

Order 97-9-31  
Served: October 6, 1997  
POSTED: September 30, 1997:30 p.m.



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

Issued by the Department of Transportation  
on the 30<sup>th</sup> day of September, 1997

Essential air service at

**HARRISON, ARKANSAS  
HOT SPRINGS, ARKANSAS  
EL DORADO/CAMDEN, ARKANSAS  
JONESBORO, ARKANSAS**

**Dockets OST-97-2935  
(43481)  
(42460)  
(42566)  
(43777)**

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

**ORDER TENTATIVELY RESELECTING CARRIER  
AND ESTABLISHING SUBSIDY RATE**

**Summary**

By this order, the Department is revising the service levels and subsidy rates for Exec Express II, d/b/a Aspen Mountain Air/Lone Star Airlines (Lone Star) for its provision of essential air service (EAS) at El Dorado/Camden, Harrison, Hot Springs, and Jonesboro, Arkansas. We are setting the new service and subsidy levels to be effective from October 1, 1997, or when the new service is implemented, whichever is later, through the remainder of the carrier's present rate term, which ends on November 30, 1997; and we are tentatively reselecting Lone Star to provide subsidized essential air service at the four communities for a new two-year rate term through November 30, 1999.<sup>1</sup>

**Background**

By Order 95-12-36, the Department last selected Lone Star to provide subsidized essential air service at El Dorado/Camden, Harrison, Hot Springs, and Jonesboro for the two-year period ending November 30, 1997. Specifically, Lone Star was selected to

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<sup>1</sup> See Appendix A for a map.

provide ten round trips each week over a Jonesboro-El Dorado/Camden-Dallas routing at an annual subsidy rate of \$948,905, and ten round trips each week routed Harrison-Hot Springs-Dallas at an annual subsidy rate of \$825,861, all with 19-seat Metro aircraft.

The ten-round-trip-a-week service levels at each community reflected program-wide cutbacks implemented in November 1995 as a result of Congressional reductions in fiscal year 1996 funding for the essential air service program.<sup>2</sup> Previously, the Department subsidized Lone Star's provision of two-hub service for Harrison and Hot Springs--18 round trips each week to Dallas and 12 round trips each week to St. Louis. For El Dorado/Camden and Jonesboro, the Department subsidized the carrier's provision of 18 and 12 round trips each week to Dallas, respectively, before the November 1995 cuts.

Beginning in fiscal year 1998 (effective October 1, 1997), Congress has provided an annual funding level of \$50 million for the EAS program. These funds are provided for by the Rural Air Service Survival Act which was part of the Federal Aviation Administration reauthorization legislation enacted in 1996. The Department intends to use these funds to restore compliance with the statutory essential air service requirements established in the Airport and Airway Safety and Capacity Expansion Act of 1987. Consequently, we requested that Lone Star submit proposals that contemplate increased service levels for the four Arkansas communities for the remaining two-month period of its current rate term, from October 1, 1997, through November 30, 1997, and for an additional two-year selection period, through November 30, 1999.

### **Carrier Proposal**

In response to our request, Lone Star submitted and negotiated one service option for El Dorado/Camden and Jonesboro and two service options for Harrison and Hot Springs. For both El Dorado/Camden and Jonesboro, Lone Star proposes to reinstate the pre-cut service levels of three nonstop round trips for El Dorado/Camden and two nonstop or one-stop round trips for Jonesboro to Dallas at annual subsidy rates of either \$1,930,081, or \$1,886,693, depending on which option we select for Harrison and Hot Springs.

At Harrison and Hot Springs Lone Star's Option 1 would provide the communities service to only one hub, Dallas, consisting of three round trips for Hot Springs and two for Harrison over the linear routing Harrison-Hot Springs-Dallas at an annual subsidy rate of \$1,837,294. Under its second option, Lone Star would restore the communities' pre-cut, two-hub service. That option would offer both communities the same service to Dallas as in Option 1, plus two round trips to St. Louis over the intermediate point

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<sup>2</sup> See Orders 95-11-28, November 17, 1995, and 96-2-1, February 2, 1996.

Mountain Home at a subsidy rate of \$2,099,224 annually.<sup>3</sup> All service options would be provided with 19-seat Metro 23 aircraft.

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<sup>3</sup> Under its Option 2, Lone Star would provide Harrison and Hot Springs the same service the communities received before the November cuts except that Harrison would receive one less round trip in the Dallas market.

## Decision

We have tentatively decided to reselect Lone Star to provide essential air service at El Dorado/ Camden and Jonesboro under its proposed service/subsidy option, and at Harrison and Hot Springs under the carrier's two-hub service/subsidy proposal (Option 2) for another two-year rate term. On that basis, we will subsidize Lone Star at annual subsidy rates of \$1,886,693 for its El Dorado and Jonesboro service and \$2,099,224 for its Harrison and Hot Springs service for the remainder of its current rate term, and tentatively for an additional two-year rate period through November 30, 1999.<sup>4</sup> The subsidy rates will be effective October 1, 1997, or when Lone Star institutes the increased service level, whichever is later.

When the Department implemented the program-wide subsidy cuts in November 1995, service at all subsidized communities, except those in Alaska, was reduced below statutory minimums and well below viable levels. With the full FY 1998 funding, the Department now expects to restore viable service at all of the subsidized communities to levels that are commensurate with statutory and program guidelines.<sup>5</sup>

Based on our review of Lone Star's proposals, recent financial and service history, and community traffic history, we find that the provision of additional service at the four Arkansas points is appropriate. The service we are selecting at El Dorado/Camden and Jonesboro restores the pre-cut level for both communities. In 1993 and 1994 traffic for both points was stabilizing reaching over 10 enplanements daily at each community. After the November 1995 cuts, traffic fell sharply, dropping by nearly 50 percent for the most recent annual period ended March 31, 1997, and would likely have dropped further had not Lone Star maintained service above the ten round trips per week that the Department was able to support.<sup>6</sup> We expect that the restoration of service to the pre-cut level will aid the traffic at El Dorado/Camden and Jonesboro to rebound.

For Harrison and Hot Springs, total annual traffic dropped significantly from 1994 to the year ended March 31, 1997, by 60 and 34 percent, respectively. Our selection of Option 2 will better serve the communities toward regaining passengers in both the Dallas and St. Louis markets, thus reducing future subsidies necessary to support this service. As with El Dorado/Camden and Jonesboro, Lone Star continued to provide the two communities more than the ten-round-trip-a-week service

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<sup>4</sup> Appendix B contains details of Lone Star's compensation requirements for these rates.

<sup>5</sup> 49 U.S.C. 41732(b)(1)(A) specifies that eligible EAS communities are to receive at least two round trips a day, six days a week; and the Department's program guidelines (14 CFR 398.5) contemplate that service will be commensurate with a community's historical traffic and its traffic-generating potential.

<sup>6</sup> Lone Star continued to provide weekend service at El Dorado/Camden and Jonesboro until August 1996, when it reduced its service to the ten-round-trip-a-week level.

pattern to Dallas than was subsidy eligible. In addition, Lone Star continued to provide one round trip in the St. Louis market each day, even though subsidy support for that service had been eliminated. Clearly, community demand for St. Louis service remained and the carrier responded to that need. And while the additional subsidy needed to support the St. Louis service is about \$220,000 over Lone Star's one-hub option, the carrier projects that it will generate more than twice as many total passengers under this option, resulting in an incremental subsidy per passenger of only \$15. We are encouraged by Lone Star's willingness to respond to community needs and are confident that the carrier will continue to promote its service at these EAS communities. In view of the above, we find that the two-hub service and subsidy level is warranted.

The service levels we are selecting here restore those in effect at the four Arkansas points before the Department made its program-wide reductions in November 1995, except that Harrison will receive one less round trip to Dallas. The subsidy rates we are authorizing here appear reasonable for the service at issue and Lone Star's performance continues to be satisfactory. We expect Lone Star, community officials, and major businesses to work energetically together to promote the service improvements. In that regard, we have earmarked specific dollar amounts for local advertising in the carrier's subsidy rates and fully expect the carrier to use those amounts as proposed. During our next rate-renewal review in mid-1999, we will review the communities' continuing needs in light of traffic response to the service levels we are authorizing here.

### **Carrier Fitness**

49 U.S.C. 41738 and 41737(b) 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 Lone Star Airlines fit to provide scheduled passenger service as a certificated air carrier at Enid, Ponca City, and Brownwood by Order 97-4-29, April 28, 1997. Based on our current review of available information, it appears that the carrier has the necessary financial and managerial resources to conduct the operations proposed here. Moreover, the FAA advises that the carrier is conducting its current operations in a satisfactory manner. However, we note that Lone Star has been expanding its aircraft fleet and operations and that it proposes to continue this expansion. In this regard, the carrier has agreed to supply all relevant information to enable the staff to complete a further review of its continuing fitness.

**Responses to Tentative Decision**

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Lone Star to provide essential air service at El Dorado/Camden, Jonesboro, Harrison, and Hot Springs at the subsidy rates discussed above. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed.

**Service History and Traffic Data**Service

Lone Star has provided subsidized essential air service at El Dorado/Camden, Harrison, Hot Springs, and Jonesboro since mid-1987. When Lone Star was originally selected, it provided El Dorado/Camden with three round trips to Dallas and two to Memphis. Harrison received two round trips to St. Louis and two to Memphis over a linear routing with Jonesboro--Jonesboro received an additional round trip to Memphis. For Hot Springs, Lone Star provided three round trips to Dallas. All service was provided with 8-seat Piper Navajo aircraft.

By the end of 1991, Lone Star had upgraded its aircraft to 19-seat Metro III's and by 1993 most communities' service had changed. El Dorado/Camden and Jonesboro's little-used service to Memphis was terminated. El Dorado/Camden continued to receive essential air service to Dallas, three round trips a day, and Jonesboro began receiving service to Dallas (via El Dorado) in lieu of Memphis. After Lone Star changed Jonesboro's hub from Memphis to Dallas, traffic increased significantly to an average of 12 enplanements per day compared with two per day when service was to Memphis. Lone Star provided Harrison and Hot Springs with two round trips to St. Louis (via the non-EAS point, Mountain Home) and three to Dallas (in lieu of Memphis for Harrison). That service level was provided until November 1995, when the program-wide subsidy reductions were implemented. Under those cuts, subsidy support for service from Harrison and Hot Springs to St. Louis was discontinued, and subsidy supporting all four communities' service to Dallas was reduced to ten round trips per week. Lone Star continued providing all four communities more than ten round trips to Dallas and provided some St. Louis service for Harrison and Hot Springs. Currently, Lone Star provides this ten-round-trip-a-week service pattern to Dallas at all four communities and one round trip to St. Louis for Harrison and Hot Springs with 19-seat Metro 23 aircraft.

### Traffic

From 1991, through November 1995, traffic was stable, averaging between 8.2 and 11.4 enplanements per day for Harrison, and 10.2 and 14.9 enplanements per day for Hot Springs. The majority of the traffic traveled in the Dallas market--over 75 percent for Hot Springs and around 60 percent for Harrison. Since the November 1995 cuts, calendar year 1996 enplanements dropped to 4.4 for Harrison and 10.2 for Hot Springs. For the year ended March 31, 1997, the most recent 12-month period for which data are available, traffic for both communities continued to decline. Harrison's enplanements fell to 4.1 per day and Hot Springs' fell to 9.9 per day, the lowest number of enplanements generated by these communities over the past six years.<sup>7</sup>

On a calendar year basis, El Dorado/Camden generated between 7.3 and 11.3 enplanements per day between 1991 and 1994. After the service cuts in November 1995, traffic began a downward trend resulting in a reduction of over 50 percent--5.1 enplanements per day--for the most recent annual period, that ended March 31, 1997. Likewise, Jonesboro's daily enplanements dropped from a high of 12.3 for calendar year 1993 to 5.7 for the year ended March 31, 1997. Although Jonesboro did not undergo nearly the same percentage service reduction from the 1995 cuts as most EAS communities--it lost only weekend service and at that not until eight months after the cuts--it still showed a 50 percent decline in daily enplanements.<sup>8</sup>

### **Procedures for Filing Replacement Proposals**

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f), and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred. However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

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<sup>7</sup> See Appendix D for historical traffic enplanements at Harrison and Hot Springs.

<sup>8</sup> See Appendix D for historical traffic enplanements at El Dorado/Camden and Jonesboro.

### **Other Carrier Requirements**

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.<sup>9</sup> Consequently, all carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

### **Community and State Comments**

If we receive competing proposals, the communities and State are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.<sup>10</sup>

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

### **ACCORDINGLY,**

1. We revise the service and subsidy levels for Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, as described in Appendix C, for the period beginning October 1, 1997, or when Lone Star implements the new service, whichever is later, through November 30, 1997;
2. We set the final rates of compensation for Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines, for the provision of essential air service at El Dorado, Jonesboro, Harrison and Hot Springs, Arkansas, as described in Appendix C, for the

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<sup>9</sup> The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions of Lobbying, implementing title 31, United States Code, section 1352, entitled "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

<sup>10</sup> In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.



period from October 1, 1997, or when Lone Star implements the new service, whichever is later, through November 30, 1997, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:<sup>11</sup>

El Dorado/Camden and Jonesboro :	\$618.18
Harrison and Hot Springs:	\$382.16

3. We tentatively reselect Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines to provide essential air service at El Dorado/Camden, Jonesboro, Harrison and Hot Springs, as described in Appendix C, for the period beginning December 1, 1997, or when Lone Star implements the new service, whichever is later, through November 30, 1999;

4. We tentatively set the final rates of compensation for Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines, for the provision of essential air service at El Dorado, Jonesboro, Harrison and Hot Springs, Arkansas, as described in Appendix C, for the period from December 1, 1997, or when Lone Star implements the new service, whichever is later, through November 30, 1999, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix C, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by the following amounts:<sup>12</sup>

El Dorado/Camden and Jonesboro:	\$618.18
Harrison and Hot Springs:	\$382.16

5. We find that Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines continues to be fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at El Dorado/Camden, Harrison, Hot Springs, and Jonesboro, Arkansas;

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<sup>11</sup> See Appendix C for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revisions of these rates may be required.

<sup>12</sup> See Appendix C for the calculation of these rates, which assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revisions of these rates may be required.

6. We direct Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines 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. 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;

7. We direct Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines and any other interested persons having objections to the selection of Lone Star Airlines to provide essential air service as described in ordering paragraph 3 above, at the rates set forth in ordering paragraph 4 above, to file such objections or competing service proposals no later than twenty days from the date of service of this order;<sup>13</sup>

8. If we receive objections or competing proposals within the twenty-day period, Lone Star Airlines will be compensated at subsidy rates set forth in paragraph 4 above as final rates until all objections are resolved;

9. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.<sup>14</sup> If no objections or competing proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;

10. This docket will remain open until further order of the Department; and

11. We will serve copies of this order on the Mayors and airport managers of El Dorado, Camden, Jonesboro, Harrison, Hot Springs, the Arkansas Department of Transportation; the Governor of Arkansas; Exec Express II, Inc., d/b/a Aspen Mountain Air/Lone Star Airlines, and the parties listed in Appendix E.

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<sup>13</sup> Objections should be filed with the Documentary Services Division, SVC 121.30, Room PL-401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6417-I, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to Dennis J. DeVany (202) 366-1061.

<sup>14</sup> Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

By:

**CHARLES A. HUNNICUTT**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at  
<http://www.dot.gov/general/orders/aviation.html>  
The electronic version may not include some or all of the appendices.*

LONE STAR AIRLINES  
SUBSIDY CALCULATION FOR EL DORADO/CAMDEN  
JONESBORO, HARRISON, AND HOT SPRINGS, ARKANSAS

				Annual total		
				HRO/HOT-DFW	HRO/HOT-STL	ELD/JBR-DFW
Block Hours at 97.5%						
Harrison and Hot Springs	to Dallas			3,034 <u>1/</u>		
Harrison and Hot Springs	to St. Louis				1,771 <u>2/</u>	
El Dorado and Jonesboro						3,534 <u>3/</u>
Operating Revenue						
Passenger Revenue:	Psgr.	Fare	Psgr.			
HRO-DFW	1,705	\$95.00		\$161,975		
HOT-DFW	7,490	\$60.00		\$449,400		
HOT-HRO	220	\$55.00		\$12,100		
HRO-STL	1,610	\$110.00			\$177,100	
Intra HRO-HOT-WMH	1,395	\$100.00			\$139,500	
WMH-STL	7,520	\$80.00			\$601,600	
WMH-DFW	4,135	\$90.00			\$372,150	
ELD-DFW		\$90.00	5,155			\$463,950
JBR-DFW		\$80.00	4,910			\$392,800
JBR-ELD		\$95.00	90			\$8,550
	24,075		10,155			
Total Passenger Revenue				\$623,475	\$1,290,350	\$865,300
Freight Revenue	at 1%			\$6,235	\$12,904	\$8,653
Total Operating Revenue				\$629,710	\$1,303,254	\$873,953
Operating Expenses						
Direct Expenses						
Flying Operations	\$90.39	per BH		\$274,243	\$160,081	\$319,438
Fuel and Oil	\$92.00	per BH		\$279,128	\$162,932	\$325,128
Maintenance	\$135.89	per BH		\$412,290	\$240,661	\$480,235
Aircraft Lease	\$142.55	per BH		\$432,497	\$252,456	\$503,772
Hull/Liability Ins.	\$46.61	per BH		\$141,415	\$82,546	\$164,720
Total Direct Expenses	\$507.44	per BH		\$1,539,573	\$898,676	\$1,793,293
Indirect Expenses						
Commissions	9.54%	of pax rev.		\$59,480	\$123,099	\$82,550
Advertising				\$10,000	\$10,000	\$10,000
Other Passenger Related	\$9.99	per pax		\$94,056	\$146,453	\$101,448
Station Costs						
Harrison				\$59,883	\$24,452	
Hot Springs				\$92,578		
Mountain Home					\$62,659	
St. Louis					\$120,527	
El Dorado/Camden						\$78,827
Jonesboro						\$64,359
Dallas/Ft. Worth	916	dptrs	916	\$128.25	\$117,477	\$117,477
G&A	\$0.028		11,620,305	13,615,476	\$325,369	\$155,897
Total Indirect Expenses			5567760	\$758,843	\$643,087	\$835,894
Total Operating Costs				\$2,298,416	\$1,541,763	\$2,629,187
Return (at 5 % of total costs)				\$114,921	\$77,088	\$131,459
Total Economic Costs				\$2,413,337	\$1,618,851	\$2,760,646
Compensation Need				\$1,783,627	\$315,597	\$1,886,693
Total HRO/HOT-DFW/STL					\$2,099,224	
Grand Total						\$3,985,917

## FOOTNOTES

- 1/ HOT-DFW = 252 miles, 313 days x 6 flts x .975 = 1,831 flts x 1.21 (block time/flt) = 2,216 Block Hours.  
HOT-HRO = 123 miles, 313 days x 4 flts. x .975 = 1,221 flts x 0.67 (block time/flt) = 818 Block Hours. Total Block Hours = 3,034
- 2/ HRO-WMH = 39 miles, 313 days x 4 flts. x .975 = 1,221 flts x 0.37 (block time/flt) = 452 Block Hours.  
WMH-STL = 201 miles, 313 days x 34 flts. x .975 = 1,221 flts x 1.08 (block time/flt) = 1,319 Block Hours. Total Block Hours = 1,771
- 3/ ELD-DFW = 246 miles, 313 days x 6 flts. x .975 = 1,831 flts x 1.25 (block time/flt) = 2,289 Block Hours.  
ELD-JBR = 218 miles, 313 days x 4 flts. x .975 = 1,221 x 1.02 (block time/flt) = 1,245 Block Hours. Total Block Hours = 3534
- 4/ Includes crew training, crew per diem, dispatch personnel and pilot manuals.
- 5/ Based on 3 Metro 23's at \$31,000/month, one Metro 23 at \$34,976/month, and one Metro III at \$14,000/month.
- 6/ Total G&A costs divided by system ASM's plus additional ASM's consistent with the increased EAS levels.

**LONE STAR AIRLINES  
ESSENTIAL AIR SERVICE AT EL DORADO/CAMDEN,  
JONESBORO, HARRISON, AND HOT SPRINGS, ARKANSAS**

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**EFFECTIVE PERIOD:** October 1, 1997, (or when Lone Star implements the increased service levels, whichever is later), through November 30, 1999

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**SERVICE:**

El Dorado/Camden 18 nonstop round trips each week to Dallas/Ft. Worth.

Jonesboro: 12 nonstop or one-stop round trips each week to Dallas/Ft. Worth.

Harrison: 12 nonstop or one-stop round trips each week to Dallas/Ft. Worth and 12 nonstop or one-stop round trips each week to St. Louis.

Hot Springs: 18 nonstop round trips each week to Dallas/Ft. Worth and 12 nonstop, one-stop, or two-stop round trips each week to St. Louis.

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**AIRCRAFT TYPE** Fairchild Metro 23 or Metro III, 19 passenger seats

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**TIMING OF FLIGHTS** Flights must be well-timed and well-spaced to ensure full compensation.

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**SUBSIDY RATE PER ARRIVAL/DEPARTURE**

El Dorado/Camden and Jonesboro: \$618.18 1/

Harrison and Hot Springs: \$382.16 2/

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**COMPENSATION CEILING EACH WEEK**

El Dorado/Camden and Jonesboro: \$37,091 3/

Harrison and Hot Springs: \$41,273 4/

**FOOTNOTES APPEAR ON THE FOLLOWING PAGE**

**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.

**FOOTNOTES**

1/ Annual compensation of \$1,886,693 divided by the estimated annual completed departures and arrivals for El Dorado/Camden and Jonesboro at a 97.5 percent completion factor:  $10 \times 313 \times .975 = 3,052$ .

2/ Annual compensation of \$2,099,224 divided by the estimated annual completed departures and arrivals for Harrison and Hot Springs at a 97.5 percent completion factor:  $10 \times 313 \times .975 = 3,052$  to Dallas, and  $8 \times 313 \times .975 = 2441$  to St. Louis. Total = 5,493.

3/ Subsidy rate per arrival/departure of \$618.18 multiplied by 60 subsidy-eligible arrivals and departures each week.

4/ Subsidy rate per arrival/departure of \$382.16 multiplied by 108 subsidy-eligible arrivals and departures each week.

HISTORICAL TRAFFIC AND ENPLANEMENTS  
AT HARRISON, ARKANSAS

Year	To Dallas/Ft. Worth		To St. Louis		Total	
	<u>O&amp;D</u>	<u>Enpl.</u>	<u>O&amp;D</u>	<u>Enpl.</u>	<u>O&amp;D</u>	<u>Enpl.</u>
1991	1,737	5.7 <u>1/</u>	2,944	4.7	5,156	8.2
1992	4,517	7.2	2,363	3.8	7,144	11.4
1993	4,174	6.7	2,280	3.6	6,771	10.8
<u>1994</u>						
1st Qtr	756		349		1,224	
2nd Qtr	1,008		564		1,687	
3rd Qtr	1,095		686		1,856	
4th Qtr	<u>870</u>		<u>586</u>		<u>1,545</u>	
Total	3,729	6.0	2,185	3.5	6,312	10.1
<u>1995</u>						
1st Qtr	655		371		1,164	
2nd Qtr	827		598		1,587	
3rd Qtr	850		492		1,450	
4th Qtr	<u>650</u>		<u>392</u>		<u>1,105</u>	
Total	2,982	4.8	1,853	3.0	5,306	8.5
<u>1996</u>						
1st Qtr	427		159		700	
2nd Qtr	612		188		912	
3rd Qtr	430		145		663	
4th Qtr	<u>293</u>		<u>122</u>		<u>501</u>	
Total	1,762	2.8	614	1.0	2,776	4.4
<u>1997</u>						
1st Qtr	<u>172</u>		<u>92</u>		<u>478</u>	
YE 3/31/97	1,507	2.4	547	.9	2,554	4.1

SOURCE: RSPA Form 298-C, Schedule T-1. Enplanements are based on 313 service days per year.

1/ Based on 152 service days, Lone Star began Dallas/Ft. Worth service in lieu of Memphis in mid-1991.



HISTORICAL TRAFFIC AND ENPLANEMENTS  
AT HOT SPRINGS, ARKANSAS

Year	To Dallas/Ft. Worth		To St. Louis		Total	
	<u>O&amp;D</u>	<u>Enpl.</u>	<u>O&amp;D</u>	<u>Enpl.</u>	<u>O&amp;D</u>	<u>Enpl.</u>
1991	5,732	9.2	413	1.4 <u>1/</u>	6,368	10.2
1992	6,201	9.9	1,110	1.8	7,868	12.6
1993	6,312	10.1	1,454	2.3	8,262	13.2
<u>1994</u>						
1st Qtr	1,317		194		1,679	
2nd Qtr	1,840		431		2,448	
3rd Qtr	2,216		499		2,843	
4th Qtr	<u>1,804</u>		<u>377</u>		<u>2,337</u>	
Total	7,177	11.5	1,501	2.4	9,307	14.9
<u>1995</u>						
1st Qtr	1,331		175		1,684	
2nd Qtr	1,551		306		2,076	
3rd Qtr	1,572		241		1,831	
4th Qtr	<u>1,394</u>		<u>167</u>		<u>1,647</u>	
Total	5,848	9.3	889	1.4	7,220	11.5
<u>1996</u>						
1st Qtr	1,104		85		1,335	
2nd Qtr	1,541		67		1,770	
3rd Qtr	1,643		107		1,866	
4th Qtr	<u>1,189</u>		<u>84</u>		<u>1,404</u>	
Total	5,477	8.7	343	0.6	6,375	10.2
<u>1997</u>						
1st Qtr	<u>882</u>		<u>29</u>		<u>1,150</u>	
YE 3/31/97	5,255	8.4	287	0.5	6,190	9.9

SOURCE: RSPA Form 298-C, Schedule T-1. Enplanements are based on 313 service days per year.

1/ Based on 152 service days, Lone Star began service from Hot Springs to St. Louis in mid-1991.

HISTORICAL TRAFFIC AND ENPLANEMENTS  
AT EL DORADO/CAMDEN AND JONESBORO, ARKANSAS

Year	El Dorado/Camden		Jonesboro	
	<u>O&amp;D</u>	<u>Enpl.</u>	<u>O&amp;D</u>	<u>Enpl.</u>
1991	4,590	7.3	546	0.9
1992	7,979	12.7 <u>1/</u>	909 <u>2/</u>	1.5
1993	6,504	10.4	7,682	12.3
<u>1994</u>				
1st Qtr	1,429		1,531	
2nd Qtr	2,015		1,819	
3rd Qtr	2,054		1,948	
4th Qtr	<u>1,589</u>		<u>1,846</u>	
Total	7,087	11.3	7,144	11.4
<u>1995</u>				
1st Qtr	1,304		1,143	
2nd Qtr	1,686		1,138	
3rd Qtr	1,670		1,168	
4th Qtr	<u>1,468</u>		<u>1,355</u>	
Total	6,128	9.8	4,804	7.7
<u>1996</u>				
1st Qtr	943		967	
2nd Qtr	908		1,063	
3rd Qtr	1,054		1,050	
4th Qtr	<u>766</u>		<u>929</u>	
Total	3,671	5.9	4,009	6.4
<u>1997</u>				
1st Qtr	<u>472</u>		<u>500</u>	
YE 3/31/97	3,200	5.1	3,542	5.7

SOURCE: RSPA Form 298-C, Schedule T-1. Enplanements are based on 313 service days per year.

1/ Lone Star operated service from El Dorado/Camden to both Dallas/Ft. Worth and Memphis until December 20, 1992, when service to Memphis was discontinued.

2/ Lone Star began Jonesboro to Dallas/Ft. Worth service in lieu of Memphis service on December 20, 1992.