

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



Issued by the Department of Transportation
on the

Essential Air Service at

MERIDIAN, MISSISSIPPI

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

DOCKET OST-2008-0112

ORDER SELECTING CARRIER

Summary

By this order, the Department is selecting Atlantic Southeast Airlines, Inc. d/b/a Delta Connection, (ASA) to provide essential air service at Meridian, Mississippi, at an annual subsidy rate of \$686,489. The rate extends through June 30, 2010.

Background

On March 17, 2008, ASA filed a 90-day notice of its intention to suspend its subsidy-free service at Meridian, Mississippi, effective June 16, 2008. By Order 2008-3-24, March 25, 2008, we prohibited ASA from suspending its service and requested proposals by April 23, 2008. We received timely-filed proposals by ASA and by Mesaba Aviation, Inc., d/b/a Northwest Airlink. By letter dated April 24, 2008, we requested comments from the community by May 12. We received comments from the Mayor of Meridian on April 30, 2008, and the issues are ripe for decision. Both proposals are for the two-year period through June 30, 2010.

Mesaba Aviation

Mesaba proposes to provide 13 nonstop round trips per week between Meridian and Memphis. All service would be provided with 34-seat Saab 340 aircraft, and would be operated under a code-share agreement with Northwest Airlines as Northwest Airlink. Mesaba requests \$960,472 annual subsidy.

Atlantic Southeast

ASA proposes to continue 13 nonstop round trips per week between Meridian and Atlanta with 50-seat CRJ-200 aircraft, and would be operated under a code-share agreement with Delta Air Lines, Inc., as Delta Connection. ASA requests \$686,489 annual subsidy for this level of service.

Community Comments

On April 24, 2008, we requested community comments regarding the carrier selection at Meridian. We received comments from the Mayor of Meridian on April 30, 2008.

The Mayor expressed appreciation for the bid from Mesaba, but indicated a number of local residents had contacted him, and that all had expressed a strong desire for ASA. The community preferred ASA as follows:

“The ASA proposal includes 13 nonstop, round trips per week to Atlanta, where Delta then connects to 129 U.S. destinations and 71 international destinations. The Mesaba proposal calls for service to Memphis, with connections to 88 non-stop destinations. Clearly the ASA proposal gives our local and regional travelers more destination options.

ASA proposes to utilize the CRJ-200 jet aircraft, while Mesaba would use a Saab 340 propeller aircraft. Our community lobbied strongly for the preferable jet air service several years ago, and we would not want to give up the ease, comfort, and reduced flying times of the jet aircraft.

The ASA aircraft seats 50 passengers, while the Mesaba craft seats 34. Our travelers will have more booking opportunities under the ASA proposal.”

In summary, “we have concluded that the ASA submission is unequivocally the superior proposal.”

Decision

We have reviewed each carrier’s proposal and the community’s comments, and have decided to select ASA. This case is very straightforward: ASA’s proposal is \$273,983 less than that proposed by Mesaba, \$686,489 vs. \$960,472, and the community supports ASA. ASA filed its 90-day notice to suspend service on March 17. Under 49 U.S.C. 41734 (d), ASA is eligible to receive compensation after the end of the 90-day notice period. Therefore, we will make the rate effective from June 16, 2008, through June 30, 2010.

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 compensate it for providing essential air service. We last found ASA fit by Order 93-2-23. Since then, the Department has routinely monitored the carrier’s continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. The Federal Aviation Administration 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 ASA remains fit.

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

ACCORDINGLY,

1. We select Atlantic Southeast Airlines, Inc., d/b/a Delta Connection, to provide essential air service at Meridian, Mississippi;
2. We set the final rate of compensation for Atlantic Southeast Airlines, Inc., for the provision of essential air service at Meridian, Mississippi, as described in Appendix C, to be payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$507.76;¹
3. We direct Atlantic Southeast Airlines, Inc., 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 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 Atlantic Southeast Airlines, Inc., continues to be fit, willing and able to operate and capable of providing reliable essential air service at Meridian, Mississippi;
5. This docket will remain open until further order of the Department; and
6. We will serve copies of this order on the Mayor and Airport Manager of Meridian, Mississippi, Mesaba Aviation, Inc., and Atlantic Southeast Airlines, Inc.

By:

MICHAEL W. REYNOLDS
Acting Assistant Secretary for Aviation
and International Affairs

(SEAL)

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

¹ See Appendix C for calculations



Great Circle Mileages:

- Atlanta, 267
- Columbus, 77
- Jackson, 86
- Memphis, 200
- New Orleans, 185

Appendix B

Atlantic Southeast Airlines, Inc., d/b/a Delta Connection, Annual Compensation for Essential Air Service at Meridian, Mississippi, Docket 2008-0112

Departures 1/	1,352
Block Hours 2/	1,568
Passengers	35,754
Passenger Revenue	\$4,612,265
Cargo Revenue	\$294,181
Other Revenue	\$6,453
Total Revenue	\$4,912,899
Pilots	\$312,289
Personnel	\$95,891
Direct Maintenance	\$534,149
Fuel	\$1,824,891
Aircraft	\$508,908
Other Blk. Hr. Related	\$52,576
Other Dep. Related	\$6,302
Total Direct Expenses	\$3,335,006
Passenger Variable Cost	\$387,888
Variable Station	\$329,362
Overhead	\$891,152
Facilities	\$140,205
ASA Contractual	\$249,137
Total Indirect Expenses	\$1,997,744
Total Operating Expense	\$5,332,750
Profit @ 5 Percent	\$266,638
Total Economic Cost	\$5,599,388
Annual Compensation	\$686,489

1/ 13 round trips per week x 52 weeks x 2 directions = 1,352 departures.

2/ 1,352 departures x 69.6/60 minutes = 1,568 block hours.

**Atlantic Southeast Airlines, Inc., Essential Air Service to be Provided to
Meridian, Mississippi, Docket OST-2008-0112**

Effective Period: June 16, 2008, through June 30, 2010.

Scheduled Service: 13 nonstop round trips per week to Atlanta.

Aircraft: CRJ-200, 50 seats

Rate per Eligible Flight: \$507.76 ¹

Weekly Ceiling: \$13,201.76 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 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 complete, 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.

Funds are not presently available for performance under this order beyond September 30, 2008. The Government's obligation for performance under this order beyond September 30, 2008, is contingent upon 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, 2008, until funds are made available to the Department for performance. If funds are not made available for performance beyond September 30, 2008, the carrier will receive notice in writing by the Department.

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.

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

¹ Annual compensation of \$686,489 divided by 1,352 estimated annual completed departures and arrivals:
26 one-way flights/week x 52 weeks = 1,352 departures per year.

² 26 flights/week x \$507.76.