

GRANT AVIATION

Proposal to Provide Subsidized Essential Air Service

For the Community of

Egegik, Alaska

DOT-OST-2015-0242

September 13, 2021

GRANT AVIATION

WHO WE ARE

Grant Aviation is a successful, mature airline with deep roots in Western Alaska. Since 1971, we have provided Alaskans with safe, dependable, and trouble free air transportation in one of the most remote and challenging aviation environments on Earth, at a price that people can afford.

We are a “Made in Alaska” airline, built upon respect for our customers, the communities we serve, and our employees.

OUR HIGHLIGHTS:

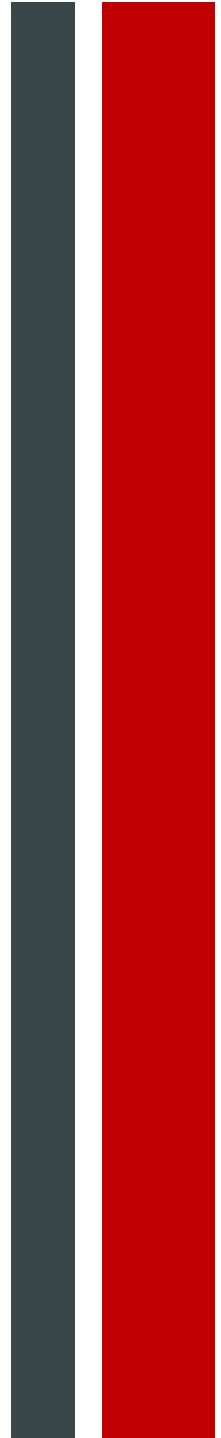
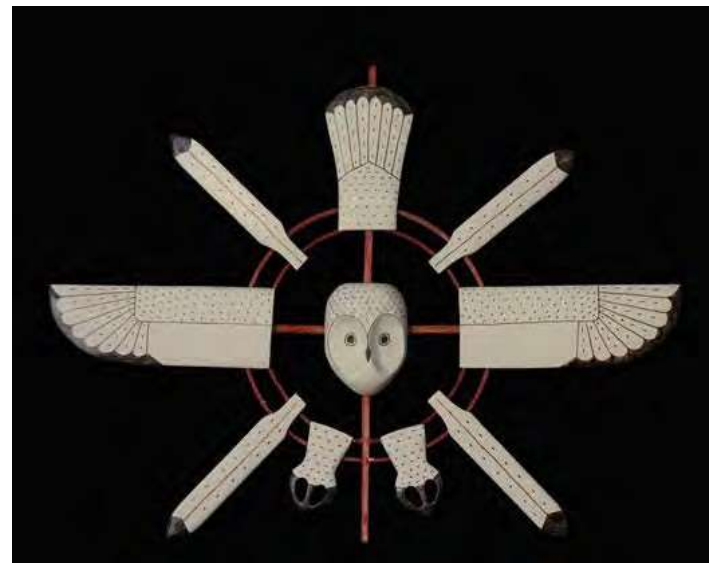
- A long history of affordable, safe service in bush Alaska.
- Committed to the communities we serve through community donations and partnerships.
- Well developed safety systems supporting aircraft dispatch, a complete online reservation system, and exemplary customer service through our dedicated call center.



GRANT AVIATION

OUR HISTORY

- Established in 1971 as Delta Air Service in Emmonak, Alaska. We changed our name to Grant Aviation in 1993.
- Grant Aviation was an early provider of medevac service in the Yukon /Kuskokwim Delta.
- Early 1990s: added scheduled service to Bethel and King Salmon.
- 1994: the village of Emmonak presented the company with an owl mask in appreciation for numerous life-saving efforts in the region; this mask became our company logo.
- 2001-2003: Became a certified air ambulance provider in the Yukon/Kuskokwim area and added Kenai to Anchorage scheduled service.
- 2012-2013: Expanded service to the Bristol Bay region and along the Aleutian Islands chain.
- 2014-2021: Continued to expand our service routes, and increased the number of aircraft in service to better serve all Alaskans.

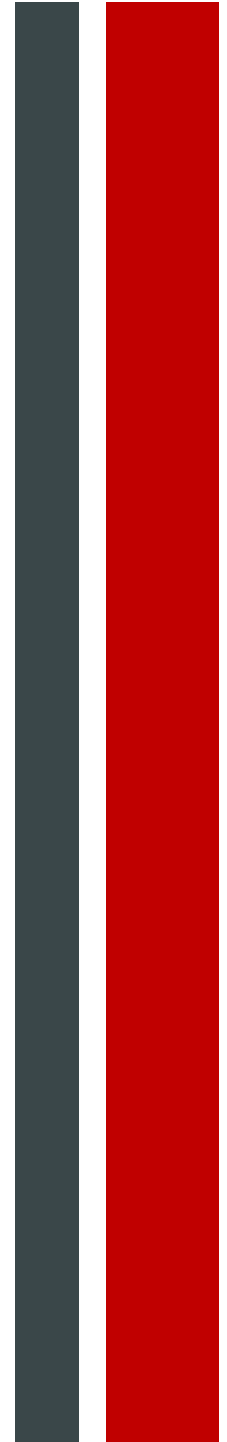


GRANT AVIATION

OUR 2021 FLEET

We operate the fleet listed below to effectively meet rural Alaska's travel needs, with aircraft ranging in passenger capacity from 6 to 9, and with varying capacity for freight and mail:

- 7 - GippsAero GA8 Airvans – seats 7, this aircraft type is engineered and built to meet the demands of the Alaskan bush environment.
- 12* - Cessna 207s – seats 6, currently used for short routes; phasing out as we replace these aircraft with newer Airvans.
- 25* - Cessna 208 Caravans – seats 9, the workhorse of rural Alaska; used for routes with higher passenger and freight loads.
- 4 - Piper Navajos – seats up to 9, twin engines for more demanding routes.
- 2 - Beechcraft King Airs – seats 9, used for longer flights over unforgiving terrain and extended over-water flights.
- * 4 of the C-208s and 3 of the C-207s listed above were acquired in 2020 and will be brought into service incrementally during 2021 and 2022 as passenger and freight volumes return to pre-COVID shutdown levels..



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Contract Scope

This proposal provides for air transportation of passengers, freight, and mail between Egegik and King Salmon.

Egegik's demand for air transportation is highly seasonal. Revenue derived from passenger traffic and cargo volume during the peak season months, May 1 through August 31, is anticipated to cover the cost of operating scheduled air service fully meeting the needs of the market throughout those months. Therefore, Grant Aviation proposes to provide scheduled air service to Egegik without subsidy during these peak traffic months of the year.

During this peak season, Grant Aviation will draw from its fleet of 50 VFR and IFR aircraft as needed to fully provide for the transportation needs of the residents of Egegik, as well as for the increased passenger, mail, and cargo traffic generated by the businesses, fishery permit holders, governmental agencies, and organizations engaged in the seasonal commercial fishery occurring in the Egegik area.

Regardless of traffic volume, the unsubsidized, scheduled air service Grant Aviation provides throughout this peak season will meet or exceed the minimum service requirements of the Department.

During the off-season months, September 1 through April 30, Grant Aviation proposes to provide subsidized EAS at the service frequency historically supported by the Department during this season, an average of 3 scheduled flights weekly, as weather permits, for a total of 104 flights during the off season. Service to and from Egegik will often include multi-stop service, allowing intervillage connections to other communities of the region.

The aircraft normally utilized in performance of this subsidized service would be either a Cessna C-207 or Gipps Aero GA-8 aircraft. During prolonged periods of IFR weather conditions, Grant Aviation may elect to use IFR capable aircraft to better serve Egegik and the communities of the Alaska Peninsula.

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Contract Term Options

Our proposal offers a choice of either a two year contract term, or, at the Department's option, a five year contract term. Grant Aviation is able to offer the five year term with a reduced annual subsidy due to anticipated cost savings as result of the longer term.

The brief summary tables below state the annual expected economic cost, expected market derived revenue, and requested annual subsidy required to provide EAS connecting Egegik and King Salmon, performing at the rate of 90% of the proposed service. Sheets stating detailed costs for each option follow this page.

Grant Aviation - Proposal for Seasonal EAS Subsidy - 5 Year Term Proposal						
Egigik, Alaska, 3 Flights To & From King Salmon Weekly, Sept 1 through April 30 each year						
	Year 1	Year 2	Year 3	Year 4	Year 5	5 Yr Total
Economic Cost	255,692	266,549	277,888	289,730	302,102	1,391,961
Revenue From Market	83,972	84,878	86,151	87,444	88,755	431,200
Baseline Subsidy Requirements	171,720	181,671	191,737	202,286	213,347	960,761
Projected savings as result of longer term	(5,152)	(5,450)	(5,752)	(6,069)	(6,400)	(28,823)
Requested Seasonal Subsidy	166,568	176,221	185,985	196,217	206,947	931,938

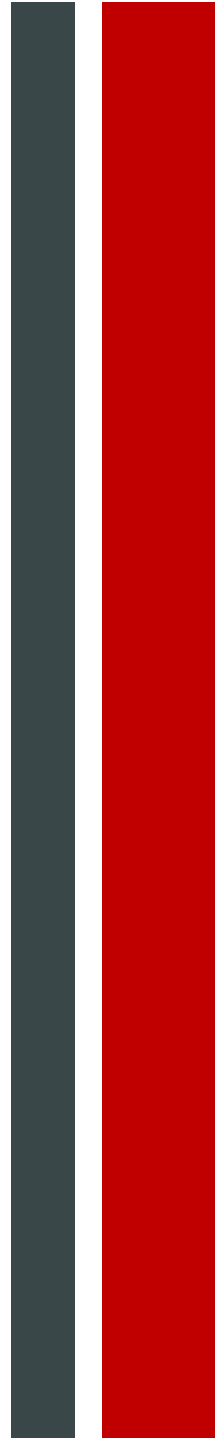
Grant Aviation - Proposal for Seasonal EAS Subsidy - 2 Year Term Proposal			
Egigik, Alaska, 3 Flights To & From King Salmon Weekly, Sept 1 through April 30 each year			
	Year 1	Year 2	2 Yr Total
Economic Cost	255,692	266,549	522,241
Revenue From Market	83,972	84,878	168,850
Requested Seasonal Subsidy	171,720	181,671	353,391

Proposal to provide Essential Air Service fro Egegik, Alaska - DOT-OST-2015-0242
Seasonal Subsidy Required, From September 1 Through April 30 Each Year, 3 Flights To & From King Salmon Weekly
5 Year Contract Term

	Year 1	Year 2	Year 3	Year 4	Year 5	5 Year Total
REVENUES FROM SCHEDULED OPERATIONS						
Passenger Revenue	23,526	23,526	23,878	24,237	24,600	119,767
Freight Revenue	20,924	21,238	21,557	21,880	22,208	107,807
Mail Revenue	39,522	40,114	40,716	41,327	41,947	203,626
TOTAL REVENUE FROM OPERATIONS	83,972	84,878	86,151	87,444	88,755	431,200
DIRECT EXPENSES						
Pilot Comp, Benefits & Travel	26,809	27,881	28,996	30,156	31,362	145,204
Mechanic Comp, Benefits & Travel	36,243	37,693	39,200	40,768	42,399	196,303
Fuel & Oil direct	14,202	15,267	16,412	17,643	18,966	82,490
Insurance	11,880	12,355	12,849	13,363	13,898	64,345
Aircraft Parts & Reserves direct	12,475	12,974	13,493	14,032	14,594	67,568
Ownership Expense	7,200	7,488	7,788	8,099	8,423	38,998
TOTAL DIRECT EXPENSE	108,809	113,658	118,738	124,061	129,642	594,908
INDIRECT STATION EXPENSES						
Rent - Hangar & Terminal	11,539	12,001	12,481	12,980	13,499	62,500
Equipment	1,923	2,000	2,080	2,163	2,250	10,416
Station Managers	16,423	17,080	17,764	18,474	19,213	88,954
Ground Service Agents	37,755	39,265	40,835	42,469	44,168	204,492
Customer Service Agents	17,500	18,200	18,928	19,685	20,472	94,785
Housing	3,938	4,096	4,260	4,430	4,607	21,331
Utilities	3,866	4,020	4,181	4,348	4,522	20,937
TOTAL INDIRECT STATION EXPENSE	92,944	96,662	100,529	104,549	108,731	503,415
Administrative Costs	41,763	43,536	45,388	47,323	49,343	227,353
TOTAL EXPENSE	243,516	253,856	264,655	275,933	287,716	1,325,676
5% Profit Margin	12,176	12,693	13,233	13,797	14,386	66,285
TOTAL ECONOMIC COST	255,692	266,549	277,888	289,730	302,102	1,391,961
Baseline Subsidy Requirement	171,720	181,671	191,737	202,286	213,347	960,761
Projected savings as result of longer term	(5,152)	(5,450)	(5,752)	(6,069)	(6,400)	(28,823)
REQUESTED SUBSIDY	166,568	176,221	185,985	196,217	206,947	931,938

GRANT AVIATION, INC
Proposal to provide Essential Air Service fro Egegik, Alaska - DOT-OST-2015-0242
Seasonal Subsidy Required, From September 1 Through April 30 Each Year, 3 Flights To & From King Salmon Weekly
2 Year Contract Term

	Year 1	Year 2	2 Year Total
REVENUES FROM SCHEDULED OPERATIONS			
Passenger Revenue	23,526	23,526	47,052
Freight Revenue	20,924	21,238	42,162
Mail Revenue	39,522	40,114	79,636
TOTAL REVENUE FROM OPERATIONS	83,972	84,878	168,850
DIRECT EXPENSES			
Pilot Comp, Benefits & Travel	26,809	27,881	54,690
Mechanic Comp, Benefits & Travel	36,243	37,693	73,936
Fuel & Oil direct	14,202	15,267	29,469
Insurance	11,880	12,355	24,235
Aircraft Parts & Reserves direct	12,475	12,974	25,449
Ownership Expense	7,200	7,488	14,688
TOTAL DIRECT EXPENSE	108,809	113,658	222,467
INDIRECT STATION EXPENSES			
Rent - Hangar & Terminal	11,539	12,001	23,540
Equipment	1,923	2,000	3,923
Station Managers	16,423	17,080	33,503
Ground Service Agents	37,755	39,265	77,020
Customer Service Agents	17,500	18,200	35,700
Housing	3,938	4,096	8,034
Utilities	3,866	4,020	7,886
TOTAL INDIRECT STATION EXPENSE	92,944	96,662	189,606
Administrative Costs	41,763	43,536	85,299
TOTAL EXPENSE	243,516	253,856	497,372
5% Profit Margin	12,176	12,693	24,869
TOTAL ECONOMIC COST	255,692	266,549	522,241
REQUESTED SUBSIDY	171,720	181,671	353,391



GRANT AVIATION

GRANT AVIATION HIGHLIGHTS

Grant Aviation would be honored to be selected as the EAS airline for Egegik, Alaska.

Company highlights include:

- Grant has robust safety systems in place ensuring the safest possible air travel in a challenging environment.
- Grant is a stable, mature airline with roots in Western Alaska.
- Grant has a long history of safely providing air service to the region.
- Grant is committed to the communities we serve.
- Grant has fully developed safety systems, reservations systems, dispatch and flight operations systems, and is continually investing in operational infrastructure to further improve the safety, quality, and reliability of our flight operations in rural Alaska.

Grant Aviation
Attn: Bruce McGlasson
(907) 529-6999
6420 Freyholtz Lane, Anchorage, AK 99502
bmcglasson@flygrant.com
www.FlyGrant.com