



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

Issued by the Department of Transportation
on the **8th day of June, 2004**

Essential Air Service at

LEBANON, NEW HAMPSHIRE

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

Served: June 11, 2004

DOCKET OST-2003-14822

ORDER REQUESTING PROPOSALS

Summary

By this order, the Department is requesting proposals from carriers interested in providing essential air service (EAS) at Lebanon, New Hampshire, for a future two-year period, with or without subsidy. (See Appendix A for a map of the service area.)

Background

On March 27, 2003, Colgan Air, Inc., d/b/a US Airways Express (Colgan), filed a 90-day notice of its intent to suspend its scheduled service at Lebanon, effective June 25, 2003.¹ By Order 2003-6-4, June 2, 2003, the Department prohibited Colgan from suspending its service and requested proposals from air carriers interested in providing essential air service at Lebanon.² The Department received proposals from Colgan and Mesa Air Group (on behalf of its wholly-owned subsidiary, Air Midwest).

Request for Proposals

As indicated above, the Department has already issued an order requesting proposals from carriers interested in providing essential air service at Lebanon. However, by letter dated April 27, 2004, the interim City Manager of Lebanon requested that the Department re-bid the case, noting that, since quite some time had passed since the initial request for proposals, it is possible that there may be carriers now interested in bidding on this route that may not have bid previously. In addition, as discussed below in detail, we have recently streamlined our procedures in response to a more competitive EAS environment. Because we are not close to concluding all of the subsidy rate negotiations, and because the community has so requested, we will request a new round of proposals under our new, streamlined carrier-selection procedures.

¹ While Colgan's notice was dated March 25th, we did not receive it until March 27th.

² As required by 49 U.S.C. 41734, we are continuing to require Colgan to serve Lebanon until the carrier-selection process is complete.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them 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 community and ask them to submit their final comments. We will give full consideration to all proposals filed in a timely manner.³

New Procedures

The preceding paragraph reflects streamlined carrier-selection procedures that the Department recently introduced for the essential air service program generally.⁴ 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 the communities and asking 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.⁵ We retain the discretion to 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, as is typically the situation in Alaska. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and solicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the 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 the affected community and the Department. We do not

³ 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.

⁴ See, for example, Order 2003-8-10, August 7, 2003.

⁵ For this reason, we will allow 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.

anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.⁶

With respect to Lebanon, we expect proposals consisting of service with two-pilot, twin-engine aircraft with at least 15 passenger seats, and offering three daily nonstop or one-stop round trips to New York. Such service is generally consistent with what the community currently receives. We encourage proposals that meet those requirements in an efficient manner. 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.

In 2003, Lebanon generated a total of 11,849 O&D passengers, an average of 18.9 enplanements per day. That represents a significant decrease from the prior year when there were 16,752 O&D passengers, or an average of 26.8 enplanements per day.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces and nondiscrimination.⁷ Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose 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. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. 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. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

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.⁸

⁶ 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. Appendix B contains the general provisions governing essential air service; as in the past, these provisions will be included in the selection order as part of the Department's authorization of subsidy for the selected service.

⁷ 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).

⁸ In cases where a carrier proposes to provide EAS without subsidy and we determine that service can be provided reliably without such compensation, we will rely on the carrier's subsidy-free service as proposed.

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

ACCORDINGLY,

1. The Department requests that carriers interested in providing essential air service at Lebanon, NH, submit their proposals, with subsidy if necessary, within 30 days after the date of service of this order. Proposals should include all the data required by section 204.4 of the Department's Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to: EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title "Proposal to Provide Essential Air Service at Lebanon, New Hampshire, Docket OST-2003-14822";
2. Docket OST-2003-14822 will remain open until further order of the Department; and
3. The Department will serve a copy of this order on the Mayor and Airport Manager of Lebanon, New Hampshire, Colgan Air, Inc., d/b/a US Airways Express, the New Hampshire DOT and the parties listed in Appendix C.

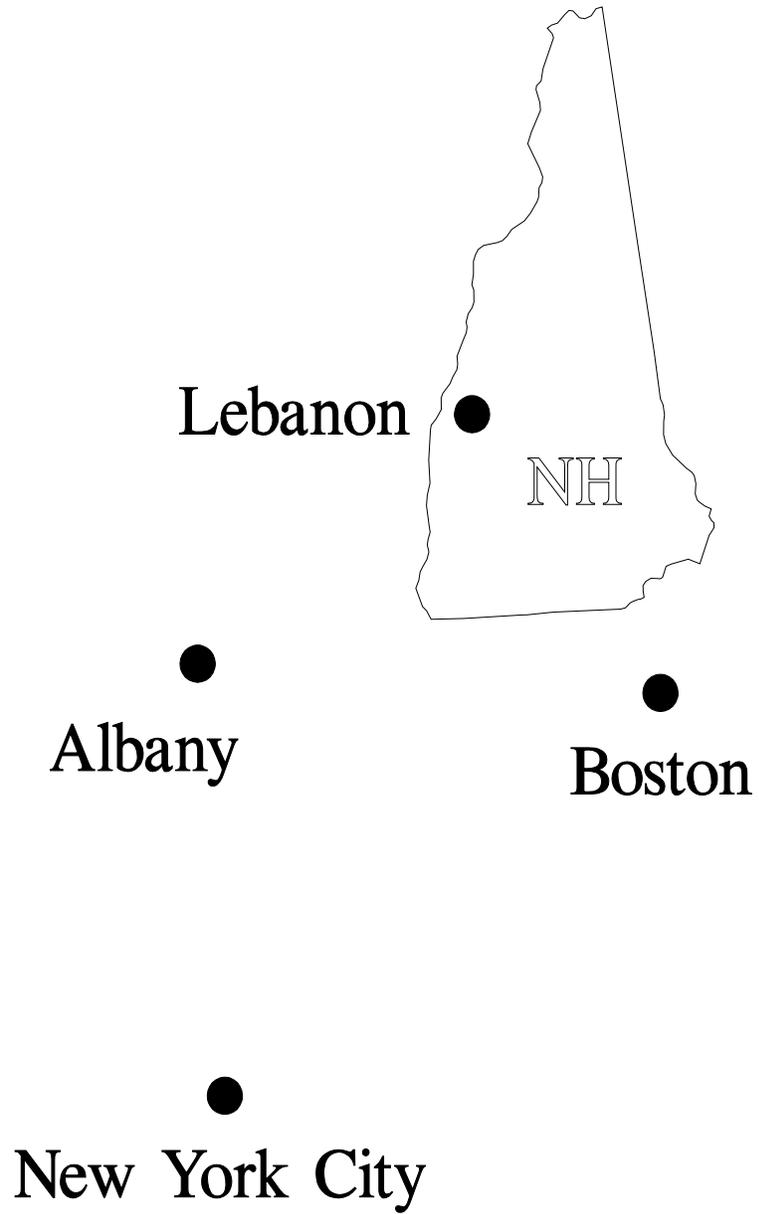
By:

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>*

LEBANON, NEW HAMPSHIRE
AND SURROUNDING COMMUNITIES



Historical Origin-Destination Traffic and Average Daily Enplanements at Lebanon, New Hampshire¹

<u>Year</u>	<u>O&D Traffic</u>	<u>Enplanements</u>	<u>Average Daily Enplanements²</u>
<u>1998</u>	65,325	32,663	104.4
<u>1999</u>	40,441	20,221	64.6
<u>2000</u>	30,374	15,187	48.5
<u>2001</u>			
1st Qtr.	6,754	3,377	43.3
2nd Qtr.	7,736	3,868	49.6
3rd Qtr.	6,602	3,301	42.3
4th Qtr.	<u>4,522</u>	<u>2,261</u>	<u>28.6</u>
Total:	25,614	12,807	40.9
<u>2002</u>			
1st Qtr.	3,861	1,931	25.1
2nd Qtr.	4,814	2,407	30.9
3rd Qtr.	4,405	2,203	27.9
4th Qtr.	<u>3,672</u>	<u>1,836</u>	<u>23.2</u>
Total:	16,752	8,376	26.8
<u>2003</u>			
1st Qtr.	2,815	1,408	18.3
2nd Qtr.	2,909	1,455	18.6
3rd Qtr.	3,011	1,506	19.1
4th Qtr.	<u>3,114</u>	<u>1,557</u>	<u>19.7</u>
Total:	11,849	5,925	18.9

¹ Source: Airport Activity Statistics; Form 298-C, Schedule T-1 and Form 41, T-100.

² Daily averages are based on 313 annual service days.

SERVICE LIST FOR THE STATE OF NEW HAMPSHIRE

Amerijet International, Inc.
Aroostook Aviation, Inc.
Cape Air
Colgan Air
Corporate Air, Inc.
Corporate Airlines, Inc.
Delta Connection
Florida Air, Inc.
Gull Aviation, Inc.
HubExpress, Inc.
Hyannis Air Service, Inc.
Long Island Airlines
Maine Instrument Flight School
Mesa Airlines, Inc.
Midwest Express Airlines, Inc.
Northeast Express Regional Airlines, Inc.
Pennsylvania Commuter Airlines, Inc.
Rio Grande Air
SkyVantage Corporation
Spectrum Airlines, Inc.
Valley Air Services, Inc.
Westward Airways, Inc.

Ken Bannon
Joel DeGrandis
Doug Franklin
E.B. Freeman
Robert Hart
A. Edward Jenner
Lee Mason
Eric Nordling
Cory Robin
Tim Wooldridge