

DEPARTMENT OF TRANSPORTATION

**SUPPORTING STATEMENT
AIR CARRIER CLAIMS FOR SUBSIDY**

OMB CONTROL NUMBER: 2106-0044

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.

Title 49 United States Code, Section 41731 *et seq* directs the Department of Transportation to determine what is essential air transportation for certain eligible points as defined,¹ and to guarantee that this level of air service is provided, with Federal subsidy where necessary. The law broadly requires that eligible communities receive scheduled air transportation of persons and cargo to a hub airport that 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. A copy of 49 USC 41731 *et seq.* and section 278 of Public Law 104-264 are attached.

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. This collection supports DOT's strategic goal of mobility which advances 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 OST Forms 397 and 398 by the subsidized air 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 (RDO) to verify, adjust, and settle claims for the provision of subsidized essential air service (EAS) at eligible communities. These forms are submitted to

¹ 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.

Oklahoma City, via mail or federal express, and are then scanned into the Markview accounting system, and submitted electronically to the RDO for the necessary validity checks. After the claims are verified or adjusted by the RDO, the forms are then routed via the Markview module to Accounts Payable in Oklahoma City, for payment processing, via transfer of Treasury funds to the air 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) (1) (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 would there be 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 air 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 air carrier claims submitted on computer printouts generated by the air carriers containing all the information required by the printed OST Form 397. We would not be at all adverse to accepting claims submitted on other media, provided that they were accompanied by signed original certifications (OST Form 398) as to the correctness of the claim and to the air carriers' continued compliance with Department regulations (14 CFR 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 air carriers make these claims only to the Federal government, there is no duplication. Since the information sought by OST Forms 397 and 398 are 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 air carrier claims. The claim forms consist of two single-sided pages 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 air carriers so that no added burden is created by asking for information that is not already available to the air carrier.

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 staff immediately initiates contact with the claimant to resolve difficulties. In addition, OAA 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 EAS 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.

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 air 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) (1) (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. However, it is the air 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 air 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 Federal Register notice soliciting public comments was published on April 30, 2010 (75 FR, page 22890 – 22891). No comments in response to this notice have been received by the Department.

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 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:

<u>Respondents</u>	<u>Responses per Respondent</u>	<u>Number of Responses</u>	<u>Estimated Burden Hours</u>	<u>Annualized Cost to Respondent</u>
24	5.42	1,560	5,4,13	\$0

An estimate of the total annual respondents' burden is based on the current number of subsidized air 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:

The number of respondents is the number of air carriers (24) that provide subsidized service in a typical year. This information is based on air carriers submitting subsidy claims for the current year.

The number of responses is the number of claims submitted monthly (130 Claims X 12 Months = 1,560 Annually).

The annual burden hours is calculated as the number of hours it takes a respondent to complete a claim times the estimated number of annual claims (3.47 Prep Hours, X 1,560 Annual Claims = 5,413).

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 EAS 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>Number of Employees</u>	<u>Employee's Grade</u>	<u>Claims per Month</u>	<u>Estimated hours per Claim</u>	<u>Annual Hours</u>	<u>Hourly Rate</u>	<u>Total Salaries</u>
1	GS-13	130	1.33	2,080	\$46.93	\$97,614

15. Explain reasons for any program changes or adjustments reported.

Because of the economic situation, two air carriers were eliminated from the EAS program. As a result, air carriers already in the program were selected to perform services at the communities performed by those air carriers that went out of business. While the number of air carriers has decreased, the burden on select air carriers has increased because of the additional communities it provides services. Thus, the select air carriers have to submit additional claim forms for each community it provides service.

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 the "Certification for Paperwork Act Submissions."

Not applicable.