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Order 2000-6-5

Served: June 9, 2000



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

Issued by the Department of Transportation
on the 7th day of June, 2000

INTRA-ALASKA MAINLINE

SERVICE MAIL RATES

Docket OST-95-429-117

(Docket 38961)

ORDER UPDATING QUARTERLY FUEL COSTS

Summary

By this order the Department is increasing the linehaul portion of the Intra-Alaska mainline mail rates by 7.45%, effective July 1, 2000, to reflect recent large fuel price increases, consistent with the methodology established in Order 99-12-15.

Background

By Order 99-9-13 the Department established final mail rates for carriage of mainline mail for the period October 1, 1999, through September 30, 2000. As discussed in Order 99-12-15, December 17, 1999, the Department agreed to establish quarterly fuel cost updates in view of the spike in fuel prices above the level reflected in the rate established by Order 99-9-13. Most recently, Order 2000-3-13 made a quarterly adjustment to the rate based on third and fourth quarter 1999 fuel costs.

Order 99-12-15 stated that, for future fuel-related adjustments, since the carriers' traffic and financial data are to be reported 45 days after the end of the accounting period, we would make quarterly adjustments effective on the first day of the quarter following the end of the prior reporting period, but would not make any changes to non-fuel costs. The data in Appendix C show that fuel costs have increased to \$.189296 per available ton mile from the \$.150555 rate in the preceding quarter. This produces a 7.45% increase in the overhaul linehaul mail rate as shown in Appendix A. The terminal portion of the mail rate is, of course, unaffected by our update of the linehaul for fuel costs. The next adjustment for fuel costs would be based on data for the quarter ended June 30, 2000, and would be effective for the period October 1, 2000, through December 31, 2000, unless we decide to return to annual updates at that time.

We direct Alaska Airlines to continue to submit special quarterly reports detailing its intra-Alaska fuel cost per ATM for the next update period. The carrier has supplied this information for this fuel adjustment and must continue to do so to enable us to calculate

fuel costs on a quarterly basis. Northern Air Cargo already submits the data on an on-going basis. We also direct Lynden and Tatonduk to work with the staff to provide similar data on an on-going basis so that we may calculate fuel costs on a quarterly basis with them included in the rate update.

ACCORDINGLY,

1. The fair and reasonable final rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901 for the transportation of mail by aircraft having a payload exceeding 7,500 pounds, the facilities used and useful therefor, and the service connected therewith, by each holder of a certificate authorizing the transportation of mail by aircraft within the State of Alaska for the period beginning July 1, 2000, through September 30, 2000, or until further order of the Department, whichever occurs later, are those specified in the attached Appendix A;
2. We direct Alaska Airlines to continue submitting, on a quarterly basis, ¹ no later than 45 days after the end of each calendar quarter, the information required for calculating its intra-Alaska fuel cost per available ton-mile, until further Department action;
3. We direct Lynden and Tatonduk to report information on an on-going basis, no later than 45 days after the end of each calendar quarter, similar to that required of Northern Air Cargo, and to work with the staff so that information is reported on a systematic, on-going basis;
4. This docket will remain open until further order of the Department; and
5. We shall serve this order upon parties on the Service List for this Docket.

By:

A. BRADLEY MIMS
Deputy 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>

¹ NAC already submits the required data on a quarterly basis.

INTRA-ALASKA MAINLINE CLASS SERVICE MAIL RATES

Prior Order: 2000-3-13

Effective: July 1, 2000, through September 30, 2000

(1)	(2)	(3)	(4)
Base Year Rates <u>1/</u>	Effective 4/1/00 thru 6/30/00 <u>2/</u>	1st Quarter Adjustment Factors <u>3/</u>	Effective 7/1/00 Thru 9/30/00 <u>4/</u>

Linehaul Charge per Billing Ton-Mile

Priority	\$1.1969	\$1.5547	39.58%	\$1.6706
Non-priority	\$.7246	\$.9412	39.58%	\$1.0114
Increase in Linehaul Rate from Preceding Quarter		7.45%		

1/ Per Order 82-11-23

2/ Per Order 2000-3-13, Appendix A.

3/ See Appendix B to this order.

4/ Column (1) increased by column (3).

INTRA-ALASKA CLASS SERVICE MAIL RATES COST ADJUSTMENT FACTORS

	Base Year Ended <u>9/30/80</u>	4th Quarter <u>Unit Costs</u>	1st Quarter <u>Unit Costs</u>
Unit Cost per Available Ton-Mile			
Fuel		\$.150555 1/	\$.189296 2/
<u>Nonfuel</u>		<u>\$.368302 1/</u>	<u>\$.368302 1/</u>
Total	\$.399469 1/	\$.518857	\$.557598
Percentage Change from Base Year		29.89% 1/	39.58% 3/

1/ Per Order 2000-3-13, Appendix B.

2/ Appendix C to this order.

3/ \$.557598 divided by \$.399469.

Costs for QE March 31, 2000

	Northern Air Cargo			
	Total	DC-6	Hercules 1/	B-727
System Fuel , P-5.2	\$2,090,363	\$1,636,456	\$0	\$453,907
Intra-Alaska Skd.Hrs., P-2	2,102	1,884	0	218
System Hrs., P-2	2,520	2,280	0	240
Intra Alaska Fuel, Calculated	\$1,764,528	\$1,352,229	\$0	\$412,299
Intra-Alaska Skd.ATMs, P-2	5,879,427	4,607,655	0	1,271,772
Alaska Fuel Cost/ATM, Calculated	\$0.300119	\$0.293474	\$0.000000	\$0.324193

	Alaska Airlines 1/				
	Total	737-200	737-400	737-700	MD-80
Fuel	\$59,582,000	\$5,658,000	\$27,459,000	\$4,222,000	\$22,243,000
Intra-Alaska Skd. Hrs.	6,857	4,581	1,747	0	529
Dometic Hrs.	79,215	6,789	38,814	6,929	26,683
Intra Alaska Fuel, Calculated	\$5,494,729	\$3,817,837	\$1,235,917	\$0	\$440,975
Intra Alaska ATMs	32,469,369	21,364,499	8,660,379	0	2,444,491
Alaska Fuel Cost/ATM	\$0.169228	\$0.178700	\$0.142709	\$0.000000	\$0.180395

Intra-Alaska Fuel	\$7,259,257
Intra-Alaska ATMs	38,348,796
Intra-Alaska Fuel/ATM	\$0.189296

Intra-Alaska Fuel/ATM per Order 2000-3-13	\$0.150555
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1/Per special report filed by carrier.