



**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 September, 2004**

Essential Air Service at

**CAPE YAKATAGA, ALASKA
ICY BAY, ALASKA**

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

Served: October 1, 2004

DOCKET OST-1996-2009

**ORDER SELECTING CARRIER AND
SETTING SUBSIDY RATE**

Summary

By this order, the Department is (a) selecting Copper River Air Taxi to provide essential air service to Cape Yakataga and Icy Bay, Alaska, and, (b) establishing a subsidy rate of \$61,840 per year for service consisting of three round trips between Cape Yakataga and Icy Bay and Cordova during the six-month peak season (May-October), and two round trips over the six-month off-peak season (November-April), with 4-seat Cessna U206 and 3-seat Cessna C180 aircraft. (See Appendix A for a map.)

Background

By Order 2002-12-26, issued December 31, 2002, the Department selected Cordova Air Service to provide essential air service at Cape Yakataga and Icy Bay, Alaska. Cordova Air Service was selected to provide service to Cordova consisting of three round trips each week during peak season, and two each week during off-peak season, with 4-seat Cessna 206 aircraft. The carrier's contract expires in February, 2005.

Earlier this year, the Department received complaints from residents of the two communities concerning the viability of Cordova Air Service's service. The communities' concerns were validated by the Department through a detailed investigation. Thus, to ensure that Cape Yakataga and Icy Bay received viable EAS we launched a new carrier selection proceeding. By Order 2004-6-10, issued June 8, 2004, the Department requested proposals from all carriers interested in providing essential air service at Cape Yakataga and Icy Bay.¹

¹ See Order 2004-6-10 for a more detailed discussion of the Department's decision to seek replacement service at Cape Yakataga and Icy Bay.

In response to that order, we received proposals from Copper River Air Taxi of Cordova, Alaska, and Alsek Air Service, Inc., of Yakutat, Alaska. The proposals of each carrier are summarized below:

Copper River Air Taxi proposes two service options:

Option 1: From Cordova, three weekly round trips (M-W-F) to Cape Yakataga and Icy Bay during the peak season (May through October) and two round trips (T-F) during the six-month off-peak season (November through April) with 4-seat Cessna U206 aircraft. The carrier states that some flights may be operated with its backup aircraft, a 3-seat Cessna C180. In addition, during the winter months, when conditions require it, the carrier states that its Cessna C180 aircraft can be equipped with skis for operations on snow-covered runways. Finally, the carrier also states that, during the months of July through September, it proposes to make an intermediate stop in the Tsui River area. For this option, the carrier requests an annual subsidy of \$63,040 without the intermediate stop at Tsui River, and \$61,840 with the intermediate stop.

Option 2: From Cordova, two weekly round trips (T-F) to Cape Yakataga and Icy Bay year-round. The carrier states that approximately fifty percent of its flights would be operated with the 4-seat Cessna U206 aircraft, and fifty percent with the 3-seat Cessna C180 aircraft. As in Option 1, during the months of July through September, the carrier states that it proposes to make an intermediate stop in the Tsui River area. For this option, the carrier requests an annual subsidy of \$53,888 without the intermediate stop at Tsui River, and \$52,688 with the intermediate stop.

According to the carrier, the timing of the flights would allow passengers to make connections with the daily Alaska Airlines flights at Cordova to Anchorage or Juneau.

Alsek Air Service proposes two service options:

Option 1: From Yakutat, one weekly round trip to Cape Yakataga and Icy Bay each Wednesday with either a Cessna 206 or Cessna 185 aircraft. The Cessna 185 aircraft can be equipped with either wheels or skis depending on seasonal runway conditions. For this option, the carrier requests a subsidy of \$450 per round trip, or \$23,400 per year.

Option 2: From Yakutat, two weekly round trips to Icy Bay only on Monday and Friday, and one weekly round trip to both Cape Yakataga and Icy Bay on Wednesday, with either a Cessna 206 or Cessna 185 aircraft. The Cessna 185 aircraft can be equipped with either wheels or skis depending on seasonal runway conditions. For this option, the carrier requests a subsidy of \$300 for flights serving Icy Bay only, and \$450 per round trip for flights that serve both communities. Total subsidy would be \$1,050 per week, or \$54,600 per

year. According to the carrier, this option would accommodate the increase in residents that coincides with logging operations.

Community Comments

Comments were received from the State of Alaska Department of Transportation and Public Facilities (ADOT), from the Cape Yakataga/Icy Bay community association, and from several residents of Cape Yakataga and Icy Bay.

ADOT states that it has found that both Alsek Air Service and Copper River Air Taxi are fit, and that they are not aware of any circumstances that would prevent either applicant from fulfilling the requirements of their service proposals. ADOT also states that air service is critical for the local residents and is often adversely affected by storms forming in the North Pacific or Gulf of Alaska. For this reason, ADOT encourages the Department to consider the maximum frequency of service available under the EAS guidelines to somewhat compensate for the numerous weather delays and flight cancellations that are likely to occur.

The Cape Yakataga/Icy Bay Community Association supports the selection of Copper River Air Taxi. The Association states that both applicants are well qualified to provide service. However, the communities' support network/hub (doctors, dentists, suppliers) is Anchorage, and it is much easier and less expensive to travel to Anchorage through Cordova, than it is through Yakutat. Travel through Yakutat requires additional travel through Juneau, and an overnight stay in Yakutat. Further, the Association states that the cost of flying from Cordova to Anchorage is about one-third the cost of flying from Yakutat to Juneau to Anchorage.

In addition, we received several letters from local residents of Cape Yakataga and Icy Bay in support of service from Cordova by Copper River Air Taxi.² According to the letters, Cordova has better service available including food stores, doctors, dentists, drug stores. Cordova also has a hospital, more daily flights to Anchorage, and ferry service.

Finally, a letter from Glenn Hamar states that both carriers are good but falls short of choosing one over the other. Mr. Hamar states that the main service advantages out of Cordova are more flights out of Cordova via Alaska Airlines and ERA, year-round ferry service and no large bodies of water to fly over. However, he states a disadvantage of service out of Cordova is the weather, which sometimes can be a problem.

Decision

After careful review of this matter, including the comments submitted by ADOT and the communities, we have decided to select Copper River Air Taxi to provide essential air service to Cape Yakataga and Icy Bay in accordance with its Option 1, even though it requires about \$7,000 more subsidy than Alsek's comparable proposal. We will establish an annual subsidy of \$61,840 for Copper River Air Taxi's service for two years consisting of three weekly round trips from Cordova to Cape Yakataga and Icy Bay during the peak season (May through October) and two round trips during the six-month off-peak season (November through April) with 4-seat Cessna U206 aircraft. During the summer months of July, August and September, the carrier

² The signers of the letters include Don Leishman, LaHoma Leishman, Brad Ware, Joe Schneuer, Bruce Schneuer, Jen-Ann Kirchmeier, Ed Bilderback, Richard McCreadie, Morgan McCreadie, Daniel McCreadie and Joe Burnham.

will be permitted to make an intermediate stop in one direction at the Tsui River area. We find that the subsidy amount requested is reasonable for the service to be provided.

We base our decision on the strong support from the residents of Cape Yakataga and Icy Bay for service to Cordova. Cordova offers a full range of services for the residents of the communities and direct access by air to Anchorage on Alaska Airlines and ERA. Travel to Anchorage via Yakutat on Alek Air would be considerably more circuitous and costly. The residents of the two communities are well aware of the problems brought on by adverse weather between Cape Yakataga and Cordova, but are nevertheless willing to accept that tradeoff for direct access to their community of choice.

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. Copper River Air Taxi is a registered air taxi and has been providing air service in the Cordova area for a number of years. No information has come to our attention that would lead us to conclude that Copper River Taxi cannot provide reliably the service it has proposed here. The Federal Aviation Administration states that Copper River Air Taxi is operating in conformance with all Federal Aviation Regulations. We therefore conclude that Copper River Air Taxi is fit to conduct the operations proposed here.

Carrier Transition

We expect Copper River Air Taxi and Cordova Air Service to coordinate the transition in essential air service responsibilities at Cape Yakataga and Icy Bay; our staff is prepared to assist in that effort. In addition, we expect Cordova Air Service to contact all persons holding reservations for affected flights, inform them of the change in carrier, and assist them in arranging alternate transportation.

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

ACCORDINGLY,

1. The Department selects Copper River Air Taxi to provide essential air service at Cape Yakataga and Icy Bay, Alaska, as described in Appendix B, for the two-year period beginning on the date the carrier inaugurates service, through the end of the 24th month thereafter;
2. The Department sets the final rate of compensation for Copper River Air Taxi for the provision of essential air service Cape Yakataga and Icy Bay, as described in Appendix B, for the period set forth in ordering paragraph (1), 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 subsidy-eligible arrivals and departures performed during the month by \$118.92;³
3. We direct Copper River Air Taxi to retain all books, records, and other source and summary documentation to support claims for payment, and to preserve and maintain such documentation

³ This rate assumes the use of the aircraft designated. If the carrier reports a significant number of aircraft substitutions, revision of this rate may be required.

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 Copper River Air Taxi fit, willing and able to provide reliable essential air service at Cape Yakataga and Icy Bay, Alaska;
5. Docket OST-1996-2009 shall remain open until further order of the Department; and
6. We will serve a copy of this order on the community officials of Cape Yakataga and Icy Bay, the Alaska Department of Transportation and Public Facilities, the Governor of Alaska, Copper River Air Taxi and Alsek Air Service.

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>⁴*

Appendix A

⁴ Click on “Simple Search” and enter “2009” in the space provided for the docket number.



**COPPER RIVER AIR TAXI
ESSENTIAL AIR SERVICE TO BE PROVIDED AT
CAPE YAKATAGA AND ICY BAY, ALASKA**

<u>Effective Period:</u>	Date of inauguration of service, through the end of the 24 th month thereafter
<u>Service:</u>	From Cordova: 3 round trips to Cape Yakataga and Icy Bay during the 6-month peak season (May through October) and 2 round trips to Cape Yakataga and Icy Bay during the 6-month off-peak season (November through April) During the months of July, August and September, an intermediate stop in one direction is permitted at the Tsui River Area
<u>Aircraft:</u>	4-seat Cessna U206 3-seat Cessna C180 (back-up aircraft and for use when skis are required)
<u>Timing of Flights:</u>	Flights must be well timed and well spaced to ensure full compensation.
<u>Subsidy Rate:</u>	\$61,840 per year \$118.92 per arrival from or departure to Cordova ¹
<u>Weekly</u>	
<u>Compensation Ceiling</u> ² :	\$1,427.04 peak season \$951.36 off-peak season

¹ Annual subsidy of \$61,840 divided by 520 arrivals and departures, calculated as follows:
peak: 4 arrivals/departures per round trip x 3 round trips per week x 26 weeks = 312
off-peak: 4 arrivals/departures per round trip x 2 round trips per week x 26 weeks = 208

² The subsidy rate for each arrival/departure (\$118.92) multiplied by the number of scheduled subsidy-eligible flights per week during the peak season (12) and during the off-peak season (8).

Appendix B
Page 2 of 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 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.