. The Department also issued Order 2003-5-29 on May 29, 2003, setting a final subsidy rate for SkyWest's "hold-in" service at West Yellowstone, effective June 1, 2003, until further Department action.

found SkyWest fit to provide scheduled passenger service as a certificated air carrier by Order 2003-6-34, issued June 26, 2003, when we selected it to provide essential air service at Victoria, Texas. The Department has routinely monitored the carrier's continuing fitness. No information has come to our attention that would lead us to conclude that SkyWest does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question the carrier's fitness. We therefore conclude that SkyWest remains fit to conduct the operations proposed here.

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

ACCORDINGLY,

1. The Department selects SkyWest Airlines, Inc., d/b/a Delta Connection, to provide essential air service at West Yellowstone, Montana, as described in Appendix B, for the periods beginning June 1, 2004, through September 30, 2004, and June 1, 2005, through September 30, 2005;
2. The Department sets the final rate of compensation for SkyWest Airlines, Inc., d/b/a Delta Connection, for the provision of essential air service at West Yellowstone, Montana, as described in Appendix B, for the periods set forth in ordering paragraph (1), 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 set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures performed during the month by \$847.14;²
3. We direct SkyWest Airlines, Inc., d/b/a Delta Connection, 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;

² See Appendix B 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.

4. We find that SkyWest Airlines, Inc., d/b/a Delta Connection, continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at West Yellowstone, Montana;
5. Docket OST 2003-14626 shall remain open until further order of the Department; and
6. We will serve a copy of this order on the Mayor and airport manager of West Yellowstone, the Governor of Montana, the Montana Department of Transportation, Aeronautics Division, and SkyWest Airlines.

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>

AREA MAP



**SKYWEST AIRLINES. INC.
PROVISION OF ESSENTIAL AIR SERVICE
AT WEST YELLOWSTONE, MONTANA
SUMMARY OF SERVICE TO BE PROVIDED**

EFFECTIVE PERIOD	June 1, 2004 - September 30, 2004, and June 1, 2005 - September 30, 2005
SERVICE	West Yellowstone – Salt Lake City
MINIMUM FREQUENCY	14 nonstop round trips per week
AIRCRAFT TYPE	EMB-120 (30-seat)
TIMING OF FLIGHTS	Flights must be well timed and well spaced to ensure full compensation.
SUBSIDY RATE	Per year - \$418,488 Per completed flight – \$847.14 ¹
WEEKLY CEILING	Peak: \$23,719.92 ²

¹ Annual subsidy divided by total number of flight calculated as follows:
18 weeks x 28 flights per week x .98 = 494 departures

² Subsidy per completed flight of \$847.14 times 28 flights per 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 plan outlined in the order, and any other significant elements of the required service, without prior Department 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 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 this route. The carrier must complete all flights that can be safely operated; flights that overfly subsidized 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.

**SKYWEST AIRLINES, INC.
PROVISION OF ESSENTIAL AIR SERVICE
AT WEST YELLOWSTONE, MONTANA
CALCULATION OF SUBSIDY REQUIREMENT**

Route: WYS-SLC
Total block hours: 642
Frequency: 14 round trips per week
Aircraft Type: EMB-120 (30-seats)

<u>Revenue</u>	Rate	#	Revenue
Passenger	\$76.03	5,237	\$398,169
Cargo	@ .06% PR		<u>\$2,389</u>
Total operating revenue			\$400,558
<u>Direct Operating Expense</u>	Unit cost		Expense
Pilot	\$137.24 per BH		\$88,108
Fuel	\$117.86 per BH		\$75,666
Maintenance	\$227.44 per BH		\$146,016
Aircraft	\$215.22 per BH		\$138,171
Other	\$91.75 per BH		<u>\$58,904</u>
Total Direct Operating Expense			\$506,865
<u>Indirect Operating Expense</u>			
Flight Attendant related	\$38.25 per BH		\$24,557
RPM related	\$0.01706 per rpm		\$24,391
Departure related	\$47.52 per dep.		\$23,475
ASM related	\$0.04962 per ASM		<u>\$200,756</u>
Total Indirect Operating Expense			\$273,179
Total Operating Expense			\$780,044
Profit @ 5%			\$39,002
Total Economic Cost			\$819,046
Annual Subsidy @ 98%			\$418,488