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ORDER 2001-3-11

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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 12th day of March, 2001

INTRA-ALASKA BUSH AND
MAINLINE MAIL RATES

Dockets OST-95-405 - 91
&
OST-95-429 - 142

ORDER UPDATING RATE FOR QUARTERLY FUEL COSTS AND
ESTABLISHING FINAL BUSH MAIL RATES

Summary

By this order the Department is increasing the linehaul portion of the Intra-Alaska bush mail rate by 1.39% from the rate tentatively set by Order 2001-1-12, served January 18, 2001.¹ For the mainline, we are increasing the rate by 1.57% from the current rate² set by Order 2000-12-19, that is due to expire on March 31, 2001. The new bush and mainline rates are to be effective April 1, 2001, and reflect fuel expenses for the QE December 31, 2000, consistent with the methodologies established in Orders 99-12-15 and 2000-5-30.

In addition, because the 45-day period for objections to Order 2000-1-12 has expired without objections to the bush rate proposed in that Order, we will finalize that rate along with the updated quarterly fuel cost.

Background

By Order 2000-11-9 the Department established final mail rates for carriage of mainline mail for the period October 1, 2000, through September 30, 2001, but provided for the quarterly update of the rate for changes in fuel costs. Order 2000-12-19 updated that annual rate to reflect QE September 30, 2000, fuel costs, and this Order is again updating the annual rate to reflect QE December 31, 2000, fuel costs.

¹ Order 2001-1-12 used QE September 30, 2000, fuel costs for illustrative purposes, because QE December 31, 2000, fuel costs had not yet been reported when the order issued.

² The current rate is based on non-fuel costs for the YE March 31, 2000, and fuel costs for QE 9/30/2000. Our policy is to update the annual rate quarterly for changes in fuel costs, based on reported quarterly fuel cost with a one-quarter lag.

By Orders 2000-4-1 and 2000-5-30 the Department established final mail rates for carriage of bush mail for the period April 13, 2000, through March 31, 2001, but provided for the quarterly update of the rate for changes in fuel costs. As with the mainline, Order 2000-12-19 updated that annual rate to reflect QE September 30, 2000, fuel costs. Most recently, by Order 2000-1-12 the Department tentatively set mail rates for the carriage of bush mail for the period April 1, 2001, through March 31, 2002.³ Because the 45-day period provided for objections has expired without objections, we will make the rate tentatively set in that Order final. Also, as provided in Order 2001-1-12, we will now update the rate to reflect QE December 31, 2000, fuel costs to reflect the most recent data available.

The Department has stated that we would continue this quarterly update of fuel indefinitely. Since the carriers' traffic and financial data are reported 45 days after the end of the accounting period, we will continue to make quarterly adjustments with a one-quarter lag between the availability of the data and the effective date of the rate.

For the bush carriers, the data in Appendix C show that fuel costs for the bush have increased to \$95.35 per block hour from the \$88.80 rate in Order 2000-1-12. This produces a 1.39% increase in the overall bush linehaul mail rate as shown in Appendix B. For the mainline carriers, the data in Appendix C show that fuel costs for the mainline have increased to \$.236351 per ATM from the \$.225914 rate in Order 2000-12-19. This produces a 1.57% increase in the overall mainline linehaul mail rate as shown in Appendix A.⁴

The terminal portion of the mail rate is unaffected by our update of the linehaul for quarterly fuel costs for the bush or the mainline, but for easy reference we have included them in Appendix A. The next adjustment for fuel costs for mainline and bush carriers would be based on QE March 31, 2001, data and would be effective for the period July 1, 2001, through September 30, 2001.

ACCORDINGLY,

1. For the mainline carriers, we fix, determine, and publish the proposed final rates specified in Appendix A (mainline), to be effective for the period beginning April 1, 2001, until further Department action;⁵

³ We note that this rate would normally be finalized through March 31, 2002, except for quarterly fuel adjustments. However, the Department may decide to open the rate before then after we review the comments to our Notice of January 22, 2001, requesting comments on changes to the bush and mainline rate.

⁴ The mainline fuel update methodology continues the weighting of linehaul costs by amount of mail carried, as determined in Order 2000-11-9.

⁵ On January 31, 2001, the Postal Service petitioned the Department for Reconsideration of Order 2000-11-9. We will address that petition in a separate order.

2. For the bush carriers, we fix, determine, and publish the proposed final rates specified in Appendix A (bush), to be effective for the period beginning April 1, 2001, until further Department action;⁶
3. For the bush and mainline mail rates, we update Order 2001-12-19 to reflect fuel costs reported for the QE December 31, 2000;
4. We make final the tentative findings and conclusions specified in Order 2001-1-12, effective April 1, 2001, as shown in Appendix A;
5. These dockets shall remain open until further order of the Department;
6. We will serve this order upon all parties on the Service List for this Docket; and
7. We are issuing the quarterly fuel updates on a final basis. Consistent with our rules, parties will have twenty days from the date of service of this order to petition the Department for reconsideration of the quarterly fuel update.

By:

Susan McDermott
Deputy Assistant Secretary for Aviation
And International Affairs

(SEAL)

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http://dms.dot.gov/reports/reports_aviation.asp

⁶ We have issued a notice requesting comments on several major mail rate issues. After reviewing those comments, we may make changes in the bush mail rate in the upcoming year.

INTRA-ALASKA MAINLINE MAIL RATES

Effective: April 1, 2001, through June 30, 2001

(1) (2) (3) (4) (5)

Base Year Rates 1/ Adjustment Factors 2/ New Rate 3/ Prior Rate Order 2000-12-19 Change from Prior Rate 4/

Linehaul Charge per Billing Ton-Mile

Priority	\$1.1969	68.48% <u>2/</u>	\$2.0165	\$1.9853	1.57%
Non-priority	\$.7246	68.48% <u>2/</u>	\$1.2208	\$1.2019	1.57%

Terminal Charge per Pound Originated 4/

Priority	\$.1697	53.89%	\$.2612	\$.2519	3.69% <u>5/</u>
Non-priority	\$.1458	53.89%	\$.2244	\$.2165	3.65% <u>5/</u>

1/ Per Order 82-11-23
2/ See Appendix B (Mainline) to this order.
3/ Column (1) increased by column (2).
4/ Per Order 2000-11-9.
5/ Differences due to rounding.

INTRA-ALASKA MAINLINE MAIL RATES COST ADJUSTMENT FACTORS

Base Year	Unit Costs	Unit Costs
Ended	Applied	Applied
9/30/80	to OE 3/31/01	to OE 6/30/01

Unit Cost per Available Ton-Mile

Fuel	\$.225914 1/	\$.230351 2/
Nonfuel	\$.436691 1/	\$.430691 1/
Tot	\$.399469	\$.673042
Percentage Change from Base Year	65.87%	68.48% 3/

1/ Per Order 2000-12-19, Appendix B (Mainline)

2/ Appendix C (Mainline) to this order.

3/ \$.673042/\$.399469

Appendix C
Mainline

Intra-Alaska Mainline Mail Rates--Quarter Ended December 31, 2000
Aircraft Operating Expenses in Scheduled Service

	Alaska Airlines (AS)			Northern Air Cargo (NAC)			Lynden (LAC)	Grand Total
	#621	#617	#655	#711	#216	#556	Hercules	
	B-737-2C	737-400	MD-80	B-727	DC-6			
	LINEHAUL COSTS							
Domestic Fuel, Linehaul 1/	\$5,638,137	\$31,647,209	\$27,224,446	\$493,757	\$1,851,630		\$686,737	
Intra-Alaska Skd. Block Hours	4,153	2,240	279	210	2,124		463	
Domestic Total 1/	5,351	37,284	27,767	218	2,294		790	
Intra-Alaska Fuel Linehaul Expense	\$4,375,852	\$1,901,345	\$273,548	\$475,637	\$1,714,412		\$402,480	\$9,143,274
Intra-Alaska Skd. Available Ton-Miles	19,621,485	10,939,272	1,221,124	1,397,437	5,576,837		2,846,132	41,602,287
Unit Cost per ATM, Fuel	\$.223013	\$.173809	\$.224013	\$.340364	\$.307417		\$.141413	\$.219778
As-flown, Intra-Alaska RTMs of Mail	1,547,709	271,619	27,674	317,383	1,373,714		974,884	4,512,983
RTM Percent of Total	34.29%	6.02%	0.61%	7.03%	30.44%		21.60%	100.00%
Wtd. Cost per ATM, Fuel	\$0.076471	\$0.010463	\$0.001366	\$0.023928	\$0.093578		\$0.030545	\$0.236351

1/ ACE and NAC had no international operations; Alaska Airlines separately reported its international operations.

INTRALASKA BUSH MAIL RATES

Prior Orders: 2000-12-19 and 2001-1-12
Effective: April 1, 2001, through June 30, 2001

	Base Year Rates 1/	Adjustment Factors	Final Rate 3/	Order 2001-1-12 Snow-Cause Rate	Percentage Increase
Linehaul Charge per Billing Ton-Mile	\$5.9525	83.12% 2/	\$10.9002	\$10.7508 5/	1.39%
Terminal Charge per Pound Originated 4/	\$0.2217	63.01%	\$0.3614	\$0.3614	0.00%

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- 1/ Appendix E, Order 90-10-34.
 - 2/ Appendix B to this order.
 - 3/ Column 1 increased by column 2.
 - 4/ Order 2001-1-12, Appendix A
 - 5/ This rate never became final because it included the QE 9/30/2000 fuel costs for illustrative purposes, which we have now updated.

INTRA-ALASKA BUSH MAIL RATES
Quarterly Adjustment Factors

Base Year Ended <u>9/30/80</u>	Unit Costs Applied to <u>OE 3/31/01</u>	Unit Costs Applied to <u>OE 6/30/01</u>
Unit Cost per Hour		
Fuel	\$88.80 2/	\$95.35 3/
<u>Nonfuel</u>	<u>\$346.93 2/</u>	<u>\$383.63 4/</u>
Tot	\$435.73	\$478.98
Percentage Change from Base Year	66.58%	83.12%

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- 1/ Order 90-10-34, Appendix B.
 - 2/ Order 2000-12-19, Appendix B (Bush).
 - 3/ Appendix C (Bush) to this order.
 - 4/ Order 2001-1-12, Appendix B.

INTRA-ALASKA BUSH MAIL RATES
Summary of Carriers' Fuel Portion of Linehaul Expenses

	Fuel Expense QE	Block Hours QE	Unit Costs QE
	12/31/2000	12/31/2000	12/31/2000
1. A. Island Air			
2. Arctic Circle	\$243,411	2,695	\$90.32
3. Arctic Tpt.	\$216,915	2,083	\$104.14
4. Baker	\$62,924	908	\$69.30
5. BellAir	\$83,988	1,321	\$63.58
6. Bering	\$472,782	3,340	\$141.55
7. Camai	\$88,761	1,901	\$46.69
8. C. Smythe	\$345,709	3,141	\$110.06
9. ERA-Bush 1/	\$452,543	3,338	\$135.57
10. Frontier	\$603,362	4,896	\$123.24
11. Grant	\$481,352	4,895	\$98.34
12. Hageland	\$630,497	6,812	\$92.56
13. Ketchikan	\$0	0	\$0
14. Larrys	\$179,594	2,782	\$64.56
15. MarkAir	\$0	0	\$0
16. Peninsula	\$1,102,821	9,631	\$114.51
17. ProMech	\$69,509	1,293	\$53.76
18. Tanana	\$125,213	2,542	\$49.26
19. Taquan 2/	\$0	0	\$0
20. Temsco	\$0	0	\$0
21. Warbelows	\$284,154	3,768	\$75.41
22. Wings	\$68,068	1,232	\$55.25
23. Wright	\$155,021	2,157	\$71.87
24. Yute	\$102,165	1,769	\$57.75
Total Fuel Expense	\$5,768,789	60,504	\$95.35

1/ Includes expenses reported for Twin Otters only.

2/ Taquan is no longer a 401 carrier.