

Order 2004-8-17
Served: August 19, 2004



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

Issued by the Department of Transportation
on the 16th day of August, 2004

Essential Air Service at

PLATTSBURGH, NEW YORK
SARANAC LAKE/LAKE PLACID, NEW YORK

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

Dockets OST-2003-14783
and OST-2000-8025

ORDER SELECTING CARRIER
AND SETTING SUBSIDY RATE

Summary

By this order, the Department is (a) selecting CommutAir to provide essential air service at Plattsburgh and Saranac Lake/Lake Placid, New York, for a two-year period, and (b) establishing an annual subsidy rate of \$1,507,928 for service consisting of one round trip to Boston and two round trips to Albany each weekday, and two round trips to Boston and one round trip to Albany each weekend period. Service is to be provided with 19-seat Beech 1900-D aircraft.

Background

Plattsburgh: On March 24, 2003, Champlain Enterprises, Inc., d/b/a CommutAir (CommutAir), filed a 90-day notice of its intent to terminate all scheduled air service at Plattsburgh, New York, effective June 22, 2003. By Order 2003-5-22, we required CommutAir to continue serving Plattsburgh and requested proposals for replacement service. CommutAir was providing Plattsburgh with three weekday and three weekend one-stop round trips to Albany with 19-seat Beech 1900-D aircraft. CommutAir was the only air carrier providing scheduled service at Plattsburgh.

Saranac Lake/Lake Placid: By Order 2001-2-10, issued February 9, 2001, CommutAir was selected to provide essential air service at Saranac Lake/Lake Placid for a two-year period. Under the terms of that order, service was to consist of three nonstop round trips

per day to Albany, with 19-seat Beech 1900-D aircraft. Subsidy for that service was set at \$631,353 per year.¹ CommutAir's rate term expired on January 31, 2003.²

The carrier advised the Department that it was interested in continuing service at Saranac Lake/Lake Placid, and that it was also interested in combining such service with its service at Plattsburgh. Therefore, by Order 2003-5-22, May 27, 2003, the Department required CommutAir to maintain its service at Plattsburgh and requested proposals for essential air service, with or without subsidy, for both Plattsburgh and Saranac Lake/Lake Placid.³

In response to that order, we received proposals from CommutAir and from Mesa Air Group, Inc., d/b/a Air Midwest. The proposals of each carrier are summarized below:

CommutAir, operating as a Continental Connection code-share carrier, proposes to provide Plattsburgh and Saranac Lake/Lake Placid with one round trip to Boston and two round trips to Albany each weekday, and two round trips to Boston and one round trip to Albany over each weekend. The carrier requests an annual subsidy of \$1,507,928 for service that would be operated with 19-seat Beech 1900-D aircraft.

Air Midwest, operating as a US Airways code-share carrier, proposes six service options, all of which would be operated with 19-seat Beech 1900-D aircraft.⁴

Option 1: two flights operated over a Plattsburgh-Saranac Lake-Albany-Saranac Lake-Plattsburgh routing each weekday and each weekend. The carrier requests an annual subsidy for this service of \$1,675,511.

Option 2: three flights operated over a Plattsburgh-Saranac Lake-Albany-Saranac Lake-Plattsburgh routing each weekday and each weekend. The carrier requests an annual subsidy for this service of \$2,220,309.

Option 3: two flights operated over a Plattsburgh-Saranac Lake-Boston-Saranac Lake-Plattsburgh routing each weekday and each weekend. The carrier requests an annual subsidy for this service of \$2,020,266.

¹ By Order 2002-2-13, issued February 15, 2002, the Department authorized program-wide increases in carriers' subsidy rates to offset some of the effects of the September 11 attacks. CommutAir's subsidy rate at Saranac Lake/Lake Placid was increased to \$873,885, subject to retroactive adjustment to October 1, 2001.

² By Order 2003-3-7, issued March 12, 2003, the Department extended CommutAir's rate as an interim rate until a final rate could be established.

³ By Order 2003-8-1, issued August 4, 2003, the Department set a final annual rate for CommutAir's service at both Plattsburgh and Saranac Lake/Lake Placid at \$1,442,396, effective June 23, 2003, until further Department action, i.e., until the conclusion of this carrier-selection case.

⁴ Air Midwest currently operates as a US Airways code share carrier at the Upstate New York communities of Massena, Ogdensburg and Watertown. However, the carrier does not now serve either Boston or Albany and would have to secure such code-share arrangement if selected for this route.

Option 4: three flights operated over a Plattsburgh-Saranac Lake-Boston-Saranac Lake-Plattsburgh routing each weekday and each weekend. The carrier requests an annual subsidy for this service of \$2,782,322.

Option 5: two flights operated over a Plattsburgh-Saranac Lake-Albany-Saranac Lake-Plattsburgh routing, and one flight operated over a Plattsburgh-Saranac Lake-Boston-Saranac Lake-Plattsburgh routing, each weekday and each weekend. The carrier requests an annual subsidy for this service of \$2,407,901.

Option 6: one flight operated over a Plattsburgh-Saranac Lake-Albany-Saranac Lake-Plattsburgh routing, and two flights operated over a Plattsburgh-Saranac Lake-Boston-Saranac Lake-Plattsburgh routing, each weekday and each weekend. The carrier requests an annual subsidy for this service of \$2,595,280.

Community Comments

Comments were received from the City of Plattsburgh and from the Supervisor of the Harrietstown, New York Town Board.⁵

The City of Plattsburgh supports the selection of CommutAir. In a letter received August 2, the Mayor of Plattsburgh states that a Boston leg must be a part of the entire package and, based on service and cost, he supports CommutAir and its bid for service to Plattsburgh.

The Supervisor of the Harrietstown Town Board states that the CommutAir proposal is the most attractive and Air Midwest's proposals are considerably more expensive than CommutAir's. However, he states that CommutAir's current flight schedules are inconvenient for their Saranac Lake/Plattsburgh customers, and many travelers elect to drive to Albany rather than fly out of Adirondack Regional Airport. He also states that CommutAir has done a poor job of marketing its service in the tri-lakes area and major market segments remain virtually untapped by the carrier.

Decision

After careful review of this matter, including the comments submitted by the communities, we have decided to select CommutAir to continue providing essential air service at Plattsburgh and Saranac Lake/Lake Placid. We will establish an annual subsidy of \$1,507,928 for CommutAir's service for two years. We find that the subsidy amount requested is reasonable for the service to be provided.

We base our decision on the support for CommutAir from the communities, and on the fact that CommutAir's service is considerably less expensive than all of Air Midwest's options. CommutAir is requesting \$1.5 million for service consisting of two round trips to Albany and one round trip to Boston each weekday. Air Midwest's option offering comparable service (Option 5) would require an annual subsidy of \$2.4 million, or \$1.8 million more than CommutAir over the two-year life of the contract. The only Air Midwest option comparable in cost to that of

⁵ The Adirondack Regional Airport serving the Saranac Lake/Lake Placid community, is owned and operated by the Town of Harrietstown.

CommutAir is Option 1 offering only two round trips a day to Albany, and even that option requires about \$170,000 more subsidy for each of two years. Both carriers have considerable experience operating scheduled air service in the Northeast region and both operate the same type aircraft--a pressurized 19-seat Beech 1900-D. Even if our decision would be between options of comparable price, we would nevertheless still select CommutAir's proposal because it offers three daily round trips (one to a major hub) versus two for Air Midwest's Option 1, and it has strong community support. In addition, CommutAir has the advantage of having its code-share arrangements with Continental Airlines already in place for its current service at the communities, while Air Midwest does not. CommutAir's proposal is clearly superior to all of the options offered by Air Midwest.

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 compensate it for essential air service. We last found CommutAir fit to provide scheduled passenger service as a commuter air carrier by Order 2003-7-23, when we selected it to provide essential air service at Rutland, Vermont. The Department has routinely monitored the carriers' continuing fitness. No information has come to our attention that would lead us to conclude that CommutAir does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question CommutAir's fitness. We therefore conclude that CommutAir remains fit to conduct the operations proposed here.

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

ACCORDINGLY,

1. The Department selects Champlain Enterprises, Inc., d/b/a CommutAir, to provide essential air service at Plattsburgh and Saranac Lake/Lake Placid, New York, as described in Appendix A, for the period beginning September 1, 2004, through August 31, 2006.
2. The Department sets the final rate of compensation for Champlain Enterprises, Inc., d/b/a CommutAir, for the provision of essential air service Plattsburgh and Saranac Lake/Lake Placid, New York, as described in Appendix A, for the period set forth in ordering paragraph (1), 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 A, and shall be determined by multiplying the subsidy-eligible arrivals and departures performed during the month by \$830.36;⁶
3. We direct Champlain Enterprises, Inc., d/b/a CommutAir, 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 its 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 comes first. Copies of

⁶ See Appendix A for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

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. We find that Champlain Enterprises, Inc., d/b/a CommutAir, continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Plattsburgh and Saranac Lake/Lake Placid, New York;

5. Dockets OST-2000-8025 and OST 2003-14783 shall remain open until further order of the Department; and

6. We will serve a copy of this order on the mayors and airport managers of Plattsburgh, Saranac Lake and Lake Placid, New York, the Governor of New York, CommutAir and Mesa Air Group.

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>⁷*

⁷ Click on “Simple Search” and enter “8025,” or “14783” in the space provided for the docket number.

**COMMUTAIR
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
PLATTSBURGH AND SARANAC LAKE/LAKE PLACID**

Effective Period: September 1, 2004, through August 31, 2006

Service: 1 round trip to Boston and 2 round trips to Albany each weekday, and
2 round trips to Boston and 1 round trip to Albany each weekend period

Aircraft: Beech 1900-D (19 passenger seats)

Timing of Flights: Flights must be well timed and well spaced to ensure full
compensation.

Subsidy Rate: Per year - \$1,507,928

Per arrival at or departure from Boston or Albany - \$830.36 ¹

Weekly

Compensation Ceiling: \$29,892.96 ²

¹ Annual compensation of \$1,507,928, divided by the number of arrivals and departures at Albany and Boston estimated to be performed annually (1,816), calculated by multiplying 36 arrivals and departures each week times 52 weeks, and multiplying further by 97 percent completion.

² The subsidy rate for each arrival/departure (\$830.36) multiplied by the number of scheduled subsidy-eligible flights per week (36).

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.

Appendix B

**PLB & SLK EAS BID June 4, 2004
EAS to be Provided at Plattsburgh and Saranac Lake, NY
Dockets 14783 and 8025**

			<u>SLK & PLB 1 BOS 2 ALB</u>
SLK Yield	\$73.50		4,201
PLB Yield	\$64.42		2,302
Passenger Rev.			\$457,068
<u>Other Revenue @ 1%</u>			<u>4,571</u>
Total Revenue			\$461,639
Block Hours 1/ Aircraft needed for mission 50%			2,143
Pilot Expenses per hour	\$153.43		\$328,800
Fuel Expenses per hour	\$155.00		332,165
Hull Insurance @ \$68,000 per aircraft			34,000
Maintenance per hour	\$214.47		459,609
<u>Aircraft Lease @ \$26,000 per month</u>			<u>156,000</u>
Direct Expenses			\$1,310,575
		Handling	
		Departures	
Station per departure	\$139.07	936	\$130,170
Station per departure	\$157.27	936	147,205
Station per departure	\$119.78	364	43,600
Station per departure	\$125.43	624	78,268
Supplies and Dispatch @ \$7.85/hr			16,823
Res. @ \$15.77/pax			102,552
Pax Liab. Ins. @ \$2/Pax			13,006
Capacity Related @ 1.28%			23,580
<u>Promotions</u>			<u>10,000</u>
Indirect Expenses			\$565,203
Operating Expense			\$1,875,778
<u>Return @ 5%</u>			93,789
Total Economic Expense			\$1,969,567
Annual Subsidy @ 97% Completion			\$1,507,928

1/ <u>Monday through Friday</u>	PLB-SLK-BOS: 5 flts/week*52 weeks*[22+65]*.97=366 PLB-SLK-ALB: 5 flts/week*52 weeks*[22+43]*.97=282 ALB-SLK-PLB-ALB: 5 flts/week*52 weeks*[43+22+45]*.97=462 ALB-SLK-PLB: 5 flts/week*52 weeks*[22+43]*.97=282 BOS-SLK-PLB: 5 flts/week*52 weeks*[65+22]*.97=366
 <u>Saturday</u>	PLB-SLK-BOS: 1 flt/week*52 weeks*[22+65]*.97=73 BOS-SLK-PLB: 1 flt/week*52 weeks*[22+65]*.97=73
 <u>Sunday</u>	PLB-SLK-BOS: 1 flt/week*52 weeks*[22+65]*.97=73 ALB-SLK-PLB-ALB: 1 flt/week*52 weeks*[43+22+45]*.97=93 BOS-SLK-PLB: 1 flt/week*52 weeks*[65+22]*.97=73