



**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.0**

Issued by the Department of Transportation
on the 18th day of October, 1999

Served: October 21, 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

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

**ORDER PROHIBITING SUSPENSION OF SERVICE
AND REQUESTING PROPOSALS**

Summary

By this order, the Department is prohibiting Taquan Air Service from suspending service at Port Alexander and Hydaburg, Alaska, until suitable replacement service has been inaugurated and requests proposals from carriers interested in providing replacement essential air service at both communities.

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. The carrier further seeks to terminate service at both points short of the full 90-day notice period, effective

October 15, 1999. Taquan Air Service currently provides three nonstop round trips a week in the Port Alexander-Sitka market and three nonstop round trips a week in the Hydaburg-Ketchikan market with 10-seat DeHavilland Otter equipment in both markets.

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Essential Air Service Definitions

The essential air service definition for Port Alexander is set forth in Order 81-8-45, dated August 1, 1981, and requires two round trips a week to Sitka year round. Service may not exceed two intermediate stops and may be provided with small equipment, i.e., 10 seats or smaller

Hydaburg’s essential air service definition requires thirteen round trips a week to Ketchikan year round. Service may not exceed two intermediate stops and may be provided with small equipment, i.e., 10 seats or smaller¹.

In view of Taquan’s suspension notices we have reviewed the service needs of the communities. For the two most recent 12-month periods for which data are available Port Alexander and Hydaburg generated the following volumes of traffic:

	<u>Annual Traffic Volumes</u>		
	<u>Psgrs.</u>	<u>Cargo</u> (lbs.)	<u>Mail</u> (lbs.)
<u>Port Alexander</u>			
Y/E March 1999	522	10,076	128,774
Y/E March 1998	376	8,290	109,123
<u>Hydaburg</u>			
Y/E March 1999	881	12,335	113,379
Y/E March 1998	1,503	23,158	133,694

	<u>Average Weekly Traffic Volumes</u>		
	<u>Psgrs.</u>	<u>Cargo</u> (lbs.)	<u>Mail</u> (lbs.)
<u>Port Alexander</u>			
Y/E March 1999	10	194	2,476
Y/E March 1998	7	159	2,099
<u>Hydaburg</u>			
Y/E March 1999	17	237	2,180
Y/E March 1998	29	445	2,571

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¹ The Airline Deregulation Act of 1978 initially set an essential air service benchmark for eligible Alaskan communities of two round trips a week or the level of service provided in 1976, whichever was larger. Hydaburg received thirteen round trips a week during calendar 1976, and that was the basis for its initial essential air service definition. Order 80-1-167, January 25, 1980, set out essential air service determinations for the entire state of Alaska, and incorrectly reflected Hydaburg’s 1976 service level at thirty-four round trips a week.

At Hydaburg it appears that current traffic levels can be accommodated with three round trips a week with small aircraft (subject to occasional peaking). On the other hand, the Hydaburg community has suggested a need for six round trip flights a week. We will tentatively redefine the essential air service definition for Hydaburg to require a service level of between three and six round trips a week and await service proposals from interested carriers and any further comments from the community and State before we establish a final definition.

At Port Alexander, it appears that the existing essential air service definition of at least two round trips a week may still be appropriate based on the recent traffic history. The community is currently receiving three round trips a week. Port Alexander has not expressed a position on its essential air service requirements. We will therefore also defer a final decision on the level of air service to secure for Port Alexander pending receipt of service proposals and comments from the community and State.

Service Proposals

In accordance with the foregoing discussion, we request service proposals from carriers interested in offering service either jointly or separately at Port Alexander and Hydaburg. At Port Alexander, because the definition calls for at least two round trips a week, while current service is three round trips a week, we will consider service proposals based on either two or three round trips a week to either Sitka or Ketchikan. At Hydaburg we will entertain proposals offering a range of service from three to six round trips a week to Ketchikan.

Historical Traffic at Port Alexander and Hydaburg

In order to assist interested carriers in developing traffic and revenue projections for their service proposals, we have summarized the historical origin-destination traffic above and presented by quarter and direction in Appendix B.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar with our procedures and recommended form for supplying the necessary information, we have prepared two explanatory documents that we will make available upon request. The first describes the process for handling carrier replacement cases under 49 U.S.C. 41734(f) and discusses in detail the process of requesting proposals, conducting reviews of applicants, and selecting a replacement carrier. The second is an evidence request containing an explanatory statement, a copy of Part 204 of our regulations (14 CFR 204), and schedules setting forth our recommended form for submitting data required for calculating compensation and determining the financial and operational ability of applicants to provide reliable essential air service. (Section 204.4 describes the fitness information required of all applicants for authority to provide essential air service.) Applicant carriers that have already submitted this information in another case need only resubmit it if a substantial change has occurred.

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However, if there are more recent data or if there have been any changes to the information on file, carriers should provide updates of those information elements. Interested carriers that need to obtain copies of these documents may contact the Office of Aviation Analysis at (202) 366-1053.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces and nondiscrimination.² Consequently, all

² The regulations applicable to each of these three areas are (1) 49 CFR Part 20, New Restrictions of Lobbying, implementing title 31, United States Code, section 1352, entitled, "Limitation on use of appropriated funds to influence certain Federal contracting and financial transactions"; (2) 49 CFR Part 29, Subpart F, Drug-Free Workplace Requirements (Grants), implementing the Drug-Free Workplace Act

carriers receiving Federal subsidy to support essential air service must certify that they are in compliance with Department regulations regarding drug-free workplaces and nondiscrimination, and those carriers whose subsidies exceed \$100,000 over the life of the rate term must also certify that they are in compliance with the regulations governing lobbying activities. All carriers that plan to submit proposals involving subsidy should submit the required certifications along with their proposals. Interested carriers requiring more detailed information regarding these requirements as well as copies of the certifications should contact the Office of Aviation Analysis at (202) 366-1053. The Department is prohibited from paying subsidy to carriers that do not submit these documents.

Community and State Comments

If we receive competing proposals, the communities and state are welcome to submit comments on the proposals at any time. Early in the proceeding, comments on the proposals' strengths and weaknesses would be particularly helpful, and the civic parties may also express a preference for a particular carrier, if they choose. In any event, after conducting rate conferences with all applicants, we will provide a summary of the conference results to the civic parties and ask them to file their final comments.³

Lastly, since Taquan Air Service is the only carrier providing scheduled air service at Port Alexander and Hydaburg its proposed termination of service would eliminate all air service to the communities. Thus, in accordance with 49 U.S.C. 41734, we must prohibit Taquan Air Service from suspending service at Port Alexander and Hydaburg for an

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initial 30-day period beyond the end to the 90-day notice period, through January 19, 2000, or until suitable replacement service has been inaugurated at the communities, whichever comes first.

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

ACCORDINGLY;

1. The Department requests that carriers interested in providing essential air service at Port Alexander and/or Hydaburg, submit their proposals, with subsidy if necessary, within 21 days after the date of service of this order. Proposals should include all the data required by section 204.4 of the Department's Regulations (14 CFR 204.4). An original and five copies of the proposal should be sent to the EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title "Proposal to Provide Essential Air Service at Port Alexander Docket OST 1999-6244 and/or Hydaburg, Alaska, Docket OST 1999-6245;
2. The Department denies Taquan Air Service's motion to terminate service on less than the full 90-day notice period;

of 1988; and (3) 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation -- Effectuation of Title VI of the Civil Rights Act of 1964; 49 CFR Part 27, Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

³ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be provided reliably without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

3. The Department prohibits Taquan Air Service from suspending service at Port Alexander and Hydaburg Alaska, at the end of its 90-day notice period and requires it to maintain three weekly nonstop round trip flights in the Port Alenander-Sitka and Hydaburg-Ketchikan markets through January 19, 1999, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first;⁴

4. 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;

⁴ In accordance with 49 U.S.C. 41734(c), we will extend Taquan Air Service's service obligation for successive 30-day periods as necessary until replacement service actually begins.

5. These dockets will remain open until further order of the Department; and

6. The Department will serve a copy of this order on the community of Port Alexander and Hydaburg, Alaska, the Alaska Department of Transportation and Public Facilities, Taquan Air Service and the carriers and other parties listed in Appendix C.

By:

A. BRADLEY MIMS
Acting 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

Appendix A

**EAS MAP FOR COMMUNITIES WILL
BE SUPPLIED UPON REQUEST
(202) 366 1055**

Port Alexander-Sitka
O&D Traffic by Direction

Passengers	<u>2ndQ 98</u>	<u>3rdQ 98</u>	<u>4thQ 98</u>	<u>1stQ 99</u>	<u>Total</u>
Port Alexander-Sitka	145	53	63	48	309
Sitka-Port Alexander	<u>117</u>	<u>49</u>	<u>0</u>	<u>47</u>	<u>213</u>
Total	262	102	63	95	522

Cargo (lbs)					
Port Alexander-Sitka	2,262	60	219	553	3,094
Sitka-Port Alexander	<u>3,812</u>	<u>1,824</u>	<u>401</u>	<u>945</u>	<u>6,982</u>
Total	6,074	1,884	620	1,498	10,076

Mail (lbs)					
Port Alexander-Sitka	2,723	3,325	2,506	2,584	11,138
Sitka-Port Alexander	<u>31,257</u>	<u>35,176</u>	<u>26,298</u>	<u>24,905</u>	<u>117,636</u>
Total	33,980	38,501	28,804	27,489	128,774

Passengers	<u>2ndQ 97</u>	<u>3rdQ 97</u>	<u>4thQ 97</u>	<u>1stQ 98</u>	<u>Total</u>
Port Alexander-Sitka	51	72	30	31	184
Sitka-Port Alexander	<u>59</u>	<u>59</u>	<u>35</u>	<u>39</u>	<u>192</u>
Total	110	131	65	70	376

Cargo (lbs)					
Port Alexander-Sitka	1,103	672	0	70	1,845
Sitka-Port Alexander	<u>3,156</u>	<u>2,125</u>	<u>0</u>	<u>1,164</u>	<u>6,445</u>
Total	4,259	2,797	0	1,234	8,290

Mail (lbs)					
Port Alexander-Sitka	2,385	2,005	1,524	3,134	9,048
Sitka-Port Alexander	<u>30,604</u>	<u>28,160</u>	<u>21,611</u>	<u>19,700</u>	<u>100,075</u>
Total	32,989	30,165	23,135	22,834	109,123

Hydaburg-Ketchikan
O&D Traffic by Direction

Passengers	<u>2ndQ 98</u>	<u>3rdQ 98</u>	<u>4thQ 98</u>	<u>1stQ 99</u>	<u>Total</u>
Hydaburg-Ketchikan	211	131	76	27	445
Ketchikan-Hydaburg	<u>234</u>	<u>124</u>	<u>55</u>	<u>23</u>	<u>436</u>
Total	445	255	131	50	881

Cargo (lbs)					
Hydaburg-Ketchikan	2,335	371	73	141	2,920
Ketchikan-Hydaburg	<u>2,689</u>	<u>3,488</u>	<u>1,270</u>	<u>1,968</u>	<u>9,415</u>
Total	5,024	3,859	1,343	2,109	12,335

Mail (lbs)					
Hydaburg-Ketchikan	11,987	3,062	5,257	3,875	24,181
Ketchikan-Hydaburg	<u>23,018</u>	<u>25,268</u>	<u>22,412</u>	<u>18,500</u>	<u>89,198</u>
Total	35,005	28,330	27,669	22,375	113,379

Passengers	<u>2ndQ 97</u>	<u>3rdQ 97</u>	<u>4thQ 97</u>	<u>1stQ 98</u>	<u>Total</u>
Hydaburg-Ketchikan	150	172	129	265	716
Ketchikan-Hydaburg	<u>169</u>	<u>173</u>	<u>120</u>	<u>325</u>	<u>787</u>
Total	319 <u>1/</u>	345 <u>2/</u>	249 <u>3/</u>	590 <u>4/</u>	1,503

Cargo (lbs)					
Hydaburg-Ketchikan	1,540	3,445	618	1,298	6,901
Ketchikan-Hydaburg	<u>4,823</u>	<u>600</u>	<u>7,975</u>	<u>2,859</u>	<u>16,257</u>
Total	6,363 <u>1/</u>	4,045 <u>2/</u>	8,593	4,157 <u>4/</u>	23,158

Mail (lbs)					
Hydaburg-Ketchikan	3,842	5,762	5,006	3,949	18,559
Ketchikan-Hydaburg	<u>26,090</u>	<u>36,187</u>	<u>29,089</u>	<u>23,769</u>	<u>115,135</u>
Total	29,932 <u>1/</u>	41,949 <u>2/</u>	34,095	27,718	133,694

Data Source: DOT Form 298-C, Schd. T-1

Ketchikan includes both KTN Waterfront & KTN International

1/ Includes Promech Air Inc. traffic: 61 psgrs; 488 cargo lbs; 6,965 mail lbs.

2/ Includes Promech Air Inc. traffic: 62 psgrs; 600 cargo lbs; 1,886 mail lbs.

3/ Includes Promech Air Inc. traffic: 7 psgrs.

4/ Includes Promech Air Inc. traffic: 50 psgrs; 539 l cargo lbs.

**PAGES 1 AND 2 OF THE
SERVICE LIST WILL BE SUPPLIED
UPON REQUEST
(202) 366 1055**

SERVICE LIST
Dockets OST 1999-6244 & OST 1999-6245

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and Public Facilities
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