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BEFORE THE DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPT. OF TRANSPORTATION
DOCKETS

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Application of The Community of
Savannah, Georgia/Hilton Head, South Carolina
for an exemption from 14 C.F.R. Part 93,
Subpart K and S, 49 U.S.C. §41714 as to allow
non-stop service to Chicago O'Hare Airport

Docket No. OST-98-3003

**APPLICATION OF THE COMMUNITY OF SAVANNAH, GEORGIA/
HILTON HEAD, SOUTH CAROLINA**

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Notice: Any party may file an answer to this application. Answers must be served upon the persons listed above and on the attached service list. Answers must be filed on or before **May 17, 1999**.

DATED: April 22, 1999

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**APPLICATION OF THE COMMUNITY OF SAVANNAH, GEORGIA/
HILTON HEAD, SOUTH CAROLINA**

On March 11, 1998, the community of Savannah, Georgia/Hilton Head, South Carolina ("Savannah/Hilton Head"), along with other municipalities and businesses from the states of Georgia and South Carolina¹ ("Parties"), requested that the Department grant an exemption from the requirements of Subparts K and S of Part 93 of the Federal Aviation Regulations so that they may obtain direct non-stop service to Chicago's O'Hare Airport. The Parties requested eight slots at O'Hare to allow four Savannah/Hilton Head-O'Hare round-trip flights.

After the community submitted its filing, Atlantic Coast Airlines d/b/a United Express d/b/a United Express ("ACA") filed an application for slots to authorize ACA to conduct five operations (three roundtrip flights) at O'Hare utilizing 50-seat regional jet aircraft to and from Savannah/Hilton Head. ACA constructed a three daily roundtrip flight schedule using the requested exemption authority and combined it with an operation in a non-controlled hour.

¹ The parties include the Governors of Georgia and South Carolina, Chambers of Commerce, the Savannah/Hilton Head Area Convention and Visitors Bureau, and civic officials, hotels, resorts, and businesses from throughout the South Carolina and Georgia areas.

At the time of ACA's application, "the combined Savannah, Georgia/Hilton Head, South Carolina market was the **largest Chicago O'Hare market** without nonstop service."

ACA had initiated four roundtrips per day in the Savannah/Hilton Head-Dulles market with regional jets. According to ACA's application, that **service is successful**. As a result of that service, Savannah/Hilton Head has become an important part of ACA's route system and its ability to add and promote service to Chicago has been enhanced. Service to Chicago will complement ACA's Washington service and will help solidify both markets. Moreover, by serving two of Savannah/Hilton Head's top markets, ACA's costs will be proportionately reduced, solidifying ACA's future as a viable competitor in this part of the country.

On April 4, 1999, the Department issued an order (No. 99-3-12) agreeing that the Savannah/Hilton Head-O'Hare market will be able to support nonstop service, which it had up until 1995. In its order, the Department reserved three O'Hare slot exemptions for the community of Savannah, Georgia/Hilton Head, South Carolina to assist the community in attracting a qualified airline to provide two daily nonstop roundtrips to Chicago O'Hare Airport. The Department's order established an experimental allocation of Chicago O'Hare Airport slot exemptions to be deployed by selected communities for the purpose of assisting those communities in acquiring nonstop air service to O'Hare. The service must be provided with Stage 3 jet aircraft, and is limited to a 179-day period. In granting the Order, the Department stated:

On August 23, 1994, Congress enacted the Federal Aviation Administration Authorization Act of 1994, which, among other things, authorized the Department to grant exemptions from the High Density Rule (49 U.S.C. §41714). Consistent with the letter and intent of that authority, as reflected in its legislative history,

the Department has utilized its exemption authority to facilitate the vital public interest objective of enabling qualified air carriers to fill voids in underserved markets and to instill price competition in specific markets.

. . . There are only a very few slot exemptions now available for our consideration under the environmental assessment we previously completed for O'Hare airport, and there remain several outstanding requests for slot exemptions. . . . we find it especially important to allocate these slot exemptions where they will produce the maximum transportation benefits. . . [including Savannah/Hilton Head].

. . . Thus we have previously stated that, in striving to achieve maximum public benefits through the grant of slot exemptions, we would favor proposals that are based on jet aircraft that meet Stage 3 noise requirements; that there should be a reasonable expectation that the proposed service would be operationally and financially viable; and that we would place a premium upon the introduction on new nonstop services where none exist, and new competitive services, especially by applicants that have the demonstrated potential to offer low-fare competition. We continue to adhere to those guidelines, and we find that the exemptions we are granting in this order are consistent with them, subject to the ability of the community recipients of the exemptions to implement them through partnership with air carriers whose operations will be viable.

The Department added that:

. . . in view of the very small number of slot exemptions available to be awarded at this time, we are adopting the policy initiative of allocating those exemptions to community applicants as a one-time exemption. An equal allocation of three exemptions for each community will reach the operational ceiling rising from the October 1997 O'Hare environmental assessment, and thus effectively limits us to considering two community recipients among the three pending applications.

The Department also stated that:

. . . traffic at . . . Savannah/Hilton Head is clearly sufficient to support nonstop jet service to O'Hare. Moreover, Chicago is one of the foremost communities of interest for [Savannah].

The Department concluded that:

. . . approval of slot exemptions to fill the service void in these markets comports with our policy guidelines, which contemplate our use of exemption authority to produce substantial transportation benefits.

Therefore, the Department agreed that Savannah/Hilton Head deserved the service, but only had three slots to allocate. As a result of the recent actions taken by American Eagle to cancel service between O'Hare and Shreveport and Baton Rouge, additional slots are now available.

Slot Awards

Based upon all of the data previously submitted by the Community as acknowledged by the Department depicting available traffic, marketing and potential growth information for the two-state area, there is no doubt that the three roundtrips originally proposed in ACA's petition justifies an exemption for two additional O'Hare slots.

The Department stated that it was awarding all available slots. Therefore, three slots were awarded to the Community. With additional slots now available, two more should be awarded to the Savannah Airport Commission to allow ACA to operate three roundtrips in the O'Hare market. Awarding these additional slots to Savannah/Hilton Head would provide the residents of the two-state area with the assurance that they can rely on the O'Hare service and will have multiple options to complete trips to Chicago and beyond. As acknowledged by the Department, awarding slots to the community is consistent with the high density regulations (allowing communities to own slots) and with actions taken by this Administration to work with local and state governments to promote tourism and economic growth.

Conclusion

When it issued its Order, the Department took an important step to allow communities such as Savannah/Hilton Head to benefit from competitive airline service. Combined with ACA's existing Savannah service and other growing traffic offered by established and affordable fare carriers, Savannah/Hilton Head is becoming an alternative airport for millions of passengers traveling to and from the two-state area. The Department's Order will enhance economic development in this part of the country.

The true winners from the Department's action will be consumers and business people of the two-state region and those that obtain jobs as a result of the economic development stimulated by air service. Secretary Slater has often spoken of the linkage between transportation and economic growth. By granting a petition for two additional slots, the Department will generate additional opportunities for economic growth in the two-state area.

For all these reasons, the Parties respectfully request the Department grant it two slot exemptions from the high density slot regulations to allow one additional nonstop Savannah/Hilton Head-Chicago O'Hare roundtrip.

Respectfully submitted,



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SUBMITTED: April 22, 1999