



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

Issued by the Department of Transportation  
on the 13th day of August, 1998

SERVED August 18, 1998

Essential air service at

**KEENE, NEW HAMPSHIRE**

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

Dockets OST-97-2784  
and  
EAS 598

**ORDER TERMINATING SUBSIDY**

**SUMMARY**

By this order, the Department is terminating Colgan Air's subsidy rate to provide essential air service to serve Keene, New Hampshire, on September 1, 1998, and allowing Colgan to suspend service on that date.

**BACKGROUND**

Keene's air service has continuously received subsidy support since 1993. Most recently, Order 97-8-5 reselected Colgan to provide one one-stop and three nonstop round trips a day between Boston and Keene with 19-seat Beech 1900 aircraft. Subsidy was set at \$1,475,852 annually through June 30, 1998, for a two-city package that also included Rutland, Vermont, with half the subsidy assignable to Rutland and half to Keene. The number of Keene passengers actually using the service is very low, less than one-half the number Colgan had projected in estimating its subsidy need. Consequently, the community may be in jeopardy of exceeding the \$200-per-passenger subsidy cap, and thus losing subsidy eligibility permanently.<sup>1</sup> On May 29, 1998, we contacted civic officials of Keene to discuss the city's continuing subsidy eligibility. On August 10, 1998, the city manager of Keene submitted a letter to the Department stating that the community wished to waive its essential air service rights temporarily and allow Colgan

<sup>1</sup> The appropriations statutes governing the Essential Air Service (EAS) program prohibit the Department from subsidizing air service at communities if their subsidy per passenger exceeds \$200. A special exception applies to the most isolated communities--defined as those located further than 210 miles from the nearest large or medium hub airport--but the exception does not apply to Keene as it is only 86 miles from Boston.

to suspend service, on the condition that Keene could be considered for reinstatement at a later date if a carrier should come forward with a service and marketing proposal that appeared to offer a reasonable chance of success. Colgan, Keene's incumbent carrier, supports the community's position.

#### **DECISION**

Consistent with the community's position, we will terminate the subsidy rate for Colgan Air's service as of September 1 and will allow Colgan to suspend service as of that date. The present service to Boston by Colgan is not an effective use of funds. Keene generated only 869 passengers for the six months ended March 31, 1998, less than half the projected level. Furthermore, we do not anticipate that traffic levels will recover because in mid-June Southwest Airlines began offering 12 low-fare departures a day at Manchester, only 56 miles away. Southwest's traditionally low fares have a history of attracting traffic from a wide service area. In addition, USAirways has announced that it will expand its low-fare service at Manchester through the use of its subsidiary, Metro Jet, to meet the competition from Southwest.

Keene community officials and Colgan Air have agreed to a September 1 suspension, which we are approving by this order. In the meantime, we expect Colgan to notify all passengers holding reservations on any flights that will be canceled, to advise them of those cancellations, and to assist them in arranging alternate transportation.

Finally, we note that Colgan is currently serving Keene under the terms of Order 98-6-30, which set a final rate until further Department action for both Keene and Rutland. We have negotiated a new subsidy rate with Colgan for Rutland-only service, and will be issuing an order establishing that rate prior to September 1.

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

#### **ACCORDINGLY,**

1. We will take no action to prohibit Colgan Air, Inc., d/b/a Continental Express, from suspending its air service at Keene, New Hampshire, effective September 1, 1998;
2. We terminate the subsidy rate set by Order 98-6-30 for the provision of essential air service at Keene, New Hampshire, and Rutland, Vermont, as of September 1, 1998;<sup>2</sup> and

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<sup>2</sup> We will establish a new subsidy rate for Colgan to serve Rutland prior to September 1.

3. The Department will serve copies of this order on the Governor of New Hampshire, the City Manager and Airport Manager of Keene, New Hampshire, and Colgan Air, Inc.

By:

**Charles A. Hunnicutt**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

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*The electronic version may not include Appendix A*