



Redemption, Inc.

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# Essential Air Service Proposal

Docket DOT-OST-2000-6945

**Alitak, AK; Amook Bay, AK; Kitoi Bay, AK; Moser Bay, AK; Olga Bay, AK; Port Bailey, AK;  
Port Williams, AK; Seal Bay, AK; Uganik, AK; West Point, AK; Zachar Bay, AK**

August 19, 2020

Essential Air Service & Domestic Analysis Division  
Office of Aviation Analysis  
U.S. Department of Transportation  
1200 New Jersey Ave, SE  
Washington, DC 20590

To whom it may concern:

Please accept Island Air Service's proposal to provide Essential Air Service between Kodiak, Alaska and Alitak, Amook Bay, Kitoi Bay, Moser Bay, Olga Bay, Port Bailey, Port Williams, Seal Bay, Uganik, West Point, and Zachar Bay, Alaska (Kodiak 11), in accordance with the Department of Transportation's request for proposal, dated July 16, 2020.

We operate a fleet of 3 DHC-2 Beavers and 2 Cessna float equipped aircraft, allowing high service reliability and the flexibility to meet the needs of our customers. This proposal is based on providing each community with two roundtrips per week during the 18 week peak season, and one roundtrip per week during the 34 week off-peak season, using a combination of 6 seat Dehavilland DHC-2 Beaver and 5 seat Cessna aircraft. See attached Appendix B for an outline of peak / off-peak seasons.

Island Air Service maintains a large facility at the Trident Basin Seaplane Base(T44) in support of company float plane operations. This modern facility contains a walk-in freezer and cooler, bathrooms, a viewing platform, cargo holding area, and other amenities for passenger comfort. Island Air Service also provides passenger transport as well as handling and interim storage of mail and freight between Kodiak, AK and the Kodiak 11 destinations. We also offer courtesy shuttle service and baggage transfer to/from our main office, which is located across from the Alaska Airlines terminal. This provides direct access to transportation to Anchorage, AK, adding convenience to passengers that have connecting flights.

Island Air Service is requesting an annual subsidy for a 5-year term based on the attached Table: (Appendix A)

Year 1	Year 2	Year 3	Year 4	Year 5
\$ 398,175	\$ 413,297	\$ 427,915	\$ 439,719	\$ 448,266

Island Air Service, having operated in the Kodiak area for over 40 years, has demonstrated its reliability by providing scheduled air service for the last 20 years. Island Air Service works hard to promote the sustainable development of the remote communities throughout the Kodiak Archipelago, by partnering with Discover Kodiak and other businesses to include local Guides/Outfitters, Lodges, and Commercial Fisheries.

Very Respectfully,

Adam R. Lutz, CEO

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## Appendix A

Weekly Frequency	2/1
Block Hours (w/10% weather delays)	500

	Year 1	Year 2	Year 3	Year 4	Year 5
<u>Projected Revenue</u>					
Passenger	\$ 169,810	\$ 171,508	\$ 176,653	\$ 183,719	\$ 192,905
Mail	\$ 39,840	\$ 40,238	\$ 40,641	\$ 41,047	\$ 41,458
Freight	\$ 67,100	\$ 68,442	\$ 69,811	\$ 71,207	\$ 73,343
Total Revenue	\$ 276,750	\$ 280,189	\$ 287,105	\$ 295,974	\$ 307,706
<u>Direct Expenses</u>					
Pilots	\$ 98,700	\$ 100,674	\$ 102,687	\$ 104,741	\$ 106,836
Fuel/Oil	\$ 90,420	\$ 93,133	\$ 96,858	\$ 100,732	\$ 103,754
Insurance	\$ 36,850	\$ 37,956	\$ 39,474	\$ 40,658	\$ 41,878
Maintenance	\$ 108,350	\$ 111,601	\$ 116,065	\$ 119,546	\$ 123,133
Ownership/Depr.	\$ 68,402	\$ 69,770	\$ 71,165	\$ 72,589	\$ 74,041
Total Direct Expenses	\$ 402,722	\$ 413,133	\$ 426,249	\$ 438,267	\$ 449,641
<u>Indirect Expenses</u>					
Station Expense	\$ 139,921	\$ 144,119	\$ 148,442	\$ 152,895	\$ 157,482
Administrative Costs	\$ 125,600	\$ 129,368	\$ 133,249	\$ 137,247	\$ 141,364
Total Indirect Expense	\$ 265,521	\$ 273,487	\$ 281,691	\$ 290,142	\$ 298,846
Total Operating Exp.	\$ 668,243	\$ 686,619	\$ 707,940	\$ 728,409	\$ 748,488
Profit Margin 1%	\$ 6,682	\$ 6,866	\$ 7,079	\$ 7,284	\$ 7,485
Requested Subsidy	\$ 398,175	\$ 413,297	\$ 427,915	\$ 439,719	\$ 448,266

## Appendix B

<u>Community</u>	<u>Total Intermediate Stops Allowed On Each Roundtrip</u>	<u>Peak Flights</u>	<u>Off-Peak Flights</u>
Alitak	2	2	1
Moser Bay	2	2	1
Olga Bay	2	2	1
Amook Bay	1	2	1
Kitot Bay	2	2	1
Port Bailey	2	2	1
Port Williams	2	2	1
Seal Bay	2	2	1
Uganik	2	2	1
West Point	2	2	1
Zachar Bay	1	2	1

Year 1 – 18 Week Peak Season	May 09, 2021 through September 11, 2021
Year 2 – 18 Week Peak Season	May 15, 2022 through September 17, 2022
Year 3 – 18 Week Peak Season	May 14, 2023 through September 16, 2023
Year 4 – 18 Week Peak Season	May 12, 2024 through September 14, 2024
Year 5 – 18 Week Peak Season	May 11, 2025 through September 13, 2025