

**SUPPORTIONG STATEMENT  
AIR CARRIER CLAIMS FOR SUBSIDY**

A. Justification

1. Explain the circumstances that make the collection of information necessary. Include identification of any legal or administrative requirements that necessitate the collection.

49 United States Code, Sections 41731 and 41742, directs the Department of Transportation to determine what is essential air transportation for certain eligible points as defined, and to guarantee that this level of air service is provided, with Federal subsidy where necessary. (The program thus established was to be effective through September 30, 1998; that expiration date has been estimated by the Rural Air Service Survival Act portion of the Federal Aviation Administration Reauthorization Act of 1966, Public Law 104-264.

49 USC 41731(a) defines “eligible point” as any place in the United States: (A) that was an eligible point under section 419 of the Federal Aviation Act of 1958 before October 1, 1988, (B) which received scheduled air transportation at any time after January 1, 1990, and (C) is not listed in Department of Transportation Orders 89-9-37 and 89-12-52 as a place ineligible for compensation.

A copy of 49 USC 41731 *et seq.* and a copy of the Rural Air Service Survival Act are attached.

The law broadly defines essential air transportation as scheduled air transportation of persons and cargo to a hub airport which has convenient connecting or single-plane service to a substantial number of destinations beyond such airport at rates, fares, and charges which are not excessive when compared to the generally prevailing fares of other air carriers for like service between similar pairs of points.. The minimum service level for points other than those in Alaska is generally specified as at least two nonstop or one-stop round trips per weekday and per weekend, to be provided in an aircraft with at least two engines and using two pilots. In most cases, service must be provided with aircraft having at least 15 passenger seats, and in many cases service must be provided with pressurized aircraft. For points in Alaska, the minimum level is generally two round trips per week, or the level of service that existed during calendar year 1976, whichever is greater.

Service to subsidized points is thus defined by law in terms of hub, aircraft used, schedule frequencies, and intermediate stops. Collection of these data is necessary to verify the basic facts regarding the service provided – hubs served, flight numbers, aircraft used, routing, mileage, days operated, departures, and subsidy claimed. These forms in essence constitute an itemized bill to the government for the air services performed. Prudent management and accounting require that air carrier claims be

supported with sufficient data to justify payment and serve as a verifiable record of the service provided and a source of audit information.

DOT GOAL:

Mobility: Advance accessible, efficient, reliable transportation for all Americans.

2. Indicate how, by whom, and for what purposes the information is to be used.

The data submitted on Forms 397 and 398 by the subsidized carriers are used internally by staff of the Office of The Secretary of Transportation's Office of Aviation Analysis (OAA) and the Resource Directorate Office to verify, adjust, and settle claims for the provision of subsidized essential air service at eligible communities. The original forms 397 and 398 are submitted to Oklahoma City, via mail or federal express. The forms are then scanned into the accounting system, Markview module and submitted electronically to the Resource Directorate Office for the necessary validity checks. After the claims are verified or adjusted by the Resource Directorate Office, the forms are submitted to Oklahoma City, Accounts Payable for payment processing, via transfer of Treasury funds to the carrier's bank.

If the data were not collected, there would be no basis for establishing the validity of claims, in conformance with the statutory mandate set forth in 49 USC 41737(a) (A) that the Department's guidelines for compensation, "provide for a reduction in compensation when an air carrier does not provide service or transportation agreed to be provided." No claim would be verifiable without accompanying backup data to substantiate that the service provided was flown to the proper hub, with the proper aircraft, over the prescribed itinerary, the acceptable capacity, with the specified frequency, etc. There would be no record of what the payment covered nor there data for the use of the Office of Inspector General's auditors to verify the accuracy of the claims.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision for adopting this means of collections. Also describe any consideration of using information technology to reduce burden.

The application of advanced information technology in the preparation of the response is left to the discretion of the claimants. The subsidized carriers vary considerably in the technical resources they have available. A number are quite small business firms with little or no sophisticated equipment. Others are moderately large companies with access to computers and other data processing resources. In view of the range of capabilities available, and the relatively small volume of data produced, it does not appear practical or cost-effective to impose the use of sophisticated technology on the claimants. (We

have accepted carrier claims submitted on computer printouts generated by the carriers containing all the information required by the printed OST Form 397 and 398. We would not be at all adverse to accepting claims submitted on other media, provided that they were accompanied by signed original certifications (which appear on the OST Form 398) as to the correctness of the claim and to the carriers' continued compliance with Department regulations (14 CFR 3789 and 382) prohibiting discrimination on the basis of race, color, national origin, or handicap.)

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purpose(s) described in Item 2 above.

Since the carriers make these claims only to the Federal government, there is no duplication. Since the information sought by the OST Forms 397 and 398 is specifically prepared as part of the claim process, there is no other alternative source for this information.

5. If the collection of information involves small business or other small entities, describe the methods used to minimize burdens.

Every effort has been made to confine the data requested to precisely what is required to analyze and verify the carrier claims. The claim forms consist of only two single-sided forms that require only the specific data items needed to process the claim. No data are requested which are not used in the claim verification process. We have no desire to accumulate data that are not actually required to verify the claims. Furthermore, the data requested should be generated in the normal conduct of any well-managed airline and should be readily available to the management of such carriers so that no added burden is created by asking for information that is not already available to the carrier.

6. Describe the consequences to federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burdens.

The Department has long believed that there is merit in the "pay-as-you-go" system from the administrative point of view. In the event that subsidized carriers depart from the specifics of the service patterns that they are obligated to provide under the terms of their selection orders, detection and correction of the unauthorized service may be made in one month or less. In this context, the monthly system functions as a useful monitoring device to enable the Department to carry out the provisions of 49 USC 41737(a) (A) referred to in section (2) above.

Apart from this consideration, there does not appear to be any particularly adverse consequence to the government of less frequent collection. Since the data collected, however, relate to claims for payment, it is the carriers who customarily desire monthly claim settlements. A number of these companies are small operations for which one essential air service payment constitutes a significant portion of their total income. If

these carriers were forced to wait for less-frequent payments (e.g., quarterly or semi-annually), it would be a considerable hardship and could well affect their viability. Also, a less-frequent schedule of claim payments would probably make it much more difficult for the Department to attract prospective providers of air service in future cases.

7. Explain any special circumstances that would cause an information collection to be conducted in a manner: requiring respondents to report more often than quarterly; requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it; requiring respondents to submit more than an original and two copies of any document; requiring respondents to retain records, other than health, medical, government, grant-in-aid, or tax records, for more than three years, in connection with a statistical survey, that is not designed to produce valid and reliable results that can be generalized to the universe of the study; requiring the use of statistical data classification that has not been reviewed and approved by OMB; that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or which unnecessarily impedes sharing of data with other agencies for compatible confidential use; or requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

Not applicable.

8. Provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8 (d), soliciting comments on the information collection prior to submission to OMB.

A copy of the notice on page 7110 – 7111 of the Federal Register for Wednesday, February 14, 2007 and also a corrected Federal Register on page 11076 for Monday, March 12, 2007 is attached. No comments in response to this notice have been received by the Department.

Consultation with subsidized air carrier claimants has occurred as an ongoing process. Forms from each claimant are reviewed monthly. If the Department perceives that a claimant is experiencing difficulty in completing the forms correctly, or in submitting the forms on a timely basis, OAA carrier payments staff immediately initiates contact with the claimant to resolve difficulties. In addition, OAA subsidy ratemaking staff meets at least biennially with each program participant to conduct informal subsidy ratemaking conferences in which all elements of the claimant's participation in the essential air service program, and reporting, are discussed and reviewed. As part of the process, OAA staff has developed average estimates of the amounts of time required by claimants to complete the forms.

9. Explain any decision to provide any payment or gifts to respondents, other than remuneration of contractors or grantees.

No payment or gifts have been made to respondents, other than the monthly essential air service subsidy payments already discussed.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

No assurances of confidentiality have been made to any claimant. The forms requesting payment are publicly-available documents accessible to anyone requesting to see them.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitude, religious beliefs, and other matters that are commonly considered private.

The two forms do not involve questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, or any other matters commonly considered private.

12. Provide estimates of the hour burden of the collection of information, including:

An estimate of the total annual respondents' burden is based on the current number of subsidized carriers, the current number of claims, and the total number of forms projected to be submitted annually. The derivation of the estimates is as follows:

Number of respondents: 26  
 Number of responses: 1380 annually  
 Frequency of response: Monthly  
 Annual hour burden: 4,789  
 Annualized cost to respondents: \$0

Number of respondents is the number of air carriers (26) that we service for a specific year. This information is based on carriers submitting subsidy payment for the current year.

Number of responses calculations is:  
 Claims submitted monthly times the number of cities that are subsidized monthly.  
 $115 \text{ Claims} \times 12 \text{ Months} = 1,380 \text{ Annually}$

Annual burden hours are one person:  
 $3.47 \text{ Prep Hours} \times 1,380 \text{ Annual Claims} = 4,789$

Annualized cost to respondents: \$0

13. Provide an estimate of the total annual cost burden to respondents or recordkeepers resulting from the collection.

No cost above the hour burden estimated in section (12) above, is estimated to be incurred by respondents because (1) nearly all current subsidized participants in the essential air service program have been participating since before October 1, 1995, and have not had to purchase new equipment or services to submit their data, and (2) data reported in response to this collection are drawn from sources (such as aircraft flight logs required by the Federal Aviation Administration) required to achieve regulatory compliance with requirements not associated with this information collection.

14. Provide estimates of annualized cost to the Federal government. Also provide a description of the method used to estimate the cost, which should include qualifications of hours, operational expense, and any other expense that would have been incurred without collection of this information.

An estimate of the cost to the government was derived by totaling the costs per employee of the Resource Directorate Office, who process and adjust the claims submitted. These estimates are based on the current workload projected to an annual basis. The derivation of the estimate follows:

<u>Analyst Grade</u>	<u>Claims per Month</u>	<u>Estimated hours per Month</u>	<u>Annual Hours</u>	<u>Hourly Rate</u>	<u>Total Salaries</u>
GS-13	115	174	2,080	\$38.17	\$79,397

15. Explain reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-I

The financial aspects of the program were transferred to the office of Resource Directorates, with one person who validates, and processes the claims for payment. Markview was implemented to eliminate the man hours required for the second personnel as previously noted.

16. For collection of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time sheet schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

The data are not published. Not applicable.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

Not applicable.

18. Explain each exceptions to the certification statement identified in Item 19, "Certification for Paperwork Act Submissions", of OMB Form 83-I.

Not applicable.

B. Collections of Information Employing Statistical Methods

Not applicable.