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Order 2001-7-3

Served: July 9, 2001

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

Issued by the Department of Transportation on the 9th day of July, 2001

Essential air service at ADAK, ALASKA under 49 U.S.C. 41731 *et seq*.	Docket OST-2000-8556 -36

ORDER SELECTING CARRIER AND ADJUSTING INTERIM SERVICE

Summary
By this order we are selecting Evergreen International Airlines, Inc., to provide essential air service (EAS) at Adak, Alaska, for $1,502,542 the first year, with the second year to be negotiated. In view of the four months that Evergreen estimates it will need to inaugurate passenger and cargo combination (combi) service, we will make an interim selection of Evergreen's proposed all-cargo service at $748,392 annually, the rate the carrier agreed to in the carrier selection proceeding until it can begin its Boeing 727-100 combination service. That service would be in addition to Peninsula's interim passenger [1] service, selected by Order 2001-6-15.

Background

On December 5, 2000, Reeve Aleutian Airways, Inc. (Reeve) ceased operating scheduled service in Alaska, leaving Adak with no air service. Adak is an island community toward the end of the Aleutian chain located 445 miles west of Dutch Harbor, the nearest community with scheduled jet service, and about 1,200 miles from Anchorage. As a practical matter, air service is the only means of transportation to or from Adak.

Adak's essential air service determination was established by Order 80-1-167 as five round trips a week during the peak and four round trips a week during the off-peak to Anchorage, 1,192 miles distant, with up to two intermediate stops, with 60-seat or larger aircraft. For many years Adak served as a naval base, but the base closed a few years ago and traffic has shrunk. As a result of the decreased demand, and based on agreement between the State of Alaska and the Department, for some time Reeve reduced service

[1] Peninsula would be able to carry only a small portion of the significant amounts of cargo generated to Adak.

below Adak's EAS determination, but still operated two round trips a week with Boeing 727-100 aircraft at the time it ceased operations in order to accommodate both passenger and freight needs. A village of approximately 100 people remains at Adak, and there continues to be a great deal of activity associated with the base closure.

Because without air service Adak is virtually cut off from the rest of the world, the Department selected Peninsula Airways to serve Adak on an emergency basis on very short notice. By Order 2000-12-11, December 12, 2000, the Department set a temporary subsidy rate for Peninsula of $291,247 annually, effective December 11, 2000, until further Department action, for its emergency service of six nonstop round trips a week to Dutch Harbor with 8-seat Cessna Conquest aircraft. By Order 2001-6-15, we adjusted Peninsula's level of interim subsidy to $564,403 on an annual basis for four round trips a week in the peak and three in the off-peak with a larger Metro 23 aircraft and one-stop service to Anchorage, via Cold Bay. This level of service and subsidy is the same as Peninsula proposed for the long-term carrier selection, but would be effective only until Evergreen's long-term proposal that we are selecting here is in place.

By Order 2001-2-15, February 16, 2001, we requested proposals for long-term service at Adak. We noted in our request for proposals that the community had already expressed a preference for larger aircraft. Among their concerns was that smaller aircraft could not always accommodate all of the freight and mail. Additional frequency with small aircraft could not always resolve the problem because bad weather and limited daylight hours create very narrow operating windows and impede a carrier's ability to operate extra sections. In response to our request we received proposals from five carriers: Eagle Canyon Airlines, Inc. d/b/a Scenic, Evergreen International, Inc., Northern Air Cargo, Inc., Peninsula Airways, Inc., and Security Aviation, Inc. We discuss below each carrier's proposal and have included Appendix D summarizing the carriers' subsidy calculations. Also, as we discuss below, the proposals of Peninsula Airways and Security Aviation are geared to carrying passengers, and would need to be complemented by all-cargo service from either Evergreen or Northern Air Cargo.

Carrier Proposals

Eagle Canyon Airlines, d/b/a Scenic

Scenic's proposal includes two options. All of Scenic's service would be operated with Fokker F-27 aircraft configured to 30 seats. Under Option 1, Scenic proposes to provide Adak with five one-stop round trips a week to Anchorage in the peak period, and four one-stop round trips a week in the off-peak, and requests $2,092,568 annual subsidy for this service. Under Option 2, Scenic proposes to provide Adak with four one-stop round trips a week to Anchorage in the peak period, and three one-stop round trips a week in the off-peak, and requests $1,329,009 annual subsidy for this service. Under each option, peak and off-peak periods would extend for 26 weeks each. Scenic's two proposals stand by themselves. In other words, Scenic proposes to transport all of Adak's traffic--passengers, freight, and mail, and we would not select another carrier to complement Scenic's service. The period of the contract would be for two years, subject to the successful renegotiation of the second-year service and subsidy levels.

Evergreen International
Evergreen's proposal includes two options. Under Option 1, Evergreen proposes to provide Adak with one, one-stop round trip a week to Anchorage year round, and requests $748,392 annual subsidy for this service. Service would be operated with an all-cargo DC-9-30 aircraft. As such, selection of this option would require the selection of another carrier to provide passenger service, i.e., either Security Aviation or either of Peninsula's two options. Under Option 2, Evergreen proposes to provide Adak with two one-stop round trips a week to Anchorage year round, and requests $1,502,542 annual subsidy for this service. Service would be operated with a B-727-100 aircraft configured to 48 seats. An intermediate stop at Cold Bay or elsewhere would be allowed, but not required. Evergreen's Option 2 is a stand-alone option--no carrier besides Evergreen would be selected. The period of the contract would be for two years, subject to the successful renegotiation of the second-year service and subsidy levels.

Northern Air Cargo
Northern Air Cargo proposes to provide Adak with one, one-stop round trip a week to Anchorage year round with a 727-100 in an all-cargo configuration, and requests $900,886 annual subsidy for this service. As such, selection of this option would require the selection of another carrier to provide passenger service, i.e., either Security Aviation or either of Peninsula's two options. An intermediate stop at St. Paul Island or elsewhere would be allowed, but not required. The period of the contract would be for two years, subject to the successful renegotiation of the second-year service and subsidy levels.

Peninsula Airways
Peninsula's proposal includes two options. Under Option 1, Peninsula proposes to provide Adak with five, one-stop round trips a week to Anchorage in the peak period and three in the off-peak, and requests $626,883 annual subsidy for this service. Under Option 2, Peninsula proposes to provide Adak with four, one-stop round trips a week to Anchorage in the peak period and three in the off-peak, and requests $564,043 annual subsidy for this service.

Under each option Peninsula's service would be operated with a Metro 23 aircraft configured to 14 seats, and would include a lavatory. Peninsula expects that it would be able to carry only an incidental amount of mail and freight. As such, selection of Peninsula would require the selection of another carrier to provide the bulk of the mail and freight service, i.e., either Northern Air Cargo or Evergreen's Option 1. The peak and off-peak periods for each Peninsula option would consist of 26 weeks each. The period of the contract would be for two years, subject to the successful renegotiation of the second-year rate and service. Peninsula prefers that its Option 1 be selected. Also, the carrier chose not to submit a proposal for service stopping at Dutch Harbor.

Security Aviation
Security proposes to provide Adak with two one-stop round trips a week to Anchorage year round and requests $1,152,492 annual subsidy for this service. Service would be

operated with an 8-seat Cessna C-550 Citation jet. Security contemplates that it would be able to carry only an incidental amount of mail and freight. As such, selection of Security would require the selection of another carrier to provide mail and freight service, i.e., either Northern Air Cargo or Evergreen's Option 2. The period of the contract would be for two years.

All five carriers contemplate an intermediate stop, either at Cold Bay or, in the case of Northern Air Cargo, at St. Paul Island. The Department typically does not stipulate at which intermediate community a carrier would be allowed to stop. We do note that the Adak community has stated that connecting service at Dutch Harbor has been unreliable. While no carrier proposed an intermediate stop at Dutch Harbor, our general policy would not preclude carriers from stopping at Dutch Harbor or another intermediate point, as long as there was only one intermediate stop between Adak and Anchorage. However, all proposals contemplate same-day, same-plane service in each direction between Adak and Anchorage, and we will require that level of service.

Because some of the above options require coupling with another carrier's complementary option, we have summarized a list of each possible service package before the Department--passenger, freight, and mail combined--ranked in decreasing order of combined annual subsidy for the first year.

Summary of Combined Options
$2,092,568, Scenic's Option 1;
$2,053,378, Security + Northern Air Cargo, $1,152,492 + $900,886;
$1,900,884, Security + Evergreen's all-cargo, $1,152,492 + $748,392;
$1,527,769, Peninsula's Option 1 + Northern Air Cargo, $626,883 + $900,886;
$1,502,542, Evergreen's B-727-100 Combi Option;
$1,464,929, Peninsula's Option 2 + Northern Air Cargo, $564,043 + $900,886;
$1,375,275, Peninsula's Option 1 + Evergreen's all-cargo, $626,883 + $748,392;
$1,329,009, Scenic's Option 2;
$1,312,435, Peninsula's Option 2 + Evergreen's all-cargo, $564,043 + $748,392.

Community Comments
On May 25, 2001, we sent a letter to the State of Alaska and community of Adak summarizing the carriers' proposals and requested comments. By letter dated June 5, 2001, the Mayor of Adak enclosed a resolution passed by Adak's City Council strongly supporting the selection of Evergreen's Boeing 727-100 passenger and cargo option, and as a "far second choice" the selection of Scenic. The resolution supported Evergreen's 727-100 option because of the reliability and safety of the 727-100. The community also cited the shortage of alternate airports and bad weather in the Aleutians, along with the greater range of the jet aircraft. The community also preferred the three-hour flight time on a jet to Anchorage, rather than the six hours on a turboprop.

By letter dated June 18, 2001, the State of Alaska responded. The State did not recommend one carrier over another, but instead discussed its general concerns. The State noted that there is now a much smaller economic base at Adak than when the original EAS determination of five round trips a week with large aircraft was set, and suggested that a "reevaluation of what is an appropriate EAS level for Adak is warranted." The State also expressed concern that our carrier selection decision should take into account the probability of reliable service by each carrier, in view of the difficult approaches and volatile weather in Adak. In addition, the State noted that Adak would be the first case where the Department explicitly considered subsidizing all-cargo service as part of an overall larger service package. The State was concerned that subsidizing Adak's freight and mail service raised the issue of whether such service should be subsidized by the Department elsewhere in Alaska. Likewise, it was concerned that subsidizing service to Anchorage when there are closer hubs might not be fair to the rest of Alaska. Finally, the State indicated that

> "consideration should be given to having freight/cargo backhaul capability in whichever operator is selected. This would be a significant advantage (for fish shipment, for example) that the all-cargo and Evergreen-combi options provide."

We also received comments from NorQuest Seafood, the sole commercial seafood processor in Adak that currently employs 40 to 120 individuals in Adak, in addition to family members. NorQuest states that

> "the current system of going through Dutch Harbor is very unworkable for many reasons. We end up having passengers stuck for days, incurring lodging costs, and having critical parts stuck...Our experience with Evergreen [in other communities] has been excellent and we can highly recommend them from the customer point of view."

Carrier Comments
On June 8, we received comments from Peninsula Airways. Peninsula emphasized that the advantages to its proposals were its high frequency service, its proven track record of providing EAS within Alaska, its substantial in-state resources and backup aircraft, and the fact that its selection would require the least amount of subsidy.

On June 14, we received comments from Evergreen. Evergreen states that the community recommended the selection of its twice-a-week service, notwithstanding the greater frequency of either of Peninsula's options; that its jet aircraft would be able to fly over the frequent storms and fog that Peninsula's turboprop aircraft cannot; that its larger, jet aircraft, can offer more reliability with two days/week service, the level Reeve recently provided, than Peninsula can; and that it has ready access to jet-passenger aircraft that are available to it for wet-lease on 24-hours notice. Evergreen notes that Scenic's F-27's would be subject to the same operational problems as Peninsula's Metro 23's, and Security Aviation proposes to use an entirely inadequate 8-seat Cessna aircraft.

Decision

We have decided to select Evergreen to provide two round trips a week until it can acquire and configure Boeing 727-100 aircraft for passenger as well as cargo service. The very long distance of 1,200 miles to Anchorage, coupled with the very severe and unpredictable weather, almost dictates the use of large aircraft. The large aircraft with both its greater lift and larger cargo door should fully accommodate Adak's cargo needs. In addition, all of the options require very substantial subsidy levels. On balance, we find that while the unique nature of the Adak market militates towards the selection of large combi aircraft, we will be examining during the ensuing two-year period, the air service situation at Adak.

There is little to recommend the selection of the most expensive option, Scenic's Option 1 for $2,092,568. The carrier projects it would carry the same level of traffic as its other option, and there would be a great deal of additional expense. Likewise, Security Aviation's proposal reflects a great deal of subsidy need ($1,152,492) for little capacity--only two round trips a week with an 8-seat aircraft. Also, when combined with the need to select an all-cargo partner, Security's option would be only slight less expensive than the most expensive option.

The other options all have reasons to recommend them. Northern Air Cargo and Peninsula have a great deal of operational experience in Alaska. Peninsula has the greatest presence in the vicinity of Adak for the purposes of backup, and its selection, if coupled with Evergreen's all-cargo option, would entail the least amount of subsidy. Also, Peninsula is to be commended for its expeditious inauguration of service to Adak in December 2000 under the most trying circumstances. Specifically, the carrier was called upon to immediately replace Reeve throughout the Aleutians, a jet operator that had served the communities for decades. Peninsula's Option 1 would provide the community with the most frequency of any proposal, essentially six day a week service when coupled with either Northern Air Cargo or Evergreen's all-cargo service. Northern Air Cargo's proposal is directly competitive with only one other option, Evergreen's all-cargo proposal. Northern Air Cargo has unmatched experience in meeting the cargo needs of Alaskan communities, including transporting outbound fish, and large numbers of backup aircraft. Also, as pointed out by its letter dated June 4, 2001, only the all-cargo options of Northern Air Cargo and Evergreen would be able to transport hazardous material or oversized equipment. Scenic's F-27 proposal, while undoubtedly slower than the Evergreen's jet, would provide cabin-class service for passengers and, configured for only 30 seats, would leave a great deal of space available for mail and freight.

The difference in subsidy between Evergreen and Scenic, the community's second choice ($1,502,542 and $1,329,009), is significant. The difference in subsidy between that Scenic option and the lowest cost package of all, Peninsula coupled with Evergreen's all-cargo option for a total of $1,312,435, is *de minimis*. However, we are directed by statute to give great weight to the community's position. This is especially the case at communities such as Adak where difficult local operational considerations are paramount. It appears that Peninsula's emergency service has not been very reliable, at least in part because of the need to operate into Dutch Harbor. Finally, the State notes that our carrier selection decision should consider the backhaul capability for shipment of fish. In this regard, the Evergreen's combi-jet and the all-cargo jet service options provide the best level of service.

The State of Alaska raised a number of concerns on the issues. It notes Adak has a much smaller economic base than when the original EAS determination of 5 round trips per week with large aircraft (60seats) or more was issued. We note that the service we have selected has only two round trips per week, rather than five. Also, given the traffic projections of Evergreen, which we believe are reasonable, two round trips a week with a jet aircraft would be required to transport the projected traffic at reasonable load factors, given the directional imbalance of mail and freight common in Alaska. In addition, the State recommends that we look closely at the projected reliability of each proposal. Evergreen's proposed service is for the same route over Cold Bay, the same aircraft type, and the same frequency that had been scheduled by Reeve without subsidy, according to the September 2000 OAG, before Reeve ceased operations. Reeve operated reliably to Adak for a number of years. The State is also concerned that Adak's EAS requirements may need to be further reviewed depending on whether traffic grows or shrinks with the uncertain economic climate of Adak. Finally, the State is concerned that Adak is not favored relative to other communities in Alaska.

The State is correct that we have never before explicitly subsidized freight and mail service in Alaska. However, the statute requires that in setting essential air service determinations, the Department take into account the needs of passenger and property (freight and mail) traffic. In setting our EAS determinations in Alaska we have always taken into account the need for sufficient capacity to carry historical and projected traffic, especially given the directional imbalance of mail and freight. [2] In this case, as is typically the case, we are recognizing the needs of the community for mail and freight service. Otherwise, we would have discussed buying only one 727-100 combi round trip a week from Evergreen. Likewise, Peninsula chose to submit neither an all-cargo option with its smaller aircraft nor to increase its combi-service to such an extent as to be able to transport Adak's historical freight and mail, instead anticipating that it would be more reasonable for the Department to rely in part on the all-cargo service proposed by the applicants with large aircraft. We note that recently we selected ERA Aviation to provide EAS at Iliamna, Alaska, with only three round trips per week in the off-peak, although four round trips are required by its EAS determination. However, the order noted that other carriers provided subsidy-free all-cargo service and we relied on that service for some of the community's needs.

Anchorage is of course far more distant from Adak than Dutch Harbor or Cold Bay. Order 2001-2-15 requested proposals to other hubs, in addition to Anchorage, the current hub, but because Dutch Harbor had not worked no carrier chose to propose such service, despite requests from Department staff. We are not convinced that, in the long-term, service to Dutch Harbor cannot be made reliable with the proper aircraft type. However, under the circumstances, we are willing to subsidize service to the more distant Anchorage at this time.

[2] In Alaska, outbound mail and freight usually constitute about 90% of total mail and freight, leaving the backhaul much less full than the outbound service.

If traffic does not respond to projections, or if subsidy-need does not decline, we will reevaluate the need for continued service to Anchorage.

The State recommends that we look at the backhaul capability of each proposal. In this regard, the ability of Evergreen's large jet aircraft operated twice a week leaving large amounts of space for fish is superior. We concur with the State that Adak's EAS needs will need to be closely monitored, given the uncertain economic future of Adak. In fact, Evergreen's proposals, along with those of the other carriers, are based on a two-year selection, but with the second year service and subsidy levels to be renegotiated on the basis of the first year results. Finally, we are acutely conscious that Adak should not receive inappropriate favoritism compared to other Alaska communities. In that regard, we note that we are securing and subsidizing service that Adak had received for a number of years until the demise of Reeve, and at a level that is less than half the current EAS definition.

Interim Service

Evergreen does not currently have a passenger and cargo combi 727-100 in its possession, and has indicated it would take approximately four months if it were selected by the Department to acquire the aircraft and make it operational for combi-service. This is a longer than usual time for a carrier to inaugurate the service it proposed. However, the community was well aware of this factor when it made its recommendation. By letter dated June 21, Northern Air Cargo indicated that it would be willing to provide Adak with all-cargo service on an interim basis, at the same rate and service levels it had proposed on a long-term basis. Evergreen has also indicated it was willing to provide, on an interim basis, the same all-cargo service it had proposed to operate on a long-term basis. The all-cargo service is needed to accommodate historical and projected levels of traffic. The community of Adak has not had sufficient service since Reeve left.

We have decided to select Evergreen's all-cargo service on an interim basis, which we expect to commence almost immediately, until they are in a position to inaugurate combi service, which we anticipate to be in about four months. While Northern Air Cargo has somewhat more experience operating in Alaska, both carriers are proposing similar (jet) equipment. Evergreen's proposed all-cargo service is $152,494 less expensive on an annual basis than the corresponding proposal from Northern Air Cargo. Finally, by selecting Evergreen on an interim basis we will obviate the need for an additional carrier transition when Evergreen inaugurates its two round trips per week passenger/cargo service.

Carrier Fitness

49 U.S.C. 41738 and 41737(b) require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Evergreen has operated successfully as a certificated carrier for over 25 years. Based on our review of information available to us, we find that Evergreen has adequate financial and managerial resources to provide reliable all-cargo air service at Adak, and that it possesses a favorable compliance disposition. Moreover, the Federal Aviation Administration (FAA) has advised us that the carrier is conducting its operations in

accordance with FAA regulations, and that it knows of no reason why we should not find that Evergreen is fit to provide the proposed all-cargo service. Based on the above, we find that Evergreen is fit to provide the all-cargo essential air transportation at issue in this case.

With respect to its proposed passenger service, the carrier has not operated passenger service for a number of years, and its proposed combi-service would be considered a "substantial change in operations" under Section 204.2 of our rules requiring the filing of updated fitness information with the Department. We will, therefore, condition our selection of Evergreen's combi passenger and cargo service upon its satisfying the filing of any additional information that may be required.

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

ACCORDINGLY,

1. The Department selects Evergreen International, Inc., to provide essential air service at Adak, Alaska, as discussed in Appendix C-1;

2. The Department selects Evergreen International, Inc., to provide essential air service at Adak, Alaska, as discussed in Appendix C-2, for the two-year period beginning when the carrier inaugurates its proposed passenger and cargo combination service;

3. The Department sets the final rate of compensation for Evergreen International for the provision of essential air service at Adak, Alaska, as described in Appendix C-1, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed each month between Adak and Anchorage;

4. The Department sets the final rate of compensation for Evergreen International for the provision of essential air service at Adak, Alaska, as described in Appendix C-2, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed each month between Adak and Anchorage;

5. The rate in ordering paragraph three is in <u>addition</u> to that set by Order 2001-6-15;

6. The rate in ordering paragraph four is <u>in lieu of</u> those in ordering paragraph three above and Order 2001-6-15;

7. We condition our selection of Evergreen's Option 2 upon their receiving the required passenger service authority;

8. We direct Evergreen International, 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 the 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;

9. This docket will remain open until further order of the Department; and

10. We will serve a copy of this order on Eagle Canyon Airlines, Inc., Evergreen International Airlines, Inc., Northern Air Cargo, Inc., Peninsula Airways, Inc., Security Aviation, the Alaska Department of Transportation, and the Mayor of Adak.

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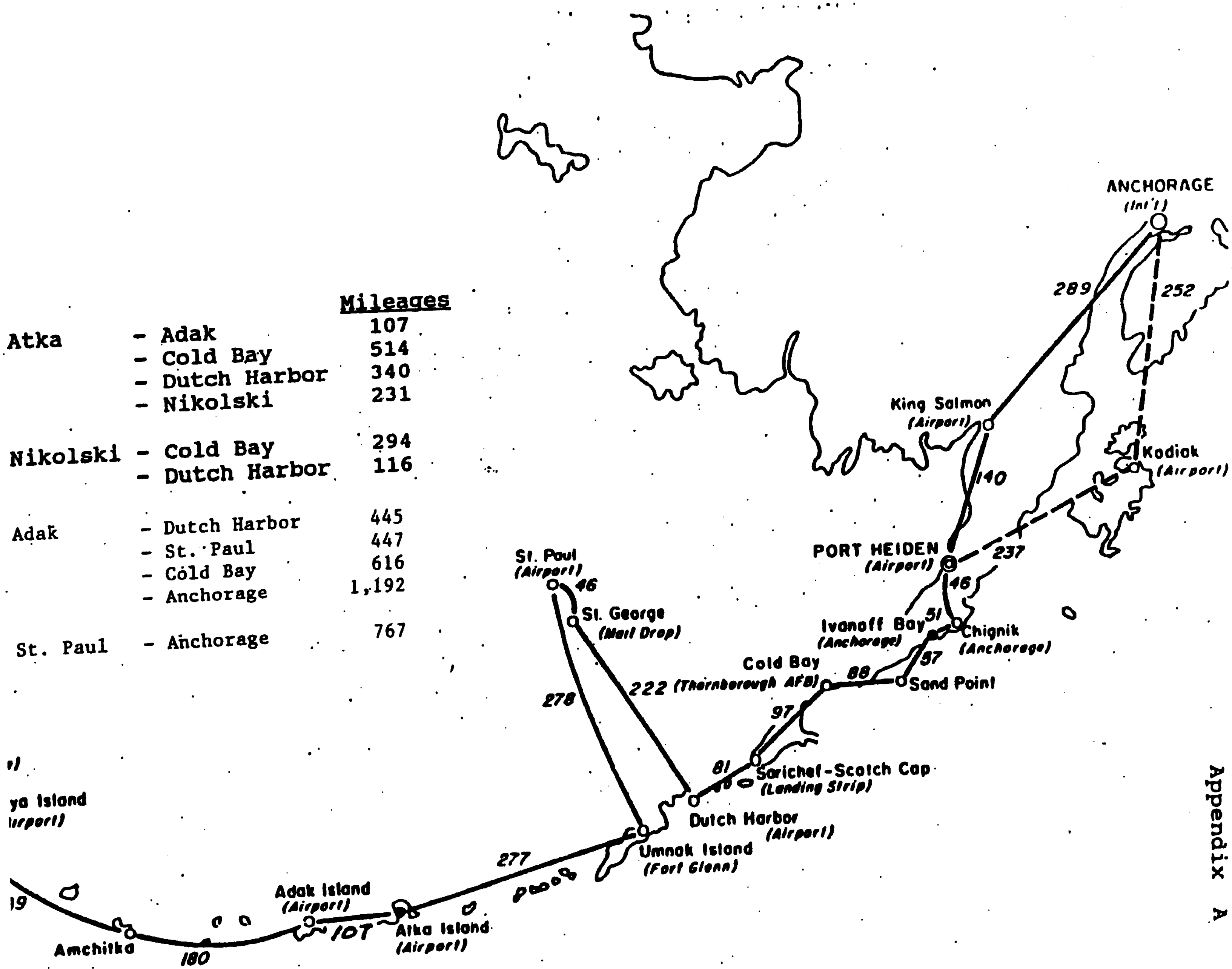
		Mileages
Atka	- Adak	107
	- Cold Bay	514
	- Dutch Harbor	340
	- Nikolski	231
Nikolski	- Cold Bay	294
	- Dutch Harbor	116
Adak	- Dutch Harbor	445
	- St. Paul	447
	- Cold Bay	616
	- Anchorage	1,192
St. Paul	- Anchorage	767



Appendix A

Appendix B

Essential Air Service to be Provided at Adak, Alaska, Docket 8556

	DC-9-30 One Round TripWeek	727-100 Two Round Trips/Week
Freight		
ANC->ADK @ $1.25	$501,250	$501,250
ADK->ANC @ $.94	$56,400	$56,400
ANC->CDB @ $1	$169,520	$169,520
CDB->ANC @ $.52	$20,800	$20,800
Priority Mail		
ANC-ADK @ $1.44	$96,921	$96,921
ANC-CDB @ $.85	$7,280	$7,280
Non-Priority Mail		
ANC-ADK @ $.97	$261,148	$261,148
ANC-CDB @ $.60	$15,600	$239,201
Passenger	$1,128,919	
ANC-ADK, 3,928 pax. @ $578.50		$2,272,348
ANC-CDB, 2,080 pax. @ $367		$763,360
Total Revenue		$4,388,228
Block Hours	353 1/	738 2/
Crew Costs	$215,538	$593,699
Fuel Expenses	$382,200	$1,458,067
Insurance		$55,011
Maintenance	$417,821	$1,099,620
Aircraft	$544,908	$340,093
Direct Expenses	$1,560,467	$3,546,490
Landing Fees	$12,948	$38,002
A/C Handling	$98,800	$207,480
Build & Break	0	$191,100
Aircraft Parking	0	$34,507
Passenger Services	0	$512,200
Cargo Handling	$91,000	
Deicing		$216,720
Other/G &A	$24,700	$596,350
Indirect Expenses	$227,448	$1,796,359
Operating Expense	$1,787,915	$5,342,849
Return @ 5%	$89,396	$267,142
Interest	0	$280,779
Total Economic Cost	$1,877,311	$5,890,770
Annual Subsidy	$748,392	$1,502,542

1/ ANC-CDB-ADK-CDB-ANC: 1trip/week x 52 weeks x 6.78 hrs./trip = 353 blk. hrs.

2/ ANC-CDB-ADK-CDB-ANC: 2 trips/week x 52 weeks x 6.76 hrs./trip x 1.05 = 738 blk. hrs.

EVERGREEN INTERNATIONAL AIRLINES, , INC., ESSENTIAL AIR SERVICE AT ADAK, ALASKA, DOCKET 8556

EFFECTIVE PERIOD: Start of service until beginning of service under Appendix C-2.
SCHEDULED SERVICE:
1 one-stop round trip each week to Anchorage over Cold Bay.
AIRCRAFT TYPE: DC-9-30, all-cargo.
TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER FLIGHT: $7,196.08 [1]
COMPENSATION CEILING EACH WEEK: [2] $14,392.16

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that 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.

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[1] Annual compensation of $748,392 divided by the estimated annual completed flights at a 100 percent completion factor: 52 weeks x 2 one-way flights = 104 flights each way.

[2] Subsidy rate per flight of $7,196.08 multiplied by 2 subsidy-eligible one-way flights each week.

EVERGREEN INTERNATIONAL AIRLINES, , INC., ESSENTIAL AIR SERVICE AT ADAK, ALASKA, DOCKET 8556

EFFECTIVE PERIOD: Start of service, expected within four months of the issuance of this order, and extending for one year, with the second year service and subsidy levels to be negotiated based on results of the first year.
SCHEDULED SERVICE:
Two one-stop round trip each week to Anchorage over Cold Bay.
AIRCRAFT TYPE: Boeing 727-100, passenger and cargo combi.
TIMING OF FLIGHTS Flights must be well-timed and well-spaced to ensure full compensation
SUBSIDY RATE PER FLIGHT: $7,223.76 [1]
COMPENSATION CEILING EACH WEEK: [2] $28,895.04

NOTE

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that 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.

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[1] Annual compensation of $1,502,542 divided by the estimated annual completed flights at a 100 percent completion factor: 52 weeks x 4 one-way flights = 208 flights each way.

[2] Subsidy rate per flight of $7,196.08 multiplied by 2 subsidy-eligible flights each week.