



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

Issued by the Department of Transportation
on the **3rd day of July, 2002**

Served: July 3, 2002

Application of

SERVANT AIR, INC.

for reissuance of its section 41102 certificate
to carry passengers

Docket OST-97-3022

**ORDER CONFIRMING ORAL ACTION
AND REISSUING EFFECTIVE CERTIFICATE AUTHORITY**

Summary

By this order, we find that Servant Air, Inc., is fit, willing, and able to provide interstate air transportation of persons. We also confirm our oral action taken on June 26, 2002, and reissue the carrier's section 41102 certificate of public convenience and necessity to reflect the effective date of the scheduled passenger authority contained therein.

Background

Servant Air was found fit and issued a certificate by the Department to engage in scheduled interstate air transportation of persons, property, and mail by Order 98-6-9, issued June 9, 1998. The authority was limited to the use of aircraft operated under Part 135 of the Federal Aviation Regulations. In addition, the effectiveness of that authority was conditioned upon, among other things, Servant Air's providing the Department with evidence of liability insurance coverage meeting the requirements of 14 CFR 205.5(b) for all of its aircraft and a copy of its Air Carrier Certificate issued by the Federal Aviation Administration (FAA).

Subsequent to the issuance of that order, Servant Air provided us with the information necessary to make only the cargo portion of its certificate effective. In this regard, the carrier advised us that it intended to conduct interstate all-cargo operations only rather than the scheduled passenger operations it had initially proposed. Since the information provided demonstrated that the company continued to be fit to conduct interstate all-cargo operations, and since our review of its insurance coverage and FAA authority, along with the information supplied by the carrier was satisfactory, we made the property and mail portion of Servant Air's certificate effective, through oral action, on August 19, 1999. By Order 2000-7-33, issued July 28, 2000, we confirmed our oral action. We also included a condition that the carrier's

authority to provide passenger operations would not become effective until we had specifically found Servant Air fit for such operations.

On April 12, 2002, Servant Air filed an application in Docket OST-97-3022 to amend its certificate to allow it to engage in passenger operations. Servant Air accompanied its application with updated fitness information as required by section 204.3 of our regulations.¹ Additionally, on June 10, 2002, Servant Air filed evidence of passenger liability insurance coverage meeting the requirements of section 205.5(b) of our rules, and on June 25, the carrier filed a copy of its amended Operations Specifications issued by the FAA authorizing it to engage in scheduled passenger operations.

No answers were filed to the application and no other issues regarding the applicant have come to our attention. Upon review of this information, as more fully discussed below, we conclude that Servant Air continues to be a U.S. citizen and has met the fitness test to conduct passenger operations. Under these circumstances, on June 26, we orally advised Servant Air that we were making the scheduled passenger portion of its certificate effective. By this order, we confirm that action and reissue Servant Air's certificate to reflect the effective date for its passenger operations.

FITNESS

Managerial Competence

In Order 2000-7-33, the Department found that Servant Air's key management and technical personnel were qualified to perform their duties. Among those individuals, Ms. Gigi McKenney, the carrier's sole owner, continues to function as Servant Air's President and General Manager, responsible for overall planning and guidance.

Since our last review of the carrier there have been a number of personnel changes. In May 2001, Mr. Ronald A. Lanni became Servant Air's Director of Maintenance. Mr. Lanni holds an FAA Airframe and Powerplant Mechanic certificate and has, during the past 18 years, worked for six different airlines or aviation service companies, holding positions ranging from Mechanic to Director of Maintenance.

Mr. Ken Loeser is now Servant Air's Director of Operations and Chief Pilot, having joined the carrier in May 2000. He is an Airline Transport Pilot with more than 21,000 hours of recorded flight time, much of which was accomplished in Southeast Alaska. The FAA has granted Servant Air a deviation from Part 119 of the Federal Aviation Regulations in order for Mr. Loeser to hold both positions.

We continue to regard Servant Air's key management and technical personnel as being qualified to handle the responsibilities under the limited certificate authority it already holds and that proposed here. In addition, the FAA has reviewed their experience and background and found them to be satisfactory.²

¹ Servant Air filed information supplementing its application on June 6 and 7, 2002.

² The FAA evaluates certain of an air carrier's key personnel with respect to the minimum qualifications for those positions as prescribed in the Federal Aviation Regulations. The FAA's evaluation of these key personnel provides an added practical and in-person test of the skills and technical ability of these individuals.

Financial Plan and Operating Proposal

Since being granted certificate authority, Servant Air has provided air cargo and mail service to the bush villages of interior Alaska, including all of the points the carrier now proposes to serve with scheduled passenger service. Specifically, beginning immediately, Servant Air plans to operate four flights each day, Monday through Friday, on the following routes from Fairbanks, to: Central and Circle; Eagle; Chalkyitsik, Fort Yukon, Vemnetie, and Beaver; and Anaktuvak Pass, Bettles, and Allakaret. These flights will be operated using five PA-32R Piper Lances having 5 passenger seats. Beginning in September, Servant Air proposes to operate two additional flights each day, Monday through Friday, on the following routes from Fairbanks to: Tanana, Hughes, Huslia, Galena, Koyukuk, Nulato, Kaltag, and Ruby; and Fort Yukon. Besides using Piper Lances, a PA 31-350 Piper Navajo with 9 passenger seats will also be employed.

Servant Air's financial condition appears to be sound. Its income statement for the year ending December 31, 2001, shows a net profit of \$323,903 on total revenues of \$1,601,752. The carrier's balance sheet for the same date reflects total current assets of \$349,008 and total current liabilities of \$118,910 resulting in a positive working capital position of \$230,098 and a total current assets to total current liabilities ratio of 2.94:1. Total owner's equity was \$356,594.

In light of the foregoing, Servant Air appears to have adequate resources to conduct the proposed passenger operations described above. In evaluating an applicant's financial fitness, the Department generally asks that the company have available to it resources sufficient to cover all pre-operating expenses plus a working capital reserve equal to the operating expenses that would be incurred in three months of normal certificated operations. In calculating available resources, projected revenues may not be used. In cases such as this one, where the applicant is already conducting cargo and mail operations to all of the points being proposed for scheduled passenger service, our working capital reserve is generally based on the costs attributable to the operation of the services for which additional authority is being sought. In Servant Air's case, that is estimated to be the start up costs of \$34,500, plus one quarter of the incremental expenses for handling passengers (derived by comparing expenses for the last full year of cargo operations with those projected for the first year of passenger operations) which in this case amounts to \$96,019. This results in a total requirement of \$130,519. Inasmuch as the company's December 31, 2001, working capital position was \$230,098, our financial resource test is easily met. We conclude, therefore, that Servant Air has available sufficient financial resources to enable it to institute its proposed passenger operations without posing an undue risk to consumers or their funds.

Compliance Disposition

In its application, Servant Air states that there have been no charges of fraud, felony or antitrust violations, or of unfair, anticompetitive or deceptive business practices, filed against it since the carrier was certificated. Servant Air further states that there have been no formal complaints filed, or orders issued, finding the carrier in violation of the Statute or the Federal Aviation Regulations. Finally, our review of Servant Air's operations has revealed no other compliance issues and the FAA has advised us that it has no objections to the Department's grant of Servant Air's request to amend its certificate to authorize scheduled passenger service.

CITIZENSHIP

Section 41102 requires that certificates to engage in air transportation be held only by citizens of the United States as defined in 49 U.S.C. 40102(a)(15). That section requires that the President and two-thirds of the Board of Directors and other managing officers be U.S. citizens and that at least 75 percent of the outstanding voting stock be owned by U.S. citizens. We have also interpreted the Statute to mean that, as a factual matter, the carrier must actually be controlled by U.S. citizens.

As stated earlier, all of Servant Air's stock is owned by Ms. Gigi McKenney, a U.S. citizen. All of Servant Air's key personnel are U.S. citizens and the company has provided an affidavit attesting that it is a citizen of the United States within the meaning of the Statute. Finally, our review of the applicant's citizenship has uncovered no reason to suggest that control of Servant Air rests with non-U.S. citizens.

Based on the above, we conclude that Servant Air continues to be a citizen of the United States and is fit, willing, and able to conduct the limited interstate scheduled passenger operations proposed in its application.

CERTIFICATE CONDITIONS & LIMITATIONS

We will take this opportunity to reissue Servant Air's certificate issued previously to it by Order 2000-7-33 to reflect the June 26, 2002, effective date for passenger authority. Further, because our findings are based on Servant Air's operations that utilize small aircraft as authorized under its FAA Part 135 certificate, the certificate being reissued will continue to restrict the company to such operations.

We also wish to remind the company of the requirements of 49 U.S.C. 41110(e). Specifically, that section requires that, once a carrier is found fit initially, it must remain fit in order to hold its authority. Thus, should Servant Air propose other substantial changes in its ownership, management, or operations, it must first comply with the requirements of section 204.5 of our rules.³ The compliance of the company with this requirement is essential if we are to carry out our responsibilities under the Statute.⁴

³ The carrier may contact our Air Carrier Fitness Division to report proposed substantial changes in its operations, ownership, or management, and to determine what additional information, if any, will be required under section 204.5. In addition, by notice dated July 21, 1998, the Department requested air carriers to provide a 30-day advance notification of any proposed change in ownership, restructuring, or recapitalization. If the carrier fails to file this updated information or if the information fails to demonstrate that the carrier will continue to be fit

ACCORDINGLY, Acting under authority assigned by the Department in its regulations, 14 CFR 385.12:

1. We find that Servant Air, Inc., is fit, willing and able to engage in interstate scheduled air transportation of persons, property and mail and confirm our oral action of June 26, 2002, making the scheduled passenger portion of its certificate effective.
2. We reissue to Servant Air, Inc., the section 41102 certificate issued to it by Order 2000-7-33 to make effective its authority to engage in scheduled passenger operations.
3. We will serve a copy of this order on the persons listed in Attachment A.

Persons entitled to petition the Department for review of this order under the Department's Regulations, 14 CFR 385.30, may file their petitions within 10 days of the service date of this order.

The action reflected in this order was effective when taken and the filing of a petition for review shall not alter its effectiveness.

By:

RANDALL D. BENNETT
Director
Office of Aviation Analysis

(SEAL)

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

upon implementation of the substantial change, the Department may take such action as is appropriate, including enforcement action or steps to modify, suspend, or revoke the carrier's certificate authority.

⁴ We also remind Servant Air about the requirements of section 204.7 of our rules. This section provides, among other things, that (1) if the company ceases the operations for which it was found fit, it may not resume certificated operations unless its fitness has been redetermined; and (2) if the company does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.



Certificate of Public Convenience and Necessity
for
Interstate Air Transportation
(as reissued)

This Certifies That

SERVANT AIR, INC.

is authorized, subject to the provisions of Subtitle VII of Title 49 of United States Code, the orders, rules, and regulations issued thereunder, and the attached Terms, Conditions, and Limitations, to engage in interstate air transportation of persons, property, and mail.

This Certificate is not transferable without the approval of the Department of Transportation.

Issued by Order 2002-7-8
On July 3, 2002
Effective on (see attached)

By Direction of the Secretary
Randall D. Bennett
Director
Office of Aviation
Analysis

**As reissued by
Order 2002-7-8
Attachment*



Terms, Conditions, and Limitations

SERVANT AIR, INC.

is authorized to engage in interstate air transportation of persons, property, and mail between any point in any State, territory, or possession of the United States or the District of Columbia, and any other point in any of those entities.

This authority is subject to the following provisions:

- (1) The holder shall at all times conduct its operations in accordance with the regulations prescribed by the Department of Transportation for the services authorized by this certificate, and with such other reasonable terms, conditions, and limitations as the Department of Transportation may prescribe in the public interest.*
- (2) The holder's authority to perform property and mail operations under this certificate became effective on August 19, 1999. The holder's authority to perform scheduled passenger air transportation became effective on June 26, 2002.*
- (3) The holder's authority is limited to operations conducted pursuant to Part 135 of the Federal Aviation Regulations. In the event that the holder wishes to institute operations that would require Part 121 certification from the FAA, it must first be determined fit for such operations.*
- (4) The holder's authority is effective only to the extent that such operations are also authorized by the FAA, and comply with all Department of Transportation requirements concerning security.*
- (5) The holder shall at all times remain a "Citizen of the United States" as required by 49 U.S.C. 40102(a)(15).*

**This certificate is being reissued to reflect the effective date for scheduled passenger operations.*

(6) *The holder shall maintain in effect liability insurance coverage as required under 14 CFR Part 205. Failure to maintain such insurance coverage will render a certificate ineffective, and this or other failure to comply with the provisions of Subtitle VII of Title 49 of the United States Code or the Department's regulations shall be sufficient grounds to revoke this certificate.*

(7) *The holder may reduce or terminate service at any point or between any two points, subject to compliance with the provisions of 49 U.S.C. 41734 and all orders and regulations issued by the Department of Transportation under that section.*

(8) *The holder may not provide scheduled passenger air transportation to or from Dallas (Love Field), Texas, except within the limits set forth in section 29 of the International Air Transportation Competition Act of 1979, as amended by section 337 of the Department of Transportation and Related Agencies Appropriations Act, 1998.*

(9) *Should the holder propose any substantial changes in its ownership, management, or operations (as that term is defined in 14 CFR 204.2(l)), it must first comply with the requirements of 14 CFR 204.5.*

(10) *In the event that the holder ceases all operations for which it was found "fit, willing and able," its authority under this certificate shall be suspended under the terms of 14 CFR 204.7 and the holder may neither recommence nor advertise such operations unless its fitness to do so has been redetermined by the Department. Moreover, if the holder does not resume operations within one year of its cessation, its authority shall be revoked for dormancy.*

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