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Order 2002-4-14
Served: April 17, 2002



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

Issued by the Department of Transportation
on the 17th of April, 2002

INTRA-ALASKA BUSH AND
MAINLINE MAIL RATES

Dockets OST-95-405-109
&
OST-95-429

QUARTERLY FUEL UPDATES AND ORDER TO SHOW CAUSE

Summary

By this order the Department is making the regular quarterly adjustments to the Intra-Alaska mainline and bush mail rates and tentatively concluding that that further fuel-cost adjustments are no longer needed and directing interested parties to show cause why we should not stop this practice.

Tentative Discontinuance of the Quarterly Fuel Updates

First we are making the regular quarterly adjustments to reflect the most recent quarterly changes in fuel costs, effective April 1, 2002, and reflecting fuel expenses for the QE December 31, 2001, consistent with the methodologies established in Orders 99-12-15 and 2000-5-30. The quarterly update produces a 6.02% decrease in the *mainline* linehaul costs and a .94% increase in the *bush* linehaul costs.

Second, as a result of the precipitous spike in fuel prices in 1999, the Department began making quarterly fuel surcharge adjustments to the mail rates so that they would be more responsive to changes in fuel costs. Since that time, fuel prices have generally decreased and stabilized and, in any event, are not as volatile as when we instituted the fuel surcharge. Continuation of the quarterly updates appears to be no longer necessary, and we are proposing to eliminate any further fuel-cost adjustments. Should there be no objections, we would revert to the same procedures in place before the quarterly fuel updates began. For the both the bush and the mainline we propose to extend the rates shown in the appendices to this order as final until the next annual update is concluded. Specifically, for the mainline carriers, the next fuel update would be based on the year ended March 31, 2002, and for the bush carriers the next update would be when we

unfreeze the general rates in conjunction with our evaluation of those rates.¹ We will continue monitoring the bush rate, including fuel, until we have completed our evaluation.

ACCORDINGLY,

1. We direct the United States Postal Service and the Alaska bush and mainline carriers to show cause within 30 days of the service date of this order why we should not terminate our practice of making quarterly fuel adjustments to the intra-Alaska mail rates and instead revert to annual updates of the mail rate for fuel costs;
2. For the mainline carriers, we fix, determine, and publish the proposed final rates specified in Appendix A-Main, to be effective for the period beginning April 1, 2002, until further Department action;
3. For the bush carriers, we fix, determine, and publish the proposed final rates specified in Appendix A-Bush, to be effective for the period beginning April 1, 2002, until further Department action;
4. These dockets shall remain open until further order of the Department; and
5. We will serve this order upon all parties on the Service List for these Dockets.

By:

Read C. Van de Water
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/reports/reports_aviation.asp

¹ But for the fact the bush rate is frozen, the next update for the bush would be based on costs reported for the year ended September 30, 2001, and would be made effective six months later, i.e., on April 1, 2002.

INTRALASKA BUSH MAIL

Prior Orders: 2001-12-9 and 2001-1-12
 To be Effective: April 1, 2002, until further Department action.

	Base Year Rates 1/	Adjustment Factors	New Final Rate 4/	Current Rate Order 2001-12-9	Percentage Increase
Linehaul Charge per Billing Ton-Mile	\$5.9525	82.91% 2/	\$10.8877	\$10.7865	0.94%
Terminal Charge per Pound Originated	\$0.2217	63.01% 3/	\$.3614	\$0.3614	0.00%

Y

1/ Appendix E, Order 90-10-34.
 2/ Appendix B-Bush to this order.
 3/ Order 2001-1-12, Appendix A
 4/ Column 1 adjusted by column 2.

INTRIA-ALASKA BUSH MAIL

	Base Year Ended 9/30/80	Unit Costs OE 9/30/01	Unit Costs OE 12/31/01
Unit Cost per Hour			
Fuel		\$90.35 2/	\$94.80 3/
Nonfuel		\$383.63 2/	\$383.63 2/
Tot	\$261.57 1/	\$473.98	\$478.43
Percentage Change from Base Year		81.21%	82.91%

1/ Order 90-10-34, Appendix B.
 2/ Order 2001-12-9, Appendix B-Bush.
 3/ Appendix C-Bush to this order.

Intra-Alaska Bush Mail--Quarter Ended December 31, 2001
 Summary of Carriers' Fuel Portion of Linehaul Expenses

	Fuel Expense	Block Hours	Unit Costs
1.	A. Island Air	0	\$0.00
2.	Arctic Circle	2,712	\$89.66
3.	Arctic Tpt.	2,035	\$108.19
4.	Baker	683	\$74.00
5.	BellAir	996	\$104.51
6.	Bering	3,598	\$131.64
7.	Camai	1,563	\$58.14
8.	C. Smythe	3,687	\$115.01
9.	ERA-Bush 1/	3,501	\$125.28
10.	Frontier	5,600	\$106.90
11.	Grant	5,395	\$91.84
12.	Hageland	8,005	\$91.43
13.	Ketchikan	0	\$0.00
14.	Larrys	2,417	\$71.99
15.	MarkAir	0	\$0.00
16.	Peninsula	7,931	\$118.97
17.	ProMech	1,107	\$54.49
18.	Tanana	2,446	\$50.54
19.	Taquan 2/	0	\$0.00
20.	Temsko	0	\$0.00
21.	Warbelows	4,182	\$70.87
22.	Wings	1,271	\$47.11
23.	Wright	2,126	\$66.34
24.	Yute	2,015	\$68.81
	Total	61,270	\$94.80

1/ Includes expenses reported for Twin Otters only.
 2/ Taquan is no longer a 401 carrier.

INTRA-ALASKA MAINLINE MAIL

Prior Orders: 2001-12-9

To be Effective: April 1, 2002, until further Department action.

(1)	(2)	(3)	(4)	(5)
Base Year Rates 1/	Adjustment Factors.	New Rate 4/	Current Rate	Change from Prior Rate

Linehaul Charge per Billing Ton-Mile

Priority	\$1.1969	60.70% 2/	\$1.9234	\$2.0465 5/	-6.02%
Non-priority	\$.7246	60.70% 2/	\$1.1644	\$1.2389 5/	-6.01%

Terminal Charge per Pound Originated

Priority	\$.1697	51.12% 3/	\$.2565	\$.2565 5/	0.00%
Non-priority	\$.1458	51.12% 3/	\$.2203	\$.2203 5/	0.00%

1/ Per Order 82-11-23

2/ See Appendix B-Main to this order.

3/ Order 2001-7-1

4/ Column (1) increased by column (2).

5/ Per Order 2001-12-9.

INTRA-ALASKA MAINLINE MAIL COST ADJUSTMENT FACTORS

Base Year	Unit Costs	Unit Costs
Ended	QE 9/30/01	QE 12/31/01
9/30/80		

Unit Cost per Available Ton-Mile		
Fuel	\$.263993 1/	\$.222927 2/
Nonfuel	\$.419027 3/	\$.419027 3/
Tot	\$.399469	\$.641954

Percentage Change from Base Year 70.98% 60.70% 4/

1/ Per Order 2001-12-9, Appendix B-Main.
 2/ Appendix C-Main to this order.
 3/ Order 2001-7-1
 4/ \$.641954/\$.399469

Intra-Alaska Mainline Mail Costs—Quarter Ended December 31, 2001

	Alaska Airlines (AS)				Northern Air Cargo (NAC)			Lynden (LAC)		Air Cargo Express (ACE)			Grand Total
	#621	#617	#612	#655	#711	#216	DC-6	#556	#150	#218	DC-6		
Domestic Fuel 1/	\$3,949,231	\$15,569,705	\$6,479,216	\$11,717,880	\$1,247,080	\$1,044,680		\$463,077	\$157,654	\$1,167,059			
Intra-AK Skd. Bilk. Hrs.	5,191	2,319	323	136	828	1,190		459	465	1,779			
Domestic Total 1/	6,254	31,788	15,024	20,803	842	1,294		703	471	1,807			
Intra-AK Fuel Expense	\$3,277,975	\$1,135,842	\$139,296	\$76,606	\$1,226,345	\$960,718		\$302,350	\$155,646	\$1,148,975		\$8,423,753	
Intra-AK Skd. ATMs	24,145,828	10,879,806	1,308,644	637,320	5,560,492	3,023,669		2,862,089	403,080	3,981,208		52,802,136	
Unit Cost/ATM, Fuel	\$,135757	\$,104399	\$,106443	\$,120200	\$,220546	\$,317733		\$,105640	\$,386142	\$,288600		\$,159534	
Intra-AK Mail RTMs 2/	1,596,801	21,220	248	262	1,193,720	728,062		923,844	214,931	2,263,121		6,942,209	
RTM Percent of Total	23.00%	0.31%	0.00%	0.00%	17.20%	10.49%		13.31%	3.10%	32.60%		100.00%	
Wld. Cost/ATM, Fuel	\$0.031224	\$0.000324	\$0.000000	\$0.000000	\$0.037934	\$0.033330		\$0.014061	\$0.011970	\$0.094084		\$0.222927	

1/ ACE and NAC had no international operations; Alaska Airlines separately reported its international operations.

2/ As flown, i.e., by segment.

Source: Carrier internal reports and Form 41.