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Order 2001-1-18
Served: January 29, 2001



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

Issued by the Department of Transportation
on the 24th day of January, 2001

Ninety-day Notice of

ERA AVIATION, INC.

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

Docket OST-2000-8488 - 18

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

Summary

By this order, the Department is prohibiting Era Aviation, Inc., an Alaska Airlines code-share operator, from suspending service at Iliamna, Alaska, and requesting proposals from carriers interested in providing replacement essential air service (EAS).

Essential Air Service Definition

By Order 80-1-167 the Department defined EAS for Iliamna as requiring seven round trips a week in the peak period and four in the off-peak to Anchorage. Service must be provided with at least intermediate-size aircraft (30-60 seats) and may make up to two intermediate stops.

Background

On December 7, 2000, Era filed a 90-day notice to terminate all of its subsidy-free service at Iliamna, effective March 8, 2001. The carrier stated that it could no longer operate to Iliamna in light of increased insurance and fuel costs, and the reduction in passengers associated with the disastrous commercial-fishing and sport-fishing season. Era currently provides three daily nonstop round trips to Anchorage with 37-seat DeHavilland Dash 8 equipment.

Essential Air Service Review

In view of Era's suspension notice we have begun a review of the community's EAS definition and its service needs. Historical traffic reported at Iliamna is shown in Appendix B. The need for seasonal service shows up very clearly in the data, with Era's traffic in the third quarter of each year exceeding slightly the level of traffic in the other nine months of the year combined. We further note that Northern Air Cargo (NAC) provides a significant level of all-cargo service to Iliamna, carrying more mail and freight than Era.

Iliamna is located 195 statute miles from Anchorage with a mountain range in between. Other than Anchorage, nearby hubs include King Salmon (97 miles) and Dillingham (136 miles). Providing service to either of these hubs would require a significant backhaul for Anchorage-Iliamna passengers. Given the foregoing, it appears that Anchorage is the appropriate hub for Iliamna. We note that Era's current service is slightly below the four round trips per week required by Order 80-1-167. However, NAC is currently providing a significant level of service with large aircraft to Iliamna, and Era's three round trips a week with Dash 8s can comfortably accommodate historical traffic, including the mail and freight it has historically carried, at reasonable load factors over the critical outbound legs to Iliamna. On that basis we will not require Era to increase its service at this time.

Consistent with our normal procedures, we will await service proposals from interested carriers and any further comments from the community and State before, if appropriate, we establish a new EAS 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.

Community Comments

We have received a number of comments from local government, businesses, and individuals to Era's notice to suspend, including the Mayor of Newhalen, the Newhalen Tribal Council, the Igiugig Tribal Village Council, and the Iliamna Village Council. We also received a letter signed by over 100 members of Iliamna Village and Newhalen City.

The letter, signed by over 100 members of the two cities supports Era for their "quality service, safety record and capabilities of having stretchers available for emergency use. [We also need] 30-seat or larger aircraft in the height of our school sports season, as well as other cultural activities in the winter months. Without the larger [aircraft] service of ERA, it would be a hardship to get to Anchorage to meet our medical appointments, shopping, etc. Even if there is other service available, most of their aircraft are just too small to accommodate our needs." The Igiugig Village Council notes that Era's service to Anchorage costs \$130 per person one way, while King Salmon, the next closest option, requires more than \$280. Also, "having been declared a Federal economic disaster area in 1998 and attempting to develop strategies to

overcome its effects, it would be extremely detrimental to lose this valuable and vital service.” The council supports funding for “4 flights per week year round with an aircraft providing 30-60 seats. Era Aviation’s record for safe, efficient service and experience is greatly appreciated and depended on.” The Iliamna Village Council feels that “ERA has provided excellent service to Iliamna and it will only improve if they can use the Dash 8 which meets the requirements of Order 80-1-167.” The community also notes that Era’s service is the link for other communities, including Kokhanok, Nondalton, Pedro Bay, Pope Vannoy, and Port Alsworth, to Anchorage.

Service Proposals

As a general matter, we will entertain proposals to hubs other than Anchorage 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 needs service with pressurized equipment to Anchorage. Service to other nearby hubs such as Dillingham and King Salmon would require a significant backhaul for passengers, the majority of whose ultimate destination is Anchorage. By the same token, service to Anchorage appears to require flying over a mountain range. This fact, combined with the relatively long stage length of 195 miles would appear to rule out un-pressurized aircraft. Of course, as always, we will formally solicit the community’s views on any service options we receive before making a long-term carrier selection decision.

Historical Traffic at Iliamna

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 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.

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 Era is the only carrier providing scheduled passenger air service at Iliamna, its proposed termination of service would eliminate all passenger service to the community. Thus, in accordance with 49 U.S.C. 41734, we must prohibit Era from suspending service at Iliamna for an initial 30-day period beyond the end to the 90-day notice period, through April 7, 2001, 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 Iliamna, 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 Iliamna, Docket OST 2000-8488;
2. The Department prohibits Era from suspending service at Iliamna, Alaska, at the end of its 90-day notice period and requires it to maintain three nonstop round trips per week in the Iliamna-Anchorage market, through April 7, 2001, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first;³
3. The Department directs Era 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 Iliamna, Alaska, the Alaska Department of Transportation and Public Facilities, Era and the carriers and other parties listed in Appendix C.

By:

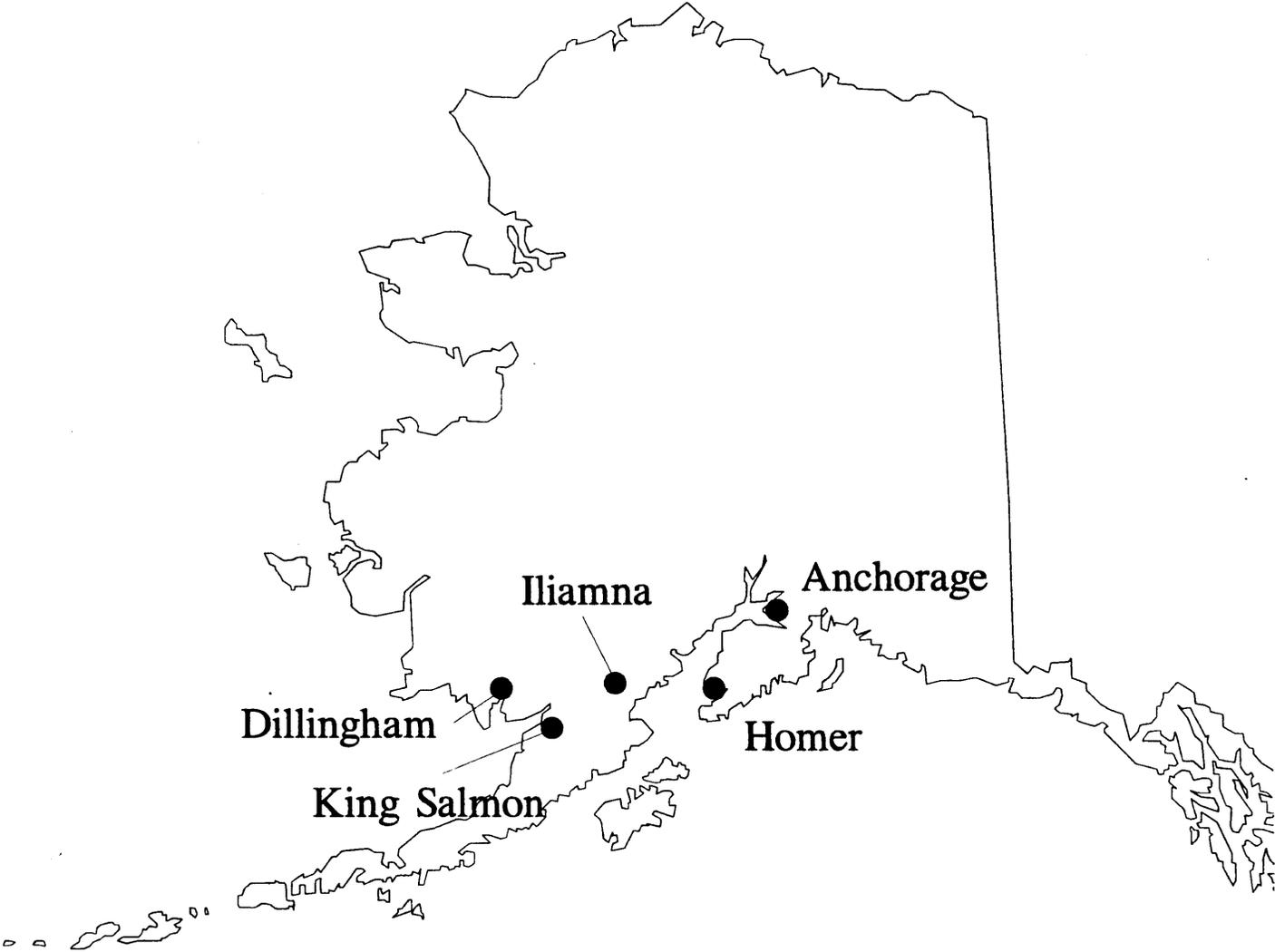
Susan McDermott
Deputy Assistant Secretary for Aviation
And International Affairs

(SEAL)

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

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

Appendix A



Mileages

Iliamna - Anchorage	195
- King Salmon	97
- Dillingham	136
- Homer	120

Era Aviation

	Anchorage to Iliamna		Iliamna to Anchorage		Origin and Destination	
	Pax.	Frt. Lbs. Mail Lbs.	PEQ's	Pax.	Frt. Lbs. Mail Lbs.	PEQ's
QE 6/30/98	926	4,799 56,613	1,233.1	663	486 9,359	712.2
QE 9/30/98	3,613	7,733 145,108	4,377.2	3,770	4,858 7,054	3,829.6
QE 12/31/98	665	3,720 48,325	925.2	844	632 9,163	893.0
QE 3/31/99	324	1,397 20,897	435.5	293	295 6,422	326.6
QE 6/30/99	748	2,322 34,043	929.8	515	1,351 10,008	571.8
QE 9/30/99	3,722	6,735 65,905	4,085.2	3,811	6,424 12,132	3,903.8
Total	5,459	14,174 169,170	6,375.7	5,463	8,702 37,725	5,695.1
QE 12/31/99	636	1,495 45,930	873.1	825	981 9,129	875.6
QE 3/31/00	384	2,048 28,128	534.9	382	347 6,842	417.9
QE 6/30/00	796	6,321 46,064	1,057.9	579	283 12,487	642.9
QE 9/30/00	2,682	5,829 67,625	3,049.3	2,674	1,976 10,085	2,734.3
Total	4,498	15,693 187,747	5,515.2	4,460	3,587 38,543	4,670.7
Northern Air Cargo						
QE 6/30/99				28,860	13,700	212.8
QE 9/30/99			NA 1/	177,100	23,920	1,005.1
QE 12/31/99				38,140	8,700	234.2
QE 3/31/00				28,040	7,400	177.2
QE 6/30/00				19,200	11,680	154.4
QE 9/30/00				207,580	14,540	1,783.7
Total			NA 1/	292,960	42,320	2,349.5

1/ Not Available. All-cargo carriers such as NAC are not required to report de-planement data.

Note: PEQ's refer to passenger equivalents--200 lbs. of mail and/or freight.

SERVICE LIST FOR THE STATE OF ALASKA

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.	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.	