

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

2010 OCT 27 A 10:55

Essential Air Service at

**IRONWOOD, MICHIGAN/ASHLAND, WISCONSIN
MANISTEE/LUDINGTON, MICHIGAN**

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

Docket DOT-OST-1996-1266

Docket DOT-OST-1996-1711

PROPOSAL IN RESPONSE TO ORDER 2010-9-26

Pursuant to Order 2010-9-26, Charter Air Transport, Inc. (CAT) and Public Charters, Inc. (PC) hereby submit their joint proposal to provide essential air transportation service at Ironwood, Michigan/Ashland, Wisconsin (“Ironwood”) and Manistee/Ludington, Michigan (“Manistee”), hereinafter jointly referred to as the “EAS communities.”

About the Offerors

CAT is a U. S. Direct Air Carrier (certificate number GNOA005I) authorized by the FAA to operate under 14 CFR Part 135. CAT is also authorized by the USDOT to operate as a Commuter Air Carrier under 14 CFR Part 298 (see Order 2010-3-29). CAT presently operates five (5) Embraer EMB-120 “Brasilia” 30-passenger regional airliners in addition to other turbine-powered aircraft.

PC is a U.S. Charter Operator authorized pursuant to 14 Part 380 to organize and sell Public Charters as an Indirect Air Carrier. PC is authorized by IATA to use the two-letter code “P1” and has distribution rights on certain GDS platforms, through certain online travel agencies, and has an agreement to settle ticket sales through ARC. It owns proprietary web-based software products that together address all aspects of ticket sales, distribution, e-ticketing, baggage tracking, and interline communications. PC is TSA Secure Flight compliant, providing both

domestic and international TSA clearances. PC also has direct experience in all aspects of air carrier station operations and management.

With the full support of the EAS communities, CAT and PC jointly make this proposal to provide Essential Air Service to Ironwood and Manistee, Michigan as public charters under 14 CFR Part 380. As set forth in our Petition for Reconsideration of the DOT's finding in Order 2010-9-26, filed on October 20, 2010 and hereby incorporated by reference, DOT may provide EAS subsidy to support this proposed service. Each of the EAS communities filed documents with the DOT supporting our Petition of Reconsideration.

Proposed Schedule

CAT/PC proposes service for both EAS communities to General Mitchell International Airport in Milwaukee, Wisconsin (MKE). Flights between Manistee, Michigan (MBL) and MKE will be non-stop. Flights between Ironwood, Michigan (IWD) and MKE will have one stop (at MBL). We have held extensive discussions with the EAS communities to determine a timetable and routing that would be the most useful for their citizens and visitors, given the current arrivals and departures of connecting carriers at MKE. The initial schedule to which we have all agreed is summarized in the table below. Our agreed schedule calls for two round trips between the EAS communities and MKE on each weekday, with one round trip on Saturday and one round trip on Sunday. CAT/PC will continually monitor changes in the schedules of the connecting air carriers and other dynamics at MKE and together with the EAS communities will make refinements to the schedule that best meet the public interest.

Schedule: 2x Daily with 1x on day 6 and day 7 (Sat and Sun)					
	Depart		Arrive	Stops	Time
IWD	5:00 AM	MBL	7:10 AM	1	1.00
MBL	7:30 AM	MKE	7:20 AM	0	0.70
MKE	10:35 AM	MBL	12:25 PM	0	0.60
MBL	12:45 PM	IWD	12:55 PM	1	1.10
IWD	2:50 PM	MBL	5:00 PM	1	1.00
MBL	5:25 PM	MKE	5:15 PM	0	0.70
MKE	8:00 PM	MBL	9:50 PM	0	0.60
MBL	10:10 PM	IWD	10:20 PM	1	1.10

Annual Compensation

We have determined the annual compensation requirement for our proposed service to be \$3,584,328.65. A summary of our projected revenues and expenses appears in Exhibit A hereto.

Aircraft and Operations

CAT/PC proposes operations using CAT's EMB-120 "Brasilia" aircraft. The EMB-120 is a pressurized twin-engine turboprop airliner built and regulated to 14 CFR Part 25 standards. Its crew complement includes a Captain, First Officer, and Flight Attendant. The EMB-120 has a readily-accessible main cabin that seats 30 passengers and has the features that the public expects of an airline operation, including overhead luggage bins, a galley capable of dispensing hot and cold drinks, and a full-size private lavatory. The EMB-120 also features a flight deck that is physically separated from the main passenger cabin and a pressurized cargo hold with 1,200 pounds of capacity.

As noted above, CAT presently has five (5) EMB-120 aircraft in its fleet, providing ample reserve capacity to address planned and unplanned aircraft maintenance requirements.

We have negotiated initial fuel pricing at each of the airports on the proposed route. We are satisfied that in the normal course of operations, all fuel related requirements will be met in a commercially reasonable manner.

All operations will be conducted to and from the main terminals at each airport on the route. All passengers and the aircraft will undergo full TSA screening in the main terminal at their trip's point of origin.

Connecting at MKE

We have been in discussions for several months with Frontier Airlines, one of the low-cost carriers serving MKE. Frontier Airlines has given us a verbal indication that they would enter into negotiations with us to establish an interline agreement for connecting service at MKE upon notification of an award of the Ironwood and Manistee, Michigan EAS routes. Upon such award, we will move forward with all possible speed to negotiate the agreement with Frontier Airlines, conduct system testing, and commence interline operations. The successful implementation of the Frontier Airlines interline will become our model for establishing similar arrangements with the other carriers serving MKE.

Certain airlines serving at MKE do not make interline arrangements with other carriers. These are low-cost carriers whose fares and fees may be very attractive to the EAS communities. We will use innovative approaches such as combining internet boarding pass printing technology with color coded baggage identification tags to facilitate the transfer of passengers and baggage to and from such low-cost carriers through sterile terminal operations. Our MKE station personnel will work one-on-one with the station personnel of the low-cost carriers using these and other creative methods to provide seamless boarding and baggage handling for our connecting passengers.

Sales

Sales will be conducted by using PC's "P1" IATA code through its proprietary computerized reservation system (CRS). PC's CRS has "Type A" connectivity and has been certified for E-Ticketing on both the Sabre and Amadeus Global Distribution Systems (GDS). One of the features that GDS participation provides is access to information about all available connections at the EAS hub airport. GDS participation also makes fares available world-wide, maximizing exposure for the EAS Communities.

In addition to GDS distribution, our flights will be available for purchase through a number of internet travel agents, including but not limited to Travelocity and Expedia, as well as through our own web site.

Through GDS and internet distribution, we enable passengers or their travel agents to construct itineraries using multiple carriers by purchasing tickets on each carrier separately. Travel agents can use a special "segment select" function that enables them to build each segment of flight with different carriers on the same itinerary regardless if there is an existing interline agreement. We receive complete electronic information on all of our bookings, including multiple carrier itineraries. Our system is designed to identify such bookings and to provide the pertinent data to our upline and downline station personnel. Our local station personnel will work closely with the connecting carriers to ensure the most expeditious transfers of both passengers and baggage to the final destination points.

We will fully comply with the 14 C.F.R. Part 380 provisions governing tour operator-participant contracts. Screen displays will disclose the information required by Part 380 and DOT guidance on advertising and internet sales. Also, as part of the purchase process, passengers or their travel agents will receive electronic copies of the Operator Participant Contract and the CAT Contract of Carriage.

Funds from all GDS and online sales will be cleared through the Airline Reporting Corporation and remitted directly into the depository escrow account required by Part 380. In addition, passengers will be protected by Part 380 bonding and escrow requirements applicable to both CAT and PC.

CAT's Contract of Carriage for EAS flights will incorporate all DOT regulations providing consumer protection that are applicable to commuter air carriers, meeting consumer expectations for scheduled service operations with aircraft having fewer than 60 passenger seats.

Marketing

CAT/PC has evaluated the IWD and MBL markets and determined that there is room for growth in their enplanements. In order to rebuild these markets, we will devote considerable resources to attracting new passengers. Our marketing plan includes, but is not limited to:

- An aggressive pricing structure (we estimate an average one way fare of \$79.00)
- Use of media, including local television and radio, to promote the airports and EAS
- Direct selling to businesses within a one-hour drive of each EAS airport
- A program providing selections of unsubsidized flights from each community to destinations of interest to promote awareness of the local airport and the EAS program

In all of our marketing and sales efforts, CAT/PC will take all steps necessary to comply with DOT's consumer protection regulations and to ensure that our trade practices are fair.

Community Endorsements

The CAT/PC proposal is strongly supported by the EAS communities. Both Ironwood and Manistee have issued written communications to the DOT in support of CAT/PC's initial service proposal and our Petition for Reconsideration. These documents were filed with the DOT contemporaneously with the filing of our Petition for Reconsideration and are incorporated herein by reference.

Respectfully submitted this 25th day of October 2010,

 and
 CHARTER AIR TRANSPORT, INC.

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Exhibit A
 CAT/PC Annual Compensation Requirements
 for
 Essential Air Service at Ironwood and Manistee, Michigan
 10/25/2010

Departures	2,496
Hours	2,122
Revenue Passenger Miles	3,348,170
Available Seat Miles	13,744,224

Projected Operating Revenue:

	<u>Total Passengers</u>	<u>Average Fare</u>	<u>Revenue</u>
IWD	4,992	\$ 79.00	\$ 394,368
MBL	12,312	\$ 79.00	\$ 972,648
Total Projected Operating Revenue			\$ 1,367,016.00

Projected Operating Expenses:

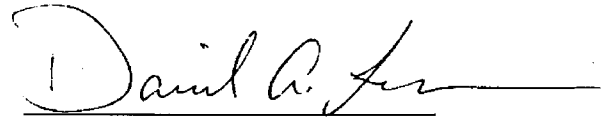
Aircraft, Insurance, Crew	\$ 1,369,863.09
Maintenance	\$ 993,986.91
Fuel	\$ 970,754.40
Operations	\$ 1,252,608.00
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Total Projected Direct Expenses	\$ 4,587,212.40
Total Projected Indirect Expenses	\$ 364,132.25
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Total Projected Operating Expenses	\$ 4,951,344.65

Projected Net Gain (Loss) From Operations: \$ (3,584,328.65)

Annual Compensation Requirement \$ 3,584,328.65

CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing motion on the following person by electronic mail: Mr. Dennis DeVany, Division Chief, USDOT EAS Program.

A handwritten signature in black ink, reading "David A. Lucas", with a horizontal line underneath the signature.

David A. Lucas, VP/CFO
Charter Air Transport, Inc.

25 October 2010