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

Issued by the Department of Transportation
on the 15th day of February, 2000

Essential Air Service at:

PORT ALEXANDER, ALASKA

Under 49 U.S.C. 41731 *et seq.*

Served: February 17, 2000

Docket OST 1999-6244 - 12

ORDER SELECTING CARRIER

SUMMARY

By this order we are selecting Harris Aircraft Services, Inc., d/b/a Harris Air, to provide subsidized essential air service at Port Alexander, Alaska, for the two-year period beginning with the carrier's inauguration of service, through February 28, 2002, at an annual subsidy rate of \$24,583.

BACKGROUND

On September 20, 1999, Taquan Air Service filed a 90-day notice of its intention to suspend its subsidy-free service at Port Alexander. By Order 99-10-16, the Department prohibited Taquan from suspending its service and requested proposals from interested carriers.¹ We have received proposals from three interested parties in response to the Department's order, including sea-going boat service. In letters to the state and community representatives dated January 20, 2000, we summarized the carriers' various options and requested their comments.²

CARRIER PROPOSALS

Wings of Alaska has submitted two options. Under Option 1, the carrier would provide two round trips a week during a two-month off-peak period, and three round trips a week

¹ That order also requested proposals for Hydaburg, which we are handling separately.

² In that letter, we noted that no mode of transportation other than air service had ever been selected under the Department's essential air service program, and that it was not clear whether it was within the parameters of the law for the Department to select any mode of transport other than air service.

the balance of the year. All service would be operated on a non-stop basis to Juneau, with six-passenger Dehavilland Beaver aircraft for \$103,534 annually. Under Option 2, the carrier would provide the same frequency of service as under Option 1, but the carrier would extend the off-peak service to a four-month off-peak period, and would require \$90,556 in annual subsidy.

Mr. Dave Castle, owner/operator of the vessel Eyak, has submitted two options. The Eyak is an 86-foot, 100-ton ship capable of carrying passengers and cargo. Under Option 1 the Eyak would provide three nonstop round trips each week to Sitka for the 17-week peak and one nonstop round trip each week to Sitka during the balance of the year for an annual subsidy of \$88,634. Under Option B, the Eyak would provide the same level of peak-period service and two round trips a week during the off-peak period for an annual subsidy of \$118,008.

Finally, we have received a late-filed proposal from Harris Aircraft Services, Inc., d/b/a Harris Air. Harris Air proposes to provide two-nonstop round trips a week year round to Sitka with 3-seat³ Cessna 185 aircraft.⁴ Harris would require \$24,583 annual subsidy for this service.

COMMUNITY RESPONSE

On January 24 the community held a town meeting representing a large portion of the community. The vast majority of the community members favored selection of the Eyak, either Option A or B. Because we had stated that we might not legally be able to select the boat service, we had asked the community for a second choice, and by far Harris Air was their second choice.

Members favoring the selection of the Eyak did so for the sake of the Eyak's reliability, safety, and low fares. The community members also noted that Port Alexander was a fishing community, especially so in the winter, and the Eyak provided the best way of getting large quantities of fish to Sitka, as well as getting fishing gear to Port Alexander. Numerous comments reflected on the Eyak's large capacity such that traffic was never left on the dock because of insufficient payload.

The community's second choice was for Harris Air out of Sitka, over Wings' service to Juneau, largely because of the shorter distance involved. Port Alexander is 62 miles from Sitka, but 146 miles from Juneau. It was felt that the shorter distance to Sitka would make that service more reliable than Wings' proposed service out of Juneau would be. It

³ The Cessna 185 may be configured for five seats. However, because of the extra weight needed to operate amphibiously, the C-185 can only transport 3 passengers or the equivalent weight in freight and mail.

⁴ We will accept Harris Air's late-filed proposal. It is the community's second choice (behind the boat which we can not select under the essential air service program), and Wings of Alaska has not objected to our accepting Harris's proposal.

was also noted that passenger fares would be significantly higher going to Juneau because of this greater distance.⁵

DECISION

We have decided to select Harris Air. Harris Air is the community's second choice and requires significantly less subsidy than any other proposal. Our preference would be to select the Eyak based on the strong community support. However, as we had related to the community when we promulgated the letter soliciting their comments, it was not clear whether or not we could select a boat to provide essential air service. Since that time the Department's Office of the General Counsel has advised us of its concerns about subsidizing any form of transportation other than an airline under the Essential Air Service program. Based on that ruling, we cannot accede to the community's expressed wish that we select boat service by Mr. Dave Castle.

Harris's proposal contemplates limited capacity at this time. The carrier recognizes the preference of the community for the what it asserts is more reliable boat service out of Sitka for delivery of mail, freight, and perishables. Harris' proposal, as can be seen from Appendix B, presumes that Mr. Castle's boat will continue to transport the bulk of the mail and freight for the Port Alexander community. We note that the Eyak has provided good service to Port Alexander in the summer for a number of years. We also note that since Taquan filed notice, the Eyak has provided reliable scheduled service into Port Alexander for several months in the winter off-peak season. It is our hope, notwithstanding the Eyak's request for subsidy support, that it can continue to provide at least some level of service that will meet the community's mail and freight needs. If so, it would provide the optimal service for the community: Harris Air would provide scheduled air service for time-sensitive passengers and the Eyak would provide bulk capacity for mail and freight. We note that the Eyak is not transporting mail at the current time, although some of the mail is being shipped as cargo on the Eyak. We have asked the Postal Service to examine the possibility of issuing a Surface Mail contract to the Eyak. If the Eyak does not continue providing scheduled service into Port Alexander year round, we would work with Harris Air and the community to expand the level of Harris's air service sufficiently to accommodate mail and freight as well as passengers.

Carrier Fitness

49 U.S.C. 41738 41737(b) requires that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. The Department has discussed the fitness of Harris Air with the Federal Aviation Administration (FAA) in Sitka. Based on our review, we find that Harris Air has

⁵ Mr. Robert Jacobsen, President of Wings of Alaska, said that he was not invited to the meeting. Mr. Jacobsen asserted to the Department that had he been asked he would have informed the community that he planned to take a different route to Sitka that would be less susceptible to vicious weather patterns. He also noted that mail costs to the community would be same going to Juneau as to Sitka, and that he had held down his passenger fares, such that they were only \$17 more per passenger than that proposed by Mr. Dave Castle.

adequate financial and managerial resources to inaugurate reliable service at Port Alexander, and that it possesses a favorable compliance disposition. The FAA has advised us that the carrier is conducting its operations in accordance with its regulations, and knows of no reason why we should not find that Harris Air is fit. Based on the above, we find that Harris Air is fit to provide the essential air transportation at issue in this case.

Order 99-10-16 prohibited Taquan Air Service from suspending air service at Port Alexander, and we have relied on that carrier to provide air service to Port Alexander since that time. After Taquan and Harris Air have agreed to a transition date and before Taquan suspends service, we expect Taquan to contact all passengers that hold reservations for flights that will be suspended, to inform them of the suspension and the availability of replacement service by Harris Air and to assist them in arranging alternative transportation. Taquan should do the same with the Postal Service.

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

ACCORDINGLY,

1. We terminate the rate set by Order 99-12-33 for Taquan Air Service, Inc., at Port Alexander, Alaska, effective upon the inauguration of scheduled service by Harris Air.
2. We select Harris Aircraft Services, Inc., d/b/a Harris Air, to provide essential air service at Port Alexander, Alaska, as described in Appendix C, for the period beginning with the inauguration of service, through February 28, 2002;
3. We set the final rate of compensation for Harris Air, for the provision of essential air service at Port Alexander, Alaska, as described in Appendix C, for the period from the date the carrier inaugurates service, through February 28, 2002, payable as follows: for each month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling set forth in Appendix C and shall be determined by multiplying the subsidy-eligible flights each way completed during the month by \$118.19;⁶

⁶ See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

3. We direct Harris Air and Taquan Air Service 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 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. We find that Harris Air is fit, willing and able to operate as a Part 135 Air Taxi and capable of providing essential air service at Port Alexander, Alaska; and

5. We will serve copies of this order on the Mayor and airport manager of Port Alexander, the Alaska Department of Transportation; the Governor of Alaska; Taquan Air Service, and Harris Air.

By:

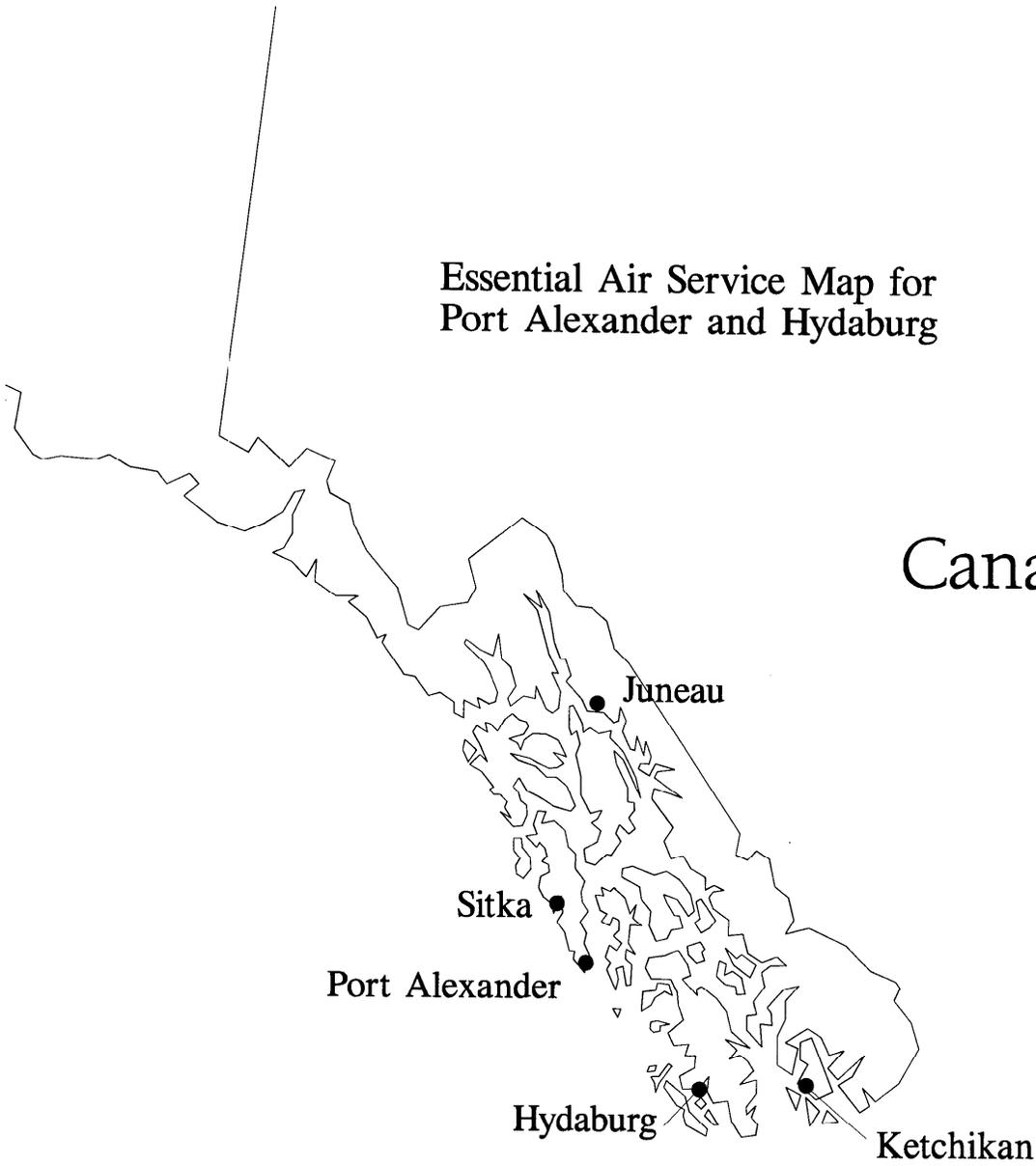
A. Bradley Mims
Deputy Assistant Secretary for Aviation
and International Affairs

(SEAL)

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

Essential Air Service Map for
Port Alexander and Hydaburg

Canada



Mileages

PTD - SIT	62
PTD - JNU	146
PTD - KTN (WFB)	130
HYD - KTN	45

Appendix B

Harris Air, Annual Subsidy Need at Port Alexander, Alaska, Docket OST-99-6244

Aircraft Type	Cessna 185
Block Hours	153 1/
Passengers	\$22,500 2/
Mail	\$0 3/
<u>Cargo</u>	<u>\$1,500</u> 4/
Total Revenue	\$24,000
Flying Operations @ \$68.57/hr.	\$10,491 5/
Fuel & Oil @ \$36.90/hr.	\$5,646 6/
Insurance @ \$22.86/hr.	\$3,498 7/
Maintenance @ \$40.71/hr.	\$6,229
<u>Depreciation @ \$32.57/hr.</u>	<u>\$4,983</u> 8/
Direct Expense	\$30,846
Indirects @ 50% of direct	\$15,423
Total Operating Expense	\$46,269
<u>Return at 5%</u>	<u>\$2,313</u>
Total Economic Cost	\$48,583
Annual Subsidy Need at 100% completion	\$24,583

1/ 40 minutes per flight x 4 flights/week x 52 weeks x 1.1 weather turnaround = 153 hours

2/ 300 passengers x \$75/passenger = \$22,500.

3/ No mail, it is presumed that the Eyak will carry all of the mail.

4/ Minimal freight, it is presumed that the Eyak will carry the bulk of the freight.

5/ \$48,000 per year divided by 700 hours = \$68.57/hr.

6/ 16 gph x \$2.15/gallon plus fuel = \$36.90/hr.

7/ \$16,000 divided by 700 hours = \$22.86/hr.

8/ \$22,800 per year divided by 700 hours = \$32.57/hr.

**Harris Air, Essential Air Service to be Provided to Port Alexander, Alaska
Docket OST-1999-6244**

Effective Period: Inauguration of service through February 28, 2002.

Scheduled Service: Port Alexander-Sitka, 2 nonstop round trips each week

Aircraft: Cessna 185

Rate per Flight: ¹ \$118.19

Weekly Ceiling: \$472.76 ²

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.

¹ Annual compensation of \$24,583 divided by the estimated annual completed flights. 4 flights each week x 52 weeks = 208 total.

² Subsidy rate per flight of \$118.19 multiplied by 4 flights each way per week.