

Request For Comments



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U.S. Department of
Transportation

Office of the Secretary
of Transportation

400 Seventh St., S.W.
Washington, D.C. 20590

OST-95-429-129

December 19, 2000

Mr. James Nawrot
Transportation Specialist, U.S. Postal Service
Commercial Air Operations
475 L'Enfant Plaza, Room 7912
Washington, D.C. 20260-7000

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DOCKETS

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Dear Mr. Nawrot:

The purpose of this letter is to confirm the status of Aleutian mail rates and to solicit your opinion, along with those of the mainline carriers, as to several alternatives the Department could take in phasing out the Reeve territorial rate.

As you know, Reeve Aleutian Airways ceased providing scheduled air service on December 5, 2000. As we discussed, the rate that applies in the Aleutians until further Department action is the Reeve rate as set by Order 81-1-41.¹ This may appear problematic, because the Reeve rate was constructed on the basis of Reeve's costs, so the underlying base for constructing the rate has disappeared although the rate itself continues. However, as stated in our letter to Mr. Charles Kalbaugh, Manager International Mail Operations, concerning a similar situation, "the presence or absence of particular carriers would not affect the applicability of the [territorial] rate— notwithstanding that the original rate was based on Continental Micronesia's route system."

That being said, the Department has not updated the Reeve rate for inflation in the 20 years since it was inaugurated,² and the mainline rate now approaches the Reeve level and may be expected at some point to exceed it³ given our annual inflation adjustment for the mainline. At some point in time there will no longer be a need for a separate territorial rate for the Aleutians: while the special conditions that allowed DOT to establish a territorial rate are no longer present no one would argue that the Reeve rate should continue when the mainline rate exceeds it given the historically greater cost of

¹ The Reeve rate of \$1.224 per mail ton-mile and \$470 per mail ton enplaned was set by Order 81-1-41 and has not been updated.

² Reeve never petitioned the Department to make an inflation adjustment, and some of the special factors present when the rate was created—the fact that Reeve was the only carrier operating in the Aleutians and Reeve did not operate outside the Aleutians—as a practical matter no longer applied.

³ The current mainline rate, as set by Order 2000-11-9, is as follows: Priority linehaul, \$1.9129 per ton-mile; Non-Priority linehaul, \$1.1581 per ton mile; Priority Terminal Charge, \$503.80 per ton enplaned; Nonpriority Terminal, \$433 per ton enplaned.

operating in the Aleutians and the fact that these costs are reported by the carriers operating there for inclusion in rate updates.

We are therefore soliciting your opinions as to which of the following alternatives we should follow: 1. End the Reeve rate soon at a pre-specified date, applying instead the full mainline and bush rates, as applicable; 2. Since the Reeve rate does not provide for separate priority and non-priority elements, have the higher mainline priority rate go into effect at a specified future date for priority service in the Aleutians, and when the non-priority rate exceeds the Reeve rate end the Reeve rate completely; 3. Selectively phase out the Reeve rate, based on agreement between the carriers operating in the individual markets and the Postal Service because some individual markets in the Aleutians may be more expensive to operate in than others. If a consensus cannot be reached among the parties, the Department will then propose the action it deems appropriate.

We ask that you and the various mainline carriers respond to us in writing by January 12. If you have any questions, please do not hesitate to contact me or Kevin Adams of my staff at 202-366-1047.

Sincerely,



Dennis J. DeVany
Chief, EAS and Domestic Analysis Division

cc.

Northern Air Cargo
Alaska Central Express
Lynden Air Cargo
Tatonduk Flying
Peninsula Airways
Alaska Airlines