Order: 2023-9-2
Served: September 7, 2023

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

Issued by the Department of Transportation
on the 7th day of September, 2023

Essential Air Service at **ST. PAUL ISLAND, ALASKA** (FAIN 69A3452460478)[1] under 49 U.S.C. § 41731 *et seq*.	**DOT-OST-2019-0038**

ORDER SELECTING AIR CARRIER

Summary
By this Order, the U.S. Department of Transportation (the Department) selects Northern Pacific Airways d/b/a Ravn Alaska (Ravn) to provide Essential Air Service (EAS) at St. Paul Island, Alaska (St. Paul), for the two-year term from October 1, 2023, through September 30, 2025. Ravn's service at St. Paul will consist of three weekly round trips between St. Paul and Ted Stevens Anchorage International Airport (Anchorage) using 25-seat De Havilland Dash-8 Series 100 aircraft[2] at an annual subsidy rate of $2,578,450 from October 1, 2023, through September 30, 2024, and $2,681,588 from October 1, 2024, through September 30, 2025.[3]

Background
On September 30, 2021, the Department issued Order 2021-9-27, selecting Corvus Airlines d/b/a Ravn Alaska (Ravn)[4] to provide EAS at St. Paul, for the two-year term from October 1, 2021, through September 30, 2023, at an annual subsidy rate of $2,394,550. Ravn provides three

[1] FAIN = Federal Award Identification Number.
[2] The larger Dash-8 Series 300 in the carrier's fleet may also be used, at the same subsidy rate.
[3] Such subsidy is calculated on a fiscal year basis, subject to the availability of funds.
[4] On November 2, 2021, Corvus Airlines d/b/a Ravn Alaska submitted an application for reissuance of its certificate of public convenience and necessity to reflect a change of its corporate name to "Northern Pacific Airways, Inc.," a trade name previously registered by the Department. By Order 2021-11-3 (Nov. 15, 2021), the Department reissued the certificate previously issued to Corvus Airlines d/b/a Ravn Alaska by Order 2020-11-18 in the name of "Northern Pacific Airways, Inc. d/b/a Ravn Alaska."

weekly round trips between St. Paul and Anchorage using 25-seat De Havilland Dash-8 Series 100 aircraft.[5]

On May 1, 2023, the Department issued Order 2023-5-4 requesting proposals from air carriers interested in providing EAS at St. Paul for a new contract term beginning October 1, 2023, with or without subsidy.

Summary of Air Carrier Proposals
Two air carriers submitted proposals for this service.

Ravn submitted a proposal to provide EAS at St. Paul for a two- or four-year term beginning October 1, 2023. Ravn's proposed service is a continuation of existing service and will consist of three weekly round trips between St. Paul and Anchorage, using 25-seat De Havilland Dash-8 Series 100 aircraft at an annual subsidy rate of $2,578,450 from October 1, 2023, through September 30, 2024, and $2,681,588 from October 1, 2024, through September 30, 2025.[6]

Alaska Central Express, Inc. (ACE) submitted a proposal to provide EAS at St. Paul for a two-year term beginning October 1, 2023. ACE proposes service using 9-seat Beechcraft 1900C (Beechcraft) aircraft at an annual subsidy rate of $1,295,499 for the first year one and $1,386,184 for the second year.

The complete public file, including air carrier proposals, for EAS at St. Paul may be accessed online through the Federal Docket Management System at www.regulations.gov by entering the community's docket number in the "Search" field.

Community and State Comments
On June 7, 2023, the Department requested comments from the community of St. Paul and the State of Alaska regarding this EAS air carrier selection case. On July 6, 2023, the Department received a letter from the Mayor of the City of St. Paul, working in concert with the Aleut Community of Saint Paul Island, the Tanadgusix Corporation (TDX- local ANCSA Village Corporation), and the Central Bering Sea Fishermen's Association, supporting the proposal from Ravn and requesting that the Department reject the proposal from ACE.[7]

The community believes that St. Paul produces enough passenger traffic to warrant the need for the larger aircraft proposed by Ravn and the option for additional weekly frequency, while the smaller aircraft proposed by ACE will be unable to meet passenger demand. The community also believes that the type and size of the aircraft that ACE proposes may not be suitable to the specific needs of the passengers traveling between St. Paul and Anchorage, stating that, "[t]he Beechcraft 1900C operates with no onboard lavatory for a one-way flight that can last 3.5 hours (or longer if an emergency or weather requires a flight to return to its origin or to divert to an

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[5] The order also stated that, if the completion factor was less than anticipated during off-peak times (October through April), Corvus Airlines d/b/a Ravn Alaska could operate additional round trips during peak times, so long as it does not exceed the annual ceiling.
[6] Ravn requested the right to operate larger Dash-8 Series 300 aircraft at the same subsidy per flight.
[7] https://www.regulations.gov/document/DOT-OST-2019-0038-0045.

airport on the mainland)."[8] The community also expressed its concern for the Beechcraft aircraft's ability to meet passengers' luggage needs: "In our experience, the normal allowance by ACE using the Beechcraft 1900C 'combi' is one piece of checked luggage not exceeding 35 pounds. Such baggage restriction unfairly penalizes passengers. This an insufficient amount of baggage for longer trips. Plus, citizens often shop while in Anchorage to offset the restricted availability of goods on the island."[9]

Decision

Title 49 U.S.C. § 41733(c)(1) directs the Department to consider six factors when making an air carrier selection for a community in Alaska where basic EAS will not be provided without compensation:[10] (A) service reliability of the applicant air carrier; (B) the existence of contractual and marketing arrangements with a larger air carrier at the hub; (C) the existence of interline arrangements with a larger air carrier at the hub; (D) the preferences of the actual and potential users of the EAS, giving substantial weight to the views of the elected officials representing those users; (E) whether the air carrier has included a plan in its proposal to market the EAS to the community; and (F) the experience of the applicant in providing, in Alaska, scheduled air service or significant patterns of non-scheduled air service. In addition, Section 41732(b)(1)(B) requires basic EAS to include a level of service at least equal to that provided in 1976 or two round trips a week, whichever is greater, except that the Secretary of Transportation and the appropriate State authority of Alaska may agree to a different level of service after consulting with the affected community. The Consolidated Appropriations Act, 2023, Pub. L. No. 117-328 (December 29, 2022), authorizes the Department to consider the relative subsidy requirements of the applicant air carriers in making its decision to award an EAS subsidy for a community.

The Department selects Ravn to provide EAS at St. Paul for a new two-year term as outlined in Appendix B of this Order.

In addition to unanimous community support, the proposal from Ravn meets the majority of the remaining statutory selection criteria outlined in 49 U.S.C. § 41733(c)(1). The community and the State both agree that a larger aircraft is advantageous to the St. Paul community to accommodate passenger demand and considering the unpredictable weather conditions in the region. Additionally, Ravn has interline agreements with major air carriers, including Alaska Airlines.

ACE's proposal does not meet the statutory requirements the Department considers when selecting an air carrier to provide EAS in Alaska. ACE does not have an interline agreement with a larger air carrier at Anchorage, nor was it the preferred choice of the St. Paul community. We note that ACE provides some non-scheduled passenger air service in Alaska; however, it lacks experience providing scheduled passenger service. Finally, while ACE's proposal does request a lower annual subsidy than the proposal of Ravn, the size of the aircraft in ACE's proposal is not preferred by the City of St. Paul because of potential operational issues associated with increased flight frequency in the unpredictable weather conditions of the Bering

[8] https://www.regulations.gov/document/DOT-OST-2019-0038-0045.
[9] https://www.regulations.gov/document/DOT-OST-2019-0038-0045.
[10] The Department did not receive any proposals to provide EAS at St. Paul without subsidy.

Sea region. Additionally, while the statutory provisions governing EAS do not guarantee service with aircraft with a lavatory, the unique needs of St. Paul, a remote community requiring a long flight over water, are considered by way of the community's views noted above.

Air Carrier Fitness

Title 49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier fit, willing, and able to provide service before the Department may subsidize it to provide EAS. Ravn is subject to the Department's continuing fitness requirements, and no information has come to the Department's attention that would cause the Department to question the air carrier's fitness at this time. The Federal Aviation Administration has not raised concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that Ravn is fit to conduct the operations proposed at St. Paul.

This Order is issued under authority delegated by the Secretary of Transportation in 49 CFR § 1.25a(b)(6)(ii)(D).

ACCORDINGLY,

1. The Department selects Northern Pacific Airways d/b/a Ravn Alaska to provide Essential Air Service at St. Paul Island, Alaska, from October 1, 2023, through September 30, 2025, and establishes the annual subsidy rate as described in Appendix B;

2. The Department makes this selection contingent upon receiving properly-executed certifications from Northern Pacific Airways d/b/a Ravn Alaska that it is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;[11]

3. The Department directs Northern Pacific Airways d/b/a Ravn Alaska to retain all books, records, and other source and summary documentation to support claims for payment, including copies of flight logs for aircraft used to provide EAS under this Order and sold or disposed of, and to preserve and maintain such documentation in a manner that readily permits its audit and examination by representatives of the Department. This documentation shall be retained for three years from the last day of service under this Order, or such longer period as the Department may notify the air carriers. If any litigation, claim, or audit is started before the expiration of the three-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken. The air carriers may forfeit its compensation for any claim that is not supported under the terms of this Order;

4. The Department finds that Northern Pacific Airways d/b/a Ravn Alaska is fit, willing, and able to perform Essential Air Service at St. Paul Island, Alaska;

5. This docket will remain open pending further Department action; and

[11] The certifications are available online under "Reports and Publications" at http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports.

6. The Department will serve this Order on the civic officials of St. Paul Island, Alaska, the Alaska Department of Transportation & Public Facilities, Northern Pacific Airways d/b/a Ravn Alaska, and Alaska Central Express, Inc.

By:

CINDY A. BARABAN
Deputy Assistant Secretary
for Aviation and International Affairs

(SEAL)

Appendix A

Ravn Proposal

EAS Bid

Airport	SNP
City	*St. Paul Island*
Capacity	
Segments Per Week	6
Annual Scheduled Segments	312
Aircraft Type	Dash 8
Seats per Departure	25
Annual Scheduled Seats	7,800
Completion Factor	90%
Completed Segments	281
Revenue	
Annual PAX	3,100
Average Fare	$600
Non-Ticket Revenue	$250,000
Annual Revenue	$2,110,000
Expenses	
Aircraft Ownership	$450,000
Direct Wages	$562,500
Aircraft Operating Costs	$1,692,000
Departure Related	$238,290
Marketing, Selling, Dist.	$168,800
Overhead, Interest, Other	$1,353,600
Annual Expense	$4,465,190
Operating Loss	($2,355,190)
Profit (5%)	$223,260
Annual Subsidy Requirement	**$2,578,450**
Per Passenger	*$832*
Per Trip	*$9,176*

*Annual subsidy to increase at a rate of 4% per year during award term

Northern Pacific Airways d/b/a Ravn Alaska
Essential Air Service to be provided at St. Paul Island, Alaska
DOT-OST-2019-0038

Contract Term:	October 1, 2023, through September 30, 2024
Hub:	Ted Stevens Anchorage International Airport, Anchorage, Alaska (ANC)
Scheduled Service:	Three (3) round trips per week[1]
Aircraft:	De Havilland Dash-8 Series 100[2]
Annual Subsidy	$2,578,450
Annual Flights:[3]	281
Subsidy per Flight:[4]	$9,176
Weekly Ceiling:[5]	$55,056

Note: The air carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The air carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the air carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the air carrier contemplates any such changes beyond the scope of the Order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement air carrier to provide service on these routes. The air carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this Order, then, at the end of the period for which the Department does make payments in the stipulated service amounts, the air carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the Department and air carrier do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

Funds may not be available for performance under this Order beyond September 30, 2023. The Government's obligation for performance under this Order beyond September 30, 2023, is subject to the availability of funds from which payment for services can be made. No legal liability on the part of the Government for any payment may arise for performance under this order beyond September 30, 2023, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond September 30, 2023, the Department will provide notice in writing to the air carrier.

All claims for payment, including any amended claims, must be submitted within 90 days of the last day of the month for which compensation is being claimed. For example, claims for service provided in July must be filed by October 31; August claims must be submitted by November 30, and so on.

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[1] If the completion factor is less than anticipated during off-peak times (October through April), Ravn may operate additional round trips during peak times, so long as it does not exceed the annual subsidy amount of $2,578,450.
[2] The larger Dash-8 Series 300 in the carrier's fleet may also be used, at the same subsidy rate.
[3] Three (3) round trips per week (6 flights) x 52 weeks x 90 percent completion.
[4] Annual subsidy ($2,578,450) divided by 281 annual flights
[5] Three (3) round trips per week (6 flights) x Subsidy Per Flight.

Northern Pacific Airways d/b/a Ravn Alaska
Essential Air Service to be provided at St. Paul Island, Alaska
DOT-OST-2019-0038

Contract Term:	October 1, 2024, through September 30, 2025
Hub:	Ted Stevens Anchorage International Airport, Anchorage, Alaska (ANC)
Scheduled Service:	Three (3) round trips per week[1]
Aircraft:	De Havilland Dash-8 Series 100[2]
Annual Subsidy:	$2,681,588
Annual Flights:[3]	281
Subsidy per Flight:[4]	$9,543
Weekly Ceiling:[5]	$57,258

Note: The air carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate Order, including the service plans outlined in the Order and any other significant elements of the required service, without prior approval. The air carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the air carrier does not schedule or operate its flights in full conformance with the Order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the air carrier contemplates any such changes beyond the scope of the Order during the applicable period of this rate, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be ensured of full compensation. Should circumstances warrant, the Department may locate and select a replacement air carrier to provide service on these routes. The air carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

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