

Order 2007-2-18
Served: February 16, 2007



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

Issued by the Department of Transportation
on the 16th of February, 2007

Essential Air Service at

**ALITAK, AMOOK BAY, KITOI BAY,
MOSER BAY, OLGA BAY, PORT
BAILEY, PORT WILLIAMS, SEAL BAY,
UGANIK, WEST POINT, AND
ZACHAR BAY, ALASKA, AND**

KARLUK, ALASKA

DOCKET OST-2000-6945

AND

DOCKET OST-2004-19342

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

ORDER REQUESTING PROPOSALS

Summary

By this order, the Department is requesting proposals from carriers interested in providing essential air service (EAS) at eleven Kodiak Island communities (Kodiak eleven): Alitak, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, and Zachar Bay, Alaska, for a new two-year period beginning May 1, 2007, with or without subsidy. We are terminating our subsidy support for Karluk, Alaska, effective May 31, 2007, when the subsidy rate set by Order 2005-3-30 expires. Finally, we are vacating Order 2007-1-5, which tentatively discontinued subsidy support for Port Bailey and Zachar Bay, Alaska, and including them in the eleven communities for which we are requesting proposals.

Background

By Order 2005-3-4, March 8, 2005, the Department selected Servant Air, Inc. (Servant), to replace Redemption, Inc., d/b/a Island Air Service (Island), at nine Kodiak communities for the two-year period ending April 30, 2007. For several years Island had provided subsidized essential air service at those nine communities and subsidy-free service at Alitak and Uganik, after it replaced Peninsula Airways, Inc. The rates at all

eleven communities are about to expire, and we are therefore requesting proposals for a new two-year rate period.

On October 5, 2004, Island filed a 90-day notice to suspend its subsidy-free air service at Karluk, Alaska. In response to that notice, by Order 2004-12-04, the Department prohibited Island from terminating its EAS at Karluk and requested proposals. Only one carrier, Servant, responded to our request for proposals, and by Order 2005-3-30 we selected Servant to provide EAS at Karluk through May 31, 2007, for \$38,880 annual subsidy.

On May 20, 2005, Island filed a 90-day notice to suspend its subsidy-free air service at Uganik, Alaska. In response to that notice, by Order 2005-7-21, the Department prohibited Island from terminating its EAS at Uganik and requested proposals. Only one carrier, Servant, responded, and by Order 2005-11-18 we selected Servant to provide EAS at Uganik through April 30, 2007, for \$15,715 annual subsidy.

On August 19, 2005, Island filed a 90-day notice to suspend its subsidy-free air service at Alitak, Alaska. In response to that notice, Order 2005-10-17 prohibited Island from terminating its EAS at Alitak and requested proposals. Only one carrier, Servant, responded, and by Order 2006-5-1 selected Servant to provide EAS at Alitak through April 30, 2007, for \$19,749 annual subsidy.

Request for Proposals at the Kodiak Eleven

Because the end of the current rate term for the Kodiak eleven is approaching, we are requesting proposals from carriers interested in providing service, with or without subsidy, for the two-year period beginning May 1, 2007. Carriers should file their proposals within 30 days of the date of service of this order. At the end of that period, our staff will docket proposals, thereby making them public, 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 and State of Alaska and ask them to submit their final comments. We will give full consideration to all proposals filed in a timely manner.¹ Proposals should provide sufficient capacity to accommodate historical traffic levels.

We note that there are two airports at Kodiak – the main landing strip and a downtown seaplane base. Carriers should make clear which airport they are proposing service to, or whether they would change the airport in response to community comment.

Appendix B shows the historical traffic at the Kodiak eleven. It also shows the level of service that would be required to accommodate that traffic given seasonality of demand and the directional imbalance of freight and mail, for the last several years, as well as a

¹ Carriers should not expect the Department to accept late filings. 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.

fifty percent load factor and small (5-seat) aircraft. Proposals should match capacity with demand in a reasonable manner, but we are suggesting a total of two round trips per week in an 18-week peak period and one round trip per week during the rest of the year, given the historical service pattern of intermediate stops. We note that the Kodiak eleven have no landing strips, and seaplane service is required.

Interested carriers should prepare their proposals with every expectation that their initial proposals will also be their *final* and *only* proposals. We retain the discretion to negotiate proposals with carriers when we deem it desirable; in such cases, of course, we will give all applicants the same opportunity. We also retain the discretion to reject outright all unreasonable or unrealistic proposals and solicit a new round of proposals. However, we anticipate that negotiation or rejection will remain only occasional exceptions to the rule.

We are here 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 and routings as well as supporting data for their subsidy requests, such as projected block hours, revenues and expenses. We strongly encourage clear, well-documented proposals that will facilitate their evaluation by the affected community and the Department.²

We encourage proposals that meet those requirements in an efficient manner. Carriers are also welcome to propose more than one service option, if they choose; they need not limit themselves to those requirements if they envision other, potentially more attractive service possibilities – different hubs, or seasonal service – with subsidy requirements that remain competitive.

Other Carrier Requirements

The Department is responsible for implementing various Federal statutes governing lobbying activities, drug-free workplaces and nondiscrimination.³ Consequently, all

² 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, The Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, Public Law 109-115, provides that when selecting a carrier to provide EAS, the Department may consider the relative subsidy requirements, codifying a factor that we have considered since the inception of the program. Interested carriers should also be aware that our general provisions governing essential air service will be included in the selection order as part of our authorization of subsidy for the selected service. Appendix C of this order contains those general provisions.

³ 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

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) 366-5903. The Department is prohibited from paying subsidy to carriers that do not submit these documents.⁴

Community Comments

Civic officials and the State are welcome to submit comments on the proposals at any time. As noted earlier, we will provide a summary of the proposals to the civic parties and State of Alaska and ask them to submit their final comments shortly after the end of the 30-day period for carrier proposals.

Karluk

After Island filed a 90-day notice to terminate its service at Karluk, Order 2005-3-30 selected Servant to provide replacement service consisting of three round trips per week year round to Kodiak for \$38,880 annually through May 31, 2007. However, after filing notice, Island did not suspend the service it had filed to suspend, but instead continued providing scheduled service. Appendix C shows the historical service by Island at Karluk after it filed notice to suspend.⁵

When carriers file to suspend service but continue serving a community after we select a different carrier, our longstanding policy has been to honor the contract issued to the subsidized carrier because it was based on a request for proposals issued pursuant to a 90-day notice. If during the contract period the subsidized carrier files a notice to suspend service in the face of competition from subsidy-free service, we then allow it to suspend service. However, Servant did not file to suspend its subsidized service at Karluk, and we have honored its contract. However, that contract expires on May 31, and we do not intend to request replacement service, in light of the subsidy-free service Island has historically provided.

Port Bailey and Zachar Bay

Order 2007-1-5, January 9, 2007, directed all parties to show cause why we should not terminate EAS at Port Bailey and Zachar Bay. It noted the small amount of passenger

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

⁴ The certifications are also available on the web at <http://ostpxweb.dot.gov/aviation/index.html>.

⁵ This information is based on Island's T-100 Segment report. However, Island does not publish any of its service in the Official Airline Guide.

traffic at the communities. In response to that order, we received objections from residents of the two communities. They noted that the communities relied on the EAS carrier providing scheduled service for the delivery of mail, and on-demand service for the delivery of passengers. In very thin markets such as these, it is difficult for scheduled service to compete with on-demand service, which operates in response to demand from single individuals. Nevertheless, the communities have objected to the termination of the scheduled service, and we will therefore continue to provide subsidy-support for such service.

This order is issued under authority delegated by the Assistant Secretary for Aviation and International Affairs in 49 CFR 1.56a(f).

Accordingly,

1. We request that carriers interested in providing essential air service at Alitak, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, and Zachar Bay, Alaska, (the Kodiak eleven) submit their proposals, with or without subsidy requests, no later than 30 days after the date of service of this order. The proposals should be sent to: EAS & Domestic Analysis Division, X-53, Office of Aviation Analysis, Room 6401, Department of Transportation, 400 7th Street, S.W., Washington, D.C. 20590, with the title "Proposal to Provide Essential Air Service at Alitak, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, and Zachar Bay, Alaska, Docket OST-2000-6945";
2. We vacate Order 2007-1-5, that tentatively terminated the subsidy support for Port Bailey and Zachar Bay;
3. This docket will 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.

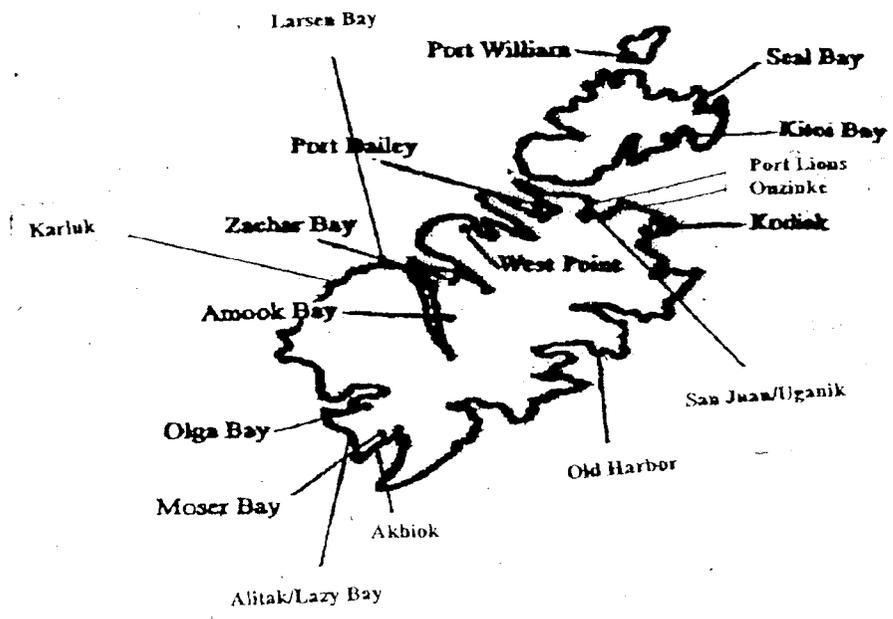
By:

ANDREW B. STEINBERG
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>*

KODIAK ISLAND AREA MAP



Miles to Kodiak from the Water Points

1. Alitak/Lazy Bay (ALZ)	89
2. Amook Bay (AOS)	54
3. Kitoi Bay (KIB)	31
4. Moser Bay (KMY)	86
5. Olga Bay (KOY)	77
6. Port Bailey (KPY)	24
7. Port Williams (KPR)	47
8. San Juan/Uganik (UJI)	51
9. Seal Bay (SYB)	44
10. West Point (KWP)	39
11. Zachar Bay (KZB)	49

Miles to Kodiak from the Land Points

1. Akbiok (AKK)	84
2. Karluk (KYL)	74
3. Larsen Bay (KLN)	58
4. Old Harbor (OLH)	49
5. Onuzinke (KOZ)	11
6. Port Lions (ORL)	16

Miles to Nearby Land Points

1. Akbiok to Alitak/Lazy Bay	5
2. Akbiok to Moser Bay	6
3. Akbiok to Olga Bay	15
4. Port Lions to Port Bailey	8

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Ended	Deplaned PEQs at the EAS Community				Enplaned PEQs at the EAS Community				Enplanements and Deplanements				Required Capacity, PEQs Per Week @ 50% L.F. 1/	Required Flights Per Week With 5-PEQ Capacity Aircraft 2/
	Pax	Freight	Mail	Total	Pax	Freight	Mail	Total	Pax	Freight	Mail	Total		
	Alitak/Lazy Bay													
3/31/2004	6.0	7.6	1.7	15.2	4.0	0.0	0.1	4.1	10.0	7.6	1.7	19.3	2.3	0.5
6/30/2004	40.0	44.3	29.6	113.9	26.0	0.0	0.9	26.9	66.0	44.3	30.5	140.8	17.5	3.5
9/30/2004	20.0	22.4	14.1	56.5	33.0	10.2	1.6	44.8	53.0	32.6	15.6	101.3	8.7	1.7
12/31/2004	2.0	0.9	1.0	3.8	1.0	0.0	0.3	1.3	3.0	0.9	1.3	5.1	0.6	0.1
	68.0	75.1	46.3	189.4	64.0	10.2	2.9	77.1	132.0	85.3	49.2	266.5		
3/31/2005	1.0	5.0	3.6	9.6	0.0	0.4	0.1	0.5	1.0	5.4	3.7	10.1	1.5	0.3
6/30/2005	10.0	8.8	3.3	22.1	2.0	0.0	0.1	2.1	12.0	8.8	3.4	24.2	3.4	0.7
9/30/2005	30.0	17.4	15.4	62.8	62.0	2.1	3.0	67.1	92.0	19.5	18.4	129.9	9.7	1.9
12/31/2005	0.0	0.1	0.7	0.8	1.0	0.0	0.1	1.1	1.0	0.1	0.8	1.9	0.1	0.0
	41.0	31.2	22.9	95.2	65.0	2.5	3.3	70.8	106.0	33.8	26.3	166.0		
3/31/2006	3.0	1.7	1.5	6.2	7.0	0.0	0.1	7.1	10.0	1.7	1.6	13.3	1.0	0.2
6/30/2006	12.0	2.6	9.3	23.9	3.0	2.0	0.1	5.1	15.0	4.6	9.4	28.9	3.7	0.7
9/30/2006	9.0	4.6	11.4	25.0	25.0	2.6	6.4	34.0	34.0	7.2	17.8	59.0	3.8	0.8
12/31/2006	2.0	0.8	1.4	4.2	4.0	1.2	0.4	5.6	6.0	2.0	1.8	9.8	0.6	0.1
	26.0	9.7	23.6	59.3	39.0	5.8	6.9	51.7	65.0	15.5	30.5	111.0		
	Amook Bay													
3/31/2004	3.0	4.9	3.5	11.4	1.0	0.0	0.4	1.4	4.0	4.9	3.9	12.8	1.8	0.4
6/30/2004	12.0	9.0	7.7	28.7	3.0	0.0	0.5	3.5	15.0	9.0	8.2	32.2	4.4	0.9
9/30/2004	7.0	5.8	4.5	17.2	0.0	0.0	0.0	0.0	7.0	5.8	4.5	17.2	2.7	0.5
12/31/2004	4.0	5.4	4.6	14.0	3.0	0.3	0.1	3.4	7.0	5.7	4.7	17.4	2.2	0.4
	26.0	25.1	20.2	71.3	7.0	0.3	1.1	8.4	33.0	25.4	21.3	79.7		
3/31/2005	0.0	3.3	10.0	13.3	1.0	0.2	0.1	1.2	1.0	3.4	10.1	14.6	2.0	0.4
6/30/2005	3.0	3.6	3.0	9.6	1.0	0.0	0.1	1.1	4.0	3.6	3.1	10.7	1.5	0.3
9/30/2005	5.0	5.1	1.8	11.9	4.0	0.0	0.1	4.1	9.0	5.1	1.9	16.0	1.8	0.4
12/31/2005	1.0	1.0	1.9	3.8	2.0	0.0	0.0	2.0	3.0	1.0	1.9	5.8	0.6	0.1
	9.0	13.0	16.7	38.6	8.0	0.2	0.3	8.4	17.0	13.1	16.9	47.1		
3/31/2006	0.0	1.1	2.6	3.7	1.0	0.0	0.1	1.1	1.0	1.1	2.7	4.8	0.6	0.1
6/30/2006	3.0	4.7	2.4	10.1	7.0	1.2	0.1	8.2	10.0	5.9	2.5	18.4	1.6	0.3
9/30/2006	5.0	4.3	2.9	12.2	2.0	0.2	0.3	2.5	7.0	4.5	3.3	14.8	1.9	0.4
12/31/2006	7.0	4.5	6.2	17.7	1.0	0.0	0.4	1.4	8.0	4.5	6.5	19.0	2.7	0.5
	15.0	14.6	14.1	43.7	11.0	1.4	0.9	13.3	26.0	16.0	15.0	57.0		

1/ Deplaned PEQs, Divided by 50% for L. Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Ended	Deplaned PEQs at the EAS Community				Enplaned PEQs at the EAS Community				Enplanements and Deplanements				Required Capacity, PEQs Per Week @ 50% LF 1/	Required Flights Per Week With 5-PEQ Capacity Aircraft 2/
	Pax	Freight	Mail	Total	Pax	Freight	Mail	Total	Pax	Freight	Mail	Total		
Kitoi Bay														
3/31/2004	1.0	1.8	5.3	8.1	0.0	0.0	30.8	30.8	1.0	1.8	36.1	38.9	1.2	0.2
6/30/2004	2.0	1.8	9.2	13.0	1.0	0.0	0.8	1.8	3.0	1.8	10.0	14.8	2.0	0.4
9/30/2004	4.0	2.0	8.5	14.5	4.0	0.0	5.9	9.9	8.0	2.0	14.4	24.4	2.2	0.4
12/31/2004	6.0	0.8	3.6	10.4	2.0	0.2	2.1	4.2	8.0	1.0	5.7	14.6	1.6	0.3
	13.0	6.4	26.6	46.0	7.0	0.2	39.5	46.7	20.0	6.6	66.1	92.7		
3/31/2005	1.0	0.0	2.9	3.9	1.0	0.0	2.3	3.3	2.0	0.0	5.2	7.2	0.6	0.1
6/30/2005	7.0	2.7	4.3	14.0	3.0	1.1	0.3	4.4	10.0	3.8	4.6	18.4	2.2	0.4
9/30/2005	8.0	3.6	3.7	15.2	10.0	3.8	0.1	13.9	18.0	7.4	3.8	29.1	2.3	0.5
12/31/2005	0.0	0.0	2.3	2.3	3.0	0.0	0.0	3.0	3.0	0.0	2.3	5.3	0.4	0.1
	16.0	6.3	13.2	35.4	17.0	4.9	2.7	24.6	33.0	11.2	15.9	60.0		
3/31/2006	0.0	0.0	0.8	0.8	1.0	0.5	0.0	1.5	1.0	0.5	0.8	2.3	0.1	0.0
6/30/2006	4.0	0.7	3.8	8.5	1.0	0.3	0.1	1.4	5.0	1.0	3.9	9.9	1.3	0.3
9/30/2006	11.0	2.6	5.0	18.6	12.0	2.7	1.5	16.2	23.0	5.3	6.5	34.8	2.9	0.6
12/31/2006	3.0	2.3	4.0	9.4	2.0	0.6	0.7	3.4	5.0	2.9	4.7	12.8	1.4	0.3
	18.0	5.6	13.6	37.3	16.0	4.1	2.3	22.5	34.0	9.7	15.9	59.8		
Moser Bay														
3/31/2004	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0
6/30/2004	20.0	3.3	12.6	35.9	7.0	0.0	0.1	7.1	27.0	3.3	12.7	43.0	5.5	1.1
9/30/2004	3.0	1.0	2.9	6.9	10.0	0.0	0.1	10.1	13.0	1.0	3.0	17.0	1.1	0.2
12/31/2004	0.0	0.0	0.1	0.1	3.0	0.0	1.2	4.2	3.0	0.0	1.3	4.3	0.0	0.0
	23.0	4.4	15.8	43.1	20.0	0.0	1.3	21.3	43.0	4.4	17.1	64.5		
3/31/2005	0.0	0.0	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.1	0.0
6/30/2005	6.0	2.4	3.8	12.1	5.0	0.0	0.1	5.1	11.0	2.4	3.8	17.2	1.9	0.4
9/30/2005	23.0	1.9	3.3	28.3	22.0	0.0	0.7	22.7	45.0	1.9	4.0	50.9	4.4	0.9
12/31/2005	0.0	0.0	0.2	0.2	3.0	0.0	0.5	3.5	3.0	0.0	0.6	3.6	0.0	0.0
	29.0	4.3	7.6	40.9	30.0	0.0	1.2	31.2	59.0	4.3	8.7	72.0		
3/31/2006	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0
6/30/2006	6.0	2.9	1.7	10.6	2.0	0.3	0.2	2.5	8.0	3.1	1.9	13.1	1.6	0.3
9/30/2006	6.0	2.6	2.0	10.6	8.0	2.6	1.0	11.6	14.0	5.2	3.0	22.2	1.6	0.3
12/31/2006	3.0	0.8	0.7	4.4	0.0	0.0	0.0	0.0	3.0	0.8	0.7	4.5	0.7	0.1
	15.0	6.2	4.5	25.8	10.0	2.8	1.2	14.1	25.0	9.1	5.8	39.9		

1/ Deplaned PEQs, Divided by 50% for L.Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Ended	Deplaned PEQs at the EAS Community			Enplaned PEQs at the EAS Community			Enplanements and Deplanements			Required Capacity, PEQs Per Week @ 50% F.F.I.	Required Flights Per Week With 5-PEQ Capacity Aircraft 2/
	Pax	Freight	Total	Pax	Freight	Total	Pax	Freight	Mail		
Olga Bay											
3/31/2004	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
6/30/2004	6.0	0.4	8.0	2.0	0.0	2.0	8.0	0.4	1.7	10.0	0.2
9/30/2004	15.0	2.3	20.8	9.0	0.0	9.0	24.0	2.3	3.5	29.8	0.6
12/31/2004	2.0	0.1	2.2	6.0	0.6	6.8	8.0	0.7	0.3	9.1	0.1
	23.0	2.8	31.1	17.0	0.6	17.9	40.0	3.4	5.7	49.0	
3/31/2005	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
6/30/2005	2.0	0.6	3.8	2.0	0.0	2.2	4.0	0.6	1.4	6.0	0.1
9/30/2005	4.0	1.1	9.2	5.0	0.0	5.0	9.0	1.1	4.1	14.2	0.3
12/31/2005	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.0
	6.0	1.7	13.4	7.0	0.0	7.2	13.0	1.7	5.9	20.6	
3/31/2006	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0
6/30/2006	10.0	2.5	15.6	6.0	0.3	6.3	16.0	2.7	3.2	21.9	0.5
9/30/2006	9.0	2.0	14.1	14.0	1.4	17.3	23.0	3.4	5.1	31.4	0.4
12/31/2006	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.4	0.4	0.0
	19.0	4.4	30.1	20.0	1.7	23.7	39.0	6.1	8.7	53.8	
Port Bailey											
3/31/2004	0.0	1.2	2.0	3.0	0.0	3.1	3.0	1.2	0.9	5.0	0.1
6/30/2004	1.0	9.2	12.1	0.0	0.0	0.0	1.0	9.2	1.9	12.2	0.4
9/30/2004	3.0	10.4	15.7	0.0	0.0	0.1	3.0	10.4	2.4	15.8	0.5
12/31/2004	2.0	8.0	10.7	3.0	0.0	3.2	5.0	8.0	0.9	13.9	0.3
	6.0	28.8	40.5	6.0	0.0	6.4	12.0	28.8	6.1	46.9	
3/31/2005	2.0	4.1	7.1	0.0	0.0	0.7	2.0	4.1	1.7	7.8	0.2
6/30/2005	1.0	0.0	1.7	2.0	0.0	2.2	3.0	0.0	0.9	3.9	0.1
9/30/2005	9.0	1.5	11.3	2.0	0.0	2.2	11.0	1.5	1.1	13.5	0.3
12/31/2005	0.0	2.5	2.9	0.0	0.6	0.6	0.0	3.1	0.4	3.4	0.1
	12.0	8.0	23.0	4.0	0.6	5.7	16.0	8.6	4.0	28.6	
3/31/2006	0.0	1.2	2.4	0.0	0.0	0.0	0.0	1.2	1.2	2.4	0.1
6/30/2006	0.0	0.6	1.6	0.0	0.0	0.0	0.0	0.6	1.1	1.7	0.1
9/30/2006	2.0	1.0	4.2	1.0	0.0	1.1	3.0	1.0	1.2	5.3	0.1
12/31/2006	0.0	0.0	0.6	0.0	0.0	0.1	0.0	0.0	0.7	0.7	0.0
	2.0	2.8	8.8	1.0	0.0	1.3	3.0	2.8	4.2	10.0	

1/ Deplaned PEQs, Divided by 50% for L.Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Fnded	Deplaned PEQs at the E:AS Community				Emplaned PEQs at the E:AS Community				Emplanements and Deplanements				Required Capacity, PEQs Per Week @ 50% L.F./	Required Flights Per Week With 5-PE/Q Capacity Aircraft 2/
	Pax	Freight	Mail	Total	Pax	Freight Port Williams	Mail	Total	Pax	Freight	Mail	Total		
3/31/2004	0.0	0.0	7.8	7.8	0.0	0.4	0.1	0.5	0.0	0.4	7.9	8.3	1.2	0.2
6/30/2004	5.0	0.0	5.4	10.4	1.0	0.0	0.1	1.1	6.0	0.0	5.5	11.5	1.6	0.3
9/30/2004	1.0	6.3	4.4	11.7	4.0	0.0	0.3	4.3	5.0	6.3	4.7	16.0	1.8	0.4
12/31/2004	0.0	0.0	0.0	0.0	1.0	0.4	0.1	1.5	1.0	0.4	0.1	1.5	0.0	0.0
	6.0	6.3	17.7	30.0	6.0	0.8	0.5	7.3	12.0	7.1	18.2	37.3		
3/31/2005	0.0	0.9	1.6	2.5	2.0	0.0	0.2	2.2	2.0	0.9	1.7	4.7	0.4	0.1
6/30/2005	1.0	0.8	9.6	11.4	0.0	0.0	0.2	0.2	1.0	0.8	9.8	11.6	1.8	0.4
9/30/2005	2.0	1.4	2.9	6.4	10.0	0.0	0.0	10.0	12.0	1.4	2.9	16.4	1.0	0.2
12/31/2005	0.0	0.6	3.2	3.9	0.0	0.0	0.0	0.0	0.0	0.6	3.2	3.9	0.6	0.1
	3.0	3.8	17.4	24.2	12.0	0.0	0.3	12.3	15.0	3.8	17.7	36.5		
3/31/2006	0.0	0.7	0.5	1.2	0.0	0.0	0.0	0.0	0.0	0.7	0.5	1.2	0.2	0.0
6/30/2006	2.0	1.7	12.0	15.7	1.0	0.0	0.0	1.0	3.0	1.7	12.1	16.8	2.4	0.5
9/30/2006	1.0	3.3	2.4	6.7	0.0	0.0	0.1	0.1	1.0	3.3	2.4	6.8	1.0	0.2
12/31/2006	1.0	2.3	5.7	8.9	0.0	0.0	0.1	0.1	1.0	2.3	5.8	9.1	1.4	0.3
	4.0	8.0	20.6	32.6	1.0	0.0	0.2	1.2	5.0	8.0	20.8	33.8		
Seal Bay														
3/31/2004	2.0	3.5	6.7	12.2	2.0	0.1	0.3	2.3	4.0	3.6	7.0	14.6	1.9	0.4
6/30/2004	7.0	12.5	8.0	27.5	6.0	4.1	0.4	10.5	13.0	16.6	8.4	38.0	4.2	0.8
9/30/2004	11.0	11.1	3.1	25.1	12.0	0.3	0.6	12.9	23.0	11.4	3.6	38.0	3.9	0.8
12/31/2004	4.0	13.2	9.6	26.8	8.0	0.0	0.4	8.4	12.0	13.2	10.0	35.2	4.1	0.8
	24.0	40.3	27.3	91.6	28.0	4.5	1.7	34.2	52.0	44.8	29.0	125.8		
3/31/2005	3.0	11.4	9.1	23.5	4.0	0.2	0.4	4.7	7.0	11.7	9.5	28.2	3.6	0.7
6/30/2005	8.0	8.5	4.6	21.0	8.0	1.3	0.1	9.5	16.0	9.8	4.7	30.5	3.2	0.6
9/30/2005	4.0	3.1	5.0	12.1	11.0	1.4	0.0	12.4	15.0	4.4	5.1	24.5	1.9	0.4
12/31/2005	0.0	2.1	2.4	4.5	5.0	0.0	0.0	5.0	5.0	2.1	2.4	9.5	0.7	0.1
	15.0	25.1	21.1	61.2	28.0	3.0	0.6	31.5	43.0	28.1	21.6	92.7		
3/31/2006	1.0	4.3	3.0	8.3	1.0	0.0	0.0	1.0	2.0	4.3	3.0	9.3	1.3	0.3
6/30/2006	6.0	5.5	5.4	17.0	1.0	0.0	0.1	1.1	7.0	5.5	5.5	18.1	2.6	0.5
9/30/2006	6.0	1.3	5.6	12.9	9.0	1.8	0.4	11.2	15.0	3.1	6.0	24.0	2.0	0.4
12/31/2006	4.0	2.2	6.5	12.7	3.0	0.0	0.1	3.1	7.0	2.2	6.6	15.8	2.0	0.4
	17.0	13.3	20.5	50.8	14.0	1.8	0.6	16.4	31.0	15.1	21.1	67.2		

1/ Deplaned PEQs, Divided by 50% for L.Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Ended	Deplaned PEQs at the EAS Community				Enplaned PEQs at the EAS Community				Enplanements and Deplanements				Required Capacity, PEQs Per Week @ 50% L.F. 1/	Required Flights Per Week With 5-PEQ Capacity Aircraft 2/
	Pax.	Freight	Mail	Total	Pax.	Freight	Mail	Total	Pax.	Freight	Mail	Total		
3/31/2004	1.0	12.0	6.4	19.3	3.0	0.0	0.2	3.2	4.0	12.0	6.6	22.6	3.0	0.6
6/30/2004	2.0	3.3	5.4	10.7	1.0	0.0	0.5	1.5	3.0	3.3	5.9	12.1	1.6	0.3
9/30/2004	8.0	2.2	4.8	15.0	9.0	0.0	0.7	9.7	17.0	2.2	5.5	24.7	2.3	0.5
12/31/2004	0.0	3.6	3.3	6.9	0.0	0.0	0.0	0.0	0.0	3.6	3.3	6.9	1.1	0.2
	11.0	21.0	19.9	51.8	13.0	0.0	1.4	14.4	24.0	21.0	21.3	66.3		
3/31/2005	0.0	4.4	3.1	7.5	1.0	0.0	0.2	1.2	1.0	4.4	3.3	8.7	1.2	0.2
6/30/2005	0.0	0.5	1.1	1.6	0.0	0.0	0.0	0.0	0.0	0.5	1.1	1.6	0.2	0.0
9/30/2005	0.0	4.0	2.6	6.6	1.0	0.0	0.1	1.1	1.0	4.0	2.7	7.7	1.0	0.2
12/31/2005	1.0	1.2	2.4	4.6	1.0	0.0	0.2	1.2	2.0	1.2	2.6	5.8	0.7	0.1
	1.0	10.2	9.1	20.3	3.0	0.0	0.5	3.5	4.0	10.2	9.6	23.8		
3/31/2006	3.0	1.9	1.7	6.6	1.0	0.0	0.0	1.0	4.0	1.9	1.7	7.6	1.0	0.2
6/30/2006	4.0	3.8	2.9	10.7	3.0	0.0	0.2	3.2	7.0	3.8	3.1	13.8	1.6	0.3
9/30/2006	1.0	3.2	3.1	7.3	1.0	0.3	0.3	1.5	2.0	3.4	3.3	8.8	1.1	0.2
12/31/2006	3.0	6.2	2.9	12.2	2.0	0.0	0.7	2.7	5.0	6.2	3.6	14.8	1.9	0.4
	11.0	15.1	10.6	36.7	7.0	0.3	1.1	8.3	18.0	15.3	11.7	45.0		
West Point														
3/31/2004	2.0	2.2	16.2	20.4	3.0	0.0	0.3	3.3	5.0	2.2	16.5	23.7	3.1	0.6
6/30/2004	2.0	0.0	15.2	17.2	8.0	0.0	0.2	8.2	10.0	0.0	15.5	25.5	2.6	0.5
9/30/2004	4.0	1.0	6.9	11.9	9.0	0.0	0.1	9.1	13.0	1.0	7.1	21.0	1.8	0.4
12/31/2004	0.0	0.0	0.0	0.0	1.0	0.0	0.4	1.4	1.0	0.0	0.4	1.4	0.0	0.0
	8.0	3.2	38.4	49.6	21.0	0.0	1.0	22.0	29.0	3.2	39.4	71.6		
3/31/2005	1.0	1.1	7.6	9.7	4.0	0.0	0.1	4.1	5.0	1.1	7.7	13.8	1.5	0.3
6/30/2005	6.0	1.5	10.6	18.1	6.0	2.9	0.1	9.0	12.0	4.4	10.8	27.1	2.8	0.6
9/30/2005	9.0	2.1	2.5	13.6	15.0	0.3	0.2	15.5	24.0	2.4	2.7	29.1	2.1	0.4
12/31/2005	3.0	0.5	0.8	4.3	0.0	0.1	0.0	0.1	3.0	0.6	0.8	4.4	0.7	0.1
	19.0	5.2	21.5	45.7	25.0	3.2	0.5	28.7	44.0	8.4	21.9	74.3		
3/31/2006	1.0	1.7	2.6	5.3	1.0	0.0	0.0	1.0	2.0	1.7	2.6	6.3	0.8	0.2
6/30/2006	9.0	4.2	5.1	18.4	3.0	0.2	0.1	3.3	12.0	4.4	5.2	21.6	2.8	0.6
9/30/2006	12.0	3.4	3.4	18.8	20.0	3.2	0.2	23.4	32.0	6.6	3.6	42.2	2.9	0.6
12/31/2006	5.0	1.5	4.6	11.1	4.0	2.5	0.3	6.8	9.0	4.0	5.0	17.9	1.7	0.3
	27.0	10.8	15.7	53.5	28.0	5.9	0.6	34.5	55.0	16.7	16.3	88.0		

1/ Deplaned PEQs, Divided by 50% for L.Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Historical Traffic at Twelve Kodiak Bush Communities, Scheduled Service

Qtr. Ended	Deplaned PEQs at the E:AS Community			Enplaned PEQs at the E:AS Community			Enplanements and Deplanements			Required Capacity, PEQs Per Week @ 50% L.F. 1/	Required Flights Per Week With 5-PEQ Capacity Aircraft 2/			
	Pax.	Freight	Mail	Total	Pax.	Freight	Mail	Total	Pax.			Freight	Mail	Total
3/31/2004	0.0	1.6	2.4	4.1	1.0	0.0	0.0	1.0	1.0	1.6	2.5	5.1	0.6	0.1
6/30/2004	1.0	2.6	3.1	6.7	0.0	0.0	0.1	0.1	1.0	2.6	3.2	6.7	1.0	0.2
9/30/2004	0.0	0.0	0.8	0.8	5.0	0.0	0.4	5.4	5.0	0.0	1.2	6.2	0.1	0.0
12/31/2004	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.0	0.0	0.9	0.9	0.0	0.0
	1.0	4.2	6.3	11.5	6.0	0.0	1.5	7.5	7.0	4.2	7.8	19.0		
3/31/2005	0.0	0.0	1.2	1.2	0.0	0.0	0.1	0.1	0.0	0.0	1.3	1.3	0.2	0.0
6/30/2005	1.0	0.6	1.6	3.1	1.0	0.0	0.0	1.0	2.0	0.6	1.6	4.2	0.5	0.1
9/30/2005	0.0	0.1	1.2	1.2	0.0	0.0	0.0	0.0	0.0	0.1	1.2	1.3	0.2	0.0
12/31/2005	0.0	0.0	5.5	5.5	1.0	0.0	0.0	1.0	1.0	0.0	5.5	6.5	0.8	0.2
	1.0	0.6	9.4	11.1	2.0	0.0	0.1	2.1	3.0	0.6	9.6	13.2		
3/31/2006	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0
6/30/2006	0.0	0.0	1.3	1.3	0.0	0.0	0.1	0.1	0.0	0.0	1.4	1.4	0.2	0.0
9/30/2006	0.0	0.1	2.0	2.1	0.0	0.0	0.2	0.2	0.0	0.1	2.2	2.3	0.3	0.1
12/31/2006	1.0	0.0	4.0	5.0	2.0	0.0	0.1	2.1	3.0	0.0	4.1	7.1	0.8	0.2
	1.0	0.1	7.4	8.5	2.0	0.0	0.4	2.4	3.0	0.1	7.8	10.9		

Note: A PEQ refers to a passenger equivalent. 200 pounds of mail or freight is equivalent to one passenger.

1/ Deplaned PEQs, Divided by 50% for L.Factor, Divided by 13 Weeks per Quarter
2/ Prior Column Divided by 5

Scheduled Service At Karluk by Island Air Service,
2005-2006, Per T-100 Segment Report

<u>Year</u>	<u>Month</u>	<u>Departures At Karluk</u>	<u>Landings At Karluk</u>
2005	1	13	13
2005	2	13	13
2005	3	16	16
2005	4	25	25
2005	5	19	19
2005	6	77	78
2005	7	58	58
2005	8	54	54
2005	9	60	60
2005	10	19	19
2005	11	9	10
<u>2005</u>	<u>12</u>	<u>13</u>	<u>13</u>
Total		376	378
2006	1	18	18
2006	2	7	7
2006	3	14	14
2006	4	15	15
2006	5	31	31
2006	6	60	64
2006	7	39	39
2006	8	52	51
2006	9	76	77
2006	10	25	25
2006	11	18	18
<u>2006</u>	<u>12</u>	<u>23</u>	<u>24</u>
Total		378	383

General Terms and Conditions for Essential Air Service

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.

All claims for payment must be submitted within 60 days of the last day of service provided under this order.