

**BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
WASHINGTON, DC  
OFFICE OF THE SECRETARY**

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In the Matter of Essential Air Service at )  
EGEGIK, AK )  
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Docket DOT-OST-2015-0242

**SERVICE PROPOSAL OF  
BIDZY TA HOT' AANA, INC.  
d/b/a TANANA AIR SERVICE**

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September 13, 2021

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d/b/a TANANA AIR SERVICE**

Despite taking over the Essential Air Service contract for Egegik effective at the beginning of the COVID-19 pandemic, Tanana Air Service (Tanana) exceeded DOT service requirements in each month since March, 2020. It exceeded the total annual EAS contracted service requirement by 13%. Compared to its bid, passenger traffic dropped 68%, and freight traffic was down 69%. Mail traffic was up 40%, but it was not enough to offset the revenue losses from other traffic.

Thanks to a strong sockeye salmon season, passenger traffic beginning in April, 2021 was stronger than in 2020, but still well below 2019 levels. With new variants of COVID, it is expected that passenger traffic, the primary driver of frequency, will remain below 2019 levels in the foreseeable future. Mail has increased as mailed groceries replace foodstuffs and other items brought in as baggage with passengers. Groceries shipped as bypass mail arrive less frequently, but in volumes of 1,000-2,000 lbs. Tanana substitutes a Caravan for the bypass shipments.

Tanana has taken several steps to limit the impact of COVID on subsidized EAS. It has worked to consolidate as much traffic as possible on scheduled service, reducing charters and extra-sections with smaller aircraft. As a result, average onboard load is the same as when Grant operated in 2019.

All Alaskan carriers have seen significant increases in pilot and mechanic wages, aircraft parts and insurance since 2019. Tanana's direct expense unit costs have increased 20% since 2019. Wages, fuel and parts have gone up on a per hour basis. Insurance and ownership costs, which are charged annually regardless of use, have been exacerbated by reductions in aircraft utilization. Tanana has offset direct expenses by concentrating flight schedules and reducing stations and administrative staffing levels. Indirect unit costs are down 30% and administrative costs are down 20%. Total system expenses have increased only 1% since the 2019 bid.

Two years ago, Grant estimated total economic cost for the Egegik service at \$538,721, \$297,636 more than Tanana's current bid. Two years ago Grant requested \$304,470 in subsidy, \$110,013 (56%) more than Tanana. According to its most Cessna 207 recent bid, Grant's direct expenses have increased dramatically as well. Egegik and Ekwok have nearly identical block times, and Grant's recent Ekwok bid had direct expense per block hour 28.1% higher than for the 2019 Egegik bid. Grant's direct expenses in its 2021 Ekwok bid are 34.3% higher than in 2019 for the same service. By comparison, Tanana's direct costs per block hour have increased 21.0% since the last Egegik bid. Grant's 2021 Ekwok bid for indirect expenses per departure is

27.3% higher than Tanana's current Egegik bid, and Grant's administrative markup is twice that of Tanana.

In summary, Tanana has greatly exceeded the DOT's pandemic service levels at Egegik, enjoys continued community support, and maintains lower expense levels than Grant. During the challenging months of the pandemic, Tanana has set a higher standard of commitment and communication with the community.

WHEREFORE, Tanana requests that it be granted the Essential Service Contract to serve Egegik, AK.

**Respectfully Submitted**

**Bidzy Ta Hot 'Aana, Inc d/b/a Tanana Air Service**

A handwritten signature in blue ink, appearing to read "Hank Myers". The signature is stylized and cursive.

by Hank Myers, its authorized agent

September 13, 2021

**APPENDIX A  
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<u>9/13/2021</u>									Appendix A Page 1 of 2
<b>ESSENTIAL AIR SERVICE AT EGEGIK, AK</b>		<b>Cessna 207 SERVICE</b>							
<b>OPERATIONS</b>									
<b>MARKET</b>	<b>DEPS</b>	<b>AVG BLOCK</b>	<b>TOTAL BLOCK</b>						
AKN-EGX	225	29	6,525.0						
EGX-AKN	225	27	6,075.0						
<b>TOTAL</b>	<b>450</b>		<b>12,600.0</b>						
		<b>Block Hours</b>	<b>210.0</b>						
<b>EXPENSES</b>									
<b>Item</b>	<b>Units</b>	<b>Current Unit Costs</b>	<b>1st Year Expenses</b>	<b>2nd Year Expenses</b>	<b>3rd Year Expenses</b>	<b>4th Year Expenses</b>	<b>5th Year Expenses</b>		
Pilot & CoPilot	210.0	\$246.00	\$53,726.40	\$58,024.51	\$62,666.47	\$67,679.79	\$73,094.17		
Fuel & Oil	210.0	\$140.00	\$30,576.00	\$31,799.04	\$33,071.00	\$34,393.84	\$35,769.60		
All Insurance	210.0	\$145.60	\$31,799.04	\$33,071.00	\$34,393.84	\$35,769.60	\$37,200.38		
Maintenance	210.0	\$326.00	\$71,198.40	\$74,046.34	\$77,008.19	\$80,088.52	\$83,292.06		
Aircraft Lease/Depr	210.0	\$128.00	\$27,955.20	\$29,073.41	\$30,236.34	\$31,445.80	\$32,703.63		
<b>TOTAL DIRECTS</b>		<b>\$985.60</b>	<b>\$215,255.04</b>	<b>\$223,865.24</b>	<b>\$232,819.85</b>	<b>\$242,132.65</b>	<b>\$251,817.95</b>		
Traffic Related	450	\$36.00	\$16,848.00	\$17,521.92	\$18,222.80	\$18,951.71	\$19,709.78		
Departure Related	450	\$107.00	\$50,076.00	\$52,079.04	\$54,162.20	\$56,328.69	\$58,581.84		
<b>TOTAL INDIRECTS</b>		<b>\$143.00</b>	<b>\$66,924.00</b>	<b>\$69,600.96</b>	<b>\$72,385.00</b>	<b>\$75,280.40</b>	<b>\$78,291.61</b>		
<b>SUBTOTAL</b>			<b>\$282,179.04</b>	<b>\$293,466.20</b>	<b>\$305,204.85</b>	<b>\$317,413.04</b>	<b>\$330,109.57</b>		
<b>CAPACITY RELATED</b>		10.00%	\$28,217.90	\$29,346.62	\$30,520.48	\$31,741.30	\$33,010.96		
<b>TOTAL SYSTEM</b>			<b>\$310,396.94</b>	<b>\$322,812.82</b>	<b>\$335,725.33</b>	<b>\$349,154.35</b>	<b>\$363,120.52</b>		
<b>Specific Ground Support</b>									
<b>Contracted Ground Handling</b>			<b>\$24,372.00</b>	<b>\$25,346.88</b>	<b>\$26,360.76</b>	<b>\$27,415.19</b>	<b>\$28,511.79</b>		
<b>TOTAL OPERATING EXPENSES</b>			<b>\$334,768.94</b>	<b>\$348,159.70</b>	<b>\$362,086.09</b>	<b>\$376,569.53</b>	<b>\$391,632.31</b>		
<b>PROFIT @ 5% MARKUP</b>			<b>\$16,738.45</b>	<b>\$17,407.99</b>	<b>\$18,104.30</b>	<b>\$18,828.48</b>	<b>\$19,581.62</b>		
<b>TOTAL ALL EXPENSES</b>			<b>\$351,507.39</b>	<b>\$365,567.69</b>	<b>\$380,190.39</b>	<b>\$395,398.01</b>	<b>\$411,213.93</b>		
<b>TRAFFIC</b>	<b>Total</b>	<b>Average Yield</b>	<b>First Year Revenue</b>	<b>Second Year Revenue</b>	<b>Third Year Revenue</b>	<b>Fourth Year Revenue</b>	<b>Fifth Year Revenue</b>		
PASSENGERS	440	\$ 65.00	\$28,600	\$29,744	\$30,934	\$32,171	\$33,458		
FREIGHT	18500	\$ 0.75000	\$13,875	\$14,430	\$15,007	\$15,607	\$16,232		
MAIL	84600	\$ 1.16640	\$98,677	\$102,625	\$106,730	\$110,999	\$115,439		
<b>TOTAL</b>			<b>\$141,152</b>	<b>\$146,799</b>	<b>\$152,670</b>	<b>\$158,777</b>	<b>\$165,128</b>		
<b>SUBSIDY NEED</b>			<b>\$210,355</b>	<b>\$218,769</b>	<b>\$227,520</b>	<b>\$236,621</b>	<b>\$246,086</b>		
<b>SUBSIDY NEED/DEPARTURE</b>			<b>\$674.21</b>	<b>\$701.18</b>	<b>\$729.23</b>	<b>\$758.40</b>	<b>\$788.74</b>		
<b>SUBSIDY NEED PER PASSENGER</b>			<b>\$478.08</b>	<b>\$497.20</b>	<b>\$517.09</b>	<b>\$537.77</b>	<b>\$3,785.93</b>		
<b>Note: Passenger fares and freight rates are those charged today.</b>									
<b>Mail rates are current class rate increased by 4% to reflect anticipated rates.</b>									