



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

Issued by the Department of Transportation
on the 28th day of June, 2004

Essential Air Service at

**MINTO, ALASKA
MANLEY HOT SPRINGS, ALASKA**

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

Served: July 1, 2004

DOCKET OST-2004-17563

**ORDER REQUIRING CARRIER TO MAINTAIN SERVICE
AND REQUESTING PROPOSALS
FOR REPLACEMENT ESSENTIAL AIR SERVICE**

Summary

By this order, the Department is (1) requiring Warbelow's Air Ventures to continue providing essential air service at Minto and Manley Hot Springs, Alaska, for an initial 30-day period, and (2) requesting proposals for replacement essential air service at the communities for a two-year period. (See Appendix A for a map.)

Background

By Order 2004-4-23, issued April 30, 2004, the Department allowed Tanana Air Service to terminate all scheduled air service at Minto and Manley Hot Springs, Alaska, provided that suitable replacement service would be inaugurated by Warbelow's Air Ventures, Inc. (Warbelow's). That order was issued with the understanding that the service operated by Warbelow's would initially be provided on a subsidy-free basis, but that Warbelow's would review the situation after the first few months of operations and would reevaluate its need for subsidy.

On May 13, 2004, Warbelow's filed a 90-day notice of its intent to terminate its unsubsidized air service at Minto and Manley Hot Springs, effective August 12, 2004. The carrier currently provides three flights a week on Monday, Wednesday and Friday, over a FAI-MLY-MNT-FAI routing with 8-seat Piper Navajo aircraft. No other air carrier provides scheduled air service at these communities.

The essential air service determinations for both communities were established by Civil Aeronautics Board Order 80-1-167, issued January 23, 1980. In accordance with that order, each community is guaranteed two round trips a week to Fairbanks year round with small aircraft¹ and with a maximum of two intermediate stops.

Decision

Because the termination of all air service by Warbelow's would leave Minto and Manley Hot Springs with no scheduled air service, we will require the carrier to maintain service between the communities and Fairbanks for an initial 30-day period following the end of the 90-day notice period, and request proposals from all interested carriers for replacement service.

Request for Proposals

We will request proposals from all carriers interested in providing essential air service to both Minto and Manley Hot Springs for a two-year period. Because of the directional imbalance of traffic, and because the capacity of the aircraft is shared by both communities, proposals may offer two or three round trips a week year-round to Fairbanks with small aircraft.

Interested carriers should file their proposals, with or without requests for subsidy, within 30 days of date of service of this order. At the end of that period, our staff will docket all proposals, thereby making them public for the first time, and direct each carrier to serve a copy of its proposal on the civic parties and other applicants. Shortly afterwards, we will provide a summary of the proposals to the community officials and ask them to submit their final comments, including ranking their preferences for the various options, while giving full consideration to all proposals that are timely filed.²

New Procedures

The preceding paragraph reflects streamlined carrier-selection procedures that we have introduced for the essential air service program generally. In the past, we have accepted initial carrier proposals, reviewed them, and then negotiated final proposals with each applicant before formally presenting the proposals to the community and asking for their final comments. We had found that a negotiation process was generally necessary because, in most cases, the incumbent carrier was the only one interested. In this case, if another carrier wishes to submit a proposal, we will use the new procedures.

¹ For the purpose of this order, "small aircraft" is defined as having up to 10 available seats.

² In cases where a carrier proposes to provide essential air service without subsidy and we determine that service can be reliably provided without such compensation, we do not proceed with the carrier-selection case. Instead, we simply rely on that carrier's subsidy-free service as proposed.

Consequently, interested carriers should prepare their proposals with every expectation that their initial proposals will also be their final and only proposals.³ We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we would give all applicants the same opportunity. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and resolicit a new round of proposals.

We are hereby providing interested carriers with some basic information to serve as guidance when they prepare their proposals, but we will not prescribe a precise format for their proposals. We expect proposals to adequately describe the service being proposed and the annual amount of subsidy being requested. The applicants can make their own judgments as to the level of detail they wish to present; however, they might want to include proposed schedules as well as supporting data for their subsidy requests, such as aircraft type, flight frequencies, projected block hours, passengers, revenues and expenses, completion factor, intermediate stops (if any), and whether or not upline service is contemplated. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected community and the Department. We do not anticipate any change in our selection criteria, or in the general provisions governing subsidy payments for essential air service.⁴

We encourage proposals that meet the needs of the communities in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose, and they need not limit themselves in any way if they envision other, potentially more attractive service possibilities -- different hubs or aircraft, for example -- with subsidy requirements that remain competitive.

In 2003, Minto generated a total of 135 O&D passengers, 3103 pounds of freight, and 28,021 pounds of mail. During the same period, Manley Hot Springs generated 68 O&D passengers, 3,166 pounds of freight, and 36,512 pound of mail. See Appendix B for historical traffic for Minto and Manley Hot Springs.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces, and nondiscrimination.⁵ Consequently, all

³ For this reason, we will allow carriers 30 days to submit their proposals, rather than just 20 as in the past. Also, it is incumbent on each carrier to discuss with the communities their preferences before it submits its proposals.

⁴ In selecting a carrier to provide subsidized essential air service, 49 U.S.C. 41733(c)(1) directs us to consider four factors: (1) service reliability; (2) contractual and marketing arrangements with a larger carrier at the hub; (3) interline arrangements with a larger carrier at the hub; and (4) community views. In addition, we have always given weight to the applicants' relative subsidy requirements. Appendix C contains the general provisions governing essential air service; as in the past, these provisions will be included in the selection order as part of the Department's authorization of subsidy for the selected service.

⁵ The regulations applicable to these areas are: (1) 49 CFR Part 20 – New restrictions on lobbying; (2) 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 disability in programs and activities receiving or benefiting from Federal financial assistance; and 14 CFR Part 382 - Nondiscrimination on the basis of disability in air travel; and (3) 49 CFR Part 29 – Government-

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.⁶

Community and State Comments

The communities and State are welcome to submit comments at any time. In any event, if proposals are filed, we will provide a summary of them to the civic parties and ask them to file their final comments.

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

ACCORDINGLY,

1. The Department prohibits Warbelow's Air Ventures, Inc., from terminating service at Minto and Manley Hot Springs, Alaska, at the end of its 90-day notice period, and requires it to maintain at least three round trips a week to Fairbanks, through September 10, 2004, or until a carrier capable of providing reliable essential air service actually begins service, whichever comes first;
2. We request that carriers interested in providing essential air service at Minto and Manley Hot Springs, Alaska, submit their proposals, with or without requests for subsidy, no later than 30 days after the service date of this order. Proposals 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, DC 20590, with the title "Proposal to Provide Essential Air Service at Minto and Manley Hot Springs, Alaska, Docket OST 2004-17563";⁷
3. Docket OST 2004-17563 shall remain open until further order of the Department; and

wide debarment and suspension (non-procurement) and government-wide requirements for drug-free workplace (grants).

⁶ The certifications are also available on the internet at <http://ost.dot.gov/aviation/index.html>.

⁷ Question regarding filings in response to this order may be directed to John McCamant at (202) 366-1060.

4. We will serve copies of this order on the civic officials of Minto and Manley Hot Springs, the Alaska Department of Transportation and Public Facilities, the Governor of Alaska, Warbelow's Air Ventures, Inc., and the parties listed in Appendix C.

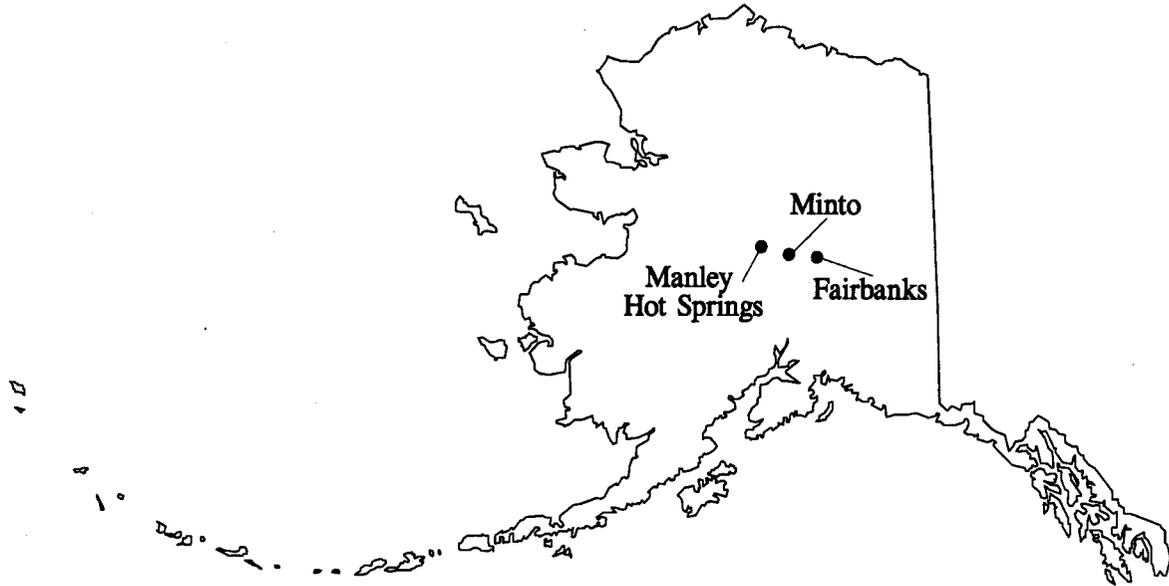
By:

KARAN K. BHATIA
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>*

Appendix A



Direct Air Miles

Fairbanks - Manley H.S. 83
Fairbanks - Minto 50

**Historical Traffic
Minto, Alaska**

| | MNT-FAI | | | FAI-MNT | | |
|---------|-------------------|----------------|--------------|-------------------|----------------|---------------|
| | <u>Passengers</u> | <u>Freight</u> | <u>Mail</u> | <u>Passengers</u> | <u>Freight</u> | <u>Mail</u> |
| 2000 1Q | 41 | 1 | 1,050 | 41 | 1,021 | 7,356 |
| 2Q | 18 | 4 | 1,058 | 26 | 1,435 | 7,406 |
| 3Q | 32 | 180 | 870 | 26 | 903 | 9,552 |
| 4Q | <u>43</u> | <u>0</u> | <u>1,269</u> | <u>57</u> | <u>743</u> | <u>13,269</u> |
| | 134 | 185 | 4,247 | 150 | 4,102 | 37,583 |
| 2001 1Q | 22 | 0 | 584 | 29 | 1,378 | 9,484 |
| 2Q | 16 | 0 | 625 | 25 | 753 | 4,458 |
| 3Q | 20 | - | - | 24 | - | - |
| 4Q | <u>13</u> | - | - | <u>23</u> | - | - |
| | 71 | | | 101 | | |
| 2002 1Q | 15 | 0 | 296 | 28 | 387 | 7,507 |
| 2Q | 29 | 1 | 907 | 35 | 1,415 | 10,650 |
| 3Q | 25 | 46 | 765 | 20 | 3,051 | 7,447 |
| 4Q | <u>28</u> | <u>1</u> | <u>905</u> | <u>26</u> | <u>3,362</u> | <u>6,516</u> |
| | 97 | 48 | 2,873 | 109 | 8,215 | 32,120 |
| 2003 1Q | 15 | 0 | 632 | 15 | 1,102 | 6,263 |
| 2Q | 23 | 0 | 1,928 | 23 | 846 | 6,687 |
| 3Q | 14 | 61 | 476 | 11 | 775 | 4,896 |
| 4Q | <u>19</u> | <u>2</u> | <u>835</u> | <u>15</u> | <u>317</u> | <u>6,304</u> |
| | 71 | 63 | 3,871 | 64 | 3,040 | 24,150 |
| 2004 1Q | 26 | 1 | 746 | 25 | 732 | 6,751 |
| 2Q | 5 | 0 | 112 | 9 | 142 | 1,222 |

Source: USDOT Form 41 Traffic

**Historical Traffic
Manley Hot Springs, Alaska**

| | | MLY-FAI | | | FAI-MLY | | |
|------|----|-------------------|----------------|--------------|-------------------|----------------|---------------|
| | | <u>Passengers</u> | <u>Freight</u> | <u>Mail</u> | <u>Passengers</u> | <u>Freight</u> | <u>Mail</u> |
| 2000 | 1Q | 10 | 52 | 1,483 | 17 | 632 | 6,670 |
| | 2Q | 12 | 1 | 1,962 | 16 | 898 | 7,042 |
| | 3Q | 19 | 150 | 3,471 | 15 | 726 | 8,552 |
| | 4Q | <u>8</u> | <u>0</u> | <u>1,811</u> | <u>22</u> | <u>618</u> | <u>14,591</u> |
| | | 49 | 203 | 8,727 | 70 | 2,874 | 36,855 |
| 2001 | 1Q | 12 | 2 | 2,036 | 10 | 1,264 | 7,017 |
| | 2Q | 6 | 87 | 1,310 | 13 | 2,406 | 4,341 |
| | 3Q | 6 | - | - | 14 | - | - |
| | 4Q | <u>11</u> | - | - | <u>5</u> | - | - |
| | | 35 | | | 42 | | |
| 2002 | 1Q | 11 | 61 | 512 | 17 | 496 | 7,001 |
| | 2Q | 9 | 40 | 1,153 | 15 | 1,141 | 6,052 |
| | 3Q | 9 | 16 | 987 | 15 | 1,099 | 6,737 |
| | 4Q | <u>7</u> | <u>0</u> | <u>1,285</u> | <u>3</u> | <u>1,180</u> | <u>10,559</u> |
| | | 36 | 117 | 3,937 | 50 | 3,916 | 30,349 |
| 2003 | 1Q | 3 | 31 | 1,000 | 10 | 1,020 | 7,420 |
| | 2Q | 3 | 16 | 1,580 | 8 | 521 | 7,458 |
| | 3Q | 7 | 1 | 938 | 9 | 604 | 7,238 |
| | 4Q | <u>19</u> | <u>2</u> | <u>1,707</u> | <u>9</u> | <u>958</u> | <u>9,171</u> |
| | | 32 | 63 | 5,225 | 36 | 3,103 | 31,287 |
| 2004 | 1Q | 11 | 3 | 1309 | 13 | 665 | 9,667 |
| | 2Q | 2 | 0 | 209 | 0 | 29 | 1,513 |

Source: USDOT Form 41 Traffic

Appendix C

Service List for State of Alaska

Aaron Air
Aero Tech Flight Service, Inc.
Air Excursions
Air Lift Alaska
Air Madura
Alaska Airlines, Inc.
Alaska Bush Carrier, Inc.
Alaska Central Express, Inc.
Alaska Coastal Airlines, Inc.
Alaska Fly'N Fish Charters
Alaska Flyers
Alaska Helicopters, Inc.
Alaska Island Air, Inc.
Alaska Seair Adventures
Alaska West Air, Inc.
Aleutian Air, Ltd.
Aleutian Specialty Aviation
Allegheny Commuter airlines, Inc.
Amerijet International, Inc.
Arctic Air Alaska, Inc.
Arctic Circle Air Service, Inc.
Baker Aviation, Inc.
Bellair, inc.
Beluga Lake Float Plane Service
Bering Air, Inc.
Bran-Air & Branham Adventures
Camai Air
Canning Air Service
Cape Smythe Air Service, Inc.
Cassaron Turbo Helicopters
Chugiak Aviation
Clearwater Air, Inc.
Coastal Helicopters, Inc.
Cordova Air Service, Inc.
CPA Air Service
Customized Alaskan Adventures
Delta Connection
Denali air
Egli Air Haul, Inc.
Ellis Air Taxi, Inc.
Ellison Air, Inc.
ERA Aviation, Inc.
F.S. Air Service, Inc.
Fishing and Flying
Fiskehawk Aero Service
Forty (40)-Mile Air, Ltd.
Frontier Flying Service, Inc.
Golden Plover Air
Grant Aviation, Inc.
Great Northern Air Guides
Gulf Air Taxi, Inc.
Gulf Aviation, Inc.
Gulkana Air Service, Inc.
Hageland Aviation Services, Inc.
Haines Airways, Inc.
Heli-Lift, Inc.
Homer Air
Hudson Air Service, Inc.
Iliamna Air Taxi, Inc.
Island Air Service
Island Wings Air Service
Jim Air, Inc.
K2 Aviation
Kachemak Air Service, Inc.
Kachemak Bay Flying Service, Inc.
Katmai Air
Kenai Air Alaska, Inc.
Kenai Fjords Outfitters, Inc.
Kenair
Ketchikan Air Service, Inc.
Ketchum Air Service, Inc.
Kodiak Air Service
Koyukon Air, Inc.
Kupreanof Flying Service
Kusko Aviation, Inc.
L.A.B. Flying Service, Inc.
Larry's Flying Service, Inc.
Loken Aviation, Inc.
Lone Star Airlines, Inc.
Lone Wolf Aero Services, Inc.
Maritime Helicopters, Inc.
MarkAir, Inc.
Metroflight, Inc.
Midway Airlines, Inc.
Midwest Express Airlines, Inc.
Misty Fjords Air & Outfitting
Mountain Aviation
Mountain Helicopters
Nash West Aviation, Ltd.
Natron Air
Nordic Air
North Star Air Cargo, Inc.
Northern Air Cargo, Inc.
Northwest Airlink
Olson Air Service, Inc.
Pacific Wing, Inc.
Peninsula Airways, Inc.
Precision Valley Aviation, 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
Spemak Airways
Sunrise Aviation, Inc.
Tamarack Air, Ltd.
Tanana Air Service
Taquan Air Service, Inc.
Tatonduk Outfitters, Inc.
Temasco Helicopters, Inc.
Totem Air
Trans-Alaska Helicopters, Inc.
Trans-Porter Alaska, Inc.
Tundra Copters, Inc.
Umiat Enterprises, Inc.
Uyak Air Service
Vemair
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
Kevin Thomas
Pat Dempsey
P. Richard Steinman III