



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

Issued by the Department of Transportation
on the 24th of March, 2020

INTRA-ALASKA BUSH SERVICE MAIL RATES

Docket OST-2003-14694

Under 49 U.S. C. 41901 *et seq.*

Finalizing Annual Update and Making Quarterly Fuel Adjustment

Summary

By Order 2020-2-18, issued February 26, 2020, the Department directed the parties to show cause within ten (10) days of the service date of that Order why we should not make final the annual rates tentatively set forth by that Order. The Department extended the comment period one week, with comments due March 13, 2020. The deadline for comments has expired, and the Department received two comments, which are discussed below.

Discussion

The first comment received was from Hank Myers, consultant to Kalinin Aviation, LLC d/b/a Alaska Seaplanes, d/b/a Air Excursions. The comment requested an extension to the comment period to March 30, 2020, and states in part that “Overall, the rates projected to be paid to carriers for the next two years may not be compensatory for the non-fuel expenses that make up the majority of expenses.”

The second comment, submitted by John J. Mannion, Chief Financial Officer of Ravn Air Group, asks the Department to use data for the 12-month period ending September 30, 2019 due to increased direct expenses not realized in the 12-month period ending September 30, 2018.

These comments are similar in nature, however, the data period that the Department used in Order 2020-2-18 is not outdated. The Department uses a *prospective* rate calculation in order to account for lags in data. As has been stated before, we take 10 years of data periods, and use a regression analysis to determine the trend in rates (see Appendices C, G, and L). We then determine the time between the midpoint of the data reporting period to the midpoint of the prospective rate, and use a multiplicative factor to in effect continue the trend of the rates (see Appendices B, F, and K). In Order 2020-2-18, as stated in footnote 3 of Appendices B, F, and K, the midpoint of the data reporting period (April 1, 2018) to the midpoint of the prospective rate (April 1, 2020) is two years. We then took the average annual change and multiplied it by itself.

In Appendix F of the Order, the Average Annual Change was calculated at 3.97 percent. Multiplying that average annual change by itself resulted in a Midpoint to Midpoint Change of 8.09 percent, which was the multiplicative factor used for the Nonfuel portion of the Linehaul rates. Lastly, this midpoint calculation was designed to be in effect until September 30, 2020.

The Department intends to issue another Show Cause Order using data for the year ended September 30, 2019 in five months, with the effective date tentatively set for October 3, 2020. This will ensure that the rates finalized by this order will not extend past their prospective period.

Part 121 Rate

As noted in previous orders, the Part 121 rates listed cannot be updated further, because no such data exists for this class rate as no carrier is operating Part 121 bush flying. If this changes in the future, the Department will use available data to update the rate. This rate class will be removed in the next annual update.

Other Notes

Consistent with longstanding program practice, we will here update the rates in that Order to reflect fuel costs for the quarter ended June 30, 2019, as shown in the appendices.

The next fuel adjustment will use data for quarter ended September 30, 2019, and will be released when the data becomes available from the Bureau of Transportation Statistics.

ACCORDINGLY,

1. The Department finalizes the tentative findings in Order 2020-2-18, with amendments to the fuel expenses contained in this Order;
2. The Department makes final the rates set forth in Table A of this Order, effective on the second Saturday after the service date of this Order, i.e., April 4, 2020;
3. This docket shall remain open until further Order of the Department; and
4. We will serve this Order upon all parties on the Service List for this Docket.

By:

TODD M. HOMAN
Director
Office of Aviation Analysis

(SEAL)

*An electronic version of this document is available at
<http://www.regulations.gov>*

Table A

	-A-	-B-	-C-	-D-	-E-	-F-
		Rate Per Order	Less Old Fuel in Order	Add Fuel per the Appendices to this Order		Percentage
	<u>Class Rate</u>	<u>2020-2-18</u>	<u>2020-2-18</u>		<u>Final Rate</u>	<u>Change</u>
1.	Part 121	\$10.5933	NA	NA	\$10.5933	0.00%
2.	Part 135	\$18.8521	\$3.3237	\$3.7178	\$19.2462	2.09%
3.	Seaplane	\$34.9238	\$5.7403	\$4.6307	\$33.8142	-3.18%
4.	Terminal	\$1,420.80	N/A	N/A	\$1,420.80	0.00%

Quarter Ended June 30, 2019

Carrier	PenAir
Carrier Code	KS
Aircraft Name	Saab 340B
Aircraft Code	456
Total	

	Fuel Expense
1 . Total Fuel Expense	\$0
2 . Total Gallons Issued	0
3 . System Total Blk. Hrs.	0
4 . Revenue Block Hours	0
5 . Eligible Block Hours	0
6 . Eligible Mail RTMs	0
7 . Total Eligible RTMs	0
8 . Price per Gallon (R1÷R2)	
9 . Burn per Hour (R2÷R4)	
10 . Costs per Block Hour (R1÷R4)	
11 . Eligible Fuel Expense (R1*R5÷R4)	\$0
12 . Cost per Eligible RTM (R11÷R6)	
13 . Mail RTMs Percentage	0.00%
14 . Cost/RTM, Wtd. By Mail RTMs	\$0.0000

Eligible figures exclude any traffic outside the State of Alaska.

Quarter Ended June 30, 2019

Carrier			Al. Seaplanes	Bering	Bering	Grant	Grant	Grant	
Carrier Code			J5	8E	8E	GV	GV	GV	
Aircraft Type			Caravan	B-1900	Caravan	GA8	C-207	Caravan	
Aircraft Code			Total 1/	415	405	415	26	35	416
1 .	1	F-2, Total Fuel Expense	\$8,062,437	\$297,737	\$174,750	\$744,746	\$182,398	\$168,488	\$1,012,703
2 .	2	F-2, Total Gallons Issued	1,532,541	93,032	45,409	193,525	28,654	26,469	198,569
3 .	3	F-2, Total Block Hours	34,947	1,878	361	3,077	1,885	1,686	3,948
4 .	4	T-100 Revenue Block Hours	34,429	1,877	323	2,769	1,885	1,685	3,948
5 .	5	T-100 Eligible Block Hours	31,803	1,810	282	2,534	1,777	1,564	3,600
6 .	6	T-100 Eligible Mail RTMs	693,184	14,017	15,346	55,691	10,893	7,829	62,718
7 .	7	T-100, Total Eligible RTMs	2,136,411	127,049	46,644	195,900	36,910	30,591	244,154
8 .	8	Price per Gallon (R1÷R2)	\$5.26	\$3.20	\$3.85	\$3.85	\$6.37	\$6.37	\$5.10
9 .	9	Burn per Hour (R2÷R4)		\$49.56	\$140.59	\$69.89	\$15.20	\$15.71	\$50.30
10 .	#	Costs per Block Hour (R1÷R4)		\$158.62	\$541.02	\$268.96	\$96.76	\$99.99	\$256.51
11	#	Eligible Fuel Expense (R1*R5÷R4)	\$7,447,491	\$287,109	\$152,568	\$681,541	\$171,948	\$156,389	\$923,437
12	#	Cost per Eligible RTM (R11÷R7)	\$3.4860	\$2.2598	\$3.2709	\$3.4790	\$4.6586	\$5.1123	\$3.7822
13	#	Mail RTMs Percentage	100.00%	2.022%	2.214%	8.034%	1.571%	1.129%	9.048%
14 .	#	Cost/RTM, Wtd. By Mail RTMs	<u>\$3.7178</u>	\$0.0457	\$0.0724	\$0.2795	\$0.0732	\$0.0577	\$0.3422

All eligible figures exclude any traffic outside the State of Alaska.

		Quarter Ended June 30, 2019						
Carrier		Hageland	Hageland	Hageland	Hageland	Ryan	Ryan	Wright
Carrier Code		H6	H6	H6	H6			8V
Aircraft Type		C-207	Navajo	B-1900	Caravan	C-207	Caravan	Caravan
Aircraft Code		35	194	405	416	35	416	416
1 .	1 F-2, Total Fuel Expense	\$581,975	\$503,104	\$1,389,446	\$2,124,865	\$109,267	\$160,063	\$612,895
2 .	2 F-2, Total Gallons Issued	66,705	58,194	262,621	312,701	15,887	29,393	201,382
3 .	3 F-2, Total Block Hours	5,238	1,904	2,400	7,189	934	420	4,027
4 .	4 T-100 Revenue Block Hours	5,235	1,903	2,396	7,175	880	395	3,958
5 .	5 T-100 Eligible Block Hours	4,590	1,840	2,273	6,710	858	361	3,604
6 .	6 T-100 Eligible Mail RTMs	25,691	19,392	287,658	120,683	11,131	16,550	45,586
7 .	7 T-100, Total Eligible RTMs	99,324	87,550	415,156	425,211	15,389	21,187	391,346
8 .	8 Price per Gallon (R1÷R2)	\$8.72	\$8.65	\$5.29	\$6.80	\$6.88	\$5.45	\$3.04
9 .	9 Burn per Hour (R2÷R4)	\$12.74	\$30.58	\$109.61	\$43.58	\$18.05	\$74.41	\$50.88
10 .	# Costs per Block Hour (R1÷R4)	\$111.17	\$264.37	\$579.90	\$296.15	\$124.17	\$405.22	\$154.85
11 .	# Eligible Fuel Expense (R1*R5÷R4)	\$510,270	\$486,448	\$1,318,118	\$1,987,156	\$106,517	\$146,461	\$558,078
12 .	# Cost per Eligible RTM (R11÷R7)	\$5.1374	\$5.5562	\$3.1750	\$4.6733	\$6.9215	\$6.9128	\$1.4260
13 .	# Mail RTMs Percentage	3.706%	2.798%	41.498%	17.410%	1.606%	2.387%	6.576%
14 .	# Cost/RTM, Wtd. By Mail RTMs	\$0.1904	\$0.1555	\$1.3176	\$0.8136	\$0.1112	\$0.1650	\$0.0938

All eligible figures exclude any traffic outside the State of Alaska.

Quarter Ended June 30, 2019

Carrier		<u>Air Excr.</u>	<u>A.Seaplane</u>	<u>A.Seaplane</u>	<u>A.Seaplane</u>	<u>Island Air</u>	<u>Is. Air Exp.</u>	<u>Pacific</u>	<u>Taquan</u>	<u>Taquan</u>
Carrier Code		X4	J5	J5	J5	2O	I4	3F	K3	K3
Aircraft Name		C20X	C20X	Beaver	Caravan	Beaver	G. Caravan	Beaver	Beaver	Otter
Aircraft Code	Totals	<u>35</u>	<u>35</u>	<u>40</u>	<u>416</u>	<u>40</u>	<u>415</u>	<u>40</u>	<u>40</u>	<u>42</u>
1 . F-2, Total Fuel Expense	\$455,554	\$1,629	\$29,169	\$73,503	\$33,156	\$35,906	\$29,540	\$83,874	148,149	20,628
2 . F-2, Total Gallons Issued	105,612	357	5,922	16,388	11,067	5,512	9,150	15,320	34,789	7,107
3 . F-2, Total Block Hours		23	379	710	256	212	183	766	1,401	158
4 . T-100 Revenue Block Hours	3,840	23	378	710	256	211	170	745	1,264	83
5 . T-100 Eligible Block Hours	3,154	23	247	630	247	133	103	622	1,085	64
6 . T-100 Eligible Mail RTMs	8,649	7	150	1,000	536	243	1,275	710	4,409	319
7 . T-100, Total Eligible RTMs	77,140	398	3,484	12,599	9,807	2,170	5,365	10,540	28,725	4,052
8 . Price per Gallon (R1÷R2)	\$4.31	\$4.56	\$4.93	\$4.49	\$3.00	\$6.51	\$3.23	\$5.47	\$4.26	\$2.90
9 . Burn per Hour (R2÷R4)		16	16	23	43	26	54	21	28	86
10 . Costs per Block Hour (R1÷R4)	\$118.63	\$70.83	\$77.17	\$103.53	\$129.52	\$170.17	\$173.76	\$112.58	\$117.21	\$248.53
11 . Eligible Fuel Expense (R1*R5÷)	\$371,532	\$1,629	\$19,060	\$65,221	\$31,990	\$22,633	\$17,898	\$70,026	\$127,169	\$15,906
12 . Cost per Eligible RTM (R11÷R'	\$4.8163	\$4.0930	\$5.4707	\$5.1767	\$3.2620	\$10.4300	\$3.3361	\$6.6438	\$4.4271	\$3.9255
13 . Mail RTMs Percentage	100.00%	0.081%	1.734%	11.562%	6.197%	2.810%	14.742%	8.209%	50.977%	3.688%
14 . Cost/RTM, Wtd. By Mail RTM	<u>\$4,6307</u>	\$0.0033	\$0.0949	\$0.5985	\$0.2021	\$0.2931	\$0.4918	\$0.5454	\$2.2568	\$0.1448

All eligible figures exclude any traffic outside the State of Alaska.