

Service terminations

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May 14, 2008

Honorable Michael W. Reynolds  
Acting Assistant Secretary for Aviation and International Affairs  
U.S. Department of Transportation  
1200 New Jersey Avenue, S.E.  
Washington, D.C. 20590

Re: Air Midwest Service Termination

Dear Assistant Secretary Reynolds:

Air Midwest LLC filed notices with the Department of its intent to terminate service at twenty-four essential air service communities beginning over a year ago, on May 3, 2007, May 22, 2007 and January 22, 2008. The Department issued hold-in orders which are currently in effect with respect to 16 communities.<sup>1/</sup>

Air Midwest reluctantly advises the Department that it has decided to discontinue all air carrier operations, liquidate its assets and surrender its FAA and DOT certificates. The service terminations will occur on the following schedule:

- May 23 - Athens, Dubois, Franklin/Oil City, Greenbrier/White Sulphur Springs/Lewisburg
- May 31 - Ely, Visalia, Merced, Kingman, Prescott
- June 30 - Colombia, El Dorado, Harrison, Hot Springs, Jonesboro, Grand Island, Kirksville, Joplin, and McCook

<sup>1/</sup> DOT Order 2008-2-2 (El Dorado, Harrison, Hot Springs, Jonesboro, Columbia/Jefferson City, Joplin, Kirksville, McCook, Grand Island); DOT Order 2008-4-33 (Ely, DuBois, Franklin/Oil City, Greenbrier/White Sulphur Springs/Lewisburg, Merced, Visalia, Athens); and DOT Order 2008-5-13 (Kingman and Prescott).

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Air Midwest has no choice but to shutdown operations. Air Midwest has determined that it does not have the financial resources to continue air carrier operations. Air Midwest is in severe financial distress due to the fact that it has incurred significant and unrelenting losses over many years and has no prospect of future profitability, particular in light of current conditions, including record high fuel prices.

This decision should come as no surprise to the Department as Air Midwest previously advised the Department of its intention to withdraw its services beginning over a year ago with its first traunch of termination notices. In addition, representatives of Air Midwest met with Dennis DeVany on March 6, 2008 to advise that Air Midwest would shortly go out of business.

While the Department solicited proposals for subsidized replacement service at these points, to date replacement services have commenced at only six points—Cedar City, Moab, Vernal, Manhattan, Salina and Alamogordo. Over nine months ago the Department selected Great Lakes Aviation to provide subsidized essential air service at Merced, Visalia, and Ely, but inexplicably Great Lakes has not yet commenced its proposed service at those points.

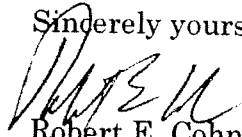
By DOT Order 2008-5-2, issued May 5, 2008, the Department selected four airlines to provide subsidized service at eight communities (Grand Island, McCook, Harrison, Hot Springs, Jonesboro, Columbia/Jefferson City, Joplin, Kirksville). Finally, by DOT Order 2008-5-3, issued May 6, 2008, the Department selected Gulfstream to provide subsidized service at DuBois, Franklin/Oil City and Greenbrier/Lewisburg. However, commencement of these services will not likely occur prior to the cessation of Air Midwest's operations. Although unable to continue to provide air service, Air Midwest is willing to consider providing whatever assistance it can to the Department and the replacement carriers in the interest of accelerating the start-up of their proposed services.

Air Midwest's situation is similar to the situations involving Big Sky Airlines and Skyway Airlines, both of which terminated all of their air services earlier this year. On December 20, 2007, Big Sky announced its intent to terminate all service on January 7, 2008. Although the Department issued a hold-in Order and sought replacement carriers on an emergency basis, it recognized that Big Sky would not provide service during the hold-in period. See DOT Order 2007-12-20. Similarly, Skyway Airlines terminated all air service on April 5, 2008, after a long hold-in period and prior to the commencement of service by replacement carriers. As with Big Sky and Skyway, Air Midwest does not have the financial wherewithal to continue its air carrier operations.

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As a final matter, Air Midwest and the Department need to resolve promptly all subsidy payments due Air Midwest for the period of time it has provided hold-in service.

Sincerely yours,



Robert E. Cohn  
Counsel for  
Air Midwest, LLC

cc: Todd Homan  
Dennis DeVany