



Order 2004-4-13

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

Issued by the Department of Transportation  
on the 20<sup>th</sup> day of April, 2004

Essential air service at

BECKLEY, WEST VIRGINIA  
BLUEFIELD/PRINCETON, WEST VIRGINIA

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

Served: April 23, 2004  
Docket OST-1997-2761

**ORDER REQUESTING PROPOSALS**

**Summary**

By this order, the Department is requesting proposals from carriers interested in providing essential air service at Beckley and Bluefield/Princeton, West Virginia, for the two-year period beginning August 1, 2004.

**Background**

By Orders 2002-4-25, April 29, 2002, and 2002-10-34, October 28, 2002, the Department selected Colgan Air, Inc., d/b/a US Airways Express, to provide subsidized essential air service at Beckley and Bluefield for the two-year period through July 31, 2004, by operating 18 nonstop or one-stop round trips a week to either Pittsburgh or Washington's Dulles International Airport with 19-seat Beech 1900 aircraft at a subsidy of \$2,067,693 annually.<sup>1</sup>

**Request for Proposals**

As the end of the current rate term approaches, we are here requesting proposals from carriers interested in providing service at the communities, with or without subsidy, for the two year period beginning August 1, 2004. Carriers should file their proposals within 30 days of the date of service of this order. At the end of that period, our staff will docket the proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. We will give full consideration to all proposals that are timely filed.<sup>2</sup>

<sup>1</sup> See Appendix A for a map. Under the terms of its selection, Colgan has been permitted to operate one round trip each weekday to Charlotte rather than Pittsburgh or Dulles. In practice, however, Colgan has continued to operate all of the communities' service to Pittsburgh.

<sup>2</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

The preceding paragraph reflects streamlined carrier-selection procedures that we have recently introduced for the essential air service program generally. In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to communities for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we expect that competition among multiple carriers will ensure reasonable subsidy requests, obviate the need for rate negotiations, and allow us to streamline the carrier-selection process.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals.<sup>3</sup> We retain the discretion to further negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier. We also retain the discretion to reject outright all unreasonable or unrealistic proposals, and to resolicit a new round of proposals. However, we anticipate that negotiation or rejection will be only occasional exceptions to the general rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by affected communities and the Department. We do not anticipate any change in our selection criteria, nor in the general provisions governing subsidy payments for essential air service.<sup>4</sup>

With respect to Beckley and Bluefield/Princeton specifically, we expect proposals consisting of service, at a minimum, with two-pilot, twin-engine aircraft with at least 15 passenger seats, and offering 18 round trips a week to Pittsburgh, Dulles or Charlotte. Such service is consistent with

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<sup>3</sup> For this reason, we are allowing carriers 30 days to submit their proposals, rather than just 20 as in the past. Because the new procedures anticipate that a carrier's first proposal will also be its final proposal, we expect to enforce our filing deadlines more stringently than in the past. Carriers should not expect the Department to accept late filings. The additional 10 days will comfortably accommodate the additional time carriers may find necessary to prepare their proposals.

<sup>4</sup> In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements. As in the past, the general provisions governing essential air service will be included in the selection order as part of the Department's authorization of subsidy for the selected service. Appendix B of this order shows those provisions.

what the communities now receive, and fully satisfies their essential air service requirements.<sup>5</sup> We encourage proposals that meet those requirements in an efficient manner.<sup>6</sup> Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities -- different hubs, for example -- with subsidy requirements that remain competitive.

### **Service and Traffic History**

In July 1994, Colgan replaced CCAir, Inc., d/b/a US Airways Express, at both Beckley and Bluefield/Princeton. Colgan initially operated the communities' service to Charlotte, their designated hub, as CCAir generally had.<sup>7</sup> In 1997, Colgan became a Continental Connection carrier and switched the communities' service to Dulles.<sup>8</sup> Colgan began operating as US Airways Express in December 1999, and eventually switched most of the communities' service to Pittsburgh, a major US Airways hub, following the 9/11 terrorist attacks<sup>9</sup> When the Department later reduced the communities' level of subsidized service from 23 to 18 round trips a week, Colgan dropped its remaining service to Dulles in favor of all-Pittsburgh service.<sup>10</sup>

During calendar year 2003, the most recent 12-month period for which data are available, Beckley averaged 6.2 and Bluefield/Princeton 4.9 enplanements a day, which represented declines from the previous calendar year of 29.5 percent for Beckley and 23.2 percent for Bluefield/Princeton.<sup>11</sup>

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>12</sup> Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose

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<sup>5</sup> The communities' essential air service determinations, as last established by Order 94-5-7, May 6, 1994, required at least two round trips to Charlotte each weekday and weekend with no more than one intermediate stop for Beckley and nonstop for Bluefield/Princeton, providing a minimum of 46 inbound and outbound seats for Beckley and 42 for Bluefield/Princeton. Colgan's service history, leading to its operation to an alternative hub at Pittsburgh, is discussed below.

<sup>6</sup> For example, Colgan serves the two communities together on the same flights.

<sup>7</sup> Order 94-5-7.

<sup>8</sup> See Order 97-7-23, July 24, 1997.

<sup>9</sup> See Order 2001-10-1, October 10, 2001. Both communities assented to the hub changes both in 1997, from Charlotte to Dulles, and in 2001, from Dulles to Pittsburgh.

<sup>10</sup> Order 94-5-7.

<sup>11</sup> See Appendix C for historical traffic data. Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 weekdays and weekends a year.

<sup>12</sup> The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation -- Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 -- Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.<sup>13</sup>

### **Community and State Comments**

The communities and state are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

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

### **ACCORDINGLY,**

1. We request that carriers interested in providing essential air service at Beckley and/or Bluefield/Princeton, West Virginia, submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title "Proposal to Provide Essential Air Service at [the community or communities of interest], Docket OST-1997-2761";<sup>14</sup>
2. This docket will remain open until further order of the Department; and
3. We will serve copies of this order on the mayors and airport managers of Beckley and Bluefield/Princeton, West Virginia; Colgan Air, Inc., d/b/a US Airways Express; and the persons listed in Appendix D.

By:

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

(SEAL)

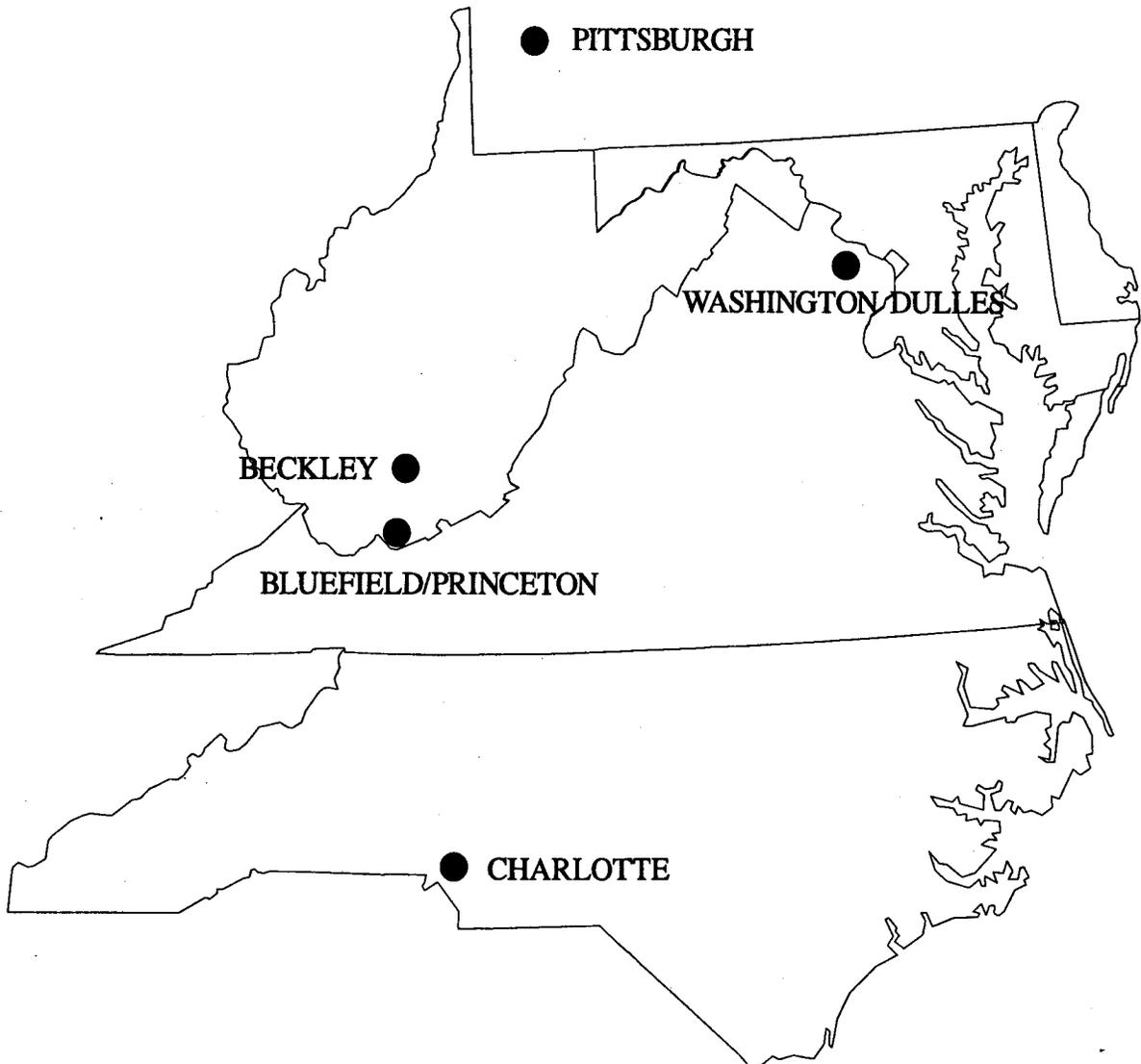
*An electronic version of this document is available  
on the World Wide Web at <http://dms.dot.gov>*

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<sup>13</sup> The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.

<sup>14</sup> Questions regarding filings in response to this order may be directed to Ed Niederberger at (202) 366-1039.

BECKLEY AND BLUEFIELD/PRINCETON,  
WEST VIRGINIA



## APPENDIX B

### GENERAL TERMS AND CONDITIONS FOR ESSENTIAL AIR SERVICE

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 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 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.

## APPENDIX C

HISTORICAL ENPLANEMENTS  
AT BECKLEY AND BLUEFIELD/PRINCETON, WEST VIRGINIA

	<u>BECKLEY</u>		<u>BLUEFIELD/ PRINCETON</u>	
	<u>TOTAL</u>	<u>PER DAY</u>	<u>TOTAL</u>	<u>PER DAY</u>
2001 1st Qtr	657		446	
2nd Qtr	773		655	
3rd Qtr	698		547	
4th Qtr	541		378	
2002 1st Qtr	558		383	
2nd Qtr	752		581	
3rd Qtr	732		603	
4th Qtr	703		422	
2003 1st Qtr	476		235	
2nd Qtr	513		400	
3rd Qtr	499		506	
4th Qtr	446		387	
Year ended December 31, 2001	2,669	8.5	2,026	6.5
Year ended December 31, 2002	2,745	8.8	1,989	6.4
Year ended December 31, 2003	1,934	6.2	1,528	4.9

SOURCE: Colgan Air, Inc. Enplanements represent one-half of total origin-and-destination passengers, and averages are based on 313 weekdays and weekends each year.

SERVICE LIST FOR THE STATE OF WEST VIRGINIA

Air Alpha, Inc.  
Amerijet International, Inc.  
Chautauqua Airlines, Inc.  
Colgan Air  
Comair, Inc.  
Corporate Airlines, Inc.  
Delta Connection  
Enterprise Airlines, Inc.  
Jetstream International Airlines, Inc.  
Mesa Airlines, Inc.  
Midwest Express Airlines, Inc.  
Northcoast Executive Airlines, Inc.  
Ohio Valley Aviation, Inc.  
Pennsylvania Aviation, Inc.  
Rader Aviation, Inc.  
Rio Grande Air  
Southern Air Transport, Inc.  
Westward Airways, Inc.

Ken Bannon  
Doug Franklin  
E.B. Freeman  
A. Edward Jenner  
Lee Mason  
Eric Nordling  
Mark Prange  
Tim Woldridge