



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

Issued by the Department of Transportation
on the 28th day of November 2025

Essential Air Service at

ST. MARY’S, ALASKA
(FAIN 69A3452560583)¹

DOT-OST-2024-0143

ST. PAUL ISLAND, ALASKA
(FAIN 69A3452560478)

DOT-OST-2019-0038

UNALAKLEET, ALASKA
(FAIN 69A3452660589)

DOT-OST-2024-0144

under 49 U.S.C. § 41731 *et seq.*

ORDER SELECTING AIR CARRIERS

Summary

By this Order, the U.S. Department of Transportation (the Department) selects Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways (Sterling) to provide Essential Air Service (EAS) at (1) St. Mary’s and St. Paul Island (St. Paul), Alaska, for the four-year contract term beginning January 5, 2026 through December 31, 2029, and (2) Unalakleet, Alaska, for the four-year contract term beginning November 28, 2025, through December 31, 2029,² with direct service to Ted Stevens Anchorage International Airport (Anchorage). Sterling will provide EAS at the communities as specified in the table below.³

¹ FAIN = Federal Award Identification Number.

² For St. Mary’s and St. Paul, “Year 1” is defined as January 5, 2026, through December 31, 2026; “Year 2” is defined as January 1, 2027, through December 31, 2027; “Year 3” is defined as January 1, 2028, through December 31, 2028; and “Year 4” is defined as January 1, 2029, through December 31, 2029. For Unalakleet, “Year 1” is defined as November 28, 2025, through December 31, 2026; “Year 2” is defined as January 1, 2027, through December 31, 2027; “Year 3” is defined as January 1, 2028, through December 31, 2028; and “Year 4” is defined as January 1, 2029, through December 31, 2029.

³ Such subsidy is calculated on a fiscal year basis, subject to the availability of funds.

<u>Community</u>	<u>Air Carrier</u>	<u>Aircraft</u>	<u>Weekly Frequency</u>	<u>Year 1 Annual Subsidy</u>	<u>Year 2 Annual Subsidy</u>	<u>Year 3 Annual Subsidy</u>	<u>Year 4 Annual Subsidy</u>
St. Mary's	Sterling	30-Seat ATR 42	3(peak)/ 2(off-peak)	\$ 3,413,321	\$ 3,549,854	\$ 3,691,848	\$3,839,522
St. Paul	Sterling	30-Seat SAAB 2000	3	\$ 8,422,715	\$ 8,759,624	\$ 9,110,009	\$9,474,409
Unalakleet	Sterling	30-Seat SAAB 2000	3	\$ 3,088,439	\$ 3,211,977	\$ 3,340,456	\$3,474,074

Background

By Order 2023-9-2 (September 18, 2023), the Department selected Northern Pacific Airways d/b/a Ravn Alaska (Ravn) to provide EAS at St. Paul for the two-year term from October 1, 2023, through September 30, 2025. Ravn's service at St. Paul consisted 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 \$2,681,588. Ravn also provided three weekly round trips, without subsidy, at St. Mary's and Unalakleet using 29-seat Dash 8 aircraft to Anchorage.

On December 10, 2024, Ravn filed a 140-day notice to terminate unsubsidized air service to St. Mary's⁴ and Unalakleet,⁵ seeking to terminate service on April 29, 2025. Ravn also provided notice on May 14, 2025, informing the Department that it would be terminating its subsidized EAS at St. Paul effective October 1, 2025, or as requested by Ravn in the letter, to the extent permitted sooner.⁶

Subsequently, the Department issued Order 2025-1-1 (January 10, 2025), prohibiting Ravn from terminating EAS at St. Mary's and Unalakleet, from April 29, 2025, through May 29, 2025, pursuant to 49 U.S.C § 41734(b), and requesting proposals, with or without subsidy, from air carriers interested in providing EAS at St. Mary's and Unalakleet for a new contract term beginning May 30, 2025. On April 16, 2025, the Department also issued Order 2025-4-8, requesting proposals from air carriers interested in providing EAS at St. Paul for a new contract term beginning October 1, 2025, with or without subsidy.

In response to the request for proposals at St. Mary's and Unalakleet, Alaska Central Express, Inc. (Alaska Central or ACE) and Sterling submitted proposals to provide subsidized EAS at St. Mary's. At Unalakleet, Alaska Central and Sterling submitted proposals to provide subsidized EAS, and Kenai Aviation Operations, LLC (Kenai) submitted a subsidy-free proposal for consideration. In response to the request for proposals at St. Paul, only Kenai submitted a proposal.

⁴ See "140-Day Notice of New Pacific Airlines, Inc. dba Ravn Alaska to Terminate Unsubsidized Essential Air Service at St. Mary's, Alaska," available at <https://www.regulations.gov/document/DOT-OST-2024-0143-0001>.

⁵ See "140-Day Notice of New Pacific Airlines, Inc. dba Ravn Alaska to Terminate Unsubsidized Essential Air Service at Unalakleet, Alaska," available at <https://www.regulations.gov/document/DOT-OST-2024-0144-0001>.

⁶ See "140-Day Notice of New Pacific Airlines, Inc. dba Ravn Alaska to Terminate Subsidized Essential Air Service at St. Paul Island, Alaska" available at <https://www.regulations.gov/document/DOT-OST-2019-0038-0049>.

On July 7, 2025, the Department issued Order 2025-7-4 selecting Alaska Central to provide EAS at St. Mary's for the two-year term from August 1, 2025, through July 31, 2027. The order required Alaska Central to provide St. Mary's with six weekly round trips to Anchorage, using 9-seat Beech 1900C aircraft, for an annual subsidy of \$3,072,196. Also, in Order 2025-7-4, the Department terminated the air carrier selection proceeding at Unalakleet and announced that it would rely on Kenai to provide unsubsidized EAS at the community, effective May 30, 2025.

St. Mary's

Subsequently, on July 23, 2025, ACE provided 140-day notice of its intent to terminate its proposed service to St. Mary's. The notice stated that:

Alaska Central Express (ACE) provides this notice pursuant to Sec 41734(a) of the US Code of its intent to terminate pursuant thereto once ACE begins the provision of essential air service (EAS) at St. Mary's, AK as required by Order 2025-7-4.

ACE further advises the Department that ACE will not be in a position to begin to provide essential air service at St. Mary's, AK as required by Order 2025-7-4 by August 1, 2025, but will make every reasonable effort to commence provision of EAS at St. Mary's by on or about October 1, 2025, as it lacks at this time necessary aircraft due to delivery delays and requires upgrades to its reservation system to handle passenger bookings for these EAS flights, as well as several FAA required steps that need to be completed prior to beginning service at a new destination.⁷

In response, on August 1, 2025, the Department issued Order 2025-8-2 prohibiting Alaska Central from terminating EAS at St. Mary's, for the 30-day period starting after the expiration of the 140-day notice to terminate, specifically from December 10, 2025, through January 9, 2026, pursuant to 49 U.S.C § 41734(b). The Department also requested proposals, with or without subsidy, from air carriers interested in providing EAS at St. Mary's for a new contract.

St. Paul

In the meantime, on June 25, 2025, the Department requested comments from the community of St. Paul and the State of Alaska regarding the EAS air carrier selection case. On July 21, 2025, the Department received a letter from the Mayor of the City of St. Paul, in collaboration with the Aleut Community of Saint Paul Island, the Tanadgusix Corporation (TDX- local ANCSA Village Corporation), and the Central Bering Sea Fishermen's Association, hesitantly supporting the proposal from Kenai Aviation.⁸ In the letter, the community expressed frustration with the inability of the proposed service to meet passenger demand, EAS service determinations and/or service currently provided, and aircraft limitations. The community stated:

⁷ See "Alaska Central Express (Notice of Intent to Terminate EAS)," available at www.regulations.gov/document/DOT-OST-2024-0143-0016.

⁸ See "City of Saint Paul Island, Alaska (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2019-0038-0052>.

The community's concerns about Kenai's proposal center entirely on the proposed aircraft type, which does not meet the Specific Requirements in the U.S. DOT RFP that the proposals submitted by air carriers "will be consistent with what [service] the community currently receives." That level of service has been three weekly round trips between Saint Paul and Anchorage using a 25-seat or 30-seat DeHavilland Dash-8 Series 100 aircraft.

The community also expressed concerns over the ability of the type of aircraft proposed to provide appropriate conditions, stating:

The average flight time is projected to be nearly three hours or could be longer if weather or mechanical issues force a diversion or return to the originating airport. The lack of a bathroom on these flights is more than inconvenience. Village elders or others with medical conditions have concerns and will likely elect not to travel unless it becomes necessary, a possible detriment to their well-being. Kenai Aviation has announced its intent to secure use of a King Air 300 Series aircraft which will have an emergency toilet onboard. Securing the use of this plane is viewed as essential by the community.

Later, on August 15, 2025, the community of St. Paul officially withdrew any support of the Kenai proposal and submitted another letter that stated:

The community of Saint Paul Island withdraws its qualified support for awarding the Essential Air Service (EAS) contract to Kenai Aviation LLC (Kenai). As we described in previous correspondence and during subsequent discussions with your office, use of a Beechcraft Super King Air (either Model 200 or 300 series) is nonresponsive to the specified requirement contained in the U.S. DOT EAS RFP that proposals submitted by air carriers "will be consistent with what [service] the community currently receives." That level of service has been three weekly round trips between Saint Paul and Anchorage using a 25-seat or 30-seat DeHavilland Dash-8 Series 100 aircraft.⁹

After considering the community comments, the Department determined that the proposal submitted by Kenai at St. Paul was not consistent with the service that the community had been receiving from Ravn, as specified in the RFP. Therefore, the Department issued Order 2025-8-11 on August 19, 2025, requesting proposals, with or without subsidy, from air carriers interested in providing EAS at St. Paul for a new contract term beginning when a replacement air carrier could inaugurate service.¹⁰

Unalakleet

On August 1, 2025, Mr. Paul Ivanoff, Community Benefits Director with the Norton Sound Economic Development Corporation, wrote the Department to express concern over Kenai's

⁹ See "City of Saint Paul Island, Alaska (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2019-0038-0054>.

¹⁰ Order 2025-8-11 also requested proposals for EAS at Unalakleet, Alaska, as discussed earlier in this Order.

performance at Unalakleet.¹¹ According to Mr. Ivanoff, Kenai was not operating the aircraft that it claimed it would in its proposal to the Department (a Beechcraft King Air B200), but rather a Tecnam P-2012 Traveller that required a much longer flight time and that placed limits on passenger baggage. Additionally, Mr. Ivanoff stated that Kenai only performed 24 out of 50 scheduled flights between July 6 and July 28. Mr. Ivanoff included additional anecdotal information from local passengers and business, indicating how they have been affected by Kenai's lack of performance.

On August 13, 2025, the members of the Alaska State Legislature representing Unalakleet submitted a letter stating, "...the current provider has been performing far below the service quoted before the award was granted. As elected officials for the region, we are concerned for the health and safety of our constituents in Unalakleet and are hopeful this matter will be addressed effectively and expeditiously."¹²

Based on the statements of the local community and its representatives, the Department determined that it could no longer rely on Kenai's unsubsidized service at Unalakleet to satisfy the community's basic EAS requirements and, on August 19, 2025, the Department issued Order 2025-8-11 requesting proposals, with or without subsidy, from air carriers interested in providing EAS at Unalakleet, Alaska for a new contract term beginning when a replacement air carrier could inaugurate service.

Summary of Air Carrier Proposals

The Department received proposals from Alaska Central, Kenai, Fly 4 You d/b/a Security Aviation (Security), Sterling, and TransNorthern LLC (TransNorthern), which are described in the table below. According to numerous press reports, Kenai ceased operations due to financial insolvency on November 3.

¹¹ See "Paul Ivanoff (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2024-0144-0180>.

¹² "Honorable Donny Olson and Honorable Neal Foster (Correspondence)," available at <https://www.regulations.gov/document/DOT-OST-2024-0144-0140>.

Air Carrier Proposals

<u>Community</u>	<u>Air Carrier</u>	<u>Aircraft</u>	<u>Annual Subsidy*</u>	<u>Weekly Frequency</u>
St. Mary's	Grant	9-seat Cessna 208B	\$ 2,064,147	12
St. Mary's	Kenai	9-seat Beechcraft Super King Air 200	\$ 1,899,198	7
St. Mary's	ACE	9-seat Beech 1900C	\$ 3,299,754	5
St. Mary's	Sterling	30-seat ATR 42	\$ 3,413,321	3 PEAK/2 OFF-PEAK
St. Mary's	TransNorthern	19-seat Swearingen Metroliner	\$ 2,761,666	6
St. Paul	Kenai	9-seat Beechcraft Super King Air 200	\$ 2,614,496	7
St. Paul	Security	8-seat Learjet 45 aircraft 7/-8-seat Cessna Conquest (potential 12- to 16-seat aircraft)	\$ 7,093,390	9(3-4)
St. Paul	Sterling	30-Seat SAAB 2000	\$ 8,422,715	3
Unalakleet	ACE	9-seat Beech 1900C	\$ 1,830,903	5
Unalakleet	Kenai	9-seat Beechcraft Super King Air 200	\$ -	5
Unalakleet	Sterling	30-Seat SAAB 2000	\$ 3,088,439	3
Unalakleet	TransNorthern	19-seat Swearingen Metroliner	\$ 1,757,107	6
*Annual subsidy shown for first contract year of service.				

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

Community and State Comments

St. Mary's

On September 10, 2025, the Department requested comments from the community of St. Mary's and the State of Alaska regarding this EAS air carrier selection case. On September 10, 2025, Brian Stephanoff, City Manager, City of St. Mary's, provided the community's support for the direct service to Anchorage proposed by Sterling.¹³ On September 19, 2025, Sven Paukan, Tribal Administrator, representing the Algaaciq Tribal Council and the Algaaciq Tribal Government for St. Mary's, also provided their support for the service proposed by Sterling at St. Mary's. Administrator Paukan emphasized the need for reliable direct air service to Anchorage capable of meeting the passenger demands created by robust populations in St. Mary's and the neighboring region, stating:

We reiterate and can't stress enough the vital need for reliable and direct air service between St. Mary's and Anchorage. Currently the St. Mary's airport is a

¹³ See "City of St. Mary's, Alaska (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2024-0143-0023>

regional transportation hub serving St. Mary's and the nearby communities of Pitka's Point, Mt. Village and Pilot Station, a total population of 2,027; these numbers are taken from the 2025 census.

In the past, the St. Mary's airport also served the Lower Yukon River communities of Russian Mission, Marshall, Emmonak, Kotlik, Alakanuk and Nunam Iqua with smaller feeder airlines bringing passengers into St. Mary's for travel into Anchorage. Again, from the 2025 census, these communities combined population of 3,372 brought the population served by the St. Mary's airport to 5,399.¹⁴

St. Paul

On September 10, 2025, the Department requested comments from the community of St. Paul and the State of Alaska regarding this EAS air carrier selection case. On September 16, 2025, the Mayor of the City of St. Paul, working in collaboration with the Aleut Community of Saint Paul Island, the Tanadgusix Corporation (TDX- local ANCSA Village Corporation), and the Central Bering Sea Fishermen's Association, submitted a letter providing their full support for the service proposed by Sterling.¹⁵

Additionally, on September 16, 2025, Ryan Anderson, Commissioner, Alaska Department of Transportation & Public Facilities, submitted a letter supporting the service provided by Sterling at St. Paul, stating:

... DOT&PF supports the Community's preference for Sterling Airways to provide three weekly round trips between Anchorage and Saint Paul using a 30-seat Saab 2000, which aligns with the RFP's expectation that service be consistent with what SPI has been receiving. We view this selection as the most practical, humane, and reliable option for long over-water segments that regularly carry elders, medical travelers, and essential workers.¹⁶

The Department also received several letters from community members supporting Sterling.

Unalakleet

On September 3, 2025, the Department requested comments from the community of Unalakleet and the State of Alaska regarding this EAS air carrier selection case. On September 16, 2025, the Mayor of the City of Unalakleet, the CEO Unalakleet Native Corporation, the President of the Native Village of Unalakleet, and other interested parties submitted a letter in full support of the service provided by Sterling at St. Paul, stating:

¹⁴ See "Algaaciq Native Village (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2024-0143-0028>.

¹⁵ See "City of St. Paul, Alaska (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2019-0038-0059>.

¹⁶ "State of Alaska - Department of Transportation and Public Facilities (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2019-0038-0072>.

We recommend the Department award them Unalakleet's Essential Air Service contract based on their aircraft, passenger load, reliability, and commitment to our community...

Selecting Sterling will allow passengers to have access to interline services through Alaska Airlines, Delta Airlines and locally, through Ryan Air. Sterling maintains interline agreements with Alaska Airlines and Delta Air Lines, the two largest carriers serving Ted Stevens Anchorage International Airport (ANC). These agreements provide significant advantages to passengers, including seamless ticketing, where passengers can book multi-leg itineraries that include Sterling and connecting flights on Alaska Airlines and Delta within a single reservation. Travelers connecting through ANC can check their baggage all the way to their final destination without needing to claim and recheck their bags. For inter-village travel, Ryan Air will have an agreement with Sterling to synchronize their schedules to connect with Sterling. The interline partners will provide optimal connectivity, reducing layover times for passengers making connections at Unalakleet and Anchorage. The lower cost will allow more people to travel from Unalakleet and the surrounding villages, especially with Ryan Air's commitment to provide regional service before and after Sterling's Anchorage flight.¹⁷

Decision

49 U.S.C. § 41733(c)(1)¹⁸ directs the Secretary of Transportation to consider, among other things, six factors when making an air carrier selection for a community in Alaska where basic EAS will not be provided without compensation: (A) the demonstrated reliability of the applicant in providing scheduled air service; (B) the contractual, marketing, code-share, or interline arrangements the applicant has made with a larger air carrier serving the hub airport; (C) the preferences of the actual and potential users of air transportation at the eligible place, including the views of the elected officials representing the users; (D) whether the air carrier has included a plan in its proposal to market its services to the community; (E) for an eligible place in Alaska, the experience of the applicant in providing, in Alaska, scheduled air service, or significant patterns of non-scheduled air service under an exemption granted under 49 U.S.C. § 40109(a) and (c)–(h); and (F) the total compensation proposed by the air carrier for providing scheduled air service. In addition, 49 U.S.C. § 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 Department has decided to select Sterling at St. Mary's, St. Paul, and Unalakleet, three of the more remote subsidized EAS communities. Sterling is a dependable option to provide stability in a region where continued, reliable air service is critical but has been difficult to maintain. Sterling is an established air carrier that has been providing reliable scheduled service

¹⁷ "Community of Unalakleet, Alaska (Community Comments)," available at <https://www.regulations.gov/document/DOT-OST-2024-0144-0182>.

¹⁸ As amended by the FAA Reauthorization Act of 2024, Pub L. No. 118-63, May 16, 2024, 138 Stat. 1025, 1214-122.

to six communities in the region with direct connectivity to Anchorage. Sterling has allocated a budget of \$25,000 for marketing efforts at each community and has existing interline agreements with Alaska Airlines and Delta Air Lines, which are the two largest carriers serving Anchorage, allowing passengers to easily connect onward. Sterling is the only air carrier that has proposed, and is prepared, to serve all three communities with service meeting the number of roundtrips set out in the communities' basic EAS as determined by Order 80-1-167 (January 25, 1980)¹⁹ and as reflected by the EAS determination of service for Alaskan communities.²⁰

St. Mary's:

The Department finds that Sterling's proposal for EAS at St. Mary's aligns best overall with the statutory selection criteria. St. Mary's, a remote community in southwest Alaska in need of dependable access to air transportation, fully supports the direct service to Anchorage proposed by Sterling and states in community comments that Sterling's service will be able to handle passenger traffic demand at St. Mary's. Sterling's ability to bring reliability to the region, including St. Paul and Unalakleet, could help to provide air service stability and economies of scale, which, over time has the potential to slow or reduce subsidy costs. On the other hand, ACE is proposing a considerably smaller aircraft than Sterling to provide only two to three more weekly round trip flights, and, more importantly, for a subsidy that is only three percent less than what Sterling is proposing. ACE did not receive community support, nor does it have any interline arrangements with larger air carriers. Grant provides subsidized EAS to multiple communities in Alaska but did not propose to serve Anchorage; rather, it is only proposing service to Bethel with small aircraft. The community is concerned with Grant's ability to provide seamless connectivity using a small aircraft with service to Bethel, stating that most of the passenger traffic from St. Mary's is destined for Anchorage, and the Alaska EAS determination for St. Mary's designates Anchorage as the service-hub airport.²¹ Additionally, Grant did not receive any community support and has no arrangements with any other air carriers to provide connections beyond Bethel. Kenai has had difficulty providing reliable service and, on November 3, 2025, Kenai ceased all flight operations; therefore, the Department will not consider Kenai for selection. TransNorthern currently lacks the DOT economic and FAA safety authorities required to conduct six weekly roundtrip operations in the market with 19-seat aircraft. In terms of relative subsidy costs, upon considering the totality of the circumstances, Sterling's proposal continues to align best overall with the statutory criteria despite its higher subsidy requirement. In summary, the Department finds the subsidy requested by Sterling to be reasonable and the service proposed with 30-seat aircraft to be capable of handling passenger demand at St. Mary's.

¹⁹ See 80-1-167 Order and Erratum - Essential Air Transportation Determination, February 1980, <https://www.regulations.gov/document/DOT-OST-1996-1382-0003>.

²⁰ Essential Air Service Determinations For Alaska Communities, April 1998, available at <https://www.transportation.gov/office-policy/aviation-policy/alaskan-essential-air-service-determination> ("Alaska EAS Determinations").

²¹ St. Mary's original level of service determination is three weekly round trips during peak season and two weekly round trips during off-peak season using large or intermediate aircraft. While the original level of service determination included the use of large aircraft, the service history at the community, as well as current community members, fully supports the use of the aircraft proposed by Sterling and the Department has accordingly determined that basic EAS at St. Mary's does not require large aircraft, as set out *infra*.

Amendment of EAS Determination

As noted earlier, the basic EAS determination for St. Mary's is three weekly round trips during peak season and two weekly round trips during off peak season to Anchorage using large or intermediate aircraft. Air carriers providing EAS at St. Mary's have been using aircraft with 30 or fewer seats for more than 20 years. The community of St. Mary's has supported the use of smaller aircraft for EAS, including in this proceeding, and the Department finds, taking into consideration community comments, passenger traffic, and available aircraft types, that conditions have changed since the 1998 Alaska EAS Determination report and the community no longer requires large aircraft to meet the community's basic EAS needs.²² Accordingly, St. Mary's EAS determination is amended to be three weekly round trips during peak season and two weekly round trips during off peak season, with no specification regarding aircraft size.

St. Paul:

St. Paul is an island in the Bering Sea located 770 miles from Anchorage. About 400 miles of the trip are over open water with no emergency alternate airport other than Saint George Island (which is located about 40 miles southeast of St. Paul) and no alternative form of passenger transportation. Maintaining reliable air service at St. Paul is imperative for the daily life of its residents. The Department finds that Sterling's proposal for EAS at St. Paul aligns best overall with the statutory selection criteria. The community of St. Paul has expressed support for the service proposed by Sterling, and these community members state that Sterling's proposal is the only one suitable for the passenger traffic demand and the unique geographical situation of St. Paul. In addition to offering interline arrangements with larger air carriers and having a history of providing reliable air service in Alaska, its proposal also most closely aligns with St. Paul's EAS determination.²³ Kenai, however, has had difficulty providing reliable service and securing functional aircraft in the region, and, on November 3, 2025, Kenai ceased all flight operations; therefore, the Department will not consider Kenai for selection. Security has no experience providing scheduled air service, received no community support, lacks arrangements with other air carriers at the hub, and has yet to obtain the aircraft it proposes for the service. In terms of relative subsidy costs, upon considering the totality of the circumstances, Sterling's proposal continues to align best overall with the statutory criteria despite its higher subsidy requirement. Sterling is proposing service sufficient for the community's needs, offering the largest aircraft among all of the proposals that is approved for extended overwater operations. Additionally, Sterling's ability to bring reliability to the region, including St. Mary's and Unalakleet, could provide stability and economies of scale that has the potential to slow or reduce future subsidy costs.

Amendment of EAS Determination

As noted earlier, the basic EAS determination for St. Paul is three weekly round trips during peak season and one weekly round trip during off peak season using large aircraft. Air carriers providing EAS at St. Paul have been using aircraft with 30 or fewer seats in the years since the

²² See 49 U.S.C. § 41732.

²³ St. Paul's original level of service determination is three weekly round trips during peak season and one weekly round trip during off-peak season using large aircraft. While the original level of service determination included the use of large aircraft, the service history at the community, as well as current community members, fully supports the use of the aircraft proposed by Sterling and the Department has accordingly determined that basic EAS at St. Paul no longer requires large aircraft, as set out *infra*.

1998 Alaska EAS Determination report (specifically 25-seat De Havilland Dash-8 Series 100 aircraft for the past five years).²⁴ The community of St. Paul has supported the use of smaller aircraft, including in this proceeding and in the 2019 proceeding (which resulted in service on the Dash 8 aircraft).²⁵ The Department finds, taking into consideration community comments, available information on passenger traffic, and available aircraft types, that conditions have changed since the 1998 Alaska EAS Determination report and the community no longer requires large aircraft to meet the community's basic EAS needs.²⁶ Accordingly, St. Paul's EAS determination is amended to be three weekly round trips during peak season and one weekly round trip during off peak season, with no specification regarding aircraft size.

Unalakleet:

Unalakleet, a remote community about 400 miles from Anchorage, is accessible only by air or sea, making reliable EAS a vital service in the community. The Department finds that Sterling's proposal for EAS at Unalakleet aligns best overall with the statutory selection criteria. The community of Unalakleet is in full support of the direct service to Anchorage proposed by Sterling, which has interline arrangements with larger air carriers as well as history of providing reliable air service in Alaska. The Department also finds that Sterling's proposal aligns well with the community's EAS determination and that the air carrier will be able to handle the passenger traffic demand at Unalakleet.²⁷ In contrast, not only did Kenai struggle to provide air service at the community, it ceased providing flight services altogether and cannot be selected by the Department in this proceeding. Moreover, ACE lacks community support and arrangements with other air carriers at the hub, and TransNorthern currently lacks the DOT economic and FAA safety authorities required to conduct six weekly roundtrip operations in the market with 19-seat aircraft. Under these circumstances, the Department finds Sterling's requested subsidy reasonable for an air carrier operating under a Federal Aviation Administration Part 121 certificate and providing service with 30-seat aircraft capable of handling passenger demand at Unalakleet.

Amendment of EAS Determination

As noted earlier, the basic EAS determination for Unalakleet is three weekly round trips using large aircraft. Air carriers providing EAS at Unalakleet have used aircraft with 30 or fewer seats for several years.²⁸ The community of Unalakleet has supported the use of smaller aircraft, including in this proceeding and in the 2019 proceeding (which resulted in service on 29-seat De Havilland Dash 8 series 100 aircraft).²⁹ The Department finds, taking into consideration community comments, passenger traffic, and available aircraft types, that conditions have

²⁴ See Order 2025-8-11 (August 19, 2025), requesting proposals consistent with what the community had been receiving, which was three weekly round trips between St. Paul and Anchorage using 25-seat or 30-seat De Havilland Dash-8 Series 100 aircraft.

²⁵ See Order 2019-10-2 (October 2, 2019).

²⁶ See 49 U.S.C. § 41732.

²⁷ Unalakleet's original level of service determination is three weekly round trips using large aircraft. While the original level of service determination included the use of large aircraft, the service history at the community, as well as current community members, fully supports the use of the aircraft proposed by Sterling and the Department has accordingly determined that basic EAS at Unalakleet no longer requires large aircraft, as set out *infra*.

²⁸ See Order 2025-8-11 (August 19, 2025), requesting proposals consistent with what the community had been receiving, which was three weekly round trips between St. Paul and Anchorage using 25-seat or 30-seat De Havilland Dash-8 Series 100 aircraft.

²⁹ See Order 2019-10-2 (October 2, 2019).

changed since the 1998 Alaska EAS Determination report and the community no longer requires large aircraft to meet the community's basic EAS needs.³⁰ Accordingly, Unalakleet's EAS determination is amended to be three weekly round trips during peak season and one weekly round trip during off peak season, with no specification regarding aircraft size.

Air Carrier Fitness

49 U.S.C. §§ 41737(b) and 41738 require that the Department find an air carrier fit, willing, and able to provide reliable service before the Department may subsidize it to provide EAS. Sterling 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. In addition, the Federal Aviation Administration has not raised concerns that would negatively affect the Department's fitness findings. The Department therefore concludes that Sterling is fit to conduct the operations proposed at St. Mary's, St. Paul, and Unalakleet, Alaska.

This Order is issued under authority redelegated by the Under Secretary of Transportation for Policy in 49 C.F.R. § 1.25a(b)(6)(ii)(D), as further authorized in 49 C.F.R. § 1.60(b).

Accordingly,

1. The Department selects Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways to provide Essential Air Service at St. Mary's and St. Paul Island, Alaska, for the four-year contract term beginning January 5, 2026 through December 31, 2029, and at Unalakleet, Alaska, for the four-year contract term beginning November 28, 2025, through December 31, 2029, in accordance with the proposal set forth in Appendix A, and establishes the annual subsidy rates as described in Appendix B;
2. The Department determines that service providing three weekly round trips during peak season and two weekly round trips during off-peak season to Ted Stevens Anchorage International Airport constitutes basic Essential Air Service for St. Mary's, without reference to aircraft size;³¹
3. The Department determines that service providing three weekly round trips during peak season and one weekly round trip during off-peak season to Ted Stevens Anchorage International Airport constitutes basic Essential Air Service for St. Paul Island, without reference to aircraft size;³²
4. The Department determines that service providing three weekly round trips to Ted Stevens Anchorage International Airport constitutes basic Essential Air Service for Unalakleet, without reference to aircraft size;³³
5. The Department makes this selection contingent upon receiving properly executed certifications from Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways that it

³⁰ See 49 U.S.C. §41732.

³¹ See Order 80-1-67, as later recorded in Alaska EAS Determinations.

³² See Order 80-1-67, as later recorded in Alaska EAS Determinations.

³³ See Order 80-1-67, as later recorded in Alaska EAS Determinations.

is in compliance with the Department's regulations regarding drug-free workplaces and nondiscrimination, as well as the regulations concerning lobbying activities;³⁴

6. The Department directs Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways 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 carrier. 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 carrier may forfeit its compensation for any claim that is not supported under the terms of this Order;

7. The Department finds that Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways is fit, willing, and able to perform Essential Air Service at St. Mary's, St. Paul Island and Unalakleet, Alaska;

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

9. The Department will serve copies of this Order on the civic officials of St. Mary's, St. Paul Island, and Unalakleet, Alaska, the Alaska Department of Transportation and Public Facilities, Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways, Alaska Central Express, Inc., Kenai Aviation Operations, LLC, Fly 4 You d/b/a Security Aviation, and TransNorthern LLC.

By:

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

(SEAL)

An electronic version of this document is available at
www.regulations.gov

³⁴ The certifications are available online under "Reports and Publications" at <http://www.transportation.gov/office-policy/aviation-policy/essential-air-service-reports>.

Appendix A

Sterling Proposal at St. Mary's, Alaska

St. Mary's (KSM)

EAS Station	KSM
Hub	ANC
Round trips per Week	3
Segments per week	6
Annual Scheduled Segments	312
Seats per departure	30
Annual Scheduled Seats	9,360
Completion Factor	98.0%
Total Passengers	4,284
Total Block Hours	520
Total Departures	306
Per Ticket Revenue to Carrier	\$ 399.00
Passenger Revenue	\$ 1,709,316
Other Revenue	17,136
Total Revenue	\$ 1,726,452
Crew	\$ 562,005
Direct Wages	\$ 393,403
Fuel and Deicing	517,966
Maintenance	922,938
Aircraft	1,030,777
Marketing	25,000
Landing and Airport Costs	589,365
Total Direct Costs	\$ 4,041,455
Indirect Costs	\$ 853,568
Total Operating Expense	\$ 4,895,022
Profit @ 5.0%	244,751
Economic Cost	\$ 5,139,773
Required Annual Subsidy	\$ 3,413,321
Per Passenger	\$ 797
Per Trip	\$ 11,155

Appendix A- 2 -

Sterling Proposal at St. Paul, Alaska

EAS Station	SNP	
Hub	ANC	
Round trips per Week	3	
Segments per week	6	
Annual Scheduled Segments	312	
Seats per departure	30	
Annual Scheduled Seats	9,360	
Completion Factor	98.0%	
Total Passengers	3,672	
Total Block Hours	857	
Total Departures	306	
Per Ticket Revenue to Carrier	\$	399.00
Passenger Revenue	\$	1,465,128
Other Revenue		14,688
Total Revenue	\$	1,479,816
Crew	\$	978,134
Direct Wages	\$	919,446
Fuel and Deicing		842,234
Maintenance		1,794,960
Aircraft		2,567,526
Marketing		25,000
Landing and Airport Costs		589,365
Total Direct Costs	\$	7,716,665
Indirect Costs	\$	1,714,317
Total Operating Expense	\$	9,430,982
Profit @ 5.0%		471,549
Economic Cost	\$	9,902,531
Required Annual Subsidy	\$	8,422,715
Per Passenger	\$	2,294
Per Trip	\$	27,525

Sterling Proposal at Unalakleet, Alaska

EAS Station	UNK
Hub	ANC
Round trips per Week	3
Segments per week	6
Annual Scheduled Segments	312
Seats per departure	30
Annual Scheduled Seats	9,360
Completion Factor	98.0%
Total Passengers	5,814
Total Block Hours	459
Total Departures	306
Avg. Ticket Revenue to Carrier	\$ 215.00
Passenger Revenue	\$ 1,250,010
Other Revenue	23,256
Total Revenue	\$ 1,273,266
Crew	\$ 535,557
Direct Wages	\$ 374,890
Fuel and Deicing	562,275
Maintenance	772,486
Aircraft	540,812
Marketing	25,000
Landing and Airport Costs	589,365
Total Direct Costs	\$ 3,400,385
Indirect Costs	\$ 753,619
Total Operating Expense	\$ 4,154,005
Profit @ 5.0%	207,700
Economic Cost	\$ 4,361,705
Required Annual Subsidy	\$ 3,088,439
Per Passenger	\$ 531
Per Trip	\$ 10,093

Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways
Essential Air Service to be provided at St. Mary's, Alaska
DOT-OST-2024-0143

<u>Effective Period:</u>	January 15, 2026, through December 31, 2029 ¹			
<u>Scheduled Service:</u>	Three (3) weekly round trips to Ted Stevens Anchorage International Airport			
<u>Aircraft type:</u>	30-seat SAAB 2000 or 30-seat ATR 42			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
<u>Annual Subsidy:</u> ²	\$3,413,321	\$3,549,854	\$3,691,848	\$3,839,522
<u>Annual Flights:</u> ³	312	312	312	312
<u>Subsidy per Flight:</u> ⁴	\$10,940	\$11,378	\$11,833	\$12,306
<u>Weekly Ceiling:</u> ⁵	\$65,641	\$68,266	\$70,997	\$73,837

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. In the event the air carrier provides notice that it is ending, suspending, or reducing basic essential air service, the air carrier must conform with all requirements under 49 U.S.C. § 41734, including any contract termination penalties or conditions on compensation that the Secretary of Transportation incorporates in this EAS subsidy contract.

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.

Funds may not be available for performance under this Order beyond January 30, 2026. The Government's obligation for performance under this Order beyond January 30, 2026, 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 January 30, 2026, until funds are made available to the Department for performance. If sufficient funds are not made available for performance beyond January 30, 2026, the Department will provide notice in writing to the air carrier. If a new EAS contract has not been awarded by the expiration date of the contract term the Department and air carrier may agree to an extension to avoid a break in service while the Department completes an EAS selection proceeding.

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.

¹ "Year 1" is defined as January 15, 2026, through December 31, 2026, "Year 2" is defined as January 1, 2027, through December 31, 2027, "Year 3" is defined as January 1, 2028, through December 31, 2028, and "Year 4" is defined as January 1, 2029, through December 31, 2029.

² Four percent annual inflationary increase.

³ 3 nonstops per week x 2 directions x 52 weeks = 312

⁴ Annual compensation divided by annual flights.

⁵ Weekly flights multiplied by subsidy per flight.

Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways
Essential Air Service to be provided at St. Paul Island, Alaska
DOT-OST-2019-0038

<u>Effective Period:</u>	January 15, 2026, through December 31, 2029 ¹			
<u>Scheduled Service:</u>	Three (3) weekly round trips to Ted Stevens Anchorage International Airport			
<u>Aircraft type:</u>	30-seat SAAB 2000			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
<u>Annual Subsidy:</u> ²	\$8,422,715	\$8,759,624	\$9,110,009	\$9,474,409
<u>Annual Flights:</u> ³	312	312	312	312
<u>Subsidy per Flight:</u> ⁴	\$ 26,996	\$28,076	\$29,199	\$30,367
<u>Weekly Ceiling:</u> ⁵	\$161,975	\$168,454	\$175,192	\$182,200

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. In the event the air carrier provides notice that it is ending, suspending, or reducing basic essential air service, the air carrier must conform with all requirements under 49 U.S.C. § 41734, including any contract termination penalties or conditions on compensation that the Secretary of Transportation incorporates in this EAS subsidy contract.

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.

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² Four percent annual inflationary increase.

³ 3 nonstops per week x 2 directions x 52 weeks = 312

⁴ Annual compensation divided by annual flights.

⁵ Weekly flights multiplied by subsidy per flight.

Sterling Airways, Inc. d/b/a Sterling Airways d/b/a Aleutian Airways
Essential Air Service to be provided at Unalakleet, Alaska
DOT-OST-2024-0144

<u>Effective Period:</u>	December 2, 2025, through December 31, 2029 ¹			
<u>Scheduled Service:</u>	Three (3) weekly round trips to Ted Stevens Anchorage International Airport			
<u>Aircraft type:</u>	30-seat SAAB 2000			
	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>
<u>Annual Subsidy:</u> ²	\$3,088,439	\$3,211,977	\$3,340,456	\$3,474,074
<u>Annual Flights:</u> ³	312	312	312	312
<u>Subsidy per Flight:</u> ⁴	\$9,899	\$10,295	\$10,707	\$11,135
<u>Weekly Ceiling:</u> ⁵	\$59,393	\$61,769	\$64,240	\$66,809

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. In the event the air carrier provides notice that it is ending, suspending, or reducing basic essential air service, the air carrier must conform with all requirements under 49 U.S.C. § 41734, including any contract termination penalties or conditions on compensation that the Secretary of Transportation incorporates in this EAS subsidy contract.

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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.

¹ "Year 1" is defined as December 2, 2025, through December 31, 2026, "Year 2" is defined as January 1, 2027, through December 31, 2027, "Year 3" is defined as January 1, 2028, through December 31, 2028, and "Year 4" is defined as January 1, 2029, through December 31, 2029.

² Four percent annual inflationary increase.

³ 3 nonstops per week x 2 directions x 52 weeks = 312

⁴ Annual compensation divided by annual flights.

⁵ Weekly flights multiplied by subsidy per flight.