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Order 2000-6-1

Served: June 5, 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 June, 2000

Ninety-day Notice of

PENINSULA AIRWAYS, INC.

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

Docket OST-2000-7068 - 2

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

Summary

By this order, the Department is prohibiting Peninsula Airways, Inc., from suspending service at Akutan, Alaska, and requesting proposals from carriers interested in providing replacement essential air service (EAS).

Essential Air Service Definition

By Order 87-11-14 the Department defined EAS for Akutan as requiring at least two weekly round trips to Dutch Harbor or Cold Bay. Service may be provided with small aircraft (10 seats or less) and up to two intermediate stops.

Background

On March 10, 2000, Peninsula filed a 90-day notice to terminate all of its subsidy-free service at Akutan, effective June 8, 2000. The carrier stated that it could no longer operate to Akutan without subsidy support because of the high cost of operating the Grumman Goose aircraft it has historically used to serve Akutan. Peninsula currently provides two daily nonstop round trips to Dutch Harbor with 9-seat Grumman Goose equipment.

Essential Air Service Review

In view of Peninsula's suspension notice we have begun a review of the community's EAS definition and its service needs. Traffic reported at Akutan exceeds that which could be transported with the minimum EAS definition of two round trips a week by a

9-seat aircraft. By the same token, the two round trips a day service that Peninsula currently schedules into Akutan per the May OAG appears to be a level higher than we would guarantee the community. Based on reviewing the last two years of traffic at Akutan and discussions with the carrier, it is clear that traffic has two distinct peak and off-peak periods. (See Appendix B for recent traffic history.) Namely, traffic peaks in the first and third quarters of each year. Likewise, traffic clearly declines in the second and fourth quarters of each year. In addition, the directional imbalance of traffic flows reverses between the peak and off-peak periods. In other words, more traffic enters Akutan than leaves during the peak periods, and vice versa in the off-peak periods. Confronted with such a complex traffic pattern, we will defer changing the community's EAS determination at this time. Rather, we will await service proposals from interested carriers and any further comments from the community and State before we establish a new definition. We will also defer a decision on the level of air service to secure pending receipt of service proposals and comments from the community and State. In the meantime, we will require Peninsula to provide thirteen round trips per week to Dutch Harbor, three of which may be operated on a flagstop basis.

Service Proposals

In accordance with the foregoing discussion, we request service proposals from carriers interested in offering service at Akutan. We will consider service proposals serving either Dutch Harbor or Cold Bay, or both, that provide sufficient capacity to accommodate the historical traffic.

Historical Traffic at Akutan

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 it in Appendix B.

Procedures for Filing Replacement Proposals

For interested carriers not familiar 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 EAS. (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.

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.¹ Consequently, all 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

The community 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.²

Lastly, since Peninsula is the only carrier providing scheduled air service at Akutan, its proposed termination of service would eliminate all air service to the community. Thus, in accordance with 49 U.S.C. 41734, we must prohibit Peninsula from suspending service at Akutan for an initial 30-day period beyond the end to the 90-day notice period, through June 8, 2000, or until suitable replacement service has been inaugurated at the community, whichever comes first.

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

¹ 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 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.

² 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.

ACCORDINGLY;

1. The Department requests that carriers interested in providing essential air service at Akutan, 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 Akutan, Docket OST 2000-7068;
2. The Department prohibits Peninsula from suspending service at Akutan, Alaska, at the end of its 90-day notice period and requires it to maintain thirteen nonstop round trips per week in the Akutan-Dutch Harbor market, three of which may be flagstop, through July 8, 2000, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first;³
3. The Department directs Peninsula 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. This docket will remain open until further order of the Department; and
5. The Department will serve a copy of this order on the community of Akutan, Alaska, the Alaska Department of Transportation and Public Facilities, Peninsula and the carriers and other parties listed in Appendix C.

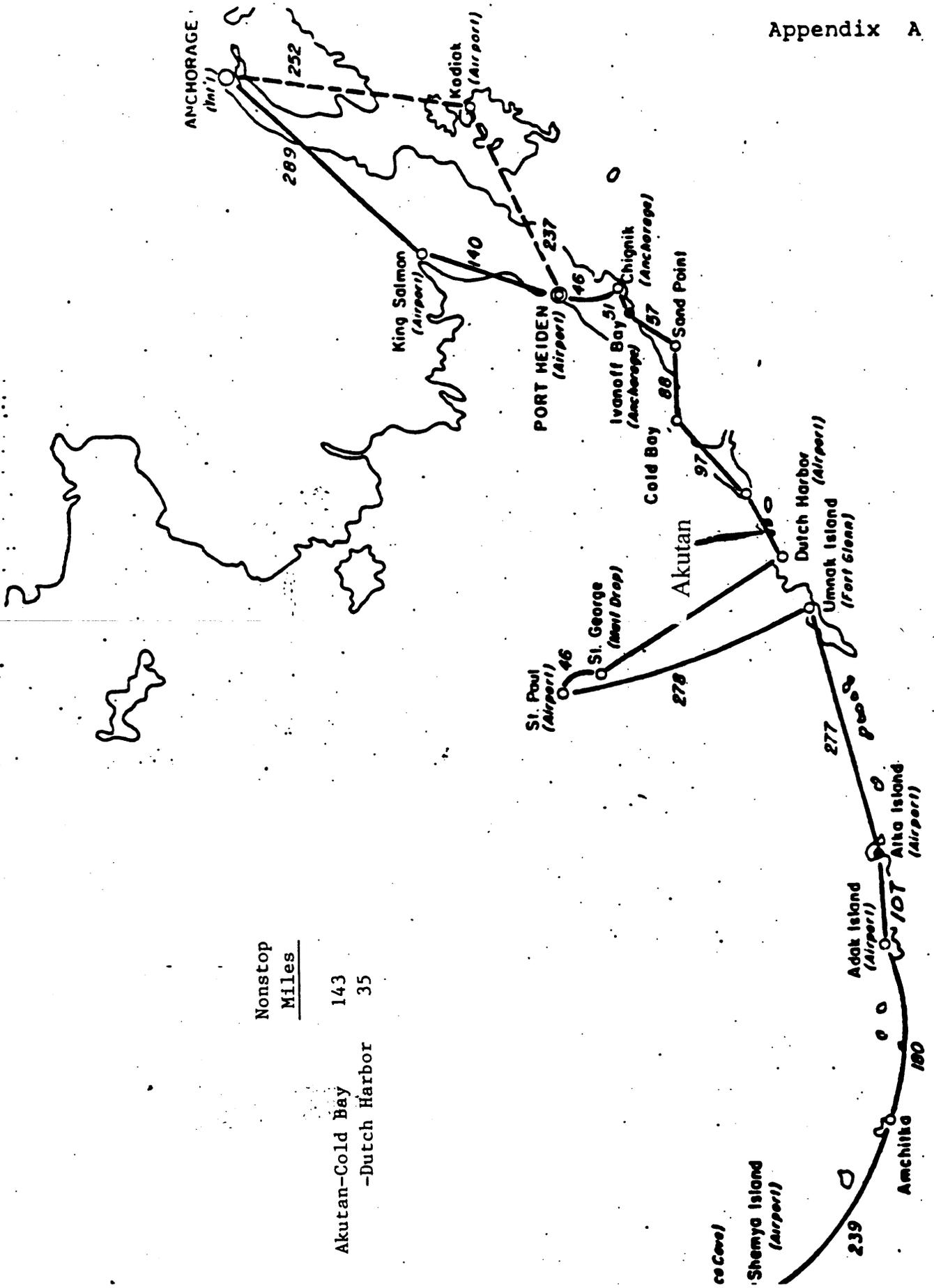
By:

A. BRADLEY MIMS
Deputy 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>*

³ In accordance with 49 U.S.C. 41734(c), we will extend Peninsula's service obligation for successive 30-day periods as necessary until replacement service actually begins.



	Nonstop Miles
Akutan-Cold Bay	143
-Dutch Harbor	35

cc Case)

Historical Traffic at Akutan, Docket 7068

	Qtr. Ended <u>March 1998</u>	Qtr. Ended <u>June 1998</u>	Qtr. Ended <u>Sept. 1998</u>	Qtr. Ended <u>Dec. 1998</u>	Year Ended <u>Dec. 1998</u>
Dutch Harbor to Akutan					
Passengers	1,056	236	673	282	2,247
Freight	19,587	12,210	17,316	13,863	62,976
Mail	<u>29,800</u>	<u>17,799</u>	<u>26,449</u>	<u>25,223</u>	<u>99,271</u>
PEQ Totals	1,302.9	386.0	891.8	477.4	3,058.2
Akutan to Dutch Harbor					
Passengers	692	831	302	645	2,470
Freight	13,090	3,011	150	529	16,780
Mail	<u>7,118</u>	<u>5,470</u>	<u>5,725</u>	<u>5,749</u>	<u>24,062</u>
PEQ Totals	793.0	873.4	331.4	676.4	2,674.2
Origin and Destination					
Passengers	1,748	1,067	975	927	4,717
Freight	32,677	15,221	17,466	14,392	79,756
Mail	<u>36,918</u>	<u>23,269</u>	<u>32,174</u>	<u>30,972</u>	<u>123,333</u>
PEQ Totals	2,096.0	1,259.5	1,223.2	1,153.8	5,732.4
Dutch Harbor to Akutan					
Passengers	762	219	652	233	1,866
Freight	14,631	14,251	11,885	8,479	49,246
Mail	<u>27,925</u>	<u>19,373</u>	<u>21,129</u>	<u>20,287</u>	<u>88,714</u>
PEQ Totals	974.8	387.1	817.1	376.8	2,555.8
Akutan to Dutch Harbor					
Passengers	491	775	292	697	2,255
Freight	17,000	1,262	0	586	18,848
Mail	<u>7,624</u>	<u>9,402</u>	<u>4,477</u>	<u>7,651</u>	<u>29,154</u>
PEQ Totals	614.1	828.3	314.4	738.2	2,495.0
	6.7	9.1	3.5	8.1	6.9
Origin & Destination					
Passengers	1,253	994	944	930	4,121
Freight	31,631	15,513	11,885	9,065	68,094
Mail	<u>35,549</u>	<u>28,775</u>	<u>25,606</u>	<u>27,938</u>	<u>117,868</u>
PEQ Totals	1,588.9	1,215.4	1,131.5	1,115.0	5,050.8

Source: Carrier T-1 Reports

Note: PEQ denotes Passenger Equivalents, 200 lbs. of mail or freight is equivalent to 1 passenger.

SERVICE LIST FOR THE STATE OF ALASKA

Appendix C
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Aaron Air	Golden Plover Air
Aero Tech Flight Service, Inc.	Grant Aviation, Inc.
Air Excursions	Great Northern Air Guides
Air Lift Alaska	Gulf Air Taxi, Inc.
Air Madura	Gulf Aviation, Inc.
Alaska Air Carriers Association	Gulkana Air Service, Inc.
Alaska Airlines, Inc.	Hageland Aviation Services, Inc.
Alaska Bush Carrier, Inc.	Haines Airways, Inc.
Alaska Central Express, Inc.	Heli-Lift, Inc.
Alaska Coastal Airlines, Inc.	Homer Air
Alaska Fly'N Fish Charters	Hudson Air Service, Inc.
Alaska Flyers	Iliamna Air Taxi, Inc.
Alaska Helicopters, Inc.	Island Air Service
Alaska Island Air, Inc.	Island Wings Air Service
Alaska Seair Adventures	Jim Air, Inc.
Alaska West Air, Inc.	K2 Aviation
Aleutian Air, Ltd.	Kachemak Air Service, Inc.
Aleutian Specialty Aviation	Kachemak Bay Flying Service, Inc.
Amerijet International, Inc.	Katmai Air
Arctic Air Alaska, Inc.	Kenai Air Alaska, Inc.
Arctic Circle Air Service, Inc.	Kenai Aviation
Baker Aviation, Inc.	Kenai Fjords Outfitters, Inc.
Bellair, Inc.	Kenair
Beluga Lake Float Plane Service	Ketchikan Air Service, Inc.
Bering Air, Inc.	Ketchum Air Service, Inc.
Bran-Air & Branham Adventures	Kodiak Air Service
Camai Air	Koyukon Air, Inc.
Canning Air Service	Kupreanof Flying Service
Cape Smythe Air Service, Inc.	Kusko Aviation, Inc.
Cassaron Turbo Helicopters	L.A.B. Flying Service, Inc.
Chugiak Aviation	Larry's Flying Service
Clearwater Air, Inc.	Loken Aviation, Inc.
Coastal Helicopters, Inc.	Lone Star Airlines, Inc.
Cordova Air Service, Inc.	Lone Wolf Aero Services, Inc.
CPA Air Service	Maritime Helicopters, Inc.
Customized Alaskan Adventures	MarkAir Express, Inc.
Delta Connection	MarkAir, Inc.
Denali Air	Metroflight, Inc.
Egli Air Haul, Inc.	Midway Airlines, Inc.
Ellis Air Taxi, Inc.	Midwest Express Airlines, Inc.
Ellison Air, Inc.	Misty Fjords Air & Outfitting
ERA Aviation, Inc.	Mountain Aviation
F.S. Air Service, Inc.	Mountain Helicopters
Fishing and Flying	Nash West Aviation, Ltd.
Fiskehawk Aero Services	Natron Air
Forty (40) Mile Air, Ltd.	Nordic Air

Frontier Flying Service, Inc.
Northern Air Cargo, Inc.
Northwest Airlink
Olson Air Service, Inc.
Pacific Wing, Inc.
Peninsula Airways, Inc.
Promech, Inc.
Ram Air, Inc.
Ray Atkins Registered Guide
Rediske Air, Inc.
Reeve Aleutian Airways, Inc.
Regal Air
Reid Air
Rust's Flying Service, Inc.
Ryan Air Service, Inc.
Scenic Mountain Air, Inc.
Seaside Air Service
Security Aviation, Inc.
Seward Flying Service, Inc.
Silver Bay Logging, Inc.
Skagway Air Service, Inc.
Soloy Helicopters, Inc.
Southcentral Air, Inc.
Specialized Air Service
Spernak Airways, Inc.
Sunrise Aviation, Inc.
Tamarack Air, Ltd.
Tanana Air Service
Taquan Air Service, Inc.
Tatonduk Outfitters, Ltd.
Temsco Helicopters, Inc.
Totem Air
Trans-Alaska Helicopters, Inc.
Trans-Porter Alaska, Inc.
Tundra Copters, Inc.

North Star Air Cargo, Inc.
Umiat Enterprises, Inc.
Umiat Enterprises, Inc.
Uyak Air Service, Inc.
Vernair
Warbelow's Air Ventures, Inc.
Ward Air
Wings of Alaska
Woods Air Service, Inc.
Wrangell Mountain Air, Inc.
Wright Air Service, Inc.
Yukon Helicopters
Yutana Airlines, Inc.
Yute Air Alaska, Inc.

Alaska Juneau Aeronautics, Inc.
Ken Bannon
E.B. Freeman
A. Edward Jenner
John McFarlane
Bill Oakes
Kevin Thomas
Pat Dempsey