CONSENT ORDER

This consent order concerns unauthorized service by Lone Star Contract Air Cargo, Inc., (Lone Star) which performed operations as a common carrier without the requisite economic authority from the Department. It directs Lone Star to cease and desist from such future unlawful conduct and assesses a compromise civil penalty.

Lone Star is a commercial air service provider using large aircraft operated pursuant to 14 CFR Part 125. Authority under this Federal Aviation Administration (FAA) regulation, however, is limited to private carriage operations. In commercial transportation operations with large aircraft that are offered to the public, by contrast, a carrier would be operating in common carriage, and must hold economic authority from the Department under 49 U.S.C. § 41101. Lone Star nonetheless performed common carriage service throughout its corporate existence. Lone Star’s unauthorized service as a common carrier, in addition to violating the certificate requirements of Title 49, constitutes an unfair and deceptive trade practice and an unfair method of competition in violation of 49 U.S.C. § 41712.

Pursuant to 49 U.S.C. §§ 41101 and 41102, citizens of the United States may not engage in air transportation unless they hold a certificate of public convenience and necessity authorizing them to provide air transportation as an air carrier. An “air carrier” means a

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1 14 CFR 125.11(b) provides that “[n]o certificate holder may conduct any operation which results directly or indirectly from any person’s holding out to the public to furnish transportation.”

2 Carriers engaged in common carriage with large aircraft must also be certificated by the FAA under 14 CFR Part 121. 14 CFR 119.1.

citizen “undertaking by any means, directly or indirectly, to provide air transportation.”4
“Air transportation” includes the transportation of passengers or property by aircraft as a
common carrier for compensation between two places in the United States or between a
place in the United States and a place outside of the United States.5 Common carriage, in
the context of air service, consists of the provision or holding out of air transportation to
the public for compensation or hire.6 From the standpoint of the requirements of section
41101, the holding out of service, as well as the actual operation of air service,
constitutes “engaging” in air transportation.7

On the question of whether the company has held out air transportation, Lone Star states
that it neither advertised nor directly solicited business. However, since it began
operations under 14 CFR Part 125 in late 2000, Lone Star has entered into a number of
contracts with various companies, including at least one air carrier. The Office of
Aviation Enforcement and Proceedings (Enforcement Office) has concluded that Lone
Star’s service for this air carrier was an impermissible indirect holding out.8 Even
assuming that the carrier did not actively solicit business, its operations involved the
provision of air transportation to a number of diverse entities and, by doing so, it engaged
in a course of conduct that, when viewed objectively, evinced a willingness to serve
members of the public indiscriminately.9 Thus, the Enforcement Office concludes that,
in effect, Lone Star gained a reputation for a willingness to provide transportation by air
to the public, while operating without an effective certificate issued under 49 U.S.C.
§ 41101. Accordingly, Lone Star has thereby held out and engaged in common carriage
without appropriate economic authority.

In mitigation, Lone Star states that it did not intend to violate the Department’s licensing
requirements and points out that at all times in this matter it has cooperated fully with the

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5 49 U.S.C. §§ 40102(a)(5), (a)(23), and (a)(25).
6 See, e.g., Woolsey v. National Trans. Safety Bd., 993 F.2d 516 (5th Cir. 1993); MSG Flight
Operations, LLC, Violations of 49 U.S.C. §§ 41101 and 41712, Order 2004-7-3 (Jul. 6, 2004); SportsJet,
7 Prior to 1994, when Title 49 was recodified and simplified, 49 U.S.C. § 41101 stated that no
carrier could “engage” in air transportation without appropriate authority. Although the wording of §
41101 now states that what is prohibited is “providing” air transportation without authority, Congress made
clear when it recodified Title 49 that in doing so it did not intend any substantive change to the statute. Act
8 A non-common carrier may not perform common carriage operations that result from the
marketing efforts of a third party, such as another air carrier or an air charter broker, agent, or affiliated
(Aug. 12, 2004); AGS Partnership, Violations of 49 U.S.C. §§ 41101 and 41712, Order 2004-2-7 (Feb. 9,
2004).
9 A holding out of common carriage may occur when a carrier engages in a course of conduct such
that it gains a reputation for having a willingness to serve the public. Woolsey, 993 F.2d at 524 n.24;
Premier Aircraft Management Violations of 49 U.S.C. §§ 41301, 41703, and 41712 and 14 CFR Part 375,
Order 2004-5-11 (May 13, 2004); Intercontinental, U.S., Inc., Enforcement Proceeding, 41 C.A.B. 583,
601 (1965).
Enforcement Office. Lone Star further states that it conducted operations under the surveillance of the FAA and at no time did that agency question any of Lone Star’s business methods or compliance with the requirements of 14 CFR Part 125. Moreover, Lone Star has noted that the principals of Lone Star have been personally engaged with the FAA’s Part 125/135 Aviation Rulemaking Committee, which seeks to establish a long-term regulatory regime that will accommodate all interested parties for the benefit of shippers, operators, air carriers, and the public.10

Despite the carrier’s impression that non-enforcement on the part of one government agency constituted government approval of its business methods, it is clear that the scope of Lone Star’s operations in terms of ultimate customers far exceeded any reasonable interpretation of the boundaries of private carriage for hire, including that enunciated more than 25 years ago by the Civil Aeronautics Board (CAB), which held jurisdiction over aviation licensing matters prior to the Department.11 Accordingly, the carrier either knew or should have known that it was engaging in unauthorized common carriage.

The Enforcement Office views seriously Lone Star’s violations of the Department’s licensing requirements. We have carefully considered the facts of this case and continue to believe enforcement action is necessary. Lone Star, in order to avoid litigation and without admitting or denying the alleged violations, agrees to the issuance of this order to cease and desist from future violations of 49 U.S.C. §§ 41101 and 41712 by engaging in common carriage directly or indirectly, and to an assessment of $20,000 in compromise of potential civil penalties. Of this amount, $10,000 shall be due and payable within 30 days of the issuance of this order. The remaining $10,000 shall be suspended for two years after the issuance of this order and then forgiven unless Lone Star violates this order’s cease and desist or payment provisions, in which case the entire unpaid amount shall become due and payable immediately and Lone Star may be subject to additional enforcement action. This compromise is appropriate in view of the nature and extent of the violations in question and serves the public interest. Moreover, it represents a deterrent to future air transportation operations without appropriate economic authority by Lone Star as well as other similarly situated companies.

This order is issued under the authority contained in 49 CFR 1.57a and 14 CFR 385.15.

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10 The Department, which is also represented on the committee, is aware of the expertise and support Lone Star has provided during the course of the committee’s deliberations, which reflects well on the compliance disposition of Lone Star.

11 In what it termed “a close one,” the CAB held as private certain air service operations by Part 125 operators Zantop International Airlines and Air Traffic Service Corporation that involved transporting cargo pursuant to contracts with the three major American automobile manufacturers, plus a de minimus level of non-automotive related traffic. Automotive Cargo Investigation, 70 C.A.B. 1540, 1554 (1976).
ACCORDINGLY,

1. Based on the above discussion, we approve this settlement and the provisions of the order as being in the public interest;

2. We find that Lone Star Contract Air Cargo, Inc., violated 49 U.S.C. § 41101, as described above, by engaging in air transportation without appropriate economic authority;

3. We find that by engaging in the conduct described in paragraph 2, above, Lone Star Contract Air Cargo, Inc., engaged in an unfair and deceptive practice and an unfair method of competition in violation of 49 U.S.C. § 41712;

4. Lone Star Contract Air Cargo, Inc., and all other entities owned and controlled by, or under common ownership and control with Lone Star Contract Air Cargo, Inc., and their successors and assignees, are ordered to cease and desist from further similar violations of 49 U.S.C. §§ 41101 and 41712;

5. Lone Star Contract Air Cargo, Inc., is assessed $20,000 in compromise of civil penalties that might otherwise be assessed for the violations described in ordering paragraphs 2 and 3 above. Of this total penalty amount, $10,000 shall be due and payable within 30 days of the issuance of this order. The remaining $10,000 shall be suspended for two years after the issuance of this order and then forgiven unless Lone Star Contract Air Cargo, Inc., violates this order’s cease and desist or payment provisions, in which case the entire unpaid amount shall become due and payable immediately and Lone Star Contract Air Cargo, Inc., may be subject to additional enforcement action. Failure to pay the penalty as ordered shall also subject Lone Star Contract Air Cargo, Inc., to the assessment of interest, penalty, and collection charges under the Debt Collection Act; and

6. Payment shall be made by wire transfer through the Federal Reserve Communications System, commonly known as "Fed Wire," to the account of the U.S. Treasury. The wire transfer shall be executed in accordance with the instructions contained in the Attachment to this order.
This order will become a final order of the Department 10 days after its service date unless a timely petition for review is filed or the Department takes review on its own initiative.

BY:

ROSALIND A. KNAPP
Deputy General Counsel

(SEAL)

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