



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

Served: July 6, 1998

Issued by the Department of Transportation
on the 29th day of June, 1998

Essential Air Service at

**CENTRAL AND
CIRCLE, ALASKA**

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

**Docket OST 1998-3621
(42609)**

ORDER RESELECTING CARRIER

Summary

By this order we are reselecting Warbelow's Air Ventures, Inc. to provide subsidized essential air service at Central and Circle, Alaska, for the two-year period beginning on July 1, 1998, at an annual subsidy rate of \$21,908. (See Appendix A for a map.)

Background

By Order 98-3-29, March 27, 1998, the Department tentatively selected Warbelow's Air Ventures, the incumbent, to continue to provide essential air service at Central and Circle, Alaska. An annual subsidy rate of \$31,839 was tentatively established by that order for five round trips a week to Fairbanks with Piper Navajo aircraft. In response to that order Tatonduk Flying Service submitted a service proposal which would also meet the essential air service requirements at Central and Circle. In response to the Tatonduk Flying Service submission Warbelow's Air Ventures submitted a second service option involving service with a less expensive aircraft type.¹

Essential Air Service Determination

The essential air service definitions for Central and Circle require at least three round trips per week to Fairbanks with small aircraft (10 or fewer seats) and no more than two intermediate stops. The service level we have authorized in the current and recent carrier selection orders, five round trips a week, ensures that seasonal or other fluctuations in each community's traffic will be accommodated, and we will continue to support that service level for now.²

Carriers' Service Proposals

Tatonduk Flying Service proposes to operate five weekly round trips over a Fairbanks-Circle-Central-Fairbanks routing using five-seat Piper Lance equipment for an annual subsidy of \$14,326.

As noted above, the Tatonduk proposal prompted Warbelow's Air Ventures to submit a second service proposal. The second proposal is identical to the first in terms of routing (Fairbanks-Circle-Central-Fairbanks) and

¹ Since Warbelow's Air Ventures has not withdrawn its initial all-Navajo proposal it remains under active consideration.

² In Order 92-5-6, the Department concluded that Warbelow's Air Ventures' five-flight-per-week service pattern was necessary to accommodate all of Central's and Circle's traffic at reasonable load factors with Cessna equipment across the critical first segment leaving Fairbanks.

frequency (five round trips a week). However, four of the weekly flights would be with five-seat Cessna 207 equipment and one round trip would be with eight-seat Piper Navajo equipment; and the subsidy need is only \$21,908 per year. In addition, Warbelow's original, all-Navajo proposal remains an option.

Community and State Comments

We have contacted both community and State officials requesting their comments on the issues in this case and have forwarded copies of each applicant's service proposal to both communities. We have received a formal written reply from Central and an informal response from the Circle community.

Both communities have expressed a preference for continued service by Warbelow's Air Ventures. The Central community urged the Department to select the all-Navajo proposal of Warbelow's Air Ventures. Its second preference is for Warbelow's combination Cessna/Navajo proposal. Circle did not file written comments, but we have been advised through telephone discussions with the chairperson of the Village Council that the community is satisfied with the service provided by Warbelow's Air Ventures.

Decision

After evaluating the service proposals of Tatonduk Flying Service and Warbelow's Air Ventures and considering the views of the civic parties, we have decided to reselect Warbelow's Air Ventures, under its second option, as the essential air service carrier at Central and Circle. Warbelow's has provided stable and reliable service at both communities for a number of years and both Central and Circle have expressed satisfaction with the carrier's service. As between Warbelow's two service proposals, we find that the second, employing a combination of Cessna and Navajo aircraft, is fully adequate to meet the air service needs of the communities, while affording the carrier some degree of operational flexibility in scheduling suitable equipment to meet demand and requiring less subsidy. In light of these findings, we will select Warbelow's Air Ventures to provide this service for a two-year period, beginning on July 1, 1998, and continuing through June 30, 2000, at an annual rate of \$21,908.

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find a carrier fit, willing, and able to provide reliable service before we may compensate it for essential air service. We recently found Warbelow's Air Ventures fit to provide scheduled passenger service as a certificated air carrier in conjunction with the carrier's tentative selection in Order 98-3-29, March 27, 1998. In addition, the Department has routinely monitored the carrier's continuing fitness, and no information has come to our attention that would lead us to question its ability to operate in a reliable manner. Based on our review of its most recent submissions, we find that Warbelow's Air Ventures continues to have available adequate financial and managerial resources to maintain reliable service at Central and Circle, and that it continues to possess a favorable compliance disposition. The Federal Aviation Administration has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Warbelow's Air Ventures remains fit.

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

ACCORDINGLY,

1. The Department reselects Warbelow's Air Ventures to provide essential air service at Central and Circle, Alaska, as described in Appendix C, for a two-year period beginning July 1, 1998;
2. The Department sets the final rate of compensation for Warbelow's Air Ventures for the provision of essential air service at, Central and Circle, Alaska, at \$21,908 per year, as described in Appendix C, payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the ceiling per week of \$210.68, and shall be determined by multiplying the number of subsidy eligible arrivals and departures operated during the month by \$30.10 for service with Navajo equipment and \$18.81 for service with Cessna equipment;³
3. This rate is in lieu of and not in addition to the rate set in Order 98-3-29;
4. The Department finds Warbelow's Air Ventures, Inc. fit, willing, and able to operate as a certificated air carrier and capable of providing reliable essential air service at Central and Circle, Alaska;
5. The Department directs Warbelow's Air Ventures, Inc. to retain all books, records, and other source and summary documentation to support subsidy claims for payment and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

³ See footnote 2, Appendix C, for calculations.

6. This docket will remain open until further order of the Department; and

7. The Department will serve a copy of this order on the civic officials of Central and Circle, Alaska, the Governor of Alaska, the Alaska Department of Transportation and Public Facilities, Tatonduk Flying Service, Warbelow's Air Ventures, Inc. and the carriers listed in Appendix D.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>
The electronic version may not include all of the appendices*

EAS Map Will Be Supplied
On Request (202) 366-1055

**WARBELOW'S AIR VENTURES
ESSENTIAL AIR SERVICE TO BE
PROVIDED AT CENTRAL & CIRCLE, ALASKA**

Block Hours: 1/ 676 5 trips/wk
Aircraft Type: Piper Navajo 8 seats
Cessna 207 5 seats
Routing: Fairbanks > Central > Circle > Fairbanks

<u>Passenger Revenue</u>	<u>Psgs.</u>	<u>Fare</u>	<u>Totals</u> (\$)
Central	23	\$68.00	1,564
Circle	310	\$70.00	<u>21,700</u>
Passenger total			23,264
<u>Cargo Revenue</u>	<u>Pounds</u>	<u>Rate</u>	
Central	5,413	\$0.29	1,570
Circle	14,039	\$0.35	<u>4,914</u>
Cargo total			6,484
<u>Mail Revenue</u>	<u>Pounds</u>	<u>Rate</u>	
Central	54,561	<u>2</u> /	44,737
Circle	54,343	<u>2</u> /	<u>50,790</u>
Mail total			95,527

Total Revenue 125,275

	Navajo Rate per <u>Block Hr.</u>	Cessna Rate per <u>Block Hr.</u>	<u>Totals</u>
Allocated Block Hours	135	541	676
<u>Direct Expense</u>	(\$)	(\$)	(\$)
Pilot & Copilot	55.83	21.91	19,390
Fuel & Oil	81.99	32.53	28,668
Other	2.82	2.09	1,512
Maintenance	110.75	40.37	36,791
Depreciation	24.51	9.32	<u>8,351</u>
Total Direct Expense			94,712

Indirect Expense at
48.0% of Direct Exp. 45,462

Total Operating Cost 140,174
Profit Element @ 5% of TOC 7,009
Total Economic Cost 147,183

Subsidy need at
100% Completion 21,908

Footnotes on following page.

Footnotes:

1/ At 2.6 block hours per trip Based on scheduled times shown in the March 1998, OAG. Annual block hours allocated between Navajo and Cessna equipment at 20% and 80% respectively.

<u>Fairbanks</u>	<u>Circle</u>	<u>Central</u>	<u>Circle</u> <u>Hot Springs</u>	<u>Fairbanks</u>
AR --	1130	1150	1210	1320
LV 1015	1120	1200	1220	--
Block time	65	20	10	60
				2.6 hrs

2/ Mail Revenue:

Central: [54,561 lb/2,000] x 104 miles = 2,837 ton-miles

Circle: [54,343 lb/2,000] x 131 miles = 3,563 ton-miles

Central:

Terminal charge based on pounds originated	54,561 x \$0.3805 =	20,760
Ton-mile mile charge	2,837 x \$8.4514 =	<u>23,977</u>
Total		44,737

Circle:

Terminal charge based on pounds originated	54,343 x \$0.3805 =	20,678
Ton-mile mile charge	3,563 x \$8.4514 =	<u>30,112</u>
Total		50,790

**WARBELOW'S AIR VENTURES
ESSENTIAL AIR SERVICE TO BE
PROVIDED AT CENTRAL & CIRCLE, ALASKA**

EFFECTIVE PERIOD: For the two-year period beginning on or about July 1, 1998

SERVICE: Five round trips a week, four with Cessna equipment and one with Piper equipment, over the routing Fairbanks-Circle-Central-Fairbanks.¹

AIRCRAFT TYPE: Piper Navajo (8 passenger seats) or Cessna 207 (5 passenger seats)

TIMING OF FLIGHTS: Flights must be well-timed and well-spaced to ensure full compensation.

RATE PER ARRIVAL AND DEPARTURE:

Cessna 207 ²	\$ 18.81
Piper Navajo ³	\$ 30.10

WEEKLY COMPENSATION CEILING:⁴

Central: ⁵	\$210.68
Circle ⁶	\$210.68

See Note on next page

¹ Warbelow would be allowed to operate service via intermediate points provided such service does not result in more than two stops in either the Central-Fairbanks or Circle-Fairbanks markets.

² Annual subsidy $\$21,908 \times (40 \text{ wkly seats} / 56 \text{ total wkly seats}) = \$15,648 / (1,040 \text{ annual depart.} \times .80) = \18.81 per arrival and departure.

³ Annual subsidy $\$21,908 \times (16 \text{ wkly seats} / 56 \text{ total wkly seats}) = \$6,260 / (1,040 \text{ annual depart.} \times .20) = \30.10 per arrival and departure.

⁴ Calendar weeks that fall into separate calendar months will be treated as part of the later month for the purpose of calculating both calendar weeks per month and the monthly compensation.

⁵ Central:

Cessna: 4 arrivals + 4 departures between Central and Fairbanks per week $\times \$18.81 = \150.48

Piper: 1 arrival + 1 departure between Central and Fairbanks per week $\times \$30.10 = \underline{\$60.20}$
\$210.68

⁶ Circle:

Cessna: 4 arrivals + 4 departures between Circle and Fairbanks per week $\times \$18.81 = \150.48

Piper: 1 arrival + 1 departure between Circle and Fairbanks per week $\times \$30.10 = \underline{\$60.20}$
\$210.68

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Service List To This Order
Will Be Supplied On Request (202) 366-1055