

Order 2009-4-20
Served: April 27, 2009



**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 April, 2009

Essential Air Service at

**FORT DODGE, IOWA
MASON CITY, IOWA
THIEF RIVER FALLS, MINNESOTA**

**DOCKET DOT-OST-2001-10682
DOCKET DOT-OST-2001-10684
DOCKET DOT-OST-2001-10642**

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

**ORDER SELECTING CARRIER
AND ESTABLISHING SUBSIDY RATES**

Summary

By this order, the Department is re-selecting Mesaba Aviation, Inc., d/b/a Delta Connection (Mesaba), to continue providing subsidized essential air service (EAS) at Fort Dodge and Mason City, IA, and Thief River Falls, MN, for the two-year period beginning June 1, 2009, at the annual subsidy rates of \$2,225,213 for Fort Dodge and Mason City, and \$1,230,322 for Thief River Falls.¹ (See Appendix A for a map of the service area.)

Background

The above-referenced communities are guaranteed to receive at least a minimum level of air service under the EAS program by virtue of the fact that they appeared on a certificated carrier's Civil Aeronautics Board-issued certificate on October 24, 1978, the date the Airline Deregulation Act of 1978 was signed into law. (See 49 U.S.C. 41791-41744 for the EAS program's governing statutes.) By Order 2007-6-3, June 6, 2007, the Department selected Mesaba to provide subsidized EAS at the communities for the two-year period through May 31, 2009. That order established annual subsidy rates of \$2,113,865 for Fort Dodge and Mason City and \$1,065,639 for Thief River Falls, for service consisting of 18 round trips a week over a Fort Dodge-Mason City-Minneapolis routing, and 12 one-stop round trips per week between Thief River Falls and Minneapolis, all with 34-seat Saab 340 aircraft.

¹ Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of appropriated funds.

In anticipation of the end of the rate term, the Department issued Order 2009-1-10, January 22, 2009, requesting proposals from carriers interested in providing replacement service at the communities, with subsidy support if necessary, for the two-year period beginning June 1, 2009. In response to that order, Mesaba (the incumbent) was the only carrier to submit a proposal.

Carrier Proposal

Mesaba proposes to continue providing its current level of service at all three communities -- 18 one-stop round trips per week at Fort Dodge and 18 nonstop round trips per week at Mason City (over a Fort Dodge-Mason City-Minneapolis routing) at the annual subsidy rate of \$2,225,213; and 12 one-stop round trips per week between Thief River Falls and Minneapolis at the annual subsidy rate of \$1,230,322. This service would continue to be provided with 34-seat Saab 340 aircraft, but, because of the recent Northwest-Delta merger, the service will be operated as Delta Connection, not Northwest Airlink as in the past.

Community Comments

In response to our request for comments, we received letters from several community officials. Rhonda Chambers, Fort Dodge's Director of Aviation, states that the quality of service, aircraft type and connectivity have all been well received. The community expresses its support for the proposed service, as well as Mesaba's recent Delta Connection codeshare agreement. Although the community is satisfied with its current level of service, it has expressed its desire for at least one nonstop flight to and from Minneapolis each day, which they believe would increase passenger levels and help support the service.

In several letters recommending the Department award Mesaba the contract to continue providing service for a new two-year period, Mason City officials state that the community is quite pleased with Mesaba's service and that the service is vital to Mason City citizens, businesses and to the economy of the entire North Iowa area.

Mr. Steve Nordhagen, Mayor of Thief River Falls, notes that Mesaba has been providing service at the community since the 1980's and believes that continuity of service is an important factor in achieving route profitability now and in the future. Mr. Nordhagen also notes that, although the community supports and appreciates the continued service of Mesaba, he believes that a third daily round trip would increase the airport's profitability and perhaps eliminate the necessity for subsidy in the future.

Decision

After careful consideration of carrier's proposal, as well as the communities' comments, we have decided to reselect Mesaba to continue to provide EAS at Fort Dodge, Mason City and Thief River Falls, as proposed, for the two-year period beginning June 1, 2009. The communities are fully supportive of the continuation of Mesaba's service. We find that the service and subsidy levels are reasonable, and will meet the communities' EAS needs. Moreover, Mesaba's codeshare agreement with Delta at Minneapolis provides excellent connecting opportunities to the national air transportation system.

We shall make this selection at these communities contingent upon the Department's receiving properly executed certifications from Mesaba Airlines 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) requires that we find an air carrier fit, willing, and able to provide reliable service before we may subsidize it to provide essential air service. Mesaba is subject to the Department's continuing fitness requirements, and no information has come to our attention that would cause us to question the carrier's fitness at this time. We have contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness finding. We therefore conclude that the carrier 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 Mesaba Aviation, Inc. d/b/a Delta Connection, to continue to provide EAS at Fort Dodge and Mason City, IA, and Thief River Falls, MN, and establishes the subsidy rates, as detailed in Appendix B, for the two-year period beginning June 1, 2009;
2. We set the final rate of compensation for Mesaba, for the provision of essential air service at Fort Dodge and Mason City, payable as follows: for each month during which EAS is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C-1 and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$612.67;²
3. We set the final rate of compensation for Mesaba, for the provision of essential air service at Thief River Falls, payable as follows: for each month during which EAS is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C-2 and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$1,015.96;³
4. The Department finds that Mesaba continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable EAS at Fort Dodge, Mason City and Thief River Falls;
5. We direct Mesaba 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 flight logs for

² See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of this rate may be required.

³ See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, a revision of this rate may be required.

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. Dockets DOT-OST-2001-10682, DOT-OST-2001-10684 and DOT-OST-2001-10642 will remain open until further order of the Department; and

7. The Department will serve a copy of this order on the Mayors and airport managers of Fort Dodge, Mason City and Thief River Falls, and Mesaba Aviation, Inc. d/b/a Delta Connection.

By:

CHRISTA FORNAROTTO
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

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AREA MAP



MESABA AVIATION, INC. d/b/a DELTA CONNECTION
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
FORT DODGE and MASON CITY, IOWA

MSP-MCW-FOD

3 Round Trip Pattern

Mileage	181		Ave Block Min per flight =	46
Departures	3,632	based on 3x daily	Average seats per flight =	34
Block Hours	2,784		Completion Factor =	97.0%
Available Seat-Miles	22,349,359		Flights per week =	72
Total Passengers	47,212		Landing Fees MSP = \$	64.41
			Landing Fees MCW/FOD = \$	15.82

Total Revenue

Operating Revenue					
Projected Revenue	Pax/Cyc	13	Ave Segment Fare	\$ 55	\$ 2,596,651
Other Revenue			Observed % of Pax Rev	4.0%	\$ 103,866
Total Operating Reven L/F		38%			<u>\$ 2,700,517</u>

Operating Expense

	Rate			# of Units	
Flying Operations	\$ 268.87	\$	5.57 per block hour	2,784	\$ 748,608.74
Hull Insurance	\$ 1.61	\$	(3.01) per block hour	2,784	\$ 4,493.93
Fuel & Oil	\$ 375.00	\$	122.50 per block hour	2,784	\$ 1,044,108.00
Maintenance Direct	\$ 292.55	\$	2.01 per block hour	2,784	\$ 814,543.54
Depreciation	\$ 72.93	\$	41.24 per block hour	2,784	\$ 203,052.08
Aircraft Lease	\$ 149.36	\$	(62.78) per block hour	2,784	\$ 415,867.30
Total Direct Operating Expense					<u>\$ 3,230,673.60</u>

Indirect Operating Expense

	Rate			# of Units	
MCW Facility Lease	\$ 32,179	\$	- Annual	1	\$ 32,179.00
FOD Facility Lease	\$ 14,912	\$	- Annual	1	\$ 14,912.00
MCW/FOD Landing Fees	\$ 15.82	\$	0.71 Per Turn	1,816	\$ 28,726.59
MCW/FOD Deicing Charge	\$ 17.04	\$	3.44 Per Turn	1,816	\$ 30,941.91
MCW/FOD Labor	\$ 117.70	\$	15.62 Per Turn	1,816	\$ 213,718.71
MCW/FOD Other	\$ 4.93	\$	(5.59) Per Turn	1,816	\$ 8,957.84
					\$ -
MSP Turn Rate	\$ 125.49	\$	(52.92) Per Turn	1,816	\$ 227,869.76
MSP Landing Fees	\$ 64.41	\$	(2.28) Per Turn	1,816	\$ 116,958.25
					\$ -
Psgr Liability Insurance	\$ 0.0003262	\$	(0.00) Per RPM	8,545,343	\$ 2,787.80
FAA War Risk Insurance	\$ 0.001225	\$	0.00 Per RPM	8,545,343	\$ 10,469.75
Other Expenses	\$ 136.54	\$	7.07 Per Block Hour	2,784	\$ 380,154.67
CRS Fees	\$ 5.85	\$	- Per Pax	47,212	\$ 276,189.26
Credit Card Fees	2.00%		% of Pax Revenue	2,596,651	\$ 51,933.02
Commission	2.04%		% of Pax Revenue	2,596,651	\$ 52,971.68
Total Indirect Operating Expense					<u>\$ 1,448,770.26</u>

Total Operating Expense		\$ 4,679,444
5% Profit Margin		\$ 246,287
Cost of Annual Service		\$ 4,925,730
Less: Total Operating Revenue		\$ (2,700,517)
Compensation Requirement		\$ 2,225,213

MESABA AVIATION, INC. d/b/a DELTA CONNECTION
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
THIEF RIVER FALLS, MINNESOTA

BJI/HIB-TVF

2 Round Trip Pattern

Mileage	163		Ave Block Min per flight =	45
Departures	1,211	based on 2x daily	Average seats per flight =	34
Block Hours	908		Completion Factor =	97.0%
Available Seat-Miles	6,708,924		Flights per week =	24
Total Passengers	6,053		Ave Landing Fees HIB = \$	12.69
			Landing Fees TVF = \$	14.82

Total Revenue

Operating Revenue					
Projected Revenue	Pax/Cyc	5	Segment Fare	\$ 57	\$ 345,010
Other Revenue			Observed % of Pax Rev	4.0%	\$ 13,800
Total Operating Revenue L/F		15%			<u>\$ 358,810</u>

Operating Expense

	Rate		# of Units	
Flying Operations	\$ 268.87	\$ 268.87 per block hour	908	\$ 244,111.55
Hull Insurance	\$ 1.61	\$ 1.61 per block hour	908	\$ 1,465.41
Fuel & Oil	\$ 375.00	\$ 375.00 per block hour	908	\$ 340,470.00
Maintenance Direct	\$ 292.55	\$ 292.55 per block hour	908	\$ 265,612.03
Depreciation	\$ 72.93	\$ 72.93 per block hour	908	\$ 66,212.63
Aircraft Lease	\$ 149.36	\$ 149.36 per block hour	908	\$ 135,608.90
Total Direct Operating Expense				<u>\$ 1,053,480.52</u>

Indirect Operating Expense

	Rate		# of Units	
TVF Facility Lease	\$ 21,812	\$(10,367.00) Annual	1	\$ 21,812.00
TVF Landing Fees	\$ 14.82	\$(14,897.18) Per Turn	605	\$ 8,970.25
TVF Deicing Charge	\$ 39.50	\$ 24.39 Per Turn	605	\$ 23,908.56
TVF Labor	\$ 201.47	\$ 187.87 Per Turn	605	\$ 121,942.87
TVF Other	\$ 15.46	\$(86.62) Per Turn	605	\$ 9,357.67
		\$(10.52)		
BJI/HIB Turn Rate	\$ 144.86	\$ 144.86 Per Turn	605	\$ 87,680.86
BJI/HIB Landing Fees	\$ 12.69	\$(165.72) Per Turn	605	\$ 7,681.00
		\$ -		
Psgr Liability Insurance	\$ 0.000326	\$ 0.00 Per RPM	986,606	\$ 321.87
FAA War Risk Insurance	\$ 0.0012252	\$ 0.00 Per RPM	986,606	\$ 1,208.79
Other Expenses	\$ 136.54	\$ 136.54 Per Block Hour	908	\$ 123,963.48
CRS Fees	\$ 5.85	\$ 5.85 Per Pax	6,053	\$ 35,408.88
Credit Card Fees	2.00%	\$ 0.02 % of Pax Revenue	345,010	\$ 6,900.19
Commission	2.04%	\$ 0.02 % of Pax Revenue	345,010	\$ 7,038.20
Total Indirect Operating Expense		\$ -		<u>\$ 456,194.61</u>

Total Operating Expense		\$ 1,509,675
5% Profit Margin		\$ 79,457
Cost of Annual Service		\$ 1,589,132
Less: Total Operating Revenue		\$ (358,810)
Compensation Requirement		\$ 1,230,322

MESABA AVIATION, INC. d/b/a DELTA CONNECTION
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
FORT DODGE and MASON CITY, IOWA

Effective period:	June 1, 2009, through May 31, 2011
Service:	Fort Dodge: 18 one-stop round trips per week to Minneapolis Mason City: 18 nonstop round trips per week to Minneapolis
Aircraft type:	Saab 340 aircraft (34 seats)
Timing of flights:	No upline or intermediate service is permitted without prior Department approval. Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	\$2,225,213
Subsidy Rate Per Arrival/Departure:	\$612.67 ¹
Weekly Compensation Ceiling: ²	\$22,056.12 ³ (per community)

¹ Annual compensation of \$2,225,213 divided by 3,632 annual arrivals and departures calculated as follows: 72 flts/week x 52 weeks x 97% completion = 3,632

² 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.

³ Subsidy rate per arrival/departure of \$612.67 multiplied by 36 eligible arrivals and departures.

MESABA AVIATION, INC. d/b/a DELTA CONNECTION
ANNUAL COMPENSATION REQUIREMENT FOR ESSENTIAL AIR SERVICE AT
THIEF RIVER FALLS, MINNESOTA

Effective period:	June 1, 2009, through May 31, 2011
Service:	12 one-stop round trips per week to Minneapolis
Aircraft type:	Saab 340 (34 seats)
Timing of flights:	No upline or intermediate service is permitted without prior Department approval. Flights must be well-timed and well-spaced in order to ensure full compensation.
Annual compensation:	\$1,230,322
Subsidy Rate Per Arrival/Departure:	\$1,015.96 ¹
Weekly Compensation Ceiling: ²	\$24,383.04 ³

¹ Annual compensation of \$1,230,322 divided by 1,211 annual arrivals and departures calculated as follows: 24 flts/week x 52 weeks x 97% completion = 1,211

² 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.

³ Subsidy rate per arrival/departure of \$1,015.96 multiplied by 24 eligible arrivals and departures.

General Terms and Conditions for Essential Air Service

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 plans 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 the 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 ensured 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 stipulated amounts or at the stipulated 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 Department and carrier 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.

Funds are not currently available for performance under this order beyond September 30, 2009. The Government's obligation for performance under this order beyond September 30, 2009, is subject to the availability of appropriated funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this order beyond September 30, 2009, until funds are made available to the Department for performance. If funds are not made available for performance beyond September 30, 2009, the Department will provide notice in writing to the carrier.

All claims for payment must be submitted within 60 days of the last day of service provided under this order.