

**BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.**

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PENINSULA AIRWAYS, INC.)	
d/b/a PENAIR)	Docket OST-2000-_____
)	
under 49 U.S.C. § 41734 and 14 C.F.R. Part 323)	
of intent to terminate essential air service at)	
eleven Kodiak Island bush communities in)	
Alaska)	
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**90-DAY NOTICE OF PENINSULA AIRWAYS, INC.,
d/b/a PENAIR, OF INTENT TO TERMINATE ESSENTIAL AIR SERVICE**

Communications with respect to this document should be addressed to:

Orin Seybert
President
Richard Harding
General Manager and
Director of Operations
PENINSULA AIRWAYS, INC.
6100 Boeing Avenue
Anchorage, Alaska 99502

Robert E. Cohn
Alexander Van der Bellen
SHAW PITTMAN
2300 N Street, N.W.
Washington, D.C. 20037

Attorneys for
PENINSULA AIRWAYS, INC.

February 15, 2000

**NOTE: Objections to this notice of intent to terminate service must be filed
 on or before March 6, 2000.**

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**90-DAY NOTICE OF PENINSULA AIRWAYS, INC.,
d/b/a PENAIR, OF INTENT TO TERMINATE ESSENTIAL AIR SERVICE**

Peninsula Airways, Inc., d/b/a PenAir ("PenAir"), hereby gives 90 days' notice, pursuant to 49 U.S.C. § 41734 and 14 C.F.R. Part 323, of its intent to terminate essential air service ("EAS") at the following eleven Kodiak Island bush communities in Alaska:

Alitak/Lazy Bay;
Amook Bay;
Kitoi Bay;
Moser Bay;
Olga Bay;
Port Bailey;
Port Williams;
Seal Bay;
San Juan/Uganik;
West Point; and
Zachar Bay.

Due to adverse economic circumstances affecting Penair's service in the Kodiak Island region, PenAir has determined that it must terminate the entirety of

90-Day Notice of PenAir

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its Kodiak Island operations. PenAir, therefore, is filing this notice to advise the Department and the affected communities that it plans to terminate service to all the points it serves from its Kodiak Island base in 90 days. PenAir has been advised that Redemption, Inc., d/b/a Island Air Service (“Island Air”), another certificated Alaskan air carrier, stands ready to implement replacement service to six of the affected communities upon PenAir’s exit from the Kodiak Island market.

In support of this notice, PenAir states as follows:

1. PenAir’s principal place of business is 6100 Boeing Avenue, Anchorage, Alaska 99502.
2. PenAir holds a certificate of public convenience and necessity, authorizing it to engage in scheduled air transportation of persons, property, and mail.
3. No other air carrier currently serves Alitak/Lazy Bay, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, San Juan/Uganik, West Point, or Zachar Bay.
4. PenAir currently provides roundtrip service between Kodiak and each of the eleven Kodiak bush communities one day per week, using Grumman

90-Day Notice of PenAir**Page 3**

G-21A “Goose” aircraft configured with 9 seats and a maximum takeoff weight of 8,920 lbs., according to the following schedule:¹

<u>Arrive</u>		<u>Depart</u>
<i>Flight #KS 271 (Mondays)</i>		
	Kodiak	1145
1230	Alitak/Lazy Bay	1240
1250	Moser Bay	1300
1310	Olga Bay	1320
1415	Kodiak	
<i>Flight #KS 275 (Tuesdays)</i>		
	Kodiak	1145
1210	West Point	1220
1225	Zachar Bay	1240
1245	Amook Bay	1300
1340	Kodiak	
<i>Flight #KS 277 (Tuesdays)</i>		
	Kodiak	1145
1215	Port Bailey	1225
1245	San Juan/Uganik	1255
1330	Kodiak	
<i>Flight #KS 273 (Wednesdays)</i>		
	Kodiak	1145
1205	Kitoi Bay	1215
1225	Seal Bay	1235
1245	Port Williams	1255
1330	Kodiak	

¹ This schedule reflects PenAir’s off-peak service levels at these points. During the peak season, PenAir has provided two round-trip flights between Kodiak and each of these points except Olga Bay and Moser Bay, which it has served three times per week.

5. The Department made the most recent EAS determinations for the Kodiak Island bush communities by Order 92-5-2. The Department subsequently selected PenAir to provide service to these points by Order 96-2-30, amending the EAS determination to reflect PenAir's service levels. By Order 98-3-5, PenAir was reselected to provide subsidized EAS at an annual rate of \$144,084 at the following eight points: Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Williams, Seal Bay, West Point, and Zachar Bay. During the 18-week peak period, the EAS service level for all of these points except Olga Bay and Moser Bay is two round trip flights per week. For Olga Bay and Moser Bay, the service level is three round trip flights per week. The service level for the 34-week off-peak period is one round trip flight per week to each point. The Department also relies upon PenAir to provide subsidy-free service to Alitak/Lazy Bay, Port Bailey, and San Juan/Uganik.

6. Island Air's entry into Kodiak Island has resulted in a substantial reduction of Penair's revenue, including a reduction in critical mail revenue. Because service to Kodiak by Penair is far removed from the heart of Penair's Anchorage-based route system with a unique aircraft not utilized by Penair elsewhere on its system, the loss of critical revenues has had a profound impact on the economics of Penair's service and completely undermined Penair's ability to continue providing service to Kodiak. As a consequence, Penair has reached the

difficult but necessary decision to terminate service to the eleven Kodiak bush communities.

Respectfully submitted,

Robert E. Cohn
Alexander Van der Bellen
SHAW PITTMAN
2300 N Street, N.W.
Washington, D.C. 20037

Attorneys for
PENINSULA AIRWAYS, INC.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing 90-Day Notice of Peninsula Airways, Inc., d/b/a PenAir, of Intent to Terminate Service, has been served this 15th day of February, 2000, upon each of the following persons:

Bob Stanford
President
Redemption, Inc.
d/b/a Island Air Service
P.O. Box 125
Kodiak, AK 99615

The Honorable Diana Simeonoff
Mayor, City of Akhiok
P.O. Box 5050
Akhiok, AK 99615
(for the Alitak Bay community)
(by registered mail)

Richard Simeonoff
President
Uganik Natives, Incorporated
P.O. Box 2095
Kodiak, AK 99615
(for the San Juan/Uganik community)
(by registered mail)

The Honorable Stan Filler
Mayor, City and Borough of Sitka
100 Lincoln Street
Sitka, AK 99835
(for the Moser Bay and West Point communities)
(by registered mail)

The Honorable Gary Stevens
Mayor, Kodiak Island Borough
710 Mill Bay Road
Kodiak, AK 99615
(for the Alitak Bay, Amook Bay, Kitoi Bay, Port William, San Juan/Uganik, and Zachar Bay communities)
(by registered mail)

John D. Horn
Regional Director
Alaska Department of Transportation
Central Region
4111 Aviation Ave
P.O. Box 196900
Anchorage AK 99519-6900
(by registered mail)

Kevin Adams
Office of Aviation Analysis
EAS & Domestic Analysis Division
U.S. Department of Transportation
400 Seventh Street, S.W., Room 6401
Washington, D.C. 20590

Michael Vandamm
Assistant General Counsel
Transportation Division
U.S. Postal Service
475 L'Enfant Plaza West, S.W.
Washington, DC 20260-7136

The Honorable Tony Knowles
Governor
State of Alaska
P.O. Box 110001
Juneau, AK 99811-0001
(by registered mail)

Pauline C. Donovan