

Order 2004-7-16
Served: July 23, 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 July, 2004**

Essential Air Service at

LARAMIE, WYOMING
RIVERTON, WYOMING
ROCK SPRINGS, WYOMING
WORLAND, WYOMING

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

Docket OST-1997-2958
Docket OST-2003-14536
Docket OST-1997-2959
Docket OST-1997-2981

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 Laramie, Riverton, Rock Springs, and Worland, Wyoming, for two years for annual subsidy rates of \$397,400, \$394,046, \$390,488, and \$797,844, respectively.

Discussion

By Order 2004-2-9, February 9, 2004, the Department solicited proposals to provide essential air service, with subsidy support if necessary, at Laramie, Riverton, Rock Springs, and Worland, Wyoming. To consolidate separate proceedings at these communities, and because the air carrier interest in providing essential air service in Wyoming was perceived to be competitive, Order 2004-2-9 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 four communities, submitted a proposal containing 14 options covering all four communities. Mesa Air Group submitted a proposal on behalf of its subsidiary, Air Midwest, containing 16 options covering all four communities. Big Sky

Transportation Co., d/b/a Big Sky Airlines, submitted a proposal containing three options covering all four 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 April 30, 2004, we solicited the views of the Mayors and Airport Managers of each of the four Wyoming communities, as well as the Administrator, Aeronautics Division, Wyoming Department of Transportation, as to which carrier(s) and service option(s) they would prefer. We received comments from each community, summarized as follows:

Laramie:

The Airport Manager, Laramie Regional Airport, submitted comments supporting Great Lakes Aviation's proposals offering three or four round trips with B1900D aircraft to Denver, with a preference for the carrier's Proposal Number 2 (four round trips).

Riverton:

The Riverton City Council submitted a copy of its Resolution No. 999, supporting service by Great Lakes Aviation with Brasilia aircraft. (The carrier submitted two Brasilia service options, one providing three nonstop round trips to Denver each weekday and weekend; the other providing four nonstop round trips.)

Worland:

The Airport Manager, Worland Municipal Airport, submitted comments supporting Great Lakes Aviation's Proposal Number 11, offering three round trips each weekday and each weekend with 19-passenger B1900D aircraft to Denver, with an intermediate stop in Laramie. (The carrier proposes a stop at either Laramie or Cheyenne; the civic comments indicate a clear preference that the intermediate point be Laramie.)

State of Wyoming:

The Wyoming Department of Transportation submitted comments cosigned by the Chairman, Wyoming Aeronautics Commission and the Administrator, Aeronautics Division, as well as by the Mayors of Laramie, Riverton, Rock Springs, and Worland, strongly supporting Brasilia service by Great Lakes Aviation. (The support of the four communities notwithstanding, the overview of proposals presented in Appendix A clearly indicates that Great Lakes Aviation submitted Brasilia service options for only Riverton and Rock Springs, and not for Laramie or Worland.)

Decision on Carrier Selection

The communities have expressed a preference for service proposals that would offer more capacity with 30-seat aircraft at significantly greater cost than the 19-seat aircraft proposals we have before us. To evaluate the need for this level of capacity increase, we have updated the summary of passenger traffic data originally presented in Appendix B of Order 2004-2-9. (The updated summary may be found in Appendix B of the instant order.) We note that each community exhibits relatively strong traffic, approaching pre-September-11 levels at Rock

Springs and Worland, despite the fact that in some cases (at Laramie, Riverton, and Rock Springs) the pre-September-11 traffic was generated with one or two extra round trips during the peak season. (Each community received three round trips per service day over the year ended March 31, 2004.) Nevertheless, we do not find evidence that passenger demand is exerting the level of pressure on capacity that would warrant a capacity upgrade. Indeed, at Worland we find that the current level of passenger traffic does not warrant continued provision of three round trips. (5,589 Worland passengers reported for the year ended March 31, 2004, divided by 34,968 available seats¹ yields only a 16-percent average load factor.) In addition, it is important to note that the Essential Air Service Program provides a safety net level of service, and not necessarily all of the service that communities might prefer. Accordingly, we will support the maintenance of status quo service at Laramie, Riverton, and Rock Springs, and two-round-trip service at Worland.

After a thorough review of the carriers' proposals and the communities' comments, we have decided to select Great Lakes Aviation to continue providing essential air service at all four communities for a new two-year period. Our decision is consistent with the communities' preferences and statutory criteria. The carrier's proposed rates are reasonable, and the carrier's service at these and other subsidized essential air service communities continues to be satisfactory.

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.

The statutorily mandated criteria strongly favor the selection of Great Lakes Aviation at these four Wyoming communities. The carrier has a long history of providing commuter/regional service on a reliable basis, and has interline agreements with larger carriers at Denver. In addition, 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.) As we noted in our outline of community comments above, each community supports the selection of Great Lakes Aviation, so this statutory criterion also favors Great Lakes Aviation.

In light of the foregoing, we will select Great Lakes Aviation's Proposals One, Four, Seven and Twelve for Laramie, Riverton, Rock Springs, and Worland, respectively. These proposals would provide Laramie and Rock Springs with three nonstop round trips to Denver each weekday and four each weekend with 19-passenger-seat B1900D aircraft for annual subsidy rates of \$397,400 (Laramie) and \$390,488 (Rock Springs). Riverton would receive three nonstop, turnaround round trips to Denver each weekday and each weekend with 19-passenger-seat B1900D aircraft for \$394,046 annually, while Worland would receive two one-stop (over either Laramie or Cheyenne) round trips to Denver each weekday and each

¹ Six departures each service day, multiplied by 313 effective annual service days, multiplied further by 19 passenger seats per departure, multiplied further by 0.98 completion.

weekend with 19-passenger-seat B1900D aircraft for \$797,844 annually. (Great Lakes Aviation's Proposal Twelve for Worland is costed as an add-on to service at either Laramie or Cheyenne.) This decision maintains status quo service as closely as possible and gives each community its preferred carrier. (Although our decision results in a reduction of service at Worland, it should have a beneficial effect at Riverton, the Wyoming community expected to experience the highest average load factor. By shifting Worland's intermediate stop to Laramie or Cheyenne, we are reducing the overall number of passengers on the critical Riverton-Denver leg.)

Although Proposal Option Three of Mesa Air Group/Air Midwest would offer roughly comparable service levels for \$1,863,628 (a modest six percent subsidy saving from Great Lakes Aviation's subsidy rates), the carrier did not receive any support from any of the four Wyoming communities. In addition, not only did Big Sky Airlines' proposals not receive any community support, their "package" offer of \$2,524,503 annually for service to be split between Denver and Salt Lake City would be significantly higher than the proposals of either Great Lakes Aviation or Mesa Air Group. Thus, all meaningful selection criteria point to the selection of Great Lakes Aviation.

In those cases where the communities would prefer service with larger aircraft or additional frequencies, we encourage the community and air carrier to work together towards satisfying the communities' desires.

We shall make these selections at Laramie, Riverton, Rock Springs, and Worland contingent upon the Department's receiving properly executed certifications from Great Lakes Aviation, Ltd., 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 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.

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 Laramie, Riverton, Rock Springs, and Worland, Wyoming, as described in Appendix D, effective on the service date of this order (except as otherwise provided in Appendix D for Riverton and Worland) through September 30, 2006;

2. The Department sets the final subsidy rates for Great Lakes Aviation, Ltd., for the provision of essential air service at Laramie, Riverton, Rock Springs, and Worland, Wyoming, 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 month² to Denver by the following rates:³

Laramie:	\$204.63
Riverton:	\$214.16
Rock Springs:	\$201.08
Worland:	\$650.24

3. 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 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;

4. These rates are in lieu of, and not in addition to, the rates established for Laramie and Worland in Order 2002-7-20 and for Rock Springs in Order 2004-1-13;

5. Dockets OST-1997-2958, OST-2003-14536, OST-1997-2959, and OST-1997-2981 will remain open until further order of the Department; and

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.

6. We will serve copies of this order on the mayors and airport managers of Laramie, Riverton, Rock Springs, and Worland, Wyoming; the Director, Division of Aeronautics, Wyoming Department of Transportation, Mesa Air Group, d/b/a Air Midwest, Inc.; Big Sky Transportation Co., d/b/a Big Sky Airlines, 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 Laramie, Riverton, and Rock Springs,
Wyoming

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

<u>Option number</u>	<u>EAS community</u>	<u>Hub(s)</u>	<u>Number of round trips each service day</u>	<u>Subsidy cost</u>
1	All four communities	Denver	2 nonstop/one-stop	\$660,195
2	All four communities	Denver	2 nonstop	\$1,623,360
3	All four communities	Denver	3 nonstop/one-stop	\$1,863,628
4	Riverton	Denver	3 nonstop	\$212,455
5	Riverton	Denver	4 nonstop	\$498,581
6	Riverton	Denver and Salt Lake City	2 nonstop to DEN 1 nonstop to SLC	\$664,584
7	Riverton	Denver and Salt Lake City	2 nonstop to DEN 2 nonstop to SLC	\$723,608
8	Rock Springs	Denver and Salt Lake City	2 nonstop to DEN 2 nonstop to SLC	\$540,996
9	Rock Springs	Denver and Salt Lake City	3 nonstop to DEN 1 nonstop to SLC	\$503,996
10	Rock Springs	Denver	4 nonstop	\$264,470
11	Rock Springs	Denver	3 nonstop	\$176,008
12	Laramie	Denver	4 nonstop	\$260,656
13	Laramie & Worland	Denver	3 nonstop for LAR 3 one-stop for WRL	\$1,377,411
14	Laramie	Denver	3 nonstop	\$111,154
15	Worland	Denver	2 nonstop	\$1,238,858
16	All four communities	Denver	3 nonstop for LAR, RIW, & RKS 3 one-stop for WRL	\$2,152,149

Proposals To Provide Essential Air Service at Laramie, Riverton, and Rock Springs,
Wyoming

Proposals of Great Lakes Aviation

(All service to be provided with 19-passenger, twin-engine, pressurized, B1900D aircraft,
except for Proposal Numbers 5, 6, and 8)

<u>Proposal number</u>	<u>EAS community</u>	<u>Hub</u>	<u>Number of round trips each service day</u>	<u>Subsidy cost</u>
1	Laramie	Denver	3 nonstop	\$397,400
2	Laramie	Denver	4 nonstop	\$567,435
3	Laramie	Denver	2 nonstop	\$369,614
4	Riverton	Denver	3 nonstop	\$394,046
5	Riverton	Denver	3 nonstop w/Brasilia aircraft	\$554,680
6	Riverton	Denver	4 nonstop w/Brasilia aircraft	\$972,339
7	Rock Springs	Denver	3 nonstop	\$390,488
8	Rock Springs	Denver	3 nonstop w/Brasilia aircraft	\$532,751
9	Worland and Riverton	Denver	3 nonstop to Denver (RIW) 3 one-stop to Denver (WRL)	\$973,789
10	Worland and Riverton	Denver	3 nonstop to Denver (RIW) 2 one-stop to Denver (WRL)	\$802,781
11	Worland	Denver	3 one-stop to Denver over Laramie or Cheyenne	\$986,938
12	Worland	Denver	2 one-stop to Denver over Laramie or Cheyenne	\$797,844
13	Worland	Denver	2 nonstop to Denver (originating in Cody) and 1 one-stop to Denver over Riverton	\$1,387,013
14	Worland	Denver	2 nonstop to Denver (originating in Cody)	\$1,209,242

Proposals To Provide Essential Air Service at Laramie, Riverton, and Rock Springs,
Wyoming

Proposals of Big Sky Transportation Co., d/b/a Big Sky Airlines
(All service to be provided with 19-passenger Fairchild Metro III/23 aircraft)

<u>Option number</u>	<u>EAS community</u>	<u>Hub(s)</u>	<u>Number of round trips each service day</u>	<u>Subsidy cost</u>
1	Worland and Laramie	Denver	3 one-stop to Denver (WRL) 3 nonstop to Denver (LAR)	\$1,335,691
2	Riverton	Denver and Salt Lake City	2 nonstop to Denver 1 nonstop to Salt Lake City	\$574,680
3	Rock Springs	Denver and Salt Lake City	2 nonstop to Denver 1 nonstop to Salt Lake City	\$749,132
4	Worland, Laramie, Riverton, and Rock Springs	Denver and Salt Lake City	3 one-stop to Denver (WRL) 3 nonstop to Denver (LAR) 2 nonstop to Denver (RIW & RKS) 1 nonstop to Salt Lake City (RIW & RKS)	\$2,524,503

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

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹	<u>Average annual enplanements</u> ²	<u>Average enplanements per service day</u> ³
12/31/1989	8,467	4,234	13.5
12/31/1990	9,631	4,816	15.4
12/31/1991	12,900	6,450	20.6
12/31/1992	16,194	8,097	25.8
12/31/1993	17,660	8,830	28.2
12/31/1994	19,105	9,552	30.5
12/31/1995	16,266	8,133	26.0
12/31/1996	18,415	9,208	29.3
12/31/1997	18,754	9,377	30.0
12/31/1998	18,120	9,060	28.9
12/31/1999	21,604	10,802	34.5
12/31/2000	23,307	11,654	37.1
12/31/2001	18,924	9,462	30.2
12/31/2002	16,353	8,176	26.1
12/31/2003	15,923	7,962	25.4
3/31/2004	16,546	8,273	26.4

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 Mesa 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 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

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

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁴	<u>Average annual enplanements</u> ⁵	<u>Average Enplanements per service day</u> ⁶
12/31/1989	30,988	15,494	49.5
12/31/1990	32,113	16,056	51.3
12/31/1991	32,303	16,152	51.6
12/31/1992	33,593	16,796	53.5
12/31/1993	35,578	17,789	56.8
12/31/1994	32,211	16,106	51.5
12/31/1995	27,606	13,803	44.1
12/31/1996	25,616	12,808	40.8
12/31/1997	25,597	12,798	40.9
12/31/1998	25,619	12,810	40.9
12/31/1999	26,501	13,250	42.3
12/31/2000	26,587	13,294	42.3
12/31/2001	22,804	11,402	36.4
12/31/2002	20,039	10,020	32.0
12/31/2003	19,980	9,990	31.9
3/31/2004	20,788	10,394	33.2

⁴ 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 Rocky Mountain Airways, Continental Express, GP Express Airlines, Mesa Airlines, and Great Lakes Aviation.

⁵ Origin-destination passengers divided by two.

⁶ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

Essential Air Service at Rock Springs, Wyoming
Average Daily Passenger Enplanements Computed from
Historical Origin-Destination Passenger Traffic

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ⁷	<u>Average annual enplanements</u> ⁸	<u>Average Enplanements per service day</u> ⁹
12/31/1989	23,748	11,874	37.9
12/31/1990	27,909	13,954	44.6
12/31/1991	30,300	15,150	48.4
12/31/1992	27,094	13,547	43.1
12/31/1993	28,154	14,077	45.0
12/31/1994	27,974	13,987	44.7
12/31/1995	18,932	9,466	30.2
12/31/1996	17,758	8,879	28.3
12/31/1997	20,296	10,148	32.4
12/31/1998	18,078	9,039	28.9
12/31/1999	18,818	9,409	30.1
12/31/2000	19,246	9,623	30.6
12/31/2001	17,404	8,702	27.8
12/31/2002	16,008	8,004	25.6
12/31/2003	16,961	8,480	27.1
3/31/2004	18,618	9,309	29.7

⁷ 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 Rocky Mountain Airways, Continental Express, GP Express Airlines, Mesa Airlines, and Great Lakes Aviation.

⁸ Origin-destination passengers divided by two.

⁹ Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 12/31/1992, 12/31/1996, and 12/31/2000 (314 effective annual service days).

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

<u>Four quarters ended</u>	<u>Origin- destination passengers</u> ¹⁰	<u>Average annual enplanements</u> ¹¹	<u>Average Enplanements per service day</u> ¹²
12/31/1989	2,622	1,311	4.2
12/31/1990	3,544	1,772	5.7
12/31/1991	4,648	2,324	7.4
12/31/1992	5,495	2,748	8.8
12/31/1993	5,533	2,766	8.8
12/31/1994	5,530	2,765	8.8
12/31/1995	3,811	1,906	6.1
12/31/1996	5,014	2,507	8.0
12/31/1997	3,822	1,911	6.1
12/31/1998	5,428	2,714	8.7
12/31/1999	5,543	2,772	8.9
12/31/2000	6,115	3,058	9.7
12/31/2001	5,082	2,541	8.1
12/31/2002	4,185	2,092	6.7
12/31/2003	5,465	2,732	8.7
3/31/2004	5,589	2,794	8.9

¹⁰ 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 Mesa Airlines and Great Lakes Aviation.

¹¹ Origin-destination passengers divided by two.

¹² Average annual enplanements divided by 313 effective annual service days, except for the annual periods ended 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 Laramie, Wyoming
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	1,424
Revenue passenger-miles:	2,018,370
Available seat-miles:	4,207,152

Operating revenue:				
Passenger revenue:			Average	Total
		<u>Passengers</u>	<u>fare</u>	<u>revenue</u>
	LAR-DEN	17,705	\$82.41	\$1,459,079
Other revenue		0.62%	\$1,459,079	<u>9,046</u>
Total operating revenue				\$1,468,126

Operating expense:				
Direct operating expense:		<u>Rate per</u>	<u>Block</u>	
		<u>block hour</u>	<u>hours</u>	
	Aircraft and hull insurance	\$141.94	1,424	\$202,123
	Fuel and oil	\$180.28	1,424	256,717
	Flying operations	\$149.05	1,424	212,247
	Maintenance	<u>\$246.28</u>	1,424	<u>350,710</u>
	Total direct operating expense	\$717.55		\$1,021,797
	Indirect operating expense	73.88%		<u>\$754,895</u>

Total operating expense \$1,776,692

Operating loss \$308,566

Profit element 5% of total operating expense \$1,776,692 88,835

Compensation requirement \$397,400

Total operating expense per available seat-mile	\$0.422303
Total operating revenue per revenue passenger-mile	\$0.727382
Break-even load factor	58%
Average estimated load factor	48%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Riverton, Wyoming
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,840
Block hours:	2,454
Revenue passenger-miles:	6,249,744
Available seat-miles:	10,350,635

Operating revenue:				
Passenger revenue:		<u>Passengers</u>	<u>Average fare</u>	<u>Total revenue</u>
	RIW-DEN	21,114	\$106.39	\$2,246,347
Other revenue		0.62%	\$2,246,347	<u>13,927</u>
Total operating revenue				\$1,559,830

Operating expense:				
Direct operating expense:		<u>Rate per block hour</u>	<u>Block hours</u>	
	Aircraft and hull insurance	\$141.94	2,454	\$348,321
	Fuel and oil	\$165.43	2,454	405,977
	Flying operations	\$149.05	2,454	365,769
	Maintenance	<u>\$179.20</u>	2,454	<u>439,764</u>
Total direct operating expense		\$635.62		\$1,559,830
Indirect operating expense		62.06%		<u>\$968,094</u>

Total operating expense \$2,527,924

Operating loss \$267,650

Profit element 5% of total operating expense \$2,527,924 126,396

Compensation requirement \$394,046

Total operating expense per available seat-mile	\$0.244229
Total operating revenue per revenue passenger-mile	\$0.361659
Break-even load factor	68%
Average estimated load factor	60%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Rock Springs, Wyoming
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,942
Block hours:	2,428
Revenue passenger-miles:	5,234,580
Available seat-miles:	9,595,258

Operating revenue:				
Passenger revenue:		<u>Passengers</u>	<u>Average fare</u>	<u>Total revenue</u>
	RKS-DEN	20,133	\$110.59	\$2,226,464
Other revenue		0.62%	\$2,226,464	<u>13,804</u>
Total operating revenue				\$2,240,268

Operating expense:				
Direct operating expense:		<u>Rate per block hour</u>	<u>Block hours</u>	
	Aircraft and hull insurance	\$141.94	2,428	\$344,630
	Fuel and oil	\$173.93	2,428	422,294
	Flying operations	\$149.05	2,428	361,893
	Maintenance	<u>\$184.67</u>	2,428	<u>448,379</u>
Total direct operating expense		\$649.59		\$2,505,481
Indirect operating expense		58.86%		<u>\$928,285</u>

Total operating expense \$2,505,481

Operating loss \$265,214

Profit element 5% of total operating expense \$2,505,481 125,274

Compensation requirement \$390,488

Total operating expense per available seat-mile	\$0.261117
Total operating revenue per revenue passenger-mile	\$0.427975
Break-even load factor	61%
Average estimated load factor	55%

Great Lakes Aviation, Ltd.
Provision of Essential Air Service at Worland, Wyoming
Calculation of Compensation Requirement

Average completion factor:	98%
Departures:	1,227
Block hours:	1,329
Revenue passenger-miles:	1,373,460
Available seat-miles:	5,478,972

Operating revenue:				
Passenger revenue:			Average	Total
		<u>Passengers</u>	<u>fare</u>	<u>revenue</u>
	WRL-DEN	4,162	\$112.46	\$468,048
Other revenue		0.62%	\$468,048	<u>2,902</u>
Total operating revenue				\$470,950

Operating expense:				
Direct operating expense:		<u>Rate per</u>	<u>Block</u>	
		<u>block hour</u>	<u>hours</u>	
	Aircraft and hull insurance	\$153.74	1,329	\$188,638
	Fuel and oil	\$221.78	1,329	272,126
	Flying operations	\$161.44	1,329	198,087
	Maintenance	<u>\$214.63</u>	1,329	<u>263,347</u>
Total direct operating expense		\$751.59		\$922,199
Indirect operating expense		31.03%		<u>\$286,176</u>

Total operating expense \$1,208,375

Operating loss \$737,426

Profit element 5% of total operating expense \$1,208,375 60,419

Compensation requirement \$797,844

Total operating expense per available seat-mile	\$0.220548
Total operating revenue per revenue passenger-mile	\$0.342893
Break-even load factor	64%
Average estimated load factor	25%

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at
Laramie Wyoming, Docket OST-1997-2958**

<u>Effective Period:</u>	Date of service of this order through September 30, 2006.
<u>Scheduled Service:</u>	Three round trips each weekday and four round trips each weekend to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate 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. Service may be provided upline to Worland, Wyoming.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$397,400. 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.
<u>Subsidy Rate per Denver Flight:</u>	\$204.63 ¹
<u>Weekly Compensation Ceiling:</u>	\$7,775.94 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 parties 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 \$397,400 divided by 1,942 annual departures as shown in Appendix C.

² 38 flights per week * \$204.63.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at
Riverton, Wyoming, Docket OST-2003-14536**

<u>Effective Period:</u>	Date carrier inaugurates Worland-Denver service without an intermediate stop in Riverton, or 45 days after the date of service of this order (whichever comes first) through September 30, 2006.
<u>Scheduled Service:</u>	Three round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	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.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$394,046. 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.
<u>Subsidy Rate per Denver Flight:</u>	\$214.16 ³
<u>Weekly Compensation Ceiling:</u>	\$7,709.76 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 parties 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 \$394,046 divided by 1,840 annual departures as shown in Appendix C.

⁴ 36 flights per week * \$214.16.

**Mesa Air Group, Inc., d/b/a Air Midwest, Essential Air Service To Be Provided at
Rock Springs, Wyoming, Docket OST-1997-2959**

<u>Effective Period:</u>	Date of service of this order, through September 30, 2006.
<u>Scheduled Service:</u>	Three round trips each weekday and four round trips each weekend to Denver.
<u>Intermediate stops and upline service:</u>	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.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$390,488. 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.
<u>Subsidy Rate per Denver Flight:</u>	\$201.08 ⁵
<u>Weekly Compensation Ceiling:</u>	\$7,641.04 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 parties 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 \$390,488 divided by 1,942 annual departures as shown in Appendix C.

⁶ 38 flights per week * \$201.08.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at
Worland, Wyoming, Docket OST-1997-2981**

<u>Effective Period:</u>	Date carrier inaugurates two-round-trip service over Laramie or Cheyenne (or nonstop) to Denver, or 45 days after the date of service of this order (whichever comes first) through September 30, 2006..
<u>Scheduled Service:</u>	Two round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	No service to any 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. Service may be provided with an intermediate stop in either Laramie or Cheyenne.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$797,844. 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.
<u>Subsidy Rate per Denver Flight:</u>	\$650.24 ⁷
<u>Weekly Compensation Ceiling:</u>	\$15,605.76 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 parties 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 \$797,844 divided by 1,227 annual departures as shown in Appendix C.

⁸ 24 flights per week * \$650.24.