



Order 2004-6-12

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

Issued by the Department of Transportation
on the 14th day of June, 2004

Essential air service at

EL DORADO/CAMDEN, ARKANSAS
JONESBORO, ARKANSAS
HARRISON, ARKANSAS
HOT SPRINGS, ARKANSAS
ENID, OKLAHOMA
PONCA CITY, OKLAHOMA
BROWNWOOD, TEXAS

Served: June 17, 2004

Docket OST-1997-2935

Docket OST-1997-2401

Docket OST-1997-2402

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

**ORDER TO SHOW CAUSE
TENTATIVELY TERMINATING SUBSIDY ELIGIBILITY
AND ALLOWING SUSPENSION OF SERVICE**

Summary

By this order, the Department is requesting interested persons to show cause why we should not terminate the essential air service subsidy eligibility of Jonesboro, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas, and allow Air Midwest to suspend its subsidized services at those communities as of October 1, 2004, when the current rate term expires. Objections to the Department's tentative decision are due within 30 days of the service date of this order.

Background and Tentative Decision

By Orders 2002-2-7, July 1, 2002, and 2002-8-17, August 16, 2002, the Department selected Air Midwest, Inc., a subsidiary of Mesa Air Group, Inc., to provide subsidized essential air service at seven communities in Arkansas, Oklahoma and Texas for the two-year period ending September 30, 2004. Under the terms of those orders, Air Midwest was authorized to operate the following services with 19-seat Beech 1900 aircraft at subsidies totaling \$6,693,881 annually: 12 Jonesboro-El Dorado/Camden-Dallas/Ft. Worth plus 6 El Dorado/Camden-Dallas/Ft. Worth round trips a week; 18 Harrison-Hot Springs-Dallas/Ft. Worth round trips a week; 17 Enid-

Ponca City-Dallas/Ft. Worth plus 7 Enid-Ponca City-Denver round trips a week; and 18 Brownwood-Dallas/Ft. Worth round trips a week.¹

With the end of the current rate term approaching, we have conducted a review of the communities' traffic results in anticipation of requesting carrier proposals for a new rate term beginning October 1. During calendar year 2003, the most recent 12-month period for which data are available, El Dorado/Camden averaged 5.9 enplanements a day, Jonesboro 6.5, Harrison 9.4, Hot Springs 9.1, Enid 6.4, Ponca City 4.2 and Brownwood 5.8.² None of the seven communities have attained the traffic levels projected by Mesa/Air Midwest in its subsidy proposal. Only Harrison and Hot Springs have even approached those projections, whereas the other five communities' traffic levels range from 21 to 70 percent below the projections. In view of the below-projected traffic results and increasing carrier costs, particularly with respect to fuel, it is very likely that the subsidy necessary to support the communities' services beyond the current rate term will be substantially higher.

The Department is prohibited from subsidizing service at communities where the subsidy amounts to more than \$200 per passenger, unless they are more than 210 highway miles from the nearest large or medium hub.³ Based on the latest traffic data, Jonesboro's subsidy per passenger is \$221.36, Enid's \$245.49, Ponca City's \$372.87, and Brownwood's \$265.46. Those four communities' subsidies per passenger thus already exceed the \$200 ceiling and, as noted earlier, it is very likely that the subsidy needed to continue supporting their services will increase substantially. All four of the communities are less than 210 miles from the nearest large or medium hub: Jonesboro is 79 miles from Memphis, a medium hub with 0.87 percent of all U.S. enplanements; Enid and Ponca City are 84 and 111 miles, respectively, from Oklahoma City, a medium hub with 0.25 percent of all U.S. enplanements; and Brownwood is 145 miles from Austin, a medium hub with 0.51 percent of all U.S. enplanements.⁴ We therefore tentatively find that Jonesboro, Enid, Ponca City and Brownwood are no longer eligible for subsidy under the essential air service program, and we have tentatively decided to terminate their subsidy

¹ See Appendix A for a map. Enid's and Ponca City's service had formerly been operated entirely to Dallas/Ft. Worth, but in February 2000 the Department allowed Air Midwest's predecessor on the route, Big Sky Transportation Co., d/b/a Big Sky Airlines, to operate some of the two communities' service to Denver. The modification was supported by the communities and reduced the subsidy necessary to support their service. Air Midwest has retained the option to revert to operating all of the two communities' service to Dallas/Ft. Worth at its own discretion, but has continued to operate 7 round trips a week to Denver.

² See Appendix B for projected and actual traffic data, current subsidy rates, and subsidies per passenger. Enplanements represent one-half of total origin-and-destination passengers, and daily averages are based on 313 weekdays and weekends a year.

³ Congress first imposed the \$200 ceiling in fiscal year 1990 appropriations language, repeated it in several later appropriations, and then made it permanent by the Department of Transportation and Related Agencies Appropriations Act, 2000, P.L. 106-69.

⁴ Subsidy per passenger at a fifth community, El Dorado/Camden, also exceeds \$200, but El Dorado/Camden is 232 miles from Memphis, the nearest large or medium hub, and thus not subject to the ceiling.

eligibility as of October 1, when the current rate term expires, and to allow Air Midwest to suspend its services at those communities as of that date, if it chooses.

Objections

We will give interested persons 30 days after the service date of this order to submit objections. Objections should be fully documented and contain complete information on the data used by the person objecting. In particular, we are prepared to review our tentative decision here if the communities can demonstrate that Mesa/Air Midwest or any other operating carriers are prepared to submit credible service proposals for a new rate term with subsidy requirements of less than \$200 per passenger. We therefore encourage the communities to work with Mesa/Air Midwest and other carriers to develop such proposals, and to include them as part of any objections.⁵ After reviewing all objections, we will issue a final decision and request service proposals for a new rate term beginning October 1, consistent with our final decision, for those communities that remain eligible for subsidy.

Although the continuing subsidy eligibility of El Dorado/Camden, Harrison and Hot Springs is not at issue here, some modifications in their current services may be warranted. For example, El Dorado/Camden's own low traffic levels, and the prospect that it will no longer share flights with Jonesboro, suggest that a reduction in its service from 18 to 12 round trips a week appears warranted. We therefore invite the three communities unaffected by the \$200 ceiling to comment on their own continuing service needs; we will review their comments along with the objections before issuing a final decision and requesting proposals for a new rate term.

If our final decision does, in fact, terminate the subsidy eligibility of any of the four communities discussed here, and Air Midwest decides to suspend service as a result of our decision, we will expect the carrier to contact all passengers who hold reservations for flights that will be suspended, to inform them of the suspension, and to assist them in arranging alternate transportation.

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

ACCORDINGLY,

1. We tentatively terminate the essential air service subsidy eligibility of Jonesboro, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas, as of October 1, 2004;
2. We tentatively allow Air Midwest, Inc., to suspend its services at Jonesboro, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas, as of October 1, 2004;

⁵ We usually allow 20 days for objections in show-cause proceedings such as this one. However, because we want to give the communities ample time to work with carriers in developing proposals under the \$200 ceiling, we are allowing 30 days for objections in this case -- the same amount of time as we usually allow when requesting carrier proposals.

3. We direct all interested persons to show cause within 30 days of the date of service of this order why we should not make final the tentative findings and conclusions set forth above. Objections should be filed with the Documentary Services and Media Management Division, M-30, Room PL-401, 400 7th Street S.W., Washington, DC 20590;⁶

4. In the event that no objections are filed, all further procedural steps will be deemed waived and this order shall become final on the 31st day following its date of service;

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

6. We will serve copies of this order on the mayors and airport managers of El Dorado/Camden, Jonesboro, Harrison and Hot Springs, Arkansas, Enid and Ponca City, Oklahoma, and Brownwood, Texas, and on Air Midwest, Inc.

By:

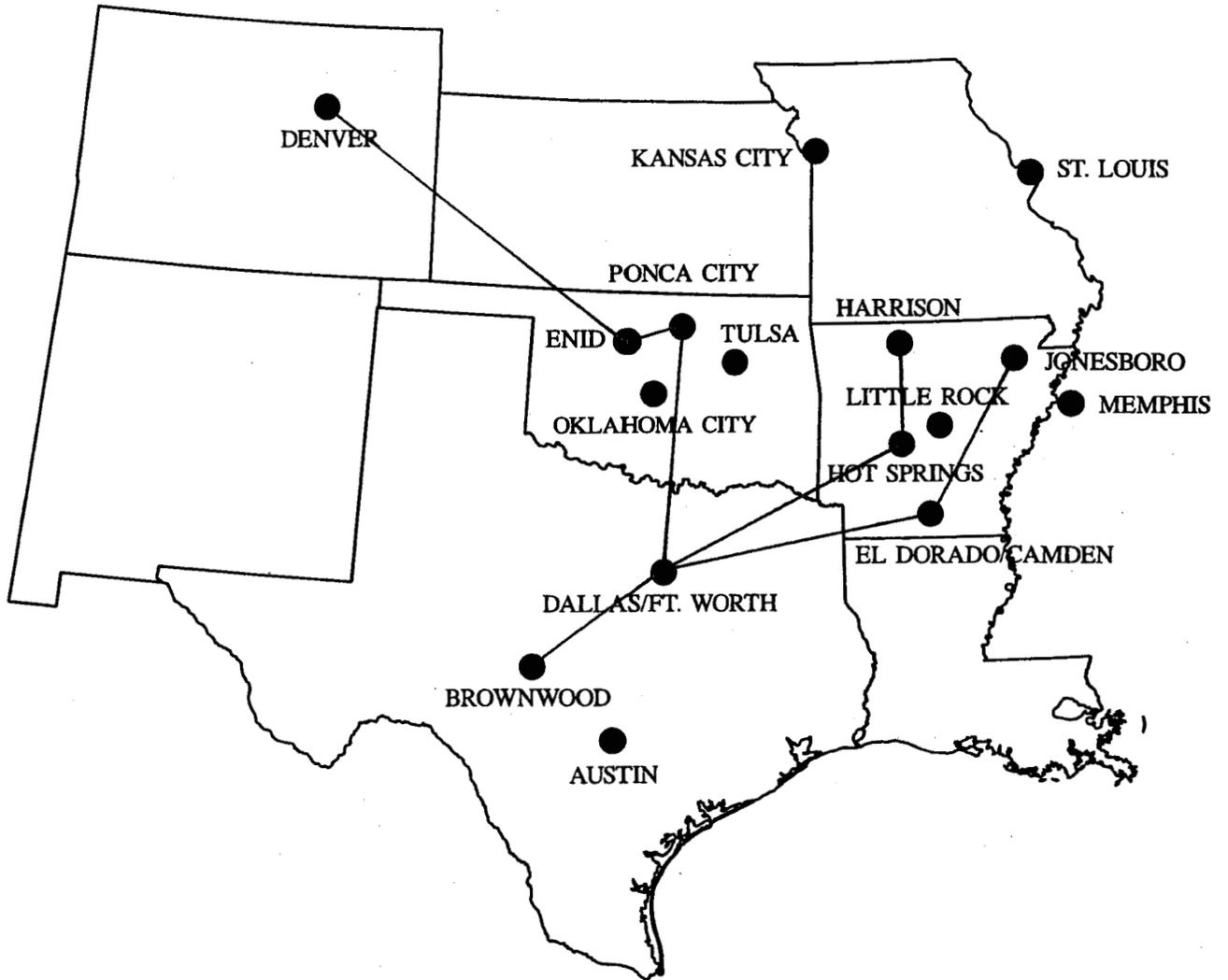
KARAN K. BHATIA
Assistant Secretary for Aviation
and International Affairs

(SEAL)

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

⁶ In addition, copies of objections may be faxed to the Chief, EAS & Domestic Analysis Division, at (202) 366-7638. Regardless of whether copies are faxed to the EAS & Domestic Analysis Division, all objections should be filed with the Documentary Services and Media Management Division at the above address.

REGIONAL MAP



APPENDIX B

TRAFFIC AND SUBSIDY

<u>COMMUNITY</u>	<u>ANNUAL O&D PASSENGERS</u>			<u>ANNUAL SUBSIDY</u>	<u>SUBSIDY PER PASSENGER</u>
	<u>ACTUAL CY 2003</u>	<u>MESA PROJECTION</u>	<u>SHORTFALL</u>		
EL DORADO/CAMDEN*	3,711†	4,689	20.9%	\$898,283	\$242.06
JONESBORO	4,058	7,382	45.0	898,283	221.36
HARRISON*	5,908	6,024	1.9	989,018	167.40
HOT SPRINGS	5,676	6,372	10.9	989,018	174.25
ENID	3,981	8,927	55.4	977,302	245.49
PONCA CITY	2,621	8,860	70.4	977,302	372.87
BROWNWOOD	3,634	5,800	37.3	964,677	265.46

* El Dorado/Camden and Harrison are located more than 210 highway miles from the nearest large or medium hub, and therefore are not subject to the \$200-per-passenger ceiling.

† December 2003 data are missing. The above annual figure represents 12/11 of the January-November 2003 total of 3,402 passengers.

SOURCES: Order 2002-7-2, July 1, 2002, contains Mesa's traffic projections and annual subsidy requirement. Actual traffic data for calendar year 2003 are from the Bureau of Transportation Statistics, Form 298-C, Schedule T-1, and Report T-100A.