



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

SERVED JAN 5 1999

Issued by the Department of Transportation
 on the 30th day of December, 1999

Ninety-day Notice of

TAQUAN AIR SERVICE, INC.

 under 49 U.S.C. 41731 *et seq.* to terminate
 service at Port Alexander, Alaska

Docket OST-1999-6244 - 8

Ninety-day Notice of

TAQUAN AIR SERVICE, INC.

 under 49 U.S.C. 41731 *et seq.* to terminate
 service at Hydaburg, Alaska

Docket OST-1999-6245 - 5

ORDER ESTABLISHING SUBSIDY RATES

Summary

By this order, the Department is establishing subsidy rates for Taquan Air Service's hold-in service at Port Alexander and Hydaburg, Alaska at annual subsidy levels in the amounts of \$124,444 and \$52,895, respectively, beginning December 21, 1999, until further action of the Department.¹

Background

On September 20, 1999, Taquan Air Service filed 90-day notices of its intention to suspend its subsidy-free service at Port Alexander and Hydaburg, Alaska. By Order 99-10-16, issued October 18, 1999, the Department prohibited Taquan from suspending its service at the communities and requested service proposals from carriers interested in serving the points with or without subsidy. We have received proposals from several interested carriers, including Taquan, in response to the Department's order.

¹ See Appendix A for calculations.

Although Taquan had been serving the communities without subsidy, it became eligible for compensation as of December 21, 1999, by virtue of its being required to continue service beyond the end of the 90-day notice period.

Decision

We will establish a rate for Taquan based on the service levels we are requiring the carrier to maintain under Order 99-10-16: three nonstop round trips a week between Ketchikan and Hydaburg with DeHavilland Beaver equipment and three nonstop round trips a week between Sitka and Port Alexander with DeHavilland Beaver equipment.

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

ACCORDINGLY;

1. The Department establishes rates of compensation for Taquan Air Service, Inc. for the provision of essential air service at Port Alexander and Hydaburg, Alaska, for the period from December 31, 1999, until further Department action;
2. The Department directs Taquan Air Service to retain all books, records, and other source and summary documents 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. These dockets will remain open until further order of the Department; and

4. The Department will serve a copy of this order on the communities of Port Alexander and Hydaburg, Alaska, the Alaska Department of Transportation and Public Facilities, and Taquan Air Service.

By:

A. BRADLEY MIMS
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

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<http://dms.dot.gov>*

The electronic version may not include all of the appendices

Annual Hold-in Compensation
Service Between
Sitka and Port Alexander, Alaska
DeHavilland Beaver Aircraft

Equipment DHC2
Block Hours: 1/ 286

Passenger and (\$)
Nonpassenger Revenue:
Port. Alexander 28,061

	Block Hours	Rate per Block Hr. (\$)	Totals (\$)
<u>Direct Expense</u>			
Pilot & Copilot	286	79.37	22,700
Fuel & Oil	286	45.53	13,022
Insurance	286	27.98	8,002
Maintenance	286	98.82	28,263
Depreciation	286	14.66	<u>4,193</u>
Subtotal Direct	286		76,179
<u>Indirect Expense 2/</u>			62,148
Total Operating Expense			138,327
Anticipated cost increase during forecast period			<u>6,916</u>
			145,243
Return (at 5% of TOC)			<u>7,262</u>
Total Economic Cost			152,505
Annual subsidy need At 100% completion			124,444

1/ SIT-PTD-SIT: (110 min/trip x 156 trips a yr) divided by
60 = 286 annual hrs

2/ Estimated on the basis of historical data at \$217.30 per hour.

**ESSENTIAL AIR SERVICE TO BE PROVIDED
BETWEEN SITKA AND PORT ALEXANDER, ALASKA**

EFFECTIVE PERIOD: For the period beginning December 21, 1999
until further action by the Department

SERVICE: Three round trips a week routed Sitka-Port
Alexander-Sitka

AIRCRAFT TYPE: DeHavilland Beaver DHC2

RATE PER PORT ALEXANDER

ARRIVAL/DEPARTURE:² \$ 398.86

WEEKLY COMPENSATION

CEILING:³ \$2,393.16⁴

² Annual subsidy \$124,444 divided by 312 departures (156 annual EAS arrivals at Port Alexander from Sitka + 156 EAS departures from Port Alexander to Sitka).

³ 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.

⁴ Rate per arrival or departure \$398.86 x (3 arrivals plus 3 departures).

Annual Hold-in Compensation
Service Between
Hydaburg and Ketchikan, Alaska
DeHavilland Beaver Aircraft

Equipment DHC2
Block Hours: 1/ 234

Passenger and (\$)
Nonpassenger Revenue 71,882

	<u>Block</u> <u>Hours</u>	<u>Rate per</u> <u>Block Hr.</u> (\$)	<u>Totals</u> (\$)
<u>Direct Expense</u>			
Pilot & Copilot	234	79.37	18,573
Fuel & Oil	234	45.53	10,654
Insurance	234	27.98	6,547
Maintenance	234	98.82	23,124
Depreciation	234	14.66	<u>3,430</u>
Subtotal Direct			62,328
<u>Indirect Expense</u> <u>2</u> /			50,848
Total Operating Expense			113,176
Anticipated cost increas during forecast perio			<u>5,659</u>
			118,835
Return (at 5% of TOC)			<u>5,942</u>
Total Economic Cost			124,777
Annual subsidy need At 100% completion			52,895

1/ KTN-HYG-KTN: (90 min/trip x 156 trips a yr) divided by
60 = 234 annual hrs

2/ Estimated on the basis of historical data at \$217.30 per hour.

**HOLD-IN SERVICE TO BE PROVIDED
BETWEEN HYDABURG AND KETCHIKAN, ALASKA**

EFFECTIVE PERIOD: For the period beginning December 21, 1999
until further action by the Department

SERVICE: Three round trips a week routed Ketchikan-
Hydaburg-Ketchikan

AIRCRAFT TYPE: DeHavilland Beaver DHC2

**RATE PER HYDABURG
ARRIVAL/DEPARTURE:**⁵ \$ 169.54

**WEEKLY COMPENSATION
CEILING:**⁶ \$1,017.24⁷

⁵ Annual subsidy \$52,895 divided by 312 departures (156 annual EAS arrivals at Hydaburg from Ketchikan + 156 EAS departures from Hydaburg to Ketchikan).

⁶ 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.

⁷ Rate per arrival or departure \$169.54 x (3 arrivals plus 3 departures).

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 this rate, 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.