

Served: January 25, 2001

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

REQUEST FOR COMMENTS REGARDING REVISED REPORTING
AND OTHER MAIL RATE ADJUSTMENTS
DOCKETS 1995-405-⁸⁴ AND 1995-429-¹³⁰
INTRA-ALASKA BUSH AND MAINLINE MAIL RATES

NOTICE

On June 30, 2000, The Consolidated Carriers petitioned the Department requesting an extension to file responses to an earlier Request for Comments (RFC) by the Department. Specifically, they requested that initial comments be required 30 days after the service date of a notice, with additional replies to the comments to be filed no later than 15 days after the initial comment filing date.

We have decided to grant their petition. The earlier RFC received only partial distribution, and granting this petition will put everyone on the same basis. Also, some carriers had indicated that it would have been a hardship to respond to the earlier RFC because it would have required comments during the peak season. The peak season has now passed.

There are two attachments to this notice. Attachment I is a revised RFC regarding issues raised by the mainline carriers and the Postal Service in that proceeding and by the Postal Service in the bush proceeding, requesting the parties to answer several specific questions. Attachment II is the minutes to the May meeting in Alaska attended by carriers, primarily the bush operators, the Postal Service, and representatives of the Department and State of Alaska, and will provide further background for those parties that did not attend the meeting.

There have also been a series of pleadings by the Mainline Carriers and responses by the Postal Service, beginning on March 10, 2000, by Northern Air Cargo. Orders 2000-8-14 and 2000-11-9 have dealt with some of the issues raised in the pleadings, specifically the weighting of carrier costs by the amount of mail transported, but some issues remain outstanding. We invite the mainline carriers to comment on the issues in the attachment as well.

After examining the comments, the Department will determine what if any further steps should be undertaken. We construe the various petitions by the Postal Service and the

Mainline Carriers as suggestions for specific methodological or procedural relief, rather than as formal petitions to open mail rates under Subpart G of 14 CFR Part 302. Nevertheless, we wish to give these and other concerns expressed by Alaska carriers, bush and mainline, due consideration, without implying any predisposition as to their legal or policy merits. We therefore request all parties to Dockets 1995-405 and 1995-429 to supply comments and supporting information as requested in Attachment I within 30 days of the service date of this notice, and replies to the comments to be filed no later than 15 days after the initial comment filing date. Comments should be sent to: U.S. Department of Transportation, PL 401, Docket Operations, 400 7th Street, SW, Washington, D.C. 20590, Docket 1995-405 for bush and Docket 1995-429 for mainline. ¹

We shall serve this notice on all persons on the service list in both dockets.

By:

Francisco J. Sanchez
Assistant Secretary for Aviation
and International Affairs

Date: January 22, 2001

(SEAL)

An electronic version of this document will be made available on the World Wide Web at <http://dms.dot.gov/general/orders/aviation.html>

¹ The original submission is to be unbound and without tabs on 8 1/2" x 11" white paper using dark ink (not green) to facilitate use of the Department's docket imaging system. In the alternative, filers are encouraged to use the electronic submission capability available through the Dockets/DMS Internet site ([http://dms dot gov](http://dms.dot.gov)) by following the instructions on the web site

Attachment I

Request for Comments

On March 2, 2000, the Postal Service filed an objection to Order 2000-1-10 tentatively updating bush mail rates, asserting that the Department's bush mail update procedure is methodologically flawed. Essentially, the Postal Service argued that the Department should update linehaul rates based on indices that reflect the historical changes in speed and capacity of the aircraft used, and terminal rates on a basis that recognize, for example, the significant difference in size between a twin-engine Piper Navajo and a single-engine Cessna 207. On April 1, the Department issued Order 2000-4-1 indicating the Postal Service had raised fundamental questions well beyond the scope of that simple rate update order. We updated the rates in accordance with past update procedures, but directed the parties to meet with Department staff to discuss the issues raised by the Postal Service. On May 9 and 10 a number of carriers met in Anchorage with representatives of the Department of Transportation and the Postal Service. A synopsis of that meeting is included as Attachment II.

On May 23 Alaska Airlines filed a motion for a change in mainline mail rate updates. Besides the issue of modifying the update procedures by weighting unit costs by the amount of mail carried, which we dealt with in Orders 2000-8-14 and 2000-11-9, Alaska Airlines wished to resolve the issue of adding Alaska Central Express (Express), a carrier operating bush aircraft transporting mainline mail, by either adding Express to the mainline cost pool or by basing linehaul costs on unit costs per revenue ton mile (RTM). On May 31 NAC answered in support of the motion of Alaska Airlines, and further stated that the current mail rate system in Alaska is unfair to NAC in at least two respects. First, the current system underpays NAC due to the diversion¹ of mail revenue by Express from NAC. Secondly and more fundamentally, postage rates paid by postal customers are substantially lower than cargo rates paid by cargo shippers. These cargo shipments that would in fact be flown by NAC are being converted to mail shipments by shippers due to the aforementioned price differential, and on top of that such converted cargo shipments are then "equitably" shared with other carriers, including Express.

The purpose of this attachment is to apprise all of the parties to the bush and mainline dockets of the results of the meeting on May 9 and 10 with the bush carriers and the Postal Service summarized in Attachment II, and to give them an opportunity to file written comments regarding issues raised at the meeting or any other issues believed to affect the setting of bush and mainline mail rates within Alaska. Since not all of the carriers attended, we ask all carriers to carefully review the attached synopsis of that meeting and provide us with their positions on the issues discussed. We note that some of the issues raised in the May 9 and 10 meeting may directly affect mainline as well as bush mail rates, to the extent that the mail systems in Alaska for both groups are woven together because

¹ NAC argues that Express is able to divert mail only because of an unintended result of the Department's equalization and the Postal Service's equitable-tender policies which provide little or no benefit to the Postal Service and its customers or the general public.

the bulk of bush mail is first carried by mainline carriers and then transferred to bush carriers.

Specifically, we solicit comments on the following topics raised at the meeting, without any implication as to their legal and/or policy merits, and without limiting the raising of other mail rate issues for our consideration:

1. Should the Alaska carriers fully convert to the T-100 reporting system? The bush carriers would cease reporting Schedules A-1, E-1, T-1, and departures and block hours on Schedule F-2. The mainline carriers would start reporting traffic statistics for their intra-Alaska all-cargo operations. Copies of the T-100 diskettes have already been mailed out to a number of carriers. We ask that those carriers that have not yet received the diskettes to contact Kevin Adams at 202-366-1047 so that copies may be sent. Parties should examine the diskettes closely. If you have technical questions regarding the diskette, you may contact Ms. Jennifer Fabrizi at 202-366-8513. ²
2. For the mainline and bush carriers, should new update indices (RTMs or ATMs for the linehaul and Tons Enplaned for the terminal) and associated T-100 reporting be phased-in for setting and updating mail rates and if so when? ³
3. How burdensome would it be for bush and mainline carriers to submit past period data on the T-100? (Reporting old data would speed up the review process.) ⁴
4. Should the T-100 data be reported on a continuing basis by the bush and mainline carriers, or should it be done on a one-time, *ad hoc* basis?
5. Which of the following levels of detailed review, if any, arranged by increasing order of detail and complexity of the current mail rate system, do you prefer? ⁵
 - a. Update changes in inflation by changes in unit costs per RTM or ATM for the linehaul category and Tons Enplaned for the terminal changes. Currently the bush rate is updated by costs per block hour and per weighted departure. Should bush costs be weighted by the amount of mail carried, as they now are for the mainline?
 - b. A streamlined base-rate investigation for the bush and mainline carriers. Essentially, none of the difficult, judgmental issues decided upon in the earlier

2 Mainline combination carriers already report the T-100 for their combination operations in Alaska. We ask that the mainline carriers review the possibility of reporting their Intra-Alaska all-cargo operations on the T-100 diskettes provided to most of the bush carriers, and that they retain whatever historical data they have in case that data becomes important to potential changes to the system.

3 At the bush meeting in early May, it was argued by some parties that the Department should change its update procedures. Other than the option of maintaining the status quo, all of the changes to the current methodology contemplate using Revenue Ton Miles or Available Ton Miles instead of Block Hours to update the linehaul changes, and Tons Enplaned instead of Weighted Departures to update the terminal changes.

4 We reserve judgment on requiring carriers to use the diskettes to compile the T-100 information. However, because of our desire for expedition once any decision may be made, we will require carriers to retain any records in their possession that may be necessary for completing the T-100 diskettes.

5 Other ideas were discussed by the parties, but they would require legislation. As this is a regulatory proceeding we are not specifically requesting comments on proposals that would require legislation.

base investigations, as discussed in Orders 90-10-45 and 82-11-23 *et al*, including the directionality of mail, regional mail rates, weighting of the relative cost causative factors of mail vis-à-vis other traffic, and interest/taxes/rate of return on equity issues, would be modified;

c. A full-blown investigation, similar to that conducted during the years 1986-1990 for the bush carriers. ⁶

6. Should the Department's equalization policy be modified? Warbelow's Air Ventures has proposed modifying what it views as the current system's bias against carrier mergers. ⁷ Should the elimination of this barrier be limited to the bush?

7. Assuming the current update system is changed to reflect changes in costs per RTM or ATM and per Ton Enplaned, as well as weighting of carrier costs by amount of mail transported by each carrier: Should a transition procedure be established to phase-in any changes? Should carriers be required to report the average capacity of each aircraft type in their fleet, on some basis such as Zero Fuel Weight, so that better data than Jane's, used by the Postal Service in its March 2 objection to Order 2000-1-10, is relied on?

8. For both classes of carriers, would there be a basis for the Department's setting a lower mail rate in city pairs where there is excess capacity or too many carriers? Is there a basis to raise the mail rate for city pairs where there is insufficient capacity? How should such excess or insufficient capacity be measured?

9. Primarily for the bush carriers, should we require increased reporting of costs, revenues, balance sheets, or other, on either an *ad hoc* or on-going basis? Should insurance costs, liability and hull, have their own separate lines on the reports? Clearly, if return on investment issues were to be reviewed, Balance Sheets and perhaps Aircraft Inventories corresponding to those required in 1986 would need to be submitted by the carriers.

10. Should a third "class" rate be added to the current two, such as one for intermediate-size aircraft that might have lower unit costs than the smaller bush aircraft but higher than the unit costs of mainline aircraft?

⁶ If any parties think that this is the route we should take, it would be in their interest in their response to this notice to discuss not only which issues decided upon in the earlier investigation they would now revisit, but also what special data would have to be submitted by the carriers and the Postal Service to support their contentions, as arguments without factual support will, as always, carry little or no decisional weight.

⁷ Currently, when two carriers merge, the merged carrier receives reduced shares of mail because of the equitable tender rule. Warbelow's argues that this is an artificial "barrier to exit."

Attachment II

Minutes to Anchorage Meeting

Reporting Issues

A diskette copy of the T-100 reporting system was presented to each carrier present, and Bureau of Transportation Statistics (BTS) representatives reviewed the T-100 reporting system with the parties. BTS staff suggested that replacing the current Form 298C reporting, (Schedules A-1, E-1, T-1, and block hours and departures on Schedule F-2) with T-100 reporting as reflected in the diskette might simultaneously be easier for the carriers to accurately complete and provide the Department with more detailed data critical for calculation and evaluation of mail rates. Using the diskettes provided, the carriers would no longer have to summarize their data and provide those summaries to the Department. Rather, the program would itself prepare the required summary reports once the data was input.

Significant T-100 Issues:

1. Several carriers indicated they already have the information required in the T-100 generated in their internal reporting systems. Although it would not be possible at this time to simply download their internal reports onto the T-100 diskette, the diskette allows carriers to input the monthly summaries from those reports into the diskette. Thus, instead of those carriers reporting for each non-stop segment all of the T-100 information, those carriers' monthly totals could be inputted directly onto the diskette;
2. Carriers would like to first try the T-100 system on a pilot basis before committing to its long-term use. Several carriers, including the Consolidated Carriers, Frontier Flying, Arctic Transportation, and Tanana Air Service volunteered to do, on an experimental basis, a "dry-run" of the T-100 diskette and report back to the rest of the industry;
3. BTS indicated that Available Seat Miles should be reported on the basis of seats actually installed and available for sale, not on the basis of insured seats. However, they argued that this should not prove burdensome to the carriers, because the average number of seats available for sale on any particular individual city-pair segment could be determined on a one-time basis and be applied to the remainder of the segments operated, rather than requiring a data entry clerk to separately calculate this figure for each entry;
4. BTS indicated that Available Ton-Miles should be reported on the basis of the Zero Fuel Weight, or when the segment is weight restricted on the basis of an average calculated for that segment on a very infrequent basis, similar to the calculation of Available Seat Miles above;
5. BTS recommends that data entry of the T-100 be done by experienced staff, not by entry-level personnel with limited experience and less likelihood of extended employment with the company;

6. Operation of Scheduled Extra Sections should be reported as scheduled service, not charter/non-scheduled service. The Alaska definition of Charter—where the customer pays for the entire aircraft as opposed to a specific seat or precise volume of cargo--would remain in effect. Carriers would begin to account separately for cargo on charter flights;
7. BTS recommends that the T-100 be reported monthly, not quarterly. While this may seem unnecessarily burdensome, they argue it is not. If quarterly reports were submitted and errors discovered, carriers would have to refile the entire quarter, not just a single month. Since the program calculates the data once it is input, monthly input would require no additional effort compared to quarterly input. The only additional burden would be the need for the carriers to mail the diskettes to the Department monthly instead of quarterly; ¹
8. A combi flight that just happens to have cargo but no passengers on it, would continue to be included under the combi flight category. In other words, how the flight is scheduled dictates its classification.
9. BTS will review the aircraft codes classification of the Beech C-90 as number “111.”

In a separate reporting issue, the Postal Service had indicated it was receiving barely sufficient lift at some Southeast Alaska communities, probably because of the greater cost of operating float equipment. Department staff clarified that expenses and traffic should be separately reported for amphibious or float equipment, as outlined in the Recurrent Reporting Requirements, available upon request. In other words, if a carrier's fleet consisted of three Cessna 206 aircraft—one being land-based, one amphibious, and one float, it would report two categories of aircraft: Land based C-206, number “035”; and amphibious/float C-206, number “092”.

Mr. Hank Myers stated that the Department had no need for Income Statement or Balance Sheet information to calculate rates, and so the Department is precluded from requiring this information. Mr. Myers maintained that acquiring this information would reflect “idle curiosity” on the part of the Department. Also, he indicated most of the carriers' financial statements may be obtained from Dun and Bradstreet's Reports.

The Department is soliciting comments regarding the possible conduct of a base-rate investigation of undetermined scope. As always, positions of the parties should be supported by relevant and material facts, *i.e.*, data. If a base rate investigation is decided upon, one possible procedural path would have the parties first lay out their positions on the issues and what data would need to be reported in order to allow parties to substantiate those positions, before we initiated the base-rate investigation. ² For example, whether or not the Department

¹ In subsequent discussions with Mr. Hajducovich, he indicated that once the program was up and running, it might be easier for the data to be compiled quarterly. Carriers with sophisticated data systems could input a quarter's summary more easily than a monthly summary. Also, DOT financial information is quarterly, not monthly, and so quarterly T-100 information would be more useful to the carriers themselves than monthly data. Finally, because the T-100 information does not provide on-going information other than through the summary, it might be more useful to smaller carriers to have the T-100 generate data for their internal use if it were quarterly.

² Normally, our procedures require that petitioners for a new base rate incur the burden of preparing exhibits supporting the reasonableness of the rates requested, to prevent unsubstantiated requests for *ad hoc*

decided to reopen the issue of Return on Investment in a base rate investigation, would determine whether carrier Balance Sheet data were required. In other words, a more detailed base rate investigation would require additional data reporting.

Non-Reporting Issues

Suggested Improvements and Adjustments to the Current Mail System

A number of carriers and the Postal Service expressed concern that the current Alaska mail system, which in many respects has served Alaska well over the years, is in jeopardy. They asserted that combi carriers (carriers transporting passengers, mail, and freight) are threatened by all-cargo carriers, because all-cargo operators don't pay passenger liability insurance nor do all-cargo carriers incur the costs of conforming to Part 121 like operators of larger bush aircraft.³ They also contend that all-cargo carriers are not held to the same scheduled service standards as combi carriers because all-cargo operators, unlike combi operators, do not typically fly a scheduled flight when there is insufficient traffic; thus they incur no variable costs on such unoperated flights. This problem is aggravated, they assert, by the Postal Service's dispatch procedures of dispatching bypass mail, which constitutes the bulk of all mail, in large, irregular batches. (See further discussion below, especially under the Postal Service Extension of the Kotzebue Experiment to Fairbanks.) Carriers must move all of those shipments inside a brief time-window established by the Postal Service or risk losing that allotment of mail. After the carrier receives its allotment of mail, it may go for extended periods with no further large shipment of mail. Conversely, it is more difficult for a combi carrier to cancel a particular money-losing flight on an *ad hoc* basis, even when only one passenger shows up for that flight. It is also more difficult for combi carriers to dedicate their combi aircraft solely to moving mail during the time-window provided by the Postal Service when their bypass shipment is dispatched. Mr. Hajducovich of Frontier Flying Service asserted he is seriously considering, as are a number of combi carriers, becoming an all-cargo operator, which he believes would virtually guarantee him a profit.

Mr. Arthur Warbelow of Warbelow's Air Ventures believes the current mail distribution system arbitrarily prevents carriers from exiting the market by merger, and thereby encourages excess capacity. He presents an analogy of two sets of carriers contemplating merger, one set inside Alaska and the other outside. Normally, after merger the traffic generated by the combined entity would be equivalent to the sum of the prior levels. However, in Alaska, this is not the case. For example, when two of three carriers in a single market, each qualifying for an equitable share of mail, merged, the mail share of the combined entity would automatically decrease from two-thirds to one-half under current Postal Service rules. He argues that this causes excess capacity because it is an artificial "barrier to exit."

adjustments. However, some flexibility may be needed in the case of bush rates, because of the dearth of consistent and comparable economic data.

³ However, it was argued that it would be inappropriate for the Postal Service to pick up the cost of passenger liability insurance because it is not a mail-cost causative factor.

The Postal Service firmly believes that the presence of so many carriers in some Alaska markets is *prima facie* evidence that the mail rates are too high. In fact, they assert, the presence of an excessive number of carriers may actually drive up operating costs in that market.⁴ Between Chicago and Denver there are three carriers providing nonstop service; between Fort Yukon and Fairbanks, there are ten carriers providing service. The Postal Service also believes that the current mail system fails to provide incentives for carriers--either to provide better than the required minimum service level or to offer reduced rates at individual markets when appropriate.

Mr. Grant Thompson of Cape Smythe indicated that the problem of aging aircraft was looming over the industry. Much of the current bush mail fleet in Alaska might be grounded in the near future if more stringent aging-aircraft standards are adopted by the Federal Aviation Administration.

Mr. Bob Hajducovich of Frontier Flying Service presented a proposal which he argued could be added on as an adjunct to the current mail system that would improve its performance. To give a concrete example of his remedy, he indicated that if guaranteed all of the mail in the Fairbanks to Fort Yukon market, Frontier would simultaneously be able to:

1. increase its scheduled service to three round trips a day with 19-seat Beech 1900s--a pressurized, twin-turboprop, Part 121 aircraft, and
2. significantly reduce, by roughly 50%, its charge for carriage of mail and passenger ticket prices.

In further discussions with Mr. Hajducovich he indicated that mail contracts could be awarded on a long-term, perhaps 2-year basis, similar to the awarding of subsidy contracts under the Essential Air Service program. As contemplated by Mr. Hajducovich, both the community and Postal Service would be encouraged to make their wishes known as to which of the competing carrier/service proposals should be selected. Competing passenger and freight service would be allowed to continue in that particular market in a completely deregulated manner. He maintains there would actually be more genuine competition than currently because the Postal Service's regulated, equal dispatch of mail would be replaced by a managed-bid system. Among other possible carrier selection criteria, the Department could include the need to continue having several carriers operating out of single regional hubs to maintain potential competition and ready replacement service if a carrier failed or was replaced earlier than the agreed-to expiration of the contract for egregious failure to abide by its terms.

After discussion of these problems among the carriers and the Postal Service, Mr. Adams of the Office of Aviation Analysis said that while Mr. Hajducovich's proposal would require congressional action to permit it to go forward, even on an experimental basis. He indicated that the current mail system might be improved so that rates more closely matched rates by adjusting the mail rate based on the number of carriers or the presence of low load factor in a

⁴ Alaska Central Express (Express) operates only bush aircraft, but competes in mainline markets. It appears that it can do this because the high-volume of mail in the markets where it chooses to compete allows it to reduce its terminal costs per ton enplaned to levels at least as low as that of mainline operators, and because it can operate its small planes at a higher load factor than the larger mainline aircraft, so that their costs per RTM are commensurate with the mainline carriers. In other words, Express's high frequency operation in large volume markets allows it to fully utilize its assets at these markets. Conversely, the presence of a large number of carriers resulting from the Postal Service's equitable tender policy of giving any qualifying carrier an equal share of the mail can increase operating expenses in such markets.

specific city pair. In other words, excess capacity in a particular market would be construed as *prima facie* evidence that the rate, in that market, is too high. As background, the current class rate system sets the average bush mail rate for all of Alaska, adjustable only for linehaul mileage and class of carrier, mainline or bush. Obviously costs are not the same between high-volume and small-volume markets within mainline and bush categories, between communities with water landing sites and those with paved runways, or among the North Slope, the Aleutians and Central Alaska. The two-fold consequence of having an Alaska-wide class rate, an administratively desirable goal, is insufficient capacity at some markets with above average costs of serving, but at markets with below average costs of serving, carriers continue to enter and provide additional capacity until load factors at those markets are driven down sufficiently that no earnings are generated at those markets either.⁵ One carrier raised the concern that if there were a provision for reduced rates at markets served by many carriers, there should be a corresponding allowance for increased rates above the class rate average at markets with a shortage of competition.

Postal Service Extension of the Kotzebue Experiment to Fairbanks

The Postal Service indicated that the Kotzebue service experiment has been a major success. In a nutshell, the Kotzebue experiment tries to even out over shorter time periods the tendering by bypass mail of unequal flows of mail. Currently, while the Postal Service may “equitably distribute” mail over time, a carrier may get no mail for weeks at a time, but then receive a very large shipment that the carrier is obligated to transport within a brief window of time. This current system, the Postal Service feels, has the less desirable feature of encouraging carriers not to operate their schedules except on days when its large bypass shipment is dispatched. The Postal Service is also concerned that, in response to a National Transportation Safety Board finding, that this system encourages unsafe operation of aircraft. For example, if that bulk delivery occurred on a day when there was marginal weather, the carrier would have the incentive to deliver it or risk losing it should another carrier volunteer to deliver it. And under this “feast or famine” scenario, the carrier choosing not to operate in marginal weather would go to the back of the line waiting for its next large shipment. At Kotzebue, the Postal Service breaks down the mail shipments into much smaller pieces and has been able to more evenly tender mail to carriers.

Base Rate Review Concerns

The meeting was called because the Postal Service felt there were conceptual problems with the bush update procedure, *i.e.*, that the update systematically overstates the rates because it incorrectly measures changes inflation by relying on changes in block hour and departure-related unit costs without regard to the changes in average capacity of the fleet of aircraft serving the bush nor the speed of those aircraft. Paraphrasing the Postal Service, bigger, faster, aircraft can move an equivalent pile of mail with fewer flights, fewer block hours and departures and, thus, at less total cost. The Department’s rate update procedures appear to be a hybrid by updating terminal expenses by weighted departures but linehaul expenses by block hours unweighted by size of aircraft.

⁵ As noted, Alaska Central Express has one of the lowest terminal costs on an enplaned ton basis, presumably reflecting the small size of its aircraft relative to those markets, which allows it to keep its fixed assets at those points fully utilized.

The Postal Service states that the current methodology overstates the rates because presumably cheaper, all-cargo carriers operate more now than during the base period. Furthermore, as carriers have argued in the mainline mail proceeding, proper costing requires more weight be attached to carriers that carry more mail, and so weighting of carriers' costs by the amount of mail each transports would produce a decrease in the mail rate for the bush carriers.

The carriers maintain that the update procedures used by the Department may actually understate the rate, because load factors may be lower now than during the base rate investigation. Furthermore, costly changes in the Postal Service's service standards and procedures have occurred since the base rate was established. These changes are properly assignable to mail only, but are allocated among mail, freight, and passengers by the Department's update procedures.

It was suggested by Kevin Adams that while the Postal Service and carriers had shown conceptual difficulties with the Department's update indices, they had not demonstrated empirically that there was a problem. There is, of course, no data on how load factors or the mix and cost of all-cargo vis-à-vis combi carriers has changed over time. And the Postal Service's argument on speed of aircraft would be very difficult to demonstrate. However, it may be possible to demonstrate that aircraft, have in fact gotten bigger over time. If the Postal Service persists in pursuing an interim adjustment to the rate, the Department might ask all of the carriers to submit data on the Zero Fuel Weight of their aircraft, which may be the best and simplest estimator of the aircraft's capacity in order to weight block hour costs by size of aircraft, as we already do for the terminal.

Otherwise, it appears that the Postal Service's concerns with the bush update might be addressed by substituting Revenue Ton Miles (RTMs) or Available Ton Miles (ATMs) for the linehaul and Tons Enplaned for the update. (It is not clear how the parties would view the extension to the bush carriers of the Department's recent weighting in the mainline proceeding of carrier costs by amount of mail carried). To carry out this endeavor of determining costs by RTMs or ATMs, the carriers would probably have to begin reporting their data on the T-100 diskettes. Mr. Adams noted that available information indicated that while the Postal Service had some perhaps valid conceptual criticisms of the Department's terminal update methodology, it appears that use of a terminal update methodology corresponding to what the Postal Service proposes would produce a result very close to what the current update methodology produces.

Attendees of May 9 and 10 meeting

Attendees: Air Cargo Express (Tatonduk), Susan Hoshaw and Esther Green; Arctic Circle, Steve Anderson; Arctic Transportation, John Eckles; Cape Smythe, Grant Thompson; Consolidated Carriers, Hank Myers; Frontier Flying Service, Bob Hajducovich; Haines Air, Ruth Danner; Island Air, Olivia Perry and Jamie Godwin; Northern Air Cargo, Butch Halford; Peninsula Airways, Scott Bloomquist; Servant Air, Gigi McKenney; Tanana Air Service, Fred Ciarlo; Warbelow's Air Ventures, Arthur Warbelow;

U.S. Postal Service: Jim Nawrot, Steve Deaton, Joe Alexandrovich, and Joseph Poellnitz;

Alaska Department of Transportation, Carl Siebe;

U.S. Department of Transportation: Bernard Stankus, Jennifer Fabrizi, and Kevin Adams.

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