



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

Issued by the Department of Transportation  
on the 14<sup>th</sup> of July, 2020

Essential Air Service at

**MANLEY HOT SPRINGS, ALASKA**  
(FAIN<sup>1</sup> 69A3452060229)  
**MINTO, ALASKA**  
(FAIN 69A34152060315)

**DOT-OST-2004-17563**

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

**ORDER SELECTING AIR CARRIER**

**Summary**

By this Order, the U.S. Department of Transportation (the Department) selects Warbelow's Air Ventures, Inc. (Warbelow's) to provide Essential Air Service (EAS) at Manley Hot Springs (Manley) and Minto, Alaska, at an annual subsidy rate of \$86,845 (\$43,423 per community).<sup>2</sup> Warbelow's will provide EAS at Manley and Minto with three round trips per week to Fairbanks on a Fairbanks-Manley-Minto-Fairbanks routing with Piper PA-31-350 Navajo aircraft for the two-year term from September 1, 2020, through August 31, 2022.

**Background**

By Order 2018-8-9 (August 14, 2018), the Department selected Warbelow's to continue providing subsidized EAS at Manley and Minto, Alaska, at a combined annual subsidy rate of \$86,666 (\$43,333 per community) for the period from September 1, 2018, through August 31, 2020.

As the end of the current contract term approached, the Department issued Order 2020-1-4 (January 13, 2020), requesting proposals from air carriers interested in providing EAS at Manley and/or Minto, for a new contract period beginning September 1, 2020, with or without subsidy. Proposals were due no later than 11:59 p.m. Eastern Standard Time on February 10, 2020.

**Proposals**

Warbelow's, the incumbent air carrier, submitted a proposal to continue to provide the same level of service it currently operates: three round trips per week at Manley and Minto on a Fairbanks-Manley-Minto-Fairbanks routing. Service is proposed to be provided with Piper PA-

<sup>1</sup> Federal Award Identification Number.

<sup>2</sup> Such subsidy is calculated and distributed on a fiscal year basis, subject to the availability of funds.

31-350 Navajo aircraft at a combined annual subsidy rate of \$86,845 (\$43,423 per community) for the two-year term from September 1, 2020, through August 31, 2022.

Wright Air Service, Inc. (Wright Air) also submitted a proposal for consideration. Wright Air proposed three round trips per week between Fairbanks and the communities of Manley and Minto for a combined annual subsidy of \$150,000 using either Cessna 208 Caravan or Piper Navajo Chieftain aircraft.

The air carriers' complete proposals and community comments may be accessed online at [www.regulations.gov](http://www.regulations.gov) by entering docket number DOT-OST-2004-17563 in the search field.

### **Community Comments**

On February 11, 2020, the Department requested comments from Manley, Minto, and the State of Alaska regarding this EAS air carrier selection case. The Department received 14 letters from community members supporting Warbelow's continued service at Minto and one letter supporting Warbelow's service at Manley. The Department did not receive any letters in support of Wright Air for either community.

### **Decision**

When selecting an air carrier to provide EAS in Alaska, 49 U.S.C. § 41733(c)(1) directs the Department to consider six factors: (A) service reliability; (B) contractual and marketing arrangements with a larger air carrier at the hub; (C) interline arrangements with a larger air carrier at the hub; (D) the preferences of the actual and potential users of the service, giving substantial weight to the views of the elected officials representing the users of the service; (E) whether the air carrier has included a plan in its proposal to market its service to the community; and (F) the experience of the applicant in providing, in Alaska, scheduled air service or significant patterns of non-scheduled air service. Finally, the Further Continuing Appropriations Act, 2020, Pub. L. No. 116-94 (December 19, 2019), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers.

The proposal of Warbelow's meets all of the carrier-selection criteria the Department is required to consider. Warbelow's has been providing reliable EAS at Manley and Minto for over 15 years. The Department has not received any negative comments about the air carrier's service from either community. Additionally, community support was unanimous for continued service from Warbelow's. Wright Air also proposed significantly higher annual subsidies and there was no community support for Wright Air. Therefore, the Department selects Warbelow's to continue to provide EAS at Manley and Minto.

### **Air Carrier Fitness**

Title 49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide Essential Air Service. Warbelow's is subject to the Department's continuing fitness requirements, and no information has come to our attention that would cause us to question the air carrier's fitness at this time. The Department has contacted the Federal Aviation Administration, and it has raised no concerns that would negatively affect our fitness findings. The Department therefore concludes that the air carrier remains fit to conduct the operations proposed here.

This Order is issued under authority delegated by the Secretary of Transportation in 49 CFR 1.25a(b)(6)(ii)(D).

**ACCORDINGLY,**

1. The Department selects Warbelow's Air Ventures, Inc. to provide Essential Air Service at Manley Hot Springs and Minto, Alaska, from September 1, 2020, through August 31, 2022, at the service levels and subsidy rates described in Appendix C;
2. The Department makes this selection contingent upon its receiving properly-executed certifications from Warbelow's Air Ventures, Inc. that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities<sup>3</sup>;
3. The Department directs Warbelow's Air Ventures, Inc. to retain all books, records, and other source and summary documentation to support claims for payment, including copies of flight logs for aircraft used to provide EAS under this Order and sold or disposed of, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. This documentation shall be retained for three years from the last day of service under this Order, or such longer period as the Department may notify the air carrier. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The air carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;
4. The Department finds that Warbelow's Air Ventures, Inc. continues to be fit, willing, and able to operate as a certificated air carrier and capable of providing reliable Essential Air Service at Manley Hot Springs and Minto, Alaska;
5. This docket will remain open until further order of the Department; and
6. The Department will serve copies of this Order on the civic officials of Manley Hot Springs and Minto, Alaska, the Alaska Department of Transportation and Public Facilities, Warbelow's Air Ventures, Inc., and Wright Air Service, Inc.

By:

David E. Short  
Deputy Assistant Secretary  
Aviation and International Affairs

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<sup>3</sup> The certifications are internet accessible at: <https://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

(SEAL)

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

**AREA MAP**Nonstop Great Circle Miles from Fairbanks (FAI)

Manley Hot Springs (MLY)	83
Minto (MNT)	50
Minto to Manley Hot Springs	39

## DEPARTURE DATA & ANALYSIS PERIOD

Routing:	Fairbanks > Manley > Minto > Fairbanks
Departure Frequency:	3 trips/week
Annual Block Hours:	208
Aircraft Type:	PA31-350
Projected Analysis Period:	1 year --- 2021

## PROJECTED REVENUE

<b>Passenger Revenue</b>	<u>Pax</u>	<u>Fare</u>	<u>Totals</u>	
Manley	160	\$79.07	\$12,651.20	
Minto	320	\$73.49	\$23,516.80	
Passenger Total				\$36,168.00
<b>Freight Revenue</b>	<u>Pounds</u>	<u>Rate</u>	<u>Totals</u>	
Manley	5000	\$0.49	\$2,450.00	
Minto	7000	\$0.40	\$2,800.00	
Freight Total				\$5,250.00
<b>Mail Revenue</b>	<u>Pounds</u>	<u>Rate</u>	<u>Totals</u>	
Manley	28000	\$1.0405	\$29,133.16	
Minto	14000	\$0.7958	\$11,140.64	
Mail Total				\$40,273.80
<b>Total Revenue</b>				\$81,691.80

## PROJECTED EXPENSE

<b>Annual Block Hours</b>	208		
<b>Direct Expense</b>	<u>Per Block Hour</u>	<u>Annually</u>	
Pilot & Co-pilot	\$90.82	\$18,890.56	
Fuel & Oil	\$144.88	\$30,135.04	
Other	\$18.94	\$3,939.52	
Maintenance	\$287.31	\$59,760.48	
Depreciation/Rental	\$69.09	\$14,370.72	
Total Direct Expense	\$611.04		\$127,096.32
<b>Indirect Expense</b>	<u>Per Block Hour</u>	<u>Annually</u>	
Total Indirect Expense	\$125.57	\$26,118.56	\$26,118.56
<b>Total Operating Cost</b>			\$153,214.88
Profit Element @ 10% of TOC			\$15,321.49
Total Economic Cost			\$168,536.37

## SUBSIDY ANALYSIS

Total Economic Cost		\$168,536.37
Less Revenue		<u>\$81,691.80</u>
Annual subsidy need at 100% Completion	1 Year:	\$86,844.57
	2 Years:	\$173,689.14

**Warbelow's Air Ventures, Inc.**  
**Essential Air Service to be Provided at Manley Hot Springs and Minto, Alaska**  
**DOT-OST-2004-17563**

<u>Effective Period:</u>	September 1, 2020, through August 31, 2022	
<u>Scheduled Service:</u> <sup>1</sup>	Manley Hot Springs: Three (3) weekly nonstop or one-stop round trips to Fairbanks Minto: Three (3) weekly nonstop or one-stop round trips to Fairbanks	
<u>Aircraft type:</u>	Nine-seat Piper PA-31-350 Navajo	
	<u>Manley Hot Springs</u>	<u>Minto</u>
<u>Annual Subsidy:</u> <sup>2</sup>	\$43,423	\$43,423
<u>Annual Flights:</u> <sup>3</sup>	312	312
<u>Subsidy per Flight:</u> <sup>4</sup>	\$139	\$139
<u>Weekly Ceiling:</u> <sup>5</sup>	\$834	\$834

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 plans 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 the 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 ensured 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 stipulated amounts or at the stipulated 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 Department and carrier 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.

Funds may not be available for performance under this Order beyond September 30, 2020. The Government's obligation for performance under this Order beyond September 30, 2020, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this Order beyond September 30, 2020, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2020, the Department will provide notice in writing to the carrier.

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<sup>1</sup> As outlined in the carrier's proposal, a 4<sup>th</sup> and 5<sup>th</sup> round trip each week may be provided at no increase in subsidy.

<sup>2</sup> See Appendix B. Annual subsidy of \$86,845 divided by 2 communities.

<sup>3</sup> 3 nonstops per week x 2 directions x 52 weeks = 312.

<sup>4</sup> Annual compensation divided by 312 annual flights (6 weekly flights x 52 weeks x 100 percent completion).

<sup>5</sup> 6 weekly flights multiplied by \$139 per flight.



## Appendix C

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31<sup>st</sup>; August claims must be submitted by November 30<sup>th</sup>, and so on.