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Order 2001-2-15

Served: February 22, 2001



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

Issued by the Department of Transportation  
on the 16th day of February, 2001

Essential Air Service at

**ADAK, ALASKA**

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

Docket OST-2000-8556 - 5

**ORDER REQUESTING PROPOSALS**

**Summary**

By this order, the Department is requesting proposals from carriers interested in providing essential air service (EAS) at Adak, Alaska.

**Background**

By Order 80-1-167 the Department defined EAS for Adak, Alaska, as requiring five round trips a week in the peak period and four in the off-peak to Anchorage. Service must be provided with large aircraft (60 seats or more) and may make up to two intermediate stops. On April 1, 1996, Reeve Aleutian Airways, Inc., (Reeve) filed a 90-day notice of its intention to suspend its subsidy-free air service at Adak, Alaska, consisting of two round trips a week between Adak and Anchorage with Boeing 727 aircraft. Order 96-5-20 permitted Reeve to terminate its service as soon as Peninsula inaugurated its proposed replacement service of four subsidy-free round trips a week to Dutch Harbor with Metro III aircraft. Reeve elected not to suspend service and Peninsula thus did not inaugurate replacement service.

On December 5, 2000, Reeve ceased operating scheduled service, leaving Adak with no scheduled air service. Because of the emergency nature of Reeve's suspension and because it appeared from informal discussions that no other carrier was interested in providing replacement service, the Department by Order 2000-12-11 made a temporary selection of and set a final rate for Peninsula Airways to be effective December 11, 2000, until further Department action. Service was to consist of six nonstop round trips per week to Dutch Harbor with 8-seat Cessna Conquest twin-turbo-prop aircraft in the amount of \$291,247 annually. In response to Reeve's shutdown, Peninsula has attempted to meet a number of communities' needs throughout the Aleutians on an

emergency basis. As a result, Peninsula's reliability at Adak has not been up to its usual standards.

### **Essential Air Service Review at Adak**

As mentioned, the Department set a final rate for Peninsula in Order 2000-12-11 to be effective on an emergency basis until further Department action. Our hope was that the subsidy would be very short-term in nature to cover some start-up costs and that long-term subsidy would not be required. Thus we did not formally request competitive bids at that time. It now appears that subsidy may be required for more than just a start-up period, and we will thus now request proposals for long-term replacement service at Adak.

Adak is a small community located toward the end of the Aleutian chain. The nearest connecting hubs are Dutch Harbor, 445 miles, Cold Bay, 616 miles, and Anchorage, 1,192 miles distant. Per the February Official Airline Guide, Dutch Harbor has three daily round trips to Anchorage. Two of the round trips are provided by Peninsula--one with a 19-seat Metro III,<sup>1</sup> and one with a 34-seat SF-340. Also, Alaska Airlines operates one daily round trip with a jet. Peninsula provides Cold Bay's only service with two round trips per day to Anchorage with Metro III aircraft.

The makeup of the community of Adak has changed over the last several years. Once the site of a large naval base that has now closed, it has now only about 150-200 year-round residents. Also, a number of employees of private contractors continue to need access to Adak in connection with environmental protection projects connected with the base closing and the reuse of the extensive facilities at Adak. There is also a small fishing industry. We have included as Appendix B traffic recently carried by Reeve before it ceased operations. Recognizing the changing conditions at Adak, we contacted the community. After extensive discussions with a number of outside contractors, the local fishing industry, and members of the community, they prepared traffic forecasts for Adak. As shown in Appendix B and discussed below, the community projects there would be significantly more Adak traffic through Cold Bay as opposed to Dutch Harbor.

The community officials indicate that Anchorage is their primary community of interest, and that service to other airports serves only as a means of getting passengers and cargo to Anchorage. They would prefer jet service to Anchorage to anything else, while recognizing the tradeoff between size of aircraft and frequency of service. The community feels it is critical that passengers be able to rely on getting to or from Anchorage in a single day, whether flying by jet or small aircraft, and no matter which intermediate stops are made or connecting hubs used. Otherwise, passengers must suffer the expense and inconvenience of over-nighting at Dutch Harbor for at least a day, and maybe several if there is bad weather. The community feels that service with

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<sup>1</sup> A Metro may be configured with up to 19-seats. Peninsula, because of the long stage lengths involved, takes out three seats and substitutes a lavatory. Also, Peninsula at times configures its Metros for 10 seats in order to load additional cargo.

larger aircraft to Cold Bay would be more conducive to that goal of same-day service to Anchorage than would small aircraft service to Dutch Harbor.

The community prefers Cold Bay as a connecting hub compared to Dutch Harbor because "it is possible to land in Cold Bay a much larger percentage of the time because their weather is better and the airport has longer and easier to access runways. There have been many days this year that Adak weather was good and since Dutch [Harbor weather] was bad, our plane had to cancel."<sup>2</sup> If Adak's only service were to Dutch Harbor, the community contends that fishing crews might choose to rotate crews at other islands and contractors might choose to charter aircraft in from Anchorage rather than depend on unreliable scheduled service from Dutch Harbor. In addition, the community asserts that there has been seat preemption by Dutch Harbor originating passengers, and this would prevent Adak's Anchorage-bound passengers from being able to reliably complete the flight to Anchorage in a single day.

Finally, the community prefers service with larger aircraft, pointing out that there have been several times when Peninsula, because of the limited capacity of its aircraft, has had to fly passengers but leave their baggage behind. Bad weather and limited daylight operating hours in the winter create very narrow operating windows. Thus small planes cannot consistently be relied on to transport large volumes of traffic by offering extra sections or more frequent schedules.

### **Service Proposals**

As a general matter, we will entertain proposals to Anchorage, Cold Bay, and Dutch Harbor that provide access to the national air transportation system in order to give the Department and community as broad an array of proposals as possible from which to choose. We do not wish to discourage any carrier from submitting a proposal at this time. However, it does appear that the community's service needs would best be met with aircraft no smaller than 19-seats, such as the Metro III, an aircraft twice the size that Peninsula is currently using. We note that Peninsula currently provides subsidized service to Atka, a point located between Adak and Dutch Harbor. Peninsula may be able to combine its Atka and Adak subsidized service that could result in increased frequency of service to each with medium-size aircraft. In a separate but related matter, Peninsula has notified the Postal Service that it does not object to Northern Air Cargo being tendered the mail to St. Paul for once-a-week service even though the once-a-week frequency does not meet equitable tender minimums. We will explore with potential applicants the possibility of carriers with large equipment providing the extra lift of large all-cargo aircraft at Adak as well, in the event service with large combination passenger/cargo aircraft does not materialize.

We have included historical traffic carried by Reeve as well as traffic projections prepared by the community in order to help applicants make their own traffic, revenue, and subsidy projections. Of course, as always, we will formally solicit the community's

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<sup>2</sup> February 6, 2001, comments of Adak Reuse Corporation. Page (1).

views on any service options we receive before making a long-term carrier selection and service decision.

### **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.<sup>3</sup> 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 non-discrimination, 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.

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<sup>3</sup> 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.

### **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.<sup>4</sup>

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 Adak submit their proposals, with subsidy if necessary, within 20 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 Adak, Docket OST 2000-8556;"
2. This docket will remain open until further order of the Department; and
3. The Department will serve a copy of this order on the community of Adak, Alaska, the Alaska Department of Transportation and Public Facilities, Peninsula Airways, Inc., and the carriers and other parties listed in Appendix C.

By:

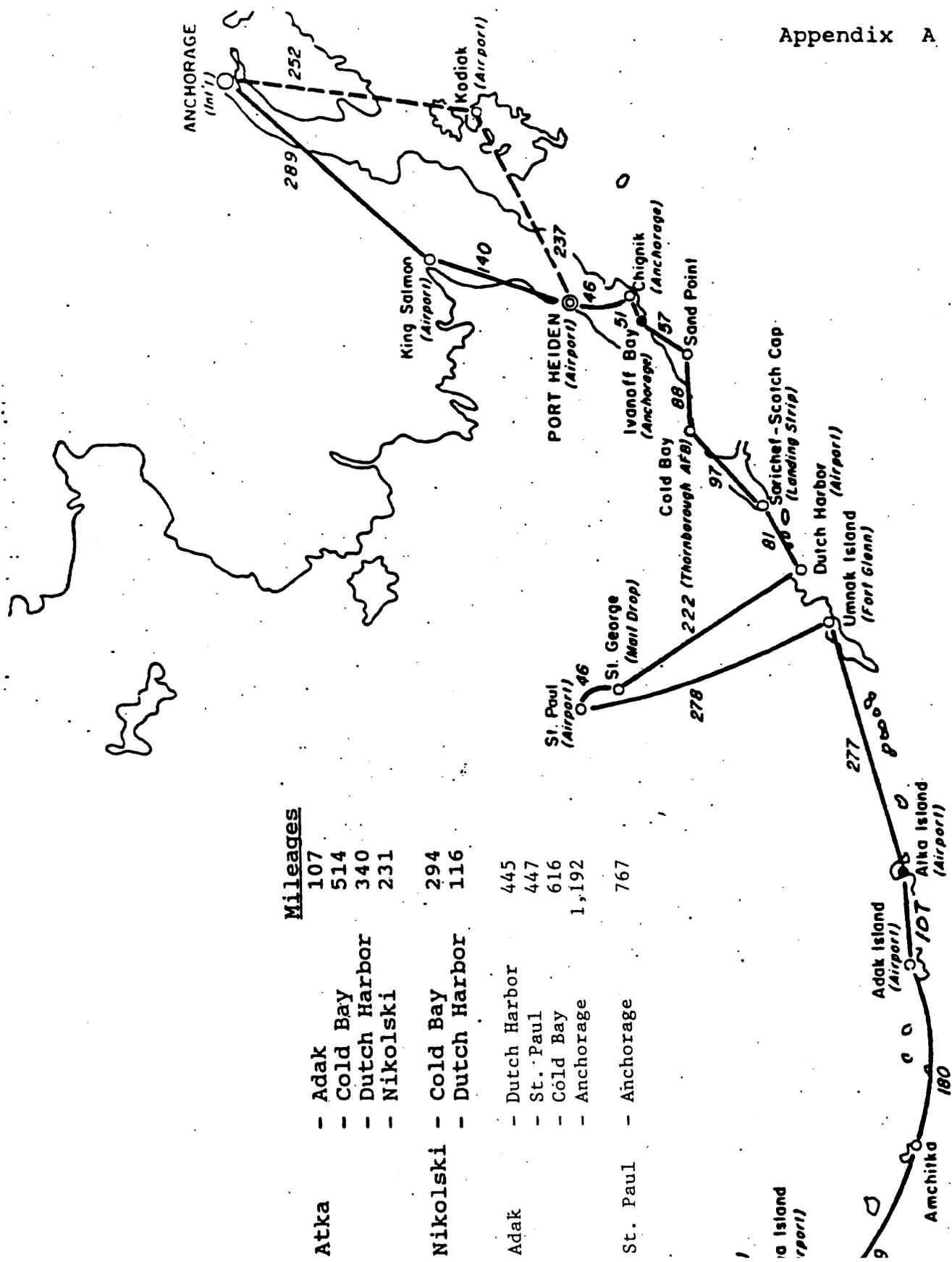
**Susan McDermott**  
Deputy Assistant Secretary for Aviation  
And International Affairs

(SEAL)

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

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<sup>4</sup> 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.



Mileages

- Adak	107
- Cold Bay	514
- Dutch Harbor	340
- Nikolski	231
- Nikolski - Cold Bay	294
- Dutch Harbor	116
- Dutch Harbor	445
- St. Paul	447
- Cold Bay	616
- Anchorage	1,192
- St. Paul - Anchorage	767

Historical Traffic Reported by Reeve Aleutian Airways

	Adak to Anchorage				Anchorage to Adak			
	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's
1st. Qtr. , Calc.	428	11,020	8,100	523.6	600	228,220	75,660	2,119.4
2nd Qtr. 99	737	20,000	13,160	902.8	732	371,020	105,860	3,116.4
3rd Qtr. 99	847	78,460	14,920	1,313.9	809	264,040	119,280	2,725.6
4th Qtr. 99	601	43,960	29,460	968.1	421	170,780	99,180	1,770.8
1st. Qtr. 00	524	14,500	16,880	680.9	696	152,700	117,720	2,048.1
2nd Qtr. 00	556	26,760	21,480	497.0	NA	NA	NA	NA
3rd Qtr. 00	833	26,160	72,560	1,326.6	750	155,980	142,380	2,241.8
YE 9/30/00, Adj.	2,514	111,380	140,380	3,472.6	2,599	850,480	465,140	9,177.1

Note: 2nd Qtr. 2000 Enplanement data from the T-3A, not T-100.

Note: YE 9/30/00 calculated by using T3A data for enplanements and substituting QE 6/30/99 for QE 6/30/00.

Projected Traffic with Service to Anchorage Thru Cold Bay

	Adak to Anchorage				Anchorage to Adak			
	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's
QE 6/30/01	613	14,000	13,650	751.3	676	132,000	92,400	1,798.0
QE 9/30/01	654	18,000	13,650	812.3	559	102,000	92,400	1,531.0
QE 12/31/01	293	14,000	9,750	411.8	238	83,000	66,000	983.0
QE 3/31/02	371	14,000	6,135	471.7	491	84,000	42,546	1,123.7
YE 3/31/02	1,931	60,000	43,185	2,447.1	1,964	401,000	293,346	5,435.7

Projected Traffic with Service to Anchorage Thru Dutch Harbor

	Adak to Anchorage				Anchorage to Adak			
	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's	Pax.	Frt. Lbs.	Mail Lbs.	PEQ's
QE 6/30/01	200	3,000	13,650	283.3	200	6,000	92,400	692.0
QE 9/30/01	200	3,000	13,650	283.3	200	6,000	92,400	692.0
QE 12/31/01	140	1,500	9,750	196.3	140	2,000	6,600	183.0
QE 3/31/02	115	1,500	6,135	153.2	115	1,300	42,546	334.2
YE 3/31/02	655	9,000	43,185	916.1	655	15,300	233,946	1,901.2

Note: PEQ indicates passenger equivalents. 200 lbs. of freight or mail equals one passenger.

## SERVICE LIST FOR THE STATE OF ALASKA

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

SERVICE LIST FOR THE STATE OF ALASKA

Northern Air Cargo, Inc.	Umiat Enterprises, Inc.
Northwest Airlink	Umiat Enterprises, Inc.
Olson Air Service, Inc.	Uyak Air Service, Inc.
Pacific Wing, Inc.	Vernair
Peninsula Airways, Inc.	Warbelow's Air Ventures, Inc.
Promech, Inc.	Ward Air
Ram Air, Inc.	Wings of Alaska
Ray Atkins Registered Guide	Woods Air Service, Inc.
Rediske Air, Inc.	Wrangell Mountain Air, Inc.
Reeve Aleutian Airways, Inc.	Wright Air Service, Inc.
Regal Air	Yukon Helicopters
Reid Air	Yutana Airlines, Inc.
Rust's Flying Service, Inc.	Yute Air Alaska, Inc.
Ryan Air Service, Inc.	
Scenic Mountain Air, Inc.	Alaska Juneau Aeronautics, Inc.
Seaside Air Service	Ken Bannon
Security Aviation, Inc.	E.B. Freeman
Seward Flying Service, Inc.	A. Edward Jenner
Silver Bay Logging, Inc.	John McFarlane
Skagway Air Service, Inc.	Kevin Thomas
Soloy Helicopters, Inc.	Pat Dempsey
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.	