

Served: July 1, 1997



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

Issued by the Department of Transportation
on the 25th day of June, 1997

INTRA-ALASKA CLASS SERVICE

MAIL RATES (Mainline Rate)

Docket OST-95-429

(Docket 38961)

**ORDER TO SHOW CAUSE ESTABLISHING
FINAL SERVICE MAIL RATES**

SUMMARY

By this order the Department proposes to establish new intra-Alaska mainline service mail rates for the second half of 1997. The rates that are currently in effect were established by Order 96-12-43, served December 31, 1996, for the first half of 1997, i.e., January 1 through June 30, 1997. Those rates will remain in effect as final rates through June 30, or until we issue an order setting new final rates for the second half of 1997, whichever is later. All interested persons are requested to show cause why the findings and conclusions contained in this order should not be adopted.

DISCUSSION

The proposed final rates, which are contained in Appendix A, reflect the usual application of cost adjustment factors, developed in Appendix B, to the basic mail rate structure established by the Civil Aeronautics Board in Order 82-11-23. The databases used to adjust those rates cover operations for the 12-month periods ended March 31, 1996, and 1997, as the basis for the rates for the second half of 1997. The databases used reflect the carriers' actual costs of operations for those 12-month periods.

The proposed final rates for the second half of 1997 are higher than the final rates for the first half of 1997 by the amounts shown in the following table:

	<u>Linehaul Charges</u>	<u>Terminal Charges</u>
Priority	1.27 %	5.57 %
Nonpriority	1.26 %	5.56 %

The combination of these proposed linehaul and terminal charges produces rates for the second half of 1997 that are 3.2 percent above the rates effective for the first half of 1997 for an average mail length of haul of 463 miles.

Other Matters

We noted in previous Alaska mainline and bush mail rate orders (95-12-32, served December 29, 1995, and 96-2-2, served February 5, 1996), that the Department's staff had undertaken a comprehensive review of the Alaska mail rate methodology, with the participation of the U.S. Postal Service, the Alaska Air Carrier Association and individual Alaska carriers.

In Order 96-12-19, served December 16, 1996, we noted that the parties appeared to be in agreement on most issues, except on the critical issue of whether to retain the existing rate update methodology or to adopt one of a number of alternatives that were previously discussed. At that time, the parties informally expressed a preference that the Department's staff present a specific recommendation and allow for responses to that recommendation. We were amenable to that procedural course, and decided to defer adopting a different update methodology pending the completion of such process. (We have, however, adopted a change for which there was unanimous agreement. We now set final rates only on a prospective basis, thus eliminating any possibility of retroactive paybacks by either the carriers or the Postal Service.)

The Department's staff subsequently circulated a tentative recommendation to the parties and in January 1997 met with the parties in Anchorage to discuss its recommendation and alternative ratemaking methodologies. We have received comments from some of the parties, and are awaiting comments from the USPS. Consistent with the parties' previously expressed consensus on further procedures, we will continue to update the Alaska mail rates using our current methodology pending receipt of all comments.

The Department tentatively finds and concludes that:

(1) The fair and reasonable final rates of compensation to be paid in their entirety by the Postmaster General pursuant to the provisions of 49 U.S.C. 41901 for the transportation of mail by mainline aircraft ¹ over intra-Alaska routes, the facilities used and useful therefor, and the services connected therewith, by each holder of a certificate authorizing the transportation

of mail by aircraft (except Reeve Aleutian Airways ²) for the period beginning on the date of issue of a final Department order with respect to the rates proposed here through December 31, 1997, are those specified in the attached Appendix A; and

(2) The fair and reasonable final rates of compensation for the transportation of mail by aircraft in intra-Alaska markets (except those served by Reeve Aleutian Airways) for the period beginning January 1, 1998, until further order of the Department, shall be the final rates established for the period ending December 31, 1997.

ACCORDINGLY,

1. We direct all interested persons to show cause why the Department should not adopt the foregoing tentative findings and conclusions and fix, determine and publish the proposed final rates specified in Appendix A, for the period beginning with the date of issue of the final order pertaining to the rates proposed in Appendix A through December 31, 1997, or until further order of the Department, whichever occurs later;

2. We direct all interested persons having objections to the tentative findings and conclusions or to the rates proposed here to file a notice of objection within ten (10) days after the date of service of this order and, if such

¹ Mainline aircraft are those having a maximum payload greater than 7,500 pounds.

² Rates applicable to mainline aircraft services performed by Reeve, or by other carriers providing mainline services in markets served by Reeve, are contained in Orders 81-1-41 and 88-4-56.

notice is filed, to file a written answer and any supporting documents within 30 days after the date of service of this order;

3. If no notice is filed, or if after notice no answer is filed within the designated time, or if a timely filed answer raises no material issue of fact, we will deem all further procedural steps waived. We then will enter a final order incorporating the tentative findings and conclusions set forth here and establishing the final rates specified in the attached Appendix A; and

4. We shall serve this order upon all parties to this proceeding.

By:

CHARLES A. HUNNICUTT
Assistant Secretary for Aviation
and International Affairs

(SEAL)