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Order 2000-2-30  
Served: March 1, 2000



**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 February, 2000

Ninety-day Notice of

**PENINSULA AIRWAYS, INC.**

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

**Docket OST -2000-6945- 2**

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

**Summary**

By this order, the Department is prohibiting Peninsula Airways from suspending service at the 11 Kodiak Bush communities of Alitak/Lazy Bay, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, San Juan/Uganik, West Point, and Zachar Bay, Alaska (Kodiak Bush) and requesting replacement service at those communities.

**ESSENTIAL AIR SERVICE**

The essential air service determination for each of these communities contemplates service to the Kodiak hub with small equipment (10 or fewer seats), and up to two intermediate stops, except that up to three stops are permitted for Olga Bay, and up to four stops for West Point. See Appendix C for the essential air service determinations for all the communities. In the table below are the service levels that we have been subsidizing Peninsula Airways to provide, as set by Order 98-3-5. At three communities where Peninsula has provided subsidy-free service, Alitak/Lazy Bay, Port Bailey, and San Juan/Uganik, we request proposals that will provide a minimum of one round trip a week in the off-peak. During the peak period, we request proposals that will provide enough capacity to transport all of the passengers, freight, and mail into each community, considering the directional imbalance of mail and freight traffic.

<u>Round Trips per Week</u>		
<u>Community</u>	<u>Peak Frequency</u>	<u>Off-peak Frequency</u>
1. Alitak/Lazy Bay	Subsidy-free	Subsidy-free
2. Port Bailey	Subsidy-free	Subsidy-free
3. Olga Bay	Three	One
4. Moser Bay	Three	One
5. San Juan/Uganik	Subsidy-free	Subsidy-free
6. Amook Bay	Two	One
7. West Point	Two	One
8. Kitoi Bay	Two	One
9. Seal Bay	Two	One
10. Port William	Two	One
11. Zachar Bay	Two	One

### **Background and Service Proposals**

On February 15, 2000, Peninsula filed a 90-day notice of its intention to suspend its essential air service at the 11 Kodiak Island bush communities. All 11 communities require service with amphibious aircraft. Peninsula has provided subsidy-free service at Alitak/Lazy Bay, Port Bailey, and San Juan/Uganik only as a result of its being selected to provide subsidized service at the other eight communities. Recent traffic levels at Kodiak Bush are shown in Appendix B.

In accordance with the foregoing discussion, we request service proposals from carriers interested in offering service at the 11 Kodiak Bush communities. Consistent with long-standing program practice and our regulations, we will review the communities' essential air service definitions and may amend them based on recent traffic levels and the capacity of the aircraft proposed by the applicants. No service should exceed two-stops. We are aware of no hub suitable for these communities other than Kodiak.

### **Procedures for Filing Replacement Proposals**

For interested carriers unfamiliar 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 essential air service. (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.<sup>1</sup> 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 nondiscrimination, 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 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.<sup>2</sup>

Lastly, since Peninsula is the only carrier providing scheduled air service at Kodiak Bush its proposed termination of service would eliminate all air service to the community. Thus, in accordance with 49 U.S.C. 41734, we must prohibit Peninsula from suspending service at Kodiak Bush for an initial 30-day period beyond the end of the 90-day notice period, through June 16, 2000, or until suitable replacement service has been inaugurated at the communities, whichever comes first.

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 Alitak/Lazy Bay, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, San Juan/Uganik, West Point, and Zachar Bay, Alaska, submit their proposals, with subsidy if necessary, within 21 days after the date of service of this order.

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<sup>1</sup> 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.

<sup>2</sup> 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.

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 the Kodiak Bush communities, Docket OST 00-6945";

2. The Department prohibits Peninsula from suspending service at the above communities, at the end of its 90-day notice period and requires it to maintain the service stipulated in Order 98-3-5, through June 16, 2000, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first. At Alitak/Lazy Bay, San Juan/Uganik, and Port Bailey, we will require the carrier to provide their essential air service levels as shown in Appendix C to this order;<sup>3</sup>
3. The Department directs Peninsula 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 communities of Alitak/Lazy Bay, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, San Juan/Uganik, West Point, and Zachar Bay, Alaska, the Alaska Department of Transportation and Public Facilities, Peninsula Airways, and the carriers and the parties listed in Appendix D.

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 at  
<http://dms.dot.gov>*

*The electronic version may not include all of the appendices*

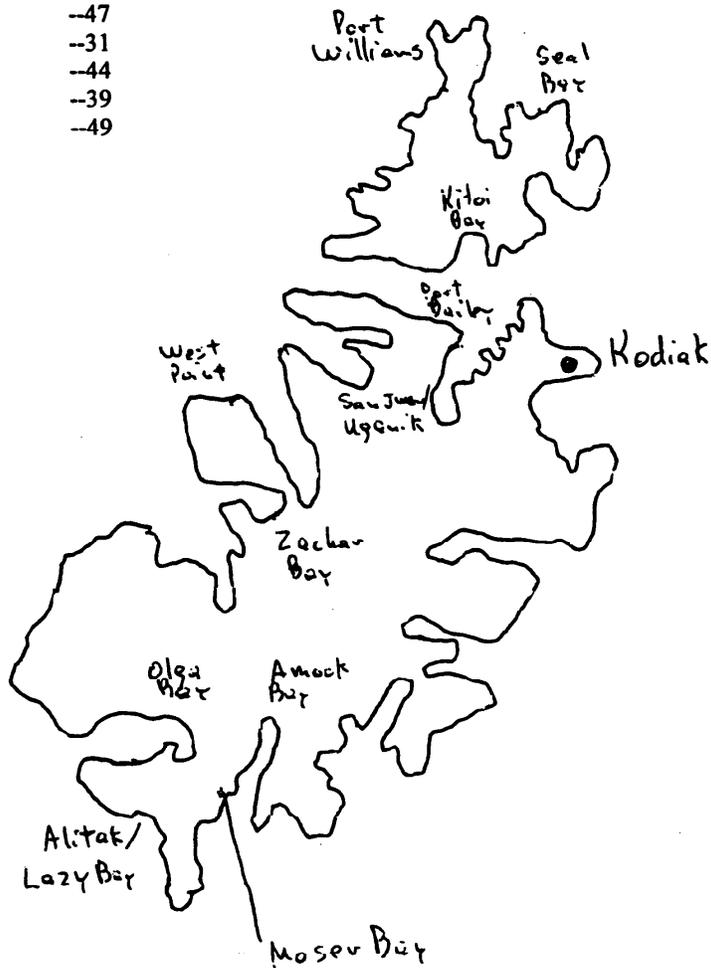
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<sup>3</sup> In accordance with 49 U.S.C. 41734(c), we will extend Peninsula's service obligation for successive 30-day periods as necessary until replacement service actually begins.

Communities Requiring Service with Amphibious Aircraft on Kodiak Island

Nonstop Mileages to Kodiak:

- |                    |      |
|--------------------|------|
| 1. Alitak/Lazy Bay | --89 |
| 2. Amook Bay       | --54 |
| 3. Kitoi Bay       | --31 |
| 4. Moser Bay       | --80 |
| 5. Olga Bay        | --77 |
| 6. Port Bailey     | --24 |
| 7. Port Williams   | --47 |
| 8. San Juan/Uganik | --31 |
| 9. Seal Bay        | --44 |
| 10. West Point     | --39 |
| 11. Zachar Bay     | --49 |



## Historical Traffic Carried by Peninsula Airways at Kodiak Bush Communities, Docket 98-3574

Dest.	QE 12/31/1998			QE 3/31/1999			QE 6/30/1999			QE 9/30/99			YE 9/30/99		
	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail
Alitak/Lazy Bay	0	276	416	16	222	757	116	2,759	6,196	1,126	6,773	5,029	1,258	10,030	12,398
Amook Bay	6	1,461	1,140	2	1,102	725	2	529	1,254	5	521	661	15	3,613	3,780
Kitoi Bay	4	283	1,153	0	0	717	4	77	1,219	14	66	1,058	22	426	4,147
Moser Bay	2	570	340	4	50	1,029	43	1,211	1,559	48	2,150	865	97	3,981	3,793
Olga Bay	3	0	0	0	0	0	35	526	0	40	588	0	78	1,114	0
Port Bailey	4	716	2,145	4	498	1,374	6	628	1,745	9	805	1,204	23	2,647	6,468
Port Williams	4	267	877	0	0	988	7	386	4,821	17	1,002	867	28	1,655	7,553
San Juan/Uganik	0	0	225	1	150	389	90	2,580	1,676	185	2,938	3,595	276	5,668	5,885
Seal Bay	3	594	1,100	5	608	1,752	14	926	1,499	50	410	1,025	72	2,538	5,376
West Point	6	80	7,267	2	52	1,678	20	28	1,943	25	17	1,782	53	177	12,670
Zachar Bay	10	931	1,746	0	537	331	0	0	0	30	2,294	686	40	3,762	2,763
Origin	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail
Alitak/Lazy Bay	2	0	172	9	0	50	48	0	88	242	0	419	301	0	729
Amook Bay	7	0	331	4	0	42	5	0	19	11	0	58	27	0	450
Kitoi Bay	5	0	18	0	0	5	3	0	261	14	0	386	22	0	670
Moser Bay	7	168	0	0	0	2	10	0	4	79	0	55	96	168	61
Olga Bay	3	0	116	9	0	66	11	0	0	70	0	0	81	0	0
Port Bailey	7	0	14	2	133	14	6	0	80	17	0	103	35	0	365
Port Williams	4	129	8	2	0	34	13	0	12	17	0	16	39	133	56
San Juan/Uganik	7	0	106	0	0	26	28	0	59	242	2,409	549	276	2,538	650
Seal Bay	4	0	81	8	0	39	11	0	56	29	0	103	47	0	291
West Point	4	0	77	3	0	17	10	0	32	42	0	60	64	0	212
Zachar Bay	10	0	0	3	0	0	8	0	12	66	0	74	87	0	180
O&D	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail	Pax.	Cargo	Mail
Alitak/Lazy Bay	2	276	588	25	222	807	164	2,759	6,284	1,368	6,773	5,448	1,559	10,030	13,127
Amook Bay	13	1,461	1,471	6	1,102	767	7	529	1,273	16	521	719	42	3,613	4,230
Kitoi Bay	9	283	1,171	0	0	722	7	77	1,480	28	66	1,444	44	426	4,817
Moser Bay	9	738	340	4	50	1,031	53	1,211	1,563	127	2,150	920	193	4,149	3,854
Olga Bay	3	0	0	0	0	0	46	526	0	110	588	0	159	1,114	0
Port Bailey	7	716	2,261	13	498	1,440	12	628	1,825	26	805	1,307	58	2,647	6,833
Port Williams	11	267	891	2	133	1,002	20	386	4,833	34	1,002	883	67	1,788	7,609
San Juan/Uganik	4	129	233	3	150	423	118	2,580	1,735	427	5,347	4,144	552	8,206	6,535
Seal Bay	10	594	1,206	5	608	1,778	25	926	1,555	79	410	1,128	119	2,538	5,667
West Point	10	80	7,348	10	52	1,717	30	28	1,975	67	17	1,842	117	177	12,882
Zachar Bay	20	931	1,823	3	537	348	8	0	12	96	2,294	760	127	3,762	2,943

**Essential Air Service Determinations at Selected Kodiak Island Points**

<u>Service Between Kodiak and:</u>	<u>Weekly Round-Trip Flights</u>	
	<u>Peak Period</u>	<u>Off-Peak Period</u>
Alitak/Lazy Bay	6	2
Amook Bay	2	1
Kitoi Bay	2	1
Moser Bay	3	2
Olga Bay	2	2
Port Bailey	6 + 6f	2
Port Williams	2	1
San Juan/Uganik	3 + 6f	1
Seal Bay	2	1
West Point	2	1
Zachar Bay	2	1

Note: Service to all the above communities may be provided with small aircraft (10 seats or less) and with up to two intermediate stops, except at Olga Bay (three stops) and West Point (four stops).

Note: Six months peak, six months off-peak.

Note: "f" above denotes flagstop service.

SERVICE LIST FOR THE STATE OF ALASKA

Appendix D

Page 1 of 2

Aaron Air	Golden Plover Air
Aero Tech Flight Service, Inc.	Grant Aviation, Inc.
Air Excursions	Great Northern Air Guides
Air Lift Alaska	Gulf Air Taxi, Inc.
Air Madura	Gulf Aviation, Inc.
Alaska Air Carriers Association	Gulkana Air Service, Inc.
Alaska Airlines, Inc.	Hageland Aviation Services, Inc.
Alaska Bush Carrier, Inc.	Haines Airways, Inc.
Alaska Central Express, Inc.	Heli-Lift, Inc.
Alaska Coastal Airlines, Inc.	Homer Air
Alaska Fly'N Fish Charters	Hudson Air Service, Inc.
Alaska Flyers	Iliamna Air Taxi, Inc.
Alaska Helicopters, Inc.	Island Air Service
Alaska Island Air, Inc.	Island Wings Air Service
Alaska Seair Adventures	Jim Air, Inc.
Alaska West Air, Inc.	K2 Aviation
Aleutian Air, Ltd.	Kachemak Air Service, Inc.
Aleutian Specialty Aviation	Kachemak Bay Flying Service, Inc.
Amerijet International, Inc.	Katmai Air
Arctic Air Alaska, Inc.	Kenai Air Alaska, Inc.
Arctic Circle Air Service, Inc.	Kenai Aviation
Baker Aviation, Inc.	Kenai Fjords Outfitters, Inc.
Bellair, Inc.	Kenair
Beluga Lake Float Plane Service	Ketchikan Air Service, Inc.
Bering Air, Inc.	Ketchum Air Service, Inc.
Bran-Air & Branham Adventures	Kodiak Air Service
Carmai Air	Koyukon Air, Inc.
Canning Air Service	Kupreanof Flying Service
Cape Smythe Air Service, Inc.	Kusko Aviation, Inc.
Cassaron Turbo Helicopters	L.A.B. Flying Service, Inc.
Chugiak Aviation	Larry's Flying Service
Clearwater Air, Inc.	Loken Aviation, Inc.
Coastal Helicopters, Inc.	Lone Star Airlines, Inc.
Cordova Air Service, Inc.	Lone Wolf Aero Services, Inc.
CPA Air Service	Maritime Helicopters, Inc.
Customized Alaskan Adventures	MarkAir Express, Inc.
Delta Connection	MarkAir, Inc.
Denali Air	Metroflight, Inc.
Egli Air Haul, Inc.	Midway Airlines, Inc.
Ellis Air Taxi, Inc.	Midwest Express Airlines, Inc.
Ellison Air, Inc.	Misty Fjords Air & Outfitting
ERA Aviation, Inc.	Mountain Aviation
F.S. Air Service, Inc.	Mountain Helicopters
Fishing and Flying	Nash West Aviation, Ltd.
Fiskehawk Aero Services	Natron Air
Forty (40) Mile Air, Ltd.	Nordic Air
Frontier Flying Service, Inc.	North Star Air Cargo, Inc.

SERVICE LIST FOR THE STATE OF ALASKA

Northern Air Cargo, Inc.  
Northwest Airlink  
Olson Air Service, Inc.  
Pacific Wing, Inc.  
Peninsula Airways, Inc.  
Promech, Inc.  
Ram Air, Inc.  
Ray Atkins Registered Guide  
Rediske Air, Inc.  
Reeve Aleutian Airways, Inc.  
Regal Air  
Reid Air  
Rust's Flying Service, Inc.  
Ryan Air Service, Inc.  
Scenic Mountain Air, Inc.  
Seaside Air Service  
Security Aviation, Inc.  
Seward Flying Service, Inc.  
Silver Bay Logging, Inc.  
Skagway Air Service, Inc.  
Soloy Helicopters, Inc.  
Southcentral Air, Inc.  
Specialized Air Service  
Spermak Airways, Inc.  
Sunrise Aviation, Inc.  
Tamarack Air, Ltd.  
Tanana Air Service  
Taquan Air Service, Inc.  
Tatonduk Outfitters, Ltd.  
Temasco Helicopters, Inc.  
Totem Air  
Trans-Alaska Helicopters, Inc.  
Trans-Porter Alaska, Inc.  
Tundra Copters, Inc.  
Umiat Enterprises, Inc.  
Umiat Enterprises, Inc.  
Uyak Air Service, Inc.  
Vernair  
Warbelow's Air Ventures, Inc.  
Ward Air  
Wings of Alaska  
Woods Air Service, Inc.  
Wrangell Mountain Air, Inc.  
Wright Air Service, Inc.  
Yukon Helicopters  
Yutana Airlines, Inc.  
Yute Air Alaska, Inc.  
Alaska Juneau Aeronautics, Inc.  
Ken Bannon  
E.B. Freeman  
A. Edward Jenner  
John McFarlane  
Bill Oakes  
Kevin Thomas  
Pat Dempsey