

Order 2004-7-28
Served: July 30, 2004



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

Issued by the Department of Transportation
on the 27th day of July, 2004

Essential air service at

**PRESQUE ISLE/HOULTON,
AUGUSTA/WATERVILLE,
BAR HARBOR, AND
ROCKLAND, MAINE**

**Docket OST-2000-8012
Docket OST-1997-2784
Docket OST-1997-2784
Docket OST-1997-2784**

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

ORDER REQUESTING PROPOSALS

Summary

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

Background

By Order 2003-6-2, June 2, 2003, the Department tentatively selected Colgan Air, Inc., to provide subsidized essential air service at Augusta/Waterville, Bar Harbor, Presque Isle/Houlton, and Rockland, Maine, and requested proposals.¹ The Department received a competing proposal from Mesa Air Group.

Request for Proposals

As indicated above, the Department has already issued an order requesting proposals from carriers interested in serving these communities. As discussed in detail below, we have since then streamlined our procedures in response to a more competitive essential air service environment. Furthermore, rate negotiations had stalled, and we are not close to

¹ All subsidized service was to Boston with 19-seat Beech 1900D aircraft. At Presque Isle/Houlton, the rate was \$1,116,135 annually for eighteen nonstop round trips a week. For Augusta/Waterville, Bar Harbor, and Rockland, the combined rate was \$3,207,683 for service to each community as follows: Augusta/Waterville, twelve nonstop and twelve one-stop round trips per week; Bar Harbor, twelve nonstop and twelve one-stop round trips per week; and Rockland, eighteen nonstop and six one stop round trips per week.

bringing the case to closure. Thus, we find that this case merits being processed under our new, streamlined carrier-selection procedures.

Carriers interested in filing proposals, with or without subsidy requests, should file them within 30 days of the date of service of this order. At the end of that period, our staff will docket the proposals, thereby making them public, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the communities and ask them to submit their final comments. We will give full consideration to all proposals that are timely filed.²

New Procedures

In the past, we have accepted *initial* carrier proposals, reviewed them, and then negotiated *final* proposals with each applicant before formally presenting the proposals to the communities and asking for their final comments. We found that a two-step process was generally necessary because, in most cases, the incumbent carrier was the only one interested. As a result, we were unable to rely on competition to discipline carrier subsidy requests, and communities had to wait on a protracted selection process. More recently, however, we have noticed that most orders requesting essential air service proposals have drawn interest from at least two carriers, and sometimes more. Under the circumstances, we expect that competition among multiple carriers will ensure reasonable subsidy requests, obviate the need for rate negotiations, and allow us to streamline the carrier selection process.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals.³ We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. For example, we anticipate that we will continue to negotiate rates in cases where there is only a single interested carrier, as is typically the situation in Alaska. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the rule.

We are here providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed

² In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

³ For this reason, we will allow carriers 30 days to submit their proposals, rather than just 20 as in the past. Because the new procedures anticipate that a carrier's first proposal will also be its final proposal, we expect to enforce our filing deadlines more stringently than in the past. Carriers should not expect the Department to accept late filings. The additional 10 days will comfortably accommodate the additional time carriers may find necessary to prepare their proposals.

schedules as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected communities and the Department. We do not anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.⁴

With respect to the markets at issue here, we refer carriers to the current service outlined in footnote (1). We note, for example, that we are subsidizing four round trips a day because some of the service is one-stop. If a carrier proposed strictly nonstop-turnaround service, two or three round trips a day would be sufficient. We encourage proposals that approximate those service levels in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities -- different hubs, for example -- with subsidy requirements that remain competitive.

Service and Traffic History

Colgan has served these communities for a number of years. For the year ended April 30, 2004, the most recent 12-month period for which traffic data are available, Augusta/Waterville averaged 10.0 enplanements a day, Bar Harbor 29.5, Presque Isle/Houlton 41.3, and Rockland 18.6.⁵

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁶ Consequently, all carriers receiving Federal subsidy for essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. Because the Department is prohibited from paying subsidy to carriers that do not submit these documents, all carriers that plan to submit proposals involving subsidy should be aware that the selected carrier will be expected to complete the required certifications. Interested carriers requiring more detailed information regarding these

⁴ In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements.

⁵ See Appendix B for historical traffic data. Enplanements represent one-half of total origin-and-destination traffic, and average enplanements per day are based on 313 weekdays and weekends a year.

⁶ The regulations applicable to these areas are: (1) 49 CFR Part 20 -- New restrictions on lobbying; (2) 49 CFR Part 21 -- Nondiscrimination in federally-assisted programs of the Department of Transportation - Effectuation of title VI of the Civil Rights Act of 1964; 49 CFR Part 27 --Nondiscrimination on the basis of disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 -- Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 -- Government-wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053.⁷

Community and State Comments

The communities and state are welcome to submit comments on the proposals at any time. As noted earlier, however, we will provide a summary of the proposals to the civic parties and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

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

ACCORDINGLY,

1. We request that carriers interested in providing essential air service at August/Waterville, Bar Harbor, Presque Isle/Houlton, and Rockland, Maine, submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street S.W., Washington, DC 20590, with the title "Proposal to Provide Essential Air Service at [the community or communities at issue]," with the docket number corresponding to each community as shown on the first page of this order;⁸
2. These dockets will remain open until further order of the Department; and
3. We will serve copies of this order on the mayors and airport managers of Augusta/Waterville, Bar Harbor, Presque Isle/Houlton, and Rockland, Maine; the Director, Division of Aeronautics, Maine Department of Transportation; Air Midwest, Inc., d/b/a USAirways Express; Colgan Air, Inc., d/b/a USAirways Express; and the persons listed in Appendix C.

By:

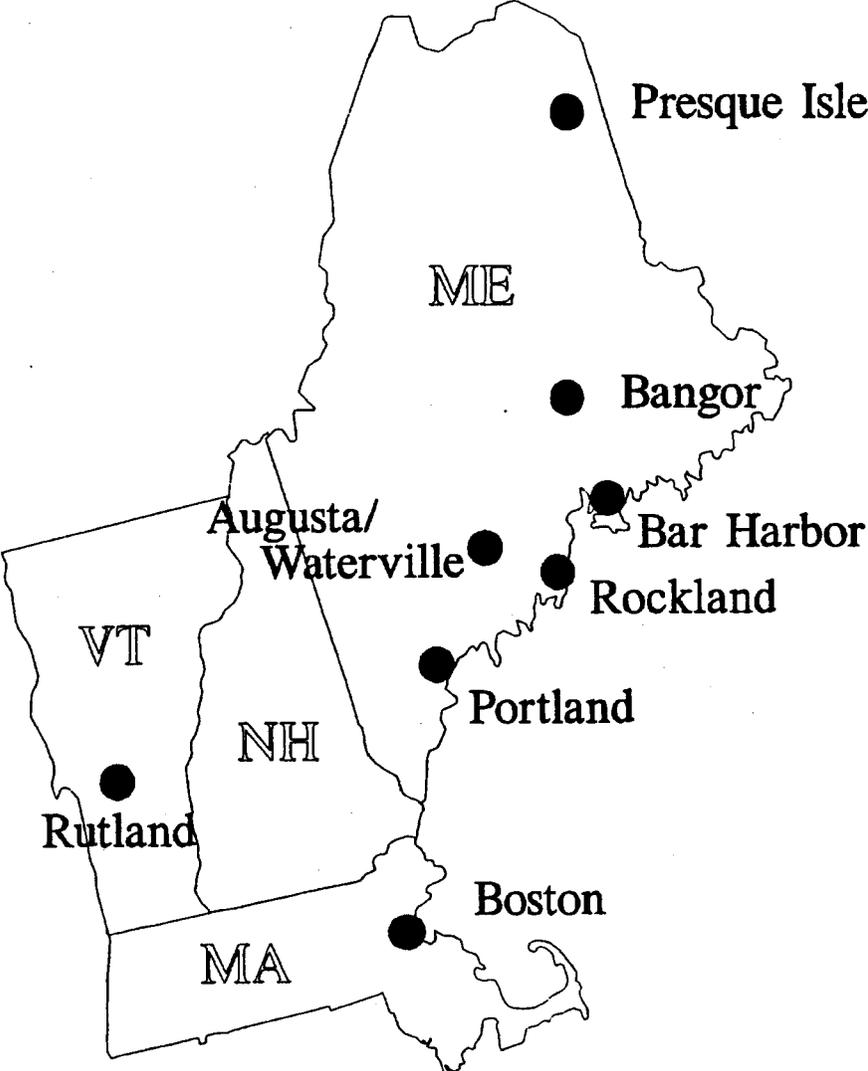
KARAN K. BHATIA
Assistant Secretary for Air
and International Affairs

(SEAL)

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

⁷ The certifications are also available on the web at <http://ostpxweb.dot.gov/Air/index.html>.

⁸ Questions regarding filings in response to this order may be directed to Kevin Adams at (202) 366-1047.



Mileages to Boston

Augusta/Waterville	148
Bar Harbor	196
Presque Isle	332
Rockland	152
Rutland	127

Colgan Air, Inc., T-100 Market Traffic, by Direction

Year	Month	Origin	Dest	Pax.	Freight	Mail	Origin	Dest	Pax.	Freight	Mail	Total Pax.	
2002	10	AUG	BOS	384	0	0	BOS	AUG	343	8	16	727	
2002	11	AUG	BOS	327	1	0	BOS	AUG	360	92	0	687	
2002	12	AUG	BOS	268	48	0	BOS	AUG	272	52	0	540	
2003	1	AUG	BOS	230	14	0	BOS	AUG	195	23	0	425	
2003	2	AUG	BOS	162	0	0	BOS	AUG	162	30	0	324	
2003	3	AUG	BOS	185	100	0	BOS	AUG	177	39	2	362	
2003	4	AUG	BOS	171	43	1	BOS	AUG	194	96	1	365	
2003	5	AUG	BOS	208	0	0	BOS	AUG	238	792	0	446	
2003	6	AUG	BOS	273	0	0	BOS	AUG	315	58	0	588	
2003	7	AUG	BOS	344	0	0	BOS	AUG	385	87	1	729	
2003	8	AUG	BOS	343	135	0	BOS	AUG	357	64	0	700	
2003	9	AUG	BOS	265	23	0	BOS	AUG	280	17	0	545	
2003	10	AUG	BOS	268	0	0	BOS	AUG	262	46	3	530	
2003	11	AUG	BOS	253	0	0	BOS	AUG	201	2	0	454	
2003	12	AUG	BOS	237	0	0	BOS	AUG	233	6	0	470	
2004	1	AUG	BOS	187	70	0	BOS	AUG	161	3	0	348	
2004	2	AUG	BOS	166	8	0	BOS	AUG	166	272	0	332	
2004	3	AUG	BOS	270	0	0	BOS	AUG	229	151	0	499	
2004	4	AUG	BOS	302	0	0	BOS	AUG	306	702	0	608	
				3,116	236	0					3,133	2,200	6,249

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Year	Month	Origin	Dest	Pax.	Freight	Mail	Origin	Dest	Pax.	Freight	Mail	Total Pax.	
2002	10	BHB	BOS	1,167	1	0	BOS	BHB	1,014	101	0	2,181	
2002	11	BHB	BOS	574	4	0	BOS	BHB	581	1	0	1,155	
2002	12	BHB	BOS	483	176	0	BOS	BHB	544	60	0	1,027	
2003	1	BHB	BOS	393	1	0	BOS	BHB	367	28	0	760	
2003	2	BHB	BOS	476	13	0	BOS	BHB	411	44	0	887	
2003	3	BHB	BOS	412	370	0	BOS	BHB	405	84	0	817	
2003	4	BHB	BOS	524	505	0	BOS	BHB	583	217	0	1,107	
2003	5	BHB	BOS	787	1,493	0	BOS	BHB	845	92	0	1,632	
2003	6	BHB	BOS	1,135	482	30	BOS	BHB	1,162	153	0	2,297	
2003	7	BHB	BOS	1,486	1	0	BOS	BHB	1,603	199	7	3,089	
2003	8	BHB	BOS	1,780	0	0	BOS	BHB	1,734	229	0	3,514	
2003	9	BHB	BOS	938	54	0	BOS	BHB	856	5	101	1,794	
2003	10	BHB	BOS	798	8	0	BOS	BHB	728	494	15	1,526	
2003	11	BHB	BOS	419	3	0	BOS	BHB	381	175	0	800	
2003	12	BHB	BOS	346	32	0	BOS	BHB	362	36	0	708	
2004	1	BHB	BOS	295	307	0	BOS	BHB	262	2	0	557	
2004	2	BHB	BOS	320	108	0	BOS	BHB	275	13	0	595	
2004	3	BHB	BOS	374	855	0	BOS	BHB	392	10	0	766	
2004	4	BHB	BOS	554	144	0	BOS	BHB	554	174	0	1,108	
				9,232	3,487	30					9,154	1,582	18,386

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Colgan Air, Inc., T-100 Market Traffic, by Direction

Year	Month	Origin	Dest	Pax.	Freight	Mail	Origin	Dest	Pax.	Freight	Mail	Total Pax.						
2002	10	PQI	BOS	1,392	462	0	BOS	PQI	1,316	238	0	2,708						
2002	11	PQI	BOS	1,152	501	0	BOS	PQI	1,168	658	10	2,320						
2002	12	PQI	BOS	1,179	702	0	BOS	PQI	1,198	13	0	2,377						
2003	1	PQI	BOS	1,099	387	0	BOS	PQI	947	29	0	2,046						
2003	2	PQI	BOS	1,099	311	0	BOS	PQI	1,052	77	40	2,151						
2003	3	PQI	BOS	1,118	554	0	BOS	PQI	1,157	150	0	2,275						
2003	4	PQI	BOS	1,068	360	0	BOS	PQI	1,203	266	0	2,271						
2003	5	PQI	BOS	1,187	475	0	BOS	PQI	1,321	127	0	2,508						
2003	6	PQI	BOS	1,307	418	0	BOS	PQI	1,456	199	0	2,763						
2003	7	PQI	BOS	1,602	521	0	BOS	PQI	1,768	78	0	3,370						
2003	8	PQI	BOS	1,767	402	0	BOS	PQI	1,656	286	50	3,423						
2003	9	PQI	BOS	1,154	154	446	BOS	PQI	1,090	90	185	2,244						
2003	10	PQI	BOS	1,314	463	0	BOS	PQI	1,155	333	1	2,469						
2003	11	PQI	BOS	1,139	323	0	BOS	PQI	1,113	83	9	2,252						
2003	12	PQI	BOS	1,193	117	311	BOS	PQI	1,197	168	258	2,390						
2004	1	PQI	BOS	1,056	264	0	BOS	PQI	855	122	0	1,911						
2004	2	PQI	BOS	1,180	394	0	BOS	PQI	1,039	220	8	2,219						
2004	3	PQI	BOS	1,158	300	0	BOS	PQI	1,234	131	1	2,392						
2004	4	PQI	BOS	1,138	266	0	BOS	PQI	1,249	51	0	2,387						
												15,195	4,097	757	15,133	1,888	512	30,328

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Year	Month	Origin	Dest	Pax.	Freight	Mail	Origin	Dest	Pax.	Freight	Mail	Total Pax.						
2002	10	RKD	BOS	572	1	0	BOS	RKD	543	250	0	1,115						
2002	11	RKD	BOS	388	45	0	BOS	RKD	441	30	2	829						
2002	12	RKD	BOS	434	196	0	BOS	RKD	432	303	0	866						
2003	1	RKD	BOS	241	15	0	BOS	RKD	231	182	0	472						
2003	2	RKD	BOS	356	2	0	BOS	RKD	321	148	0	677						
2003	3	RKD	BOS	341	98	0	BOS	RKD	313	269	1	654						
2003	4	RKD	BOS	308	99	0	BOS	RKD	321	340	0	629						
2003	5	RKD	BOS	417	327	0	BOS	RKD	459	354	0	876						
2003	6	RKD	BOS	487	0	0	BOS	RKD	526	120	0	1,013						
2003	7	RKD	BOS	770	35	0	BOS	RKD	772	105	0	1,542						
2003	8	RKD	BOS	938	67	0	BOS	RKD	935	45	10	1,873						
2003	9	RKD	BOS	507	20	0	BOS	RKD	415	202	10	922						
2003	10	RKD	BOS	458	488	0	BOS	RKD	407	842	0	865						
2003	11	RKD	BOS	363	209	0	BOS	RKD	402	395	26	765						
2003	12	RKD	BOS	380	27	0	BOS	RKD	426	573	5	806						
2004	1	RKD	BOS	309	3	0	BOS	RKD	237	201	145	546						
2004	2	RKD	BOS	296	235	0	BOS	RKD	295	1,035	0	591						
2004	3	RKD	BOS	421	623	0	BOS	RKD	390	677	0	811						
2004	4	RKD	BOS	488	135	0	BOS	RKD	533	289	0	1,021						
												5,834	2,169	0	5,797	4,838	196	11,631

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SERVICE LIST FOR THE STATE OF MAINE

Amerijet International, Inc.
Aroostook Aviation, Inc.
Colgan Air
Corporate Air, Inc.
Corporate Airlines, Inc.
Delta Connection
Florida Air, Inc.
Lands Ending Corporation
Maine Instrument Flight School
Mesa Airlines, Inc.
Midwest Express Airlines, Inc.
Northeast Express Regional Airlines, Inc.
Rio Grande Air
SkyVantage Corporation
Spectrum Airlines, Inc.
Valley Air Services, Inc.
Westward Airways, Inc.

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