Order: 2012-2-4
Served: February 3, 2012

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

Issued by the Department of Transportation
on the 3rd day of February, 2012

Essential Air Service at **SALINA, KANSAS** under 49 U.S.C. 41731 *et seq.*	**DOCKET DOT-OST-2002-11376**

ORDER RE-SELECTING CARRIER

Summary
By this Order, the Department is re-selecting SeaPort Airlines Inc. (SeaPort) to provide Essential Air Service (EAS) at Salina, Kansas, using 9-seat Pilatus PC-12 aircraft for the four-year period beginning April 1, 2012, through March 31, 2016, for an annual subsidy of $1,490,479.[1]

Background
By Order 2010-3-17, March 12, 2010, the Department selected SeaPort to provide EAS at Salina with 18 weekly nonstop round trips to Kansas City International Airport (Kansas City) for the period from April 19, 2010, through March 31, 2012, for a first-year annual subsidy of $1,489,435, and a second-year annual subsidy of $1,493,381.

As the end of the contract was approaching, we issued Order 2011-11-1, November 1, 2011, requesting proposals from carriers interested in providing EAS at the community, for a new term beginning April 1, 2012. In response to that Order, we received a proposal from only the incumbent, SeaPort.

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

The carrier's complete proposal and community comments may be accessed online at http://www.regulations.gov/ by entering Docket number DOT-OST-2002-11376 in the search block.

Proposal of SeaPort

SeaPort proposed one option for a four-year term that would provide three weekday and three weekend nonstop round trips (18 a week) to Kansas City using 9-seat Pilatus PC-12 aircraft for an annual subsidy of $1,490,479.

Community Comments

On November 30, 2011, we requested community comments regarding this carrier-selection case. In response, we received letters from Samantha Angell, Mayor of Salina, and Timothy F. Rogers, Executive Director at Salina Airport Authority. Both letters expressed support for SeaPort's proposal and are optimistic that the continuation of SeaPort's dependable service will restore community confidence in local passenger air service. In addition, both Mayor Angell and Mr. Rogers were confident that passenger enplanements would continue to increase, thus bringing Salina's per passenger subsidy below $200.

Decision

The decision is straightforward and clearly points to the re-selection of SeaPort for a new, two-year term. The community fully supports SeaPort's proposal and has communicated to the Department on more than one occasion their satisfaction with the airline's service. We note that SeaPort's subsidy request is slightly less than the current subsidy. While we are concerned about Salina's per passenger subsidy being over the $200 cap, we are encouraged by the fact that passenger enplanements have been increasing since SeaPort began service at Salina in 2009 (4,995 total passengers for fiscal year 2011 vs. 4,617 for fiscal year 2010). The community and SeaPort have demonstrated that they are committed to working together to increase enplanements, and the four-year term should allow for longer-term projects to increase ridership while providing the Department with some budget certainty. We will continue to monitor enplanements during the course of SeaPort's contract and will take appropriate action, including possible termination of eligibility for subsidy under the EAS program.

We shall make this selection of SeaPort at Salina contingent upon the Department's receiving properly executed certifications from the carrier that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities.

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. SeaPort 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 findings. We therefore conclude that the carrier is reliable and remains fit to conduct the operations proposed here.

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

ACCORDINGLY,
1. We select SeaPort Airlines, Inc. to provide Essential Air Service at Salina, Kansas, and establish an annual subsidy rate of $1,490,479, as described in Appendix C;

2. We direct SeaPort 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 from the service date of this Order 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;

3. We find that SeaPort Airlines, Inc. continues to be fit, willing and able to operate as a commuter carrier, and capable of providing reliable Essential Air Service at Salina;

4. This docket will remain open pending further Department action; and

5. We will serve copies of this Order on the Mayor of Salina, the Executive Director of the Salina Airport Authority, and SeaPort Airlines, Inc.

By:

SUSAN L. KURLAND
Assistant Secretary for
Aviation and International Affairs

(SEAL)

An electronic version of this document is available at
http://www.regulations.gov

AREA MAP


Denver, CO, US
Salina, KS, US
Kansas City, MO, US
Dallas-Fort Worth, TX, US

SeaPort Airlines, Inc.
18 Weekly Roundtrips: Salina, KS - Kansas City, MO

Operating Projections	SLN-MCI
Average Sector Length (sm)	162
Scheduled Departures	1,872
Scheduled Block Hours	1,560.0
Projected Completion Factor	97.5%
Projected Completed Departures	1,825
Projected Completed Block Hours	1,521.0
Passenger Projections	
Projected Passengers	7,687
Passengers per Departure	4.2
Projected Average Fare	$59.88
Revenue Passenger Miles (RPMs)	1,245,294
Available Seat Miles (ASMs)	2,661,142
Projected Load Factor	46.8%
Financial Projections	
Revenues	
Passenger Ticket Revenues	$460,298
Ancillary Revenues	$13,809
Total	$474,106
Expenses	
Flight Operations	$140,400
Aircraft Ownership/Lease	$342,000
Fuel & Oil	$555,984
Sales & Marketing	$9,360
Traffic Servicing	$212,642
Insurance	$31,200
Maintenance	$335,400
Sub-Total - Direct	$1,626,986
Indirect	$244,048
Total Expenses	$1,871,034
Projected Operating Profit/(Loss)	($1,396,927)
Subsidy Calculations	
Operating Loss	$1,396,927
Economic Return @ 5%	$93,552
Required Subsidy	**$1,490,479**
Subsidy per Departure	$816.61
Subsidy per Passenger	$193.90

SeaPort Airlines, Inc.
Essential Air Service to be Provided at Salina, Kansas

Effective Period: April 1, 2012, through March 31, 2016
Scheduled Service: Three weekday and weekend nonstop round trips (18 a week) to Kansas City
Aircraft: 9-seat Pilatus PC-12
Rate per Eligible Flight: $817;[1]
Weekly Ceiling: $29,412[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 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 the carrier do not constitute a total or partial reduction or cessation of payment.

Funds are not currently available for performance under this Order beyond September 30, 2012. The Department's obligation for performance under this Order beyond September 30, 2012, 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, 2012, until funds are made available to the Department for performance. If funds are not made available for performance beyond September 30, 2012, the Department will provide notice in writing to the carrier.

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 $1,490,479 divided by 1,825 annual departures (36 weekly departures x 52 weeks x 97.5 percent completion).

[2] 36 arrivals and departures per week multiplied by $817 per flight.