

Order 2004-8-18  
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

**DUBOIS, PENNSYLVANIA**

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

**Docket OST-2004-17617**

**ORDER SELECTING CARRIER  
AND ESTABLISHING SUBSIDY RATES**

**Summary**

By this order, the Department is selecting Mesa Air Group, Inc. subsidiary, Air Midwest, Inc., d/b/a US Airways Express (Air Midwest), to provide essential air service (EAS) at DuBois, Pennsylvania, for the period from July 23, 2004, through August 31, 2006, at an annual subsidy rate of \$643,818. (See Appendix A for an area map.)

**Background**

On April 23, 2004, Air Midwest filed a 90-day notice of its intent to suspend its unsubsidized scheduled air service at DuBois, effective on July 22, 2004. In response, we issued Order 2004-5-14, May 17, 2004, requesting proposals for replacement service and requiring the carrier to continue to serve the community while we processed a carrier-selection case. Air Midwest was the only carrier to submit a replacement-carrier proposal in response to our request.

**Proposal**

Air Midwest submitted four options, all of which would provide nonstop service with 19-seat Beech 1900D turboprop aircraft. **Option 1** would provide three weekday and four weekend period round trips, for a total of 19 round trips per week, to Pittsburgh for \$643,818; **Option 2** would provide four weekday and five weekend period round trips, for

a total of 25 round trips per week, to Pittsburgh for \$876,412; **Option 3** would provide two weekday and three weekend period round trips (total of 13) in the DuBois–Pittsburgh market, and two weekday and two weekend period round trips (total of 12) in the DuBois–Washington Dulles market, for a total of 25 round trips per week for \$1,282,720; and **Option 4** would provide three weekday and three weekend period round trips (total of 18) in the DuBois–Pittsburgh market, and one weekday and two weekend period round trips (total of 7) in the DuBois–Washington Dulles market, for a total of 25 round trips per week for \$1,072,370. Air Midwest has a code-share agreement with US Airways for Pittsburgh service and would continue to serve the DuBois-Pittsburg market as a US Airways Express carrier. Air Midwest would serve Washington-Dulles as Mesa Airlines without a code-share agreement with a major air carrier.

### **Community Comments**

By letter dated July 6, 2004, the Chairman of the Clearfield-Jefferson Counties Regional Airport Authority (Airport Authority) offered general comments in support of Air Midwest, and specific comments supporting Option 2, the option that would provide DuBois with four round trips a day to Pittsburgh. The letter mentions the working relationship that they have had with Air Midwest since 1994, their annual discussions with the airline’s senior management, the carrier’s “continued operation of the Maintenance Base for their entire Pittsburgh hub,” at DuBois.

Regarding the specific options of Air Midwest, the community supports Option 2, which would provide DuBois with a fourth round trip to Pittsburgh. The letter stated that Option 2 “will provide the best opportunity to continue our efforts to build our passenger enplanements to the levels that existed in the years 1990 – 2000 and to grow those enplanements to a level that will allow DUJ (DuBois) to regain self-sufficiency in the shortest possible time.” The Chairman mentions additional fare, service, and reliability issues that they have been able to work with Air Midwest to address; the fact that the community is more carefully monitoring Air Midwest’s departure performance; and that in July 2003, the Airport Authority hired a marketing director to concentrate on increasing local passenger enplanements. Option 2 was also supported by several businesses in the community, the DuBois Regional Medical Center, the North Central Pennsylvania Regional Planning and Development Commission, and the Pennsylvania, Department of Transportation.

### **Decision**

After a thorough and careful review of Air Midwest’s various options and the community’s comments, including the letters of support from civic officials and others, we have decided to select Option 1 – three nonstop round trips a day to Pittsburgh for the period from July 23, 2004, through July 31, 2006, at the annual subsidy rate of \$643,818. We find that Option 1 fully accommodates the community’s passenger levels, the subsidy is reasonable, and the carrier’s performance continues to be satisfactory.

We carefully considered the community's request for a fourth round trip to Pittsburgh -- Air Midwest's Option 2. While we understand the community's desire for a fourth round trip, the core objective of the EAS program is to ensure access to the Nation's air transportation system. We find that Air Midwest's three-round-trip-a-day option meets that objective. The EAS program typically provides subsidy to support two or three round trips a day to a major hub airport that provides access to the national air transportation system with a 19-seat aircraft, or two round trips a day with a 30-seat or larger aircraft.

In reaching this decision, we also reviewed the community's historical passenger traffic in order to ensure that the selected proposal will provide sufficient capacity to accommodate historical traffic at reasonable load factors.<sup>1</sup> In addition, we noted that Air Midwest mentioned in their proposal that their load factor at DuBois during May 2004, exceeded 40% -- "almost 10 points higher than a year ago at this time." During 2003, the community averaged 24.2 enplanements a day, and 26.1 enplanements per day during the first quarter of 2004, the most recent data we have available.<sup>2</sup> Three round trips a day on 19-seat aircraft, offering 57 seats in each direction, will accommodate the community's current traffic at a 45.8 % load factor. If demand warrants, or if persuaded by the community's support and commitment, Air Midwest can of course offer additional service at any time. We expect the DuBois community and Air Midwest to continue to work together to address service and fare issues, to increase passenger levels and, thus, to decrease subsidy levels over time.

Thus, based on all of the above, we have decided to select Air Midwest to serve DuBois for a new two-year period as described in Appendix B at the proposed annual subsidy of \$643,818 to provide 19 nonstop round trips per week to Pittsburgh with 19-seat Beech 1900D turboprop aircraft.

### **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. Air Midwest was most recently found fit to provide scheduled passenger service by Order 2004-11-22, selecting the carrier to provide EAS 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 Air Midwest is fit. Based on the above, we find that 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).

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<sup>1</sup> See Order 2004-5-14, May 17, 2004, Appendix B.

<sup>2</sup> Source: Department of Transportation, Bureau of Transportation Statistics, Air Carrier Summary Data (Form 41 and 298C), Schedule T-3 for the first quarter of 2004.

**ACCORDINGLY,**

1. The Department selects Air Midwest, Inc., d/b/a US Airways Express, to provide essential air service at DuBois, Pennsylvania, as described in Appendix B for the period beginning July 23, 2004, through July 31, 2006;
2. We set the final rates of compensation for Air Midwest, Inc., d/b/a US Airways Express, for the provision of essential air service at DuBois, Pennsylvania, as described in Appendix B, for the period from July 23, 2004, through July 31, 2006, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix B and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by: \$839.25;<sup>3</sup>
3. The Department directs Air Midwest, Inc., d/b/a US Airways Express, 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 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. We find that Air Midwest, Inc., d/b/a US Airways Express, continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at DuBois, Pennsylvania;
5. This docket will remain open until further order of the Department; and

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<sup>3</sup> See Appendix B for the calculation of this rate, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of the rate may be required.

6. We will serve copies of this order on the Mayor and airport manager of DuBois, the Governor of Pennsylvania, the Bureau of Aviation of the Pennsylvania Department of Transportation, and Air Midwest, Inc.

By:

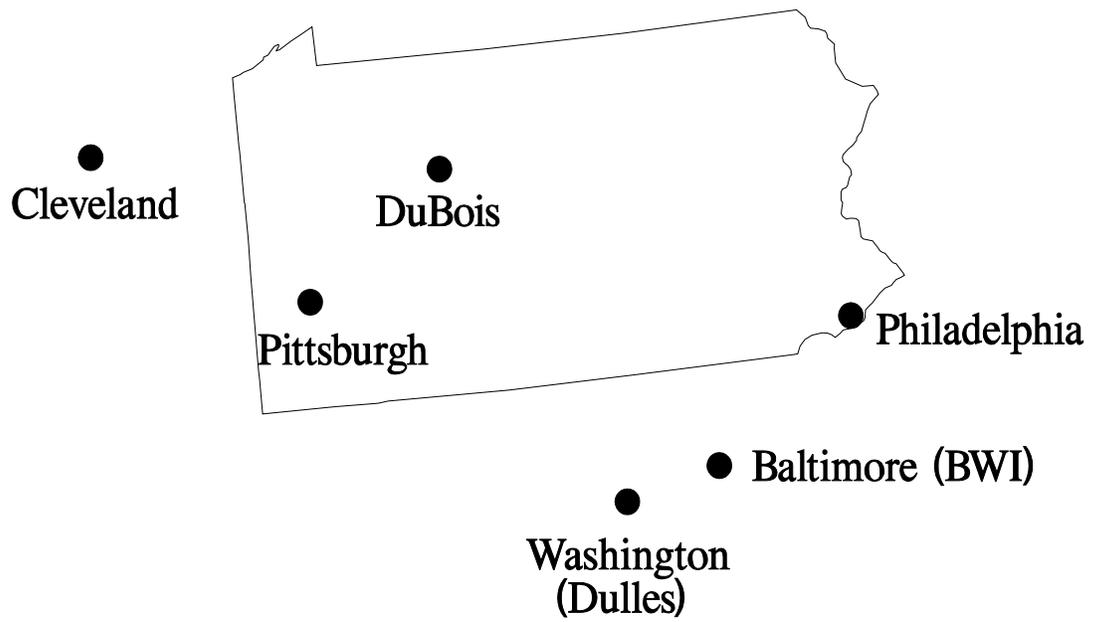
**KARAN K. BHATIA**

Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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# AREA MAP



**Air Midwest, Inc., d/b/a US Airways Express**  
**Essential Air Service at DuBois, Pennsylvania, Docket OST-2004-17617**

<u>Effective period:</u>	From July 23, 2004, through July 31, 2006.
<u>Service at DuBois:</u>	19 nonstop round trips per week to Pittsburgh, Pennsylvania.
<u>Intermediate stops and upline service:</u>	No other service to any intermediate or upline points is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Timing of Flights:</u>	Flights must be well-timed and well-spaced to ensure full compensation.
<u>Aircraft type:</u>	Beech 1900-D turboprop aircraft (19 passenger seats).
<u>Subsidy Rate per Flight:</u>	\$335.85 <sup>1</sup>
<u>Weekly Compensation Ceiling:</u>	\$12,762.30 <sup>2</sup>

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.

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<sup>1</sup> \$643,818 compensation, divided by 1,917 one-way completed departures, calculated as follows: 38 flights per week \* 52 weeks \* 97.0% completion factor = 1,917 flights.

<sup>2</sup> Total of 38 flights per week \* \$335.85 = \$12,762.30.

**Air Midwest Inc., d/b/a US Airways Express**  
**Essential Air Service at DuBois, Pennsylvania, Docket OST-2004-17617**  
**Annual Subsidy Calculation**

Weekly Round Trips	19
DUJ - PIT Miles	85
Departures: (1,976 @ a 97.0% completion factor)	1,917 <sup>1/</sup>
Block Hours: (Average Block Time = 0.71 hour or 42.5 minutes per flight)	1,358 <sup>1/</sup>
Available Seat Miles (ASMs):	3,095,503 <sup>1/</sup>
Passengers:	14,800
Average Net Fare:	\$64.26
Revenue Passenger Miles (RPMs):	1,258,000 <sup>1/</sup>
Passenger Revenue	\$951,048
<u>Other Revenue @ 1% of passenger revenue</u>	<u>9,510</u>
Total Revenue	<u>\$960,558</u>
<u>Direct Expenses:</u>	
Crew & Training @ \$128.95 per Block Hour	\$175,072
Hull Insurance @ \$6.93 per Block Hour	9,409
Fuel and oil @ \$163.20 per Block Hour	221,573
Maintenance @ \$341.00 per Block Hour	462,968
<u>Aircraft Rental @ \$49.20 per Block Hour</u>	<u>66,798</u>
Total Direct Expenses	<u>\$935,819</u>
<u>Indirect Expenses:</u>	
Traffic Related @ \$.065 per Revenue Passenger Mile	\$82,022
Marketing @ \$5,000	5,000
Departure Related @ \$203.00 per departure	389,094
<u>Capacity Related @ \$.0225 per Available Seat Mile</u>	<u>69,949</u>
Total Indirect Expense	<u>\$545,765</u>
<u>Operating Expenses:</u>	\$1,481,584
Profit @ 5%	\$74,079
Interest Expense @ \$35.88 per block hour	\$48,713
Economic Cost	<u>\$1,604,376</u>
Annual Subsidy	<u>\$643,818</u>
Subsidy per departure	<u>\$335.85</u>
Maximum subsidy per week	<u>\$12,762.30</u>

<sup>1/</sup> DUJ-PIT: 38 flights per week \* 52 weeks = 1,976 scheduled departures; 1,976 \* 97.0% completion factor = 1,917 completed departures; 1,917 \* 42.5 minutes/60 minutes = 1,358 Block Hours; 1,917 \* 85 miles \* 19 seats = 3,095,503 Available Seat Miles.