



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

Issued by the Department of Transportation
on the 6th of November, 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 2020-10-7, issued October 13, 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 deadline for comments has expired, and the Department received no comments. However, the Department discovered an error in the calculation of the Nonfuel portion of the Linehaul rate for Part 135, which is discussed below.

Discussion

Upon evaluation of the Nonfuel portion of the Linehaul rate for Part 135 in Order 2020-10-7, an error was discovered in Appendix D, on pages one and three. On line five of Appendix D, titled "Return and Tax Markup," several entries were incorrect due to a formatting error. On page one of Appendix D, this amount was incorrect for Everts – 109.46 percent instead of 9.46 percent. Similarly, on page three of Appendix D, Ryan Air, Wright, and Yute also had incorrect amounts entered ranging from 109.46 percent to 209.46 percent. These errors resulted in a significant and material inflation of the Nonfuel portion of the Linehaul rate, and is corrected in the appendices of this Order. As a result, the Nonfuel portion of the Linehaul rate was reduced to \$16.3860, from \$19.4605 in Order 2020-10-7.

Part 121 Rate

As noted in Order 2020-3-6, the Part 121 rates are removed from this Order, 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.

Other Notes

Consistent with longstanding program practice, we will here update the rates in that Order to reflect fuel costs for the quarter ended December 31, 2019, as shown in the appendices.

The next fuel adjustment will use data for quarter ended March 31, 2020, and will be released when the data becomes available from the Bureau of Transportation Statistics.

Persons entitled to petition the Department for review of this order under 14 CFR 385.30 may file petitions within seven days after the date of service of this order. This order will be effective as provided in ordering paragraph 2, and the filing of a petition for review will not stay its effectiveness.

ACCORDINGLY,

1. The Department finalizes the tentative findings in Order 2020-10-7, with amendments to the Nonfuel and Fuel Linehaul 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., November 14, 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-
	<u>Class Rate</u>	Rate Per Order <u>2020-10-7</u>	Less Old Fuel in Order <u>2020-10-7</u>	Add Fuel per the Appendices <u>to this Order</u>	<u>Final Rate</u>	Percentage <u>Change</u>
1.	Part 121	\$10.5933	NA	NA	\$10.5933	0.00%
2.	Part 135	\$19.9885	\$3.6025	\$3.0990	\$19.4850	-2.52%
3.	Seaplane	\$39.0685	\$4.0328	\$5.7670	\$40.8027	4.44%
4.	Terminal	\$1,532.27	N/A	N/A	\$1,532.27	0.00%

Calculation of the Linehaul, Part 135, YE 9-30-19

	(1)	(2)	(3)	(4)	(5)	(6)
	Year Ended <u>9/30/2019</u> 1/	Avg. Annual Change, YE 6/30/09 to YE <u>9/30/19</u> 2/	Midpoint to Midpoint Change 3/	Estimated Unit Cost at <u>3/31/2021</u> 4/	Current Rate, Order <u>2020-6-15</u>	Change from Current 5/
Unit Cost per Revenue Ton-Mile						
Fuel	\$3.6025	0	0	\$3.6025	\$3.1099	15.84%
<u>Nonfuel</u>	<u>\$14.9767</u>	4.60%	9.41%	<u>\$16.3860</u>	<u>\$15.5284</u>	<u>5.52%</u>
Total	\$18.5792			\$19.9885	\$18.6383	7.24%

1/ Nonfuel, Appendix H, Page 1 of 5; Fuel, Appendix H, Page 4 of 5.

2/ We assume fuel increases will be zero. For nonfuel, see "predicted annual increase" in Appendix G, Page 1 of 2.

3/ Reflects the fact that from the midpoint of the reporting period to the midpoint of the prospective rate is 2 years. $1.0460 \times 1.0460 = 1.10941$, where 1.0460 is the average annual unit cost increase projected for a 12-month period.

4/ Fuel reflects YE 9-30-19 Appendix H, Page 4 of 5. Nonfuel is Column (1) multiplied by Column (3).

The total is the sum of the two. The final order will reflect the most recent quarterly fuel costs available at the time.

5/ Column 4 ÷ Column 5 less 1.

Regression Analysis of the Nonfuel Linehaul Unit Cost per RTM

Year- <u>Ended</u>	\$/RTM Nonfuel <u>Linehaul</u>	Actual Y Natural Log \$/RTM Nonfuel <u>Linehaul</u>		<u>Predicted Y</u>	<u>Residuals</u>	<u>EXP(Y)</u>	Predicted Annual <u>Increase</u>
6/30/2009	\$9.6160	2.263428	2.16616468	0.097263698	8.7248	4.60%	
6/30/2010	\$9.1547	2.214267	2.211131474	0.003135935	9.1260		
9/30/2012	\$10.1679	2.319236	2.312522353	0.006713346	10.0999		
9/30/2013	\$10.5489	2.356022	2.357489146	-0.001467557	10.5644		
9/30/2014	\$10.5845	2.359391	2.40245594	-0.043065273	11.0503		
9/30/2015	\$9.6948	2.271590	2.447422733	-0.175833074	11.5585		
9/30/2016	\$10.6011	2.360958	2.492512723	-0.131554954	12.0916		
9/30/2017	\$13.7461	2.620755	2.537479517	0.083275631	12.6478		
9/30/2018	\$14.3665	2.664899	2.58244631	0.082452797	13.2295		
9/30/2019	\$14.9767	2.706493	2.627413104	0.079079452	13.8379		

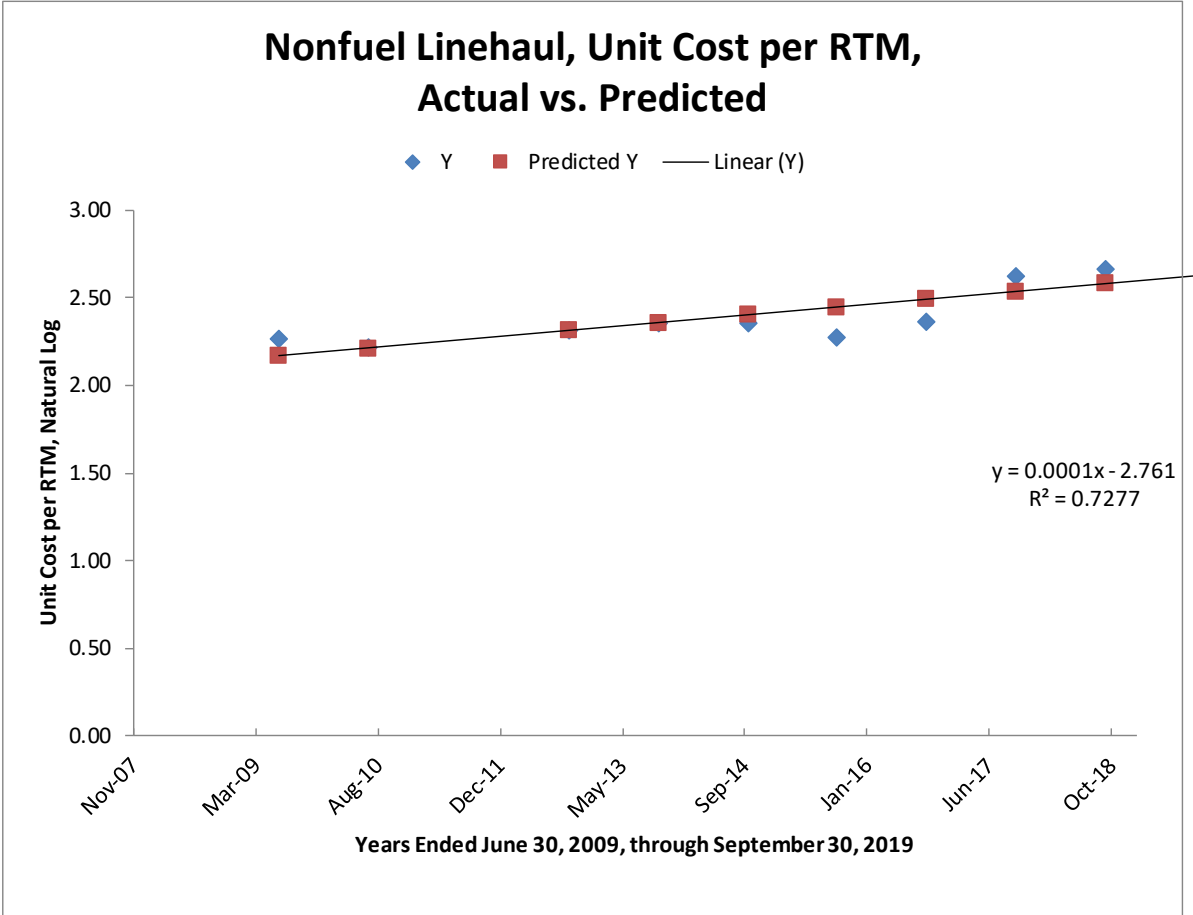
ANOVA

	<u>df</u>	<u>SS</u>	<u>MS</u>	<u>F</u>	<u>Significance F</u>
Regression	1	0.212649392	0.212649392	21.37643567	0.001702488
Residual	8	0.079582731	0.009947841		
Total	9	0.292232124			

	<u>Coefficients</u>	<u>Std. Error</u>	<u>t Stat</u>	<u>P-value</u>	<u>Lower 95%</u>	<u>Upper 95%</u>
Intercept	-2.760963911	1.119662669	-2.465889047	0.038959364	-5.342910656	-0.1790172
X Variable 1	0.000123197	2.6646E-05	4.623465764	0.001702488	6.1751E-05	0.00018464

RESIDUAL OUTPUT

<u>Regression Statistics</u>	
Multiple R	0.853037446
R Square	0.727672884
Adjusted R Square	0.693631995
Standard Error	0.099738866
Observations	10



Year Ended September 30, 2019

System Parameters for Each Carrier		Total	Al. Seaplanes	Bering	Bering	Everts	Grant
1 .	Capacity Related Expense (CR)		\$2,193,507	\$2,637,633	\$2,637,633	\$1,350,882	\$3,310,768
2 .	Direct Expense, Includes Fuel		\$4,679,323	\$24,291,806	\$24,291,806	\$45,911,552	\$23,998,391
3 .	Indirect Expense		\$3,574,623	\$7,539,408	\$7,539,408	\$16,009,359	\$5,716,366
4 .	CR Markup		36.19%	9.03%	9.03%	2.23%	12.54%
5 .	Return and Tax Markup		9.46%	9.46%	9.46%	9.46%	9.46%
6 .	T-100 Seg. Mail RTMs	16,967,503	54,750	363,895	363,895	6,667,457	320,054
7 .	T-100 Mkt. Mail RTMs	16,773,328	53,264	352,752	352,752	6,614,051	309,589
8 .	Circuitry Markup (R6+R7)-1		2.79%	3.16%	3.16%	0.81%	3.38%
	By Aircraft Type		Caravan	B-1900	Caravan	Caravan	GAB
	Aircraft Code		415	405	415	416	26
9 .	Direct Expense, Includes Fuel		\$3,034,560	\$2,822,093	\$13,832,532	\$959,370	\$3,635,177
10 .	Less Psg. Liability Insurance		\$51,199	\$29,195	\$116,665	\$57,219	\$18,029
11 .	Linehaul Expense Allocable to Mail		\$2,983,361	\$2,792,898	\$13,715,867	\$902,151	\$3,617,148
12 .	Cost per Block Hour (R21÷ R30)		\$513.31	\$1,889.65	\$1,122.04	\$666.29	\$531.31
13 .	Marked Up Costs (R21*R11*R12*R15)		\$4,571,610	\$3,438,610	\$16,886,947	\$1,017,670	\$4,606,405
14 .	Eligible Expense (R23*R46÷R30)		\$4,001,338	\$2,552,203	\$13,724,789	\$720,787	\$4,268,097
15 .	Eligible Cost per RTM (R24÷R50)		\$10.9138	\$13.2667	\$17.0987	\$10.5126	\$32.5789
16 .	Percentage of Eligible Mail RTMs	100.00%	2.112%	3.343%	11.582%	1.235%	2.024%
17 .	Cost Wtd. By Mail RTMs (R25*R26)	<u>\$18.5792</u>	\$0.2305	\$0.4435	\$1.9805	\$0.1298	\$0.6594
	Scheduled + Nonscheduled Traffic						
18 .	Block Hours, T-100		5,812	1,478	12,224	1,354	6,808
19 .	Pax RTMs		323,434	192,303	642,307	41,222	93,218
20 .	Frt RTMs Wtd. @ 0.75		38,697	11,837	58,374	24,003	2,370
21 .	Mail RTMs		44,608	68,299	236,630	25,224	41,381
22 .	Total RTMs		406,739	272,439	937,311	90,449	136,969
23 .	Aircraft Miles	16,507,701	707,901	330,602	1,734,116	214,871	581,836
24 .	Available Ton Miles (ATMs)		1,043,195	826,505	3,007,239	260,042	319,986
25 .	Departures Performed	208,550	10,464	2,128	23,154	1,094	13,099
27 .	Ton Load Factor		38.99%	32.96%	31.17%	34.78%	42.80%
28 .	Stage Length	79	68	155	75	196	44
29 .	ATMs per Mile		1.47	2.50	1.73	1.21	0.55
30 .	RTMs per Mile		0.57	0.82	0.54	0.42	0.24
31 .	RTMs per Hour		70	184	77	67	20
	Eligible Traffic						
32 .	Block Hours, T-100		5,087	1,097	9,935	959	6,308
33 .	Pax RTMs		288,392	112,702	527,106	30,594	87,581
34 .	Frt RTMs Wtd. @ 0.75		35,098	11,376	38,956	12,746	2,080
35 .	Mail RTMs	2,042,879	43,140	68,299	236,616	25,224	41,347
36 .	Total RTMs		366,630	192,377	802,678	68,564	131,008
37 .	Aircraft Miles	13,536,440	622,609	242,636	1,388,446	151,772	543,075
38 .	Available Ton Miles (ATMs)		917,682	606,590	2,406,808	183,821	298,691
39 .	Departures Performed	183,379	9,435	1,687	19,768	777	12,428
40 .	Wtd. Deps. (GTOW)						
41 .	Ton Load Factor		39.95%	31.71%	33.35%	37.30%	43.86%
42 .	Stage Length	74	66	144	70	195	44
43 .	ATMs per Mile		1.47	2.50	1.73	1.21	0.55
44 .	RTMs per Mile		0.59	0.79	0.58	0.45	0.24
45 .	RTMs per Hour		72	175	81	71	21

Year Ended September 30, 2019

<u>System Parameters for Each Carrier</u>		Hageland	Ryan	Ryan	Wright	Yute
1 .	Capacity Related Expense (CR)	\$9,037,538	\$3,949,553	\$3,949,553	\$740,557	\$294,044
2 .	Direct Expense, Includes Fuel	\$62,015,435	\$13,328,300	\$13,328,300	\$11,891,988	\$4,536,745
3 .	Indirect Expense	\$17,894,292	\$3,594,272	\$3,594,272	\$3,221,794	\$1,153,012
4 .	CR Markup	12.75%	30.44%	30.44%	5.15%	5.45%
5 .	Return and Tax Markup	9.46%	9.46%	9.46%	9.46%	9.46%
6 .	T-100 Seg. Mail RTMs	1,847,723	458,299	458,299	203,413	46,441
7 .	T-100 Mkt. Mail RTMs	1,837,346	442,366	442,366	191,648	45,978
8 .	Circuitry Markup (R6÷R7)-1	0.56%	3.60%	3.60%	6.14%	1.01%
<u>By Aircraft Type</u>		Caravan	C-207	Caravan	Caravan	C-207
<u>Aircraft Code</u>		416	35	416	416	35
9 .	Direct Expense, Includes Fuel	\$27,510,335	\$1,155,420	\$1,537,951	\$10,176,161	\$2,645,151
10 .	Less Psgr. Liability Insurance	\$689,458	\$7,464	\$11,196	\$86,212	\$26,600
11 .	Linehaul Expense Allocable to Mail	\$26,820,877	\$1,147,956	\$1,526,755	\$10,089,949	\$2,618,551
12 .	Cost per Block Hour (R21÷R30)	\$963.71	\$372.59	\$831.57	\$653.07	\$485.19
13 .	Marked Up Costs (R21*R11*R12*R15)	\$33,288,800	\$1,698,139	\$2,258,485	\$12,326,443	\$3,052,902
14 .	Eligible Expense (R23*R46÷R30)	\$30,399,010	\$1,634,204	\$2,105,951	\$11,341,923	\$2,278,504
15 .	Eligible Cost per RTM (R24÷R50)	\$19.1709	\$29.2894	\$21.8814	\$7.5861	\$26.9786
16 .	Percentage of Eligible Mail RTMs	23.101%	2.021%	3.795%	9.729%	1.353%
17 .	Cost Wtd. By Mail RTMs (R25*R26)	\$4.4286	\$0.5920	\$0.8304	\$0.7380	\$0.3650
<u>Scheduled + Nonscheduled Traffic</u>						
18 .	Block Hours, T-100	27,831	3,081	1,836	15,450	5,397
19 .	Pax RTMs	1,155,266	5,223	5,326	1,158,887	63,334
20 .	Frt RTMs Wtd. @ 0.75	64,149	10,772	18,226	213,275	8,510
21 .	Mail RTMs	474,893	41,495	77,786	199,383	28,233
22 .	Total RTMs	1,694,308	57,490	101,338	1,571,545	100,077
23 .	Aircraft Miles	3,193,202	300,437	220,548	2,297,033	446,754
24 .	Available Ton Miles (ATMs)	5,428,443	180,256	363,825	2,679,516	245,715
25 .	Departures Performed	42,872	5,575	3,021	15,302	11,507
27 .	Ton Load Factor	31.21%	31.89%	27.85%	58.65%	40.73%
28 .	Stage Length	74	54	73	150	39
29 .	ATMs per Mile	1.70	0.60	1.65	1.17	0.55
30 .	RTMs per Mile	0.53	0.19	0.46	0.68	0.22
31 .	RTMs per Hour	61	19	55	102	19
<u>Eligible Traffic</u>						
32 .	Block Hours, T-100	25,415	2,965	1,712	14,216	4,028
33 .	Pax RTMs	1,052,045	4,083	900	1,100,301	52,537
34 .	Frt RTMs Wtd. @ 0.75	61,719	10,421	17,820	196,042	4,281
35 .	Mail RTMs	471,921	41,291	77,524	198,744	27,638
36 .	Total RTMs	1,585,685	55,795	96,244	1,495,087	84,456
37 .	Aircraft Miles	2,912,994	290,830	207,098	2,106,118	328,497
38 .	Available Ton Miles (ATMs)	4,952,090	174,492	341,632	2,459,964	180,673
39 .	Departures Performed	39,102	5,398	2,844	14,389	9,233
40 .	Wtd. Deps. (GTOW)					
41 .	Ton Load Factor	32.02%	31.98%	28.17%	60.78%	46.75%
42 .	Stage Length	74	54	73	146	36
43 .	ATMs per Mile	1.70	0.60	1.65	1.17	0.55
44 .	RTMs per Mile	0.54	0.19	0.46	0.71	0.26
45 .	RTMs per Hour	62	19	56	105	21

FUEL PORTION OF THE LINEHAUL RATE BEGINS HERE

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
<u>Aircraft Code</u>	<u>Totals</u>	<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÷R4)	\$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÷R4)	\$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.