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Order 2000-2-3

Served: February 4, 2000



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

Issued by the Department of Transportation
on the 1st day of February, 2000

Essential Air Service at

KAMUELA, HAWAII

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

Docket OST-97-2833 - 15

ORDER SETTING FINAL RATE UNTIL FURTHER DEPARTMENT ACTION

SUMMARY

By this order we are setting a final annual rate for Pacific Wings' essential air service at Kameula, Hawaii, until further Department action. The carrier's current rate expires January 31, and it is unlikely that a final order will be issued by that time because we are awaiting the community's response to the two service options presented in the carrier selection proceeding.

DISCUSSION

By Order 98-1-11 the Department selected Pacific Wings to provide essential air service at Kamuela, Hawaii, and set an annual subsidy rate of \$335,454 for Pacific Wings for the two-year period ending January 31, 2000. Service was to consist of six nonstop round trips per week to Honolulu and another six nonstop round trips per week to Kahului.

We have reached agreement with the carrier for continuation of its historical service levels as well as another service option. We have formally requested comments from the civic officials of Kamuela. As a result, we will not be able to finalize a carrier selection decision before Pacific Wings is eligible for a new subsidy rate. In order for the carrier to continue to be paid, we will set a final rate for Pacific Wings based on the current service pattern beginning February 1, 2000, until we can complete the carrier selection proceeding. We find that the proposed subsidy level is reasonable and appropriate for the service proposed.

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

ACCORDINGLY,

1. The Department sets the final rate of compensation for Pacific Wings, for the provision of essential air service at Kamuela, Hawaii, 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 weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month between Honolulu and Kamuela by \$343.49;¹
2. We direct Pacific Wings, to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the 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; and
3. The Department will serve copies of this order on the Mayor and Airport Manager of Kamuela, the Governor and Department of Transportation of the State of Hawaii, and Pacific Wings.

By:

A. Bradley Mims
Deputy Assistant Secretary for Aviation
and International Affairs

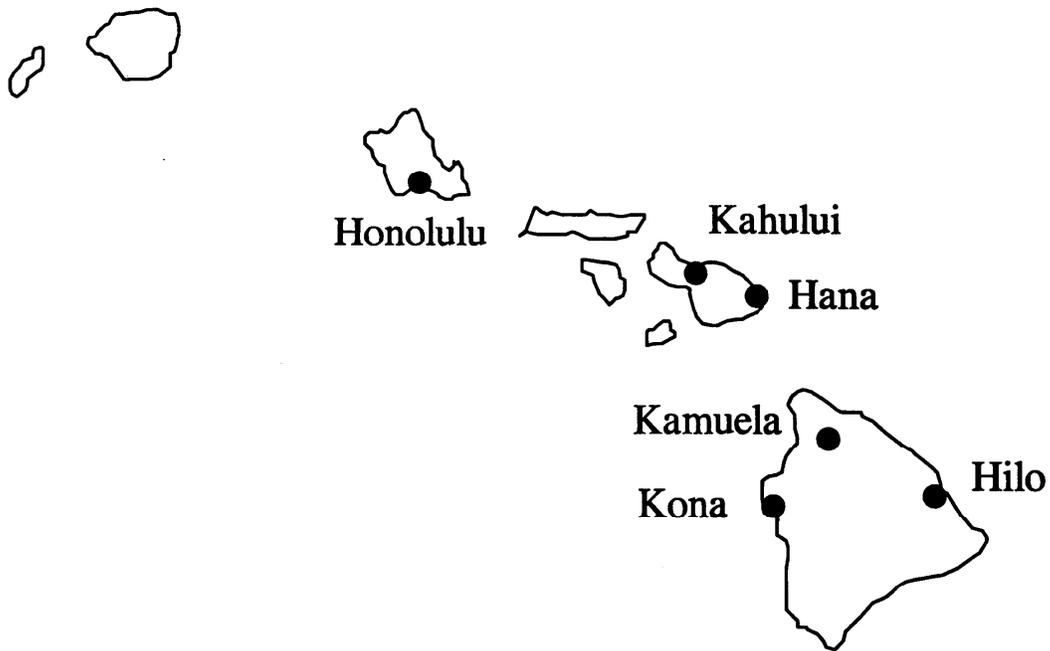
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*An electronic version of this document is available on the World Wide Web at
<http://dms.dot.gov>*

The electronic version may not include all of the appendices

¹ See Appendix C for calculation.

HAWAII



Mileages

Kamuela - Kona	33
Kamuela - Hilo	45
Kamuela - Honolulu	171
Kamuela - Kahului	78
Hana - Kahului	28
Hana - Honolulu	128

Pacific Wings, Essential Air Service to be Provided to Kamuela, Hawaii, Docket 97-2833

Service:	6 r.t./week to Honolulu & 6 r.t./week to Kahului
Kahului @ \$33.58	\$24,165
Honolulu @ \$41.53	\$56,665
<u>Honolulu Cargo</u>	<u>\$0</u>
Total Revenue	\$80,830 1/
C-402 Hours	1,003 2/
Crew @ \$52.70/hr.	\$52,858
Fuel & Oil @ \$75.13/hr.	\$75,355
Maintenance @ \$115.89/hr.	\$116,238
Aircraft Ins. @ \$16.10 /hr.	\$16,148
<u>Lease/Depr. @ \$22.44 /hr.</u>	<u>\$22,507</u>
Total Directs	\$283,106
Hana Station	\$28,575
Kahului Station	\$4,480
Honolulu Station	\$9,778
<u>Admin. & Overhead</u>	<u>\$142,448</u>
Total Indirects	\$185,281
Operating	\$468,387
Return @ 5%	\$23,419
<u>Interest @ 2.9%</u>	<u>\$13,583</u>
Economic Cost	\$505,389
Annual Subsidy	\$424,559

1/ Kahului: $895 \times \$27 = \$24,165$

Honolulu: $1,619 \times \$35 = \$56,665$

2/ Honolulu, C-402: $12 \text{ fts./week } 62.5 \text{ min./ft.} \times 52 \text{ weeks} \times .99 \text{ completion} = 643 \text{ hrs.}$

Kahului, C-402: $12 \text{ fts./week} \times 35 \text{ min./ft.} \times 52 \text{ weeks} \times .99 \text{ completion} = 360 \text{ hrs.}$

Appendix C

**PACIFIC WINGS AIR, INC., ESSENTIAL AIR SERVICE AT
KAMUELA, HAWAII, DOCKET 97-2833**

EFFECTIVE PERIOD: February 1, 2000, until further Department action
SCHEDULED PASSENGER SERVICE: 6 nonstop round trips each week to Honolulu
and 6 nonstop round trips each week to Kahului
AIRCRAFT TYPE: Cessna 402, 8-seats.
PILOTS: 2 Pilots
TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full
compensation.
SUBSIDY RATE PER ARRIVAL/DEPARTURE: \$343.49 ¹
COMPENSATION CEILING EACH WEEK: \$8,246.76 ²

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.

¹ Annual compensation of \$424,559 divided by the estimated annual completed departures and arrivals at a 99 percent completion factor: 24 departures/arrivals x 52 weeks x .99 = 1,236 total.

² Subsidy rate per arrival/departure of \$343.49 multiplied by 24 subsidy-eligible arrivals and departures each week.