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Order 2004-5-15
Served: May 25, 2004

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

Issued by the Department of Transportation
on the 20th day of May, 2004

Essential Air Service at	
GRAND ISLAND, NEBRASKA	DOCKET OST-2002-13983 - 45
KEARNEY, NEBRASKA	DOCKET OST-1996-1715 - 57
McCOOK, NEBRASKA	DOCKET OST-1997-3005 - 31
NORFOLK, NEBRASKA	DOCKET OST-1998-3704 - 38
NORTH PLATTE, NEBRASKA	DOCKET OST-1999-5173 - 34
SCOTTSBLUFF, NEBRASKA	DOCKET OST-2003-14535 - 38
Under 49 U.S.C. 41731 *et seq.*	

ORDER SELECTING CARRIER, SETTING FINAL RATES, AND TERMINATING ESSENTIAL AIR SERVICE SUBSIDY ELIGIBILITY

Summary
By this order, we are selecting Great Lakes Aviation, Ltd., to provide essential air service with subsidy support at Grand Island, Kearney, McCook, North Platte, and Scottsbluff, Nebraska, for two years at a total annual subsidy of $5,233,287. We are also making final the termination of the eligibility of Norfolk, Nebraska, to receive subsidized essential air service proposed in Order 2003-6-25, June 19, 2003.

Discussion
By Order 2003-12-2, December 2, 2003, the Department solicited proposals to provide essential air service, with subsidy support if necessary, at Grand Island, Kearney, McCook, Norfolk, North Platte, and Scottsbluff, Nebraska. To consolidate separate proceedings at these points, and because the air carrier interest in providing essential air service in Nebraska was perceived to be competitive, Order 2003-12-2 advised carriers that the proposals they

submitted would be their final and only proposals; *i.e.*, these proposals would not be subject to further negotiation. Earlier, in Order 2003-6-25, June 19, 2003, the Department had tentatively terminated the eligibility of Norfolk to receive subsidized essential air service on the grounds that the subsidy rate per passenger for serving Norfolk exceeded $200, the statutory cap. After Norfolk objected to that tentative decision, the Department indicated in Order 2003-12-2 that it was making an additional effort to seek service proposals for Norfolk that would fall within the $200 cap.

The Department received an unprecedented response to its solicitation -- 59 proposal options submitted by six carriers. Corporate Airlines submitted a proposal containing two options for Grand Island-St. Louis service. Great Lakes Aviation, Ltd., submitted a proposal containing 44 options covering all six communities. Mesa Air Group submitted a proposal containing ten options covering all six communities. Mesaba Aviation, Inc., submitted a proposal for Grand Island-Minneapolis service. Multi-Aero, Inc., submitted a proposal for Norfolk-Kansas City service. Westward Airways, Inc., submitted a proposal for Kearney-Omaha and Norfolk-Omaha service. These proposals may be accessed online through the Department's Dockets Management System at: http://dms.dot.gov/ by doing a simple search on the docket number for each community.

Community Comments
By letters dated February 18, 2004, we solicited the views of the Mayors and Airport Managers of each of the six Nebraska communities, as well as the Director, Nebraska Department of Aeronautics, as to which carrier(s) and service option(s) they would prefer. We received comments from each community, summarized as follows:

Grand Island:
The Mayor of Grand Island submitted comments supporting service on a Kearney-Grand Island-Kansas City routing, as well as service on a Grand Island-Kearney-Denver routing. Although the Mayor does not state a carrier preference, the only carrier with such a proposal is Great Lakes. The Hall County Airport Board endorses Great Lakes Aviation's Denver-Kearney-Grand Island-Denver Beech 1900D proposal.

In addition to the comments from Grand Island community officials, we received comments from the Hastings Economic Development Corporation, which supports service on a Kearney-Grand Island-Kansas City routing, as well as service on a Grand Island-Kearney-Denver routing. The Mayor of Hastings supports service by Great Lakes Aviation with Beech 1900D aircraft on a Denver-Kearney-Grand Island-Kansas City routing.

Kearney:
The Mayor of Kearney supports service by Great Lakes Aviation with Beech 1900D aircraft on a Denver-Kearney-Grand Island-Kansas City routing. The Kearney City Council, acting as the Kearney Municipal Airport Corporation, submitted comments jointly with the Airport Manager supporting Great Lakes Aviation's Denver-Kearney-Grand Island-Kansas City proposal option. The Buffalo County Board of Supervisors submitted a resolution supporting service on a Kearney-Grand Island-Kansas City routing, as well as service on a Grand Island-Kearney-Denver routing.

In addition to the comments from Kearney community officials, we received comments from 16 organizations or companies in the Kearney area.[1] These commenters all support service to both Denver and Kansas City for Kearney and Grand Island.

McCook:

The City Manager/Airport Manager of McCook supports service by Great Lakes Aviation. His first choice would be service on a Denver-McCook-Kearney-Kansas City routing. (He enclosed correspondence dated December 16, 2003, cosigned by the Mayors of McCook and Kearney supporting this service.) His second choice would be service to maintain McCook's service to Denver.

Norfolk:

The Mayor and Airport Manager of Norfolk support, as their first choice, the proposal of Multi-Aero for service to Kansas City. Their second choice would be service by Great Lakes Aviation to Denver, with an intermediate stop in Grand Island. Their third choice would be service by Great Lakes Aviation to Denver, with an intermediate stop in Kearney.

In addition to the comments from Norfolk community officials, we received comments from the Chairman, Norfolk Action Council, who supports the Mayor's request for service to Kansas City.

North Platte:

The Mayor of North Platte supports service by Great Lakes Aviation with 30-passenger aircraft. The Chairman, North Platte Regional Airport, likewise supports service by Great Lakes Aviation with 30-passenger Brasilia aircraft, and indicates his uncertainty as to whether Mesa could enter into code share agreements with United Air Lines and Frontier Airlines.

In addition to the comments from North Platte community officials, we received comments from the President, North Platte Area Chamber and the Executive Director, Development Corporation of North Platte, both of whom support Great Lakes Aviation's 30-passenger Brasilia aircraft proposal for service to Denver. (Both of these commenters mentioned with favor Great Lakes Aviation's code share arrangements with United Air Lines and Frontier Airlines, indicating that Mesa's code sharing arrangements were unknown.)

Scottsbluff:

The Mayor of Scottsbluff supports service to Denver by Great Lakes Aviation with 30-passenger Brasilia aircraft. She notes that the community has had difficulties in the past with the service provided by Mesa, and is "cautious to recommend a carrier with this type of

[1] The President, Development Council of Buffalo County; the President, Platte Valley State Bank & Trust Company; the President, Builders Warehouse; the President, Liberty Services, Inc.; the President, Baldwin Filters; the President, Royal Plastic Mfg., Inc.; the President, Morris Printing Group; the President, Brown Church Development Group; the Owner, Custom Vacations/A Affordable Travel; the General Manager, Nebraska Turkey Growers Cooperative; the Administrator, Platte Valley Medical Group; the President, Wells Fargo Bank in Kearney; the President, Marshall Engines, Inc.; the Chancellor, University of Nebraska at Kearney; the Interim CEO, Good Samaritan Health Systems; and the President, Kearney Area Chamber of Commerce.

history attached." The Chairman of the Scotts Bluff County Board of Commissioners supports service to Denver by Great Lakes Aviation with 30-passenger Brasilia aircraft. He notes past problems with Mesa's on-time performance and flight completion, among other things. The Airport Manager, Western Nebraska Regional Airport, supports service to Denver by Great Lakes Aviation with 30-passenger Brasilia aircraft and also notes past problems with Mesa's on-time performance and flight completion.

Decision on Norfolk

As we have indicated above, we are making final the termination of the eligibility of Norfolk, Nebraska, to continue to receive subsidized essential air service as we proposed in Order 2003-6-25. This is an action that we are not undertaking lightly, so we shall explain fully our reasoning.

As we noted in Order 2003-6-25, Norfolk experienced a subsidy per passenger of $276, determined by dividing our allocation of $601,098 (40 percent of the rate of $1,502,746 set for service at North Platte and Norfolk by Order 2002-5-22, May 24, 2002) by the 2,181 passengers generated at Norfolk for the year ended March 31, 2003 (the most recent 12-month period for which traffic data were available when Order 2003-6-25 was prepared). The Department is prohibited from subsidizing service at communities where subsidy amounts to more than $200 per passenger, unless they are more than 210 miles from the nearest large or medium hub.[2] As the Department further indicated in Order 2003-12-2, it was making an additional effort to seek service proposals for Norfolk that would fall within the $200 cap. Carriers were asked to construct their proposals so that the subsidy attributable to Norfolk could be readily identified or allocated. In evaluating these proposals, we have used the 2,429 Norfolk passengers reported for the year ended September 30, 2003, the most recent 12-month period for which we have traffic data available.[3] Hence, a proposal that falls under the $200 per passenger statutory cap must cost no more than $485,800 in annual subsidy for Norfolk.

In total, four of the applicant air carriers submitted ten proposals offering Norfolk service. They are summarized in Appendix B. The subsidy costs of these proposals range from a low of $498,813 ($205.36 per passenger) for Westward Airways' proposal to $1,185,092 ($487.89 per passenger) for Great Lakes Aviation's Option 31. The community's first choice, Multi-Aero's proposal, would cost $1,159,595 ($477.40 per passenger). Clearly, any of these proposals would cost more than $200 per passenger.

A special discussion is warranted of Westward Airways' proposal, particularly because it appears to be just barely over the $200 per passenger cap and because the carrier claims that the portion of its subsidy request allocable to Norfolk is $329,866 ($135.80 per passenger).

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[2] Congress first imposed that eligibility standard in fiscal year 1992 appropriations language and repeated it every year through fiscal year 1999. Then, by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, Congress made it a permanent eligibility standard.

[3] See Appendix A for a summary of Norfolk's passenger traffic history.

We analyzed this proposal at some length in an unsuccessful effort to confirm this claim.[4] More to the point, though, Westward Airways' proposal for Norfolk is premised on its also being selected at Kearney. Kearney is guaranteed service with twin-engine, 15-seat or larger aircraft. In order to select Westward Airways at Kearney, the community would have to waive its statutory guarantee of service with twin-engine, 15-seat aircraft. Not only has Kearney not waived those entitlements, the community supports the 19-seat aircraft proposal of Great Lakes Aviation for Denver and Kansas City service. Accordingly, Westward Airways' proposal for Kearney/ Norfolk is moot.

In light of the foregoing, we conclude that essential air service cannot be provided at Norfolk at less than the statutory cap of $200 per passenger; accordingly, we will, by this order, make final the termination of the eligibility of Norfolk, Nebraska, to receive subsidized essential air service as we proposed in Order 2003-6-25. We will terminate subsidy payments to Great Lakes Aviation under Order 2002-5-22, May 24, 2002, effective 45 days after the date of service of this order, or when Great Lakes suspends its Norfolk service, whichever occurs first.

If Great Lakes Aviation decides to suspend its service at Norfolk, in an effort to provide an orderly and smooth shutdown we expect the carrier to contact all passengers holding reservations for travel, to notify them of the suspension of service and of the availability of nearby air services, and to assist them in making alternative travel arrangements.

Decision on Carrier Selection

After a thorough review of the carriers' proposals and the communities' comments, we have decided to select Great Lakes to continue providing the communities' services for a new two-year period. Our decision is consistent with the communities' preferences and statutory criteria, Great Lakes' proposed rates are reasonable, and Great Lakes' service continues to be satisfactory.

As we noted in our outline of community comments above, Grand Island, Kearney, McCook, North Platte, and Scottsbluff all support the selection of Great Lakes Aviation and four of them seek upgrades to the service that they are currently receiving. (North Platte and Scottsbluff seek service with larger aircraft; Grand Island wants service to two hubs or with larger aircraft; and Kearney and McCook seek service to two hubs.) Although the upgrades would not seem to add much to the subsidy bill for any single community, collectively the Federal subsidy would increase substantially (by nearly a million dollars per year over the selection that we are making). Moreover, as the hub-and-spoke system has evolved over the last 15-20 years, each hub has become much more sophisticated and typically provides comprehensive access to the national air transportation system. Thus, the need for two-hub service that may have existed 20 years ago when linear routes were the norm continues to decline. As a result, we have reduced the number of communities receiving subsidized two-hub service over time, and we do not intend to inaugurate subsidy for two-hub service except

[4] Order 2003-12-2 stated clearly, "We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected communities and the Department." In this important regard, we find that Westward Airways' proposal falls short, particularly since our analysis, following the carrier's revenue and expense allocation methodologies, indicates a subsidy requirement for Norfolk considerably higher than that which the carrier asserts.

in the rarest of cases, where, for instance, two-hub service might require the same as or less subsidy than one hub.

Our selection decision embodies a good deal of compromise. We note that four of these communities (Scottsbluff, North Platte, Kearney, and Grand Island) exhibit strong traffic potential, so we are inclined to support some increase over the current status quo service. We will therefore select a service package that gives the communities their preferred carrier and provides nonstop, turnaround service for each community. We are selecting Great Lakes Aviation to provide three nonstop, turnaround round trips to Denver with Beech 1900D aircraft for each community. The associated annual subsidy rates will be $1,198,396 for Grand Island, $1,166,849 for Kearney, $1,502,651 for McCook, $870,504 for North Platte, and $494,887 for Scottsbluff. In total, these rates amount to $5,233,287 annually--$245,723 less than the communities' first choices.

Most of the 59 options can be dismissed rather easily. As we stated, we would not select a proposal that required more subsidy and that a community did not support over a less expensive proposal that the community wanted. On that basis, we can dismiss Mesaba Aviation's only proposal (Grand Island-Minneapolis) because it requires about $1 million more than Great Lakes' proposal and has no community support. Similarly, all of Corporate Airlines' proposals require more subsidy than Great Lakes', and they are not supported by any of the communities. Further, as we indicated in our discussion of Norfolk, above, neither Multi-Aero's nor Westward Airways' proposal is selectable because each carrier's compensation requirement exceeds the statutory cap of $200 a passenger for Norfolk. That leaves only Air Midwest and Great Lakes Aviation.

In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (a) scheduled service reliability; (b) contractual and marketing arrangements with a larger carrier to insure service beyond the hub; (c) interline arrangements that the applicant has made with a larger carrier at the hub; and (d) community views, giving substantial weight to the views of the elected officials representing the users. In addition, we have always given weight to the applicants' relative subsidy requirements.

The statutorily mandated criteria strongly favor the selection of Great Lakes Aviation. Each carrier has a long history of providing commuter/regional service on a reliable basis, and each has interline agreements with larger carriers at Denver. Great Lakes Aviation currently has extensive code-share arrangements in place at Denver with both United Air Lines and Frontier Airlines. United, Frontier, and their code-sharing partners comprise more than 80 percent of the aircraft departures at Denver. Air Midwest, on the other hand, does not currently operate into Denver under any code-share arrangement.[5] Regarding the community-preference criterion, the support for Great Lakes Aviation is unanimous. The community of Scottsbluff goes so far as to say specifically that they have had bad experiences with Mesa Airline's service in the past, that Mesa's service was sub-par, and that they "cannot identify any substantial proof that [Mesa's] quality of service will be

[5] Mesa Airlines, another subsidiary under Mesa Air Group, has a code-share agreement with United to operate larger turboprop aircraft into Denver, and Mesa states that it would expand its code share agreement in order to offer Denver service as United Express for the Nebraska communities.

improved." Scottsbluff also expresses concern that Air Midwest "lowballed" its bid and that service could suffer further as a consequence.

Notwithstanding the overwhelming advantage of Great Lakes Aviation in terms of statutory criteria, we are mindful that Air Midwest does have a combination of options that could serve all five communities at somewhat less subsidy than we are authorizing. For example, Air Midwest could provide North Platte, Scottsbluff, Kearney, and McCook with three nonstop round trips a day; and Grand Island with one nonstop and two one-stop round trips, all with 19-seat Beech 1900s for a combined annual subsidy of $4,430,115. That is considerably less subsidy than Great Lakes' total of $5,233,287. However, in this case, we find that the statutory criteria, including overwhelming community support favoring Great Lakes Aviation, militate against our selecting Air Midwest. Moreover, our selection of Great Lakes Aviation will result in no additional program spending from the current subsidy rates for all six communities.

North Platte and Scottsbluff retain their existing service pattern of three nonstop round trips a day in 19-seat Beech 1900D's. The subsidy cost for Great Lakes Aviation's Brasilia service would require an additional $13,000 for North Platte and $9,000 for Scottsbluff. While this is a modest increase, we point out that the Essential Air Service Program provides only a safety-net level of service to maintain communities' access to the national air transportation system; it cannot provide all of the service that communities might like to have.

In the case of Grand Island, even though the community does not get its first choice, it will receive an upgrade in that all of its service to Denver will be nonstop; it currently receives one nonstop round trip a day and two one-stop round trips.

Kearney will also receive an upgrade. It has complained that a chronic problem has been that its flights historically have also served another community upline on the same routing (typically Grand Island) that preempts seats from Kearney passengers. It will now be served on a nonstop, turnaround basis, thus making all 19 seats available for the Kearney community.

In the case of McCook, we note that the community may be receiving a higher level of service than its traffic history would warrant. The Department will be examining McCook's traffic results very closely over the course of this carrier-selection period. If we do not see an appreciable increase in passenger traffic, we will seriously consider supporting only two-round-trip-a-day service in future selections.

In those instances (for example at Scottsbluff) where the community's preferred option would cost relatively little more than our selection, we encourage the community and air carrier to work together towards satisfying the community's desires for further service upgrades.

We shall make this selection contingent upon the Department's receiving properly executed certifications from Great Lakes Aviation that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations governing lobbying activities.

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 subsidize it to provide essential air service. We last found Great Lakes Aviation fit by Order 2003-10-28, in connection with its essential air service at Dodge City, Garden City, and Hays, Kansas, and Liberal, Kansas/Guymon, Oklahoma. Since that time, no information has come to our attention that would lead us to question the carrier's ability to operate in a reliable manner. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Great Lakes Aviation is fit. Based on the above, we find that Great Lakes Aviation is fit to provide the essential air transportation at issue in this case.

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

ACCORDINGLY,

1. The Department selects Great Lakes Aviation, Ltd., to provide essential air service at Grand Island, Kearney, McCook, North Platte, and Scottsbluff, Nebraska, as described in Appendix D, for the period through June 30, 2006;

2. The Department sets the final subsidy rates for Great Lakes Aviation, Ltd., for the provision of essential air service at Grand Island, Kearney, McCook, North Platte, and Scottsbluff, Nebraska, as described in Appendix D, to be 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 and shall be determined by multiplying the subsidy-eligible flights completed during the month[6] to Denver by the following rates:[7]

Grand Island:	$617.09
Kearney:	$600.85
McCook:	$816.66
North Platte:	$448.25
Scottsbluff:	$254.83

3. We finalize our tentative findings and conclusions as set forth in Order 2003-6-25, June 19, 2003, and terminate essential air service subsidy for Great Lakes Aviation's service at Norfolk no later than 45 days after the date of service of this order, or when Great Lakes Aviation suspends Norfolk service, whichever occurs first;

4. We will allow Great Lakes Aviation, Ltd., to suspend all service at Norfolk, Nebraska, at any time after the service date of this order;

5. We direct Great Lakes Aviation, Ltd., 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 the audit and examination by representatives

[6] Subsidy-eligible departures are defined as each arrival from and departure to the hub from the essential air service point.

[7] See Appendix D for calculations.

of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, whichever is earlier. 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;

6. These rates are in lieu of, and not in addition to, the rates established for Grand Island, Kearney, McCook, North Platte, and Scottsbluff in Orders 2002-5-22, 2004-1-13, and 2004-3-9;

7. Dockets OST-2002-13983, OST-1996-1715, OST-1997-3005, OST-1998-3704, OST-1999-5173, and OST-2003-14535 will remain open until further order of the Department; and

8. We will serve copies of this order on the mayors and airport managers of Grand Island, Kearney, McCook, Norfolk, North Platte, and Scottsbluff; Air Midwest, Inc., Corporate Airlines, Great Lakes Aviation, Ltd., Mesaba Aviation, Inc., Multi-Aero, Inc., and Westward Airways, Inc.

By:

KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

Essential Air Service at Norfolk, Nebraska
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

Four quarters ended	Origin-destination passengers [1]	Average annual enplanements [2]	Average Enplanements per service day [3]
12/31/1987	2,416	1,208	3.9
12/31/1988	2,362	1,181	3.8
12/31/1989	1,026	513	1.6
12/31/1990	2,893	1,446	4.6
12/31/1991	5,788	2,894	9.2
12/31/1992	7,991	3,996	12.7
12/31/1993	8,957	4,478	14.3
12/31/1994	7,635	3,818	12.2
12/31/1995	6,069	3,034	9.7
12/31/1996	4,472	2,236	7.1
12/31/1997	2,315	1,158	3.7
12/31/1998	3,366	1,683	5.4
12/31/1999	3,708	1,854	5.9
12/31/2000	3,914	1,957	6.2
12/31/2001	2,512	1,256	4.0
12/31/2002	2,217	1,108	3.5
3/31/2003	2,191	1,096	3.5
6/30/2003	2,249	1,124	3.6
9/30/2003	2,429	1,214	3.9

[1] Source: U.S. Department of Transportation, Bureau of Transportation Statistics (BTS), Form 298-C, Schedule T-1, and Form T-100 for traffic reported by Midcontinent/Braniff Express, GP Express Airlines, and Great Lakes Aviation.

[2] Origin-destination passengers divided by two.

[3] Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1988, 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Summary of Proposals To Provide Essential Air Service at Norfolk, Nebraska (Docket OST-1998-3704)

Air carrier	Proposal or option number	Essential air service communities served	Hub(s) served	Service	Aircraft type	Subsidy cost	Allocation to Norfolk[1]
Great Lakes	9	Grand Island & Norfolk	Omaha	3 round trips for Grand Island; 2 round trips for Norfolk	B1900D	$1,740,688	$696,275
Great Lakes	14	Grand Island & Norfolk	Minneapolis	3 round trips for Grand Island; 2 round trips for Norfolk	B1900D	$1,619,430	$647,772
Great Lakes	27	Kearney & Norfolk	Omaha	3 round trips for Kearney; 2 round trips for Norfolk	B1900D	$2,000,194	$800,078
Great Lakes	29	Norfolk & Kearney	Denver	2 round trips for Norfolk; 3 round trips for Kearney	B1900D	$1,543,619	$617,448
Great Lakes	30	Norfolk & Grand Island	Denver	2 round trips for Norfolk; 3 round trips for Grand Island	B1900D	$1,552,879	$621,152

[1] For Great Lakes, two out of five daily round trips in each proposal option served Norfolk on a linear routing, hence 40 percent of the subsidy requirement was allocated to Norfolk (consistent with the methodology used in Order 2003-6-25). Similarly, for Mesa, a 2/17 allocation was made to Norfolk (again consistent with the methodology used in Order 2003-6-25. For Multi-Aero, 100 percent of the compensation requested was allocated to Norfolk (the only essential air service community in Multi-Aero's proposal). Westward proposed to serve Norfolk and Kearney on a hub-and-spoke system, hence the allocation was made on the basis of the revenue and expense methodology set forth or implicit in the carrier's proposal.

Summary of Proposals To Provide Essential Air Service at Norfolk, Nebraska (Docket OST-1998-3704)
(Continued)

Air carrier	Proposal or option number	Essential air service communities served	Hub(s) served	Service	Aircraft type	Subsidy cost	Allocation to Norfolk
Great Lakes	31	Norfolk & McCook	Denver	2 round trips for Norfolk; 3 round trips for McCook	B1900D	$2,962,729	$1,185,092
Great Lakes	32	Norfolk & North Platte	Denver	2 round trips for Norfolk; 3 round trips for North Platte	B1900D	$2,225,787	$890,315
Mesa	3	Grand Island, Kearney, McCook, Norfolk, North Platte, & Scottsbluff	Denver	2 round trips for Norfolk; 3 round trips for all other communities	B1900D	$5,066,123	$596,014
Multi-Aero	1	Norfolk	Kansas City	3 round trips	19-seat, twin-engine, pressurized, aircraft	$1,159,595	$1,159,595
Westward	1	Norfolk & Kearney	Omaha	2 round trips for Norfolk; 4 round trips for Kearney	9-seat, single-engine aircraft	$1,387,740	$498,813

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Grand Island, Nebraska
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	2,849
Revenue passenger-miles:	5,661,896
Available seat-miles:	12,695,265

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	GRI-DEN	16,459	$100.27	$1,650,395
Other revenue		0.62%	$1,650,395	10,232
Total operating revenue				$1,660,627
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	2,849	$404,387
	Fuel and oil	$150.58	2,849	429,007
	Flying operations	$149.05	2,849	424,643
	Maintenance	$171.76	2,849	489,334
Total direct operating expense		$613.33		$1,747,372
Indirect operating expense		55.83%		$975,507
Total operating expense				$2,722,879
Operating loss				$1,062,252
Profit element	5% of total operating expense	$2,722,879		136,144
Compensation requirement				$1,198,396

Total operating expense per available seat-mile	$0.214480
Total operating revenue per revenue passenger-mile	$0.293299
Break-even load factor	73.1%
Average estimated load factor	44.6%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Kearney, Nebraska
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	2,590
Revenue passenger-miles:	4,609,770
Available seat-miles:	11,255,976

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	EAR-DEN	15,114	$97.14	$1,468,126
Other revenue		0.62%	$1,468,126	9,102
Total operating revenue				$1,477,228
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	2,590	$367,625
	Fuel and oil	$162.16	2,590	419,988
	Flying operations	$149.05	2,590	386,040
	Maintenance	$179.20	2,590	464,138
Total direct operating expense		$632.35		$1,637,790
Indirect operating expense		53.75%		$880,379
Total operating expense				$2,518,169
Operating loss				$1,040,941
Profit element	5% of total operating expense	$2,518,169		125,908
Compensation requirement				$1,166,849

Total operating expense per available seat-mile	$0.223718
Total operating revenue per revenue passenger-mile	$0.320456
Break-even load factor	69.8%
Average estimated load factor	41.0%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at McCook, Nebraska
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,840
Block hours:	1,902
Revenue passenger-miles:	1,071,906
Available seat-miles:	7,623,102

Operating revenue:					
Passenger revenue:				Average	Total
			Passengers	fare	revenue
		MCK-DEN	4,917	$86.53	$425,490
Other revenue			0.62%	$425,490	2,638
Total operating revenue					$428,128
Operating expense:			Rate per	Block	
Direct operating expense:			block hour	hours	
	Aircraft and hull insurance		$141.94	1,902	$269,970
	Fuel and oil		$137.46	1,902	261,443
	Flying operations		$149.05	1,902	283,493
	Maintenance		$202.98	1,902	386,065
Total direct operating expense			$631.43		$1,200,971
Indirect operating expense			53.11%		$637,865
Total operating expense					$1,838,837
Operating loss					$1,410,709
Profit element	5% of total operating expense		$1,838,837		91,942
Compensation requirement					$1,502,651

Total operating expense per available seat-mile	$0.241219
Total operating revenue per revenue passenger-mile	$0.399408
Break-even load factor	60.4%
Average estimated load factor	14.1%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at North Platte, Nebraska
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	2,137
Revenue passenger-miles:	3,454,486
Available seat-miles:	8,377,399

Operating revenue:					
Passenger revenue:		Passengers	Average fare	Total revenue
	LBF-DEN	15,218	$94.72	$1,441,436
Other revenue		0.62%	$1,441,436	8,937
Total operating revenue				$1,450,373
Operating expense:				
Direct operating expense:		Rate per block hour	Block hours	
	Aircraft and hull insurance	$141.94	2,137	$303,326
	Fuel and oil	$153.96	2,137	329,010
	Flying operations	$149.05	2,137	318,520
	Maintenance	$196.57	2,137	420,070
Total direct operating expense		$641.52		$1,370,926
Indirect operating expense		61.23%		$839,433
Total operating expense				$2,210,359
Operating loss				$759,986
Profit element	5% of total operating expense	$2,210,359		110,518
Compensation requirement				$870,504

Total operating expense per available seat-mile	$0.263848
Total operating revenue per revenue passenger-mile	$0.419852
Break-even load factor	62.8%
Average estimated load factor	41.2%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Scottsbluff, Nebraska
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	1,748
Revenue passenger-miles:	2,475,000
Available seat-miles:	5,535,726

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	BFF-DEN	16,500	$87.67	$1,446,591
Other revenue		0.62%	$1,446,591	8,969
Total operating revenue				$1,455,559
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	1,748	$248,111
	Fuel and oil	$139.79	1,748	244,345
	Flying operations	$149.05	1,748	260,539
	Maintenance	$218.67	1,748	382,228
Total direct operating expense		$649.44		$1,135,224
Indirect operating expense		63.63%		$722,344
Total operating expense				$1,857,568
Operating loss				$402,009
Profit element	5% of total operating expense	$1,857,568		92,878
Compensation requirement				$494,887

Total operating expense per available seat-mile	$0.335560
Total operating revenue per revenue passenger-mile	$0.588105
Break-even load factor	57.1%
Average estimated load factor	44.7%

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Grand Island, Nebraska, Docket OST-2002-13983

Effective Period:	Date of inauguration of nonstop turnaround service between Grand Island and Denver through June 30, 2006.
Scheduled Service:	Three round trips each weekday and four each weekend to Denver.
Intermediate stops and upline service:	No service to any intermediate or upline point is contemplated under the terms of the carrier's proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
Aircraft type:	Beech 1900D (19 passenger seats).
Timing of flights:	Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	$1,198,396. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
Subsidy Rate per Denver Flight:	$617.09[1]
Weekly Compensation Ceiling:	$23,449.42[2]

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 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 this 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 parities 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.

[1] $1,198,396 divided by 1,942 annual departures as shown in Appendix C.
[2] 38 flights per week * $617.09.

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Kearney, Nebraska, Docket OST-1996-1715

Effective Period:	Date of inauguration of nonstop turnaround service between Kearney and Denver through June 30, 2006.
Scheduled Service:	Three round trips each weekday and four each weekend to Denver.
Intermediate stops and upline service:	No service to any intermediate or upline point is contemplated under the terms of the carrier's proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
Aircraft type:	Beech 1900D (19 passenger seats).
Timing of flights:	Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	$1,166,849. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
Subsidy Rate per Denver Flight:	$600.85 [3]
Weekly Compensation Ceiling:	$22,832.30 [4]

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 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 this 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 parities 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.

[3] $1,166,849 divided by 1,942 annual departures as shown in Appendix C.

[4] 38 flights per week * $600.85

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at McCook, Nebraska, Docket OST-1997-3005

Effective Period:	July 1, 2004, through June 30, 2006.
Scheduled Service:	Three round trips each weekday and each weekend to Denver.
Intermediate stops and upline service:	No service to any intermediate or upline point is contemplated under the terms of the carrier's proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
Aircraft type:	Beech 1900D (19 passenger seats).
Timing of flights:	Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	$1,502,651. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
Subsidy Rate per Denver Flight:	$816.66 [5]
Weekly Compensation Ceiling:	$29,399.76 [6]

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 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 this 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 parities 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.

[5] $1,502,651 divided by 1,840 annual departures as shown in Appendix C.

[6] 36 flights per week * $816.66.

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at North Platte, Nebraska, Docket OST-1999-5173

Effective Period:	July 1, 2004, through June 30, 2006.
Scheduled Service:	Three round trips each weekday and four each weekend to Denver.
Intermediate stops and upline service:	No service to any intermediate or upline point is contemplated under the terms of the carrier's proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
Aircraft type:	Beech 1900D (19 passenger seats).
Timing of flights:	Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	$870,504. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
Subsidy Rate per Denver Flight:	$448.25 [7]
Weekly Compensation Ceiling:	$17,033.50 [8]

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 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 this 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 parities 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.

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[7] $870,504 divided by 1,942 annual departures as shown in Appendix C.

[8] 38 flights per week * $448.25

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Scottsbluff, Nebraska, Docket OST-2003-14535

Effective Period:	July 1, 2004, through June 30, 2006.
Scheduled Service:	Three round trips each weekday and four each weekend to Denver.
Intermediate stops and upline service:	No service to any intermediate or upline point is contemplated under the terms of the carrier's proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
Aircraft type:	Beech 1900D (19 passenger seats).
Timing of flights:	Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	$494,887. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
Subsidy Rate per Denver Flight:	$254.83 [9]
Weekly Compensation Ceiling:	$9,683.54 [10]

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 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 this 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 parities 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.

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[9] $494,887 divided by 1,942 annual departures as shown in Appendix C.
[10] 38 flights per week * $254.83.