Order 2004-7-10
Served: July 20, 2004

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

Issued by the Department of Transportation
on the **15th day of July, 2004**

Essential Air Service at **ALAMOSA, COLORADO** **CORTEZ, COLORADO** **PUEBLO, COLORADO** Under 49 U.S.C. 41731 *et seq*.	**Docket OST-1997-2960** **Docket OST-1998-3508** **Docket OST-1999-6589**

ORDER SELECTING CARRIER AND SETTING FINAL SUBSIDY RATES

Summary
By this order, we are selecting Great Lakes Aviation, Ltd., to provide essential air service with 19-passenger B1900D aircraft at Alamosa and Cortez, Colorado, for two years for annual subsidy rates of $1,083,538 and $853,587, respectively, and Mesa Air Group, Inc., d/b/a Air Midwest to provide essential air service with 19-passenger B1900D aircraft at Pueblo, Colorado, for two years at a subsidy rate of $618,621 annually. We will also authorize Great Lakes Aviation to reduce its current Pueblo service to two round trips each weekday and each weekend, and set a final subsidy rate of $687,616 on an annual basis for that service until Air Midwest inaugurates its service at Pueblo.

Discussion
By Order 2004-1-10, January 13, 2004, the Department solicited proposals to provide essential air service, with subsidy support if necessary, at Alamosa, Cortez, and Pueblo, Colorado. To consolidate separate proceedings at these communities, and because the air carrier interest in providing essential air service in Colorado was perceived to be competitive, Order 2004-1-10 advised carriers that the proposals they submitted would be their final and only proposals; *i.e.*, these proposals would not be subject to negotiation.

The Department received a large response to its solicitation. Great Lakes Aviation, Ltd., the incumbent carrier at the three communities, submitted a proposal containing ten options covering all three communities. Mesa Air Group submitted a proposal on behalf of its subsidiary, Air Midwest, containing 17 options covering all three communities. These proposals are summarized briefly in Appendix A. The complete 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 the community of interest.

Community Comments

By letters dated March 29, 2004, we solicited the views of the Mayors and Airport Managers of each of the three Colorado communities, as well as the Director, Division of Aeronautics, Colorado Department of Transportation, as to which carrier(s) and service option(s) they would prefer. We received comments from each community, summarized as follows:

Alamosa:

The Airport Manager, San Luis Valley Regional Airport, submitted comments which, after thoughtfully assessing the pros and cons of both applicants, support Great Lakes Aviation's Proposal Number Two, which offers three round trips to Denver and one round trip to Albuquerque each service day, with Beech 1900D aircraft, at an annual subsidy cost of $1,219,674. The Airport Manager included letters from the Mayor of Alamosa, the Alamosa County Chamber of Commerce, and the Chairman, Alamosa County Board of County Commissioners, all supporting Great Lakes Aviation's Proposal Number Two. The Rio Grande County Board of County Commissioners supports the funding of essential air service at Alamosa, and Macy Carroll, of South Fork, Colorado supports a flight to Albuquerque.

Cortez:

The City Manager of Cortez indicated that the Cortez City Council supports, as its first choice, Mesa's Option 14, which offers two nonstop round trips to Denver and one nonstop round trip to Phoenix with 19-passenger Beech 1900D aircraft for $1,104,947 annually. The City Council's second choice is for Great Lakes Aviation's Proposal Number Five, which offers three nonstop turnaround round trips to Denver with 19-passenger Beech 1900D aircraft for $853,587 annually. (The City Manager indicates that the City Council supports this choice because the subsidy cost is lower than for Mesa's Option Five, which offers three nonstop turnaround round trips to Denver with 19-passenger Beech 1900D aircraft for $1,090,986 annually.)

Pueblo:

The President of the City Council of Pueblo indicated that the City's first choice is Mesa's Option Ten, which offers two nonstop round trips a day to Denver and one to Albuquerque with 19-passenger Beech 1900D aircraft for $1,289,258 annually. Pueblo's second choice is Mesa's Option Three, which offers three nonstop turnaround round trips a day to Denver with 19-passenger Beech 1900D aircraft for $904,298 annually. The President of the City Council included a letter from Pueblo's Airport Advisory Committee recommending those choices. In his comments, the President of the City Council embraced the opinion of the Airport Advisory Committee that Mesa's passenger counts and revenue forecasts were more realistic than those of Great Lakes Aviation.

Decision on Carrier Selection

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 ensure 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.

After a thorough review of the carriers' proposals and the communities' comments, we have decided to select Great Lakes to continue providing Alamosa's and Cortez's service for a new two-year period. We are selecting Mesa/Air Midwest to provide service at Pueblo. Our decision is consistent with the communities' preferences and statutory criteria. The two carriers' proposed rates are reasonable, and both carriers' service at these and other subsidized essential air service communities continues to be satisfactory.

Alamosa and Cortez

The statutorily mandated criteria favor the selection of Great Lakes Aviation at Alamosa and Cortez. 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. Although, as we noted in our letters to the civic parties, it is reasonable to expect that Air Midwest could secure code-sharing arrangements at Denver if it is awarded a subsidized route, Air Midwest currently has no code-sharing arrangements at Denver.

As we noted in our outline of community comments above, Alamosa and Cortez support the selection of Great Lakes Aviation, as a first and only choice for Alamosa and second choice for Cortez, so this statutory criterion also favors Great Lakes Aviation.

Both communities seek upgrades to the service that they are currently receiving in the form of service to a second hub (Albuquerque or Phoenix). As we fully discussed in Order 2004-5-15, May 20, 2004 (making essential air service carrier selections at five Nebraska communities), though, we are disinclined to support new service to second hubs. 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 in rare cases, where, for instance, two-hub service might require the same as or less subsidy than service to one hub.

In light of the foregoing, we will select Great Lakes Aviation's Proposals One and Five for Alamosa and Cortez, respectively. These proposals would provide each community with a continuation of three nonstop, turnaround round trips with 19-passenger-seat B1900D aircraft to Denver each weekday and each weekend for annual subsidy rates of $1,083,538 (Alamosa) and $853,587 (Cortez). (See Appendix C for summaries of the rate calculations.)

This decision maintains status quo service and gives each community its preferred carrier. The subsidy rates for Air Midwest for comparable service levels (Air Midwest's Options One and Five) are $1,156,103 and $1,090,986, respectively, or about $73,000 and $237,000 more than the Great Lakes subsidy rates. Thus, all meaningful selection criteria point to the selection of Great Lakes Aviation.

Pueblo

In the case of Pueblo, our selection decision is largely driven by the low traffic levels the community has experienced recently. (See Appendix B for a summary of Pueblo's recent scheduled passenger traffic, updated through the year ended September 30, 2003, the most recent 12-month period for which we have traffic data reported.) We had hoped that the downward trend in traffic at Pueblo would have been reversed by now. Unfortunately, that has not happened. As the data in Appendix B strongly suggest, Pueblo's passenger traffic has plateaued at fewer than 4,000 origin-destination passengers annually (3,748 passengers for the year ended September 30, 2003). 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.[1] We have determined that Pueblo is less than 210 miles from Denver International Airport; hence, the subsidy-per-passenger criterion becomes critical. Based on the 3,748 passengers reported for the year ended September 30, 2003, the Department cannot select a service/subsidy proposal for Pueblo that costs more than $749,600 annually. This effectively eliminates both applicants' two-hub proposals, as well as all proposals offering three round trips a day for Pueblo. With $749,600 as the maximum annual subsidy rate that we can authorize, the only selectable proposals are Great Lakes Aviation's Option Ten for $687,616 and Air Midwest's Option Four for $618,621. Both would provide two nonstop round trips a day to Denver with Beech 1900D aircraft. While the community did not support Air Midwest's two-round-trip proposal specifically, it did strongly support the selection of Air Midwest over Great Lakes Aviation. In fact, the community even supported Air Midwest's Option Ten (two round trips a day to Denver and one round trip to Albuquerque) over Great Lakes Aviation's Option Nine that would provide *three* round trips to Denver and one round trip to Albuquerque. Both the community support and the lower subsidy requirement very strongly favor the selection of Air Midwest. We will therefore select Mesa/Air Midwest's Option Four, which would provide Pueblo with two nonstop, turnaround round trips each weekday and weekend to Denver with 19-passenger B1900D aircraft for a subsidy rate of $618,621 annually. (See Appendix C for a summary of the rate calculation.) While this decision represents a necessary diminution in Pueblo's subsidized essential air service level, it comports with the statutory requirements set forth in 49 U.S.C. 41732, it maintains nonstop, turnaround service to Denver, and it gives the community the carrier of its choice.

Because our decision regarding Pueblo involves a change in essential air service carriers, we expect both Great Lakes Aviation and Mesa/Air Midwest to work together to make a smooth transition. In that regard, before Great Lakes Aviation suspends its service at Pueblo, we expect it to contact all passengers holding reservations for travel after the suspension date, to

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[1] Congress first imposed that eligibility standard in fiscal year 1990 appropriations language and reinstated it each year from 1994 through fiscal 1999. Then, by P.L. 106-69, the Department of Transportation and Related Agencies Appropriations Act, 2000, Congress made it a permanent eligibility standard.

notify them of the suspension of service, and to assist them in making alternative travel arrangements.

We shall make these selections at Alamosa, Cortez, and Pueblo contingent upon the Department's receiving properly executed certifications from Great Lakes Aviation, Ltd., and Mesa Air Group, Inc., d/b/a Air Midwest, that they are in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations governing lobbying activities.

Additional Action on Pueblo

Just as both applicants' future-period three-round-trip proposals for Pueblo would exceed the statutory $200-per-passenger cap, the current subsidy rate of $883,016, authorized by Order 2004-1-13, January 14, 2004, for Great Lakes Aviation's three-round-trip service at Pueblo also exceeds the cap. Because we do not anticipate that Mesa/Air Midwest will be able to inaugurate its service at Pueblo immediately, we will authorize Great Lakes Aviation to reduce its current service to two round trips each weekday and each weekend, effective immediately. We will set the rate of $687,616 annually that Great Lakes Aviation indicates in its Proposal Number Ten that it needs to provide this level of service as a final subsidy rate until Mesa/Air Midwest inaugurates its service. (See Appendix C for a summary of the rate calculation.)

If Great Lakes Aviation decides to reduce its service level at Pueblo to two round trips, we expect the carrier to contact all passengers holding reservations for travel on the cancelled flights, to notify them of the reduction in service, and of the availability of alternative flights, and to assist them in making alternative travel arrangements.

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 2004-5-15, May 25, 2004, in connection with its essential air service at Grand Island, Kearney, McCook, North Platte, and Scottsbluff, Nebraska. 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. We last found Mesa Air Group, Inc., d/b/a Air Midwest, fit by Order 2004-3-25, March 23, 2004, in connection with its essential air service at Athens, Georgia. 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 Mesa Air Group, Inc., d/b/a Air Midwest, is fit. Based on the above, we find that Mesa Air Group, Inc., d/b/a Air Midwest, 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 Alamosa, and Cortez, Colorado, as described in Appendix D, effective on the service date of this order through July 31, 2006;

2. The Department selects Mesa Air Group, Inc., d/b/a Air Midwest, to provide essential air service at Pueblo, Colorado, as described in Appendix D, for the period beginning on the date the carrier inaugurates service through July 31, 2006;

3. The Department sets the final subsidy rates for Great Lakes Aviation, Ltd., for the provision of essential air service at Alamosa, and Cortez, Colorado, 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 ceilings set forth in Appendix D and shall be determined by multiplying the subsidy-eligible flights completed during the month[2] to Denver by the following rates:[3]

Alamosa:	$588.88
Cortez:	$463.91

4. The Department sets the final subsidy rate for Mesa Air Group, Inc., d/b/a Air Midwest, for the provision of essential air service at Pueblo, Colorado, 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 set forth in Appendix D and shall be determined by multiplying the subsidy-eligible flights completed during the month[4] to Denver by $516.38;[5]

5. We will authorize Great Lakes Aviation, Ltd., to reduce the service provided at Pueblo at the subsidy rate authorized by Order 2004-1-13 from three round trips each weekday and each weekend to two round trips each weekday and each weekend as described in Appendix D;

6. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Pueblo, Colorado, 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 set forth in Appendix D and shall be determined by multiplying the subsidy-eligible flights completed during the month[6] to Denver by $566.41;[7]

7. We direct Great Lakes Aviation, Ltd., and Mesa Air Group, Inc., d/b/a Air Midwest, to retain all books, records, and other source and summary documentation to support claims for

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

[3] See Appendix D for calculations.

[4] See Footnote (2), above.

[5] See Appendix D for calculations.

[6] See Footnote (2), above.

[7] See Appendix D for calculations.

payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed, 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 Alamosa, Cortez, and Pueblo, Colorado, in Orders 2002-2-13 and 2004-1-13;

7. Dockets OST-1997-2960, OST-1998-3508, and OST-1999-6589 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 Alamosa, Cortez, and Pueblo, Colorado; the Director, Division of Aeronautics, Colorado Department of Transportation, Mesa Air Group, d/b/a Air Midwest, Inc.; and Great Lakes Aviation, Ltd.,.

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

Proposals To Provide Essential Air Service at Alamosa, Cortez, and Pueblo, Colorado

Proposals of Mesa Air Group, Inc., d/b/a Air Midwest
(All service to be provided with 19-passenger, twin-engine, pressurized, B1900D aircraft)

Option number	EAS community	Hub	Number of round trips each service day	Subsidy cost
1	Alamosa	Denver	3 nonstop	$1,156,103
2	Alamosa	Denver	2 nonstop	$749,332
3	Pueblo	Denver	3 nonstop	$904,298
4	Pueblo	Denver	2 nonstop	$618,621
5	Cortez	Denver	3 nonstop	$1,090,986
6	Cortez	Denver	2 nonstop	$673,417
7	Alamosa, Cortez, and Pueblo	Denver	2	$1,710,112
8	Alamosa, Cortez, and Pueblo	Denver	3	$3,381,769
9	Alamosa	Denver and Albuquerque	2 nonstop to Denver 1 nonstop to Albuquerque	$1,171,262
10	Pueblo	Denver and Albuquerque	2 nonstop to Denver 1 nonstop to Albuquerque	$1,289,258
11	Cortez	Denver and Albuquerque	2 nonstop to Denver 1 nonstop to Albuquerque	$1,332,951
12	Cortez	Phoenix	3 nonstop	$1,009,578
13	Cortez	Phoenix	2 nonstop	$597,678
14	Cortez	Phoenix and Denver	1 nonstop to Phoenix 2 nonstop to Denver	$1,104,947
15	Cortez	Phoenix and Denver	1 one-stop to Phoenix 2 nonstop to Denver	$1,267,877
16	Cortez	Phoenix	1 nonstop to Phoenix 1 nonstop to Denver	$735,955
17	Cortez	Phoenix and Denver	2 one-stop to Phoenix 1 nonstop to Denver	$1,201,282

Proposals To Provide Essential Air Service at Alamosa, Cortez, and Pueblo, Colorado

Proposals of Great Lakes Aviation
(All service to be provided with 19-passenger, twin-engine, pressurized, B1900D aircraft)

Proposal number	EAS community	Hub	Number of round trips each service day	Subsidy cost
1	Alamosa	Denver	3 nonstop	$1,083,538
2	Alamosa	Denver and Albuquerque	3 nonstop to Denver 1 nonstop to Albuquerque	$1,219,674
3	Alamosa and Pueblo	Denver	3 one-stop for Alamosa 3 nonstop for Pueblo	$1,930,118
4	Alamosa	Denver	2 nonstop	$913,922
5	Cortez	Denver	3 nonstop	$853,587
6	Cortez	Denver and Albuquerque	3 nonstop to Denver 1 nonstop to Albuquerque	$1,057,753
7	Cortez and Alamosa	Denver	3 one-stop for Cortez 3 nonstop for Alamosa	$1,845,461
8	Pueblo	Denver	3 nonstop	$893,318
9	Pueblo	Denver and Albuquerque	3 nonstop to Denver 1 nonstop to Albuquerque	$1,199,383
10	Pueblo	Denver	2 nonstop	$687,616

Essential Air Service at Pueblo, Colorado

Historical Origin-Destination Passenger Traffic (both directions) [1] [2]

Four quarters ended	PUB-DEN	PUB-ALS	All PUB markets other than Den or ALS	Total all PUB markets
12/31/1993	54,789	406	0	55,195
12/31/1994	31,085	366	132	31,583
12/31/1995	23,401	3,149	0	26,550
12/31/1996	14,630	1,130	0	15,760
12/31/1997	13,126	2,433	117	15,676
12/31/1998	6,545	83	128	6,756
12/31/1999	8,563	68	197	8,828
12/31/2000	7,338	3	193	7,534
12/31/2001	4,317	0	187	4,504
12/31/2002	3,726	0	101	3,827
3/31/2003	3,572	1	39	3,612
6/30/2003	3,816	1	24	3,841
9/30/2003	3,745	1	2	3,748

[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 Continental Express, GP Express Airlines, Great Lakes Aviation, and Mesa Airlines.

[2] Detailed data for Pueblo-Alamosa are presented because Alamosa was frequently served as an upline point on Denver-Pueblo-Alamosa routings. The preponderance of other non-Alamosa and non-Denver passengers connected to other online points at Denver.

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

Four quarters ended	Origin-destination passengers [3]	Average annual enplanements [4]	Average Enplanements per service day [5]
12/31/1993	55,195	27,598	88.2
12/31/1994	31,583	15,792	50.5
12/31/1995	26,550	13,275	42.4
12/31/1996	15,760	7,880	25.1
12/31/1997	15,676	7,838	25.0
12/31/1998	6,756	3,378	10.8
12/31/1999	8,828	4,414	14.1
12/31/2000	7,534	3,767	12.0
12/31/2001	4,504	2,252	7.2
12/31/2002	3,827	1,914	6.1
3/31/2003	3,612	1,806	5.8
6/30/2003	3,841	1,920	6.1
9/30/2003	3,748	1,874	6.0

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3 See page (5) of this Appendix.
4 Origin-destination passengers divided by two.
5 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).

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Alamosa, Colorado
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,840
Block hours:	1,810
Revenue passenger-miles:	1,759,212
Available seat-miles:	6,259,336

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	ALS-DEN	9,828	$83.18	$817,499
Other revenue		0.62%	$817,499	5,068
Total operating revenue				$822,568
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	1,810	$256,911
	Fuel and oil	$143.62	1,810	259,949
	Flying operations	$149.05	1,810	269,781
	Maintenance	$208.35	1,810	377,115
Total direct operating expense		$642.96		$1,163,756
Indirect operating expense		56.0%		$651,582
Total operating expense				$1,815,339
Operating loss				$992,771
Profit element	5% of total operating expense	$1,815,339		90,767
Compensation requirement				$1,083,538

Total operating expense per available seat-mile	$0.290021
Total operating revenue per revenue passenger-mile	$0.467578
Break-even load factor	62.0%
Average estimated load factor	28.1%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Cortez, Colorado
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,840
Block hours:	2,347
Revenue passenger-miles:	4,448,000
Available seat-miles:	9,721,204

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	CEZ-DEN	16,000	$97.93	$1,566,803
Other revenue		0.62%	$1,566,803	9,714
Total operating revenue				$1,576,517
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	2,347	$333,133
	Fuel and oil	$165.68	2,347	388,846
	Flying operations	$149.05	2,347	349,820
	Maintenance	$182.94	2,347	429,355
Total direct operating expense		$639.61		$1,501,154
Indirect operating expense		54.2%		$813,230
Total operating expense				$2,314,384
Operating loss				$737,867
Profit element	5% of total operating expense	$2,314,384		115,719
Compensation requirement				$853,587

Total operating expense per available seat-mile	$0.238076
Total operating revenue per revenue passenger-mile	$0.354433
Break-even load factor	67.2%
Average estimated load factor	45.8%

Mesa Air Group, Inc., d/b/a Air Midwest
Provision of Essential Air Service at Pueblo, Colorado
Calculation of Compensation Requirement

Average completion factor:	96%
Departures:	1,198
Block hours:	789
Revenue passenger-miles:	272,500
Available seat-miles:	2,481,224

Operating revenue:					
Passenger revenue:				Average	Total
			Passengers	fare	revenue
		PUB-DEN	2,500	$90.00	$225,000
Other revenue			1%	$225,000	2,250
Total operating revenue					$227,250
Operating expense:			Rate per	Block	
Direct operating expense:			block hour	hours	
	Crew & training		$153.15	789	$120,795
	Hull insurance		$6.93	789	5,466
	Fuel and oil		$140.00	789	110,423
	Maintenance		$325.00	789	256,339
	Aircraft rent		$49.12	789	38,743
Total direct operating expense			$673.97		$531,766
Indirect operating expense:					
	Traffic (RPM) related		$0.060	272,500	$16,350
	Marketing		$5,000	1 EAS city	5,000
	Capacity (departure) related		$148	1,198	177,388
	Capacity (ASM) related		$0.0194	2,481,224	48,136
					$246,873
Total operating expense					$778,639
Operating loss					$551,389
Profit element	5% of total operating expense		$778,639		38,932
Interest expense	Cost per block hour		$35.880	789	28,300
Compensation requirement					$618,621

Total operating expense per available seat-mile	$0.313812
Total operating revenue per revenue passenger-mile	$0.833945
Break-even load factor	37.6%
Average estimated load factor	11.0%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Pueblo, Colorado
Calculation of Compensation Requirement

Average completion factor:	97%
Departures:	1,214
Block hours:	789
Revenue passenger-miles:	378,000
Available seat-miles:	2,492,031

Operating revenue:				
Passenger revenue:			Average	Total
		Passengers	fare	revenue
	PUB-DEN	3,500	$90.18	$315,643
Other revenue		0.62%	$315,643	1,957
Total operating revenue				$317,600
Operating expense:		Rate per	Block	
Direct operating expense:		block hour	hours	
	Aircraft and hull insurance	$141.94	789	$111,991
	Fuel and oil	$151.43	789	119,484
	Flying operations	$149.05	789	117,600
	Maintenance	$265.39	789	209,396
Total direct operating expense		$707.81		$558,471
Indirect operating expense		71.4%		$398,877
Total operating expense				$957,348
Operating loss				$639,748
Profit element	5% of total operating expense	$957,348		47,867
Compensation requirement				$687,616

Total operating expense per available seat-mile	$0.384164
Total operating revenue per revenue passenger-mile	$0.840212
Break-even load factor	45.7%
Average estimated load factor	15.2%

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Alamosa Colorado, Docket OST-1997-2960

Effective Period:	Date of inauguration of nonstop turnaround service between Alamosa and Denver through July 31, 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:	$1,083,538. 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:	$588.88[1]
Weekly Compensation Ceiling:	$21,199.68[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] $1,083,538 divided by 1,840 annual departures as shown in Appendix C.
[2] 36 flights per week * $588.88.

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Cortez, Colorado, Docket OST-1998-3508

Effective Period:	Date of inauguration of nonstop turnaround service between Cortez and Denver through July 31, 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:	$853,587. 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:	$463.91 [3]
Weekly Compensation Ceiling:	$16,700.76 [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.

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[3] $853,587 divided by 1,840 annual departures as shown in Appendix C.

[4] 36 flights per week * $463.91.

Mesa Air Group, Inc., d/b/a Air Midwest, Essential Air Service To Be Provided at Pueblo, Colorado, Docket OST-1999-6589

Effective Period:	Date of inauguration of service, through July 31, 2006.
Scheduled Service:	Two 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:	$618,621. This rate assumes an annual completion factor of 96 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:	$516.38 [5]
Weekly Compensation Ceiling:	$12,393.12 [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] $618,621 divided by 1,198 annual departures as shown in Appendix C.

[6] 24 flights per week * $516.38.

Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at Pueblo, Colorado, Docket OST-1999-6589

Effective Period:	Date carrier reduces service to the level prescribed below, or 30 days from the service date of this order (whichever comes first) until Mesa Air Group, Inc., d/b/a Air Midwest, inaugurates service at Pueblo.
Scheduled Service:	Two 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:	$687,616. This rate assumes an annual completion factor of 97 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:	$566.41 [7]
Weekly Compensation Ceiling:	$13,593.84 [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.

[7] $687,616 divided by 1,214 annual departures as shown in Appendix C.

[8] 24 flights per week * $566.41.