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Order 2001-1-15



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

Issued by the Department of Transportation
On the 19th day of January, 2001

Served: January 24, 2001

Essential Air Service at

CAPE YAKATAGA, ALASKA
ICY BAY, ALASKA

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

Docket OST-1996-2009 - 5

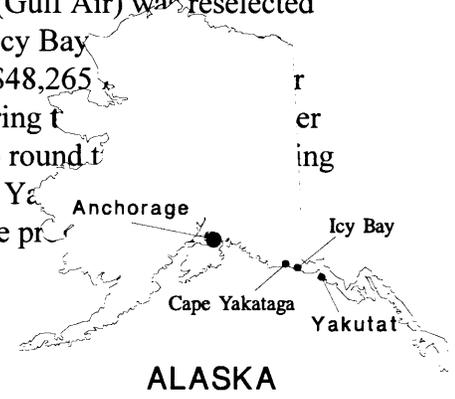
ORDER TENTATIVELY SELECTING CARRIER
AND SETTING FINAL SUBSIDY RATE

Summary

The Department is tentatively reselecting Gulf Air Taxi, Inc., to continue providing essential air service at Cape Yakataga and Icy Bay, Alaska, for the period beginning November 1, 2000, and ending October 31, 2002, at an annual subsidy of \$61,739.

Background

By Order 98-12-7, issued December 7, 1998, Gulf Air Taxi, Inc. (Gulf Air) was reselected to continue providing essential air service at Cape Yakataga and Icy Bay for an additional two-year period. Subsidy was set at an annual rate of \$48,265 for the period through October 31, 2000, for three round trips a week during the routing Yakutat-Icy Bay-Cape Yakataga-Yakutat; and for two round trips during the off-peak season—one over the routing Yakutat-Icy Bay-Cape Yakataga-Yakutat and one over the routing Yakutat-Icy Bay-Yakutat.¹ Service was to be provided by Gulfstream 185 or Cessna 206, with 4 available passenger seats.



¹ Gulf Air was permitted to operate service via intermediate points provided such service did not result in more than two stops in either the Cape Yakataga-Yakutat or the Icy Bay-Yakutat markets.

As is our normal custom when nearing the end of a carrier's rate term, we contact the carrier to determine whether it is interested in continuing service at the community and whether it will continue to require subsidy. If the carrier wishes to continue service with subsidy, we usually negotiate a new subsidy rate with the carrier, issue an order tentatively reselecting the carrier for a new two-year rate term at the agreed rate, and direct other parties to show cause why we should not finalize our tentative decision. Other carriers wishing to submit competing proposals are invited to do so in response to the show-cause order. If any such proposals are filed, we process them as a competitive case.

Consistent with that practice, we invited Gulf Air Taxi to submit a proposal for continuation of essential air service at Cape Yakataga and Icy Bay

Carrier Proposal

Gulf Air Taxi submitted a proposal to provide essential air service at Cape Yakataga and Icy Bay for a new two-year rate term. Service would be provided with Cessna 185 or 206 aircraft with 4 available passenger seats.

Gulf Air Taxi's proposal contemplates the continuation of the carrier's current service, both in terms of frequencies and aircraft types:

Six-Month Peak: 3 r.t. each week Yakutat-Icy Bay-Cape Yakataga-Yakutat

Six-Month Off-Peak: 1 r.t. each week Yakutat-Icy Bay-Cape Yakataga-Yakutat and 1 r.t. each week Yakutat-Icy Bay-Yakutat

Subsidy: \$61,739 per year

Tentative Reselection

Gulf Air Taxi continues to provide Cape Yakataga and Icy Bay with reliable essential air service and we find that both the service and subsidy levels are reasonable. In view of the above, we will tentatively reselect Gulf Air Taxi to provide essential air service at Cape Yakataga and Icy Bay, at the service and subsidy level stated above, for a new two-year period beginning November 1, 2000, and ending October 31, 2002. As set forth in Appendix B, service is to be provided with 4-seat Cessna 185 or 206 aircraft at an annual subsidy of \$61,739.

We will give interested persons 20 days from the date of service of this order to show cause why we should not make final our tentative decision to reselect Gulf Air Taxi to provide essential air service at Cape Yakataga and Icy Bay, at the service and subsidy levels discussed above. We expect persons objecting to our tentative decision to support their objections with relevant and material facts. We will not entertain general, vague or unsupported objections.

Carriers interested in filing competing proposals, with or without subsidy requests, should file them within the 20-day period set for objections. At the end of that period, our staff will docket any competing proposals, thereby making them public, and direct each applicant to serve a copy of its proposal on the civic parties and other applicants. We will give full consideration to all proposals that are timely filed.

Service should consist of at least two round trips each week to the hub. As a general matter, we request proposals that would provide service at levels commensurate with those tentatively selected here. We will also entertain proposals to other hubs that provide access to the national air transportation system in order to give the Department and communities as broad an array of proposals as possible from which to choose. Of course, as always, we will formally solicit the views of the communities and State on any service options we receive before making a long-term selection decision. In order to help carriers in their passenger and revenue forecasts, we have included historical traffic data in Appendix A.

Procedures for Filing Replacement Proposals

For interested carriers unfamiliar 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 essential air service. (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.² Consequently, all

² 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

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

If we receive competing proposals, the communities 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.³

Carrier Fitness

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Gulf Air Taxi is a registered air taxi and has operated successfully for a number of years. We last reviewed the fitness of Gulf Air Taxi when we selected it to provide essential air service at Cape Yakataga and Icy Bay in Order 98-12-7. Gulf Air Taxi remains subject to the Department's continuing fitness monitoring. No information has come to our attention that would lead us to conclude that Gulf Air Taxi does not continue to be fit.

The Federal Aviation Administration states that it knows of no reason to question Gulf Air Taxi's fitness. We therefore conclude that the carrier remains fit to conduct the operations proposed here.

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

Federal Financial Assistance; and 14 CFR Part 382, Nondiscrimination on the Basis of Handicap in Air Travel.

³ In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not normally hold rate conferences. Instead, we rely on the carrier's subsidy-free service as proposed.

ACCORDINGLY,

1. We tentatively reselect Gulf Air Taxi, Inc., to provide essential air service at Cape Yakataga and Icy Bay, Alaska, as described in Appendix B, for the period beginning November 1, 2000, through October 31, 2002;
2. We tentatively set the final rate of compensation for Gulf Air Taxi, Inc., for the provision of essential air service at Cape Yakataga and Icy Bay, Alaska, as described in Appendix B, for the period from November 1, 2000, through October 31, 2002, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceilings set forth in Appendix B, and shall be determined by multiplying the subsidy-eligible arrivals and departures completed during the month by \$474.92;⁴
3. We direct Gulf Air Taxi, Inc., 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 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. We find that Gulf Air Taxi, Inc., continues to be fit, willing and able to operate as an air taxi and capable of providing reliable essential air service at Cape Yakataga and Icy Bay, Alaska;
5. We direct interested parties having objections to the selection of Gulf Air Taxi, Inc., to provide essential air service as described in ordering paragraph 1 above, at the rate set forth in ordering paragraph 2 above, to file such objections or competing service proposals no later than 20 days from the date of service of this order;⁵
6. If we receive objections or competing proposals within the 20-day period, Gulf Air Taxi, Inc., will be compensated at the subsidy rate set forth in ordering paragraph 2 above as a final rate, effective November 1, 2000, until all objections are resolved;

⁴ See Appendix C for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

⁵ Objections should be filed with the Documentary Services Division, SVC-121.30, Room PL401, Department of Transportation, 400 7th Street, S.W., Washington, DC 20590. Proposals to provide essential air service should be filed with the Chief, EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, at the same address. Questions regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

7. We will afford full consideration to the matters and issues raised in any timely and properly filed objections and service proposals before we take further action.⁶ If no objections or competing service proposals are filed, all further procedural steps will be deemed waived and this order shall become effective on the twenty-first day after its service date;
8. Docket OST 96-2009 shall remain open until further order of the Department; and
9. We will serve copies of this order on the communities of Cape Yakataga and Icy Bay, the Alaska State Department of Transportation and Public Facilities, the Governor of Alaska, Gulf Air Taxi, Inc., and the parties listed in Appendix D.

By:

FRANCISCO SANCHEZ
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>*

⁶ Since we are providing for the filing of objections to this order, we will not entertain petitions for reconsideration.

**CAPE YAKATAGA & ICY BAY, ALASKA
HISTORICAL TRAFFIC**

		<u>ICY-YAK</u>	<u>YAK-ICY</u>	<u>CYT-YAK</u>	<u>YAK-CYT</u>	<u>Cargo (lbs.)</u>
1997	1Q	13	30	0	0	10,454
	2Q	38	59	3	6	6,495
	3Q	43	38	3	3	10,318
	4Q	19	22	5	3	5,909
1998	1Q	14	32	0	1	4,445
	2Q	22	29	4	4	13,896
	3Q	26	47	2	1	9,058
	4Q	24	31	3	2	3,298
1999	1Q	10	23	1	3	4,945
	2Q	22	38	1	3	10,625
	3Q	42	57	4	1	5,299
	4Q	17	12	2	2	4,548
2000	1Q	8	32	2	1	6,825
	2Q	43	82	6	6	7,848
	3Q	45	82	3	3	4,190
	4Q					

**GULF AIR TAXI, INC.
PROVISION OF ESSENTIAL AIR SERVICE
AT CAPE YAKATAGA & ICY BAY, ALASKA
SUMMARY OF ESSENTIAL AIR SERVICE TO BE PROVIDED**

EFFECTIVE PERIOD	November 1, 2000, through October 31, 2002
SERVICE	Six-Month Peak: 3 r.t. each week Yakutat-Icy Bay-Cape Yakataga-Yakutat Six-Month Off-peak: 1 r.t. each week Yakutat-Icy Bay-Cape Yakataga-Yakutat and 1 r.t. each week Yakutat-Icy Bay-Yakutat
AIRCRAFT TYPES	Cessna 185 or 206 (4-seat)
TIMING OF FLIGHTS	Flights must be well timed and well spaced to ensure full compensation.
OTHER SERVICE	Service via intermediate stops permitted provided such service does not result in more than two stops in the Cape Yakataga-Yakutat or Icy Bay-Yakutat markets.
SUBSIDY RATE	Per year - \$61,739 Per round trip: \$474.92 ¹ Weekly Ceiling: ² Peak - \$1,424.76 ³ Off-peak: \$949.84 ⁴

Note: The carrier may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of this rate order, including the service plan outlined in this order and any other significant elements of the required service, without prior approval. 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/ Cost per round trip calculated as follows:

Annual subsidy of \$61,739 divided by total number of scheduled yearly round trips (130) =
\$474.92

2/ Calendar weeks that fall into separate calendar months will be treated as part of the latter month for the purposes of calculating both calendar weeks per month and the monthly compensation.

3/ Weekly ceiling during peak season calculated as follows:

3 round trips per week x \$474.92 = \$1,424.76

4/ Weekly ceiling during off-peak season calculated as follows:

2 round trips per week x \$474.92 = \$949.84

**GULF AIR TAXI, INC.
SUBSIDY CALCULATION FOR SERVICE AT
CAPE YAKATAGA AND ICY BAY, ALASKA**

Block Hours: 258 1/

Routing: Peak: 3 r.t./week Yakutat-Icy Bay-Cape Yakataga-Yakutat

Off-peak: 1 r.t./week Yakutat-Icy Bay-Cape Yakataga-Yakutat

1 r.t./ week Yakutat-Icy Bay-Yakutat

Aircraft type: Cessna 185 or 206 (4 available passenger seats)

Revenue

Passenger Revenue	<u>Passengers</u>	<u>Fare</u>	
Icy Bay	321	\$ 80	\$25,680
Circle	25	\$100	<u>2,500</u>
Total Pass. Rev.			\$28,180

Cargo Revenue <u>2/</u>	<u>Pounds</u>	<u>Rate</u>	
	23,511	0.30	<u>\$ 7,053</u>
Total Revenue			\$ 35,233

Direct Expense

	<u>Rate/BL</u>	
Pilot Wages	\$56.00	\$14,448
Fuel & Oil	\$48.68	12,559
Insurance	\$43.93	11,334
Maintenance	\$73.42	18,942
Depreciation	\$53.00	<u>13,674</u>
Total Direct Expense		\$70,957

Indirect Expense

Dispatcher		\$5,558
Overhead	\$42.35	<u>10,926</u>
Total Indirect Expense		\$16,484

Total Operating Cost	\$87,441
Interest	5,159
Profit Element (5% of T.O.C.)	<u>4,372</u>
Total Economic Cost	\$ 96,972

Compensation Requirement \$61,739

Footnotes

1/ Block hours calculated as follows:

YAK-ICY-CYT-YAK = 2.1 block hours

YAK-ICY-YAK = 1.5 block hours

Peak block hours: 3 r.t. per week x 2.1 hours x 26 weeks = 164

Off-peak block hours: 1 r.t. per week x 2.1 hours x 26 weeks = 55

1 r.t. per week x 1.5 hours x 26 weeks = 39

258 block hours

2/ We understand that the communities of Cape Yakataga and Icy Bay no longer are eligible to receive direct mail delivery from the U.S. Postal Service. The carrier currently receives additional limited revenue for carrying mail as cargo that is not reflected in the total cargo revenue. This matter may be subject to further discussions during the next rate renewal.

SERVICE LIST FOR THE STATE OF ALASKA

Aaron Air
 Aero Tech Flight Service, Inc.
 Air Excursions
 Air Lift Alaska
 Air Madura
 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
 Allegheny Commuter airlines, Inc.
 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 Service
 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 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, Inc.
 Loken Aviation, Inc.
 Lone Star Airlines, Inc.
 Lone Wolf Aero Services, Inc.
 Maritime Helicopters, 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.
 Northern Air Cargo, Inc.
 Northwest Airlink
 Olson Air Service, Inc.
 Pacific Wing, Inc.
 Peninsula Airways, Inc.
 Precision Valley Aviation, 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
 Spemak Airways
 Sunrise Aviation, Inc.
 Tamarack Air, Ltd.
 Tanana Air Service
 Taquan Air Service, Inc.
 Tatonduk Outfitters, Inc.
 Temsko Helicopters, Inc.
 Totem Air
 Trans-Alaska Helicopters, Inc.
 Trans-Porter Alaska, Inc.
 Tundra Copters, Inc.
 Umiat Enterprises, Inc.
 Uyak Air Service
 Vemair
 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
 Kevin Thomas
 Pat Dempsey
 P. Richard Steinman III