

Order 2003-5-2
Served: May 1, 2003

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



Issued by the Department of Transportation
on the 1st day of May, 2003

Essential Air Service at

HYDABURG, ALASKA

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

Docket OST-99-6245

ORDER SETTING FINAL RATES

Summary

By this order, we are setting short-term final subsidy rates, retroactive to October 1, 2001, for Venture Travel, LLC, d/b/a Taquan Air, for its essential air service (EAS) at Hydaburg, Alaska.

Discussion

As discussed in Order 2002-2-13, the Department authorized emergency EAS payments to subsidized carriers because of the losses suffered by them in the face of generally lower revenue and higher costs after the terrorist attacks combined with the fact that the EAS carriers are paid on a pre-agreed, fixed rate per flight. That order provided for immediate increases to the final rates then in place on an *ad hoc*, interim basis, along with authority to re-negotiate new final rates retroactive to October 1 until the end of the carriers' selection term as provided in the order.¹

Taquan was selected at Hydaburg at the annual rate of \$55,443 from March 5, 2000, through March 31, 2002. Because the carrier's insurance was not up for renewal until May 1, 2002, we recognize no additional insurance expense for the period October 1, 2001, through March 31, 2002, though that increase is fully reflected in the rate beginning April 1, 2002. As shown in Appendix B, the rate for the period April 1, 2002, until further Department action, is only slightly less than that for the earlier

¹ See Order 2002-2-13 for a complete discussion of the emergency relief.

period. Revenue is identical, but notwithstanding the increase in insurance, overall costs are slightly down.

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

ACCORDINGLY,

1. The Department sets the final subsidy rate for Venture Travel, LLC, d/b/a Taquan Air, for the provision of essential air service at Hydaburg, Alaska, as described in Appendix C-1, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Ketchikan by \$255.04; ²
2. The Department sets the final subsidy rate for Venture Travel, LLC, d/b/a Taquan Air, for the provision of essential air service at Hydaburg, Alaska, as described in Appendix C-2, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Ketchikan by \$248.23; ³
3. These rates are in lieu of, and not in addition to, those set by Orders 2002-12-13, 2002-7-27, and 2000-5-21;
4. We direct Venture Travel, LLC, d/b/a Taquan Air, 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 the 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; and

² See Appendix C-1 for calculation.

³ See Appendix C-2 for calculation.

5. The Department will serve copies of this order on Venture Travel, LLC, d/b/a Taquan Air.

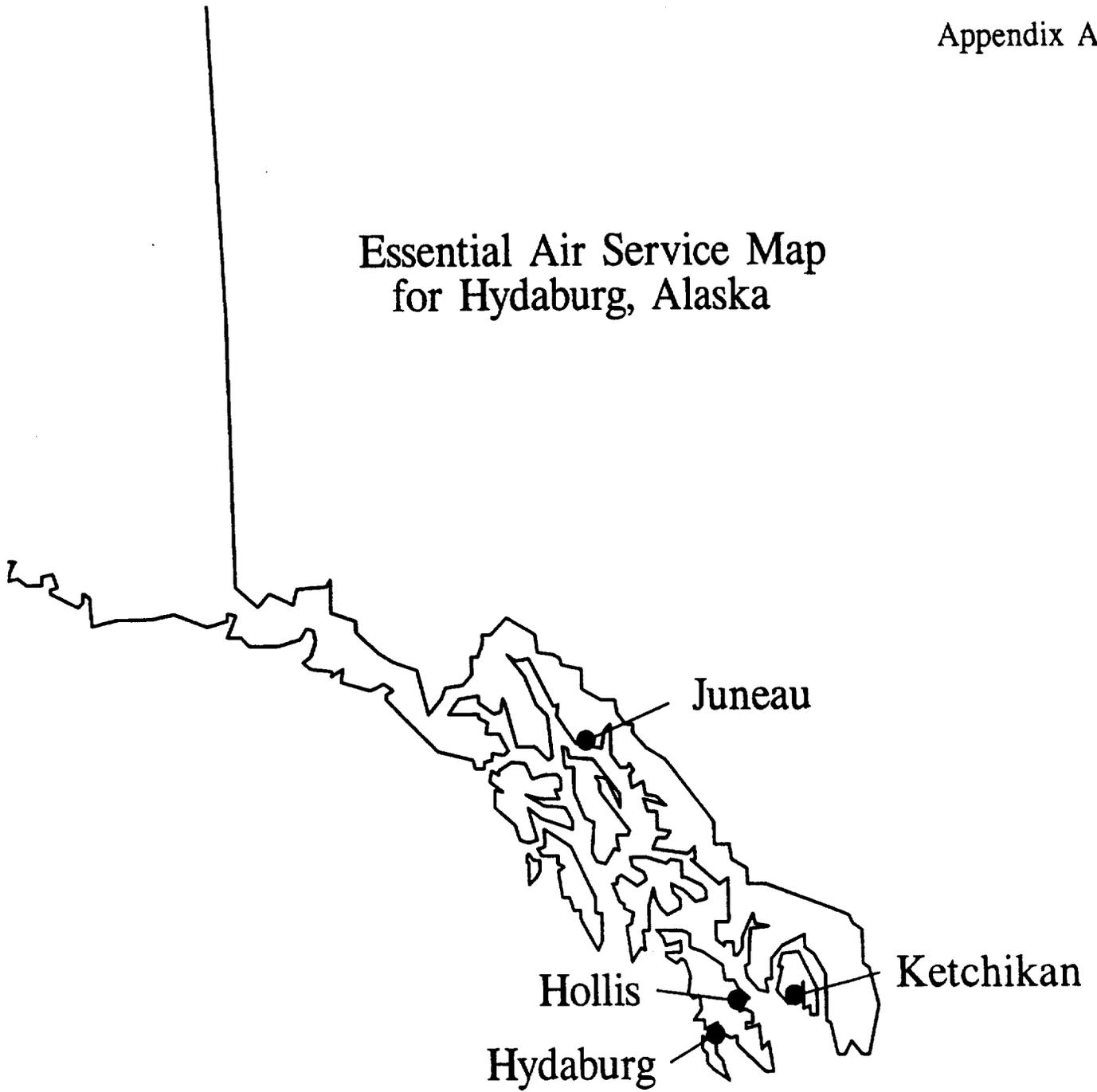
By:

Read C. Van de Water
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>

Essential Air Service Map for Hydaburg, Alaska



Mileages

| | |
|--------------------|----|
| Hydaburg-Ketchikan | 47 |
| Hydaburg-Hollis | 20 |
| Hollis-Ketchikan | 39 |

Appendix B

Venture Travel, LLC, d/b/a Taquan Air, Essential Air Service to be Provided at
Hydaburg, Alaska, Docket 6245

| | Annual Order <u>2000-2-23</u> | Annual 10/1/01-- <u>3/31/02</u> | Annual 4/1/02 Until <u>Further DOT Action</u> |
|---------------------|-------------------------------------|---------------------------------------|---|
| Block Hours | 234 | 234 | 234 |
| Total Revenue | 71,882 | 47,754 | 47,754 |
| Pilot | 18,573 | 18,573 | 17,477 |
| Fuel | 13,081 | 13,081 | 11,230 |
| Insurance 1/ | 6,547 | 6,547 | 24,453 |
| Maintenance | 23,124 | 23,124 | 30,270 |
| <u>Depreciation</u> | <u>3,430</u> | <u>3,430</u> | <u>11,581</u> |
| Total Direct | 64,755 | 64,755 | 95,011 |
| Indirect Expense 1/ | 56,507 | 56,507 | 24,228 |
| Total Operating | 121,262 | 121,262 | 119,239 2/ |
| <u>Return @ 5%</u> | <u>6,063</u> | <u>6,063</u> | <u>5,962</u> |
| Total Economic Cost | 127,325 | 127,325 | 125,201 |
| Subsidy @ 100% | 55,443 | 79,571 | 77,447 |

1/ Carrier's insurance rates expire May 1, 2002, so there was no increase in insurance for the period 10/1/01-3/31/02. Prospectively, insurance increased, and also liability insurance was extracted from indirect expenses and added "above the line."

2/ Cost based on YE 12/31/02.

**Venture Travel, LLC, d/b/a Taquan Air, Essential Air Service to be Provided to
Hydaburg, Alaska, Docket 6245**

Effective Period: October 1, 2001, through March 31, 2002.

Scheduled Service:

3 nonstop stop round trips each week Ketchikan.

Aircraft: 5-seat DeHavilland Beaver

Subsidy Rate per Ketchikan Flight: \$255.04 ¹

Weekly Compensation Ceiling: \$1,530.24 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 Taquan 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 \$79,571 divided by 312 annual flights calculated as follows: 6 flights/week*52 weeks.

² 6 flights per week x \$255.04 = \$1,530.24.

**Venture Travel, LLC, d/b/a Taquan Air, Essential Air Service to be Provided to
Hydaburg, Alaska, Docket 6245**

Effective Period: April 1, 2002, until further Department action.

Scheduled Service:

3 nonstop stop round trips each week Ketchikan.

Aircraft: 5-seat DeHavilland Beaver

Subsidy Rate per Ketchikan Flight: \$248.23 ¹

Weekly Compensation Ceiling: \$1,489.38 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.

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¹ \$77,447 divided by 312 annual flights calculated as follows: 6 flights/week*52 weeks.

² 6 flights per week x \$248.23.