



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

Issued by the Department of Transportation  
on the 7<sup>th</sup> day of September, 2004

Essential air service at

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

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

**Docket OST-2004-17563**

**ORDER SELECTING CARRIER  
AND SETTING SUBSIDY RATE**

**Summary**

By this order, the Department is (1) selecting Warbelow's Air Ventures to continue providing essential air service at Minto and Manley Hot Springs for a two-year period, and (2) establishing a subsidy rate of \$49,536 per year for service consisting of three flights per week over a Fairbanks-Manley-Minto-Fairbanks routing with 3-seat Cessna 206/207 aircraft.

**Background**

On May 13, 2004, Warbelow's Air Ventures, Inc. (Warbelow's), filed a 90-notice under 49 U.S.C. 41734 and 14 CFR 323.3(a)(5) of its intention to terminate all service at Minto and Manley Hot Springs, Alaska, effective August 12, 2004. By Order 2004-6-26, issued June 28, 2004, we required Warbelow's to continue providing service to Minto and Manley Hot Springs and requested proposals for replacement service. In response to our request, Warbelow's was the only carrier to submit a proposal.

**Carrier Proposal**

Warbelow's proposes to continue its current service pattern at Minto and Manley Hot Springs, for a two-year period, consisting of three flights a week over a FAI-MLY-MNT-FAI routing with 3-seat Cessna 206/207 aircraft. The carrier states that it now serves Rampart as an upline point and proposes to continue to do so as demand warrants. Warbelow's requests a subsidy for this service of \$49,536 per year.

**State of Alaska DOT Comments**

The State of Alaska Department of Transportation and Public Facilities has advised us that it has evaluated the fitness of Warbelow's and finds that it is fit. They also state that they are unaware of any extenuating circumstances that would prevent Warbelow's from fulfilling the requirements of its proposal.

**Decision**

After careful review of this matter, including the comments submitted by the State of Alaska DOT, we have decided to select Warbelow's to continue providing essential air service at Minto and Manley Hot Springs. We will establish an annual subsidy of \$49,536 for Warbelow's service for two years. We find that the subsidy amount requested is reasonable for the service to be provided.

**Carrier Fitness**

49 U.S.C. 41737(b) and 41738 require that we find an air carrier fit, willing and able to provide reliable service before we may compensate it for essential air service. Warbelow's is a certificated carrier and the Department last found the carrier fit in Order 2003-11-1 when it was selected to provide EAS at Central and Circle, Alaska. The Department has routinely monitored the carrier's continuing fitness. No information has come to our attention that would lead us to conclude that Warbelow's does not continue to be fit. The Federal Aviation Administration states that it knows of no reason to question Warbelow's fitness. We therefore conclude that Warbelow's remains fit to conduct the operations proposed here.

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

**ACCORDINGLY,**

1. The Department selects Warbelow's Air Ventures, Inc., to provide essential air service at Minto and Manley Hot Springs, Alaska, as described in Appendix A, for the two-year period beginning August 12, 2004, and ending August 31, 2006;
2. The Department sets the final rate of compensation for Warbelow's Air Ventures, Inc., for the provision of essential air service at Minto and Manley Hot Springs, Alaska, as described in Appendix A, for the period beginning August 12, 2004, and ending August 31, 2006, 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 set forth in Appendix B, and shall be determined by multiplying the total number of arrivals and departures completed at both communities each month by \$79.39;<sup>1</sup>
3. We direct Warbelow's Air Ventures, Inc., 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 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, whichever comes first. 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. We find that Warbelow's Air Ventures, Inc., is fit, willing and able to operate as a certificated air carrier and capable of providing reliable essential air service at Minto and Manley Hot Springs, Alaska; and

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<sup>1</sup> See Appendix B for the calculation of this rate, which assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

5. We will serve a copy of this order on the Minto and Manley Hot Springs Village Councils, the Alaska Department of Transportation and Public Facilities, the Governor of Alaska, and Warbelow's Air Ventures.

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>*

**WARBELOW'S AIR VENTURES  
ESSENTIAL AIR SERVICE TO BE PROVIDED AT  
MINTO AND MANLEY HOT SPRINGS, ALASKA**

Effective Period: August 12, 2004, through August 31, 2006

Service: Three weekly round trips routed Fairbanks-Minto-Manley-Fairbanks  
(Upline service to Rampart is permitted)

Aircraft: Cessna 206/207 (3 passenger seats)

Timing of Flights: Flights must be well timed and well spaced to ensure full  
compensation.

Subsidy Rate: \$49,536 per year  
\$79.39 per arrival from or departure to Fairbanks <sup>1</sup>

This rate assume the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

Weekly Compensation Ceilings: \$952.68 <sup>2</sup>

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<sup>1</sup> Annual compensation of \$49,536, divided by 624 arrivals and departures, calculated as follows:  
4 arrivals/departures per trip x 3 trips per week x 52 weeks = 624

<sup>2</sup> The subsidy rate for each arrival/departure (\$79.39) multiplied by the number of scheduled subsidy-eligible arrivals/departures per week (12).

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 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.

**WARBELOW'S AIR VENTURES  
ESSENTIAL AIR SERVICE TO BE PROVIDED AT  
MINTO AND MANLEY HOT SPRINGS, ALASKA  
CALCULATION OF TWO-YEAR SUBSIDY REQUIREMENT**

Block Hours	530.4
 <u>Minto Revenue</u>	
Passenger	\$9,725
Freight	1,957
Mail	<u>23,158</u>
Total Minto Revenue	\$34,840
 <u>Manley Revenue</u>	
Passenger	\$4,624
Freight	2,007
Mail	<u>34,782</u>
Total Manley Revenue	\$41,413
 Total Revenue	 \$76,253
 <u>Direct Expenses</u>	
Pilot (\$62.08/BH)	\$32,927
Fuel (\$29.96/BH)	15,891
Maintenance (\$73.40/BH)	38,931
Depreciation/Rental (\$20.00/BH)	10,608
Other (\$36.86/BH)	<u>19,551</u>
Total Direct Expenses	\$117,908
 Indirect Expenses	 \$49,067
 Total Operating Expenses	 \$166,975
 Profit @ 5%	 <u>\$8,349</u>
Economic Cost	\$175,324
 Total Subsidy (two years)	 \$99,071
Annual Subsidy	\$49,536

## **SERVICE LIST FOR DOCKET OST-2004-17563**

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