

135142

Order 2001-7-15
Served: July 24, 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 July, 2001

Ninety-day Notice of

ERA AVIATION, INC.

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

Docket OST-2001-10105 - 2

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

Summary

By this order, the Department is prohibiting Era Aviation, Inc., (Era) 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).

Background

By Order 2001-3-19, the Department selected Era to provide EAS to Iliamna, Alaska, effective March 8, 2001, through March 31, 2001. Service was to consist of eight nonstop round trips a week in the peak and three nonstop round trips a week in the off-peak to Anchorage, all with 37-seat Dash 8 equipment. On July 10, 2001, Era filed a notice of its intent to suspend service at Iliamna. The carrier stated that it could no longer operate to Iliamna "in light of passenger traffic that represents a decrease of 42% over last year at this same time." Iliamna's EAS definition was set by Order 80-1-167 to require 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. Order 2001-3-19 selected higher and lower service in the peak and off-peak, respectively, than the EAS definition. We recognized that a great deal of mail and freight service was being provided by all-cargo operators, and the additional service in the peak was required to accommodate projected traffic at reasonable load factors. We also indicated we would begin a review of the community's EAS definition and its service needs.

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.

Service Proposals

As a general matter, we will entertain proposals to hubs in addition to 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. Also, 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 and State's views on any service options we receive before making a long-term carrier selection decision. Nevertheless, in light of the shrinking traffic at Iliamna, we would encourage applications with smaller but pressurized aircraft, given the community's desire for frequent service.

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 October 9, 2001, or until suitable replacement service has been inaugurated at the community, whichever comes first. Era should expect that we will continue to hold it in after its notice period has expired, until the carrier selection proceeding is concluded. Also, under the provisions of 49 U.S.C. 41734 (d), Era will be required to provide the same level of service and subsidy set in Order 2001-3-15 until either 180 days have expired from its July 10, 2001, notice or we have concluded a carrier selection proceeding. At the end of the 180 days, if we have not concluded a carrier selection proceeding, we will adjust the Era's required service and subsidy as appropriate.

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.

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

ACCORDINGLY;

1. The Department requests that carriers interested in providing essential air service at 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 2001-10105;
2. The Department prohibits Era from suspending service at Iliamna, Alaska, at the end of its 90-day notice period and requires it to continue providing the service specified in Appendix C of Order 2001-3-19 until further Department action;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:

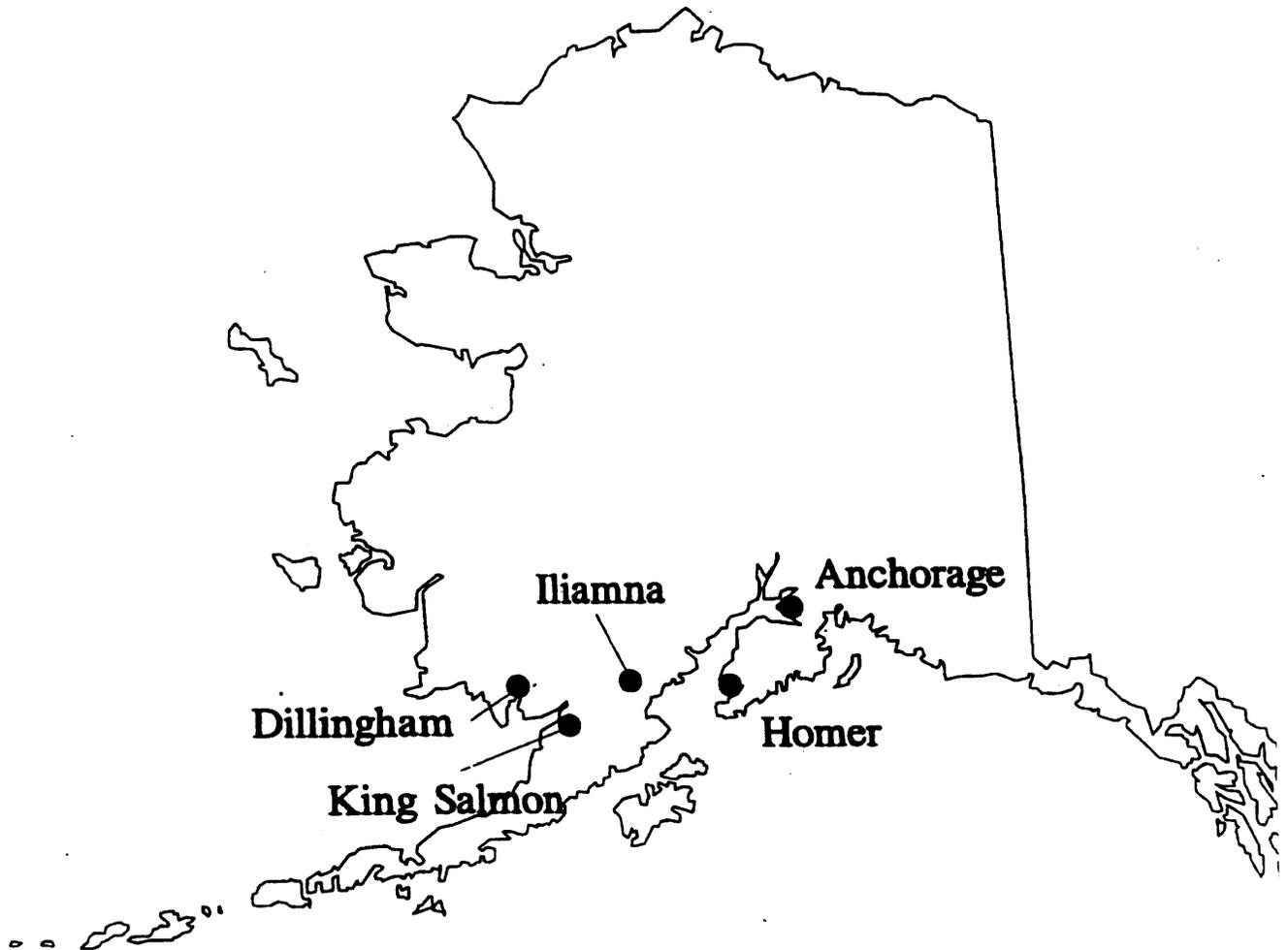
Susan McDermott
Deputy Assistant Secretary for Aviation
And International Affairs

(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 | 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 | 1,589 | 5,285 | 65,972 | 1,945.3 |
| QE 9/30/98 | 3,613 | 7,733 | 145,108 | 4,377.2 | 3,770 | 4,858 | 7,054 | 3,829.6 | 7,383 | 12,591 | 152,162 | 8,206.8 |
| QE 12/31/98 | 665 | 3,720 | 48,325 | 925.2 | 844 | 632 | 9,163 | 893.0 | 1,509 | 4,352 | 57,488 | 1,818.2 |
| <u>QE 3/31/99</u> | <u>324</u> | <u>1,397</u> | <u>20,897</u> | <u>435.5</u> | <u>293</u> | <u>295</u> | <u>6,422</u> | <u>326.6</u> | <u>617</u> | <u>1,692</u> | <u>27,319</u> | <u>762.1</u> |
| Total | 5,528 | 17,649 | 270,943 | 6,971.0 | 5,570 | 6,271 | 31,998 | 5,761.3 | 11,098 | 23,920 | 302,941 | 12,732.3 |
| QE 6/30/99 | 748 | 2,322 | 34,043 | 929.8 | 515 | 1,351 | 10,008 | 571.8 | 1,263 | 3,673 | 44,051 | 1,501.6 |
| QE 9/30/99 | 3,722 | 6,735 | 65,905 | 4,085.2 | 3,811 | 6,424 | 12,132 | 3,903.8 | 7,533 | 13,159 | 78,037 | 7,989.0 |
| QE 12/31/99 | 636 | 1,495 | 45,930 | 873.1 | 825 | 981 | 9,129 | 875.6 | 1,461 | 2,476 | 55,059 | 1,748.7 |
| <u>QE 3/31/00</u> | <u>384</u> | <u>2,048</u> | <u>28,128</u> | <u>534.9</u> | <u>382</u> | <u>347</u> | <u>6,842</u> | <u>417.9</u> | <u>766</u> | <u>2,395</u> | <u>34,970</u> | <u>952.8</u> |
| Total | 5,490 | 12,600 | 174,006 | 6,423.0 | 5,533 | 9,103 | 38,111 | 5,769.1 | 11,023 | 21,703 | 212,117 | 12,192.1 |
| QE 6/30/00 | 796 | 6,321 | 46,064 | 1,057.9 | 579 | 283 | 12,487 | 642.9 | 1,375 | 6,604 | 58,551 | 1,700.8 |
| QE 9/30/00 | 2,682 | 5,829 | 67,625 | 3,049.3 | 2,674 | 1,976 | 10,085 | 2,734.3 | 5,356 | 7,805 | 77,710 | 5,783.6 |
| QE 12/31/00 | 336 | 2,047 | 32,746 | 510.0 | 458 | 234 | 7,534 | 496.8 | 794 | 2,281 | 40,280 | 1,006.8 |
| <u>QE 3/31/01</u> | <u>167</u> | <u>1,046</u> | <u>27,898</u> | <u>311.7</u> | <u>136</u> | <u>323</u> | <u>6,268</u> | <u>169.0</u> | <u>303</u> | <u>1,369</u> | <u>34,166</u> | <u>480.7</u> |
| Total | 3,981 | 15,243 | 174,333 | 4,928.9 | 3,847 | 2,816 | 36,374 | 4,043.0 | 7,828 | 18,059 | 210,707 | 8,971.8 |
| QE 6/30/01 | | | | | | | | | 724 | 5,377 | 49,394 | 997.9 |

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

Source: Form 298C, Schedule T-1, except for QE June 30, 2001, which is from internal carrier reports.

Bush Carriers

Alaska Central Express

Alaska Seaplanes

Arctic Circle

ATS

AvTech

Baker

Bellair

Bering Air

Cape Smythe

Era

Forty Mile

Frontier Flying

FSAir

Grant Aviation

Hageland

Iliamna Air Taxi

Inland Aviation

Island Air

Jim Air

Katmai

LAB

Larry's

Peninsula Airlines

Pro Mech

Ram Air

Servant Air

Skagway Air

Spernak

Tanana

Village

Warbelow's Air Ventures

Wings of Alaska

Wright

Yute

Mainline Carriers

Alaska Airlines

Lynden

Northern Air Cargo

Tatonduk

Evergreen

Alaska Air Carriers Association

Ken Acton

James Nawrot

Paul Bowers

AvTech
